

**NEW MEXICO STATE UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARY**

Consolidated Financial Statements

**For the Years Ended
June 30, 2016 and 2015**

Together with Report of Independent Auditors

All About Discovery!



NMSU Foundation, Inc.
Mission

“To enhance both the image and value of the University for students, faculty, staff, alumni, and all other friends and members of the University community.”



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

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NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY OFFICIAL ROSTER

NMSU Foundation, Inc.

Executive Officers

Mr. Nick Franklin Chairman	Mrs. MaryLou Davis Vice Chairman	Dr. Andrea Tawney President
Ms. Lee Ellen Banks Treasurer		Ms. Brenda Porter Secretary

Members

Mr. Larry Allen	Mr. Christian Hendrickson	Mrs. Dion Messer
Mr. Presley Askew	Dr. Mike Johnson	Mr. Gary Poling
Ms. Raquel Bone	Mr. Patrick Lamb	Mr. Randy Pugh
Mr. Jagdev Cheema	Mrs. Alma Levy	Mr. Joseph Salopek
Mr. Philip Cook	Dr. Patricia Lopez	Dr. Bill Sheriff
Mr. John Cordova	Mr. Kyle Louvar	Mrs. Marianne Shipley
Mrs. Jackie Edwards	Mrs. Tana Lucy	Mr. Dan Socolofsky
Mr. Del Esparza	Mr. Larry Lujan	Dr. Smoky Torgerson
Mr. Joel Granger	Mr. Bobby Lutz	Mr. Browning Yelvington

NMSU Sports Enterprises, Inc.

Executive Officers

Dr. John Papen, III President	Mr. Henry Cook Vice President	Mr. Mario Moccia Executive Director
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Members

Mr. Nick Franklin	Mr. Patrick Lamb	Ms. Brenda Porter
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KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

The Board of Directors
New Mexico State University Foundation, Inc. and Subsidiary
and
Mr. Timothy Keller, New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the New Mexico State University Foundation, Inc. and Subsidiary (the Foundation), a component unit of the New Mexico State University, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Foundation's consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audit 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 audit 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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.

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 respective financial position of the New Mexico State University Foundation, Inc. and Subsidiary, as of June 30, 2016 and 2015, and the respective changes in financial position, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
December 2, 2016

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
 Consolidated Statements of Financial Position
 As of June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 9,854,255	\$ 12,429,795
Short-term investments (Note 3)	210,374	287,490
Contributions receivable, net (Note 2)	8,969,465	7,004,166
Property and equipment, net (Note 4)	142,902	233,879
Asset held in trust under split interest agreement	356,899	362,586
Assets held in trust for New Mexico State University (Note 5)	42,171,154	43,987,132
Assets held for long-term investment:		
Cash and cash equivalents	10,993,881	1,351,466
Securities (Note 6)	104,804,380	114,358,401
Accrued interest income	46,603	75,080
Land and building	397,888	463,288
Other assets	<u>1,397,696</u>	<u>1,577,839</u>
Total assets	<u>\$ 179,345,497</u>	<u>\$ 182,131,122</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Split interest agreement payable	\$ 167,564	\$ 176,954
Gift annuities payable	2,780,960	2,701,433
Other liabilities	507,383	624,077
Due to New Mexico State University	2,103,629	2,073,130
Assets held in trust for New Mexico State University (Note 5)	<u>42,171,154</u>	<u>43,987,132</u>
Total liabilities	<u>47,730,690</u>	<u>49,562,726</u>
Net assets:		
Unrestricted	410,861	4,066,615
Temporarily restricted (Note 7)	42,463,773	47,777,984
Permanently restricted (Note 8)	<u>88,740,173</u>	<u>80,723,797</u>
Total net assets	<u>131,614,807</u>	<u>132,568,396</u>
Total liabilities and net assets	<u>\$ 179,345,497</u>	<u>\$ 182,131,122</u>

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



The Foundation kicked off December 2015 with its first-ever Giving Tuesday fundraising event. With help from dollar-for-dollar matches – made possible by NMSU’s alumni license plate program – a total of \$5.7 million was added to scholarship funds. The fundraising campaign received international recognition from the Council for the Advancement and Support of Education (CASE) for its success in creating opportunities for students.



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

As of June 30, 2016

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 379,404	\$ 9,379,536	\$ 5,895,763	\$ 15,654,703
Net investment income (loss) (Note 9)	2,465,278	(7,286,278)	-	(4,821,000)
Management fees paid by New Mexico State University (Note 5)	790,621	-	-	790,621
Promotion and other income	88,748	(523,490)	1,588,294	1,153,552
Change in value of split interest agreement and gift annuities payable	-	(275,168)	53,260	(221,908)
NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:				
Change in donor restrictions	(635,058)	155,999	479,059	-
Net assets released from donor restrictions (Note 10)	9,852,543	(9,852,543)	-	-
Other transfers (Note 14)	(3,087,733)	3,087,733	-	-
Total revenues, gains and other support	<u>9,853,803</u>	<u>(5,314,211)</u>	<u>8,016,376</u>	<u>12,555,968</u>
EXPENSES (Note 11):				
Program	9,890,271	-	-	9,890,271
Fundraising	2,100,542	-	-	2,100,542
Administration	1,518,744	-	-	1,518,744
Total expenses	<u>13,509,557</u>	<u>-</u>	<u>-</u>	<u>13,509,557</u>
CHANGE IN NET ASSETS	(3,655,754)	(5,314,211)	8,016,376	(953,589)
NET ASSETS, beginning of year	<u>4,066,615</u>	<u>47,777,984</u>	<u>80,723,797</u>	<u>132,568,396</u>
NET ASSETS, end of year	<u>\$ 410,861</u>	<u>\$ 42,463,773</u>	<u>\$ 88,740,173</u>	<u>\$ 131,614,807</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

