

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

**Consolidated Financial Statements**

**For the Years Ended  
June 30, 2017 and 2016**

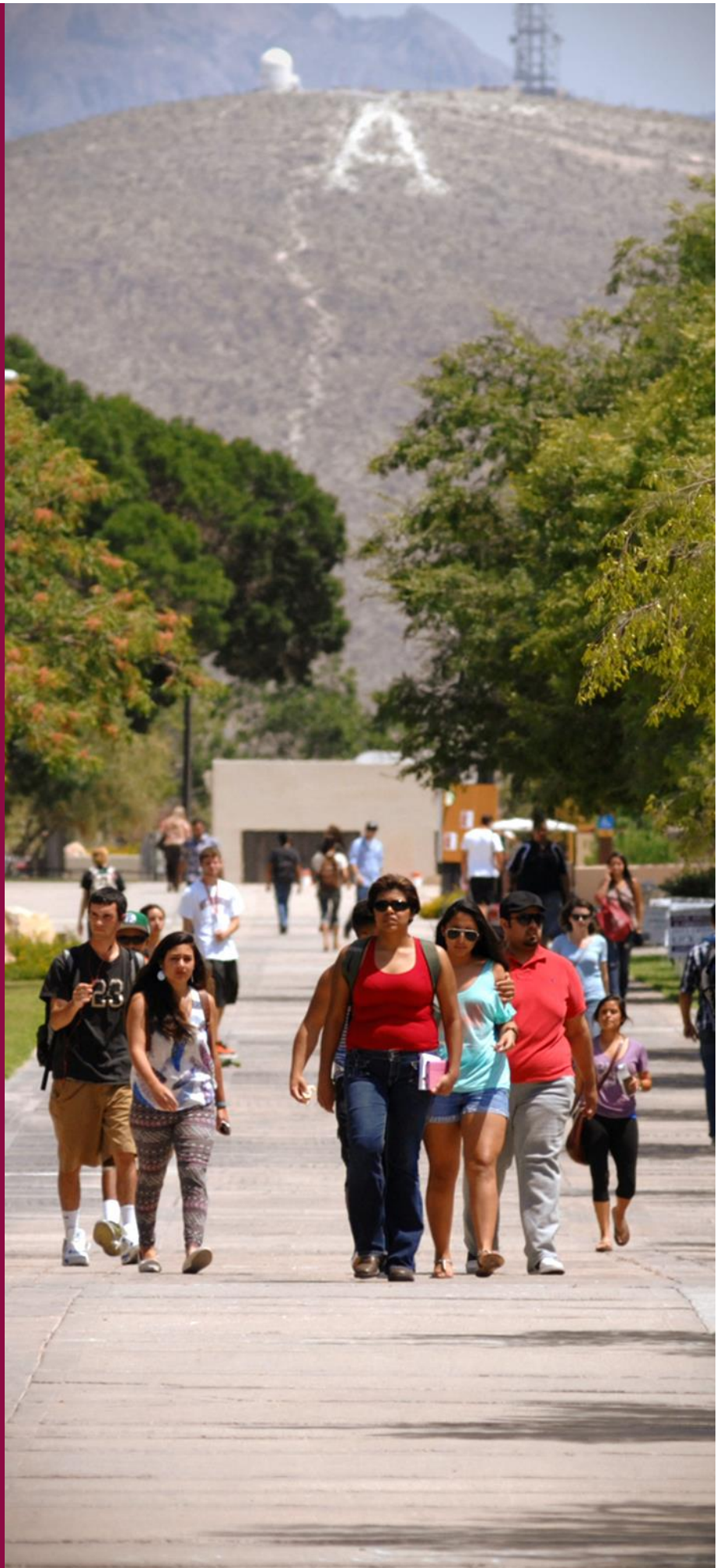
Together with Report of Independent Auditors

**All About Discovery!**



# NMSU Foundation, Inc. Mission

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



# NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

## 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

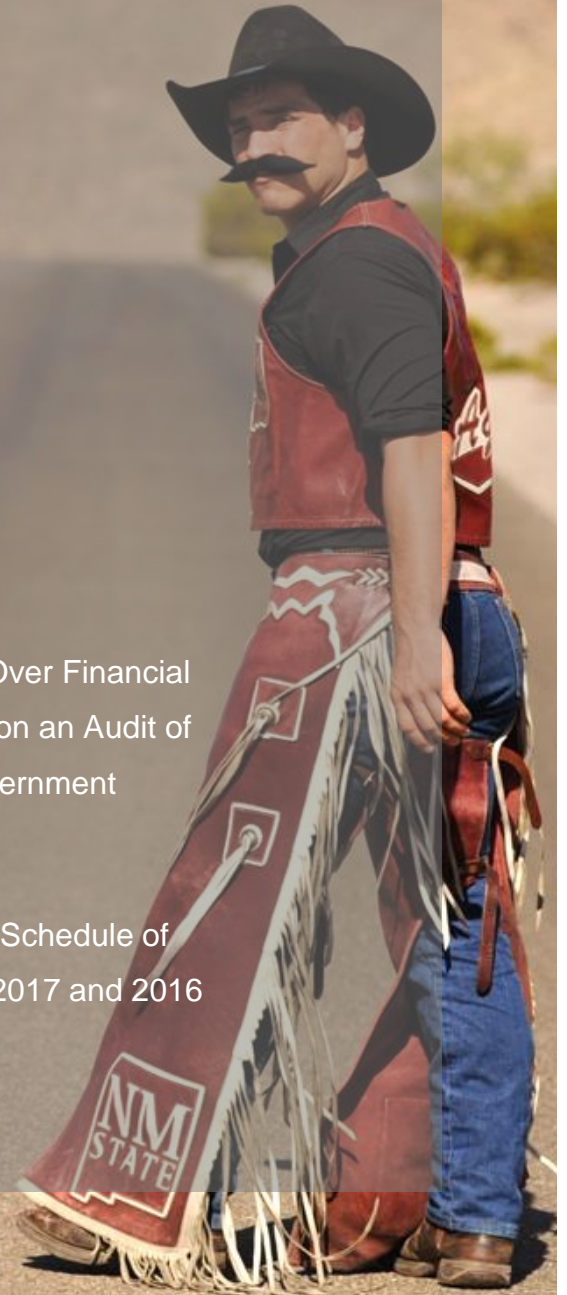
**10** Notes to Consolidated Financial Statements

### *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** Summary Schedule of Prior Year Audit Findings and Schedule of Findings and Responses For the Years ended June 30, 2017 and 2016

**38** Exit Conference



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

NMSU Foundation, Inc.

