

WESTERN NEW MEXICO UNIVERSITY
FOUNDATION

(A Component Unit of Western New Mexico
University)

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



Group, INC

Certified Public Accountants

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)

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Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)

Board of Directors

Mr. Richard Peterson, President

Mrs. Linda McGee, Vice President

Mr. Richard Lawyer, Treasurer

Dr. Mary Cowan, Secretary

Mr. William Perkins, Past President

Mrs. Jovita Gonzales, Board Member

Dr. Thomas E. Hines, Board Member

Mr. John Myers, Board Member

Mrs. Michelle Rae Nichols, Board Member

Dr. Richard Rodriguez, Board Member

Mr. James Smith, Board Member

Mr. Joel Schram, Board Member

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. Wayne Johnson, New Mexico State Auditor

Report of the Financial Statements

We have audited the accompanying financial statements of the Western New Mexico University Foundation (the Foundation, a nonprofit organization and component unit of Western New Mexico University), as of and for the years ended June 30, 2018 and 2017, 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 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 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 University Foundation (a component unit of Western New Mexico University) as of June 30, 2018 and 2017, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles accepted in the United States of America require to be presented 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 part of 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018, 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 controls 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 *Governmental Auditing Standards* in considering Western New Mexico University Foundation's internal control over financial reporting and compliance.



Albuquerque, NM
October 24, 2018

Financial Statements

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Statements of Net Position
June 30,

Assets	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 771,819	\$ 3,051,903
Cash restricted for other organizations	266,099	264,711
Accounts receivable	-	5,000
Total current assets	<u>1,037,918</u>	<u>3,321,614</u>
Investments	8,407,624	5,343,347
Beneficial interest in perpetual trust	826,664	776,390
Capital assets, net	<u>9,470</u>	<u>8,256</u>
Total assets	<u><u>10,281,676</u></u>	<u><u>9,449,607</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	3,106	3,472
Due to Western New Mexico University	179,402	154,998
Deposits held for others	<u>266,099</u>	<u>264,711</u>
Total liabilities	<u>448,607</u>	<u>423,181</u>
Net position		
Unrestricted	125,030	113,580
Net investment in capital assets	9,470	8,256
Restricted expendable	261,332	182,299
Restricted nonexpendable	<u>9,437,237</u>	<u>8,722,291</u>
Total net position	<u>9,833,069</u>	<u>9,026,426</u>
Total liabilities and net position	<u><u>\$ 10,281,676</u></u>	<u><u>\$ 9,449,607</u></u>

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

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Operating revenue		
Gifts	\$ 153,798	\$ 143,686
Fundraising	31,121	30,171
Donated assets for transfer to WNMU	250	9,100
In-kind contributions from WNMU	<u>43,427</u>	<u>211,168</u>
Total operating revenue	<u>228,596</u>	<u>394,125</u>
Operating expenses		
Contributions to WNMU		
Scholarships	99,544	114,678
Department support	187	2,387
Program support	80,670	203,968
Facilities expense (in-kind)	-	7,200
Fundraising	38,956	36,109
Donated assets transferred to WNMU	250	9,100
General and administrative	<u>205,834</u>	<u>140,755</u>
Total operating expenses	<u>425,441</u>	<u>514,197</u>
Operating income (loss)	<u>(196,845)</u>	<u>(120,072)</u>
Nonoperating revenues (expenses)		
Investment income (loss)	794,586	817,905
Investment management fees and taxes	<u>(70,283)</u>	<u>(71,870)</u>
Total nonoperating income (loss)	<u>724,303</u>	<u>746,035</u>
Income before changes in permanent endowment	<u>527,458</u>	<u>625,963</u>
Contributions to permanent endowment		
Gifts	228,911	86,417
Change in value of perpetual trust	<u>50,274</u>	<u>54,236</u>
Increase in net position	<u>806,643</u>	<u>766,616</u>
Net position, beginning of year as previously reported	9,026,426	7,537,656
Restatement	<u>-</u>	<u>722,154</u>
Net position, beginning of year, as restated	<u>9,026,426</u>	<u>8,259,810</u>
Net position, end of year	<u>\$ 9,833,069</u>	<u>\$ 9,026,426</u>