As of June 30, 2015

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 308,623	\$ 9,691,907	\$ 2,428,002	\$ 12,428,532
Net investment income (Note 9)	2,450,812	473,480	-	2,924,292
Management fees paid by New Mexico State University (Note 5)	761,130	-	-	761,130
Promotion and other income	1,212,182	1,846,224	(6,236)	3,052,170
Change in value of split interest agreement and gift annuities payable	-	(208,541)	55,766	(152,775)
NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:				
Change in donor restrictions	(9,780)	(105,538)	115,318	-
Net assets released from donor restrictions (Note 10)	10,269,161	(10,269,161)	-	-
Other transfers (Note 14)	(389,846)	389,846	-	-
Total revenues, gains and other support	<u>14,602,282</u>	<u>1,818,217</u>	<u>2,592,850</u>	<u>19,013,349</u>
EXPENSES (Note 11):				
Program	10,824,897	-	-	10,824,897
Fundraising	2,379,867	-	-	2,379,867
Administration	1,561,663	-	-	1,561,663
Total expenses	<u>14,766,427</u>	<u>-</u>	<u>-</u>	<u>14,766,427</u>
CHANGE IN NET ASSETS	(164,145)	1,818,217	2,592,850	4,246,922
NET ASSETS, beginning of year	<u>4,230,760</u>	<u>45,959,767</u>	<u>78,130,947</u>	<u>128,321,474</u>
NET ASSETS, end of year	<u>\$ 4,066,615</u>	<u>\$ 47,777,984</u>	<u>\$ 80,723,797</u>	<u>\$ 132,568,396</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 Flows
As of June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (953,589)	\$ 4,246,922
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Loss on marketable securities, net	9,163,595	2,360,861
Amortization of marketable securities, net of accretion	(44,764)	(380,584)
Gifts of marketable securities received	(430,536)	(482,894)
Depreciation	103,103	107,115
Loss on disposal of property and equipment	2,879	470
Loss on sale of land	-	58,790
Unrealized gain on other assets	(33,011)	(29,890)
Unrealized loss on land and building held for long-term investment	65,400	8,817
Contributions held for long-term investment	(6,116,598)	(2,746,784)
Dividends and interest held for long-term investment	(3,052,515)	(3,055,892)
Actuarial loss (gain) on gift annuities payable	79,527	(5,611)
Actuarial gain on obligations under split interest agreement	(9,390)	(9,048)
Net changes in assets and liabilities:		
Contributions receivable	(1,965,299)	(1,818,155)
Assets held in trust under split interest agreement	9,376	2,942
Accrued interest held for long-term investment	28,477	14,084
Other assets	195,154	(110,015)
Other liabilities	(116,694)	(1,917)
Due from/(to) New Mexico State University	30,499	(271,186)
Net cash flows used by operating activities	<u>(3,044,386)</u>	<u>(2,111,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(43,005)	(13,178)
Change in cash and cash equivalents held for long-term investment	(9,463,148)	743,109
Sales, maturities and principal payments received of marketable securities	101,409,787	34,785,314
Purchases of marketable securities (net)	(100,470,634)	(34,889,738)
Principal payments received on note receivable for long-term investment	18,000	18,000
Proceeds from sale of property and equipment	28,000	78,985
Net cash flows (used by) provided by investing activities	<u>(8,521,000)</u>	<u>722,492</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions held for long-term investment	6,116,598	2,746,784
Dividends and interest held for long-term investment	3,052,515	3,055,892
Payments of gift annuity obligations	(179,267)	(150,722)
Net cash flows provided by financing activities	<u>8,989,846</u>	<u>5,651,954</u>
Net (decrease) increase in cash and cash equivalents	(2,575,540)	4,262,471
Cash and cash equivalents, beginning of year	<u>12,429,795</u>	<u>8,167,324</u>
Cash and cash equivalents, end of year	<u>\$ 9,854,255</u>	<u>\$ 12,429,795</u>

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

NOTE 1 - Organization and Activities

New Mexico State University Foundation, Inc. and its Subsidiary (the "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 (the "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.

NMSU Sports Enterprises, Inc., the Foundation's only subsidiary, has been dissolved with final financial activity recorded in FY 2016.

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 affiliate and associate consists 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.

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 2016 and 2015 was 1.8% and 2.0%, respectively. These inputs are considered to be Level 3 in the fair value hierarchy. Contributions receivable determined uncollectible during the fiscal year are written off when considered uncollectible. A total of \$143,229 and \$105,586 was written off during 2016 and 2015, respectively. Contributions receivable for the fiscal years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Within one year	\$ 1,888,280	\$ 520,226
From two to five years	5,080,447	4,280,399
More than five years	<u>3,913,245</u>	<u>2,847,194</u>
	10,881,972	7,647,819
Reserve	(1,829,745)	(592,634)
Present Value Discount	(82,762)	<u>(51,019)</u>
Total Net Contributions Receivable	<u>\$ 8,969,465</u>	<u>\$ 7,004,166</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 \$1,000. 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 2016 and 2015 was 1.8% and 2.0%, 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, 2016 and 2015.

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, 2016 and 2015.

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 2016 and 2015 was 1.8% and 2.0%, respectively.

Revenue Recognition. Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Promotion income represents donated goods and services received from third parties. Revenue and the related expense are recognized at the date the donation is made.

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, 2016 and 2015, 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 2015 Consolidated Financial Statements to conform to the classifications used in 2016.

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, 2016 and 2015.

Rigo Salazar is one of the recipients of New Mexico State University's most prestigious and competitive academic scholarship, the President's Associates Scholarship. Contributions from donors have helped support more than 300 scholars representing every academic discipline and every community in New Mexico since the scholarship's creation in 1979.



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years ended June 30, 2016 and 2015

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, 2016 and 2015.

