



**New Mexico State University Foundation, Inc.  
and Subsidiary**

**Financial Statements**

**For the Years Ended  
June 30, 2014 and 2013**

*Together with Report of Independent Auditors*



# New Mexico State University Foundation, Inc. and Subsidiary

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## New Mexico State University Foundation, Inc. and Subsidiary

### OFFICIAL ROSTER

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#### NMSU Foundation, Inc.

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##### Executive Officers

**Mr. John Cordova**

*Chairman*

**Ms. Brenda Porter**

*Treasurer*

**Mr. Nick Franklin**

*Vice Chairman*

**Ms. Lee Ellen Banks**

*Secretary*

**Ms. Cheryl D. Harrelson**

*President*

##### Members

Mr. Larry Allen

Mr. Presley Askew

Mr. Herman Baca

Ms. Raquel Bone

Mr. Brian Charlton

Mr. Jagdev Cheema

Mr. Philip Cook

Mrs. MaryLou Davis

Mrs. Jackie Edwards

Mr. Del Esparza

Dr. Brad Gordon

Mr. Gregory Green

Mr. Christian Hendrickson

Dr. Mike Johnson

Mr. Terry Johnson

Mr. Patrick Lamb

Mrs. Alma Levy

Dr. Patricia Lopez

Mr. Kyle Louvar

Mrs. Tana Lucy

Mr. Larry Lujan

Mr. Bobby Lutz

Mrs. Dion Messer

Mr. Tom Mobley, Jr.

Dr. Reynaldo Ortiz

Dr. John Papen, III

Mr. Gary Poling

Mr. Randy Pugh

Dr. Jo Raabe-Asprey

Mr. Richard Ridings

Mr. Joseph Salopek

Dr. Bill E. Sheriff

Mrs. Marianne Shipley

Mr. Dan Socolofsky

Mr. Lonnie Terry

Dr. Smoky Torgerson

Dr. Danny Villanueva

Mr. Browning Yelvington

Mrs. Sandy Zane

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#### NMSU Sports Enterprises, Inc.

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##### Executive Officers

**Dr. John Papen, III**

*President*

**Mr. Henry Cook**

*Vice President*

**Ms. Brenda Porter**

*Secretary/Treasurer*

**Mr. David McCollum**

*Executive Director*

##### Members

**Mr. Kit Johnson**

**Mr. Patrick Lamb**

**Mr. Nick Franklin**

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
New Mexico State University Foundation, Inc. and Subsidiary and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of New Mexico State University Foundation, Inc. and Subsidiary (the "Foundation") (a component unit of New Mexico State University) which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The Board of Directors  
New Mexico State University Foundation, Inc. and Subsidiary and  
Mr. Hector Balderas  
New Mexico State Auditor

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation and its subsidiary as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the Foundation's and its subsidiary internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the Foundation's and its subsidiary internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 30, 2014

**New Mexico State University Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2014 and 2013**

	<i>2014</i>	<i>2013</i>
ASSETS		
Cash and cash equivalents	\$ 8,167,324	\$ 10,637,732
Short-term investments (Note 3)	2,440,868	2,367,431
Contributions receivable, net (Note 2)	5,186,011	4,705,282
Property and equipment, net (Note 4)	328,286	404,568
Assets held in trust under split interest agreement	377,063	353,746
Assets held in trust for New Mexico State University (Note 5)	45,229,754	41,935,389
Assets held for long-term investment:		
Cash and cash equivalents	1,943,853	476,920
Securities (Note 6)	113,586,447	98,471,790
Accrued interest income	89,164	83,982
Land and building	609,880	2,353,688
Other assets	<u>1,455,934</u>	<u>1,545,370</u>
Total assets	<u>\$ 179,414,584</u>	<u>\$ 163,335,898</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Split interest agreement payable	\$ 186,002	\$ 206,068
Gift annuities payable	2,707,044	3,041,852
Other liabilities	625,994	1,339,096
Due to New Mexico State University (Note 5)	2,344,316	3,222,200
Assets held in trust for New Mexico State University (Note 5)	<u>45,229,754</u>	<u>41,935,389</u>
Total liabilities	<u>51,093,110</u>	<u>49,744,605</u>
Net assets:		
Unrestricted	4,230,760	2,884,953
Temporarily restricted (Note 7)	45,959,767	36,656,778
Permanently restricted (Note 8)	<u>78,130,947</u>	<u>74,049,562</u>
Total net assets	<u>128,321,474</u>	<u>113,591,293</u>
Total liabilities and net assets	<u>\$ 179,414,584</u>	<u>\$ 163,335,898</u>

**The accompanying notes to the consolidated financial statements are an integral part of these statements.**

**New Mexico State University Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2014**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 498,569	\$ 6,823,849	\$ 4,182,519	\$ 11,504,937
Net investment income (Note 9)	2,413,722	12,504,604	-	14,918,326
Management fees paid by New Mexico State University (Note 5)	745,737	-	-	745,737
Promotion and other income	1,518,832	1,701,209	(91,524)	3,128,517
Change in value of split interest agreements and gift annuities payable	-	111,155	(154,235)	(43,080)
NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:				
Change in donor restrictions	(388,157)	243,532	144,625	-
Net assets released from donor restrictions (Note 10)	10,853,620	(10,853,620)	-	-
Other transfers (Note 14)	<u>1,227,740</u>	<u>(1,227,740)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>16,870,063</u>	<u>9,302,989</u>	<u>4,081,385</u>	<u>30,254,437</u>
EXPENSES (Note 11):				
Program	11,446,212	-	-	11,446,212
Fundraising	2,235,741	-	-	2,235,741
Administration	<u>1,842,303</u>	<u>-</u>	<u>-</u>	<u>1,842,303</u>
Total expenses	<u>15,524,256</u>	<u>-</u>	<u>-</u>	<u>15,524,256</u>
CHANGE IN NET ASSETS	1,345,807	9,302,989	4,081,385	14,730,181
NET ASSETS, beginning of year	<u>2,884,953</u>	<u>36,656,778</u>	<u>74,049,562</u>	<u>113,591,293</u>
NET ASSETS, end of year	<u>\$ 4,230,760</u>	<u>\$ 45,959,767</u>	<u>\$ 78,130,947</u>	<u>\$ 128,321,474</u>

**The accompanying notes to the consolidated financial statements are an integral part of these statements.**

**New Mexico State University Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2013**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 219,285	\$ 5,978,078	\$ 4,857,867	\$ 11,055,230
Net investment income (Note 9)	2,453,355	7,504,413	-	9,957,768
Management fees paid by New Mexico State University (Note 5)	713,146	-	-	713,146
Promotion and other income	1,440,441	1,690,542	479	3,131,462
Change in value of split interest agreements and gift annuities payable	-	(180,771)	22,299	(158,472)
NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:				
Change in donor restrictions	(23,169)	211,638	(188,469)	-
Net assets released from donor restrictions (Note 10)	9,190,563	(9,190,563)	-	-
Other transfers (Note 14)	<u>1,334,707</u>	<u>(1,334,707)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>15,328,328</u>	<u>4,678,630</u>	<u>4,692,176</u>	<u>24,699,134</u>
EXPENSES (Note 11):				
Program	10,065,564	-	-	10,065,564
Fundraising	2,013,635	-	-	2,013,635
Administration	<u>1,141,780</u>	<u>-</u>	<u>-</u>	<u>1,141,780</u>
Total expenses	<u>13,220,979</u>	<u>-</u>	<u>-</u>	<u>13,220,979</u>
CHANGE IN NET ASSETS	2,107,349	4,678,630	4,692,176	11,478,155
NET ASSETS, beginning of year	<u>777,604</u>	<u>31,978,148</u>	<u>69,357,386</u>	<u>102,113,138</u>
NET ASSETS, end of year	<u>\$ 2,884,953</u>	<u>\$ 36,656,778</u>	<u>\$ 74,049,562</u>	<u>\$ 113,591,293</u>