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

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Statements of Cash Flows
For the Years Ended June 30,

	2018	2017
Cash flows from operating activities		
Cash received from donors and other sources	\$ 189,919	\$ 170,157
Cash paid to WNMU for scholarships and program support	(180,401)	(117,065)
Cash paid to other suppliers of goods or services	(177,012)	(172,305)
Net cash used by operating activities	(167,494)	(119,213)
Cash flows from investing activities		
Proceeds from sale or maturity of investments	8,183,384	2,501,618
Purchase of investments	(10,584,513)	(100,456)
Investment income	131,438	194,860
Investment and management fees	(70,283)	(71,870)
Net cash (used) provided by investing activities	(2,339,974)	2,524,152
Cash flows from capital financing activities		
Purchase of equipment	(1,527)	-
Cash flows from noncapital financing activities		
Donations and pledges	228,911	86,417
(Decrease) increase in cash	(2,280,084)	2,491,356
Cash, beginning of year	3,051,903	560,547
Cash, end of year	\$ 771,819	\$ 3,051,903
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (196,845)	\$ (120,072)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	313	636
Changes in assets and liabilities		
Accounts receivable	5,000	(3,700)
Accounts payable	(366)	1,740
Due to WNMU	24,404	2,183
Total adjustments	29,351	859
Net cash used by operating activities	\$ (167,494)	\$ (119,213)
Supplemental Schedule of Noncash Investing and Financing Activities		
Change in fair value of investments and perpetual trust	652,515	567,788

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

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

1) Summary of Significant Accounting Policies

Nature of Activities

The Western New Mexico University Foundation, Inc. (the 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 (the 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.

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 instruments, including demand deposits and short-term money market mutual investments, to be cash equivalents provided they are both readily convertible to cash and had an original maturity of three months or less when purchased, with the exception of cash restricted for other organizations.

Donated Services

For the year ended June 30, 2018, the Foundation received \$152,282 of donated services from the University.

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

1) Summary of Significant Accounting Policies — continued

Capital Assets

Furniture, fixtures, leasehold improvements and equipment are recorded at cost if purchased or at the estimated fair value on the date of donation. The Foundation capitalizes expenditures in excess of \$1,000 and a useful life of more than one year. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from five to twenty years.

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.

Use of Estimates

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

Fair Value Measurement

The fair value 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.

Allowance for Doubtful Accounts

Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. Management estimates the receivables to be fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

1) Summary of Significant Accounting Policies — continued

Donated Assets for Transfer to WNMU

Assets donated to the Foundation and transferred to the University totaled \$250 and \$9,100 as of June 30, 2018 and 2017, respectively.

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.

Classification of Revenues and Expenses

The 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 fees. Changes in permanent endowments include contributions to permanent endowments.

Income Taxes

The Foundation is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRS Section 501(c)(3). Further, the Foundation has been classified as an organization that is not a private foundation and, as such, contributions to the Foundation qualify for deduction as charitable contributions.

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

1) Summary of Significant Accounting Policies — continued

Deposits Held for Others

The Foundation maintains agency accounts on behalf of other entities related to the University. Receipts to and disbursements from these agency accounts are not reflected in the financial statements.

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, 2018, cash deposits did exceed FDIC coverage for the operating account at First American Bank. The Foundation did not have pledged collateral for the excess deposits at First American Bank at June 30, 2018. Investments are held by investment managers, which are members of the Securities Investor Protection Corporation, a nongovernmental entity. 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 had a market increase of \$608,965 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.

Subsequent Events

Subsequent events were evaluated through October 24, 2018, which is the date the financial statements were available for issue.

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

2) 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 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. The bond ratings for corporate obligations range from BAA3 to AA1.

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.

