

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.
(A component of Central New Mexico Community College)

FINANCIAL STATEMENTS

June 30, 2019 and 2018

(With Independent Auditor's Reports Thereon)



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Courses without obstacles.

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**CENTRAL NEW MEXICO
COMMUNITY COLLEGE FOUNDATION, INC.
(A Component Unit of Central New Mexico Community College)**

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Introductory Section (Unaudited)



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CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.
(A Component Unit of Central New Mexico Community College)

OFFICIAL ROSTER

OFFICERS

Barbara Lewis, President
Shad James, President-Elect
Adrian Chavez, Past President
Tracy Hartzler, Treasurer
Clint Wells, Secretary

COMMITTEE CHAIRS

Barbara Lewis - Chair, Executive
Georgie Ortiz - Chair, Finance & Investment
Sherman McCorkle - Chair, Nominating

EMERITUS BOARD MEMEBERS

Carl Alongi

HONORARY BOARD MEMBERS

Donna and Jack Rust

BOARD MEMBERS

Sally Adams
Steven Anaya
Candace Beeke
Thomas Briones
Ross W. Busby
Adrian Chavez
Kent Cravens
Dale Dekker
Gina Euell
Joe Farr
Ed Garcia
Mark Gorham
Keith Hartnett
Tracy Hartzler
Shad James
Derrick Jones
John Lewinger

Barbara Lewis
Natasha Martell Jackson
Sherman McCorkle
Mike Mertz
Kirk Meyer
Janice Micali
Georgie Ortiz
Phillip Prevender
Samantha Sengel
Angela Silva
Brent Spendlove
Joanne Suffis
Amy Tapia
Joseph Varro Jr.
Clint Wells
Kathie Winograd

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Financial Section



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Independent Auditor's Report

To the Board of Directors
Central New Mexico Community College Foundation, Inc.
(A Component Unit of Central New Mexico Community College)
Albuquerque, New Mexico
And
Mr. Brian S. Colón, Esq., New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the Central New Mexico Community College Foundation, Inc. (the Foundation, a nonprofit organization and component unit of Central New Mexico Community College), as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statement 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 opinions 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.

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 Central New Mexico Community College Foundation, Inc. (a component unit of Central New Mexico Community College) as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Foundation and do not purport to, and do not present fairly the financial position of the Central New Mexico Community College, as of June 30, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation’s internal 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 Central New Mexico Community College Foundation, Inc.’s internal controls over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "M. P. Group, Inc." with a stylized flourish at the end.

Albuquerque, NM
October 24, 2019

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

As a component unit of the Central New Mexico Community College (College), Central New Mexico Community College Foundation, Inc. (the Foundation) applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges / Universities - an amendment of GASB Statements No. 34*.

Overview of the Basic Financial Statements

The Foundation's annual report consists of Management's Discussion and Analysis (MD&A), which provides a broad narrative overview of its financial activities for the fiscal years ended June 30, 2019 and 2018, and the following, which comprise the basic financial statements:

1. Statements of net position, which present information of the Foundation's assets, liabilities, and resulting net positions.
2. Statements of revenues, expenses, and changes in net position, which provide information on the results of operations for the fiscal years.
3. Statements of cash flows, which present information on changes in cash balances and identify the source of cash flows resulting in those changes.
4. Notes to financial statements, which provide additional information that is essential to a full understanding of the data provided in the financial statements.

The financial statements provide an overall picture of the Foundation's financial situation and should be read in conjunction with the MD&A.

Condensed Assets, Liabilities, and Net Position

	FY 2019	FY 2018
Current assets	\$ 2,320,114	\$ 1,480,175
Noncurrent assets	9,669,263	8,884,906
Total assets	<u>\$ 11,989,377</u>	<u>\$ 10,365,081</u>
Current liabilities	\$ 1,255,178	\$ 301,921
Total liabilities	<u>1,255,178</u>	<u>301,921</u>
Net position:		
Unrestricted	376,853	403,811
Restricted:		
Expendable	2,753,469	2,273,441
Nonexpendable	7,603,877	7,385,908
Total net position	<u>\$ 10,734,199</u>	<u>\$ 10,063,160</u>