**The accompanying notes to the consolidated financial statements are an integral part of these statements.**



**New Mexico State University Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flow**  
**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Change in net assets	\$ 14,730,181	\$ 11,478,155
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on marketable securities, net	(12,507,036)	(7,232,607)
Amortization of marketable securities, net of accretion	(73,687)	(65,664)
Gifts of marketable securities received	(1,288,422)	(354,895)
Depreciation	107,597	106,923
Gift of land received	-	(1,810,000)
(Gain) loss on disposal of property and equipment	(5,478)	20,003
Loss on sale of land	93,976	-
Unrealized gain on other assets	(111,634)	(23,209)
Unrealized gain on land and building held for long-term investment	-	(10,546)
Contributions held for long-term investment	(4,291,885)	(2,848,081)
Dividends and interest held for long-term investment	(2,440,174)	(3,210,898)
Actuarial gain on obligations under split interest agreements	(334,808)	(13,466)
Actuarial gain on gift annuities payable	(20,066)	(57,334)
Net changes in assets and liabilities:		
Contributions receivable	(480,729)	(351,634)
Assets held in trust under split interest agreements	(50,191)	262,037
Accrued interest held for long-term investment	(5,182)	2,081
Other assets	183,070	577,271
Other liabilities	(713,102)	435,008
Due to New Mexico State University	(877,884)	344,741
Net cash flows used by operating activities	<u>(8,085,454)</u>	<u>(2,752,115)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(44,837)	(100,899)
Change in cash and cash equivalents held for long-term investment	(1,303,246)	1,223,287
Sales, maturities and principal payments received of marketable securities	23,682,130	43,252,132
Purchases of marketable securities	(24,974,205)	(43,858,575)
Principal payments received on note receivable for long-term investment	18,000	18,000
Proceeds from sale of property and equipment	1,668,832	179,176
Net cash flows provided by investing activities	<u>(953,326)</u>	<u>713,121</u>
Cash flows from financing activities:		
Contributions held for long-term investment	4,291,885	2,848,081
Dividends and interest held for long-term investment	2,440,174	3,210,898
Payments of gift annuity obligations	(163,687)	(175,077)
Net cash flows provided by financing activities	<u>6,568,372</u>	<u>5,883,902</u>
Net increase in cash and cash equivalents	(2,470,408)	3,844,908
Cash and cash equivalents, beginning of year	<u>10,637,732</u>	<u>6,792,824</u>
Cash and cash equivalents, end of year	<u>\$ 8,167,324</u>	<u>\$ 10,637,732</u>

**The accompanying notes to the consolidated financial statements are an integral part of these statements.**

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 1 - Organization and Activities

New Mexico State University Foundation, Inc. and its Subsidiary (Foundation) is a nonprofit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of New Mexico State University (University). The Foundation is exempt from Federal income taxes under Internal Revenue Code section 501(c)(3). The Foundation is reported in the University's financial statements as a discretely presented component unit.

### Note 2 - Summary of Significant Accounting Policies

**Basis of Presentation.** The Consolidated Financial Statements of the New Mexico State University Foundation, Inc. and operating affiliate and associate have been consolidated and all significant intercompany amounts and transactions have been eliminated. The operating affiliates and associates consist of the Foundation and NMSU Sports Enterprises, Inc.

In the accompanying Consolidated Financial Statements, net assets that have similar characteristics have been combined into similar categories as follows:

- *Permanently restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Such assets primarily include the Foundation's permanent endowment funds. Generally, the donors of these assets permit the Foundation's use of all or part of the investment return on these assets.
- *Temporarily restricted* – Net assets whose use by the Foundation is subject to donor imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire with the passage of time.
- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes, such as quasi-endowments, by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unless otherwise designated, unrestricted net assets are used for the support of University programs.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents.** Cash and cash equivalents include cash and short-term investments with original maturities to the Foundation of three months or less. The Foundation does not require that excess cash be collateralized by securities. These assets are not restricted for long-term investment as endowments.

**Investments.** Securities purchased are originally recorded at cost; securities received by gift are recorded at estimated fair value at the date of donation. The aggregate annual amounts of these gifts are disclosed in the Consolidated Statements of Cash Flow. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in net investment income in the accompanying financial statements.

The Foundation's investments are carried at fair value. The estimated fair value of investments is based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on the most recent valuations provided by the external investment managers.

The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 2 - Summary of Significant Accounting Policies (Continued)

**Contributions Receivable.** Contributions receivable include unconditional promises to give that have not yet been collected, including amounts to be received at the termination of several charitable remainder trusts for which the Foundation is not the trustee. Contributions expected to be collected in future years are reported at an amount determined using the discounted present value of future contributions, including an allowance for uncollectible contributions estimated by management. The applicable IRS discount rate for June 2014 and 2013 was 2.2% and 1.2%, respectively. Contributions receivable determined uncollectible during the fiscal year are written off when considered uncollectible. A total of \$42,870 and \$78,972 was written off during 2014 and 2013, respectively. Contributions receivable for the fiscal years ended June 30, 2014 and 2013 were as follows:

	<i>2014</i>	<i>2013</i>
Within one year	\$ 1,784,037	\$ 369,043
From one to five years	1,147,968	1,554,405
More than five years	<u>2,795,965</u>	<u>3,001,063</u>
	5,727,970	4,924,511
Reserve	(506,545)	(200,225)
Present Value Discount	<u>(35,414)</u>	<u>(19,004)</u>
Total Net Contributions Receivable	<u>\$ 5,186,011</u>	<u>\$ 4,705,282</u>

**Property and Equipment.** Property and equipment is stated at cost. Additions and major improvements are capitalized in the appropriate asset accounts and the capitalization threshold is \$500. Repairs and maintenance are charged to expense as incurred. Straight-line depreciation is recorded over the following periods approximating the useful lives of each class of asset: computer equipment and software, 5 years; furniture and equipment, 7 years; and automobiles, 5 years.

**Split Interest Agreements.** The Foundation holds an irrevocable charitable remainder trust. This is reflected in the accompanying Consolidated Financial Statements as a split interest agreement.

The charitable remainder trust designates the Foundation as both trustee and remainder beneficiary. The Foundation is required to pay to the donor (or another donor-designated income beneficiary) either a fixed amount or the lesser of a fixed percentage of the fair market value of the trust's assets or the trust's income during the beneficiary's life. Trust assets are measured at fair value when received, and are carried by the Foundation at fair value. A corresponding trust liability is measured at the present value of expected future cash flows to be paid to the beneficiary computed using the applicable IRS discount rate, which for June 2014 and 2013 was 2.2% and 1.2%, respectively. Upon death of the income beneficiary, substantially all of the principal balances pass to the Foundation to be used in accordance with the donor's wishes.

**Assets Held for Long-Term Investment.** The Foundation manages a pool of assets invested to produce income to support programs of the University. These assets consist of cash and cash equivalents, marketable securities and related amounts of interest income receivable and a building held for investment. A portion of these assets belongs to the University; these are held in trust and managed by the Foundation (see Note 5). The Foundation owns the remainder, including endowments and gift annuities. In the accompanying Consolidated Financial Statements, assets held in trust for New Mexico State University include the portion of the pool owned by the University; assets held for long-term investment include the portion of the pool owned by the Foundation.

Also reported under this caption is donated property held for investment or held for sale with the proceeds to be invested long-term for income production. The properties are recorded at their fair value as of June 30, 2014 and 2013.

**Other Assets.** Other assets consist primarily of works of art that the Foundation intends to hold indefinitely, reproductions of works of art held for resale, note receivable, the cash surrender value of life insurance policies, and other receivables. The works of art and note receivable are recorded at fair value as of June 30, 2014 and 2013. The reproductions of works of art are recorded at fair value on the date of donation.

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 2 - Summary of Significant Accounting Policies (Continued)

**Gift Annuities Payable.** The Foundation sponsors a charitable gift annuity program. To participate in the program, donors make gifts to the Foundation of assets, normally cash or marketable securities. In return, the donor and/or another designated beneficiary receive, from the Foundation, periodic payments for the life of the beneficiary. Upon death of the income beneficiary, the remaining amount from the original gift and its earnings are used in accordance with the donor's wishes. Gift annuities payable in the accompanying Consolidated Statements of Financial Position represent the net present value of periodic annuity payments over the estimated remaining lives of the income beneficiaries computed using the applicable IRS discount rate, which for June 2014 and 2013 was 2.2% and 1.2%, respectively.