Net investment income consists of interest, dividends, realized and unrealized gains and losses, net of investment. Realized gains and losses were included as a change in the fair value of investments previously reported. The market value and cost of investments at June 30, 2018 and 2017, are as follows:

	2018	
	Market	Cost
Real Asset Funds/Other Assets	\$ 2,353,607	\$ 2,234,910
Equities/Mutual Funds	5,400,676	4,739,592
Fixed Income	653,341	672,401
Total Investments	\$ 8,407,624	\$ 7,646,903

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

2) Investments — continued

2017

	Market	Cost
Real Asset Funds/Other Assets	\$ 624,350	\$ 564,544
Equities/Mutual Funds	4,407,414	3,450,942
U.S. Treasury Stock	20,634	15,000
Fixed Income	290,949	297,720
Total Investments	\$ 5,343,347	\$ 4,328,206

The following summarizes the investment return for the years ended June 30, 2018 and 2017:

INVESTMENT RETURN

	2018	2017
Interest and dividend income	\$ 131,438	\$ 194,860
Net realized gain (loss)	54,183	109,493
Net unrealized gain (loss)	608,965	513,552
Investment income	794,586	817,905
Less investment fees	(70,283)	(71,870)
Investment income, net	\$ 724,303	\$ 746,035

The Following summarizes the investments by maturity at June 30, 2018:

	Fair Value	1 Year	Years	Years	10 years
Long-Term Investments Component Unit Items not subject to interest rate risk:					
Equities	\$5,400,676	\$5,400,676	\$ -	\$ -	\$ -
Fixed Income	653,341	27,804	172,951	90,194	362,392
Real Estate/Other	2,353,607	-	-	-	2,353,607
Total long-term investments	\$8,407,624	\$5,428,480	\$ 172,951	\$ 90,194	\$2,715,999

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

2) Investments — continued

Fair Value Measurement – The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – inputs are quoted prices for identical assets in active markets, accessible at the measurement date, including exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

Level 2 – inputs are other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly, including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.

Level 3 – inputs are unobservable for an asset.

Fair value measurement using quoted prices is as follows at June 30, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment by fair value level:				
Equities	\$ 5,400,676	\$ 5,400,676	\$ -	\$ -
Fixed Income	653,341	653,341	-	-
Real Estate/Other	2,353,607	-	2,353,607	-
Perpetual Trust	<u>826,664</u>	<u>-</u>	<u>826,664</u>	<u>-</u>
Total long-term investments	<u>\$ 9,234,288</u>	<u>\$ 6,054,017</u>	<u>\$ 3,180,271</u>	<u>-</u>

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

3) Capital Assets

Capital Assets are as follows at June 30, 2018:

	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
Capital assets not being depreciated				
Land	\$ 8,120	\$ -	\$ -	\$ 8,120
Capital assets not being depreciated	<u>8,120</u>	<u>-</u>	<u>-</u>	<u>8,120</u>
Capital assets				
Software	1,448	-	-	1,448
Furniture, fixtures & equipment	9,908	1,527	-	11,435
Capital assets	<u>11,356</u>	<u>1,527</u>	<u>-</u>	<u>12,883</u>
Accumulated depreciation				
Software	(1,447)	-	-	(1,447)
Furniture, fixtures & equipment	(9,773)	(313)	-	(10,086)
Total accumulated depreciation	<u>(11,220)</u>	<u>(313)</u>	<u>-</u>	<u>(11,533)</u>
Capital assets, net	<u>\$ 8,256</u>	<u>\$ 1,214</u>	<u>\$ -</u>	<u>\$ 9,470</u>
Capital assets summary				
Capital assets not being depreciated	\$ 8,120	\$ -	\$ -	\$ 8,120
Other capital assets, at cost	11,356	1,527	-	12,883
Total cost of capital assets	<u>19,476</u>	<u>1,527</u>	<u>-</u>	<u>21,003</u>
Accumulated depreciation	<u>(11,220)</u>	<u>(313)</u>	<u>-</u>	<u>(11,533)</u>
Capital assets, net	<u>\$ 8,256</u>	<u>\$ 1,214</u>	<u>\$ -</u>	<u>\$ 9,470</u>

4) Restricted Expendable Net Position

Expendable net position is restricted for the following as of June 30:

	<u>2018</u>	<u>2017</u>
Alumni Student Emergency	\$ 16,854	\$ 17,076
Athletic Scholarship	4,538	6,238
Barbara Brown AAUW	2,816	2,346
Baughman, Blake A. Sch	1,000	1,000
Benjamin, Harry	3,833	-
Bingaman, Jesse & Beth Sch Science	20,000	-
CC Cobb Nursing	1,001	1,001
Cook, Betty/24 Club Sch	57	1,790