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

Condensed Summary of Revenues, Expenses, and Changes in Net Position

	FY 2019	FY 2018
Operating revenues:		
Gifts and pledges, net	\$ 932,444	\$ 698,820
Grant revenue	353,947	228,434
Total operating revenues	<u>1,286,391</u>	<u>927,254</u>
Operating expenses:		
Contributions to CNM	1,440,011	1,018,376
Fundraising	93,070	78,984
General and administrative	8,914	8,494
Total operating expenses	<u>1,541,995</u>	<u>1,105,854</u>
Operating income (loss)	<u>(255,604)</u>	<u>(178,600)</u>
Investment income (loss), net	752,299	468,175
Income (loss) before changes in permanent endowments	496,695	289,575
Changes in permanent endowment	174,344	265,562
Change in net position	671,039	555,137
Net position, beginning of year	555,137	-
Net position, end of year	<u>\$ 1,226,176</u>	<u>\$ 555,137</u>

Financial Analysis

- * At June 30, 2019, the Foundation's total assets were \$11,989,377 which represents an increase of 15.67% over June 30, 2018 total assets of \$10,365,081.
- * The Foundation's total liabilities as of June 30, 2019 were \$1,255,179, which represents an increase of 315.73% from the previous year of total liabilities of \$301,921. This is mainly due to increase in unearned revenue of \$756,619 or 376% increase from the previous year of \$201,425.
- * This results in a net position of \$10,734,199, an increase of 6.7% from the previous year net position of \$10,063,160.
- * Total operating revenue was \$1,286,391 for the fiscal year ended June 30, 2019, an increase of \$359,137 from the previous year total of \$927,254.
- * Total operating expenses was \$1,541,995 for the fiscal year ended June 30, 2019, an increase of \$436,141 from the previous year total of \$1,105,854. This is primarily due to an increase in scholarships and program support, which increased 48% and 16%, respectively.
- * Investment income, net of fees, was \$752,299 and \$468,175 for the years ended June 30, 2019 and 2018, respectively.
- * Contributions to permanent endowments were \$174,344 and \$265,562 for year ended June 30, 2019 and 2018, respectively.

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

The Foundation continues to support CNM programs such as CNM Connect, an innovative new model aimed at more thoroughly connecting students to the support services that can increase their chances for success; Making Money Work, which supports the online financial literacy program to high schools across New Mexico as dual credit; and the Rust Opportunity Fund, which provides emergency assistance to CNM students facing an unforeseen financial obstacle that may force them to drop out of school. Additionally, the Foundation has expanded support and fundraising for the Changing Lives, Building Community Fund which directly supports the Foundation's mission to provide the extra assistance necessary for students to obtain the quality educational opportunities they deserve; the Milestone Fund, a performance-based scholarship that provides incentive for students' academic performance and persistence in school; and the Student Success Fund, an incentive for students to complete a certificate or degree, knowing they will have the education, the qualifications, and the "tools of the trade" to compete and succeed in the job market.

The Foundation works to not only inspire disadvantaged students and families to dream big but also to equip them with the resources they need to achieve those dreams and transform their lives. We work to:

- * Provide people with a solid foundation and support system to allow them to meet their goals and become the people that they, and society, want them to be. As students are provided with the resources and tools needed for change and growth, they can and will achieve their goals.
- * Build processes for low-income and vulnerable populations to enter and be retained in the education

Economic Outlook

The College's economic outlook is closely related to its role as the state's largest community college. The College is dependent upon ongoing financial and political support from the state government. In FY 2019, state appropriations increased \$2.68 million or 5% over FY 18 appropriations. State appropriations are expected to increase by 5% in FY 20.

With the economic condition has come greater fragility in the College's student population, the demand for emergency scholarships has increased. With stabilization of investment earning, the Foundation was able to distribute \$305,773 in earnings from endowments to provide student assistance in FY 2019. In addition, the Foundation provided \$358,670 from other fundraising activities for a total of \$664,443 to support student success in FY 2019. The Foundation has successfully implemented a program to raise funds from both new and existing donors to meet the needs during this period of economic uncertainty.

