

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**

**TOGETHER WITH REPORT OF INDEPENDENT  
AUDITORS**



**BE BOLD. Shape the Future.**

## 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 SUBSIDIARIES TABLE OF CONTENTS

2 Official Roster

3 Report of Independent Auditors

## *Financial Statements*

5 Consolidated Statements of Financial Position

7 Consolidated Statements of Activities

9 Consolidated Statements of Cash Flow

10 Notes to Consolidated Financial Statements

## *Other Information*

35 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

37 Schedule of Findings and Questioned Costs

39 Summary Schedule of Prior Year Audit Findings

40 Exit Conference

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

**NMSU Foundation, Inc.**

**Executive Officers**

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Mrs. MaryLou Davis  
Chairman

Mr. Philip Cook  
Vice Chairman

Dr. Tina Byford  
Interim President

Mr. Kyle Louvar  
Treasurer

Dr. Smoky Torgerson  
Secretary

**Members**

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Mr. Larry Allen

Mr. Robert "Nick" Franklin

Ms. Brenda Porter

Ms. Raquel Bone

Mr. Joel Granger

Mr. Eric Powell

Mr. Jagdev Cheema

Mr. Christian Hendrickson

Mr. Raul Prieto

Mr. John Cordova

Dr. Michael Johnson

Mr. Randy Pugh

Mr. Aaron De Los Santos

Mr. George Kozeliski

Mr. Kyle Rhodes

Mr. Christopher Dulany

Mrs. Nicole Louvar

Mr. Jim Rhodes

Mrs. Jackie Edwards

Mr. Bobby Lutz

Mr. Joseph Salopek

Mr. Del Esparza

Mr. Ross McCallister

Mr. Frank Seidel

Dr. Ed Foreman

Mrs. Dion Messer

Dr. Harold Foreman

Mrs. Susan Plantz



KPMG LLP  
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Albuquerque, NM 87110-8179

## Independent Auditors' Report

The Board of Directors  
New Mexico State University Foundation, Inc.  
and  
Mr. Brian Colón, 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 its subsidiaries (the Foundation), a component unit of New Mexico State University, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated 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 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 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 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 consolidated financial statements. The procedures selected depend on the auditors' 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.

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 New Mexico State University Foundation, Inc. and its subsidiaries as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in Note 2 to the consolidated financial statements, in 2019, the Foundation adopted new accounting guidance, ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 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 solely 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 the effectiveness of the Foundation's 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  
October 30, 2019



## NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

## Consolidated Statements of Financial Position

As of June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,994,039	\$ 14,989,030
Short-term investments (Note 3)	362,588	332,068
Contributions receivable, net (Note 2)	13,289,769	12,640,488
Property and equipment, net (Note 4)	76,546	105,643
Asset held in trust under split interest agreement	365,497	359,055
Assets held in trust for New Mexico State University (Note 5)	47,717,538	47,337,549
Assets held for long-term investment:		
Cash and cash equivalents	4,578,460	4,859,321
Securities (Note 6)	134,349,572	129,541,610
Accrued interest income	14,832	23,942
Land and building	3,044,811	2,322,528
Other assets	1,484,096	1,369,864
Total assets	<u>\$ 222,277,748</u>	<u>\$ 213,881,098</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Split interest agreement payable	\$ 141,786	\$ 140,181
Gift annuities payable	2,216,253	2,348,892
Other liabilities	503,477	539,906
Due to New Mexico State University	2,339,416	2,250,106
Assets held in trust for New Mexico State University (Note 5)	47,717,538	47,337,549
Total liabilities	<u>52,918,470</u>	<u>52,616,634</u>
Net assets:		
Without Donor Restrictions	5,789,707	5,202,852
With Donor Restrictions (Note 7)	163,569,571	156,061,612
Total net assets	<u>169,359,278</u>	<u>161,264,464</u>
Total liabilities and net assets	<u>\$ 222,277,748</u>	<u>\$ 213,881,098</u>

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



In May, the 1888 Society Luncheon honored 1888 Society members - individuals or couples with "a key to the university" who have made the NMSU Foundation a part of their estate plan as the beneficiary of a will, trust, life insurance policy, retirement plan, or other planned gifts. The Luncheon featured special guest speakers, including student scholarship recipient, Lucas Rivera, Society members, Chuck and Debbie Widger, and NMSU President, John Floros.





## NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

## Consolidated Statement of Activities

As of June 30, 2019

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>			
Private gifts	\$ 525,037	\$ 15,280,595	\$ 15,805,632
Net investment income (Note 9)	2,890,222	3,649,723	\$ 6,539,945
Management fees paid by New Mexico State University (Note 5)	818,833	-	818,833
Promotion and other income	165,960	793,301	959,261
Change in value of split interest agreement and gift annuities payable	-	(237,293)	(237,293)
<b>NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:</b>			
Change in donor restrictions	(312,766)	312,766	-
Net assets released from donor restrictions (Note 10)	<u>12,291,133</u>	<u>(12,291,133)</u>	<u>-</u>
Total revenues, gains and other support	<u>16,378,419</u>	<u>7,507,959</u>	<u>23,886,378</u>
<b>EXPENSES (Note 11):</b>			
University Support Programs	12,450,373	-	12,450,373
Fundraising	1,979,041	-	1,979,041
Administration	<u>1,362,150</u>	<u>-</u>	<u>1,362,150</u>
Total expenses	<u>15,791,564</u>	<u>-</u>	<u>15,791,564</u>
<b>CHANGE IN NET ASSETS</b>	586,855	7,507,959	8,094,814
NET ASSETS, beginning of year (Note 2)	<u>5,202,852</u>	<u>156,061,612</u>	<u>161,264,464</u>
NET ASSETS, end of year	<u>\$ 5,789,707</u>	<u>\$ 163,569,571</u>	<u>\$ 169,359,278</u>

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

## NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

## Consolidated Statement of Activities

As of June 30, 2018

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>			
Private gifts	\$ 409,416	\$ 15,083,042	\$ 15,492,458
Net investment income (Note 9)	2,692,529	6,435,241	9,127,770
Management fees paid by New Mexico State University (Note 5)	803,056	-	803,056
Promotion and other income	224,922	763,030	987,952
Change in value of split interest agreement and gift annuities payable	-	(271,941)	(271,941)
<b>NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:</b>			
Change in donor restrictions	(59,793)	59,793	-
Net assets released from donor restrictions (Note 10)	10,519,536	(10,519,536)	-
Total revenues, gains and other support	<u>14,589,666</u>	<u>11,549,629</u>	<u>26,139,295</u>
<b>EXPENSES (Note 11):</b>			
University Support Programs	10,657,340	-	10,657,340
Fundraising	2,075,368	-	2,075,368
Administration	1,361,927	-	1,361,927
Total expenses	<u>14,094,635</u>	<u>-</u>	<u>14,094,635</u>
<b>CHANGE IN NET ASSETS</b>	495,031	11,549,629	12,044,660
NET ASSETS, beginning of year as previously reported	3,093,209	146,126,595	149,219,804
Change in accounting principle (Note 2)	<u>1,614,612</u>	<u>(1,614,612)</u>	<u>-</u>
NET ASSETS, beginning of year	<u>4,707,821</u>	<u>144,511,983</u>	<u>149,219,804</u>
NET ASSETS, end of year	<u>\$ 5,202,852</u>	<u>\$ 156,061,612</u>	<u>\$ 161,264,464</u>