**Executive Officers**

---

Mr. Nick Franklin Chairman	Mrs. MaryLou Davis Vice Chairman	Dr. Andrea Tawney President
Mr. Philip Cook Treasurer		Ms. Brenda Porter Secretary

**Members**

---

Mr. Larry Allen	Dr. Ed Foreman	Mrs. Dion Messer
Mr. Presley Askew	Mr. Joel Granger	Mr. Raul Prieto
Ms. Lee Ellen Banks	Mr. Christian Hendrickson	Mr. Randy Pugh
Ms. Raquel Bone	Dr. Michael Johnson	Mr. Joseph Salopek
Mr. Jagdev Cheema	Mr. George Kozeliski	Mr. Frank Seidel
Mr. John Cordova	Dr. Patricia Lopez	Dr. Bill Sheriff
Mr. Christopher Dulany	Mr. Kyle Louvar	Dr. Smoky Torgerson
Mrs. Jackie Edwards	Mr. Larry Lujan	Mr. Browning Yelvington
Mr. Del Esparza	Mr. Bobby Lutz	





KPMG LLP  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

## **Independent Auditors' Report**

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

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

We have audited the accompanying consolidated financial statements of the New Mexico State University Foundation, Inc. and its subsidiary (the Foundation), a component unit of New Mexico State University, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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 financial position of the New Mexico State University Foundation, Inc. and its subsidiary as of June 30, 2017 and 2016, 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.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 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.

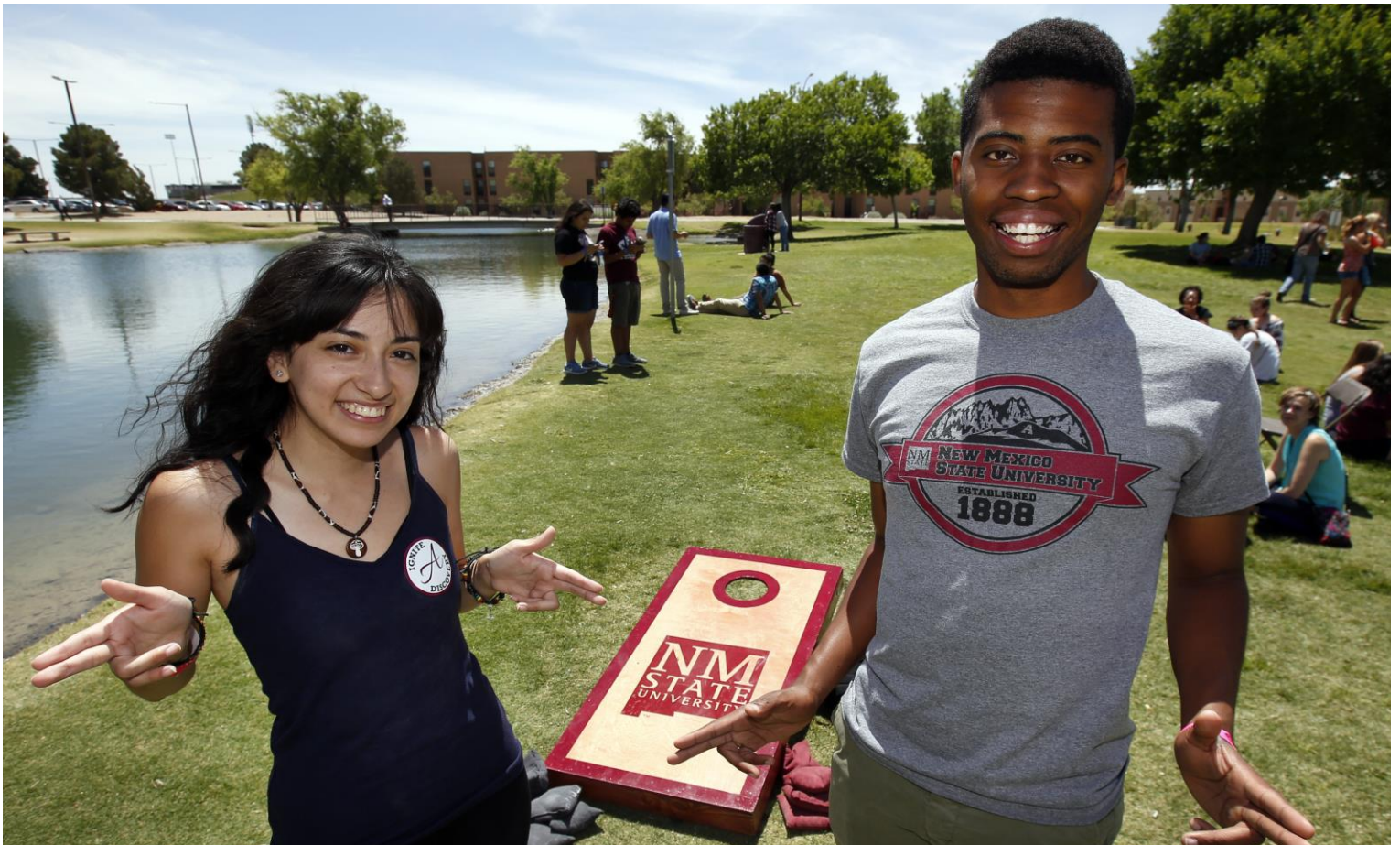
KPMG LLP

Albuquerque, New Mexico  
December 18, 2017

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY  
Consolidated Statements of Financial Position  
As of June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,875,784	\$ 9,784,570
Short-term investments (Note 3)	385,307	210,374
Contributions receivable, net (Note 2)	11,710,419	8,969,465
Property and equipment, net (Note 4)	59,610	142,902
Asset held in trust under split interest agreement	364,501	356,899
Assets held in trust for New Mexico State University (Note 5)	45,410,761	42,171,154
Assets held for long-term investment:		
Cash and cash equivalents	11,410,763	11,063,566
Securities (Note 6)	114,821,317	104,804,380
Accrued interest income	30,858	46,603
Land and building	2,000,700	397,888
Other assets	1,336,999	1,397,696
	<hr/>	<hr/>
Total assets	\$ 199,407,019	\$ 179,345,497
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Split interest agreement payable	\$ 154,280	\$ 167,564
Gift annuities payable	2,561,203	2,780,960
Other liabilities	497,235	507,383
Due to New Mexico State University	1,563,736	2,103,629
Assets held in trust for New Mexico State University (Note 5)	45,410,761	42,171,154
	<hr/>	<hr/>
Total liabilities	50,187,215	47,730,690
	<hr/>	<hr/>
Net assets:		
Unrestricted	3,093,209	410,861
Temporarily restricted (Note 7)	51,720,227	42,463,773
Permanently restricted (Note 8)	94,406,368	88,740,173
	<hr/>	<hr/>
Total net assets	149,219,804	131,614,807
	<hr/>	<hr/>
Total liabilities and net assets	\$ 199,407,019	\$ 179,345,497
	<hr/>	<hr/>

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



NMSU Chancellor Garrey Carruthers visits with students during the Student Launch of the Ignite Aggie Discovery \$125 million comprehensive campaign at the Duck Pond. NMSU is kicking off the public phase of its largest-ever fundraising effort to support vital community programs and research, with a goal of creating \$50 million in new scholarship endowments that would provide \$2 million each year in perpetuity for new, game-changing scholarships.





NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

As of June 30, 2017

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Private gifts	\$ 313,946	\$ 9,455,899	\$ 5,087,642	\$ 14,857,487
Net investment income (loss) (Note 9)	2,754,092	10,845,767	-	13,599,859
Management fees paid by New Mexico State University (Note 5)	798,931	-	-	798,931
Promotion and other income	187,756	363,144	368,087	918,987
Change in value of split interest agreement and gift annuities payable	-	(120,950)	59,251	(61,699)
<b>NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:</b>				
Change in donor restrictions	1,770	(152,985)	151,215	-
Net assets released from donor restrictions (Note 10)	8,817,967	(8,817,967)	-	-
Other transfers (Note 14)	2,316,454	(2,316,454)	-	-
Total revenues, gains and other support	<u>15,190,916</u>	<u>9,256,454</u>	<u>5,666,195</u>	<u>30,113,565</u>
<b>EXPENSES (Note 11):</b>				
Program	8,931,420	-	-	8,931,420
Fundraising	2,156,344	-	-	2,156,344
Administration	1,420,804	-	-	1,420,804
Total expenses	<u>12,508,568</u>	<u>-</u>	<u>-</u>	<u>12,508,568</u>
<b>CHANGE IN NET ASSETS</b>	2,682,348	9,256,454	5,666,195	17,604,997
NET ASSETS, beginning of year	<u>410,861</u>	<u>42,463,773</u>	<u>88,740,173</u>	<u>131,614,807</u>
NET ASSETS, end of year	<u>\$ 3,093,209</u>	<u>\$ 51,720,227</u>	<u>\$ 94,406,368</u>	<u>\$ 149,219,804</u>

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

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

As of June 30, 2016

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

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

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

As of June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 17,604,997	\$ (953,589)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Gain) loss on marketable securities, net	(8,356,603)	9,163,595
Amortization of marketable securities, net of accretion	111,149	(44,764)
Gifts of marketable securities received	(1,043,119)	(430,536)
Depreciation	89,551	103,103
Loss on disposal of property and equipment	-	2,879
Unrealized loss (gain) on other assets	7,920	(33,011)
Unrealized (gain) loss on land and building held for long-term investment	(74,100)	65,400
Contributions held for long-term investment	(4,496,904)	(6,116,598)
Dividends and interest held for long-term investment	(3,369,537)	(3,052,515)
Actuarial (gain) loss on gift annuities payable	(219,757)	79,527
Actuarial gain on obligations under split interest agreement payable	(13,284)	(9,390)
Net changes in assets and liabilities:		
Contributions receivable	(2,740,954)	(1,965,299)
Assets held in trust under split interest agreement	14,367	9,376
Accrued interest held for long-term investment	15,745	28,477
Other assets	34,777	195,154
Other liabilities	(10,148)	(116,694)
Due to New Mexico State University	(539,893)	30,499
Net cash flows used by operating activities	<u>(2,985,793)</u>	<u>(3,044,386)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(6,259)	(43,005)
Change in cash and cash equivalents held for long-term investment	(179,840)	(9,532,833)
Sales, maturities and principal payments received of marketable securities	51,452,402	101,409,787
Purchases of marketable securities, net	(52,377,668)	(100,470,634)
Principal payments received on note receivable for long-term investment	18,000	18,000
Purchase of land and building for investment	(1,926,600)	-
Proceeds from sale of property and equipment	<u>397,888</u>	<u>28,000</u>
Net cash flows used by investing activities	<u>(2,622,077)</u>	<u>(8,590,685)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions held for long-term investment	4,496,904	6,116,598
Dividends and interest held for long-term investment	3,369,537	3,052,515
Payments of gift annuity obligations	<u>(167,357)</u>	<u>(179,267)</u>
Net cash flows provided by financing activities	<u>7,699,084</u>	<u>8,989,846</u>
Net increase (decrease) in cash and cash equivalents	2,091,214	(2,645,225)
Cash and cash equivalents, beginning of year	<u>9,784,570</u>	<u>12,429,795</u>
Cash and cash equivalents, end of year	<u>\$ 11,875,784</u>	<u>\$ 9,784,570</u>

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

### NOTE 1 - Organization and Activities

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

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

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

### NOTE 2 - Summary of Significant Accounting Policies

**Basis of Presentation.** The Consolidated Financial Statements of the New Mexico State University Foundation, Inc. and its subsidiary 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:

***Permanently Restricted*** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Such assets primarily include the Foundation's permanent endowment funds. Generally, the donors of these assets permit the Foundation's use of all or part of the investment return on these assets.

***Temporarily Restricted*** – Net assets whose use by the Foundation is subject to donor imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire with the passage of time.

***Unrestricted*** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes, such as quasi-endowments, by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unless otherwise designated, unrestricted net assets are used for the support of University programs.

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

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

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

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

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

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

**Contributions Receivable.** Contributions receivable include unconditional promises to give that have not yet been collected, including amounts to be received at the termination of several charitable remainder trusts for which the Foundation is not the trustee. Contributions expected to be collected in future years are reported at an amount determined using the discounted present value of future contributions, including an allowance for uncollectible contributions estimated by management. The applicable IRS discount rate for June 2017 and 2016 was 2.4% and 1.8%, respectively. These inputs are considered to be Level 3 in the fair value hierarchy. Contributions receivable determined uncollectible during the fiscal year are written off when considered uncollectible. A total of \$279,036 and \$143,229 was written off during 2017 and 2016, respectively. Contributions receivable for the fiscal years ended June 30, 2017 and 2016 were as follows:

	<b>2017</b>	<b>2016</b>
Within one year	\$ 3,100,324	\$ 1,888,280
From two to five years	7,614,195	5,080,447
More than five years	<u>2,956,677</u>	<u>3,913,245</u>
	13,671,196	10,881,972
Reserve	(1,802,475)	(1,829,745)
Present Value Discount	<u>(158,302)</u>	<u>(82,762)</u>
Total Net Contributions Receivable	<u>\$ 11,710,419</u>	<u>\$ 8,969,465</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 2017 and 2016 was 2.4% and 1.8%, respectively. Upon death of the income beneficiary, substantially all of the principal balances pass to the Foundation to be used in accordance with the donor's wishes.

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

Also reported under this caption is donated property held for investment or held for sale with the proceeds to be invested long-term for income production. The properties are recorded at their fair value as of June 30, 2017 and 2016.

**Other Assets.** Other assets consist primarily of works of art that the Foundation intends to hold indefinitely, reproductions of works of art held for resale, note receivable, the cash surrender value of life insurance policies, and other receivables. The works of art and note receivable are recorded at fair value as of June 30, 2017 and 2016.

**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 2017 and 2016 was 2.4% and 1.8%, respectively.

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

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

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

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

**Change in Donor Restrictions.** During the years ended June 30, 2017 and 2016, the Foundation was contacted by some of its donors who wished to restrict permanently previous temporarily restricted donations or to release assets from previously imposed restrictions. In response to the requests, the Foundation transferred the requested amounts to the appropriate net asset class.

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

**Reclassifications.** Certain reclassifications have been made to the 2016 Consolidated Financial Statements to conform to the classifications used in 2017.

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

*ASU No. 2016 14, Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*

In August 2016, the FASB issued ASU No. 2016 14. The ASU significantly changes how not for profit entities (NFPs) report net asset classes, expenses, and liquidity in 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.
- 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.