Contact Information

Additional information may be obtained by contacting the CNM Community College Foundation, Inc. at (505) 224-4688. 525 Buena Vista Dr. SE, Albuquerque, NM 87106.

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents – unrestricted	\$ 54,716	\$ 26,746
Cash and cash equivalents – restricted	2,232,998	1,409,569
Pledges receivable – unrestricted, net	16,930	22,459
Grants receivable	2,800	9,007
Interest receivable - investments	12,670	12,394
Total current assets	2,320,114	1,480,175
Noncurrent assets:		
Investments – restricted	9,630,416	8,835,505
Pledges receivable – unrestricted, net	38,847	49,401
Total noncurrent assets	9,669,263	8,884,906
Total assets	\$ 11,989,377	\$ 10,365,081
Liabilities:		
Current liabilities:		
Accounts payable	\$ 11,321	\$ 1,274
Due to CNM	201,616	99,222
Due to CNM Ingenuity	84,197	-
Unearned revenue	958,044	201,425
Total liabilities	\$ 1,255,178	\$ 301,921
Net position:		
Unrestricted	\$ 376,853	\$ 403,811
Restricted:		
Expendable:		
Scholarships	2,180,993	1,758,348
Program Support	572,476	515,093
Nonexpendable:		
Scholarships	7,358,827	6,947,887
Program Support	245,050	438,021
Total net position	\$ 10,734,199	\$ 10,063,160

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

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2019 and 2018

Operating revenues:

Gifts and pledges	\$ 748,844	\$ 640,824
In-kind gifts	183,600	57,996
Grant revenue	353,947	228,434
Total operating revenues	<u>1,286,391</u>	<u>927,254</u>

Operating expenses:

Contributions to CNM:		
Scholarships	661,443	446,056
Program support	594,968	514,324
In-kind gifts	183,600	57,996
Fundraising	93,070	78,984
General and administrative (Note 5)	9,246	7,580
Uncollectible pledges	(332)	914
Total operating expenses	<u>1,541,995</u>	<u>1,105,854</u>

Operating income (loss)	<u>(255,604)</u>	<u>(178,600)</u>
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Nonoperating revenues (expenses):

Investment income	825,285	535,259
Investment management fees and taxes	<u>(72,986)</u>	<u>(67,084)</u>
Total nonoperating income	<u>752,299</u>	<u>468,175</u>

Income (loss) before other revenues, expenses, gains or losses	496,695	289,575
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Additions to permanent endowment	<u>174,344</u>	<u>265,562</u>
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Increase in net position	671,039	555,137
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Net position, beginning of year	10,063,160	9,508,023
	<u>-</u>	<u>-</u>

Net position, end of year	<u><u>\$ 10,734,199</u></u>	<u><u>\$ 10,063,160</u></u>
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The accompanying notes are an integral part of these financial statements.

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from donors and grantors	\$ 1,881,756	\$ 930,759
Cash paid to beneficiaries and vendors for scholarships	(661,443)	(446,056)
Cash paid to CNM for scholarships and program support	(408,377)	(509,689)
Cash paid for operating expenses	(92,269)	(89,864)
Net cash provided by (used in) operating activities	<u>719,667</u>	<u>(114,850)</u>
 Cash flows from noncapital financing activities:		
Proceeds for endowments	<u>174,344</u>	<u>265,562</u>
Net cash provided by financing activities	<u>174,344</u>	<u>265,562</u>
 Cash flows from investing activities:		
Proceeds from sale or maturity of investments	2,341,445	4,768,287
Purchases of investments	(2,595,901)	(4,552,631)
Interest and dividends received	284,830	272,137
Investment management fees	(72,986)	(67,084)
Net cash (used in) provided by investing activities	<u>(42,612)</u>	<u>420,709</u>
Net increase (decrease) in cash and cash equivalents	851,399	571,421
Cash and cash equivalents, beginning of year	1,436,315	864,894
Cash and cash equivalents, end of year	<u><u>\$ 2,287,714</u></u>	<u><u>\$ 1,436,315</u></u>
Cash and cash equivalents, unrestricted	\$ 54,716	\$ 26,746
Cash and cash equivalents, restricted	2,232,998	\$ 1,409,569
Total	<u><u>\$ 2,287,714</u></u>	<u><u>\$ 1,436,315</u></u>