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

## NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

As of June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 8,094,814	\$ 12,044,660
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on marketable securities, net	(4,278,752)	(5,861,731)
Amortization of marketable securities, net of accretion	741,909	525,782
Gifts of marketable securities received	(2,156,836)	(735,995)
Depreciation	29,762	28,882
Loss on disposal of property and equipment	883	693
Unrealized gain on other assets	(209,155)	(16,126)
Unrealized gain (loss) on land and building held for long-term investment	(22,550)	8,356
Contributions held for long-term investment	(5,976,613)	(3,837,450)
Dividends and interest held for long-term investment	(4,130,548)	(4,813,358)
Actuarial gain on gift annuities payable	(132,639)	(212,311)
Actuarial gain on obligations under split interest agreement payable	1,605	(14,099)
Net changes in assets and liabilities:		
Contributions receivable	(649,281)	(930,069)
Assets held in trust under split interest agreement	(2,617)	9,900
Accrued interest held for long-term investment	9,110	6,916
Other assets	(109,682)	(59,221)
Other liabilities	(36,429)	42,671
Due to New Mexico State University	89,310	686,370
Net cash flows used by operating activities	<u>(8,737,709)</u>	<u>(3,126,130)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(1,548)	(75,608)
Change in cash and cash equivalents held for long-term investment	485,354	6,713,262
Sales, maturities and principal payments received of marketable securities	33,921,804	29,458,890
Purchases of marketable securities	(33,070,432)	(38,058,454)
Principal payments received on note receivable for long-term investment	18,000	18,000
Purchase of land and building for investment including capital improvements	(513,128)	(305,702)
Net cash flows provided (used) by investing activities	<u>840,050</u>	<u>(2,249,612)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions held for long-term investment	5,976,613	3,837,450
Dividends and interest held for long-term investment	4,130,548	4,813,358
Payments of gift annuity obligations	(204,493)	(161,820)
Net cash flows provided by financing activities	<u>9,902,668</u>	<u>8,488,988</u>
Net increase in cash and cash equivalents	<u>2,005,009</u>	<u>3,113,246</u>
Cash and cash equivalents, beginning of year	<u>14,989,030</u>	<u>11,875,784</u>
Cash and cash equivalents, end of year	<u>\$ 16,994,039</u>	<u>\$ 14,989,030</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 Subsidiaries (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. The Foundation financial statements are prepared in accordance with the guidance promulgated by the Financial Accounting Standards Board (FASB), as it does not qualify to be reported using the governmental format promulgated by the Governmental Accounting Standards Board.

During FY 2017 the Foundation established a limited liability corporation, Real Estate Holdings of NMSU Foundation, LLC ("REH"). The purpose of REH is to buy, sell, manage, and operate real estate interests for the benefit of the Foundation. The LLC is managed by the executive committee of its only member, the Foundation.

During FY 2018 the Foundation established a limited liability corporation, Our Way Holdings, LLC ("OWH"). The purpose of OWH is to receive, invest and distribute funds received from a trust for the benefit of the Foundation. OWH is managed by the executive committee of its only member, the Foundation.

During FY 2019 the Foundation established a limited liability corporation, Our Way Holdings II, LLC ("OWH II"). The purpose of OWH II is to receive, invest and distribute funds received from a trust for the benefit of the Foundation. OWH II is managed by the executive committee of its only member, the Foundation.

**NOTE 2 - Summary of Significant Accounting Policies**

**Basis of Presentation.** The Consolidated Financial Statements of the New Mexico State University Foundation, Inc. and its subsidiaries have been consolidated and all significant intercompany amounts and transactions have been eliminated.

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

***Without Donor Restrictions*** – Net assets that are not subject to donor-imposed stipulations. Net Assets Without Donor Restrictions may be designated for specific purposes, such as quasi-endowments, by action of the Board of Directors. Unless otherwise designated, Net Assets Without Donor Restrictions are used for the support of University programs.

***With Donor Restrictions*** – 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.

**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 stated at fair value in the consolidated financial statements. Where applicable, investments are stated at net asset value (NAV) as a practical expedient to fair value.

**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 2019 and 2018 was 2.8% and 3.4%, respectively. These inputs are considered to be Level 3 in the fair value hierarchy. Conditional promises occur when a donor promises to contribute to the Foundation only if future and uncertain conditions are met. Conditional promises to support the University total \$851,354 and \$1,156,740 were not recorded as contributions receivable during 2019 and 2018, respectively. Contributions receivable determined uncollectible during the fiscal year are written off when considered uncollectible. A total of \$169,844 and \$709,361 was written off during 2019 and 2018, respectively. Contributions receivable for the fiscal years ended June 30, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
Within one year	\$ 4,893,906	\$ 4,681,418
From two to five years	7,132,459	7,346,256
More than five years	<u>3,826,524</u>	<u>2,883,220</u>
	15,852,889	14,910,894
Reserve	(2,328,290)	(2,036,244)
Present Value Discount	<u>(234,830)</u>	<u>(234,162)</u>
Total Net Contributions Receivable	<u>\$ 13,289,769</u>	<u>\$ 12,640,488</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 Agreement.** 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 2019 and 2018 was 2.8% and 3.4%, 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 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, 2019 and 2018.

**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 are recorded at current appraisal value as of June 30, 2019 and 2018. The note receivable expected to be collected in future years is reported at an amount determined using the discounted present value of future contributions. The applicable IRS discount rate for June 2019 and 2018 was 2.8% and 3.4%, respectively.

**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 2019 and 2018 was 2.8% and 3.4%, 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 with donor restrictions support if they are received with donor stipulations that specify the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from donor restrictions.

**Change in Donor Restrictions.** During the years ended June 30, 2019 and 2018, the Foundation was contacted by some of its donors who wished to specify the use of the donated assets 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.

**Income Taxes.** The Foundation is an organization exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). However, the Foundation is subject to taxation on income derived from business activities not substantially related to the Foundation's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. The Foundation did not have any material unrelated taxable business income for years ended June 30, 2019 and June 30, 2018. Contributions to the Foundation are deductible by donors as provided under Section 170 of the Internal Revenue Code.

**Reclassifications.** Certain reclassifications within the endowment footnote (note 14) have been made to the 2018 Consolidated Financial Statements to conform to the classifications used in 2019.

**New Accounting Pronouncements.** In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosure for all investments for which fair value is measured using the NAV per share practical expedient. The Foundation adopted ASU 2015-07 for its fiscal year ended June 30, 2018.



