

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

FINANCIAL STATEMENTS

June 30, 2018 and 2017

(With Independent Auditor's Reports Thereon)



> CNM | FOUNDATION

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

Table of Contents

	Page
Introductory Section	
Official Roster.....	1
Financial Section	
Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	5
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	12
Other Information	
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.....	23
Schedule of Findings and Responses.....	25
Exit Conference.....	27



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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

Adrian Chavez, President
Barbara Lewis, President-Elect
Joseph Varro, Past President
Kathy Ulibarri, Treasurer
Clint Wells, Secretary

COMMITTEE CHAIRS

Adrian Chavez - Chair, Executive Committee
Georgie Ortiz - Chair, Finance & Investment Committee
Sherman McCorkle - Chair, Nominating Committee

EMERITUS BOARD MEMEBERS

Carl Alongi

HONORARY BOARD MEMBERS

Donna and Jack Rust

BOARD MEMBERS

Sally Adams	Terry Laudick
Steven Anaya	John Lewinger
Bruce Beebe	Barbara Lewis
Candace Beeke	Natasha Martell Jackson
Thomas Briones	Sherman McCorkle
Ross W. Busby	Janice Micali
Adrian Chavez	Georgie Ortiz
Kent Cravens	Phillip Prevender
Dale Dekker	Samantha Sengel
Gina Euell	Angela Silva
Joe Farr	Brent Spendlove
Ed Garcia	Joanne Suffis
Melissa Gonzales	Anthony D. Trujillo
Mark Gorham	Kathy Ulibarri
Keith Hartnett	Joseph Varro Jr.
Shad James	Clint Wells
Derrick Jones	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. Wayne Johnson, 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 year ended June 30, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Central New Mexico Community College Foundation, Inc. (a component unit of Central New Mexico Community College) as of June 30, 2018, and the changes in its net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

June 30, 2017 Financial Statements

The financial statements of the Foundation as of June 30, 2017, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated October 31, 2017.

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 10 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial states of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 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 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.



Albuquerque, NM
October 25, 2018

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.

(A Component Unit of Central New Mexico Community College)

Management's Discussion and Analysis (Unaudited)

June 30, 2018 and 2017

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, 2018 and 2017, 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 Foundation's financial situation and should be read in conjunction with the MD&A.

Condensed Assets, Liabilities, and Net Position

	2018	Restated 2017
Current assets	\$ 1,480,175	\$ 911,632
Noncurrent assets	8,884,906	8,847,103
Total assets	<u>\$ 10,365,081</u>	<u>\$ 9,758,735</u>
Current liabilities	\$ 301,921	\$ 250,712
Total liabilities	<u>301,921</u>	<u>250,712</u>
Net position:		
Unrestricted	403,811	356,888
Restricted:		
Expendable	2,273,441	2,061,499
Nonexpendable	7,385,908	7,089,636
Total net position	<u>\$ 10,063,160</u>	<u>\$ 9,508,023</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, 2018 and 2017

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

	2018	Restated 2017
Operating revenues:		
Gifts and pledges, net	\$ 698,830	\$ 1,185,444
Grant revenue	228,424	230,208
Total operating revenues	927,254	1,415,652
Operating expenses:		
Contributions to CNM	1,018,376	956,182
Fundraising	78,984	82,650
General and administrative	8,494	19,687
Total operating expenses	1,105,854	1,058,519
Operating income (loss)	(178,600)	357,133
Investment income (loss), net	468,175	691,315
Income (loss) before changes in permanent endowments	289,575	1,048,448
Changes in permanent endowment	265,562	280,277
Change in net position	555,137	1,328,725
Net position, beginning of year	9,508,023	8,179,298
Net position, end of year	\$ 10,063,160	\$ 9,508,023

Financial Analysis

- * At June 30, 2018, the Foundation's total assets were \$10,365,081, which represents an increase of 6.22% over June 30, 2017 total assets of \$9,758,735.
- * The Foundation's total liabilities as of June 30, 2018 were \$301,921, which represents an increase of 20.43% from the previous year of total liabilities of \$250,712. This is mainly due to increase in unearned revenue of \$201,425 or 33% increase from the previous year of \$151,551.
- * This results in a net position of \$10,063,160, an increase of 5.84% from the previous year net position of \$9,508,023.
- * Total operating revenue was \$927,254 for the fiscal year ended June 30, 2018, a decrease of \$9,302 from the previous year total of \$936,556, primarily due to a decrease in in-kind revenue.
- * Total operating expenses was \$1,105,854 for the fiscal year ended June 30, 2018, an increase of \$47,335 from the previous year total of \$1,058,519. This is primarily due to an increase in scholarships and program support, which increased 12% and 36%, respectively.
- * Investment income, net of fees, was \$468,175 and \$691,315 for the years ended June 30, 2018 and 2017, respectively.
- * Contributions to permanent endowments were \$265,562 and \$759,373 for year ended June 30, 2018 and 2017 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, 2018 and 2017

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 2018, state appropriations decreased \$269.5 thousand, a decrease of approximately 0.51% over previous year. State appropriations are expected to increase by 5.1% in FY19.