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

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

**Reconciliation of operating (loss) income to net cash provided by
(used in) operating activities:**

	2019	2018
Operating income (loss)	\$ (255,604)	\$ (178,600)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Uncollectible pledges	(332)	914
Change in assets and liabilities:		
Pledges receivable	16,083	16,603
Other receivable	6,263	(4,976)
Account payable	10,047	(3,300)
Due to CNM	102,394	4,635
Due to CNMI	84,197	
Unearned revenue	756,619	49,874
Total adjustments	<u>975,271</u>	<u>63,750</u>
Net cash provided by (used in) operating activities	<u><u>\$ 719,667</u></u>	<u><u>\$ (114,850)</u></u>

**Supplemental disclosure of noncash investing, capital,
and financing activities:**

In-kind contributions	\$ 183,600	\$ 57,996
Distributions to CNM of in-kind contributions	(183,600)	(57,996)
Investment unrealized and realized gains	540,455	263,122

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

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Notes to the Financial Statements

Years ended June 30, 2019 and 2018

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Central New Mexico Community College Foundation (the Foundation) was organized in 1985 as a not-for-profit New Mexico corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a publicly supported organization (not a private foundation). The Foundation was incorporated for the purpose of providing support to Central New Mexico Community College (the College) and is authorized through its articles of incorporation to receive and hold any property, real or personal, bequeathed, given in trust, or in any other way for the use or benefit of the College, or any student or instructor therein, or for the carrying on for the College in any line of work, teaching or investigation, which the donor, grantor, or testator may designate.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

As a component unit of the College, 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 liability is incurred. The significant accounting policies utilized by the Foundation in the preparation of the financial statements are described below.

(c) Management's Estimates and Assumptions

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

(d) Cash and Cash Equivalents

For the purposes of the statements 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 maturities of three months or less when purchased. Restricted cash and cash equivalents are restricted by donors for the use in a particular CNM program or purpose.

(e) Investments

Investments consist primarily of money market mutual funds, federal agency obligations, corporate obligations, and marketable securities. Marketable securities are carried at fair value based on quoted market prices. Money market mutual funds are carried at amortized cost, which approximates fair value. The change in fair value is reported as investment income in the statements of revenues, expenses, and changes in net position.

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Notes to the Financial Statements

Years ended June 30, 2019 and 2018

(f) Agreements

A memorandum of agreement between the Foundation and the College was entered into on December 2, 1991, and most recently amended on April 26, 2017. The agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose for the Foundation as soliciting, managing, and distributing private gifts and donations given for the benefit of the College. The Foundation also agreed to be the custodian and manager of any endowments received from private donors or other affiliated organizations. The College agreed to provide staff support, office and meeting space, related physical support services, and other services at no cost to the Foundation. The estimated value of these services is not recorded in the accompanying financial statements.

(g) Net Position

The Foundation reports information regarding its financial position and activities according to the following classes of net assets: (1) unrestricted net position represent 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 bylaw; 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's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(h) Classification of Revenues and Expenses

Operating income 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, pledges and grant revenues. Principal operating expenses include distributions to the College, fundraising and general and administrative expenses.

Nonoperating revenues and expenses include investment income and investment management fees. Changes in permanent endowments include contributions to permanent endowments.

(i) Revenue Recognition and Donations and Pledges

Annual contributions are generally available for unrestricted use in the year donated unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. Contributions of donated noncash assets are recorded at their estimated fair values in the period received.

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Notes to the Financial Statements

Years ended June 30, 2019 and 2018

The Foundation recognizes nonendowed pledges as increases in assets and revenue upon receipt of a signed pledge commitment, and when all applicable eligibility requirements are met. An allowance for uncollectible pledges is recorded when the pledge is recorded. The allowance is based on past pledge loss experience and other factors that management considers necessary in estimating pledge loss.