**NOTE 2 - Summary of Significant Accounting Policies (Continued)**

In August 2016, the FASB issued ASU No. 2016-14, Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities. The ASU significantly changes how not for profit entities (NFPs) report net asset classes, expenses, and liquidity in financial statements. The Foundation adopted ASU 2016-14 for its fiscal year ended June 30, 2019, and has applied the amendments retrospectively to all periods presented in the financial statements. The key provisions of the ASU are as follows:

- Reduces the number of net asset classes presented from three to two, resulting in net asset classes of with donor restrictions and without donor restrictions.
- Requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements (Note 11).
- Requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statements of financial position (Note 15).
- Requires NFPs to provide disclosures of an NFP's policy, and any actions taken during the period, concerning appropriation from underwater endowment funds (Note 14).
- Requires NFPs to net investment expense against investment return.

The changes have the following impact on net assets for the fiscal years ended June 30:

Net Asset Class	2018		2017	
	As previously reported	As restated	As previously reported	As restated
Unrestricted net assets	\$ 4,023,358	\$ -	\$ 3,093,209	\$ -
Temporarily restricted net assets	57,541,225	-	51,720,227	-
Permanently restricted net assets	99,699,881	-	94,406,368	-
Net assets without donor restrictions	-	5,202,852	-	4,707,821
Net assets with donor restrictions	-	156,061,612	-	144,511,983
	<u>\$ 161,264,464</u>	<u>\$ 161,264,464</u>	<u>\$ 149,219,804</u>	<u>\$ 149,219,804</u>

Information concerning recently issued accounting pronouncements that have not been adopted by the Foundation are presented below.

**ASU No. 2014-09, Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU No. 2014-09, as amended by several subsequent ASUs, which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Per ASU No. 2015-14, Deferral of the Effective Date, this ASU becomes effective with respect to the Foundation's financial statements on July 1, 2019. Early adoption is permitted. The Foundation expects the adoption of this ASU to have a limited impact on its financial statements.

**ASU No. 2016-02, Leases**

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance for the recognition of lease agreements. The standard's core principle is that a company will now recognize most leases on its statements of financial position as lease liabilities with corresponding right of use assets. This ASU becomes effective with respect to the Foundation's financial statements on July 1, 2020. Early adoption is permitted. The Foundation is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

**ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash**

In November 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash and cash equivalents. The ASU will be effective for the Foundation for the fiscal year ending June 30, 2020. The Foundation is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

Other accounting pronouncements did not or are not believed by management to have a material impact on the Foundation's present or future financial statements.

**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, 2019 and 2018.

Returns from certificate of deposit and short-term investments in marketable securities are included in the accompanying Consolidated Statements of Activities. The following table summarizes the short-term investments and related activity for the years ended June 30, 2019 and 2018.

	<b>2019</b>	<b>2018</b>
Marketable securities	\$ 258,987	\$ 229,034
Certificate of Deposit	<u>103,601</u>	<u>103,034</u>
	<u>\$ 362,588</u>	<u>\$ 332,068</u>
	<b>2019</b>	<b>2018</b>
Unrealized gain (loss), net	\$ 28,913	\$ (54,998)
Dividends and interest	<u>9,733</u>	<u>9,535</u>
	<u>\$ 38,646</u>	<u>\$ (45,463)</u>

**NOTE 4 - Property and Equipment**

Depreciation expense for the fiscal years ended June 30, 2019 and 2018, was \$29,762 and \$28,882 respectively, and is included in administration expense on the accompanying Consolidated Statements of Activities. Major classifications of property and equipment at June 30, 2019 and 2018 are summarized below:

	<b>2019</b>	<b>2018</b>
Computer equipment and software	\$ 495,817	\$ 495,328
Furniture and equipment	154,724	154,724
Automobiles	<u>105,193</u>	<u>105,193</u>
	755,734	755,245
Less: Accumulated depreciation	<u>(679,188)</u>	<u>(649,602)</u>
	<u>\$ 76,546</u>	<u>\$ 105,643</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 for investment. Under this agreement, the Foundation earned \$818,833 and \$803,056 in administration fees from the University during the fiscal years ended June 30, 2019 and 2018, respectively.

**NOTE 5 - Affiliated Entity (Continued)**

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 \$47,717,538 and \$47,337,549 at June 30, 2019 and 2018, respectively. Of these assets, \$42,399,423 and \$42,808,020, as of June 30, 2019 and 2018, 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 and cash equivalent amounts that are not subject to fair value measurements and accrued interest income.

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 \$166,112 and \$210,319 during the fiscal years ended June 30, 2019 and 2018, 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 (\$2,217,758 and \$2,111,158 for the years ended June 30, 2019 and 2018, respectively) was reimbursed to the University by the Foundation.

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, 2019 and 2018, are shown in the table below:

	<b>2019</b>	<b>2018</b>
Corporate Stocks and Bonds	\$ 71,120,545	\$ 66,723,360
Limited Partnerships - Alternative	34,923,985	32,119,416
Mutual Funds	23,056,913	25,912,120
Mortgage Backed Securities	3,395,083	2,657,857
Mortgage Backed Securities - Foreign	1,331,875	1,294,830
U.S. Government and Agency Securities	521,171	834,027
	<u>134,349,572</u>	<u>129,541,610</u>
Real Estate Holdings	3,044,811	2,322,528
	<u>\$ 137,394,383</u>	<u>\$ 131,864,138</u>



**NOTE 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes and/or periods:

**Donor-restricted endowments subject to spending policy and appropriation to support the following purposes (including net accumulated earnings of \$16,437,400 and \$16,828,356 respectively)**

	<b>2019</b>	<b>2018</b>
Scholarships	\$ 74,321,806	\$ 68,511,119
Instruction and institutional support	50,299,311	49,625,533
Research	6,036,304	4,542,461
Buildings, grounds, equipment and facilities	215,913	218,687
General activities	2,077,934	1,938,036
	<u>132,951,268</u>	<u>124,835,836</u>
Perpetual trusts, distributions available to support the following purposes		
Scholarships	160,032	158,881
Instruction and institutional support	2,276,048	2,323,729
Buildings, grounds, equipment and facilities	475,820	462,362
Total Perpetual trusts, distributions	<u>2,911,900</u>	<u>2,944,972</u>
<b>Total donor restricted endowments</b>	<b>135,863,168</b>	<b>127,780,808</b>
<b>Donor restricted current use subject to expenditure for specified purpose:</b>		
Instruction and institutional support	15,806,230	15,382,413
Scholarships	5,598,959	6,023,238
Research	4,856,061	5,485,337
Capital projects	1,429,217	1,372,500
Subject to passage of time	15,936	17,316
<b>Total donor restricted current use</b>	<u>27,706,403</u>	<u>28,280,804</u>
<b>Total Net Assets with donor restrictions</b>	<b>\$ 163,569,571</b>	<b>\$ 156,061,612</b>

**NOTE 8 - Board-Designated Net Assets**

NMSU Foundation's governing board has designated net assets without donor restrictions for the following purposes

	<b>2019</b>	<b>2018</b>
Net assets without donor restrictions:		
Board designated endowment	\$ 3,355,199	\$ 3,372,637
Undesignated	2,328,508	1,680,215
Liquidity Reserve	106,000	150,000
<b>Total Net Assets without donor restrictions</b>	<u>\$ 5,789,707</u>	<u>\$ 5,202,852</u>

**NOTE 9 - Net Investment Income (Loss)**

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2019:

<b>2019</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Dividends and interest on cash and cash equivalents	\$ 9,733	\$ -	\$ 9,733
Gain from short-term investments	28,913	-	28,913
Interest on cash and cash equivalents held for long-term investment	-	5,909	5,909
Total return from marketable securities long-term investment (Note 6)	<u>2,851,576</u>	<u>3,643,814</u>	<u>6,495,390</u>
	<u>\$ 2,890,222</u>	<u>\$ 3,649,723</u>	<u>\$ 6,539,945</u>

The following table summarizes the components of net investment income for the year ended June 30, 2018:

<b>2018</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Dividends and interest on cash and cash equivalents	\$ 9,535	\$ -	\$ 9,535
Loss from short-term investments	(54,998)	-	(54,998)
Interest on cash and cash equivalents held for long-term investment	-	5,011	5,011
Total return from marketable securities long-term investment (Note 6)	<u>2,737,992</u>	<u>6,430,230</u>	<u>9,168,222</u>
	<u>\$ 2,692,529</u>	<u>\$ 6,435,241</u>	<u>\$ 9,127,770</u>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years ended June 30, 2019 and 2018

**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, 2019 and 2018, were as follows:

	<b>2019</b>	<b>2018</b>
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 7,017,529	\$ 6,095,842
Student aid	3,121,858	2,766,475
Faculty and staff compensation	739,416	792,515
Buildings, grounds, equipment and facilities	1,027,031	504,100
Research	374,830	350,725
Other	10,469	9,879
	<u>\$ 12,291,133</u>	<u>\$ 10,519,536</u>

**NOTE 11 - Expenses**

Expenses of the Foundation reported by natural and functional classification for the fiscal years ended June 30, 2019, were as follows:

	<b>University Support</b>				
	<b>2019</b>	<b>Programs</b>	<b>Fundraising</b>		<b>Administration</b>
Awards to NMSU	\$	11,602,375	\$ -	\$ -	\$ 11,602,375
Salaries		-	1,506,646	711,112	2,217,758
Supplies and services		771,088	243,731	472,691	1,487,509
Professional fees		35,388	98,143	141,738	275,269
Travel		41,522	128,950	4,302	174,774
Depreciation		-	-	29,763	29,763
Utilities		-	1,571	2,544	4,115
		<u>\$ 12,450,373</u>	<u>\$ 1,979,041</u>	<u>\$ 1,362,150</u>	<u>\$ 15,791,564</u>

Expenses of the Foundation reported by natural and functional classification for the fiscal years ended June 30, 2018, were as follows:

	<b>University Support</b>				
	<b>2018</b>	<b>Programs</b>	<b>Fundraising</b>		<b>Administration</b>
Awards to NMSU	\$	9,106,630	\$ -	\$ -	\$ 9,106,630
Salaries		-	1,421,716	689,442	2,111,158
Supplies and services		1,493,311	247,356	565,068	2,305,735
Professional fees		32,014	274,109	60,975	367,098
Travel		25,385	130,210	9,555	165,150
Depreciation		-	-	28,882	28,882
Utilities		-	1,977	8,005	9,982
		<u>\$ 10,657,340</u>	<u>\$ 2,075,368</u>	<u>\$ 1,361,927</u>	<u>\$ 14,094,635</u>

The Foundation allocates expenses by direct allocation method. Assigning each expense to a functional category based on direct usage.

## NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2019 and 2018

**NOTE 12 - Deposit Accounts and Investments as of June 30, 2019**

<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>				
Program	Checking	\$ 3,901,736	\$ (7,832)	\$ 3,893,904
Program	Transfer	1,927,427	-	1,927,427
Operations	Checking	331,215	(15,158)	316,057
Program	ACH	1,074,349	-	1,074,349
Program	Wire	118,082	-	118,082
<b>CITIZENS BANK OF LAS CRUCES:</b>				
Program	Money Market	1,033,171	-	1,033,171
<b>MERRILL LYNCH:</b>				
Program	Money Market	7,994,566	164,889	8,159,455
Operations	Checking	2,282,403	-	2,282,403
Program - Charitable Gift Annuity	Checking & Money Market	175,425	(31,859)	143,566
Program - NMSU Business College	Money Market	7,883	-	7,883
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,962,258)	-	(1,962,258)
<b>INVESTMENT CASH - MERRILL LYNCH MANAGERS:</b>				
Short Term Investment Fund	Money Market	2,475,465	-	2,475,465
Cambiar Intl Value	Money Market	716,416	-	716,416
Invesco	Money Market	1,003,915	-	1,003,915
Eagle LCV	Money Market	787,610	-	787,610
Private Equity	Money Market	112,417	-	112,417
NWQ	Money Market	294,690	-	294,690
Armstrong	Money Market	954,716	-	954,716
Loomis - TMA	Money Market	241,340	-	241,340
Santa Barbara	Money Market	229,303	-	229,303
Tag - Emerging	Money Market	172,032	-	172,032
Eagle SCG	Money Market	238,671	-	238,671
Western	Money Market	80,124	-	80,124
Tortoise MLP	Money Market	127,298	-	127,298
WCMA	Money Market	363,525	-	363,525
Cohen and Steers	Money Market	70,330	-	70,330
Earnest SCV	Money Market	25,832	-	25,832
Title V	Money Market	31,936	-	31,936
ALT Investments	Money Market	3,873	-	3,873
ALTA	Money Market	-	-	-
Less Cash Allocated to NMSU for AHIT	Held in Trust	(3,351,033)	-	(3,351,033)
Total Cash		<u>\$ 21,462,459</u>	<u>\$ 110,040</u>	<u>\$ 21,572,499</u>
<b>INVESTMENTS - MERRILL LYNCH:</b>				
Corporate Stocks and Bonds	Investment	\$ 71,120,545	\$ -	\$ 71,120,545
Limited Partnerships - Alternative	Investment	34,923,985	-	34,923,985
Mutual Funds	Investment	23,056,913	-	23,056,913
Mortgage Backed Securities	Investment	3,395,083	-	3,395,083
Mortgage Backed Securities - Foreign	Investment	1,331,875	-	1,331,875
U.S. Government and Agency Securities	Investment	521,171	-	521,171
Total Investments - Merrill Lynch		<u>134,349,572</u>	<u>-</u>	<u>134,349,572</u>
Real Estate Holdings	Investment	3,044,811	-	3,044,811
Short-term Investments	Investment	362,588	-	362,588
Accrued Investment Interest	Investment	14,832	-	14,832
Total Other Investments		<u>3,422,231</u>	<u>-</u>	<u>3,422,231</u>
Total Investments		<u>\$ 137,771,803</u>	<u>\$ -</u>	<u>\$ 137,771,803</u>