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 \$221,057 in earnings from endowments to provide student assistance in FY 2018. In addition, the Foundation provided \$224,025 from other fundraising activities for a total of \$446,056 to support student success in FY 2018. 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, 2018 and 2017

	2018	Restated 2017
Assets:		
Current assets:		
Cash and cash equivalents – unrestricted	\$ 26,746	\$ 48,419
Cash and cash equivalents – restricted	1,409,569	816,474
Pledges receivable – unrestricted, net	22,459	29,400
Grants receivable	9,007	5,027
Interest receivable - investments	12,394	12,312
Total current assets	<u>1,480,175</u>	<u>911,632</u>
Noncurrent assets:		
Investments – restricted	8,835,505	8,788,040
Pledges receivable – unrestricted, net	49,401	59,063
Total noncurrent assets	<u>8,884,906</u>	<u>8,847,103</u>
Total assets	<u><u>\$ 10,365,081</u></u>	<u><u>\$ 9,758,735</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,274	\$ 4,574
Due to CNM	99,222	58,087
Due to CNM Ingenuity	-	36,500
Unearned revenue	201,425	151,551
Total liabilities	<u><u>\$ 301,921</u></u>	<u><u>\$ 250,712</u></u>
Net position:		
Unrestricted	\$ 403,811	\$ 356,888
Restricted:		
Expendable:		
Scholarships	1,758,348	1,501,739
Program Support	515,093	559,760
Nonexpendable:		
Scholarships	6,947,887	6,662,163
Program Support	438,021	427,473
Total net position	<u><u>\$ 10,063,160</u></u>	<u><u>\$ 9,508,023</u></u>

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

June 30, 2018 and 2017

	2018	Restated 2017
Operating revenues:		
Gifts and pledges	\$ 640,834	\$ 1,005,429
In-kind gifts	57,996	180,015
Grant revenue	228,424	230,208
Total operating revenues	<u>927,254</u>	<u>1,415,652</u>
Operating expenses:		
Contributions to CNM:		
Scholarships	446,056	398,685
Program support	514,324	377,482
In-kind gifts	57,996	180,015
Fundraising	78,984	82,650
General and administrative (Note 5)	7,580	11,866
Uncollectible pledges	914	7,821
Total operating expenses	<u>1,105,854</u>	<u>1,058,519</u>
Operating income (loss)	<u>(178,600)</u>	<u>357,133</u>
Nonoperating revenues (expenses):		
Investment income	535,259	749,922
Investment management fees and taxes	(67,084)	(58,607)
Total nonoperating income	<u>468,175</u>	<u>691,315</u>
Income (loss) before other revenues, expenses, gains or losses	289,575	1,048,448
Additions to permanent endowment	<u>265,562</u>	<u>280,277</u>
Increase in net position	555,137	1,328,725
Net position, beginning of year	9,508,023	8,714,525
Prior year adjustment	-	(535,227)
Net position, beginning of year, as adjusted	<u>9,508,023</u>	<u>8,179,298</u>
Net position, end of year	<u><u>\$ 10,063,160</u></u>	<u><u>\$ 9,508,023</u></u>

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, 2018 and 2017

	2018	Restated 2017
Cash flows from operating activities:		
Cash received from donors and grantors	\$ 930,759	\$ 1,237,213
Cash paid to beneficiaries and vendors for scholarships	(446,056)	(398,685)
Cash paid to CNM for scholarships and program support	(509,689)	(413,162)
Cash paid for operating expenses	(89,864)	(92,888)
Net cash provided by (used in) operating activities	<u>(114,850)</u>	<u>332,478</u>
 Cash flows from noncapital financing activities:		
Proceeds for endowments	<u>265,562</u>	<u>280,277</u>
Net cash provided by financing activities	<u>265,562</u>	<u>280,277</u>
 Cash flows from investing activities:		
Proceeds from sale or maturity of investments	4,768,287	4,637,427
Purchases of investments	(4,552,631)	(5,789,267)
Interest and dividends received	272,137	239,992
Investment management fees	(67,084)	(58,607)
Net cash (used in) provided by investing activities	<u>420,709</u>	<u>(970,455)</u>
 Net increase (decrease) in cash and cash equivalents	571,421	(357,700)
 Cash and cash equivalents, beginning of year	864,893	1,222,593
 Cash and cash equivalents, end of year	<u><u>\$ 1,436,314</u></u>	<u><u>\$ 864,893</u></u>
 Cash and cash equivalents, unrestricted	\$ 26,746	\$ 48,419
Cash and cash equivalents, restricted	1,409,569	\$ 816,474
 Total	<u><u>\$ 1,436,315</u></u>	<u><u>\$ 864,893</u></u>