(j) Unearned Revenue

For voluntary non-exchange transactions, the Foundation recognizes receivables and revenues when all applicable requirements, including time requirements are met. Unearned revenues are reported when resources received before the eligibility requirements are met and/or donor/grantor requires unspent funds to be returned. Resources received in advance where all eligibility requirements have been met are recorded as revenues when received. Unearned revenues at June 30, 2019 and 2018 are \$958,044 and \$201,425, respectively.

(k) 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, as such, contributions to the Foundation qualify for deduction as charitable contributions. The Foundation had no unrelated business income during fiscal years 2019 and 2018; therefore, no provision for income taxes is included in the financial statements.

(2) Cash and Cash Equivalents

(a) Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. As of June 30, 2019 and 2018, the Foundation's operating accounts had deposits totaling \$375,244 and \$499,643 respectively. As a separate legal 501(c)(3) entity, the Foundation is not subject to the public money act pledged collateral requirement. The Foundation limits the amount of exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash and cash equivalents.

A summary of insured and collateralized accounts at June 30, 2019 and 2018 is as follows:

	2019	2018
Nusenda checking account balance (fully insured)	\$ 17,366	\$ 20,051
Wells Fargo checking account balance	\$ 375,244	\$ 499,643
FDIC Insurance	250,000	250,000
Uninsured & uncollateralized balance	<u>\$ 142,610</u>	<u>\$ 249,643</u>

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Notes to the Financial Statements

Years ended June 30, 2019 and 2018

(b) Detail of the cash accounts at:

		June 30, 2019		
Depository/account name	Account type	Ending Balance	Reconciling items	Reconciled balance
Wells Fargo:				
Checking	Cash	\$ 375,244	\$ 4,354	\$ 379,598
Nusenda	Cash	17,366	-	17,366
Merrill Lynch:				
Temp Restricted	Money Market	1,728,985	-	1,728,985
Endow Core Portfolio	Money Market	146,557	-	146,557
Eloy Reyes	Money Market	15,208	-	15,208
		\$ 2,283,360	\$ 4,354	\$ 2,287,714
Cash and cash equivalents – unrestricted				\$ 54,716
Cash and cash equivalents – restricted				2,232,998
Total cash and cash equivalents				\$ 2,287,714

		June 30, 2018		
Depository/account name	Account type	Ending Balance	Reconciling items	Reconciled balance
Wells Fargo:				
Checking	Cash	\$ 499,643	\$ (3,792)	\$ 495,851
Nusenda	Cash	20,051	-	20,051
Merrill Lynch:				
Temp Restricted	Money Market	698,279	-	698,279
Endow Core Portfolio	Money Market	209,540	-	209,540
Eloy Reyes	Money Market	12,594	-	12,594
		\$ 1,440,107	\$ (3,792)	\$ 1,436,315
Cash and cash equivalents – unrestricted				\$ 26,746
Cash and cash equivalents – restricted				1,409,569
Total cash and cash equivalents				\$ 1,436,315

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Notes to the Financial Statements

Years ended June 30, 2019 and 2018

(3) Investments

Investments reported by the Foundation represent investments contributed to the Foundation that are held by an outside investment firm. The Foundation has an Investment Policy which includes investment objectives to preserve principals and achieve moderate growth. Management attempts to reduce risk through diversification of the investment portfolio among instruments and issuers.

Included in investment income in the statements of revenues, expenses, and changes in fund net position at June 30, 2019 and 2018, are realized gains/(losses) of \$64,277 and \$443,147, respectively.

A summary of investments held by the Foundation at June 30, 2019 and 2018 is as follows:

	2019	Percentage	2018	Percentage
CDs maturing > 90 days	\$ -	0%	\$ -	0%
Federal agency obligations	1,102,936	11%	1,075,803	12%
Corporate obligations	632,042	7%	588,131	7%
Corporate stock	6,079,602	63%	5,465,422	62%
Mutual Funds	1,815,836	19%	1,706,149	19%
Total Investments	\$ 9,630,416	100%	\$ 8,835,505	100%

Detail of investments held by the Foundation at June 30, 2019 and 2018.