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

4) Restricted Expendable Net Position — continued

	<u>2018</u>	<u>2017</u>
Cope, Connie Lou	\$ 3,619	\$ 3,619
Deming Coca-Cola Sam Link	2,000	427
Drangemeister, Christine/24 Club	1,427	-
Foy, Thomas P. Scholarship	927	285
GC Chicano Music Sch	4,000	4,000
Grants In Aid	48,702	48,106
R. Patterson	8,175	-
Gilbert Scholarship	3,190	5,124
Gonzales, Ruben	680	679
Hall, Ron and Jane Scholarship	150	150
Howard, Kevan Brett Scholarship	900	900
Jeffers, B Education Scholarship	1,199	1,172
Jeffers, Ruth	626	626
Johnson, Al Scholarship	61	61
Kuthe Scholarship	1,000	1,000
Lewis, Eulalia Memorial Sch	16,125	15,000
Martin Supplemental Scholarship	19,520	301
Math & Computer Science	3,625	3,525
Moman Scholarship	5,064	5,064
NAN Ranch Research	2,390	2,390
Parrish Scholarship	20,835	-
Peppey, Barbara Scholarship	4,099	4,000
PFLAG	1,100	100
Rhoades/Sechler PEO Scholarship	2,200	1,700
Rivas, Grecia Scholarship	2,965	-
Rodriguez, Joseph Edward	520	380
Rolling Stones	250	250
Rotary Scholarship	19,942	21,330
Scholarship for Returning Students	3,220	3,220
School of Social Work Scholarship	835	75
Sherman, Tonya Mem Scholarship	1,153	1,153
Short, Calvin B. Memorial Scholarship	1,205	1,205
Shoup, Whitney & LaVera Scholarship	780	310
Sisneros, Pete Scholarship	3,172	3,172
State Match \$133,000	13,325	13,325
Steinway Scholarship	5,000	5,000
Student Academic Scholarship	1,722	1,722
University Fund Scholarship	1,868	1,868
Wells Fargo	3,000	-
Worthen, Elmer Scholarship	572	149
Other	90	1,460
	<u>\$ 261,332</u>	<u>\$ 182,299</u>

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

5) Restricted Nonexpendable Net Position

Net position is restricted for the following as of June 30, 2018 and 2017:

	2018	2017
Alumni General Scholarship	\$ 71,423	\$ 67,312
Benjamin, Harry Art Scholarship	50,852	48,099
Besse, Capt. JR Scholarship	74,529	70,493
Bingaman, Jesse	38,956	37,714
Brancheau Family Scholarship	101,938	92,765
CCCC O'Malley School of Business	117,394	112,861
Endowed Professorship Blalock Fund	236,991	224,159
Endowed Martin Faculty Development Nursing	41,088	38,864
Expressive Arts State Match/CCCC Kasten	56,588	53,524
Fisher, Ralph Scholarship	62,430	59,985
Forward, Lennie Scholarship	64,379	62,337
Forward Library Fund	448,562	424,276
General Scholarship	103,077	98,920
Glaser, Adelaide	49,205	47,636
Goodell Scholarship	51,910	49,100
James, Dr. Hadden & Eunice Scholarship	181,045	174,873
Kauzlaric, Richard Mem. Sch.	40,102	38,313
Kennedy, Eric Memorial Scholarship	137,090	132,721
Lewy, Daniel Scholarship	36,985	35,795
Martin, Robert & Ione State Match	46,708	44,179
Matson, Marie Scholarship	111,732	105,683
Milner, Edwina	54,739	51,775
NM Legislative Merit Scholarship	211,805	203,777
NM Merit Scholarship	68,932	65,200
O'Malley, Michael & Catherine State Match	299,503	264,134
Parrish, Frank & Bernice State Match	48,160	45,552
Reece, Jack & A. Scholarship	251,282	243,267
Rhoades/Sechler Scholarship	657,701	626,626
Schula, Lorraine Scholarship	140,525	133,745
Sey, Robert Natural Sciences Scholarship	225,778	218,548
Smithson, Olive Marlowe Scholarship	1,781,881	1,691,396
Snodgrass, Oliver Theodore Scholarship	89,006	85,760
Strickling, Nancy & Jerry Scholarship	391,845	379,247
Thompson, Dr. & Joe Harlan Scholarship	63,206	61,155
Worthen, Elmer	11,495	8,663
Gilbert Scholarship	19,436	20,634
Friends of Rosina Patterson	781,772	654,279
Regina Patterson Perpetual Trust	826,664	776,390
Various other Scholarships	1,390,523	1,172,534
	<u>\$9,437,237</u>	<u>\$ 8,722,291</u>