The ASU becomes effective with respect to the Foundation's financial statements on July 1, 2018. Early adoption is permitted. The provisions of the ASU are to be applied retrospectively in the year of adoption. The Foundation continues to review the provisions of this ASU and will adopt all required provisions once effective.

*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. 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 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.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

**NOTE 3 - Short-Term Investments**

The Foundation invests cash in excess of daily requirements in certificates of deposit and short-term marketable securities. In the accompanying Consolidated Financial Statements, short-term investments in marketable securities also represent a portion of these investments that do not qualify as cash equivalents. Short-term investments in marketable securities consisted entirely of domestic corporate stocks and bonds at June 30, 2017 and 2016.

Returns from certificate of deposit and short-term investments in marketable securities are included in unrestricted net assets in the accompanying Consolidated Statements of Activities. The following table summarizes the short-term investments and related activity for the years ended June 30, 2017 and 2016.

	<b>2017</b>	<b>2016</b>
Certificate of Deposit	\$ 102,267	\$ -
Marketable securities	<u>283,040</u>	<u>210,374</u>
	<u>\$ 385,307</u>	<u>\$ 210,374</u>
Unrealized gain (loss), net	\$ 71,671	\$ (77,704)
Dividends and interest	<u>9,405</u>	<u>7,877</u>
	<u>\$ 81,076</u>	<u>\$ (69,827)</u>

**NOTE 4 - Property and Equipment**

Depreciation expense for the fiscal years ended June 30, 2017 and 2016, was \$89,551 and \$103,103 respectively, and is included in administration expense on the accompanying Consolidated Statements of Activities. Major classifications of property and equipment at June 30, 2017 and 2016 are summarized below:

	<b>2017</b>	<b>2016</b>
Computer equipment and software	\$ 492,249	\$ 508,175
Furniture and equipment	136,400	133,549
Automobiles	<u>99,688</u>	<u>99,688</u>
	728,337	741,412
Less: Accumulated depreciation	<u>(668,727)</u>	<u>(598,510)</u>
	<u>\$ 59,610</u>	<u>\$ 142,902</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 \$798,931 and \$790,621 in administration fees from the University during the fiscal years ended June 30, 2017 and 2016, respectively. Assets and liabilities for the amounts received by the Foundation under this agreement, as well as earnings and net appreciation from the investment of those assets, are included in assets held in trust for New Mexico State University in the accompanying Consolidated Statements of Financial Position. Assets held in trust for New Mexico State University totaled \$45,410,761 and \$42,171,154 at June 30, 2017 and 2016, respectively. Of these assets, \$39,060,716 and \$36,327,822, as of June 30, 2017 and 2016, 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 \$207,196 and \$210,534 during the fiscal years ended June 30, 2017 and 2016, 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 (\$2,325,806 and \$2,308,197 for the years ended June 30, 2017 and 2016, respectively) was reimbursed to the University by the Foundation.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

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

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

**NOTE 6 - Assets Held for Long-Term Investment - Securities**

The aggregate carrying amounts of assets held for long-term investment in securities by major types at June 30, 2017 and 2016, are shown in the table below:

	<b>2017</b>	<b>2016</b>
Domestic corporate stocks and bonds	\$ 40,361,188	\$ 39,122,138
Foreign equities and mutual funds	39,993,782	31,332,623
Alternative investments	28,898,765	24,936,950
Mortgage backed securities - U.S.	3,259,176	2,531,335
U.S. Government securities	1,230,891	4,776,568
Mortgage backed securities - Foreign	1,077,515	2,104,766
	<u>\$ 114,821,317</u>	<u>\$ 104,804,380</u>

The following schedule summarizes the total return on long-term investments and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2017 (see Note 9):

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest	\$ -	\$ 3,257,881	\$ -	\$ 3,257,881
Realized gains, net	2,673,016	2,767,710	-	5,440,726
Unrealized gains, net	-	5,491,674	-	5,491,674
Investment expenses	-	(672,005)	-	(672,005)
	<u>\$ 2,673,016</u>	<u>\$ 10,845,260</u>	<u>\$ -</u>	<u>\$ 13,518,276</u>

The following schedule summarizes the total return on assets held for long-term investment and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2016 (see Note 9):

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

**NOTE 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	<b>2017</b>	<b>2016</b>
Student aid	\$ 19,829,210	\$ 16,836,041
General, departments or colleges & buildings, etc.	15,926,997	11,840,880
Faculty and staff compensation	9,813,044	8,592,154
Research	3,783,063	3,004,048
Other	2,367,913	2,190,650
	<u>\$ 51,720,227</u>	<u>\$ 42,463,773</u>



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

**NOTE 8 - Permanently Restricted Net Assets**

Permanently restricted net assets are restricted to investment in perpetuity to produce income for specified purposes. The table below shows the amounts of permanently restricted net assets at June 30, 2017 and 2016, by the purpose to which the use of income is restricted:

	<b>2017</b>	<b>2016</b>
Student aid	\$ 51,578,488	\$ 46,950,698
Faculty and staff compensation	25,488,430	24,880,259
General use for departments or colleges	13,598,909	13,204,873
Research	2,996,731	2,973,542
Buildings, grounds, equipment and facilities	515,890	505,534
Other	227,920	225,267
	<u>\$ 94,406,368</u>	<u>\$ 88,740,173</u>

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

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2017:

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest on cash and cash equivalents	\$ 9,405	\$ -	\$ -	\$ 9,405
Gain from short-term investments	71,671	-	-	71,671
Interest on cash and cash equivalents held for long-term investment	-	507	-	507
Gain (Loss) from marketable securities long-term investment (Note 6)	<u>2,673,016</u>	<u>10,845,260</u>	<u>-</u>	<u>13,518,276</u>
	<u>\$ 2,754,092</u>	<u>\$ 10,845,767</u>	<u>\$ -</u>	<u>\$ 13,599,859</u>

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

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

**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, 2017 and 2016, were as follows:

	<b>2017</b>	<b>2016</b>
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 4,096,056	\$ 5,806,175
Student aid	2,624,292	2,210,117
Buildings, grounds, equipment and facilities	1,086,056	680,554
Faculty and staff compensation	696,553	845,185
Research	288,392	287,123
Other	26,618	23,389
	<u>\$ 8,817,967</u>	<u>\$ 9,852,543</u>

**NOTE 11 - Expenses**

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2017 and 2016 were as follows:

	<b>2017</b>	<b>2016</b>
Program expenses and grants	\$ 8,931,420	\$ 9,890,271
Salaries	2,325,806	2,308,197
Supplies and services	744,595	885,102
Professional fees	294,750	225,627
Travel	118,789	89,059
Depreciation	89,551	103,103
Utilities	3,657	8,198
	<u>\$ 12,508,568</u>	<u>\$ 13,509,557</u>



The New Mexico State University Foundation was recently honored by the Greater Las Cruces Chamber of Commerce as its Nonprofit of the Year for 2016 for its outstanding contributions to the community. This academic year, the Foundation awarded more than \$3.6 million in scholarship funds to 3,263 students at all NMSU campuses throughout the state. Chamber of Commerce CEO and President Debbi Moore said "The Foundation serves a vital role in the education of our future workforce, business leaders and entrepreneurs."

