

WESTERN NEW MEXICO UNIVERSITY  
FOUNDATION, INC.

(A Component Unit of Western New  
Mexico University)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2016



*Certified Public Accountants  
and Business Advisors LLC*

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016 AND 2015**

**TABLE OF CONTENTS**

<b>Board of Directors</b> .....	1
<b>Independent Auditor’s Report</b> .....	2
<b>Financial Statements</b>	
Statements of Net Position .....	4
Statements of Revenues, Expenses and Changes in Net Position .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements.....	7
<b>Supplementary Information</b>	
Schedule of Vendor Information.....	19
<b>Compliance Section</b>	
Independent Auditor's 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 .....	20
Schedule of Findings and Responses.....	22
Summary of Prior Audit Findings.....	25
Exit Conference .....	26

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
BOARD OF DIRECTORS  
June 30, 2016 and 2015**

Richard Peterson, President

Diane Torrez, Vice President

Richard Lawyer, Treasurer

Tamara Ogilvie, Secretary

Dr. Mary Cowan

Jovita Gonzales

Linda McGee

John Myers

Howard Ness

Dr. Thomas E. Hines

Theresa Frazier

William Perkin

Grant Welker

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Western New Mexico University Foundation  
(A Component Unit of Western New Mexico University)  
Silver City, New Mexico  
and  
Mr. Tim Keller, New Mexico State Auditor

We have audited the accompanying financial statements of Western New Mexico Foundation (The Foundation) (a nonprofit organization and component unit of Western New Mexico University), as of and for the year ended June 30, 2016 and the related notes to the financial statements which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of Western New Mexico Foundation (a nonprofit organization and component unit of Western New Mexico University) as of June 30, 2016, and the respective changes in financial positions, and, where applicable, cash flows thereof for the then year ended in accordance with accounting principles generally accepted in the United State of America.

## **Other Matters**

### *June 30, 2015 Financial Statements*

The accompanying financial statements of the Foundation as of June 30, 2015 and for the year then ended were audited by other auditors whose report thereon dated November 5, 2015, expressed an unmodified opinion on those financial statements.

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the Foundation's financial statements as a whole. The Supplementary Information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the Western New Mexico University Foundation (a component unit of Western New Mexico University)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Western New Mexico University Foundation Inc.'s internal controls over financial reporting and compliance.

The logo for Axiom, featuring the word "Axiom" in a stylized, cursive blue font.

Axiom CPAs and Business Advisors, LLC  
Albuquerque, New Mexico  
October 27, 2016

## **FINANCIAL STATEMENTS**

WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
STATEMENT OF NET POSITION  
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 560,547	513,708
Cash restricted for other organizations	220,687	299,310
Accounts receivable	1,300	6,750
<b>Total current assets</b>	<u>782,534</u>	<u>819,768</u>
Noncurrent Assets, Restricted		
Investments, net	7,121,464	7,187,093
Capital assets, net	8,892	10,781
<b>Total noncurrent assets</b>	<u>7,130,356</u>	<u>7,197,874</u>
<b>Total Assets</b>	\$ <u>7,912,890</u>	<u>8,017,642</u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable	\$ 1,732	-
Due to Western New Mexico University	152,815	165,669
Deposits held for others	220,687	299,310
<b>Total liabilities</b>	<u>375,234</u>	<u>464,979</u>
<b>NET POSITION</b>		
Unrestricted	(6,807)	(28,404)
Invested in capital assets	8,892	10,781
Restricted, expendable	151,131	107,682
Restricted, nonexpendable	7,384,440	7,462,604
<b>Total net position</b>	<u>7,537,656</u>	<u>7,552,663</u>
<b>Total liabilities and net position</b>	\$ <u>7,912,890</u>	<u>8,017,642</u>

See Notes to Financial Statements.

WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Gifts	\$ 176,509	39,986
Fundraising	42,784	51,540
Donated assets for transfer to WNMU	221,300	-
In-kind contributions from WNMU	91,880	101,291
<b>Total operating revenues</b>	<u>532,473</u>	<u>192,817</u>
Operating Expenses		
Contributions to WNMU:		
Scholarships	120,332	135,913
Program support	84,680	94,091
Equipment and supplies	7,200	7,200
Fundraising	29,603	32,229
Donated assets transferred to WNMU	221,300	-
General and administrative	137,539	124,156
<b>Total operating expenses</b>	<u>600,654</u>	<u>393,589</u>
Operating loss	<u>(68,181)</u>	<u>(200,772)</u>
Nonoperating revenues (expenses)		
Investment income (loss)	(1,295)	51,699
Investment management fees and taxes	(68,446)	(70,448)
<b>Total nonoperating expenses</b>	<u>(69,741)</u>	<u>(18,749)</u>
Loss before changes in permanent endowments	(137,922)	(219,521)
Contributions to permanent endowments:		
Gifts	<u>122,915</u>	<u>123,326</u>
Decrease in net position	(15,007)	(96,195)
Net position, beginning of year	<u>7,552,663</u>	<u>7,648,858</u>
<b>Net position, end of year</b>	<u>\$ 7,537,656</u>	<u>7,552,663</u>

See Notes to Financial Statements.



**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**STATEMENT OF CASH FLOW**  
**JUNE 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Cash received from donors and other sources	\$ 199,894	86,276
Cash paid to WNMU for scholarships and program support	(241,815)	(162,446)
Cash provided by agency accounts	116,729	34,598
Cash paid for operating expenses	(146,772)	(121,278)
<b>Net cash used by operating activities</b>	<u>(71,964)</u>	<u>(162,850)</u>
Cash Flows From Noncapital Financing Activities		
Donations and pledges	122,915	123,326
<b>Net cash provided by noncapital financing activities</b>	<u>122,915</u>	<u>123,326</u>
Cash Flows From Investing Activities		
Proceeds from sale or maturity of investments	2,497,997	3,512,432
Purchases of investments	(2,612,938)	(3,845,343)
Interest and dividends received	180,570	208,569
Investment management fees	(69,741)	(70,448)
<b>Net cash used in investing activities</b>	<u>(4,112)</u>	<u>(194,790)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	46,839	(234,314)
<b>Cash and cash equivalents, beginning of year</b>	<u>513,708</u>	<u>748,022</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 560,547</u>	<u>513,708</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (68,181)	(200,772)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	1,889	1,891
Changes in assets and liabilities		
Receivables	5,450	(5,250)
Accounts payable and accrued expenses	1,732	(988)
Due to WNMU	(12,854)	42,269
<b>Net cash used by operating activities</b>	<u>\$ (71,964)</u>	<u>(162,850)</u>
<b>Supplemental disclosure of noncash investing, noncapital, and financing activities:</b>		
Change in fair value of investments	(45,161)	(261,429)

See Notes to Financial Statements.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**Note 1 – Nature of Activities**

Organization

The Western New Mexico University Foundation, Inc. (Foundation) is a not-for-profit corporation which was incorporated in the State of New Mexico on October 5, 1982. The Foundation receives support from contributions and earnings on investments.

The purpose of the Foundation is to create, maintain and administer assets for the benefit of Western New Mexico University (University), a state educational institution, located in Silver City, New Mexico. The Foundation exists specifically for the purpose of generating, receiving, managing, investing or reinvesting, and prudently disbursing gifts, bequests, grants and any other donations of financial value to be used for the sole purpose of promoting, enhancing, and contributing to the accomplishment of the University's mission. The Foundation is considered a component unit of the University in accordance with the standards issued under the Government Accounting Standards Board. These financial statements include all activities over which the Foundation has responsibility.

**Note 2 – Summary of Significant Accounting Policies**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

As a component unit of the University and a governmental not-for-profit, the Foundation presents its financial statements in accordance with U.S. generally accepted accounting standards established by the Governmental Accounting Standards Board (GASB).

The Foundation applies business-type activity accounting and the Foundation's basic financial statements are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

The significant accounting policies utilized by the Foundation in the preparation of the financial statements are described below.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments, including demand deposits and short-term money market mutual investments, with maturities of three months or less from the date of acquisition to be cash equivalents.