**NOTE 12 - Deposit Accounts and Investments as of June 30, 2018**

<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>				
Program	Checking	\$ 4,399,688	\$ 12,335	\$ 4,412,023
Program	Transfer	958,047	-	958,047
Operations	Checking	477,246	(43,944)	433,302
Program	ACH	218,116	-	218,116
Program	Wire	97,582	-	97,582
<b>CITIZENS BANK OF LAS CRUCES:</b>				
Program	Money Market	1,016,781	-	1,016,781
<b>MERRILL LYNCH:</b>				
Program	Money Market	7,918,863	(78,050)	7,840,813
Operations	Checking	1,951,436	-	1,951,436
Program - Charitable Gift Annuity	Checking & Money Market	29,310	(8,418)	20,892
Program - NMSU Business College	Money Market	4,577	-	4,577
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,964,539)	-	(1,964,539)
<b>INVESTMENT CASH - MERRILL LYNCH MANAGERS:</b>				
Short Term Investment Fund	Money Market	1,995,767	-	1,995,767
Cambiar Intl Value	Money Market	1,287,570	-	1,287,570
Invesco	Money Market	1,068,018	-	1,068,018
Eagle LCV	Money Market	1,048,374	-	1,048,374
Private Equity	Money Market	451,568	-	451,568
NWQ	Money Market	295,840	-	295,840
Armstrong	Money Market	202,294	-	202,294
Loomis - TMA	Money Market	196,876	-	196,876
Santa Barbara	Money Market	149,250	-	149,250
Tag - Emerging	Money Market	144,382	-	144,382
Eagle SCG	Money Market	135,230	-	135,230
Western	Money Market	120,569	-	120,569
Tortoise MLP	Money Market	93,769	-	93,769
WCMA	Money Market	73,717	-	73,717
Cohen and Steers	Money Market	71,247	-	71,247
Earnest SCV	Money Market	61,687	-	61,687
Title V	Money Market	19,397	-	19,397
ALT Investments	Money Market	532	-	532
ALTA	Money Market	2	-	2
Less Cash Allocated to NMSU for AHIT	Held in Trust	(2,556,768)	-	(2,556,768)
Total Cash		<u>\$ 19,966,428</u>	<u>\$ (118,077)</u>	<u>\$ 19,848,351</u>
<b>INVESTMENTS - MERRILL LYNCH:</b>				
Corporate Stocks and Bonds	Investment	\$ 66,723,360	\$ -	\$ 66,723,360
Limited Partnerships - Alternative	Investment	32,119,416	-	32,119,416
Mutual Funds	Investment	25,912,120	-	25,912,120
Mortgage Backed Securities	Investment	2,657,857	-	2,657,857
Mortgage Backed Securities - Foreign	Investment	1,294,830	-	1,294,830
U.S. Government and Agency Securities	Investment	834,027	-	834,027
Total Investments - Merrill Lynch		<u>129,541,610</u>	<u>-</u>	<u>129,541,610</u>
Real Estate Holdings	Investment	2,322,528	-	2,322,528
Short-term Investments	Investment	332,068	-	332,068
Accrued Investment Interest	Investment	<u>23,942</u>	<u>-</u>	<u>23,942</u>
Total Other Investments		<u>2,678,538</u>	<u>-</u>	<u>2,678,538</u>
Total Investments		<u>\$ 132,220,148</u>	<u>\$ -</u>	<u>\$ 132,220,148</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.



Transfers of investments between different levels of the fair value hierarchy, if any, are recorded as of the beginning of the reporting period. The Foundation's policy is to recognize transfers between different levels of the fair value hierarchy as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers in 2019 and 2018.

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, 2019 and 2018.

**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 net asset value (NAV) as a practical expedient to fair value. 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.

**Real Estate** is valued at current appraisal or fair value. Real estate is classified within Level 3 of the valuation hierarchy due to having no observable measures and the appraiser must rely solely on experience and knowledge of the market.



Pistol Pete became the NMSU mascot in 1973, and made his first public appearance at an NMSU home football game against Utah State University. The pistol-pete toting cowboy is named after Francis "Frank" Eaton, who earned the nickname "Pistol Pete" for his quick draw.





**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, 2019:

2019	<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>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2019</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 14,465,616	\$ -	\$ -	\$ -	\$ 14,465,616
Large Cap Value	15,693,954	-	-	-	15,693,954
Large Cap Growth	13,981,027	-	-	-	13,981,027
Large Cap Dividend	9,927,247	-	-	-	9,927,247
Foreign Developed Markets	8,223,487	-	-	-	8,223,487
Small Cap Value	4,243,556	-	-	-	4,243,556
Small Cap Growth	3,850,814	-	-	-	3,850,814
Corporate Bonds	-	734,844	-	-	734,844
<b>Total Corporate Stocks and Bonds</b>	<b>70,385,701</b>	<b>734,844</b>	<b>-</b>	<b>-</b>	<b>71,120,545</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	23,056,913	-	-	-	23,056,913
<b>Total Mutual Funds</b>	<b>23,056,913</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,056,913</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	2,608,565	786,518	-	-	3,395,083
<b>Total Mortgage Backed Securities</b>	<b>2,608,565</b>	<b>786,518</b>	<b>-</b>	<b>-</b>	<b>3,395,083</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	1,331,875	-	-	-	1,331,875
<b>Total Mortgage Backed Securities - Foreign</b>	<b>1,331,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,331,875</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	521,171	-	-	521,171
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>521,171</b>	<b>-</b>	<b>-</b>	<b>521,171</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	3,044,811	-	3,044,811
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>3,044,811</b>	<b>-</b>	<b>3,044,811</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	25,608,571	25,608,571
Equity Long/Short	-	-	-	5,064,536	5,064,536
Domestic Venture Capital Investments	-	-	-	4,250,878	4,250,878
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,923,985</b>	<b>34,923,985</b>
<b>Total</b>	<b>\$ 97,383,054</b>	<b>\$ 2,042,533</b>	<b>\$ 3,044,811</b>	<b>\$ 34,923,985</b>	<b>\$ 137,394,383</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**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, 2018:

2018	<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>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2018</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 13,823,785	\$ -	\$ -	\$ -	\$ 13,823,785
Large Cap Value	13,161,166	-	-	-	13,161,166
Large Cap Dividend	11,806,939	-	-	-	11,806,939
Large Cap Growth	9,571,091	-	-	-	9,571,091
Foreign Developed Markets	8,564,069	-	-	-	8,564,069
Small Cap Value	5,079,232	-	-	-	5,079,232
Small Cap Growth	3,610,756	-	-	-	3,610,756
Corporate Bonds	-	1,106,322	-	-	1,106,322
<b>Total Corporate Stocks and Bonds</b>	<b>65,617,038</b>	<b>1,106,322</b>	<b>-</b>	<b>-</b>	<b>66,723,360</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	25,912,120	-	-	-	25,912,120
<b>Total Mutual Funds</b>	<b>25,912,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,912,120</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	1,415,199	1,242,658	-	-	2,657,857
<b>Total Mortgage Backed Securities</b>	<b>1,415,199</b>	<b>1,242,658</b>	<b>-</b>	<b>-</b>	<b>2,657,857</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	1,294,830	-	-	-	1,294,830
<b>Total Mortgage Backed Securities - Foreign</b>	<b>1,294,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,294,830</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	834,027	-	-	834,027
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>834,027</b>	<b>-</b>	<b>-</b>	<b>834,027</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	2,322,528	-	2,322,528
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>2,322,528</b>	<b>-</b>	<b>2,322,528</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	23,663,362	23,663,362
Equity Long/Short	-	-	-	4,399,421	4,399,421
Domestic Venture Capital Investments	-	-	-	4,056,633	4,056,633
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,119,416</b>	<b>32,119,416</b>
<b>Total</b>	<b>\$ 94,239,187</b>	<b>\$ 3,183,007</b>	<b>\$ 2,322,528</b>	<b>\$ 32,119,416</b>	<b>\$ 131,864,138</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.