**Support.** The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from donor restrictions.

The Foundation reports gifts of land, property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Change in Donor Restrictions.** During the years ended June 30, 2014 and 2013, the Foundation was contacted by some of its donors who wished to restrict permanently previous temporarily restricted donations or to release assets from previously imposed restrictions. In response to the requests, the Foundation transferred the requested amounts to the appropriate net asset class.

**Fair Value of Assets and Liabilities.** Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820 (ASC 820), *Fair Value Measurements*, defines fair value and establishes a framework for measuring fair value and expands disclosures about fair value measurements. See Note 13.

**Reclassifications.** Certain reclassifications have been made to the 2013 Consolidated Financial Statements to conform to the classifications used in 2014.

### Note 3 - Short-Term Investments

The Foundation invests cash in excess of daily requirements in certificates of deposit and short-term marketable securities. In the accompanying Consolidated Financial Statements, short-term investments in marketable securities also represent a portion of these investments that do not qualify as cash equivalents. Short-term investments in marketable securities consisted entirely of domestic corporate stocks and bonds at June 30, 2014 and 2013.

## New Mexico State University Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

#### Note 3 - Short-Term Investments (Continued)

Returns from certificates of deposit and short-term investments in marketable securities are included in unrestricted net assets in the accompanying Consolidated Statements of Activities. The following table summarizes the short-term investments and related activity for the years ended June 30, 2014 and 2013.

	<b>2014</b>	<b>2013</b>
Certificates of deposit	\$ 2,048,105	\$ 2,040,950
Marketable securities	<u>392,763</u>	<u>326,481</u>
	<u>\$ 2,440,868</u>	<u>\$ 2,367,431</u>
	<b>2014</b>	<b>2013</b>
Unrealized gain, net	\$ 65,757	\$ 99,989
Dividends and interest	<u>15,567</u>	<u>18,044</u>
	<u>\$ 81,324</u>	<u>\$ 118,033</u>

#### Note 4 - Property and Equipment

Depreciation expense for the fiscal years ended June 30, 2014 and 2013, was \$107,597 and \$106,923, respectively, and is included in administration expense on the accompanying Consolidated Statements of Activities. Major classifications of property and equipment at June 30, 2014 and 2013 are summarized below:

	<b>2014</b>	<b>2013</b>
Computer equipment and software	\$ 515,206	\$ 555,782
Furniture and equipment	140,803	175,231
Automobiles	<u>106,316</u>	<u>107,320</u>
	762,325	838,333
Less: Accumulated depreciation	<u>(434,039)</u>	<u>(433,765)</u>
	<u>\$ 328,286</u>	<u>\$ 404,568</u>

#### Note 5 - Affiliated Entity

During 1991, the Foundation entered into an agreement to manage, invest and distribute earnings from substantially all of the University's endowment funds, as directed by the Board of Regents of the University. The Foundation is authorized to hold in its name all assets received from the University. This agreement is for an indefinite period, but may be terminated by either party with 90 days notice. University endowment funds are pooled with Foundation endowment funds and gift annuity assets for investment. Under this agreement, the Foundation earned \$745,737 and \$713,146 in administration fees from the University during the fiscal years ended June 30, 2014 and 2013, respectively. Assets and liabilities for the amounts received by the Foundation under this agreement, as well as earnings and net appreciation from the investment of those assets, are included in assets held in trust for New Mexico State University in the accompanying Consolidated Statements of Financial Position. Assets held in trust for New Mexico State University totaled \$45,229,754 and \$41,935,389 at June 30, 2014 and 2013, respectively. Of these assets, \$41,237,729 and \$38,145,602, as of June 30, 2014 and 2013, respectively, represent assets measured at fair value (see Note 13). The remaining assets included in assets held in trust for New Mexico State University represent cash amounts that are not subject to fair value measurements.

The University, in exchange for the Foundation's fundraising activities that directly benefit the University, provides certain facilities and services to the Foundation. The University provides the premises occupied by the Foundation and certain of the furniture, fixtures and equipment used by the Foundation. The Foundation recorded \$186,842 and \$201,165 during the fiscal years ended June 30, 2014 and 2013, respectively, for the estimated fair rental value of the premises, furniture, fixtures and equipment owned by the University. The property is not recorded in the accompanying Consolidated Financial Statements. In addition, employees of the University perform all administrative services for the Foundation. A portion of the salaries for these employees (\$2,008,183 and \$1,609,531 for the years ended June 30, 2014 and 2013, respectively) was reimbursed to the University by the Foundation.

## New Mexico State University Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

#### Note 5 - Affiliated Entity (Continued)

Amounts due to New Mexico State University in the accompanying Consolidated Statements of Financial Position include salary expenses to be reimbursed to the University, as well as current use gifts and endowment earnings amounts for which the University has satisfied donor restrictions.

#### Note 6 - Assets Held for Long-Term Investment - Securities

The aggregate carrying amounts of assets held for long-term investment in securities by major types at June 30, 2014 and 2013, are shown in the table below:

	<i>2014</i>	<i>2013</i>
Domestic corporate stocks and bonds	\$ 43,773,626	\$ 39,398,854
Alternative investments	31,977,120	29,208,663
Mortgage backed securities	14,563,660	7,069,935
Foreign equities and mutual funds	11,944,871	10,142,271
U.S. Government securities	11,327,170	12,652,067
	<u>\$ 113,586,447</u>	<u>\$ 98,471,790</u>

The following schedule summarizes the total return on long-term investments and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2014 (see Note 9):

<i>2014</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Dividends and interest	\$ -	\$ 2,513,861	\$ -	\$ 2,513,861
Realized gains, net	2,335,839	421,425	-	2,757,264
Unrealized gains, net	-	10,079,283	-	10,079,283
Investment expenses	-	(526,134)	-	(526,134)
	<u>\$ 2,335,839</u>	<u>\$ 12,488,435</u>	<u>\$ -</u>	<u>\$ 14,824,274</u>

The following schedule summarizes the total return on assets held for long-term investment and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2013 (see Note 9):

<i>2013</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Dividends and interest	\$ -	\$ 3,276,562	\$ -	\$ 3,276,562
Realized gains, net	2,346,644	661,963	-	3,008,607
Unrealized gains, net	-	4,087,862	-	4,087,862
Investment expenses	-	(542,339)	-	(542,339)
	<u>\$ 2,346,644</u>	<u>\$ 7,484,048</u>	<u>\$ -</u>	<u>\$ 9,830,692</u>

#### Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purposes:

	<i>2014</i>	<i>2013</i>
Student aid	\$ 17,442,878	\$ 14,016,336
General, departments or colleges & buildings, etc.	13,824,874	10,934,362
Faculty and staff compensation	8,434,481	7,051,622
Research	3,527,028	2,830,940
Other	2,730,506	1,823,518
	<u>\$ 45,959,767</u>	<u>\$ 36,656,778</u>

## New Mexico State University Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

#### Note 8 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity to produce income for specified purposes. The table below shows the amounts of permanently restricted net assets at June 30, 2014 and 2013, by the purpose to which the use of income is restricted:

	<i>2014</i>	<i>2013</i>
Student aid	\$ 38,790,613	\$ 36,827,463
Faculty and staff compensation	22,643,851	21,153,430
General use for departments or colleges	13,155,396	12,790,244
Research	2,798,722	2,514,865
Buildings, grounds, equipment and facilities	482,237	507,155
Other	<u>260,128</u>	<u>256,405</u>
	<u>\$ 78,130,947</u>	<u>\$ 74,049,562</u>

#### Note 9 - Net Investment Income (Loss)

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2014:

<i>2014</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Dividends and interest on cash and cash equivalents	\$ 12,062	\$ 7,155	\$ -	\$ 19,217
Gain from short-term investments	65,821	-	-	65,821
Interest on cash and cash equivalents held for long-term investment	-	9,014	-	9,014
Gain from marketable securities long-term investment (Note 6)	<u>2,335,839</u>	<u>12,488,435</u>	<u>-</u>	<u>14,824,274</u>
	<u>\$ 2,413,722</u>	<u>\$ 12,504,604</u>	<u>\$ -</u>	<u>\$ 14,918,326</u>

The following table summarizes the components of net investment income for the year ended June 30, 2013:

<i>2013</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Dividends and interest on cash and cash equivalents	\$ 6,722	\$ 11,322	\$ -	\$ 18,044
Gain from short-term investments	99,989	-	-	99,989
Interest on cash and cash equivalents held for long-term investment	-	9,043	-	9,043
Gain from marketable securities long-term investment (Note 6)	<u>2,346,644</u>	<u>7,484,048</u>	<u>-</u>	<u>9,830,692</u>
	<u>\$ 2,453,355</u>	<u>\$ 7,504,413</u>	<u>\$ -</u>	<u>\$ 9,957,768</u>

## New Mexico State University Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

#### Note 10 - Net Assets Released from Donor Restrictions

Net assets released from donor restrictions after incurring expenses that satisfied the restricted purposes or after the occurrence of other events specified by donors during the fiscal years ended June 30, 2014 and 2013, were as follows:

	<i>2014</i>	<i>2013</i>
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 5,418,200	\$ 6,312,231
Student aid	2,230,354	2,072,558
Buildings, grounds, equipment and facilities	2,081,755	38,655
Faculty and staff compensation	821,185	513,030
Research	287,720	238,691
Other	14,406	15,398
	<u>\$ 10,853,620</u>	<u>\$ 9,190,563</u>

#### Note 11 - Expenses

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2014 and 2013 were as follows:

	<i>2014</i>	<i>2013</i>
Program expenses and grants	\$ 11,446,212	\$ 10,065,564
Salaries	2,008,183	1,609,531
Supplies and services	1,373,388	846,746
Professional fees	389,356	389,516
Travel	199,232	198,112
Depreciation	107,597	106,923
Utilities	288	4,587
	<u>\$ 15,524,256</u>	<u>\$ 13,220,979</u>



# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 12 - Deposit Accounts and Investments as of June 30, 2014

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
<b>Cash - Wells Fargo Bank of New Mexico:</b>				
Operations	Checking	\$ 122,321	\$ (31,507)	\$ 90,814
Program	ACH	508,210	-	508,210
Program	Checking	2,204,318	23,396	2,227,714
Program	Transfer	5,056,595	-	5,056,595
Program	Wire	220,005	-	220,005
Operations - NMSU Sports Enterprises, Inc.	Checking	80,784	(54,007)	26,777
<b>Citizens Bank of Las Cruces:</b>				
Program	Certificate of Deposit	100,000	-	100,000
<b>Merrill Lynch:</b>				
Operations	Checking	2	-	2
Operations	Money Market	121,573	(50,000)	71,573
Program	Checking	4,974	-	4,974
Program	Money Market	1,862,985	-	1,862,985
Program-Cash Gift Annuity	Checking & Money Market	16,768	(10,777)	5,991
Program-Private Equity	Checking & Money Market	131,858	-	131,858
Less Cash Allocated to NMSU for AHIT (Program) Held in Trust		(2,140,174)	-	(2,140,174)
<b>Investment Cash - Merrill Lynch:</b>				
<b>Managers:</b>				
Hedge Access	Money Market	22,374	-	22,374
Eagle	Money Market	168,310	-	168,310
McDonnell	Money Market	1,355,959	-	1,355,959
Global Templeton	Money Market	1	-	1
Earnest	Money Market	163,919	-	163,919
NWQ	Money Market	341,154	-	341,154
Fred Alger	Money Market	185,342	-	185,342
Managed Futures	Money Market	53,116	-	53,116
Invesco REITS	Money Market	106,524	-	106,524
Short Term Investment Fund	Money Market	9,331	-	9,331
NFJ International	Money Market	366,205	-	366,205
UMA Eagle	Money Market	77,078	-	77,078
WHV International	Money Market	272,803	-	272,803
Title V	Money Market	47,043	-	47,043
Winslow - TMA	Money Market	71,989	-	71,989
London - TMA	Money Market	290,264	-	290,264
Loomis - TMA	Money Market	51,948	-	51,948
NMSU Business College	Money Market	332	-	332
Less Cash Allocated to NMSU for AHIT	Held in Trust	(1,639,839)	-	(1,639,839)
<b>Total Cash</b>		<u>\$ 10,234,072</u>	<u>\$ (122,895)</u>	<u>\$ 10,111,177</u>
<b>Investments - Merrill Lynch:</b>				
Corporate Stocks and Bonds	Investment	\$ 52,309,368	\$ -	\$ 52,309,368
U.S. Government and Agency Securities	Investment	11,327,170	-	11,327,170
Mortgage Backed Securities	Investment	14,563,660	-	14,563,660
Limited Partnerships - Alternative	Investment	31,977,120	-	31,977,120
Mutual Funds	Investment	3,409,129	-	3,409,129
<b>Total Investments - Merrill Lynch</b>		<u>113,586,447</u>	<u>-</u>	<u>113,586,447</u>
Real Estate Holdings	Investment	609,880	-	609,880
Short-term Investments	Investment	2,440,868	-	2,440,868
Accrued Investment Interest	Investment	89,164	-	89,164
<b>Total Other Investments</b>		<u>3,139,912</u>	<u>-</u>	<u>3,139,912</u>
<b>Total Investments</b>		<u>\$ 116,726,359</u>	<u>\$ -</u>	<u>\$ 116,726,359</u>

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 12 - Deposit Accounts and Investments as of June 30, 2013

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
<b>Cash - Wells Fargo Bank of New Mexico:</b>				
Operations	Checking	\$ 271,387	\$ (26,872)	\$ 244,515
Program	ACH	137,631	-	137,631
Program	Checking	506,492	(31,194)	475,298
Program	Transfer	21,950	-	21,950
Program	Wire	49,976	-	49,976
Operations - NMSU Sports Enterprises, Inc.	Checking	339,468	(6,463)	333,005
<b>Citizens Bank of Las Cruces:</b>				
Program	Checking	3,163	-	3,163
Program	Money Market	3,846	-	3,846
<b>Merrill Lynch:</b>				
Operations	Checking	2	-	2
Operations	Money Market	1,531,828	-	1,531,828
Program	Checking	3	-	3
Program	Money Market	7,724,714	(38,797)	7,685,917
Program-Cash Gift Annuity	Checking & Money Market	84,390	(11,045)	73,345
Program-Private Equity	Checking & Money Market	77,253	-	77,253
<b>Investment Cash - Merrill Lynch:</b>				
<b>Managers:</b>				
Hedge Access	Money Market	1,750,572	-	1,750,572
Eagle	Money Market	29,837	-	29,837
McDonnell	Money Market	517,178	-	517,178
Global Templeton	Money Market	792	-	792
Earnest	Money Market	107,099	-	107,099
NWQ	Money Market	178,753	-	178,753
Fred Alger	Money Market	145,519	-	145,519
Oppenheimer	Money Market	7,824	-	7,824
Managed Futures	Money Market	200,215	-	200,215
Invesco REITS	Money Market	212,089	-	212,089
Aletheia (Large Cap Value)	Money Market	63,258	-	63,258
Short Term Investment Fund	Money Market	147,567	-	147,567
NFJ International	Money Market	259,760	-	259,760
UMA Eagle	Money Market	113,256	-	113,256
WHV International	Money Market	49,654	-	49,654
SPAR	Money Market	1	-	1
Winslow	Money Market	91,770	-	91,770
London	Money Market	171,902	-	171,902
NMSU Business College	Money Market	1,873	-	1,873
Less Cash Allocated to NMSU for AHIT	Held in Trust	(3,571,999)	-	(3,571,999)
<b>Total Cash</b>		<b>\$ 11,229,023</b>	<b>\$ (114,371)</b>	<b>\$ 11,114,652</b>
<b>Investments - Merrill Lynch:</b>				
Corporate Stocks and Bonds	Investment	\$ 46,486,766	\$ -	\$ 46,486,766
U.S. Government and Agency Securities	Investment	7,069,935	-	7,069,935
Mortgage Backed Securities	Investment	12,652,067	-	12,652,067
Limited Partnerships - Alternative	Investment	29,208,663	-	29,208,663
Mutual Funds	Investment	3,054,359	-	3,054,359
<b>Total Investments - Merrill Lynch</b>		<b>98,471,790</b>	<b>-</b>	<b>98,471,790</b>
Real Estate Holdings	Investment	2,353,688	-	2,353,688
Short-term Investments	Investment	2,367,431	-	2,367,431
Accrued Investment Interest	Investment	83,982	-	83,982
<b>Total Other Investments</b>		<b>4,805,101</b>	<b>-</b>	<b>4,805,101</b>
<b>Total Investments</b>		<b>\$ 103,276,891</b>	<b>\$ -</b>	<b>\$ 103,276,891</b>