Fair Value Measurement

The fair values of substantially all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carry value of such amounts.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Deposits Held For Others

The Foundation received contributions for agency accounts in the amount of \$280,753 and made disbursements of \$242,652 for the year ended June 30, 2016. This is not reflected in the Statement of Revenues, Expenses and Changes in Net Position.

Net Position

The Foundation reports information regarding its financial position and activities according to the following classes of net assets: (1) unrestricted net position represents resources whose use is not limited or restricted by donors and all resources over which the Board of Trustees has discretionary control of incorporation and bylaws; gifts of long-lived assets, received without donor restrictions, are classified as unrestricted net assets; (2) restricted expendable net position includes resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties; and (3) nonexpendable restricted net position consists of endowment funds in which the donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained permanently by the Foundation.

When both restricted and unrestricted funds are available, the Foundation expends restricted funds first in accordance with donor-imposed restrictions.

Classifications of Revenues and Expenses

Operating loss reported in the financial statements includes revenues and expenses related to the primary continuing operations of the Foundation. Principal operating revenues include non-endowed donations. Principal operating expenses include distributions to the University, fundraising and general and administrative expenses.

Non-operating revenues include investing income and non-operating expenses include investment management fee. Changes in permanent endowments include contributions to permanent endowments.

Capital Assets

Building, furniture, fixtures, equipment and leasehold improvements are recorded at cost or fair market value at date of donation or acquisition. The Foundation capitalizes expenditures in excess of \$1,000 and a useful life of more than one year. Depreciation is provided for using the straight-line method over the following estimated useful lives:

Furniture, fixtures and equipment	5 to 20 years
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Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimate and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Donated Services

For the years ended June 30, 2016 and 2015, the Foundation received \$91,880 and \$101,291, respectively in donated services from the University and has reflected this amount in the accompanying financial statement.

Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded as in-kind revenue and in-kind expense, and are included with general and administrative expenses in the accompanying financial statements.

Income Taxes

Income taxes are not provided for in the financial statements as the Foundation is exempt from federal and State income taxes under Section 501(c) (3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation and had no unrelated business income during the years ended June 30, 2016 and 2015.

Custodial Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances and investments in managed funds. Cash is on deposit with high credit quality financial institutions in Grant County, which are members of the Federal Deposit Insurance Corporation (FDIC) with accounts insured up to \$250,000. During the year ended June 30, 2016, cash deposits did exceed FDIC coverage for the operating account at First American Bank and Wells Fargo but not the money market accounts. The Foundation did have pledged collateral for the excess deposits at First American Bank and Wells Fargo at June 30, 2016. Investments are held by investment managers, which are members of the Securities Investor Protection Corporation. Performance is reviewed by the Investment Committee of the Board of Directors on a monthly basis.

Investment Allocation

In accordance with the Foundation's written "Policy on Donations and Recognition of Donors," as part of its normal transactions it allocates investment income between unrestricted, restricted-expendable and restricted-nonexpendable net position categories. The Foundation endowment securities also had a market decrease of \$(45,161) at year end to reflect market value. If and when the securities have a market appreciation, the amount available for expenditure must be authorized by the governing board. Effective July 1, 2010, in accordance with House Bill 454, revised guidelines for the Uniform Prudent Management of Institutional Funds Act were provided for the investment and expenditure of endowment funds which requires adherence by the Foundation. For endowment assets, the governing board has authorized a spending limit of 2.5% of available portfolio funds for scholarship awards and 2% to cover administrative costs. The Foundation's investment securities are carried at fair market value.

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 investments as endowments.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Donated Assets for Transfer to WNMU

Assets donated to the Foundation and transferred to the University totaled \$221,300 as of June 30, 2016. As of June 30, 2015 the Foundation had received and transferred assets in the amount of \$25,000 which is not presented in the financial statements. The Foundation elected to include these amounts in the current year financial statements to properly reflect all donated assets that flow through the Foundation to the University.

Subsequent Events

Subsequent events have been evaluated through October 27, 2016, the date, which is the date the financial statements were available to be issued.