**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, 2019:

2019	<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>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2019</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 4,704,297	\$ -	\$ -	\$ -	\$ 4,704,297
Large Cap Value	5,103,759	-	-	-	5,103,759
Large Cap Growth	4,534,480	-	-	-	4,534,480
Large Cap Dividend	3,228,394	-	-	-	3,228,394
Foreign Developed Markets	2,674,323	-	-	-	2,674,323
Small Cap Value	1,380,027	-	-	-	1,380,027
Small Cap Growth	1,252,305	-	-	-	1,252,305
Corporate Bonds	-	238,975	-	-	238,975
<b>Total Corporate Stocks and Bonds</b>	<b>22,877,585</b>	<b>238,975</b>	<b>-</b>	<b>-</b>	<b>23,116,560</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	5,228,485	-	-	-	5,228,485
<b>Total Mutual Funds</b>	<b>5,228,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,228,485</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	848,320	255,780	-	-	1,104,100
<b>Total Mortgage Backed Securities</b>	<b>848,320</b>	<b>255,780</b>	<b>-</b>	<b>-</b>	<b>1,104,100</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	433,133	-	-	-	433,133
<b>Total Mortgage Backed Securities - Foreign</b>	<b>433,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>433,133</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	169,487	-	-	169,487
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>169,487</b>	<b>-</b>	<b>-</b>	<b>169,487</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	990,189	-	990,189
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>990,189</b>	<b>-</b>	<b>990,189</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	8,328,046	8,328,046
Equity Long/Short	-	-	-	1,647,015	1,647,015
Domestic Venture Capital Investments	-	-	-	1,382,408	1,382,408
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,357,469</b>	<b>11,357,469</b>
<b>Total</b>	<b>\$ 29,387,523</b>	<b>\$ 664,242</b>	<b>\$ 990,189</b>	<b>\$ 11,357,469</b>	<b>\$ 42,399,423</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**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, 2018:

2018	<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>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2018</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 4,746,587	\$ -	\$ -	\$ -	\$ 4,746,587
Large Cap Value	4,519,972	-	-	-	4,519,972
Large Cap Dividend	4,042,086	-	-	-	4,042,086
Large Cap Growth	3,286,366	-	-	-	3,286,366
Foreign Developed Markets	2,940,591	-	-	-	2,940,591
Small Cap Value	1,744,024	-	-	-	1,744,024
Small Cap Growth	1,239,803	-	-	-	1,239,803
Corporate Bonds	-	379,871	-	-	379,871
<b>Total Corporate Stocks and Bonds</b>	<b>22,519,429</b>	<b>379,871</b>	<b>-</b>	<b>-</b>	<b>22,899,300</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	6,439,021	-	-	-	6,439,021
<b>Total Mutual Funds</b>	<b>6,439,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,439,021</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	485,928	426,684	-	-	912,612
<b>Total Mortgage Backed Securities</b>	<b>485,928</b>	<b>426,684</b>	<b>-</b>	<b>-</b>	<b>912,612</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	444,597	-	-	-	444,597
<b>Total Mortgage Backed Securities - Foreign</b>	<b>444,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>444,597</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	286,374	-	-	286,374
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>286,374</b>	<b>-</b>	<b>-</b>	<b>286,374</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	797,472	-	797,472
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>797,472</b>	<b>-</b>	<b>797,472</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	8,125,142	8,125,142
Equity Long/Short	-	-	-	1,510,602	1,510,602
Domestic Venture Capital Investments	-	-	-	1,392,900	1,392,900
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,028,644</b>	<b>11,028,644</b>
<b>Total</b>	<b>\$ 29,888,975</b>	<b>\$ 1,092,929</b>	<b>\$ 797,472</b>	<b>\$ 11,028,644</b>	<b>\$ 42,808,020</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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

The Foundation's interest in real estate investments represents 2.2% and 1.8% of the total investments held by the Foundation as of June 30, 2019 and 2018, respectively. The Foundation's interest in limited partnerships represents 25% and 24% of the total investments held by the Foundation at June 30, 2019 and 2018, respectively. 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>Real Estate (Land and Building)</i>	
	<b>2019</b>	<b>2018</b>
Beginning Balance at July 1st	\$ 2,322,528	\$ 2,000,700
Unrealized Gains	209,155	16,126
Capital Improvements / Purchases	513,128	305,702
Sales	-	-
<b>Ending Balance at June 30th</b>	<b>\$ 3,044,811</b>	<b>\$ 2,322,528</b>

Net unrealized gains on real estate investments of \$209,155 and \$16,126 are related to assets still held at June 30, 2019 and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2019 and 2018, respectively.

The following table summarizes the nature of the Foundation's alternative investments in funds valued based on net asset value as a practical expedient for fair value at June 30, 2019 and 2018.

	<i>Fair Value at June 30th</i>		<b>2019</b>		
	<b>2019</b>	<b>2018</b>	<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Maximum Redemption Notice Period</i>
<b>HEDGE FUND INVESTMENTS:</b>					
Multi-Strategy	\$ 25,608,571	\$ 23,663,362	\$ 3,959,564	Quarterly	90 Days
Equity Long/Short	5,064,536	4,399,421	5,944,202	None <sup>(1)</sup>	None <sup>(1)</sup>
<b>Total Hedge Fund Investments</b>	<b>30,673,107</b>	<b>28,062,783</b>	<b>9,903,766</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>					
Venture Capital	4,250,878	4,056,633	-	None <sup>(1)</sup>	None <sup>(1)</sup>
<b>Total Domestic Venture Capital Investments</b>	<b>4,250,878</b>	<b>4,056,633</b>	<b>-</b>		
<b>Ending Balance at June 30th</b>	<b>\$ 34,923,985</b>	<b>\$ 32,119,416</b>	<b>\$ 9,903,766</b>		

(1) It is estimated that the underlying assets of the funds would be liquidated over a period of approximately two to eight years.

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

The University's interest in real estate investments represents 2.3% and 1.9% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2019 and 2018, respectively. The University's interest in limited partnerships represents 27% and 26% of the total investments held by the Foundation on behalf of the University at June 30, 2019 and 2018, respectively. 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>Real Estate (Land and Building)</i>	
	<i>2019</i>	<i>2018</i>
Beginning Balance at July 1st	\$ 797,472	\$ 699,300
Total Unrealized Gains / (Losses)	25,845	(6,795)
Capital Improvements / Purchases	166,872	104,967
Sales	-	-
<b>Ending Balance at June 30th</b>	<b>\$ 990,189</b>	<b>\$ 797,472</b>

Net unrealized gains (losses) on the University real estate investments of \$25,845 and (\$6,795) are related to assets still held at June 30, 2019, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2019 and 2018, respectively.