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, 2018 and 2017

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

	2018	2017
Operating income (loss)	\$ (178,600)	\$ 357,133
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Uncollectible pledges	914	7,821
Change in assets and liabilities:		
Pledges receivable	16,603	(55,283)
Other receivable	(4,976)	(14,507)
Account payable	(3,300)	1,628
Due to CNM	4,635	(35,680)
Unearned revenue	49,874	71,366
Total adjustments	<u>63,750</u>	<u>(24,655)</u>
Net cash provided by (used in) operating activities	<u>\$ (114,850)</u>	<u>\$ 332,478</u>

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

In-kind contributions	\$ 57,996	\$ 180,015
Distributions to CNM of in-kind contributions	(57,996)	(180,015)
Investment unrealized and realized gains	263,122	509,930

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, 2018 and 2017

(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, 2018 and 2017

(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.

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.

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, 2018 and 2017

(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, 2018 and 2017 are \$201,425 and \$151,551, 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 2018 and 2017; 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, 2018 and 2017, the Foundation's operating accounts had deposits totaling \$499,643 and \$344,052 respectively. As a separate legal 501(c)(3) entity, the Foundation is not subject to the public money act pledged collateral requirements. 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

A summary of insured and collateralized accounts at June 30, 2018 and 2017 is as follows:

	2018	2017
Nusenda checking account balance (fully insured)	\$ 20,051	\$ 20,006
Wells Fargo checking account balance	\$ 499,643	\$ 344,052
FDIC Insurance	250,000	250,000
Uninsured & uncollateralized balance	<u>\$ 249,643</u>	<u>\$ 94,052</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, 2018 and 2017

(b) Detail of the cash accounts at:

		June 30, 2018		
Depository/account name	Account type	Bank 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

		June 30, 2017		
Depository/account name	Account type	Bank balance	Reconciling items	Reconciled balance
Wells Fargo:				
Checking	Cash	\$ 344,052	\$ (2,367)	\$ 341,685
Nusenda	Cash	20,006	-	20,006
Merrill Lynch:				
Temp Restricted	Money Market	336,007	-	336,007
Endow Core Portfolio	Money Market	160,672	-	160,672
Eloy Reyes	Money Market	6,523	-	6,523
		\$ 867,260	\$ (2,367)	\$ 864,893
Cash and cash equivalents – unrestricted				\$ 48,419
Cash and cash equivalents – restricted				816,474
Total cash and cash equivalents				\$ 864,893

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, 2018 and 2017

(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, 2018 and 2017, are realized gains/(losses) of \$443,147 and \$401,601, respectively.

A summary of investments held by the Foundation at June 30, 2018 and 2017 is as follows:

	2018	Percentage	2017	Percentage
CDs maturing > 90 days	\$ -	0%	\$ 247,830	3%
Federal agency obligations	1,075,803	12%	1,046,720	12%
Corporate obligations	588,131	7%	600,786	7%
Corporate stock	5,465,422	62%	5,210,912	59%
Mutual Funds	1,706,149	19%	1,681,792	19%
Total Investments	\$ 8,835,505	100%	\$ 8,788,040	100%

Detail of investments held by the Foundation at June 30, 2018 and 2017.

Depository	Account type	2018	2017
Merrill Lynch:			
Temp Restricted	CD Maturing > 90 days	\$ -	\$ 247,830
Endow Core Portfolio	Federal agency obligations	1,019,921	963,223
Endow Core	Corporate obligations	539,524	560,112
Endow Core Portfolio	Corporate stock	5,244,359	4,936,946
Endow Core Portfolio	Mutual Funds	1,706,149	1,681,792
Eloy Reyes	Federal agency obligations	55,882	83,497
Eloy Reyes	Corporate obligations	48,607	40,674
Eloy Reyes	Corporate stock	221,063	273,966
		\$ 8,835,505	\$ 8,788,040

(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.

(A Component Unit of Central New Mexico Community College)

Notes to the Financial Statements

Years ended June 30, 2018 and 2017

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, 2018, the portfolio consisted of 12.3% of U.S. government obligations.