	2016	2015
Marketable securities	\$ <u>210,374</u>	\$ <u>287,490</u>
Unrealized (loss) gain, net	\$ (77,704)	\$ 1,534
Dividends and interest	<u>7,877</u>	<u>8,612</u>
	<u>\$ (69,827)</u>	<u>\$ 10,146</u>

NOTE 4 - Property and Equipment

Depreciation expense for the fiscal years ended June 30, 2016 and 2015, was \$103,103 and \$107,115 respectively, and is included in administration expense on the accompanying Consolidated Statements of Activities. Major classifications of property and equipment at June 30, 2016 and 2015 are summarized below:

	2016	2015
Computer equipment and software	\$ 508,175	\$ 507,508
Furniture and equipment	133,549	134,508
Automobiles	<u>99,688</u>	<u>106,316</u>
	741,412	748,332
Less: Accumulated depreciation	<u>(598,510)</u>	<u>(514,453)</u>
	<u>\$ 142,902</u>	<u>\$ 233,879</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 \$790,621 and \$761,130 in administration fees from the University during the fiscal years ended June 30, 2016 and 2015, 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 \$42,171,154 and \$43,987,132 at June 30, 2016 and 2015, respectively. Of these assets, \$36,183,710 and \$41,673,367, as of June 30, 2016 and 2015, 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 \$210,534 and \$188,888 during the fiscal years ended June 30, 2016 and 2015, 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 (\$2,308,197 and \$1,867,132 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015, are shown in the table below:

	2016	2015
Domestic corporate stocks and bonds	\$ 39,122,138	\$ 52,246,982
Foreign equities and mutual funds	31,332,623	20,041,942
Alternative investments	24,936,950	25,606,662
U.S. Government securities	4,776,568	5,305,761
Mortgage backed securities	2,531,335	11,157,054
Mortgage backed securities - Foreign	2,104,766	-
	<u>\$ 104,804,380</u>	<u>\$ 114,358,401</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, 2016 (see Note 9):

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ -	\$ 3,074,530	\$ -	\$ 3,074,530
Realized gains (losses), net	2,602,546	(502,845)	-	2,099,701
Unrealized losses, net	-	(9,376,735)	-	(9,376,735)
Investment expenses	-	(481,911)	-	(481,911)
	<u>\$ 2,602,546</u>	<u>\$ (7,286,961)</u>	<u>\$ -</u>	<u>\$ (4,684,415)</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, 2015 (see Note 9):

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ -	\$ 3,436,476	\$ -	\$ 3,436,476
Realized gains, net	2,421,681	1,550,773	-	3,972,454
Unrealized losses, net	-	(3,899,816)	-	(3,899,816)
Investment expenses	-	(621,455)	-	(621,455)
	<u>\$ 2,421,681</u>	<u>\$ 465,978</u>	<u>\$ -</u>	<u>\$ 2,887,659</u>

NOTE 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	2016	2015
Student aid	\$ 16,836,041	\$ 17,928,818
General, departments or colleges & buildings, etc.	11,840,880	15,770,974
Faculty and staff compensation	8,592,154	8,705,185
Research	3,004,048	3,479,781
Other	2,190,650	1,893,226
	<u>\$ 42,463,773</u>	<u>\$ 47,777,984</u>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2016 and 2015

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, 2016 and 2015, by the purpose to which the use of income is restricted:

	2016	2015
Student aid	\$ 46,950,698	\$ 41,137,589
Faculty and staff compensation	24,880,259	22,827,544
General use for departments or colleges	13,204,873	13,101,509
Research	2,973,542	2,940,446
Buildings, grounds, equipment and facilities	505,534	494,552
Other	225,267	222,157
	<u>\$ 88,740,173</u>	<u>\$ 80,723,797</u>

NOTE 9 - Net Investment Income (Loss)

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2016:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest on cash and cash equivalents	\$ 17,820	\$ -	\$ -	\$ 17,820
Loss from short-term investments	(155,088)	-	-	(155,088)
Interest on cash and cash equivalents held for long-term investment	-	683	-	683
Gain (Loss) from marketable securities long-term investment (Note 6)	<u>2,602,546</u>	<u>(7,286,961)</u>	<u>-</u>	<u>(4,684,415)</u>
	<u>\$ 2,465,278</u>	<u>\$ (7,286,278)</u>	<u>\$ -</u>	<u>\$ (4,821,000)</u>

The following table summarizes the components of net investment income for the year ended June 30, 2015:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest on cash and cash equivalents	\$ 12,489	\$ 589	\$ -	\$ 13,078
Gain from short-term investments	16,642	-	-	16,642
Interest on cash and cash equivalents held for long-term investment	-	6,913	-	6,913
Gain from marketable securities long-term investment (Note 6)	<u>2,421,681</u>	<u>465,978</u>	<u>-</u>	<u>2,887,659</u>
	<u>\$ 2,450,812</u>	<u>\$ 473,480</u>	<u>\$ -</u>	<u>\$ 2,924,292</u>

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, 2016 and 2015, were as follows:

	2016	2015
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 5,806,175	\$ 5,315,773
Student aid	2,210,117	2,169,156
Faculty and staff compensation	845,185	770,206
Buildings, grounds, equipment and facilities	680,554	1,698,160
Research	287,123	293,920
Other	23,389	21,946
	<u>\$ 9,852,543</u>	<u>\$ 10,269,161</u>

NOTE 11 - Expenses

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Program expenses and grants	\$ 9,890,271	\$ 10,824,897
Salaries	2,308,197	1,867,132
Supplies and services	885,102	1,357,041
Professional fees	225,627	428,334
Depreciation	103,103	107,115
Travel	89,059	176,769
Utilities	8,198	5,139
	<u>\$ 13,509,557</u>	<u>\$ 14,766,427</u>



In honor of Lori Paulson's unremitting dedication and commitment to the student-athletes of NMSU's football team, the Board of Regents unanimously decided to name the team's meeting room in the Hall of Legends after the honorary team captain. The Lori J. Paulson Football Excellence Fund was established by Paulson and her family to directly support the athletes. Pictured above (left to right): head football coach Doug Martin, Lori Paulson, Paulson's son, Jeremiah, and athletics director Mario Moccia.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2016 and 2015