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 13 - Fair Value of Assets and Liabilities

#### Assets

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

**Level 1** Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities.

**Level 2** If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include governmental and corporate bonds, foreign obligations, and collateralized mortgage backed securities.

**Level 3** These investments include partnerships and hedge funds whose values are determined based on financial data provided by the individual funds and partnerships. Investments classified within Level 3 have significant unobservable inputs. The valuation of these funds is determined by unobservable inputs such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including: audited financials, unaudited financial statements, and net asset valuations.

Transfers of investments between different levels of the fair value hierarchy, if any, are recorded as of the beginning of the reporting period. There were no transfers in 2014 and 2013.

In certain cases, both observable and unobservable inputs may be used to determine the fair value of investments and, in such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The degree of judgment exercised in determining fair value is greatest for investments in Level 3. Because of the inherent uncertainty of valuation, those estimated value may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The Foundation's Investment Committee (the Committee) oversees the endowment pool of investments, Foundation's Pooled Endowment Fund (the Fund). The Committee has engaged the professional investment management consultant Merrill Lynch Wealth Management (Merrill Lynch) to assist them in strategic planning for the Fund. Merrill Lynch acts as a liaison between the investment managers and the Committee and will interpret performance results of the Fund.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

**Government Securities and Corporate Stocks and Bonds** are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within Level 2 of the valuation hierarchy.

**Equity Securities** are valued at the closing price reported on the active market on which the individual securities are traded.

**Mutual Funds** are valued at market rates such as quoted prices for similar assets or liabilities. They may also be valued by quoted prices in markets that are not active.

**Hedge Fund and Venture Capital Investments**, which are not readily marketable, are carried at estimated fair values. Fair value is based upon information provided by the management of each Fund, including audited financial statements and any other relevant factors. Because of the absence of a readily determinable fair value and the inherent uncertainty of valuation, the estimated fair value may differ significantly from the value that would have been used had a ready market for the investment existed, and the difference could be material. These investments are not immediately redeemable at the reporting date. These investments have significant unobservable inputs and are classified within Level 3 of the valuation hierarchy.

## New Mexico State University Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

#### Note 13 - Fair Value of Assets and Liabilities (Continued)

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014:

<i>2014</i>	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2014</i>
Equity Securities:				
Large Cap Growth	\$ 8,786,330	\$ -	\$ -	\$ 8,786,330
Large Cap Value	8,406,805	-	-	8,406,805
Small Cap Growth	7,662,977	-	-	7,662,977
Large Cap Dividend	8,457,549	-	-	8,457,549
Small Cap Value	8,325,093	-	-	8,325,093
Mutual Funds	3,716,680	-	-	3,716,680
Total Equity Securities	<u>45,355,434</u>	<u>-</u>	<u>-</u>	<u>45,355,434</u>
Foreign Equity Securities:				
Foreign Developed Markets	10,363,063	-	-	10,363,063
Foreign Emerging Markets	6,880,123	-	-	6,880,123
Total Foreign Equity Securities	<u>17,243,186</u>	<u>-</u>	<u>-</u>	<u>17,243,186</u>
U.S. Government Securities:				
Residential Mortgage Backed Securities	7,610,867	-	-	7,610,867
Commercial Mortgage Backed Securities	1,421,877	-	-	1,421,877
Corporate Bonds	5,044,056	6,283,114	-	11,327,170
Total U.S. Government Securities	<u>14,076,800</u>	<u>6,283,114</u>	<u>-</u>	<u>20,359,914</u>
REITs-Mortgage Backed Securities	5,530,916	-	-	5,530,916
	<u>82,206,336</u>	<u>6,283,114</u>	<u>-</u>	<u>88,489,450</u>
<b>Nonredeemable Securities:</b>				
Hedge Fund Investments:				
Equity Long/Short	-	-	3,970,370	3,970,370
Global Opportunities	-	-	2,996,215	2,996,215
Emerging Markets/Managed Futures	-	-	1,557,979	1,557,979
Relative Value/Event Driven and Credit	-	-	9,461,133	9,461,133
Derivative	-	657,817	-	657,817
Total Hedge Fund Investments	<u>-</u>	<u>657,817</u>	<u>17,985,697</u>	<u>18,643,514</u>
Domestic Venture Capital Investments	<u>-</u>	<u>-</u>	<u>6,453,483</u>	<u>6,453,483</u>
<b>Total Nonredeemable Securities:</b>	<u>-</u>	<u>657,817</u>	<u>24,439,180</u>	<u>25,096,997</u>
<b>Total</b>	<u>\$ 82,206,336</u>	<u>\$ 6,940,931</u>	<u>\$ 24,439,180</u>	<u>\$ 113,586,447</u>

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 13 - Fair Value of Assets and Liabilities (Continued)

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013:

<i>2013</i>	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2013</i>
<b>Equity Securities:</b>				
Large Cap Growth	\$ 6,810,807	\$ -	\$ -	\$ 6,810,807
Large Cap Value	7,150,089	-	-	7,150,089
Small Cap Growth	6,358,121	-	-	6,358,121
Large Cap Dividend	6,948,052	-	-	6,948,052
Small Cap Value	6,315,640	-	-	6,315,640
Mutual Funds	3,054,360	-	-	3,054,360
<b>Total Equity Securities</b>	<u>36,637,069</u>	<u>-</u>	<u>-</u>	<u>36,637,069</u>
<b>Foreign Equity Securities:</b>				
Foreign Developed Markets	8,429,086	-	-	8,429,086
Foreign Emerging Markets	5,670,185	-	-	5,670,185
<b>Total Foreign Equity Securities</b>	<u>14,099,271</u>	<u>-</u>	<u>-</u>	<u>14,099,271</u>
<b>U.S. Government Securities:</b>				
Residential Mortgage Backed Securities	6,101,380	-	-	6,101,380
Commercial Mortgage Backed Securities	1,621,771	-	-	1,621,771
Corporate Bonds	6,414,159	5,330,213	-	11,744,372
<b>Total U.S. Government Securities</b>	<u>14,137,310</u>	<u>5,330,213</u>	<u>-</u>	<u>19,467,523</u>
REITs-Mortgage Backed Securities	4,729,452	-	-	4,729,452
	<u>69,603,102</u>	<u>5,330,213</u>	<u>-</u>	<u>74,933,315</u>
<b>Nonredeemable Securities:</b>				
<b>Hedge Fund Investments:</b>				
Equity Long/Short	-	-	3,604,668	3,604,668
Global Opportunities	-	-	2,874,383	2,874,383
Emerging Markets/Managed Futures	-	-	1,904,248	1,904,248
Relative Value/Event Driven and Credit	-	-	7,995,221	7,995,221
Derivative	-	836,617	-	836,617
<b>Total Hedge Fund Investments</b>	<u>-</u>	<u>836,617</u>	<u>16,378,520</u>	<u>17,215,137</u>
Domestic Venture Capital Investments	-	-	6,323,338	6,323,338
<b>Total Nonredeemable Securities:</b>	<u>-</u>	<u>836,617</u>	<u>22,701,858</u>	<u>23,538,475</u>
<b>Total</b>	<u>\$ 69,603,102</u>	<u>\$ 6,166,830</u>	<u>\$ 22,701,858</u>	<u>\$ 98,471,790</u>