Endowment Pool

Asset Class	Long-term Policy Weight %	Rebalancing Range %	Appropriate benchmark
U.S. large cap equities	20	10-30	Russell 1000
U.S. small-mid equities	5	0-20	Russell 2500
International equities	5	0-15	MSCI World Ex. USA
Global fixed income	65	50-75	Barclays Aggregate Bond Index
Cash	5	0-20	3 Month T-Bills
Total	<u>100</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, 2018 and 2017

(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, 2018 and 2017.

Custodial credit risk:	2018	2017
Federal agency	\$ 1,075,803	\$ 1,046,720
Corporate obligations	588,131	600,786
Corporate stock	5,465,422	5,210,912
Not subject to custodial credit risk:		
Certificate of deposit	-	247,830
Mutual Funds	1,706,149	1,681,792
Total Investments	\$ 8,835,505	\$ 8,788,040

(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, 2018 and 2017.

Federal agency obligations:	Rating	2018 FV	2017 FV
Federal home loan mortgage corp. (Level 2)	AA+	\$ 349,112	\$ 446,999
Federal national mortgage assoc. (Level 2)	AA+	439,730	332,435
US treasury notes (Level 1)	AAA	117,962	72,082
US treasury bills (Level 1)	AAA	-	998
US treasury bonds (Level 1)	AAA	164,158	129,063
US treasury inflation bonds (Level 1)	AAA	4,841	65,143
		<u>1,075,803</u>	<u>1,046,720</u>
Corporate obligations:			
Corporate bonds (Level 2)	AAA	65,172	1,988
Corporate bonds (Level 2)	AA+	2,938	2,030
Corporate bonds (Level 2)	AA	2,996	1,013
Corporate bonds (Level 2)	AA -	3,968	48,888
Corporate bonds (Level 2)	A+	50,359	5,202
Corporate bonds (Level 2)	A	49,631	33,143
Corporate bonds (Level 2)	A-	147,068	250,259
Corporate bonds (Level 2)	BBB+	255,147	256,246
Corporate bonds (Level 2)	BBB	9,894	1,029
Corporate bonds (Level 2)	BBB-	958	988
		<u>588,131</u>	<u>600,786</u>
Total rated securities		\$ 1,663,934	\$ 1,647,506

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, 2018 and 2017

(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, 2018 and 2017 and the exposure to interest rate risk is as follows:

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	3,010	135,967	449,154

2017 - Investment maturities				
Investment Type	Fair Value	Less than 1 year	1-5 years	5 years +
Federal agency obligations	\$ 1,046,720	\$ 2,993	\$ 251,963	\$ 791,764
Corporate obligations	600,786	3,042	224,959	372,785

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, 2018	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level:				
Stocks	\$ 5,465,422	\$ 5,465,422	\$ -	\$ -
Mutual funds	\$ 1,706,149	\$ 1,706,149	\$ -	\$ -
Debt securities:				
Asset and mortgage backed	\$ 607,546	\$ -	\$ 607,546	\$ -
Corporate bonds	\$ 588,131	\$ -	\$ 588,131	\$ -
Municipal bonds	\$ 468,257	\$ 193,985	\$ 274,272	\$ -
Total debt securities	<u>\$ 1,663,934</u>	<u>\$ 193,985</u>	<u>\$ 1,469,949</u>	<u>\$ -</u>
Total investments	<u>\$ 8,835,505</u>	<u>\$ 7,365,556</u>	<u>\$ 1,469,949</u>	<u>\$ -</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, 2018 and 2017

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, 2018 and 12.3% of the investment portfolio on June 30, 2017 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, 2018 and 2017, 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:

	2018	2017
Amounts receivable in less than one year	\$ 22,970	\$ 30,000
Amounts receivable in more than one year	51,400	61,000
Less discounts to net present value	(1,022)	(10)
Less allowance for doubtful pledges	(1,487)	(2,527)
Total pledge receivables, net	<u>\$ 71,861</u>	<u>\$ 88,463</u>
Current unrestricted	\$ 22,459	\$ 29,400
Noncurrent unrestricted	49,401	59,063
Total pledge receivables, net	<u>\$ 71,860</u>	<u>\$ 88,463</u>

Noncurrent pledges receivable are discounted at the U.S. Treasury Bill 90 day rate of 1.89% and 1.01% for the years ended June 30, 2018 and 2017 respectively.