Depository	Account type	2019	2018
Merrill Lynch:			
Temp Restricted	CD Maturing > 90 days	\$ -	\$ -
Endow Core Portfolio	Federal agency obligations	1,038,370	1,019,921
Endow Core	Corporate obligations	584,788	539,524
Endow Core Portfolio	Corporate stock	5,826,015	5,244,359
Endow Core Portfolio	Mutual Funds	1,815,836	1,706,149
Eloy Reyes	Federal agency obligations	64,566	55,882
Eloy Reyes	Corporate obligations	47,254	48,607
Eloy Reyes	Corporate stock	253,587	221,063
		\$ 9,630,416	\$ 8,835,505

(a) Investment Policy

Investment portfolio management is the responsibility of the Foundation's management. The Foundation's Finance and Investment Committee revised the investment policy which was approved in July 2015. The fundamental goal of the policy is to produce the maximum return possible while preserving the Foundation's assets. Investments are divided into three main portfolios (pools): (1) Temporary Restricted, (2) Endowments (Restricted), and (3) Eloy Reyes Title V Memorial Endowment for La Comunidad.

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

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Years ended June 30, 2019 and 2018

Temporary Restricted Portfolio investments will consist of money market or other conservative investments with an average maturity of less than three years meeting the following criteria: (1) Certificates of deposit are authorized to the extent of FDIC insurance coverage; (2) portfolio can contain U.S. Treasury bills and notes and U.S. agency securities; (3) the average credit quality of the fixed income portfolio shall be AA or higher as defined by Moody's with an effective maturity of less than 3 years; and (4) no single issuer of debt or equity should make up more than 5% of the Portfolio except for U.S. government obligations. The following table sets out the asset allocation guidelines.

Temporary Restricted Pool

Asset Class	Long-term Policy Weight %	Rebalancing Range %	Appropriate benchmark
Short term fixed income	75	0-90	Merrill Lynch 1-5 US Treasury
Cash	25	10-50	3 Month T-Bills
Total	<u>100</u>		

Endowment Portfolio investments consist of equity securities, Certificates of deposit (to the extent of FDIC insurance coverage), U.S. Treasury bills and notes and U.S. agency securities. Investment managers may purchase fixed income securities issued by U.S. corporations that carry a credit rating characterized as below investment grade Moody's (lower than Baa3) at the time of purchase.

The fixed income portion of the portfolio is limited to a 15% allocation to high yield bonds. Investment managers may also purchase fixed income securities issued by non-U.S. sovereign governments or corporations. The fixed income portion of the portfolio is limited to a 10% allocation to Non U.S. bonds. Up to 25% of the Portfolio can be invested in foreign issues of debt or equity. No single issuer of debt or equity should make up more than 5% of the Portfolio except for U.S. government obligations. On June 30, 2019, the portfolio consisted of 11% of U.S. government obligations.

Endowment Pool

Asset Class	Long-term Policy Weight %	Rebalancing Range %	Appropriate benchmark
U.S. large cap equities	30	20 - 50	Russell 1000
U.S. small-mid equities	10	5 - 20	Russell 2500
International equities	15	10 - 30	MSCI World Ex. USA
Global fixed income	35	25 - 50	Barclays Aggregate Bond Index
Alternative Investments	5	0 - 10	HFRI FOF Composite
Cash	5	0 - 20	3 Month T-Bills
Total	<u>100</u>		

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(b) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Mutual funds and external investment pools are not exposed to custodial credit risk. The following is a summary of investments held by the Foundation and the exposure to custodial credit risk at June 30, 2019 and 2018.

	2019	2018
Custodial credit risk:		
Federal agency	\$ 1,102,936	\$ 1,075,803
Corporate obligations	632,042	588,131
Corporate stock	6,079,602	5,465,422
Not subject to custodial credit risk:		
Mutual Funds	1,815,836	1,706,149
Total Investments	<u>\$ 9,630,416</u>	<u>\$ 8,835,505</u>

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Foundation. The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2019 and 2018.