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 13 - Fair Value of Assets and Liabilities (Continued)

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014:

<b>2014</b>	<b>Quoted Prices in Active Markets For Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Balance as of June 30, 2014</b>
<b>Equity Securities:</b>				
Large Cap Growth	\$ 3,138,403	\$ -	\$ -	\$ 3,138,403
Large Cap Value	3,066,683	-	-	3,066,683
Small Cap Growth	2,783,124	-	-	2,783,124
Large Cap Dividend	3,086,027	-	-	3,086,027
Small Cap Value	3,035,532	-	-	3,035,532
Mutual Funds	<u>117,243</u>	-	-	<u>117,243</u>
<b>Total Equity Securities</b>	<u>15,227,012</u>	<u>-</u>	<u>-</u>	<u>15,227,012</u>
<b>Foreign Equity Securities:</b>				
Foreign Developed Markets	3,950,561	-	-	3,950,561
Foreign Emerging Markets	<u>2,622,807</u>	-	-	<u>2,622,807</u>
<b>Total Foreign Equity Securities</b>	<u>6,573,368</u>	<u>-</u>	<u>-</u>	<u>6,573,368</u>
<b>U.S. Government Securities:</b>				
Residential Mortgage Backed Securities	2,901,380	-	-	2,901,380
Commercial Mortgage Backed Securities	542,041	-	-	542,041
Corporate Bonds	<u>1,922,872</u>	<u>2,395,220</u>	-	<u>4,318,092</u>
<b>Total U.S. Government Securities</b>	<u>5,366,293</u>	<u>2,395,220</u>	<u>-</u>	<u>7,761,513</u>
REITs-Mortgage Backed Securities	<u>2,108,471</u>	-	-	<u>2,108,471</u>
	<u>29,275,144</u>	<u>2,395,220</u>	<u>-</u>	<u>31,670,364</u>
<b>Nonredeemable Securities:</b>				
<b>Hedge Fund Investments:</b>				
Equity Long/Short	-	-	1,513,567	1,513,567
Global Opportunities	-	-	1,142,204	1,142,204
Emerging Markets/Managed Futures	-	-	593,926	593,926
Relative Value/Event Driven and Credit	-	-	3,606,731	3,606,731
Derivative	-	<u>250,770</u>	-	<u>250,770</u>
<b>Total Hedge Fund Investments</b>	<u>-</u>	<u>250,770</u>	<u>6,856,428</u>	<u>7,107,198</u>
Domestic Venture Capital Investments	<u>-</u>	<u>-</u>	<u>2,460,167</u>	<u>2,460,167</u>
<b>Total Nonredeemable Securities:</b>	<u>-</u>	<u>250,770</u>	<u>9,316,595</u>	<u>9,567,365</u>
<b>Total</b>	<u>\$ 29,275,144</u>	<u>\$ 2,645,990</u>	<u>\$ 9,316,595</u>	<u>\$ 41,237,729</u>

# New Mexico State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

### Note 13 - Fair Value of Assets and Liabilities (Continued)

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013:

<b>2013</b>	<b>Quoted Prices in Active Markets For Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Balance as of June 30, 2013</b>
<b>Equity Securities:</b>				
Large Cap Growth	\$ 2,722,798	\$ -	\$ -	\$ 2,722,798
Large Cap Value	2,858,434	-	-	2,858,434
Small Cap Growth	2,541,824	-	-	2,541,824
Large Cap Dividend	2,777,665	-	-	2,777,665
Small Cap Value	<u>2,524,841</u>	-	-	<u>2,524,841</u>
<b>Total Equity Securities</b>	<u>13,425,562</u>	<u>-</u>	<u>-</u>	<u>13,425,562</u>
<b>Foreign Equity Securities:</b>				
Foreign Developed Markets	3,369,747	-	-	3,369,747
Foreign Emerging Markets	<u>2,266,804</u>	-	-	<u>2,266,804</u>
<b>Total Foreign Equity Securities</b>	<u>5,636,551</u>	<u>-</u>	<u>-</u>	<u>5,636,551</u>
<b>U.S. Government Securities:</b>				
Residential Mortgage Backed Securities	2,439,186	-	-	2,439,186
Commercial Mortgage Backed Securities	648,345	-	-	648,345
Corporate Bonds	<u>2,564,227</u>	<u>2,130,891</u>	-	<u>4,695,118</u>
<b>Total U.S. Government Securities</b>	<u>5,651,758</u>	<u>2,130,891</u>	<u>-</u>	<u>7,782,649</u>
REITs-Mortgage Backed Securities	<u>1,890,722</u>	-	-	<u>1,890,722</u>
	<u>26,604,593</u>	<u>2,130,891</u>	<u>-</u>	<u>28,735,484</u>
<b>Nonredeemable Securities:</b>				
<b>Hedge Fund Investments:</b>				
Equity Long/Short	-	-	1,441,061	1,441,061
Global Opportunities	-	-	1,149,109	1,149,109
Emerging Markets/Managed Futures	-	-	761,273	761,273
Relative Value/Event Driven and Credit	-	-	3,196,297	3,196,297
Derivative	-	<u>334,460</u>	-	<u>334,460</u>
<b>Total Hedge Fund Investments</b>	<u>-</u>	<u>334,460</u>	<u>6,547,740</u>	<u>6,882,200</u>
Domestic Venture Capital Investments	-	-	2,527,918	2,527,918
<b>Total Nonredeemable Securities:</b>	<u>-</u>	<u>334,460</u>	<u>9,075,658</u>	<u>9,410,118</u>
<b>Total</b>	<u>\$ 26,604,593</u>	<u>\$ 2,465,351</u>	<u>\$ 9,075,658</u>	<u>\$ 38,145,602</u>

**New Mexico State University Foundation, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

**Note 13 - Fair Value of Assets and Liabilities (Continued)**

The Foundation's interest in limited partnerships represents 22% of the total investments held by the Foundation at June 30, 2014. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

2014	<i>Hedge Fund Investments</i>				<i>Domestic</i>	<i>Total</i>
	<i>Equity Long/Short</i>	<i>Global Opportunities</i>	<i>Emerging Markets/Managed Futures</i>	<i>Relative Value/Event Driven and Credit</i>	<i>Venture Capital Investment</i>	
Beginning Balance at July 1, 2013	\$ 3,604,668	\$ 2,874,383	\$ 1,904,248	\$ 7,995,221	\$ 6,323,338	\$ 22,701,858
Total Realized Losses	-	-	(67,142)	-	(169,993)	(237,135)
Total Unrealized Gains (Losses)	220,896	(59,179)	1,372	1,927,396	(9,986)	2,080,499
Purchases	217,206	362,011	398,213	832,628	758,395	2,568,453
Sales	(72,400)	(181,000)	(678,712)	(1,294,112)	(448,271)	(2,674,495)
<b>Ending Balance at June 30, 2014</b>	<b>\$ 3,970,370</b>	<b>\$ 2,996,215</b>	<b>\$ 1,557,979</b>	<b>\$ 9,461,133</b>	<b>\$ 6,453,483</b>	<b>\$ 24,439,180</b>

Net realized losses and unrealized gains on investments of \$(237,135) and \$2,080,499 respectively, all related to assets still held at June 30, 2014, are included in the lines "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2014.