NOTE 12 - Deposit Accounts and Investments as of June 30, 2016

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
CASH - WELLS FARGO BANK OF NEW MEXICO:				
Operations Program	Checking	\$ 162,948	\$ (416)	\$ 162,532
Program	ACH	28,048	-	28,048
Program	Checking	3,831,961	1,436	3,833,397
Program	Transfer	76,605	-	76,605
Program	Wire	-	-	-
Operations – NMSU Sports Enterprises, Inc.	Checking	-	-	-
CITIZENS BANK OF LAS CRUCES:				
Program	Money Market	1,001,835	-	1,001,835
MERRILL LYNCH:				
Operations Program	Checking	1,386,307	-	1,386,307
Program	Money Market	5,031,184	-	5,031,184
Program-Cash Gift Annuity	Checking & Money Market	105,781	(9,623)	96,158
Program-Private Equity	Checking & Money Market	76,913	-	76,913
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,838,724)	-	(1,838,724)
INVESTMENT CASH - MERRILL LYNCH MANAGERS:				
Hedge Access	Money Market	66	-	66
Eagle TMA	Money Market	860,933	-	860,933
Global Templeton	Money Market	-	-	-
Cambiar Intl Value	Money Market	266,440	-	266,440
Earnest SCV	Money Market	119,988	-	119,988
NWQ	Money Market	234,513	-	234,513
APEX	Money Market	294,522	-	294,522
Futures Access	Money Market	124	-	124
Invesco	Money Market	656,048	-	656,048
Short Term Investment Fund	Money Market	4,612,894	-	4,612,894
NFJ Allianz	Money Market	9,090	-	9,090
Eagle LCV	Money Market	225,130	-	225,130
Armstrong	Money Market	6,122,287	-	6,122,287
Western	Money Market	822,403	-	822,403
Title V	Money Market	57,872	-	57,872
ALTA	Money Market	47,868	-	47,868
Cohen and Steers	Money Market	283,920	-	283,920
ALT Investments	Money Market	4,782	-	4,782
Santa Barbara	Money Market	176,333	-	176,333
Loomis - TMA	Money Market	77,663	-	77,663
NMSU Business College	Money Market	7,228	-	7,228
Less Cash Allocated to NMSU for AHIT	Held in Trust	(3,987,729)	-	(3,987,729)
Total Cash		<u>\$ 20,755,233</u>	<u>\$ (8,603)</u>	<u>\$ 20,746,630</u>
INVESTMENTS - MERRILL LYNCH:				
Corporate Stocks and Bonds	Investment	\$ 53,474,163	\$ -	\$ 53,474,163
U.S. Government and Agency Securities	Investment	2,104,766	-	2,104,766
Mortgage Backed Securities	Investment	4,776,568	-	4,776,568
Mortgage Backed Securities - Foreign	Investment	2,531,335	-	2,531,335
Limited Partnerships - Alternative	Investment	24,936,950	-	24,936,950
Mutual Funds	Investment	16,980,598	-	16,980,598
Total Investments - Merrill Lynch		<u>104,804,380</u>	<u>-</u>	<u>104,804,380</u>
Real Estate Holdings	Investment	397,888	-	397,888
Short-term Investments	Investment	210,374	-	210,374
Long-term Investment	Certificate of Deposit	101,506	-	101,506
Accrued Investment Interest	Investment	46,603	-	46,603
Total Other Investments		<u>756,371</u>	<u>-</u>	<u>756,371</u>
Total Investments		<u>\$ 105,560,751</u>	<u>\$ -</u>	<u>\$ 105,560,751</u>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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For the Years ended June 30, 2016 and 2015

NOTE 12 - Deposit Accounts and Investments as of June 30, 2015

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
CASH - WELLS FARGO BANK OF NEW MEXICO:				
Operations	Checking	\$ 950,323	\$ (2,544)	\$ 947,779
Program	ACH	939,036	-	939,036
Program	Checking	2,375,439	(1,305)	2,374,134
Program	Transfer	350,249	-	350,249
Program	Wire	312,529	-	312,529
Operations – NMSU Sports Enterprises, Inc.	Checking	16,300	(69)	16,231
CITIZENS BANK OF LAS CRUCES:				
Program	Certificate of Deposit	100,000	-	100,000
MERRILL LYNCH:				
Operations	Checking	1	-	1
Operations	Money Market	239	-	239
Program	Checking	5,004,974	(241,915)	4,763,059
Program	Money Market	3,161,961	-	3,161,961
Program-Cash Gift Annuity	Checking & Money Market	30,844	(8,919)	21,925
Program-Private Equity	Checking & Money Market	322,633	-	322,633
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(879,981)	-	(879,981)
INVESTMENT CASH - MERRILL LYNCH MANAGERS:				
SPAR	Money Market	186	-	186
Hedge Access	Money Market	10,878	-	10,878
Eagle	Money Market	44,545	-	44,545
McDonnell	Money Market	247,419	-	247,419
Earnest - TMA	Money Market	211,822	-	211,822
NWQ	Money Market	288,680	-	288,680
APEX	Money Market	195,110	-	195,110
Managed Futures	Money Market	123	-	123
Invesco REITS	Money Market	191,120	-	191,120
Short Term Investment Fund	Money Market	3,192	-	3,192
NFJ International	Money Market	370,495	-	370,495
UMA Eagle	Money Market	111,383	-	111,383
WHV International	Money Market	344,499	-	344,499
Title V	Money Market	51,109	-	51,109
Winslow - TMA	Money Market	137,139	-	137,139
London - TMA	Money Market	333,075	-	333,075
Loomis - TMA	Money Market	37,069	-	37,069
NMSU Business College	Money Market	5,544	-	5,544
Less Cash Allocated to NMSU for AHIT	Held in Trust	(1,231,922)	-	(1,231,922)
Total Cash		<u>\$ 14,036,013</u>	<u>\$ (254,752)</u>	<u>\$ 13,781,261</u>
INVESTMENTS - MERRILL LYNCH:				
Corporate Stocks and Bonds	Investment	\$ 67,287,482	\$ -	\$ 67,287,482
U.S. Government and Agency Securities	Investment	5,305,761	-	5,305,761
Mortgage Backed Securities	Investment	11,157,054	-	11,157,054
Limited Partnerships - Alternative	Investment	25,606,662	-	25,606,662
Mutual Funds	Investment	5,001,442	-	5,001,442
Total Investments - Merrill Lynch		<u>114,358,401</u>	<u>-</u>	<u>114,358,401</u>
Real Estate Holdings	Investment	463,288	-	463,288
Short-term Investments	Investment	287,490	-	287,490
Accrued Investment Interest	Investment	75,080	-	75,080
Total Other Investments		<u>825,858</u>	<u>-</u>	<u>825,858</u>
Total Investments		<u>\$ 115,184,259</u>	<u>\$ -</u>	<u>\$ 115,184,259</u>

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 2016 and 2015.

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, 2016 and 2015.

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.