**Note 3 - Investments**

The Foundation's investments are made for long-term growth and income with preservation of principal and are registered in the name of the WNMU Foundation. Investments shall be made in bonds or money market funds with at least an A+ rating or mutual funds with at least an A rating as identified by Standard & Poor's, Moody's Investor Service, or the Wall Street Journal. Recognizing that the Foundation's investment objectives include growth and income, a diversified portfolio will appropriately meet the objectives of the Foundation with consequently moderate risk. Management and the Investment Committee along with the Foundation's Investment Managers continually review the investments to monitor the risk.

Investments in managed funds, government securities, equities and bonds, with readily determinable fair market values, are recorded at their fair market values in the statements of financial position. The fair value of the investments was determined based on the publicly reported market prices of the respective securities and funds.

Unrealized gains and losses are included in net investment income in the accompanying statements of revenues, expenses, and changes in net position. Investment income and gains restricted by donors are reported as restricted-expendable or restricted-nonexpendable increases in net positions, as applicable. Losses on investments of a donor-restricted endowed fund are used to reduce the accumulated earnings of related unrestricted-expendable net position to zero with any remaining loss allocated to unrestricted net position.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 3 – Investments (Continued)**

Net investment income consists of interest, dividends, realized and unrealized gains and losses, net of investment fees in the amount of \$68,446 and \$70,448, respectively. The market value and cost of investments at June 30, 2016 and 2015 are as follows:

	<b>2016</b>	
	<u>Market</u>	<u>Cost</u>
Real Asset Funds/Other Assets	\$ 1,525,414	1,426,660
Mutual Funds	1,496,301	1,483,845
U.S. Treasury Stock	22,556	15,000
Equities/Fixed Income	<u>4,077,193</u>	<u>2,490,983</u>
Total Investments	<u>\$ 7,121,464</u>	<u>5,416,488</u>

  

	<b>2015</b>	
	<u>Market</u>	<u>Cost</u>
Real Asset Funds/Other Assets	\$ 21,340	15,000
Mutual Funds	1,399,704	2,475,983
U.S. Treasury Stock	4,306,316	2,548,478
Equities/Fixed Income	<u>1,459,733</u>	<u>1,252,172</u>
Total Investments	<u>\$ 7,187,093</u>	<u>6,291,633</u>

The following summarizes the investment return for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 180,570	216,872
Net realized gain/(loss)	(227,026)	96,256
Net unrealized gain/(loss)	<u>45,161</u>	<u>(261,429)</u>
Investment income	(1,295)	51,699
Less investment fees	<u>(68,446)</u>	<u>(70,448)</u>
Investment income, net	<u>\$ (69,741)</u>	<u>(18,749)</u>

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 3 - Investments (Continued)**

The following summarizes the investments by maturity at June 30, 2016:

Long-Term Investments	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Items not subject to Interest Rate Risk:					
Equity Securities and Bonds	\$ 4,077,193	-	-	-	4,077,193
Fixed Income	1,496,301	47,407	327,717	177,886	943,291
Real Estate/Other	1,525,414	-	-	-	1,525,414
U.S. Government	22,556	-	-	-	22,556
Total Long Term	\$ 7,121,464	47,407	327,717	177,886	6,568,454

**Note 4 – Expenses**

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

	2016	2015
Scholarship expense	\$ 120,332	135,913
Salaries	30,445	28,690
In-kind expense	91,880	101,290
Donated assets for transfer to WNMU	221,300	-
Depreciation	1,891	1,891
Professional fees	27,526	26,885
Fundraising	29,603	32,229
Marketing and Development	1,630	-
Supplies and services	18,021	3,722
Miscellaneous expense	-	5,192
Rosina Patterson disbursements	3,790	3,722
Directors insurance	900	900
Property insurance	500	500
President's discretionary	52,725	52,542
Property taxes	113	113
Total expenses	\$ 600,654	393,589

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 5 – Capital Assets**

Assets donated with explicit restrictions regarding their use and contributions of cash that must be utilized to acquire office furniture and equipment are reported as increases in restricted net assets. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service and reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no restricted fixed assets at year end.

The Foundation is housed in a building owned by the University. The Foundation does not pay rent for the use of the facility. In-kind contribution revenue and in-kind expense in the amount of \$7,200 has been recorded for facility usage.