The following are the commitment and redemption provisions for Foundation assets held:

2014	<i>Fair Value at June 30, 2014</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Redemption Notice Period</i>
<b>Hedge Fund Investments:</b>				
Equity Long/Short	\$ 3,970,370	\$ -	Quarterly	45 Days
Global Opportunities	2,996,215	-	Quarterly	45 Days
Emerging Markets/Managed Futures	1,557,979	-	Quarterly	45 Days
Relative Value/Event Driven and Credit	<u>9,461,133</u>	-	Quarterly	45 Days
<b>Total Hedge Fund Investments</b>	<u>17,985,697</u>	-		
<b>Domestic Venture Capital Investments:</b>				
Managed Futures	1,995,988	-	Monthly	30 Days
Venture Capital	<u>4,457,495</u>	<u>2,874,280</u>	None	None
<b>Total Domestic Venture Capital Investments</b>	<u>6,453,483</u>	<u>2,874,280</u>		
<b>Ending Balance at June 30, 2014</b>	<b>\$ 24,439,180</b>	<b>\$ 2,874,280</b>		



**New Mexico State University Foundation, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

**Note 13 - Fair Value of Assets and Liabilities (Continued)**

The Foundation's interest in limited partnerships represents 23% of the total investments held by the Foundation at June 30, 2013. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

2013	<u>Hedge Fund Investments</u>				<u>Relative Value/ Event Driven and Credit</u>	<u>Domestic Venture Capital Investment</u>	<u>Total</u>
	<u>Equity Long/Short</u>	<u>Global Opportunities</u>	<u>Emerging Markets/ Managed Futures</u>				
Beginning Balance at July 1, 2012	\$ 5,977,125	\$ 8,931,467	\$ -	\$ -	\$ 6,303,220	\$ 21,211,812	
Total Realized Gains (Losses)	52,257	(60,364)	-	9,569	-	1,462	
Total Unrealized Gains (Losses)	417,984	249,227	(6,772)	(1,197,102)	(1,090,774)	(1,627,437)	
Purchases	-	675,000	1,911,020	10,073,147	1,110,892	13,770,059	
Sales	(2,842,698)	(6,920,947)	-	(890,393)	-	(10,654,038)	
<b>Ending Balance at June 30, 2013</b>	<b><u>\$ 3,604,668</u></b>	<b><u>\$ 2,874,383</u></b>	<b><u>\$ 1,904,248</u></b>	<b><u>\$ 7,995,221</u></b>	<b><u>\$ 6,323,338</u></b>	<b><u>\$ 22,701,858</u></b>	

Net realized gains and unrealized losses on investments of \$1,462 and \$(1,627,437) respectively, all related to assets still held at June 30, 2013, are included in the lines "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2013.

**New Mexico State University Foundation, Inc. and Subsidiary**  
Notes to Consolidated Financial Statements  
For the Years ended June 30, 2014 and 2013

**Note 13 - Fair Value of Assets and Liabilities (Continued)**

The University's interest in limited partnerships represents 23% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2014. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

<i>2014</i>	<i>Hedge Fund Investments</i>				<i>Domestic</i>	<i>Total</i>
	<i>Equity Long/Short</i>	<i>Global Opportunities</i>	<i>Emerging Markets/Managed Futures</i>	<i>Relative Value/Event Driven and Credit</i>	<i>Venture Capital Investment</i>	
Beginning Balance at July 1, 2013	\$ 1,441,061	\$ 1,149,109	\$ 761,273	\$ 3,196,297	\$ 2,527,918	\$ 9,075,658
Total Realized Losses	-	-	(60,939)	-	(64,804)	(125,743)
Total Unrealized Gains (Losses)	17,304	(75,909)	523	586,359	(121,171)	407,106
Purchases	82,802	138,004	151,805	317,411	289,112	979,134
Sales	(27,600)	(69,000)	(258,736)	(493,336)	(170,888)	(1,019,560)
<b>Ending Balance at June 30, 2014</b>	<b>\$ 1,513,567</b>	<b>\$ 1,142,204</b>	<b>\$ 593,926</b>	<b>\$ 3,606,731</b>	<b>\$ 2,460,167</b>	<b>\$ 9,316,595</b>

Net realized losses and unrealized gains on the University investments of \$(125,743) and \$407,106 respectively, all related to assets still held at June 30, 2014, are included in the lines "Net investment income" in the statement of activities for the year ended June 30, 2014.

The following are the commitment and redemption provisions for University assets held:

<i>2014</i>	<i>Fair Value At June 30, 2014</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Redemption Notice Period</i>
<b>Hedge Fund Investments:</b>				
Equity Long/Short	\$ 1,513,567	\$ -	Quarterly	45 Days
Global Opportunities	1,142,204	-	Quarterly	45 Days
Emerging Markets/Managed Futures	593,926	-	Quarterly	45 Days
Relative Value/Event Driven and Credit	<u>3,606,731</u>	-	Quarterly	45 Days
<b>Total Hedge Fund Investments</b>	<b>6,856,428</b>	<b>-</b>		
<b>Domestic Venture Capital Investments:</b>				
Managed Futures	760,902	-	Monthly	30 Days
Venture Capital	<u>1,699,265</u>	<u>1,095,720</u>	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>2,460,167</b>	<b>1,095,720</b>		
<b>Ending Balance at June 30, 2014</b>	<b>\$ 9,316,595</b>	<b>\$ 1,095,720</b>		

**New Mexico State University Foundation, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

**Note 13 - Fair Value of Assets and Liabilities (Continued)**

The University's interest in limited partnerships represents 24% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2013. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

<b>2013</b>	<b>Hedge Fund Investments</b>				<b>Domestic Venture Capital Investment</b>	<b>Total</b>
	<b>Equity Long/Short</b>	<b>Global Opportunities</b>	<b>Emerging Markets/ Managed Futures</b>	<b>Relative Value/ Event Driven and Credit</b>		
Beginning Balance at July 1, 2012	\$ 2,452,046	\$ 3,664,030	\$ -	\$ -	\$ 2,585,823	\$ 8,701,899
Total Realized Gains (Losses)	20,891	(24,132)	-	(39,695)	-	(42,936)
Total Unrealized Gains (Losses)	104,567	6,191	(2,707)	(435,058)	(502,013)	(829,020)
Purchases	-	269,849	763,980	4,027,003	444,108	5,504,940
Sales	(1,136,443)	(2,766,829)	-	(355,953)	-	(4,259,225)
<b>Ending Balance at June 30, 2013</b>	<b>\$ 1,441,061</b>	<b>\$ 1,149,109</b>	<b>\$ 761,273</b>	<b>\$ 3,196,297</b>	<b>\$ 2,527,918</b>	<b>\$ 9,075,658</b>

Net realized losses and unrealized losses on the University investments of \$(42,936) and \$(829,020), respectively, all related to assets still held at June 30, 2013, are included in the lines "Net investment income" in the statement of activities for the year ended June 30, 2013.

# **New Mexico State University Foundation, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

For the Years ended June 30, 2014 and 2013

### **Note 13 - Fair Value of Assets and Liabilities (Continued)**

Securities classified within Level 3 investments are based on valuations provided by the external investment manager, Merrill Lynch. The Investment Committee, in conjunction with Merrill Lynch, monitors and analyzes the valuation of the investments on a quarterly basis. The Investment Committee reports to the Foundation Board of Directors. The Level 3 investments held are valued at Net Asset Value and had the following investment strategies per the Foundation's investment committee:

Hedge fund investments, including equity long/short, are defined as private investment vehicles that utilize non-traditional investing techniques in pursuit of superior risk-adjusted returns. These are specialist investment managers with various strategies across the spectrum of event driven, opportunistic or value driven styles. The funds may employ leverage and may employ short position in order to implement their strategy. The Fund may utilize direct investment into individual hedge funds or a fund of funds with a minimum of five different core hedge fund strategies.

Hedge funds are unregulated by the SEC, therefore the Committee must rely on detailed third party preliminary and ongoing due diligence. Through Merrill Lynch, the Committee ensures that due diligence will take place. Each fund is evaluated against peer groups and passive indices that best compare the investment manager's value added over those benchmarks. Value added is defined as the funds absolute performance, relative performance, standard deviation and its correlation value to the total Fund portfolio.

Domestic venture capital investments (VC) is financial capital provided to early-stage, high-potential, high-risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries. The typical venture capital investment occurs after the seed funding round as growth funding round (also referred as Series A round) in the interest of generating a return through an eventual realization event, such as an IPO or trade sale of the company.