WANDA GLASS FAMILY SWIMMING AND DIVING LOCKER ROOM



The new Wanda Glass Family Swimming and Diving Locker Room, which was unveiled in February 2016, was funded by a generous donation from NMSU alumna Smoky Glass Torgerson and her husband, Alan. Together they established the Women's Swim Team Facility Renovation fund.



The new facility provides a private space for members of the swimming and diving team to prepare for practices and meets, as well as a lounge area where the student-athletes can study, recover and relax together. Prior to this project the team was sharing facilities with public users of the Aquatic Center.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2016 and 2015

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, 2016:

2016	<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, 2016</i>
EQUITY SECURITIES:				
Large Cap Growth	\$ 8,881,167	\$ -	\$ -	\$ 8,881,167
Large Cap Value	7,268,701	-	-	7,268,701
Small Cap Growth	3,604,967	-	-	3,604,967
Large Cap Dividend	7,609,400	-	-	7,609,400
Small Cap Value	7,477,531	-	-	7,477,531
Mutual Funds	16,980,598	-	-	16,980,598
Total Equity Securities	51,822,364	-	-	51,822,364
FOREIGN EQUITY SECURITIES:				
Foreign Developed Markets	5,059,511	-	-	5,059,511
Foreign Emerging Markets	9,292,514	-	-	9,292,514
Foreign REITs - Mortgage Backed Securities	2,531,335	-	-	2,531,335
Total Foreign Equity Securities	16,883,360	-	-	16,883,360
U.S. GOVERNMENT SECURITIES:				
Residential Mortgage Backed Securities	-	1,534,753	-	1,534,753
Commercial Mortgage Backed Securities	-	2,104,766	-	2,104,766
Corporate Bonds	2,002,628	2,277,744	-	4,280,372
Total U.S. Government Securities	2,002,628	5,917,263	-	7,919,891
REITS - MORTGAGE BACKED SECURITIES				
	3,241,815	-	-	3,241,815
	73,950,167	5,917,263	-	79,867,430
NONREDEEMABLE SECURITIES:				
Hedge Fund Investments:				
Multi-Strategy	-	-	18,818,742	18,818,742
Equity Long/Short	-	-	4,757,864	4,757,864
Emerging Markets/Managed Futures	-	-	80,268	80,268
Total Hedge Fund Investments	-	-	23,656,874	23,656,874
Domestic Venture Capital Investments	-	-	1,280,076	1,280,076
Total Nonredeemable Securities	-	-	24,936,950	24,936,950
Total	\$ 73,950,167	\$ 5,917,263	\$ 24,936,950	\$ 104,804,380

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2016 and 2015

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, 2015:

2015	<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, 2015</i>
EQUITY SECURITIES:				
Large Cap Growth	\$ 8,795,776	\$ -	\$ -	\$ 8,795,776
Large Cap Value	8,462,917	-	-	8,462,917
Small Cap Growth	8,320,272	-	-	8,320,272
Large Cap Dividend	8,097,591	-	-	8,097,591
Small Cap Value	8,135,285	-	-	8,135,285
Mutual Funds	5,001,441	-	-	5,001,441
Total Equity Securities	46,813,282	-	-	46,813,282
FOREIGN EQUITY SECURITIES:				
Foreign Developed Markets	11,272,527	-	-	11,272,527
Foreign Emerging Markets	7,238,784	-	-	7,238,784
Total Foreign Equity Securities	18,511,311	-	-	18,511,311
U.S. GOVERNMENT SECURITIES:				
Residential Mortgage Backed Securities	-	5,267,249	-	5,267,249
Commercial Mortgage Backed Securities	-	782,558	-	782,558
Corporate Bonds	5,920,721	6,349,371	-	12,270,092
Total U.S. Government Securities	5,920,721	12,399,178	-	18,319,899
REITS - MORTGAGE BACKED SECURITIES				
	5,107,247	-	-	5,107,247
	76,352,561	12,399,178	-	88,751,739
NONREDEEMABLE SECURITIES:				
Hedge Fund Investments:				
Equity Long/Short	-	-	3,870,123	3,870,123
Global Opportunities	-	-	4,935,565	4,935,565
Emerging Markets/Managed Futures	-	-	1,685,096	1,685,096
Relative Value/Event Driven and Credit	-	-	8,124,420	8,124,420
Total Hedge Fund Investments	-	-	18,615,204	18,615,204
Domestic Venture Capital Investments	-	-	6,991,458	6,991,458
Total Nonredeemable Securities	-	-	25,606,662	25,606,662
Total	\$ 76,352,561	\$ 12,399,178	\$ 25,606,662	\$ 114,358,401

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For the Years ended June 30, 2016 and 2015

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, 2016:

2016	<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, 2016</i>
EQUITY SECURITIES:				
Large Cap Growth	\$ 3,172,769	\$ -	\$ -	\$ 3,172,769
Large Cap Value	2,632,677	-	-	2,632,677
Small Cap Growth	1,305,696	-	-	1,305,696
Large Cap Dividend	2,756,077	-	-	2,756,077
Small Cap Value	2,708,314	-	-	2,708,314
Mutual Funds	5,143,763	-	-	5,143,763
Total Equity Securities	17,719,296	-	-	17,719,296
FOREIGN EQUITY SECURITIES:				
Foreign Developed Markets	1,832,523	-	-	1,832,523
Foreign Emerging Markets	3,365,690	-	-	3,365,690
Foreign REITs - Mortgage Backed Securities	916,834	-	-	916,834
Total Foreign Equity Securities	6,115,047	-	-	6,115,047
U.S. GOVERNMENT SECURITIES:				
Residential Mortgage Backed Securities	-	555,878	-	555,878
Commercial Mortgage Backed Securities	-	762,333	-	762,333
Corporate Bonds	-	824,985	-	824,985
Total U.S. Government Securities	-	2,143,196	-	2,143,196
REITS - MORTGAGE BACKED SECURITIES	1,174,165	-	-	1,174,165
	25,008,508	2,143,196	-	27,151,704
NONREDEEMABLE SECURITIES:				
Hedge Fund Investments:				
Multi-Strategy	-	-	6,816,031	6,816,031
Equity Long/Short	-	-	1,723,268	1,723,268
Emerging Markets/Managed Futures	-	-	29,072	29,072
Total Hedge Fund Investments	-	-	8,568,371	8,568,371
Domestic Venture Capital Investments	-	-	463,635	463,635
Total Nonredeemable Securities	-	-	9,032,006	9,032,006
Total	\$ 25,008,508	\$ 2,143,196	\$ 9,032,006	\$ 36,183,710