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

**NOTE 12 - Deposit Accounts and Investments as of June 30, 2017**

<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	\$ 3,118,316	\$ 53,445	\$ 3,171,761
Operations	Checking	524,968	(2,454)	522,514
Program	Transfer	313,000	-	313,000
Program	ACH	27,704	-	27,704
<b>CITIZENS BANK OF LAS CRUCES:</b>				
Program	Money Market	1,006,215	-	1,006,215
<b>MERRILL LYNCH:</b>				
Program	Money Market	7,339,732	-	7,339,732
Operations	Checking	1,309,262	-	1,309,262
Program - Charitable Gift Annuity	Checking & Money Market	100,415	(9,443)	90,972
Program - NMSU Business College	Money Market	852	-	852
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,906,228)	-	(1,906,228)
<b>INVESTMENT CASH - MERRILL LYNCH MANAGERS:</b>				
Armstrong	Money Market	9,416,561	-	9,416,561
Eagle LCV	Money Market	1,524,166	-	1,524,166
Tortoise MLP	Money Market	1,167,707	-	1,167,707
Invesco	Money Market	1,119,195	-	1,119,195
Short Term Investment Fund	Money Market	725,703	-	725,703
Cambiar Intl Value	Money Market	610,585	-	610,585
Santa Barbara	Money Market	276,163	-	276,163
Loomis - TMA	Money Market	262,068	-	262,068
ALT Investments	Money Market	189,395	-	189,395
Western	Money Market	126,816	-	126,816
Eagle SCG	Money Market	88,307	-	88,307
Private Equity	Money Market	74,045	-	74,045
WCMA	Money Market	69,387	-	69,387
NWQ	Money Market	56,572	-	56,572
Earnest SCV	Money Market	48,734	-	48,734
APEX	Money Market	43,051	-	43,051
Title V	Money Market	20,526	-	20,526
Cohen and Steers	Money Market	20,452	-	20,452
ALTA	Money Market	4,361	-	4,361
Less Cash Allocated to NMSU for AHIT	Held in Trust	(4,433,031)	-	(4,433,031)
Total Cash		<u>\$ 23,244,999</u>	<u>\$ 41,548</u>	<u>\$ 23,286,547</u>
<b>INVESTMENTS - MERRILL LYNCH:</b>				
Corporate Stocks and Bonds	Investment	\$ 61,555,800	\$ -	\$ 61,555,800
Limited Partnerships - Alternative	Investment	28,898,765	-	28,898,765
Mutual Funds	Investment	18,799,170	-	18,799,170
Mortgage Backed Securities	Investment	3,259,176	-	3,259,176
U.S. Government and Agency Securities	Investment	1,230,891	-	1,230,891
Mortgage Backed Securities - Foreign	Investment	1,077,515	-	1,077,515
Total Investments - Merrill Lynch		<u>114,821,317</u>	<u>-</u>	<u>114,821,317</u>
Real Estate Holdings	Investment	2,000,700	-	2,000,700
Short-term Investments	Investment	385,307	-	385,307
Accrued Investment Interest	Investment	30,858	-	30,858
Total Other Investments		<u>2,416,865</u>	<u>-</u>	<u>2,416,865</u>
Total Investments		<u>\$ 117,238,182</u>	<u>\$ -</u>	<u>\$ 117,238,182</u>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
For the Years ended June 30, 2017 and 2016

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

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

**NOTE 13 - Fair Value of Assets and Liabilities****Assets**

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

Transfers of investments between different levels of the fair value hierarchy, if any, are recorded as of the beginning of the reporting period. There were no transfers in 2017 and 2016.

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, 2017 and 2016.

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

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

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

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

**Real Estate** is valued at current appraisal or fair value. Real estate is classified within Level 3 of the valuation hierarchy.

# THE HUNT CENTER for Entrepreneurship



The New Mexico State University system launched the public phase of its \$125 million comprehensive campaign, "Ignite Aggie Discovery," by announcing a transformative gift from the Hunt Family Foundation to benefit Arrowhead Center. The Hunt Family Foundation has committed \$2.5 million over six years to support Arrowhead Center's work in commercializing discoveries and innovations, encouraging entrepreneurship, launching and developing new businesses, and creating lasting partnerships in the Borderplex region.

# \$2,500,000



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

**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, 2017:

2017	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2017</i>
<b>EQUITY SECURITIES:</b>				
Mutual Funds	\$ 18,799,169	\$ -	\$ -	\$ 18,799,169
Large Cap Value	11,541,832	-	-	11,541,832
Large Cap Dividend	11,028,580	-	-	11,028,580
Large Cap Growth	9,958,673	-	-	9,958,673
Small Cap Value	4,496,214	-	-	4,496,214
Small Cap Growth	1,762,018	-	-	1,762,018
<b>Total Equity Securities</b>	<b>57,586,486</b>	<b>-</b>	<b>-</b>	<b>57,586,486</b>
<b>FOREIGN EQUITY SECURITIES:</b>				
Foreign Emerging Markets	12,761,320	-	-	12,761,320
Foreign Developed Markets	8,433,293	-	-	8,433,293
Foreign REITs - Mortgage Backed Securities	1,077,516	-	-	1,077,516
<b>Total Foreign Equity Securities</b>	<b>22,272,129</b>	<b>-</b>	<b>-</b>	<b>22,272,129</b>
<b>U.S. GOVERNMENT SECURITIES:</b>				
Corporate Bonds	-	1,573,870	-	1,573,870
Mortgage Backed Securities	-	1,505,720	-	1,505,720
Government Bonds	-	1,230,891	-	1,230,891
<b>Total U.S. Government Securities</b>	<b>-</b>	<b>4,310,481</b>	<b>-</b>	<b>4,310,481</b>
<b>REITS - MORTGAGE BACKED SECURITIES</b>	<b>1,753,456</b>	<b>-</b>	<b>-</b>	<b>1,753,456</b>
	<b>81,612,071</b>	<b>4,310,481</b>	<b>-</b>	<b>85,922,552</b>
<b>Real Estate (Land and Building)</b>	<b>-</b>	<b>-</b>	<b>2,000,700</b>	<b>2,000,700</b>
<b>NONREDEEMABLE SECURITIES:</b>				
Hedge Fund Investments:				
Multi-Strategy	-	-	21,393,831	21,393,831
Equity Long/Short	-	-	5,181,637	5,181,637
<b>Total Hedge Fund Investments</b>	<b>-</b>	<b>-</b>	<b>26,575,468</b>	<b>26,575,468</b>
Domestic Venture Capital Investments	-	-	2,323,297	2,323,297
<b>Total Nonredeemable Securities</b>	<b>-</b>	<b>-</b>	<b>28,898,765</b>	<b>28,898,765</b>
<b>Total</b>	<b>\$ 81,612,071</b>	<b>\$ 4,310,481</b>	<b>\$ 30,899,465</b>	<b>\$ 116,822,017</b>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

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

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016:

2016	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2016</i>
<b>EQUITY SECURITIES:</b>				
Mutual Funds	\$ 18,983,226	\$ -	\$ -	\$ 18,983,226
Large Cap Value	7,268,701	-	-	7,268,701
Large Cap Dividend	7,609,400	-	-	7,609,400
Large Cap Growth	8,881,167	-	-	8,881,167
Small Cap Value	7,477,531	-	-	7,477,531
Small Cap Growth	3,604,967	-	-	3,604,967
<b>Total Equity Securities</b>	<b>53,824,992</b>	<b>-</b>	<b>-</b>	<b>53,824,992</b>
<b>FOREIGN EQUITY SECURITIES:</b>				
Foreign Emerging Markets	9,292,514	-	-	9,292,514
Foreign Developed Markets	5,059,511	-	-	5,059,511
Foreign REITs - Mortgage Backed Securities	2,531,335	-	-	2,531,335
<b>Total Foreign Equity Securities</b>	<b>16,883,360</b>	<b>-</b>	<b>-</b>	<b>16,883,360</b>
<b>U.S. GOVERNMENT SECURITIES:</b>				
Corporate Bonds	-	2,277,744	-	2,277,744
Mortgage Backed Securities	-	1,534,753	-	1,534,753
Government Bonds	-	2,104,766	-	2,104,766
<b>Total U.S. Government Securities</b>	<b>-</b>	<b>5,917,263</b>	<b>-</b>	<b>5,917,263</b>
<b>REITS - MORTGAGE BACKED SECURITIES</b>				
	3,241,815	-	-	3,241,815
	<b>73,950,167</b>	<b>5,917,263</b>	<b>-</b>	<b>79,867,430</b>
<b>Real Estate (Land and Building)</b>	<b>-</b>	<b>-</b>	<b>397,888</b>	<b>397,888</b>
<b>NONREDEEMABLE SECURITIES:</b>				
Hedge Fund Investments:				
Multi-Strategy	-	-	18,818,742	18,818,742
Equity Long/Short	-	-	4,757,864	4,757,864
Emerging Markets/Managed Futures	-	-	80,268	80,268
<b>Total Hedge Fund Investments</b>	<b>-</b>	<b>-</b>	<b>23,656,874</b>	<b>23,656,874</b>
Domestic Venture Capital Investments	-	-	1,280,076	1,280,076
<b>Total Nonredeemable Securities</b>	<b>-</b>	<b>-</b>	<b>24,936,950</b>	<b>24,936,950</b>
<b>Total</b>	<b>\$ 73,950,167</b>	<b>\$ 5,917,263</b>	<b>\$ 25,334,838</b>	<b>\$ 105,202,268</b>



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

**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, 2017:

2017	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2017</i>
<b>EQUITY SECURITIES:</b>				
Mutual Funds	\$ 4,849,381	\$ -	\$ -	\$ 4,849,381
Large Cap Value	4,034,190	-	-	4,034,190
Large Cap Dividend	3,854,794	-	-	3,854,794
Large Cap Growth	3,430,471	-	-	3,430,471
Small Cap Value	1,571,551	-	-	1,571,551
Small Cap Growth	615,874	-	-	615,874
<b>Total Equity Securities</b>	<b>18,356,261</b>	<b>-</b>	<b>-</b>	<b>18,356,261</b>
<b>FOREIGN EQUITY SECURITIES:</b>				
Foreign Emerging Markets	4,460,434	-	-	4,460,434
Foreign Developed Markets	2,947,669	-	-	2,947,669
Foreign REITs - Mortgage Backed Securities	376,621	-	-	376,621
<b>Total Foreign Equity Securities</b>	<b>7,784,724</b>	<b>-</b>	<b>-</b>	<b>7,784,724</b>
<b>U.S. GOVERNMENT SECURITIES:</b>				
Corporate Bonds	-	550,111	-	550,111
Mortgage Backed Securities	-	526,291	-	526,291
Government Bonds	-	430,230	-	430,230
<b>Total U.S. Government Securities</b>	<b>-</b>	<b>1,506,632</b>	<b>-</b>	<b>1,506,632</b>
<b>REITS - MORTGAGE BACKED SECURITIES</b>				
	612,881	-	-	612,881
	<b>26,753,866</b>	<b>1,506,632</b>	<b>-</b>	<b>28,260,498</b>
<b>Real Estate (Land and Building)</b>	<b>-</b>	<b>-</b>	<b>699,300</b>	<b>699,300</b>
<b>NONREDEEMABLE SECURITIES:</b>				
Hedge Fund Investments:				
Multi-Strategy	-	-	7,477,736	7,477,736
Equity Long/Short	-	-	1,811,126	1,811,126
<b>Total Hedge Fund Investments</b>	<b>-</b>	<b>-</b>	<b>9,288,862</b>	<b>9,288,862</b>
Domestic Venture Capital Investments	-	-	812,056	812,056
<b>Total Nonredeemable Securities</b>	<b>-</b>	<b>-</b>	<b>10,100,918</b>	<b>10,100,918</b>
<b>Total</b>	<b>\$ 26,753,866</b>	<b>\$ 1,506,632</b>	<b>\$ 10,800,218</b>	<b>\$ 39,060,716</b>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Years ended June 30, 2017 and 2016

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

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016:

2016	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2016</i>
<b>EQUITY SECURITIES:</b>				
Mutual Funds	\$ 5,143,763	\$ -	\$ -	\$ 5,143,763
Large Cap Value	2,632,677	-	-	2,632,677
Large Cap Dividend	2,756,077	-	-	2,756,077
Large Cap Growth	3,172,769	-	-	3,172,769
Small Cap Value	2,708,314	-	-	2,708,314
Small Cap Growth	1,305,696	-	-	1,305,696
<b>Total Equity Securities</b>	<b>17,719,296</b>	<b>-</b>	<b>-</b>	<b>17,719,296</b>
<b>FOREIGN EQUITY SECURITIES:</b>				
Foreign Emerging Markets	3,365,690	-	-	3,365,690
Foreign Developed Markets	1,832,523	-	-	1,832,523
Foreign REITs - Mortgage Backed Securities	916,834	-	-	916,834
<b>Total Foreign Equity Securities</b>	<b>6,115,047</b>	<b>-</b>	<b>-</b>	<b>6,115,047</b>
<b>U.S. GOVERNMENT SECURITIES:</b>				
Corporate Bonds	-	824,985	-	824,985
Mortgage Backed Securities	-	555,878	-	555,878
Government Bonds	-	762,333	-	762,333
<b>Total U.S. Government Securities</b>	<b>-</b>	<b>2,143,196</b>	<b>-</b>	<b>2,143,196</b>
<b>REITS - MORTGAGE BACKED SECURITIES</b>				
	1,174,165	-	-	1,174,165
	<b>25,008,508</b>	<b>2,143,196</b>	<b>-</b>	<b>27,151,704</b>
<b>Real Estate (Land and Building)</b>	<b>-</b>	<b>-</b>	<b>144,112</b>	<b>144,112</b>
<b>NONREDEEMABLE SECURITIES:</b>				
Hedge Fund Investments:				
Multi-Strategy	-	-	6,816,031	6,816,031
Equity Long/Short	-	-	1,723,268	1,723,268
Emerging Markets/Managed Futures	-	-	29,072	29,072
<b>Total Hedge Fund Investments</b>	<b>-</b>	<b>-</b>	<b>8,568,371</b>	<b>8,568,371</b>
Domestic Venture Capital Investments	-	-	463,635	463,635
<b>Total Nonredeemable Securities</b>	<b>-</b>	<b>-</b>	<b>9,032,006</b>	<b>9,032,006</b>
<b>Total</b>	<b>\$ 25,008,508</b>	<b>\$ 2,143,196</b>	<b>\$ 9,176,118</b>	<b>\$ 36,327,822</b>