### **Note 14 - Endowment**

New Mexico State University Foundation's endowment consists of approximately 1,396 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by internal sources to function as endowments. As required by GAAP, net assets associated with endowments funds are classified and reported based on the existence or absence of donor-imposed restrictions. At the beginning of fiscal year 2010, an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective for the State to whose law this Foundation is subject.

#### **Interpretation of Relevant Law**

New Mexico State University Foundation, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. This is in a manner consistent with the standard of prudence prescribed by New Mexico Uniform Prudent Management of Institutional Funds Act (NMUPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with NMUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The composition of net assets by type of endowment fund at June 30, 2014 and 2013, were as shown on the following page.

**New Mexico State University Foundation, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

**Note 14 - Endowment (Continued)**

**2014**

**Endowment Net Asset Composition by Type of Fund**

**As of June 30, 2014**

<i>2014</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 32,204,186	\$ 78,130,947	\$ 110,335,133
Board-designated endowment funds	<u>3,100,793</u>	<u>-</u>	<u>-</u>	<u>3,100,793</u>
Total funds	<u>\$ 3,100,793</u>	<u>\$ 32,204,186</u>	<u>\$ 78,130,947</u>	<u>\$ 113,435,926</u>

**Changes in Endowment Net Assets**

**For the Fiscal Year Ended June 30, 2014**

<i>2014</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment Net Assets, beginning of the year	\$ 1,848,085	\$ 24,421,519	\$ 74,049,562	\$ 100,319,166
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	<u>1,227,740</u>	<u>(1,227,740)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>3,075,825</u>	<u>23,193,779</u>	<u>74,049,562</u>	<u>100,319,166</u>
Investment Return: Investment Income	-	2,513,861	-	2,513,861
Net appreciation (realized and unrealized)	<u>-</u>	<u>9,974,574</u>	<u>-</u>	<u>9,974,574</u>
Total investment return	<u>-</u>	<u>12,488,435</u>	<u>-</u>	<u>12,488,435</u>
Contributions, Reversions and changes in Donor Restrictions	24,968	406,897	4,081,385	4,513,250
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(3,884,925)</u>	<u>-</u>	<u>(3,884,925)</u>
Endowment Net Assets, end of year	<u>\$ 3,100,793</u>	<u>\$ 32,204,186</u>	<u>\$ 78,130,947</u>	<u>\$ 113,435,926</u>

**New Mexico State University Foundation, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

**Note 14 - Endowment (Continued)**

**2013**

**Endowment Net Asset Composition by Type of Fund**

**As of June 30, 2013**

<i>2013</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 24,421,519	\$ 74,049,562	\$ 98,471,081
Board-designated endowment funds	<u>1,848,085</u>	<u>-</u>	<u>-</u>	<u>1,848,085</u>
Total funds	<u>\$ 1,848,085</u>	<u>\$ 24,421,519</u>	<u>\$ 74,049,562</u>	<u>\$ 100,319,166</u>

**Changes in Endowment Net Assets  
For the Fiscal Year Ended June 30, 2013**

<i>2013</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment Net Assets, beginning of the year	\$ 489,533	\$ 21,263,013	\$ 69,357,386	\$ 91,109,932
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	<u>1,334,707</u>	<u>(1,334,707)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>1,824,240</u>	<u>19,928,306</u>	<u>69,357,386</u>	<u>91,109,932</u>
Investment Return: Investment Income	-	3,276,562	-	3,276,562
Net appreciation (realized and unrealized)	<u>-</u>	<u>4,207,486</u>	<u>-</u>	<u>4,207,486</u>
Total investment return	<u>-</u>	<u>7,484,048</u>	<u>-</u>	<u>7,484,048</u>
Contributions, Reversions and changes in Donor Restrictions	23,845	702,131	4,692,176	5,418,152
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(3,692,966)</u>	<u>-</u>	<u>(3,692,966)</u>
Endowment Net Assets, end of year	<u>\$ 1,848,085</u>	<u>\$ 24,421,519</u>	<u>\$ 74,049,562</u>	<u>\$ 100,319,166</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets are \$453,487 and \$1,681,227 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

## **New Mexico State University Foundation, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2014 and 2013

#### **Note 14 - Endowment (Continued)**

##### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of investment vehicle specific benchmarks while assuming an appropriate level of risk. The Investment Policy calls for expectation of 5.5% plus the rate of the Consumer Price Index. Actual returns in any given year may vary.

##### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

In accordance with the Foundation's Investment Policy approved by the Board of Directors, a distribution is calculated for the upcoming year as of March 31 of the prior year. The spending formula used is described in the Investment Policy and is composed of two factors: 80% of the distribution is based on the previous year's distribution amount adjusted for the Higher Education Price Index, and 20% of the distribution is based on the market value of the endowment at the end of each fiscal quarter. This amount is then distributed at June 30 of the next year. The distribution of the annual calculation is based on the unitized system ownership of each fund.

#### **Note 15 - Subsequent Events**

Subsequent events are events or transactions that occur after the Consolidated Statement of Financial Position date but before consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's Consolidated Financial Statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

Subsequent to year end, the investment markets continued to experience significant fluctuations as changes in the global economy affect the US market. It is expected that this volatility will continue to impact the value of investments reported in the Consolidated Statement of Financial Position in the subsequent fiscal year.

In addition, subsequent to year end, the decision has been made that NMSU Sports Enterprises, Inc., which is the subsidiary of NMSU Foundation, Inc. and Subsidiary, will be formally transferred back to NMSU Athletics by June 30, 2015.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
New Mexico State University Foundation, Inc. and Subsidiary and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of New Mexico State University Foundation, Inc. and Subsidiary (the "Foundation") (a component unit of New Mexico State University) as of and for the year ended June 30, 2014, and the related notes to the consolidated financial statements, which collectively comprise the New Mexico State University Foundation, Inc. basic financial statements, and have issued our report thereon dated October 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The Board of Directors  
New Mexico State University Foundation, Inc. and Subsidiary and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 30, 2014

**New Mexico State University Foundation, Inc. and Subsidiary  
Summary Schedule of Prior Year Audit Findings and  
Schedule of Findings and Responses  
For the Years ended June 30, 2014 and 2013**

**Summary Schedule of Prior Year Audit Findings**

**None**

**Schedule of Findings and Responses for Current Year**

**None**

## **New Mexico State University Foundation, Inc. and Subsidiary**

### Exit Conference

For the Years ended June 30, 2014 and 2013

An Exit Conference was held at the Foundation on October 30, 2014, to discuss the current audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing the Board of Directors for New Mexico State University Foundation, Inc. and Subsidiary:

<b>Dan Socolofsky</b>	Chair, Audit Committee, Member, Board of Directors
<b>Lee Ellen Banks</b>	Vice Chair, Audit Committee, Member, Board of Directors
<b>Patty Lopez</b>	Member, Audit Committee, Member, Board of Directors
<b>Kyle Louvar</b>	Member, Audit Committee, Member, Board of Directors
<b>Marianne Shipley</b>	Member, Audit Committee, Member, Board of Directors
<b>Brenda Porter</b>	Member, Audit Committee, Member, Board of Directors

Representing New Mexico State University Foundation, Inc. and Subsidiary:

Cheryl D. Harrelson	Vice President, University Advancement President, New Mexico State University Foundation, Inc. and Subsidiary
Tina Byford	Associate Vice President, Advancement and Financial Services, University Advancement Senior Vice President, New Mexico State University Foundation, Inc. and Subsidiary
Randy Frye	Director, Financial Services, University Advancement Controller, New Mexico State University Foundation, Inc. and Subsidiary

Representing Moss Adams LLP:

Lisa Todd, Engagement Partner

### FINANCIAL STATEMENT PREPARATION

The Foundation's Consolidated Financial Statements were prepared by the Foundation's accountants.

# All About Discovery!



New Mexico State University Foundation, Inc. and Subsidiary

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