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Notes to Consolidated Financial Statements

For the Years ended June 30, 2016 and 2015

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, 2015:

2015	<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, 2015</i>
EQUITY SECURITIES:				
Large Cap Growth	\$ 3,297,963	\$ -	\$ -	\$ 3,297,963
Large Cap Value	3,173,158	-	-	3,173,158
Small Cap Growth	3,119,673	-	-	3,119,673
Large Cap Dividend	3,036,179	-	-	3,036,179
Small Cap Value	3,050,313	-	-	3,050,313
Mutual Funds	670,146	-	-	670,146
Total Equity Securities	16,347,432	-	-	16,347,432
FOREIGN EQUITY SECURITIES:				
Foreign Developed Markets	4,226,615	-	-	4,226,615
Foreign Emerging Markets	2,714,171	-	-	2,714,171
Total Foreign Equity Securities	6,940,786	-	-	6,940,786
U.S. GOVERNMENT SECURITIES:				
Residential Mortgage Backed Securities	-	1,974,947	-	1,974,947
Commercial Mortgage Backed Securities	-	293,419	-	293,419
Corporate Bonds	2,219,965	2,380,687	-	4,600,652
Total U.S. Government Securities	2,219,965	4,649,053	-	6,869,018
REITS - MORTGAGE BACKED SECURITIES				
	1,914,954	-	-	1,914,954
	27,423,137	4,649,053	-	32,072,190
NONREDEEMABLE SECURITIES:				
Hedge Fund Investments:				
Equity Long/Short	-	-	1,451,096	1,451,096
Global Opportunities	-	-	1,850,582	1,850,582
Emerging Markets/Managed Futures	-	-	631,824	631,824
Relative Value/Event Driven and Credit	-	-	3,046,239	3,046,239
Total Hedge Fund Investments	-	-	6,979,741	6,979,741
Domestic Venture Capital Investments	-	-	2,621,436	2,621,436
Total Nonredeemable Securities	-	-	9,601,177	9,601,177
Total	\$ 27,423,137	\$ 4,649,053	\$ 9,601,177	\$ 41,673,367

NOTE 13 - Fair Value of Assets and Liabilities (Continued)

The Foundation's interest in limited partnerships represents 24% of the total investments held by the Foundation at June 30, 2016. 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.

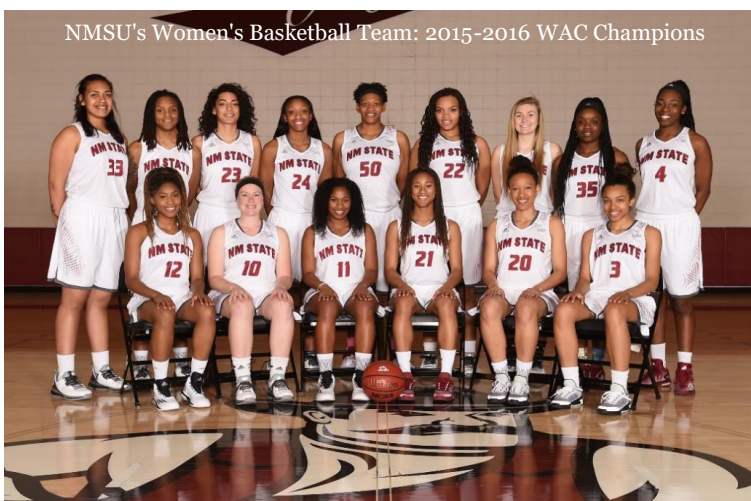
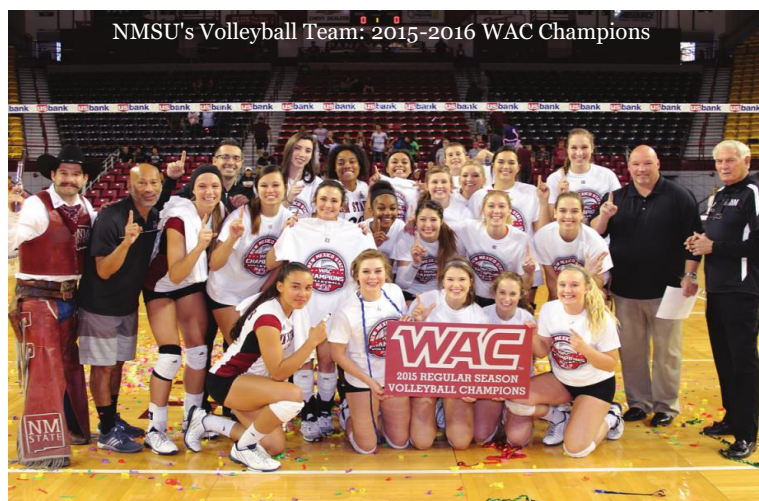
The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

2016	Hedge Fund Investments					Domestic Venture Capital Investment	Total
	Equity Long/Short	Global Opportunities	Emerging Markets/ Managed Futures	Relative Value/ Event Driven and Credit	Multi- Strategy		
Beginning Balance at July 1, 2015	\$ 3,870,123	\$ 4,935,565	\$ 1,685,096	\$ 8,124,420	\$ -	\$ 6,991,458	\$ 25,606,662
Total Realized Gains (Losses)	617,494	131,426	275,989	972,908	-	(2,556,970)	(559,153)
Total Unrealized Gains (Losses)	2,794,129	(2,065,919)	(275,454)	1,387,370	(318,028)	(1,981,239)	(459,141)
Purchases	-	-	-	-	37,489,520	1,383,797	38,873,317
Sales	(2,523,882)	(3,001,072)	(1,605,363)	(10,484,698)	(18,352,750)	(2,556,970)	(38,524,735)
Ending Balance at June 30, 2016	\$ 4,757,864	\$ -	\$ 80,268	\$ -	\$ 18,818,742	\$ 1,280,076	\$ 24,936,950

Net realized losses and unrealized losses on investments of \$(559,153) and \$(459,141), respectively, are related to assets still held at June 30, 2016, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2016.