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

The Foundation's interest in limited partnerships represents 26% of the total investments held by the Foundation at June 30, 2017. 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:

2017	Hedge Fund Investments			Domestic Venture Capital Investment	Real Estate (Land and Building)	Total
	Equity Long/Short	Emerging Markets/ Managed Futures	Multi- Strategy			
Beginning Balance at July 1, 2016	\$ 4,757,864	\$ 80,268	\$ 18,818,742	\$ 1,280,076	\$ 397,888	\$ 25,334,838
Total Realized Gains (Losses)	-	-	-	-	-	-
Total Unrealized (Losses) Gains	(583,987)	753	1,871,139	(1,144)	74,100	1,360,861
Purchases	1,007,760	-	703,950	1,044,365	1,926,600	4,682,675
Sales	-	(81,021)	-	-	(397,888)	(478,909)
<b>Ending Balance at June 30, 2017</b>	<b>\$ 5,181,637</b>	<b>\$ -</b>	<b>\$ 21,393,831</b>	<b>\$ 2,323,297</b>	<b>\$ 2,000,700</b>	<b>\$ 30,899,465</b>

Net unrealized gains on investments of \$1,360,861 are related to assets still held at June 30, 2017, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2017.

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

2017	Fair Value at June 30, 2017	Unfunded Commitments	Redemption Frequency	Maximum Redemption Notice Period
Real Estate (Land and Building)	\$ 2,000,700	\$ -	N/A	N/A
<b>HEDGE FUND INVESTMENTS:</b>				
Multi-Strategy	21,393,831	-	Monthly	45 Days
Equity Long/Short	5,181,637	1,573,499	Monthly	30 Days
<b>Total Hedge Fund Investments</b>	<b>26,575,468</b>	<b>1,573,499</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>				
Venture Capital	2,323,297	-	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>2,323,297</b>	<b>-</b>		
<b>Ending Balance at June 30, 2017</b>	<b>\$ 30,899,465</b>	<b>\$ 1,573,499</b>		

This past year the NMSU Alumni Association celebrated the creation of a successful new fundraiser called "Eat for Pete". The Alumni Association teamed up with local restaurants which donated a portion of their proceeds from the week-long event to the Aggie Cupboard. This food pantry provides needed support to students and employees at New Mexico State University and Dona Ana Community College.



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

The Foundation's interest in limited partnerships represents 24% of the total investments held by the Foundation at June 30, 2016. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

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

2016	Hedge Fund Investments							Total
	Equity Long/Short	Global Opportunities	Emerging Markets/Managed Futures	Relative Value/Event Driven and Credit	Multi-Strategy	Domestic Venture Capital Investment	Real Estate (Land and Building)	
Beginning Balance at July 1, 2015	\$ 3,870,123	\$ 4,935,565	\$ 1,685,096	\$ 8,124,420	\$ -	\$ 6,991,458	\$ 463,288	\$ 26,069,950
Total Realized Gains (Losses)	617,494	131,426	275,989	972,908	-	(2,556,970)	-	(559,153)
Total Unrealized Gains (Losses)	2,794,129	(2,065,919)	(275,454)	1,387,370	(318,028)	(1,981,239)	(65,400)	(524,541)
Purchases	-	-	-	-	37,489,520	1,383,797	-	38,873,317
Sales	(2,523,882)	(3,001,072)	(1,605,363)	(10,484,698)	(18,352,750)	(2,556,970)	-	(38,524,735)
<b>Ending Balance at June 30, 2016</b>	<b>\$ 4,757,864</b>	<b>\$ -</b>	<b>\$ 80,268</b>	<b>\$ -</b>	<b>\$ 18,818,742</b>	<b>\$ 1,280,076</b>	<b>\$ 397,888</b>	<b>\$ 25,334,838</b>

Net realized losses and unrealized losses on investments of \$(559,153) and \$(524,541), respectively, are related to assets still held at June 30, 2016, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2016.

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

2016	Fair Value at June 30, 2016	Unfunded Commitments	Redemption Frequency	Maximum Redemption Notice Period
<b>Real Estate (Land and Building)</b>	<b>\$ 397,888</b>	<b>\$ -</b>	N/A	N/A
<b>HEDGE FUND INVESTMENTS:</b>				
Multi-Strategy	18,818,742	-	Monthly	45 Days
Equity Long/Short	4,757,864	2,650,137	Monthly	30 Days
Emerging Markets/Managed Futures	80,268	-	Quarterly	45 Days
<b>Total Hedge Fund Investments</b>	<b>23,656,874</b>	<b>2,650,137</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>				
Venture Capital	1,280,076	-	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>1,280,076</b>	<b>-</b>		
<b>Ending Balance at June 30, 2016</b>	<b>\$ 25,334,838</b>	<b>\$ 2,650,137</b>		



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

The University's interest in limited partnerships represents 28% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2017. 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:

2017	Hedge Fund Investments			Domestic Venture Capital Investment	Real Estate (Land and Building)	Total
	Equity Long/Short	Emerging Markets/ Managed Futures	Multi- Strategy			
Beginning Balance at July 1, 2016	\$ 1,723,268	\$ 29,072	\$ 6,816,031	\$ 463,635	\$ 144,112	\$ 9,176,118
Total Realized Gains (Losses)	-	-	-	-	-	-
Total Unrealized (Losses) Gains	(264,382)	(753)	415,655	(16,614)	25,900	159,806
Purchases	352,240	-	246,050	365,035	673,400	1,636,725
Sales	-	(28,319)	-	-	(144,112)	(172,431)
<b>Ending Balance at June 30, 2017</b>	<b>\$ 1,811,126</b>	<b>\$ -</b>	<b>\$ 7,477,736</b>	<b>\$ 812,056</b>	<b>\$ 699,300</b>	<b>\$ 10,800,218</b>

Net unrealized gains on the University investments of \$159,806 are related to assets still held at June 30, 2017, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2017.

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

2017	Fair Value At June 30, 2017	Unfunded Commitments	Redemption Frequency	Maximum Redemption Notice Period
Real Estate (Land and Building)	\$ 699,300	\$ -	N/A	N/A
<b>HEDGE FUND INVESTMENTS:</b>				
Multi-Strategy	7,477,736	-	Monthly	45 Days
Equity Long/Short	1,811,126	549,981	Monthly	30 Days
<b>Total Hedge Fund Investments</b>	<b>9,288,862</b>	<b>549,981</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>				
Venture Capital	812,056	-	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>812,056</b>	<b>-</b>		
<b>Ending Balance at June 30, 2017</b>	<b>\$ 10,800,218</b>	<b>\$ 549,981</b>		

NMSU's new online crowdfunding platform, Make a STATEMENT, features opportunities to support a range of NMSU's unique and diverse research projects, student initiatives, and campus activities. On the project page, the project champions share their story, and explain how a gift will support their cause through an interactive video. The groups who participate are able to post updates demonstrating the impact of each contribution.