(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

5) Restricted Nonexpendable Net Position — continued

The Foundation has been designated an income beneficiary of the assets contained in an irrevocable perpetual trust held by an independent investment manager, in accordance with the Regina Patterson trust agreement. The provision of the trust does not give ownership of any amount of principal to the Foundation. The Foundation receives annual income distributions during the fiscal year. Given the nature of the promises, as well as the inability to compute the present value of the perpetual income stream of the trust, the Foundation recorded \$826,664 as a beneficial interest, which is the total fair market value of the principal upon which its income distributions are based as permanently restricted assets. In accordance with the terms of the trust agreement, the Foundation is entitled to 26% of the annual net income of the trust. The \$826,664 represents 26% of the total market value of the trust assets at June 30, 2018.

6) **Deposit Accounts and Investments**

<u>Account</u>	<u>Type of Balance</u>	<u>Bank Balance</u>	<u>Reconciling</u>	<u>Book Balance</u>
<u>CASH</u>				
First American Bank				
Checking	Checking	\$ 1,001,746	\$ (11,308)	990,438
W003200	Money Market	38,588		38,588
Charles Schwab				
Program 7807-1329	Money Market	2,512		2,512
Program 1453-1100	Money Market	6,380	-	6,380
		<u>\$ 1,049,226</u>	<u>\$ (11,308)</u>	<u>\$ 1,037,918</u>

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, 2018, \$799,226 of the Foundation's bank balance of \$1,049,226 was uninsured and uncollateralized.

Collateralization of Deposits

Insured by Federal Deposit Insurance Corporation	\$ 250,000
Uncollateralized and uninsured	799,226
Total Cash and Time Deposit Bank Balances	<u>1,049,226</u>
Reconciling items on demand deposit accounts	<u>(11,308)</u>
Total reported cash balance	<u>\$ 1,037,918</u>

Western New Mexico University Foundation
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Notes to Financial Statements
June 30, 2018 and 2017

6) Deposit Accounts and Investments — continued

Cash from investments

Account	Type of Balance	Bank Balance	Reconciling	Book Balance
INVESTMENTS				
First American Bank				
Fixed Income		\$ 653,341		\$ 653,341
Equities/Mutual Funds		4,743,931		4,743,931
Real Estate/Other Assets		2,225,978		2,225,978
Charles Schwab				
Equities		645,250		645,250
Real Estate/Other Assets		127,629		127,629
BP Amoco				
		11,495		11,495
		<u>\$ 8,407,624</u>		<u>\$ 8,407,624</u>

7) **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, 2018. The adoption of this FSP's provision does not have a significant effect on its net position classification.

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

8) 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.

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, 2018 the value of the Foundation's endowment portfolio was \$8,455,104, including cash equivalents, and the permanent endowment contributions were \$7,972,031

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Notes to Financial Statements
June 30, 2018 and 2017

9) Expenses

Expenses reported by natural classification are as follows for June 30:

	<u>2018</u>	<u>2017</u>
Scholarship expense	\$ 99,544	\$ 114,678
Marketing and development	94,812	64,881
Personnel	80,670	31,995
Software (in-kind)	43,427	211,168
Fund raising expenses	38,956	36,109
Supplies and services	35,575	13,051
Professional fees	24,304	25,012
Travel	3,645	3,656
Miscellaneous expense	3,758	1,524
Depreciation	313	2,387
Donated assets for transfer to WNMU	250	9,100
WNMU departments support	187	636
	<u>\$ 425,441</u>	<u>\$ 514,197</u>

10) Contingencies/Risk Management

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

11) Restatement

The Foundation discovered errors made in prior periods. The Foundation was included as an income beneficiary in a trust agreement in 1988. The Foundation became a beneficiary in a perpetual trust at the time of the benefactor's death. This beneficial interest in a perpetual trust was not recorded by the Foundation. As a result, other on current assets were understated by \$722,154 at June 30, 2016. The adjustment to correct this error resulted in an increase to restricted nonexpendable net position of \$722,154 at June 30, 2016.