	Balance as of June 30, 2015	Additions	Retirements	Balance as of June 30, 2016
<b>Capital assets not being depreciated</b>				
Land	\$ 8,120	-	-	8,120
<b>Capital assets not being depreciated</b>	<u>8,120</u>	<u>-</u>	<u>-</u>	<u>8,120</u>
<b>Capital Assets</b>				
Software	1,448	-	-	1,448
Furniture, fixtures, & equipment	84,908	-	(75,000)	9,908
<b>Capital assets</b>	<u>86,356</u>	<u>-</u>	<u>(75,000)</u>	<u>11,356</u>
<b>Accumulated depreciation</b>				
Software	(1,447)	-	-	(1,447)
Furniture, fixtures, & equipment	(82,248)	(1,889)	75,000	(9,137)
<b>Total accumulated depreciation</b>	<u>(83,696)</u>	<u>(1,889)</u>	<u>75,000</u>	<u>(10,584)</u>
<b>Capital assets, net</b>	<u>\$ 10,780</u>	<u>(1,889)</u>	<u>-</u>	<u>8,892</u>
<b>Capital assets summary</b>				
Capital assets not being depreciated	\$ 8,120	-	-	8,120
Other capital assets, at cost	86,356	-	(75,000)	11,356
<b>Total cost of capital assets</b>	<u>94,476</u>	<u>-</u>	<u>(75,000)</u>	<u>19,476</u>
<b>Accumulated depreciation</b>	<u>(83,696)</u>	<u>(1,889)</u>	<u>75,000</u>	<u>(10,584)</u>
<b>Capital assets, net</b>	<u>\$ 10,780</u>	<u>(1,889)</u>	<u>-</u>	<u>8,892</u>



**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 6 – Restricted Expendable Net Positions**

Restricted Expendable Net Positions at June 30, 2016 and 2015 are for the following programs:

	<u>2016</u>	<u>2015</u>
Alumni Student Emergency	\$ 16,077	-
Athletic Scholarship	5,938	5,638
Baca, Fred Scholarship	-	1,000
Barbara Brown AAUW	1,430	45
Cook, Betty/24Club	1,790	1,217
Cope, Connie Lou	3,619	3,619
Drangmeister, Christine/24 Club	427	1,000
Earn to Learn Scholarsh	5,575	-
Foy, Thomas P. Scholarship	285	999
Gershenson/Bradberry	1,460	1,460
Grants in Aid	38,398	25,054
Gilbert Scholarship	3,679	4,776
Gonzales, Ruben	680	680
Grant Co. Chicano Music Scholarship	4,000	4,000
Harry Benjamin Expressive Arts	-	3,433
Howard, Kevan Brett Scholarship	900	400
Jeffers, B Education Scholarship	1,137	1,085
Jeffers, Ruth	626	626
Johnson, Al Scholarship	84	69
Kuthe Scholarship	150	-
Kaiser Golf Scholarship	-	1,000
Martin Nursing Scholarship	250	250
Mesilla Valley Chapter	-	1,000
Moman Scholarship	4,064	4,064
Pflag Scholarship	600	-
NAN Ranch Research	2,390	2,390
Rhoades/Sechler PEO Scholarship	1,700	2,950
Rodriguez, Joseph Edward	100	-
Rolling Stones	250	-
Rotary Scholarship	21,680	21,604
Scholarship for Returning Students	3,220	3,220
School of Social Work Scholarship	15	3,749
Sherman, Tonya Memoria] Scholarship	2,653	2,653
Shoup, Whitney & LaVera Scholarship	460	400
Sisneros, Pete Scholarship	3,172	3,172
State Match	1,722	-
Student Academic Scholarship	13,325	1,722
Town & Contry Garden Club	6,000	-
University Fund Scholarship	1,868	1,868
Worthen, Elmer Scholarship	1,407	1,562
Wright, Richard Clay Scholarship	-	978
	<u>\$ 151,131</u>	<u>107,682</u>

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 7 – Restricted Nonexpendable Net Positions**

Restricted Nonexpendable Net Positions at June 30, 2016 and 2015 are for the following programs:

	<u>2016</u>	<u>2015</u>
Alumni Scholarship	\$ 60,571	58,006
Benjamin, Harry Art Scholarship	64,002	-
Besse, JR Capt. Scholarship	65,384	67,022
Bingaman, Beth	-	34,449
Bingaman, Jesse	35,874	37,806
Brancheau Family Scholarship	71,468	62,762
CCCC O'Malley School of Business	96,621	95,601
Endowed Professorship Blalock Fund	207,911	213,120
Endowed Faculty Nursing	36,047	36,950
Expressive Arts State Match/CCCC Kasten	49,748	50,909
Fisher, Ralph Scholarship	56,956	59,910
Forward, Lennie Scholarship	59,770	62,881
Forward Library Fund	393,522	403,381
Foy, Joan Carney Scholarship	-	34,467
General Scholarship	80,924	57,669
Glaser, A.	45,353	47,309
Goodell Scholarship	45,541	46,682
James, Dr. Haddon & Eunice Scholarship	165,376	171,357
Kauzlaric, Richard Mem. Scholarship	35,536	-
Kennedy, Eric Memorial Scholarship	126,391	133,197
Levy, Daniel Scholarship	-	35,569
Martin, Robert & Ione	40,977	43,644
Matson, Marie Scholarship	99,122	103,972
Milner, Edwina	48,022	49,225
NM Legislative Merit Scholarship	189,602	194,352
NM Merit Scholarship	60,474	65,926
O'Malley, Michael & Catherine	224,612	209,360
Parrish, Frank & Bernice Scholarship	-	29,435
Parrish, Frank & Bernice State Match	42,251	44,525
Patterson, Rosina	577,933	630,138
Reese, Jack & A. Scholarship	231,295	243,653
Rhoades/Sechler Scholarship	593,497	625,307
Schula, Lorraine Scholarship	125,375	129,392
Sevy, Robert Natural Science	207,667	218,857
Smithson, Olive Marlowe Scholarship	1,591,782	1,659,641
Snodgrass Scholarship	81,670	86,068
Strickling, Nancy & Jerry Scholarship	356,725	372,205
Thompson, Dr. Scholarship	56,722	59,776
Worthen, Elmer	8,878	9,990
Gilbert Scholarship	22,556	21,340
Various other scholarships (FB)	1,110,495	956,754
Various other Scholarships (in checking)	17,790	-
	<u>\$ 7,384,440</u>	<u>7,462,604</u>

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**Note 8 – Deposit Accounts and Investments**

<u>Account</u>	<u>Type of Balance</u>	<u>2016 Bank Balance</u>	<u>Reconciling Items</u>	<u>Book Balance</u>
<u>Cash</u>				
<b>First American Bank</b>				
Checking	Checking	\$ 338,055	(2,446)	335,609
Operations	Money Market	8,644	-	8,644
<b>Wells Fargo</b>				
Checking	Checking	258,292	(2,500)	255,792
Program 1999	Money Market	173,884	-	173,884
<b>Charles Schwab</b>				
Program 7807-1329	Money Market	2,009	-	2,009
Program 1453-1100	Money Market	5,295	-	5,295
		<u>\$ 786,179</u>	<u>(4,946)</u>	<u>781,233</u>
<u>Investments</u>				
<b>Wells Fargo</b>				
Fixed Income		\$ 1,496,301	-	1,496,301
Mutual Funds		4,231,123	-	4,231,123
Real Assets		791,972	-	791,972
US Treasury Bond		22,556	-	22,556
<b>Charles Schwab</b>				
Equities		404,708	-	404,708
Limited Partnerships		157,171	-	157,171
Real Estate		8,755	-	8,755
<b>BP Amoco</b>		8,878	-	8,878
		<u>\$ 7,121,464</u>	<u>-</u>	<u>7,121,464</u>

Collateralization of Deposits: At June 30, 2016 the recorded values of cash and time deposits with financial institutions were as follows. Bank balances (which differ from the reported values due to reconciling items) are categorized as follows:

Amounts insured by Federal Deposit Insurance Corporation	\$ 500,000
Amounts insured by the Securities Investor Protection	181,188
Uncollateralized	104,991
Total cash and time deposit bank balances	<u>786,179</u>
Other reconciling items on demand deposit accounts	(4,946)
Total Reported Cash Balance	<u>\$ 781,233</u>

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**Note 8 – Deposit Accounts and Investments (Continued)**

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the deposit may not be returned to it. The Foundation does not have a deposit policy for custodial risk. As of June 30, 2016, \$104,234 of the Foundation's bank balance of \$781,229 was uninsured. First American Bank has provided 50% pledged collateral of \$173,350 for the uninsured portion.