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

The University's interest in limited partnerships represents 25% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2016. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

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

2016	Hedge Fund Investments							Total
	Equity Long/Short	Global Opportunities	Emerging Markets/Managed Futures	Relative Value/Event Driven and Credit	Multi-Strategy	Domestic Venture Capital Investment	Real Estate (Land and Building)	
Beginning Balance at July 1, 2015	\$1,451,096	\$ 1,850,582	\$ 631,824	\$ 3,046,239	\$ -	\$2,621,436	\$ 173,712	\$ 9,774,889
Total Realized (Losses)	223,653	47,602	99,962	352,381	-	(926,119)	-	(202,521)
Total Unrealized (Losses) Gains	962,653	(811,215)	(121,262)	398,871	(115,186)	(806,767)	(29,600)	(522,506)
Purchases	-	-	-	-	13,578,467	501,203	-	14,079,670
Sales	(914,134)	(1,086,969)	(581,452)	(3,797,491)	(6,647,250)	(926,118)	-	(13,953,414)
<b>Ending Balance at June 30, 2016</b>	<b>\$1,723,268</b>	<b>\$ -</b>	<b>\$ 29,072</b>	<b>\$ -</b>	<b>\$ 6,816,031</b>	<b>\$ 463,635</b>	<b>\$ 144,112</b>	<b>\$ 9,176,118</b>

Net realized losses and unrealized losses on the University investments of \$(202,521) and \$(522,506), respectively, are related to assets still held at June 30, 2016, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2016.

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

2016	Fair Value At June 30, 2016	Unfunded Commitments	Redemption Frequency	Maximum Redemption Notice Period
<b>Real Estate (Land and Building)</b>	<b>\$ 144,112</b>	<b>\$ -</b>	N/A	N/A
<b>HEDGE FUND INVESTMENTS:</b>				
Multi-Strategy	6,816,031	-	Monthly	45 Days
Equity Long/Short	1,723,268	959,863	Monthly	30 Days
Emerging Markets/Managed Futures	29,072	-	Quarterly	45 Days
<b>Total Hedge Fund Investments</b>	<b>8,568,371</b>	<b>959,863</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>				
Venture Capital	463,635	-	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>463,635</b>	<b>-</b>		
<b>Ending Balance at June 30, 2016</b>	<b>\$ 9,176,118</b>	<b>\$ 959,863</b>		



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

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

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

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

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

**NOTE 14 - Endowment**

New Mexico State University Foundation's endowment consists of approximately 1,553 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by internal sources to function as endowments. As required by GAAP, net assets associated with endowments funds are classified and reported based on the existence or absence of donor-imposed restrictions. At the beginning of fiscal year 2010, an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective for the State to whose law this Foundation is subject.

**Interpretation of Relevant Law**

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

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

The composition of net assets by type of endowment fund at June 30, 2017 and 2016, were as shown on the following page.



Relatives of New Mexico pecan pioneer Mark Salopek join NMSU Chancellor Garrey Carruthers during the groundbreaking ceremony for the NMSU Heritage Farm Interpretive Trail. The purpose of the Heritage Farm is to showcase NMSU's agricultural roots and to advance current research. It also aims to support private and public economic initiatives and to create a park-like gateway to campus. And students from area schools will have the opportunity to take field trips to the Heritage Farm to learn about agriculture and New Mexico crops.





NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
For the Years ended June 30, 2017 and 2016

**NOTE 14 - Endowment (Continued)**

**2017**  
**ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND**  
As of June 30, 2017

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 28,280,332	\$ 94,406,368	\$ 122,686,700
Board-designated endowment funds	<u>1,983,046</u>	<u>-</u>	<u>-</u>	<u>1,983,046</u>
Total funds	<u>\$ 1,983,046</u>	<u>\$ 28,280,332</u>	<u>\$ 94,406,368</u>	<u>\$ 124,669,746</u>

**CHANGES IN ENDOWMENT NET ASSETS**  
For the Fiscal Year Ended June 30, 2017

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	\$ (348,400)	\$ 21,362,371	\$ 88,740,173	\$ 109,754,144
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	<u>2,316,454</u>	<u>(2,316,454)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>1,968,054</u>	<u>19,045,917</u>	<u>88,740,173</u>	<u>109,754,144</u>
Investment Return: Investment Income	-	3,257,881	-	3,257,881
Net appreciation (realized and unrealized)	<u>-</u>	<u>10,260,395</u>	<u>-</u>	<u>10,260,395</u>
Total investment return	<u>-</u>	<u>13,518,276</u>	<u>-</u>	<u>13,518,276</u>
Contributions, Reversions and changes in Donor Restrictions	14,992	155,608	5,666,195	5,836,795
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,439,469)</u>	<u>-</u>	<u>(4,439,469)</u>
Endowment Net Assets, end of year	<u>\$ 1,983,046</u>	<u>\$ 28,280,332</u>	<u>\$ 94,406,368</u>	<u>\$ 124,669,746</u>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
For the Years ended June 30, 2017 and 2016

**NOTE 14 - Endowment (Continued)**

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

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

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

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

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets are \$1,614,612 and \$3,931,067 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

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

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

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

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

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

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

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

#### **NOTE 15 - Subsequent Events**

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

The Foundation has evaluated subsequent events from the consolidated balance sheet date through December 18, 2017, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.



NMSU celebrated another successful Giving Tuesday event in November 2016. In all, more than 1,000 donors contributed to programs and scholarships they loved across NMSU campuses. In just one day of giving, our students and programs received a total of \$2 million in gifts from our generous donors.





KPMG LLP  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of New Mexico State University Foundation, Inc. and its subsidiary (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 18, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



### **Purpose of this Report**

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

KPMG LLP

Albuquerque, New Mexico

December 18, 2017

**Summary Schedule of Prior Year Audit Findings**

**None**

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

**None**

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Exit Conference

For the Years ended June 30, 2017 and 2016

An Exit Conference was held at the Foundation on October 20, 2017, to discuss the current audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

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

Kyle Louvar	Chair, Audit Committee, Member, Board of Directors
Raul Prieto	Member, Audit Committee, Member, Board of Directors
George Kozeliski	Member, Audit Committee, Member, Board of Directors
MaryLou Davis	Member, Audit Committee, Member, Board of Directors
Patricia Lopez, Ph.D.	Member, Audit Committee, Member, Board of Directors

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

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

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.





## All About Discovery!

P.O. Box 3590 Las Cruces, NM 88003  
[support.nmsu.edu](http://support.nmsu.edu)



**TWITTER**  
[@NMSUAlumFriend](https://twitter.com/NMSUAlumFriend)



**INSTAGRAM**  
[nmsualumfriend](https://www.instagram.com/nmsualumfriend)



**FACEBOOK**  
New Mexico State University  
Alumni and Friends



**YOUTUBE**  
NMSU Alumni & Friends