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 and
Mr. Wayne Johnson, 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 component unit of Western New Mexico University), which comprise the statement of financial position as of June 30, 2018, 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 24, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (2018-001).

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 response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Foundation's response was 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.



MP Group, Inc.
Albuquerque, NM
October 24, 2018

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Schedule of Findings and Responses
June 30, 2018

CURRENT YEAR FINANCIAL STATEMENT FINDINGS:

2018-001 – Financial Records (Material Weakness)

Condition

Several account balances at June 30, 2018 required adjustment. The beneficial interest in the perpetual trust identified in 2017 was not recorded. Changes to the perpetual trust in 2018 were also not recorded. The bank reconciliation process was performed but an audit adjustment was required to actually reconcile the general ledger to bank statement balance; with a negligible unlocated difference remaining. The balance of investments in the general ledger had to be adjusted to reflect the statement balance at year-end. An item meeting the Foundation's capitalization policy was improperly expensed and depreciation on capital assets was not recorded for 2018.

Criteria

Appropriate internal controls require timely reconciliation and review of all accounts in the general ledger. In addition to providing a more accurate financial picture, timely reconciliation and review also helps ensure adequate control over cash receipts and disbursements.

Cause

The Foundation experienced significant turnover in the accounting position during 2018.

Effect

Total assets and permanently restricted net position are understated on the financial statements at the beginning of the year. Distributions from the trust are improperly recorded as gifts rather than investment income and changes in the value of the trust are not recorded. In total, assets were understated by over \$900,000 in the general ledger. Net income increased by almost \$37,000 after the adjustments.

Recommendation

Require that all approved audit adjustments are recorded in the general ledger after the audit has been finalized. Perform timely reconciliations of all accounts and implement a review process to ensure all accounts are accurately stated.

Response

After significant turnover in the accounting position during 2017/2018, the Foundation now has the position filled with a committed full-time employee. The Accountant and Donor Relations Specialist has been a part of this current audit review process and is aware and actively involved in correcting financial recording errors. Throughout this process the executive director and accountant are working together to create a procedural checklist

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Summary of Prior Audit Findings
June 30, 2018

2018-001 – Financial Records (Material Weakness) - continued

document to help alleviate errors of monthly accounting tasks that could happen in possible turnover transitions of the future. Policy and Procedures are being reviewed by the executive director and board committee to reflect gift accounting processes and reporting.

Corrections will be made immediately or before Oct. 31, 2018 by Accountant and Donor Relations Specialist, reviewed by Executive Director and Board Audit & Budget committee.

The checklist will be developed by the Accountant and Donor Relations Specialist together with the Executive Director with immediate implementation to be complete by Dec. 31, 2018. Monthly review by the Executive Director, and annual review by Board President and Board Audit & Budget committee.

Western New Mexico University Foundation
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Summary of Prior Audit Findings
June 30, 2018

CURRENT STATUS ON PRIOR YEAR FINDINGS FOR FOUNDATION:

2017-001 Restatement

Resolved

Western New Mexico University Foundation
(A Component Unit of Western New Mexico University)
Exit Conference
June 30, 2018

EXIT CONFERENCE:

The exit conference was held October 24, 2018 and was attended by the following:

From Western New Mexico University Foundation:

Linda McGee, Vice President
Jodi Edens-Crocker, Director
Estere Perrault Lucero, Accountant and Donor Relations Specialist
Sheree Frederick, Advancement Database and Administrative Manager

From Western New Mexico University:

Dr. Joseph Shepard, President
Kelley Riddle, Vice President of Business Affairs
Janice Baca-Argabright, Regent President
Arlean Murillo, Regent Secretary/Treasurer
Julie Morales, Chief of Staff

From MP Group, Inc.:

Scott Peck, CPA (teleconference)
Michael L. Moore, CPA