**Note 9 – Endowments of Not-For-Profit Organizations**

In August 2008, the FASB issued Staff Position (FSP) PAS ASC 958-205-45-28 through 45-32, "Endowments of Not-for-Profit Organizations: Net Position Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds." The guidance is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. The FSP provides guidance on classifying the net positions associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. UPMIFA, which serves as a model act for states to modernize their laws governing donor restricted endowment funds, was enacted by the State of New Mexico on April 7, 2010 in House Bill 454. Therefore, the guidance for classifying net position is effective for the Foundation's fiscal year ending June 30, 2016 and 2015. The adoption of this FSP's provision does not have a significant effect on its net position classification.

**Note 10 – Interpretation of Relevant Law**

The Foundation's endowment consists of approximately 75 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the Foundation classifies as restricted non expendable (a) the original value of gifts donated to the restricted nonexpendable endowment, (b) the original value of subsequent gifts to the restricted nonexpendable endowment, and (c) accumulations to the restricted nonexpendable endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net positions and maintained as such for appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA and donors' restrictions on use. 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 Foundation 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

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**Note 10 – Interpretation of Relevant Law (Continued)**

The endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment shall be limited to a maximum 2.5% of the available portfolio funds for scholarship awards and 2% to cover administrative costs. At the beginning of each fiscal year, the Foundation's board of directors will determine the potential distribution amount for each endowment fund for the ensuing fiscal year. At June 30, 2016, the net investment loss of \$65,630 was not available for spending, which is restricted to specific purposes.

At June 30, 2016 the value of the Foundation's endowment portfolio was \$7,121,464 and the permanent endowment contributions were \$7,535,571.

**Note 11 - Contingencies**

The Foundation is physically housed within the University and the University provides office space, personnel, utilities, and general operating expenses to the Foundation. The Foundation's exposure to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters fall within the University's insurance coverage.

**SUPPLEMENTARY INFORMATION**

Western New Mexico University Foundation, Inc.  
(A Component Unit of Western New Mexico University)  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
962-A	Western New Mexico University Foundation Inc.	Other Agencies	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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**

To the Board of Directors of  
Western New Mexico University Foundation Inc.  
and  
Mr. Tim 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 financial statements of Western New Mexico University Foundation, (the Foundation) (a nonprofit organization and a component unit of the Western New Mexico University), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies (2016-001, 2016-002, 2016-003).

### **Compliance and Other Matters**

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

### **Western New Mexico University Foundation's Response to Findings**

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

### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Axiom CPAs and Business Advisors, LLC  
Albuquerque, New Mexico  
October 27, 2016

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016 AND 2015**

**FINANCIAL STATEMENT FINDINGS**

**2016-001 Cash Disbursements Lack of Proper Authorization (Significant Deficiency)**

CONDITION: During our audit testwork of cash disbursements, we noted one (1) transaction totaling \$3,000 out of forty-three (43) selected for testing that did not get Executive Committee approval prior to the disbursement which is a part of the Foundations cash disbursement policies and procedures.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE: The Foundation did not follow its policy to have Executive Committee approval for all disbursements exceeding \$2,500.

EFFECT: When disbursements are not properly reviewed, the entity is exposed to the possibility of misappropriation of Foundation monies.

RECOMMENDATION: We recommend that management continue to refine the processes required to maintain compliance with its own policies.