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

2016	Fair Value at June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
HEDGE FUND INVESTMENTS:				
Multi-Strategy	\$ 18,818,742	\$ -	Quarterly	45 Days
Equity Long/Short	4,757,864	-	Quarterly	45 Days
Emerging Markets/Managed Futures	80,268	-	Quarterly	45 Days
Total Hedge Fund Investments	23,656,874	-		
DOMESTIC VENTURE CAPITAL INVESTMENTS:				
Venture Capital	1,280,076	2,650,137	None	None
Total Domestic Venture Capital Investments	1,280,076	2,650,137		
Ending Balance at June 30, 2016	\$ 24,936,950	\$ 2,650,137		



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, 2015. 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.

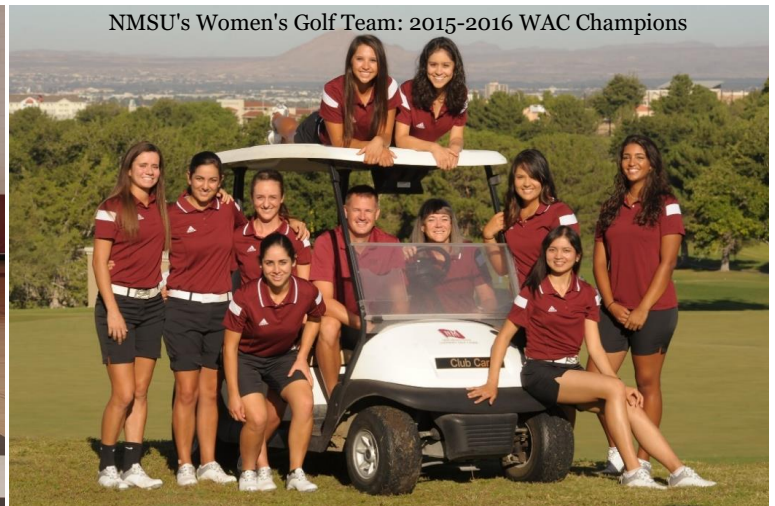
The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

2015	Hedge Fund Investments				Relative Value/ Event Driven and Credit	Domestic Venture Capital Investment	Total
	Equity Long/Short	Global Opportunities	Emerging Markets/ Managed Futures				
Beginning Balance at July 1, 2014	\$ 3,970,370	\$ 2,996,215	\$ 1,557,979	\$ 9,461,133	\$ 6,453,483	\$ 24,439,180	
Total Realized Gains (Losses)	-	-	-	-	-	-	
Total Unrealized (Losses) Gains	(100,247)	1,939,350	127,117	(1,336,713)	537,975	1,167,482	
Purchases	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	
Ending Balance at June 30, 2015	\$ 3,870,123	\$ 4,935,565	\$ 1,685,096	\$ 8,124,420	\$ 6,991,458	\$ 25,606,662	

Net unrealized gains on investments of \$1,167,482 are related to assets still held at June 30, 2015, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2015.

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

2015	Fair Value at June 30, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
HEDGE FUND INVESTMENTS:				
Equity Long/Short	\$ 3,870,123	\$ -	Quarterly	45 Days
Global Opportunities	4,935,565	-	Quarterly	45 Days
Emerging Markets/Managed Futures	1,685,096	-	Quarterly	45 Days
Relative Value/Event Driven and Credit	8,124,420	-	Quarterly	45 Days
Total Hedge Fund Investments	18,615,204	-		
DOMESTIC VENTURE CAPITAL INVESTMENTS:				
Managed Futures	2,295,054	-	Monthly	30 Days
Venture Capital	4,696,404	4,087,426	None	None
Total Domestic Venture Capital Investments	6,991,458	4,087,426		
Ending Balance at June 30, 2015	\$ 25,606,662	\$ 4,087,426		



NOTE 13 - Fair Value of Assets and Liabilities (Continued)

The University's interest in limited partnerships represents 25% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2016. 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:

2016	Hedge Fund Investments					Domestic	Total
	Equity Long/Short	Global Opportunities	Emerging Markets/Managed Futures	Relative Value/Event Driven and Credit	Multi-Strategy	Venture Capital Investment	
Beginning Balance at July 1, 2015	\$ 1,451,096	\$ 1,850,582	\$ 631,824	\$ 3,046,239	\$ -	\$ 2,621,436	\$ 9,601,177
Total Realized Gains (Losses)	223,653	47,602	99,962	352,381	-	(926,119)	(202,521)
Total Unrealized Gains (Losses)	962,653	(811,215)	(121,262)	398,871	(115,186)	(806,767)	(492,906)
Purchases	-	-	-	-	13,578,467	501,203	14,079,670
Sales	(914,134)	(1,086,969)	(581,452)	(3,797,491)	(6,647,250)	(926,118)	(13,953,414)
Ending Balance at June 30, 2016	\$ 1,723,268	\$ -	\$ 29,072	\$ -	\$ 6,816,031	\$ 463,635	\$ 9,032,006

Net realized losses and unrealized losses on the University investments of \$(202,521) and \$(492,906), respectively, are related to assets still held at June 30, 2016, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2016.

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

2016	Fair Value At June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
HEDGE FUND INVESTMENTS:				
Multi-Strategy	\$ 6,816,031	\$ -	Quarterly	45 Days
Equity Long/Short	1,723,268	-	Quarterly	45 Days
Emerging Markets/Managed Futures	29,072	-	Quarterly	45 Days
Total Hedge Fund Investments	8,568,371	-		
DOMESTIC VENTURE CAPITAL INVESTMENTS:				
Venture Capital	463,635	959,863	None	None
Total Domestic Venture Capital Investments	463,635	959,863		
Ending Balance at June 30, 2016	\$ 9,032,006	\$ 959,863		



NMSU's Women's Tennis Team: 2015-2016 WAC Champions



NMSU's Men's Tennis Team: 2015-2016 WAC Champions

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, 2015. 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:

2015	Hedge Fund Investments				Relative Value/ Event Driven and Credit	Domestic Venture Capital Investment	Total
	Equity Long/Short	Global Opportunities	Emerging Markets/ Managed Futures				
Beginning Balance at July 1, 2014	\$ 1,513,567	\$ 1,142,204	\$ 593,926	\$ 3,606,731	\$ 2,460,167	\$ 9,316,595	
Total Realized (Losses)	-	-	-	-	-	-	
Total Unrealized (Losses) Gains	(62,471)	708,378	37,898	(560,492)	161,269	284,582	
Purchases	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	
Ending Balance at June 30, 2015	\$ 1,451,096	\$ 1,850,582	\$ 631,824	\$ 3,046,239	\$ 2,621,436	\$ 9,601,177	

Net unrealized gains on the University investments of \$284,582 are related to assets still held at June 30, 2015, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2015.