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, 2018 and 2017

(5) General and Administrative Expenses

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

	2018	2017
Bank charges	\$ 1,954	\$ 3,195
Board expenses	2,996	3,392
Insurance expense	1,172	2,486
Printing and publication	1,428	2,482
Supplies and postage and shipping	30	311
Total G&A Expenses	<u>\$ 7,580</u>	<u>\$ 11,866</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 uses the New Mexico Public Schools Insurance Authority (NMPSIA) which was formed on April 5, 1985. 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 FY18, the College's contributed services were \$488,232, an increase of \$93,679 from FY17 amount of \$394,553. 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.

During the years ending 2018 and 2017, members of the board of directors made new gifts and pledges to the Foundation of \$97,336 and \$24,677, respectively. The Foundation had pledge receivables due from various members of the board of directors at June 30, 2018 and 2017 of \$75,885 and \$54,221, 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*.

(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.

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, 2018 and 2017

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, 2018 and 2017, the value of the Foundation's endowment portfolio was \$8,921,352 and \$8,428,417, respectively, and the corpus was \$7,385,908 and \$7,089,636, respectively.

(9) Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operation.

(10) Restatement

The Foundation restated the Fiscal Year 2017 net position. Opening equity for FY17 was overstated by \$535,227, pledges receivable were overstated by \$854,877, and revenues and changes in net position were overstated by \$319,650. Under GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*, Restricted and Endowment pledges are considered a non-exchange transaction and are not recorded as revenue or related asset until cash is received. Previously the Foundation applied FASB Statement No 116 *Accounting for Contributions Received and Contributions Made*. The Foundation recorded pledge receivables as assets and revenue if the pledges are evidenced by unconditional promises to give those items in the future and when all applicable eligibility requirements are met. The objective of GASB Statement No. 33 is to establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. The principal issue addressed in this Statement is the timing of recognition of nonexchange transactions.

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. 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 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, 2018, 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 25, 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 have not been 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*.

Central New Mexico Community College 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 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 25, 2018

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.
(A Component Unit of Central New Mexico Community College)
Schedule of Findings and Responses
June 30, 2018

Status of Prior Year Audit Findings

None

Current Audit Findings

2018-001 Restatement (Material Weakness)

CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.
(A Component Unit of Central New Mexico Community College)
Schedule of Findings and Responses
June 30, 2018

2018-001 – Restatement (Material Weakness)

Condition

During fiscal years 2016 and 2017, the Foundation improperly recognized revenue in the financial statements stemming from voluntary nonexchange transactions where all eligibility requirements had not been met. The Foundation's 2017 financial statements had to be restated to reflect the improperly recorded pledges receivable and related income, as well as the effect on net position at the beginning of the 2017 fiscal year.

Criteria

Governmental accounting standards require that revenue be recognized in the period when all eligibility requirements have been met and the resources are available (GASB 33).

Effect

Total assets, revenues and financial position were overstated on the financial statements for the year ended June 30, 2017. The restricted pledges and the related income have been removed from the 2017 statements of net position and revenues, expenses and changes in net position.

Cause

The Foundation improperly recorded pledges receivable that contained donor restrictions.

Recommendation

Review all new promises to give agreements to determine if there are circumstances or requirements preventing the potential gift from being recorded in the year it is pledged.

Response

Staff identified and resolved this issue in Fiscal Year 2018. During an internal review of accounting standards, staff identified that the pledges were recorded under a Financial Accounting Standards Board (FASB) Standard, which establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations rather than a Governmental Accounting Standards Board (GASB) standard. Under GASB Statement No. 33 Accounting and Financial Reporting for Non-exchange Transactions, Restricted and Endowment pledges are considered a non-exchange transaction and are not recorded as revenue or related asset until cash is received. Previously the Foundation applied FASB Statement No 116 Accounting for Contributions Received and Contributions Made.

The CNM Foundation meets the Component Unit requirements under the Audit and Accounting Guide: State and Local Governments, published by the American Institute of Certified Public Accountants. As a not-for-profit component unit of Central New Mexico Community College, the financials are reported using the government financial reporting format.

CNM and the CNM Foundation will continue to review all new pledge agreements to determine any restrictions that would prevent the potential gift from being reported in the year it is pledged.

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 17, 2018, 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.

Tracy Hartzler	Board Treasurer
Clint Wells	Secretary / Executive Director
Georgie Ortiz	BOD Member/Chair Finance & Investment Committee
Joe Varro	BOD Member
Mark Gorham	BOD Member
Tom Briones	BOD Member
Keith Hartnett	BOD Member
Samantha Sengel	BOD Member
Kurt Meyer	BOD Member
Alice Fischer	Foundation Staff
Wanda Helms	CNM Comptroller

Representing MP Group, Inc.

Michael L. Moore, CPA Partner