RESPONSE: The Fund Request approval form used to authorize all disbursements was modified on October 25, 2016 to include a "Department Use Only" section with a box to check if Executive Committee Approval is needed and a signature to indicate it was received, if applicable. The Treasurer will review that section of the form to ascertain proper approval was obtained on disbursements exceeding \$2,500 whenever he/she signs disbursement authorizations.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016 AND 2015**

**FINANCIAL STATEMENT FINDINGS**

**2016-002 Cash Receipts – Segregation of Duties (Significant Deficiency)**

CONDITION: During our process of understanding the Foundation's cash receipts and its control environment, we noted the following lack of internal control framework related to the cash receipt process.

- Lack of segregation of duties; one individual performs the incompatible duties of opening the mail, receiving money, entering the receipts into the accounting system and preparing the deposit.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. CAUSE: Controls over cash receipts were not adequate to prevent these exceptions.

EFFECT: The Foundation was not in compliance with controls over receipts in accordance with aforementioned statute.

RECOMMENDATION: We recommend that the Foundation implement a policy that requires a separate employee that does not have custody of the funds to perform the entry into the accounting system creating segregation of duties in the cash receipts process.

RESPONSE: Effective October 25, 2016, the Foundation has implemented the following form and procedures: 1) a Receipts Log is maintained by the Executive Director who records all incoming receipts, both cash and check, whether received in person or by mail; 2) Receipts of check/cash accompanied by the Log are provided to the Executive Administrative Assistant who enters deposits into the accounting system and a deposit slip created; 3) the Executive Director takes the deposit slip and all checks/cash to the bank, and returns the bank receipt to the Executive Administrative Assistant. 4) the accountant reviews the Receipts Log in comparison to monthly bank statements.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016 AND 2015**

**FINANCIAL STATEMENT FINDINGS**

**2016-003 Review and Approval of Journal Entries (Significant Deficiency)**

CONDITION: During our review of journal entries, we noted that four (4) journal entries totaling \$355,652 out of five (5) selected were not reviewed or approved.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE: Breakdown in controls over Journal Entries review and approval process.

EFFECT: Lack of review of journal entries or lack of supporting documentation can lead to an increased risk of fraud or improper posting of journal entries. The posting of journal entries to the incorrect fund or journal entries that do not balance can cause material misstatement to the financial statements. Journal entries could be posted that are inappropriate and would not be detected or corrected.

RECOMMENDATION: We recommend that The Foundation appoint an individual separate from the accountant to review all journal entries along with documentation that supports the entry and why it is necessary. The individual should sign the entries, indicating that they have been reviewed and are approved. The Foundation should establish a policy to determine the frequency of review of journal entries, for example, the Board could review entries at monthly board meetings.

RESPONSE: Effective July 1, 2016, the following procedures have been followed any time a general journal entry is needed. 1) The Foundation Accountant submits either a General Journal Entry Request or a copy of the actual general journal entry (in the case of the routine monthly standard entries) to the Executive Director for approval. 2) The Accountant enters the approved journal entry if not already done. 3) The forms are given to the Treasurer for signature within 20 days following the end of the month the entry was dated. 4) As part of the month-end checklist, the Accountant runs out all general journal entries shown in the accounting software for the preceding month, confirms the back-up is present in the black quarterly binders.

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
SUMMARY OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016 AND 2015**

**SUMMARY OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2015**

Prior-Year Finding Description

None

**WESTERN NEW MEXICO UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF WESTERN NEW MEXICO UNIVERSITY)  
EXIT CONFERENCE  
JUNE 30, 2016 AND 2015**

**EXIT CONFERENCE**

An exit conference was conducted on October 27, 2016, with the following individuals:

Western New Mexico University Foundation, Inc.

Audit Committee Members:

Richard Lawyer, Treasurer  
Linda McGee, Board Member  
John Myers, Board Member  
Jovita Gonzales, Board Member

Foundation Management:

Jodi C. Edens-Crocker, Executive Director  
Sheree Frederick, Executive Administrative Assistant  
Charlotte McGaughey, Accountant

Western New Mexico University:

Joseph Shepard, President  
Cynthia Martinez, Budget Director

Axiom Certified Public Accountants and Business Advisors, LLC

Chris Garner, CPA, Partner  
Bryan Runyan, Supervisor