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

2015	Fair Value At June 30, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
HEDGE FUND INVESTMENTS:				
Equity Long/Short	\$ 1,451,096	\$ -	Quarterly	45 Days
Global Opportunities	1,850,582	-	Quarterly	45 Days
Emerging Markets/Managed Futures	631,824	-	Quarterly	45 Days
Relative Value/Event Driven and Credit	3,046,239	-	Quarterly	45 Days
Total Hedge Fund Investments	6,979,741	-		
DOMESTIC VENTURE CAPITAL INVESTMENTS:				
Managed Futures	860,527	-	Monthly	30 Days
Venture Capital	1,760,909	1,532,574	None	None
Total Domestic Venture Capital Investments	2,621,436	1,532,574		
Ending Balance at June 30, 2015	\$ 9,601,177	\$ 1,532,574		



NMSU's Softball Team: 2015-2016 WAC Champions

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 1,509 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, 2016 and 2015, were as shown on the following page.



The ribbon-cutting ceremony marked the grand opening for the new Club 27 skybox at Aggie Memorial Stadium in October 2015. During the ceremony NMSU President Garrey Carruthers mentioned how important the skybox will be in raising dollars not only for athletics, but for academic programs as well.



The Club 27 presidential skybox offers a panoramic view of Aggie Memorial Stadium.

NOTE 14 - Endowment (Continued)

2016
ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND
As of June 30, 2016

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 21,362,371	\$ 88,740,173	\$ 110,102,544
Board-designated endowment funds	(348,400)	-	-	(348,400)
Total funds	<u>\$ (348,400)</u>	<u>\$ 21,362,371</u>	<u>\$ 88,740,173</u>	<u>\$ 109,754,144</u>

CHANGES IN ENDOWMENT NET ASSETS
For the Fiscal Year Ended June 30, 2016

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of the year	\$ 2,736,782	\$ 29,189,046	\$ 80,723,797	\$ 112,649,625
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	(3,087,733)	3,087,733	-	-
Endowment Net Assets after reclassification	(350,951)	32,276,779	80,723,797	112,649,625
Investment Return: Investment Income	-	3,074,530	-	3,074,530
Net appreciation (realized and unrealized)	-	(10,361,491)	-	(10,361,491)
Total investment return	-	(7,286,961)	-	(7,286,961)
Contributions, Reversions and changes in Donor Restrictions	2,551	673,252	8,016,376	8,692,179
Appropriation of endowment assets for expenditure	-	(4,300,699)	-	(4,300,699)
Endowment Net Assets, end of year	<u>\$ (348,400)</u>	<u>\$ 21,362,371</u>	<u>\$ 88,740,173</u>	<u>\$ 109,754,144</u>

NOTE 14 - Endowment (Continued)

2015
ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND
As of June 30, 2015

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 29,189,046	\$ 80,723,797	\$ 109,912,843
Board-designated endowment funds	<u>2,736,782</u>	<u>-</u>	<u>-</u>	<u>2,736,782</u>
Total funds	<u>\$ 2,736,782</u>	<u>\$ 29,189,046</u>	<u>\$ 80,723,797</u>	<u>\$ 112,649,625</u>

CHANGES IN ENDOWMENT NET ASSETS
For the Fiscal Year Ended June 30, 2015

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of the year	\$ 3,100,793	\$ 32,204,186	\$ 78,130,947	\$ 113,435,926
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	<u>(389,846)</u>	<u>389,846</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>2,710,947</u>	<u>32,594,032</u>	<u>78,130,947</u>	<u>113,435,926</u>
Investment Return: Investment Income	-	3,436,476	-	3,436,476
Net appreciation (realized and unrealized)	<u>-</u>	<u>(2,970,498)</u>	<u>-</u>	<u>(2,970,498)</u>
Total investment return	<u>-</u>	<u>465,978</u>	<u>-</u>	<u>465,978</u>
Contributions, Reversions and changes in Donor Restrictions	25,835	279,981	2,592,850	2,898,666
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,150,945)</u>	<u>-</u>	<u>(4,150,945)</u>
Endowment Net Assets, end of year	<u>\$ 2,736,782</u>	<u>\$ 29,189,046</u>	<u>\$ 80,723,797</u>	<u>\$ 112,649,625</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 \$3,931,067 and \$843,333 as of June 30, 2016 and 2015, 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.

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.

The Foundation has evaluated subsequent events from the consolidated balance sheet date through December 2, 2016, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.



With help from over \$800,000 in donations, the planning and design phase for the D.W. Williams Hall renovation is underway. Architectural renderings of the exterior and interior designs for the proposed D.W. Williams Hall renovation have been unveiled.





KPMG LLP
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6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report 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. Timothy Keller, 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), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 opinion on the consolidated 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
December 2, 2016

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, 2016 and 2015

An Exit Conference was held at the Foundation on October 28, 2016, 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:

Dan Socolofsky	Chair, Audit Committee, Member, Board of Directors
Marianne Shipley	Member, Audit Committee, Member, Board of Directors
Patricia Lopez, Ph.D.	Member, Audit Committee, Member, Board of Directors

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

Andrea Tawney, Ph.D.	Vice President, University Advancement President, New Mexico State University Foundation, Inc. and Subsidiary
Tina Byford, Ph.D.	Chief Operating Officer, New Mexico State University Foundation, Inc. and Subsidiary
Randy Frye	Director, Gift Accounting, University Advancement Controller, New Mexico State University Foundation, Inc. and Subsidiary

Representing KPMG LLP:

Suzette Longfellow, Managing Director
Jonathan Roepcke, Manager

FINANCIAL STATEMENT PREPARATION

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



All About Discovery!

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