	Rating	2019 FV	2018 FV
Federal agency obligations:			
Federal home loan mortgage corp. (Level 2)	AA+	\$ 263,124	\$ 349,112
Federal national mortgage assoc. (Level 2)	AA+	405,373	439,730
US treasury notes (Level 1)	AAA	77,028	117,962
US treasury bills (Level 1)	AAA	-	-
US treasury bonds (Level 1)	AAA	350,209	164,158
US treasury inflation bonds (Level 1)	AAA	7,202	4,841
		<u>1,102,936</u>	<u>1,075,803</u>
Corporate obligations:			
Corporate bonds (Level 2)	AAA	72,431	65,172
Corporate bonds (Level 2)	AA+	3,099	2,938
Corporate bonds (Level 2)	AA	3,199	2,996
Corporate bonds (Level 2)	AA -	53,100	3,968
Corporate bonds (Level 2)	A+		50,359
Corporate bonds (Level 2)	A	2,007	49,631
Corporate bonds (Level 2)	A-	164,733	147,068
Corporate bonds (Level 2)	BBB+	325,090	255,147
Corporate bonds (Level 2)	BBB	8,383	9,894
Corporate bonds (Level 2)	BBB-	-	958
		<u>632,042</u>	<u>588,131</u>
Total rated securities		<u>\$ 1,734,978</u>	<u>\$ 1,663,934</u>

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Years ended June 30, 2019 and 2018

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to changing interest rates.

A summary of the investments and the respective maturities at June 30, 2019 and 2018 and the exposure to interest rate risk is as follows:

2019 - Investment maturities

Investment Type	Fair Value	Less than 1 year	1-5 years	5 years +
Federal agency obligations	\$ 1,102,936	\$ 52,376	\$ 6,235	\$ 1,044,325
Corporate obligations	632,042	-	165,928	466,114

2018 - Investment maturities

Investment Type	Fair Value	Less than 1 year	1-5 years	5 years +
Federal agency obligations	\$ 1,075,803	\$ 127,639	\$ 83,492	\$ 864,672
Corporate obligations	588,131	3,040	135,967	499,154

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 (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset, either directly or indirectly. Level 2 inputs include 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 inputs for an asset.

Fair Value Measurements Using Quoted Prices

	June 30, 2019	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level:				
Stocks	\$ 6,079,602	\$ 6,079,602	\$ -	\$ -
Mutual funds	\$ 1,815,836	\$ 1,815,836	\$ -	\$ -
Debt securities:				
Asset and mortgage backed	\$ 668,497	\$ -	\$ 668,497	\$ -
Corporate bonds	\$ 632,042	\$ -	\$ 632,042	\$ -
Municipal bonds	\$ 434,439	\$ 434,439	\$ -	\$ -
Total debt securities	\$ 1,734,978	\$ 434,439	\$ 1,300,539	\$ -
Total investments	\$ 9,630,416	\$ 8,329,877	\$ 1,300,539	\$ -

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Notes to the Financial Statements

Years ended June 30, 2019 and 2018

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Debt and equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those securities. The investments that are reported as Level 2 have various pricing sources including International Data Corporation (IDC), Pricing Direct, Reuters, Markit Partners, Bloomberg and Standard & Poor's (S&P).

(e) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Foundation's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to the concentrated risk. Investments issued by the U.S. government and investments in mutual funds are excluded from this requirement. The Foundation had 11.0% of the portfolio on June 30, 2019 and 11% of the investment portfolio on June 30, 2018 in U.S. government obligations, which exceeds the 5% limitation in any single type of security per the Foundation's investment policy statement (IPS). However, under section J of the IPS, U.S. government obligations are excepted from the 5% limit.

(f) Foreign Currency Risk

Foreign currency risk is the potential risk of loss arising from investments denominated in foreign currencies when there are changes in exchange rates. The potential risk of loss arising from changes in exchange rates can be significant. At June 30, 2019 and 2018, the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

(4) Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2019	2018
Amounts receivable in less than one year	\$ 17,275	\$ 22,970
Amounts receivable in more than one year	40,521	51,400
Less discounts to net present value	(863)	(1,022)
Less allowance for doubtful pledges	(1,156)	(1,488)
Total pledge receivables, net	<u>\$ 55,777</u>	<u>\$ 71,860</u>
Current unrestricted	\$ 16,930	\$ 22,459
Noncurrent unrestricted	38,847	49,401
Total pledge receivables, net	<u>\$ 55,777</u>	<u>\$ 71,860</u>

Noncurrent pledges receivable are discounted at the U.S. Treasury Bill 90 day rate of 2.13% and 1.89% for the years ended June 30, 2019 and 2018 respectively.