The following table summarizes the nature of the University's alternative investments in funds valued at net asset value as a practical expedient for fair value at June 30, 2019 and 2018.

	<i>Fair Value at June 30th</i>		<i>2019</i>		
	<i>2019</i>	<i>2018</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Maximum Redemption Notice Period</i>
<b>HEDGE FUND INVESTMENTS:</b>					
Multi-Strategy	\$ 8,328,046	\$ 8,125,142	\$ 1,287,671	Quarterly	90 Days
Equity Long/Short	1,647,015	1,510,602	1,933,086	None <sup>(1)</sup>	None <sup>(1)</sup>
<b>Total Hedge Fund Investments</b>	<b>9,975,061</b>	<b>9,635,744</b>	<b>3,220,757</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>					
Venture Capital	1,382,408	1,392,900	-	None <sup>(1)</sup>	None <sup>(1)</sup>
<b>Total Domestic Venture Capital Investments</b>	<b>1,382,408</b>	<b>1,392,900</b>	<b>-</b>		
<b>Ending Balance at June 30th</b>	<b>\$ 11,357,469</b>	<b>\$ 11,028,644</b>	<b>\$ 3,220,757</b>		

(1) It is estimated that the underlying assets of the funds would be liquidated over a period of approximately two to eight years.



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

Securities classified using net asset value as a practical expedient for fair value 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 investments valued at net asset value 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.

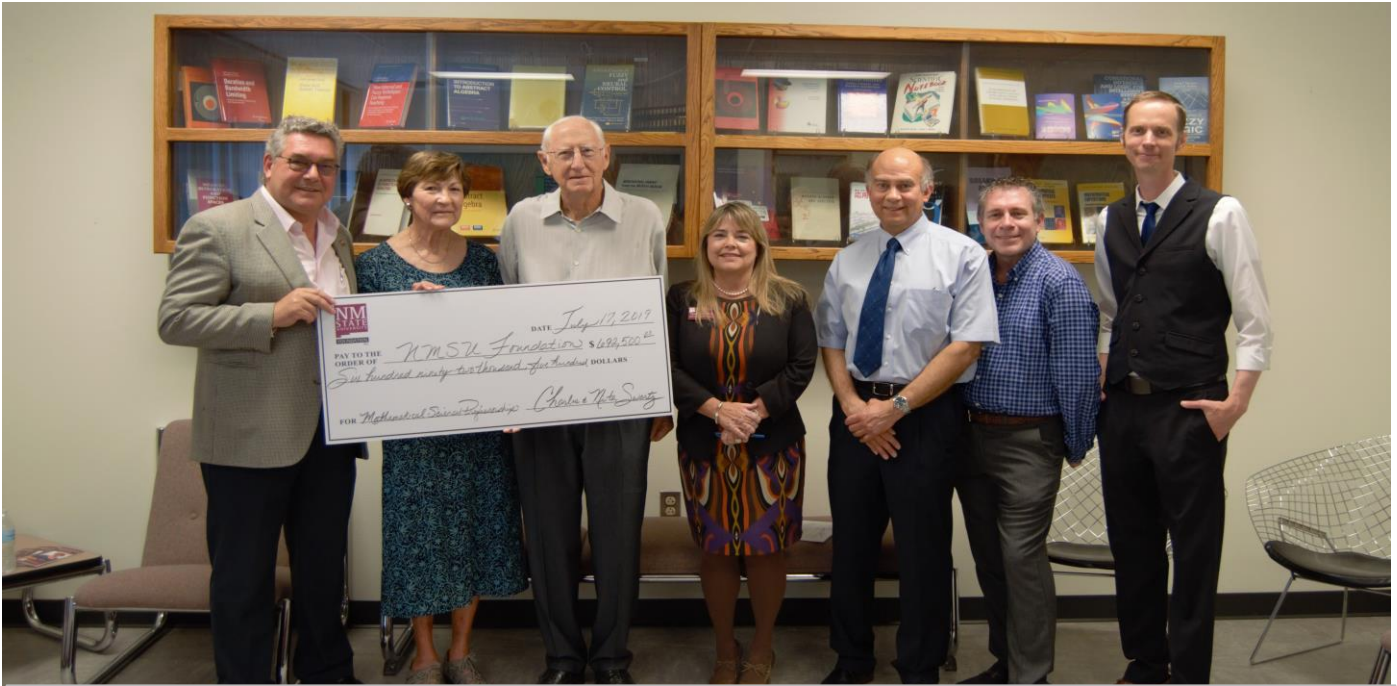
Domestic venture capital investments (VC) is financial capital provided to early-stage, high-potential, high-risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology 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**

The Foundation's endowment consists of approximately 1,917 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, 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 Foundation.



Above: The first endowed professorship in mathematical sciences was established and celebrated in July. Donors Charles Swartz, an NMSU professor emeritus, and Nita Swartz, a retired Las Cruces elementary and middle school math teacher, were motivated to establish the professorship to ensure the strength and development of the department into the future. The first recipient of the professorship is Dr. Dante DeBlasie.

Below: El Paso Electric Company has generously donated to numerous organizations on campus since 1985. Pictured below is Rico Gonzalez (Left) and Eddie Gutierrez (right) with our very own Dr. Tina Byford and Chancellor Dr. Dan Arvizu at a reception to honor those organizations that will continue to receive funds



**NOTE 14 - Endowment****2019****ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND**

As of June 30, 2019

<b>2019</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>			<b>Total Funds</b>
		<b>Original Gift Amount</b>	<b>Accumulated Gains (Losses)</b>	<b>Total With Donor Restrictions</b>	
Board-designated endowment funds	\$ 3,355,199	\$ -	\$ -	\$ -	\$ 3,355,199
Donor-restricted endowment funds					-
Underwater Funds	-	28,446,933	(1,424,850)	27,022,083	27,022,083
Other Funds	-	90,978,835	17,862,250	108,841,085	108,841,085
Total Endowment Funds	<u>\$ 3,355,199</u>	<u>\$ 119,425,768</u>	<u>\$ 16,437,400</u>	<u>\$ 135,863,168</u>	<u>\$ 139,218,367</u>

**CHANGES IN ENDOWMENT NET ASSETS**

For the Fiscal Year Ended June 30, 2019

<b>2019</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	\$ 3,372,637	\$ 127,780,808	\$ 131,153,445
Total investment return	89,314	3,643,814	3,733,128
Contributions, Reversions and changes in Donor Restrictions	19,011	9,250,036	9,269,047
Appropriation of endowment assets for expenditure	(125,763)	(4,811,490)	(4,937,253)
Endowment Net Assets, end of year	<u>\$ 3,355,199</u>	<u>\$ 135,863,168</u>	<u>\$ 139,218,367</u>

**NOTE 14 - Endowment (Continued)**

**2018**

**ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND**

**As of June 30, 2018**

<b>2018</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>			<b>Total Funds</b>
		<b>Original Gift Amount</b>	<b>Accumulated Gains (Losses)</b>	<b>Total With Donor Restrictions</b>	
Board-designated endowment funds	\$ 3,372,637	\$ -	\$ -	\$ -	\$ 3,372,637
Donor-restricted endowment funds					
Underwater Funds	-	24,662,853	(1,179,494)	23,483,359	23,483,359
Other Funds	-	86,289,599	18,007,850	104,297,449	104,297,449
<b>Total Endowment Funds</b>	<b>\$ 3,372,637</b>	<b>\$ 110,952,452</b>	<b>\$ 16,828,356</b>	<b>\$ 127,780,808</b>	<b>\$ 131,153,445</b>

**CHANGES IN ENDOWMENT NET ASSETS**

**For the Fiscal Year Ended June 30, 2018**

<b>2018</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	\$ 3,300,745	\$ 121,072,088	\$ 124,372,833
Total investment return	186,301	6,430,230	6,616,531
Contributions, Reversions and changes in Donor Restrictions	8,936	4,826,443	4,835,379
Appropriation of endowment assets for expenditure	(123,345)	(4,547,953)	(4,671,298)
<b>Endowment Net Assets, end of year</b>	<b>\$ 3,372,637</b>	<b>\$ 127,780,808</b>	<b>\$ 131,153,445</b>

**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. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds 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.

When reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

**NOTE 15 - Availability Quantitative Liquidity**

The following represents NMSU Foundation's financial assets at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Financial assets at year end:	\$ 222,277,748	\$ 213,881,098
Less amounts not available to be used within one year:		
Donor restricted endowments with time or purpose restrictions	(135,863,168)	(127,780,808)
Board designated endowment	(3,355,199)	(3,372,637)
Split interest agreements	(365,497)	(359,055)
Contributions receivable not due within one year	(10,958,983)	(10,229,476)
Gift annuities payables	(2,216,253)	(2,348,892)
Due to New Mexico State University	(2,339,416)	(2,250,106)
Assets held in trust for New Mexico State University	(47,717,538)	(47,337,549)
	<u>(202,816,054)</u>	<u>(193,678,523)</u>
Financial assets available to meet general expenditures		
over the next twelve months	<u>\$ 19,461,694</u>	<u>\$ 20,202,575</u>

The Foundation utilizes a 90-day time horizon to assess its immediate liquidity needs. This period of time was established based on management's review of the typical life cycle of converting its financial assets to cash and typical payments of its trade payables. The entity invests cash in excess of daily requirements in short-term investments.

Occasionally the Board designates a portion of any operating surplus to its liquidity reserve. The liquidity reserve was \$106,000 and \$150,000 for 2019 and 2018, respectively. This is a governing board-designated fund with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

**NOTE 16 - 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.

During FY 2018 the Foundation was informed that a donor passed away and, per the trust, the Foundation is a beneficiary. Subsequent to June 30, 2018 the Foundation met the trust requirements for distribution of trust assets. As of June 30, 2019 the Foundation has not received a distribution of shares or funds. In September 2019 the Our Way Holdings II, LLC received a Membership Certificate for the ownership of 1,000 units; however, the Foundation does not have access to information necessary to determine the value of those shares as of October 30, 2019, the date the financial statements were available to be issued.

The Foundation has evaluated all other subsequent events from the consolidated balance sheet date through October 30, 2019, the date at which the consolidated financial statements were available to be issued, and determined there are no additional items to disclose.





During NMUS's basketball season students attending home games have a chance to win \$1,000.00 as part of Alumni's, A Grand in the Stands scholarship givaway. Students in attendance have a chance to win by having their name drawn at random during halftime. Pictured winners are Brandon Salewdki (above) and Jonathan Crowe (below).





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**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  
Mr. Brian Colón, 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 its subsidiaries (the Foundation), a component unit of New Mexico State University, which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2019.

**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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, that we consider to be a significant deficiency.

**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*.





### **The Foundation's Response to the Finding**

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### **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  
October 30, 2019

**(1) Summary of Auditors' Results**

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: Unmodified

(b) Internal control deficiencies over financial reports disclosed by the audit of the financial statements:

Material weakness: **No**

Significant deficiencies: **Yes**

(c) Noncompliance material to the financial statements: **No**

**(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards***

**2019-001 Foundation implementation of new accounting standard for the fiscal year 2019 financial statements – Significant deficiency**

**Criteria:**

U.S. generally accepted accounting principles require the implementation of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), for financial reporting of the Foundation beginning July 1, 2018.

**Condition:**

In the current year, the Foundation implemented ASU 2016-14, resulting in revised reporting regarding the presentation and reclassification of underwater endowment balances, net asset classifications and disclosures, endowment disclosures, liquidity disclosures, accounting for investment related expenses, and presentation of natural and functional expenses.

Although the Foundation was aware of the new reporting standard and had plans to address the implementation well in advance of year-end, the Foundation did not have a control in place to ensure the standard was properly researched and new accounting guidance implemented completely and accurately.

In its implementation, the Foundation did not properly present the retrospective reclassification of the underwater endowment balances of \$1.6 million as of July 1, 2017 (based on retrospective implementation) and did not properly present the net asset, endowments, and liquidity disclosures within the fiscal year 2019 financial statements.

**Cause:**

Due to unforeseen retirements, resignations, and administrative delays in hiring a Controller, the Foundation did not have sufficient resources to thoroughly research implementation requirements and effectively perform the implementation of the new accounting standard.

**Effect:**

Although the Foundation staff worked diligently on this implementation, the lack of a Controller with the training, knowledge, and experience necessary to implement a new accounting standard, resulted in inaccurate presentation of underwater endowment funds and the inaccurate disclosure of net assets, endowments, and liquidity analysis.

**Recommendation:**

We recommend the Foundation ensure they have the resources with appropriate training and skill sets necessary to monitor, implement, and effectively operate internal controls over the implementation of new accounting standards. We further recommend that management document its consideration and conclusions in determination of the impact of new accounting standards prior to the effective date.

**Management's Response:**

We are currently engaged in a search to fill the Controller's position and do not expect a reoccurrence of this finding. It is important to note that all discrepancies in reporting have been corrected, and are reflected accurately in the audited financial statements.

**Summary Schedule of Prior Year Findings**

None



An Exit Conference was held at the Foundation on October 30, 2019, 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 Subsidiaries:

Raul Prieto	Chair, Audit Committee, Member, Board of Directors
George Kozeliski	Vice Chair, Audit Committee, Member, Board of Directors
Nicole Louvar	Member, Audit Committee, Member, Board of Directors
Eric Powell	Member, Audit Committee, Member, Board of Directors
Harold Foreman	Member, Audit Committee, Member, Board of Directors

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

Tina Byford, Ph.D.	Interim Vice President, University Advancement Interim President, New Mexico State University Foundation, Inc. and Subsidiaries Chief Operating Officer, New Mexico State University Foundation, Inc. and Subsidiaries
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Lidia Paez	Interim Controller, University Advancement
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Representing KPMG LLP:

Suzette Longfellow, Managing Director
Pepper Cooper, Senior Manager

#### FINANCIAL STATEMENT PREPARATION

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



On January 25, 2019 Chancellor Dan Arvizu and President John Floros, along with NMSU Foundation leadership, gathered with local alumni and state legislators in Santa Fe, NM to discuss the future growth of NMSU.





## BE BOLD. Shape the Future.

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