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Notes to the Financial Statements

Years ended June 30, 2019 and 2018

(5) General and Administrative Expenses

General and administrative expenses consisted of the following for the years ended June 30:

	2019	2018
Bank charges	\$ 2,946	\$ 1,954
Board expenses	3,685	2,996
Insurance expense	1,172	1,172
Printing and publication	1,277	1,428
Supplies and postage and shipping	166	30
Total G&A Expenses	<u>\$ 9,246</u>	<u>\$ 7,580</u>

(6) Risk Management

The Foundation is physically housed within the College that provides office space, personnel, utilities, and general operating expenses to the Foundation. The Foundation's exposure to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters fall within the College's insurance coverage. The College is self-insured. The general liability and professional liability insurance does not have a deductible or self-insurance retention. The College maintains excess liability coverage. In addition, the Foundation has director and officer liability insurance with a third-party.

(7) Related Party Transactions

The College provides office space, personnel, utilities, and general operating expenses to the Foundation at no cost. In FY19, the College's contributed services were \$466,200, an increase of \$8,544 from FY18 amount of \$457,656. In addition, the Foundation will incur certain expenditures including various scholarships and programs that are paid through the College. The Foundation will reimburse the College for these items it has paid on behalf of the Foundation.

From time to time the Foundation enters into transactions with CNM Ingenuity. Typical examples are sub-awards, the NM Ethics in Business Award dinner and some program support. At year end, the CNM Foundation owed CNM Ingenuity \$84,197, most of which related to the expenses involved with the NM Ethics in Business Award dinner.

During the years ending 2019 and 2018, members of the board of directors made new gifts and pledges to the Foundation of \$70,000 and \$214,380, respectively. The Foundation had pledge receivables due from various members of the board of directors at June 30, 2019 and 2018 of \$180,309 and \$75,885, respectively. Restricted and endowment pledges from members of the board of directors are not recorded as revenue or related asset in the financial statements until the cash is received under GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*.

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Notes to the Financial Statements

Years ended June 30, 2019 and 2018

(8) Endowments

On July 1, 2009 the Uniform Prudent Management of Institutional Funds Act became effective in New Mexico. If a donor has not provided specific instructions, state law permits the Board of Directors to authorize for expenditure the interest, dividends and net appreciation (realized and unrealized) of the investments of endowment funds.

The endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to a maximum of 5% of the average of the last five fiscal years' fair value of the endowment fund. At the end 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.

As of June 30, 2019 and 2018, the value of the Foundation's endowment portfolio was \$9,936,001 and \$8,921,352, respectively, and the corpus was \$7,939,995 and \$7,385,908, respectively.

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
Central New Mexico Community College Foundation, Inc. and
Mr. Brian S. Colón, Esq., 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 Central New Mexico Community College Foundation, Inc. (the Foundation, a nonprofit organization and component unit of Central New Mexico Community College), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position, 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, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MP Group, Inc.
Albuquerque, NM
October 24, 2019

Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? No
- Noncompliance and other matters identified? No

Central New Mexico Community College Foundation, Inc.
(A Component Unit of Central New Mexico Community College)
Schedule of Findings and Responses
June 30, 2019

Status of Prior Year Audit Findings

2018-001 Resolved

Current Audit Findings

None

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.
(A Component Unit of Central New Mexico Community College)

Exit Conference

An exit conference was held in a closed session on October 16, 2019, to discuss the audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing Central New Mexico Community College Foundation, Inc.

Shad James	Board President
Tracy Hartzler	Board Treasurer
Clint Wells	Secretary/Executive Director
Ross Busby	BOD Member
Mark Gorham	BOD Member
Keith Harnett	BOD Member
Kirk Meyer	BOD Member
Samantha Sengel	BOD Member
Jean Brown	Accounting Director
Monica Hussey	Foundation Staff
Brenda Martinez	Foundation Staff

Representing MP Group, Inc.

Michael L. Moore, CPA	Partner
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