

**CENTRAL NEW MEXICO
COMMUNITY COLLEGE
FOUNDATION, INC.**

(A Component Unit of
Central New Mexico Community College)

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

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

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

Official Roster

June 30, 2010

JJ Parsons, President
Kathy Ulibarri, Treasurer

Diane Harrison Ogawa, Vice President
Lisa McCulloch, Secretary

Carl Alongi, REDW
Steven Anaya, RANM
Thomas Briones, Attorney, Wallin & Briones Law Firm
Craig Buchanan, Senior VP, First Community Bank
Ross Busby, VP, Bank of the West
Loral Butler, Senior Wealth Advisor, NM Bank & Trust
Luisa Casso, Director of Public Affairs and Communication, Coca-Cola Enterprises
Roger Cook, Retired, Intel Corporation
Dale Dekker, Dekker/Perich/Sabatini, LTD
Edward Dobbs, President, Premier Distributing Co.
Claire Dudley, Child & Youth Policy Advisor to the Lieutenant Governor
Ed Garcia, President, Garcia Automotive Group
David Grieves, Chavez Grieves Consulting Engineers Inc.
Diane Harrison Ogawa, Executive Director, PNM Foundation
John Lewinger, CEO, Grubb & Ellis/New Mexico
Linda M. López, President, López Consulting
Natasha Martell, Community Programs Manager, Intel
Natasha Mata, Community Banking President, Wells Fargo

Janice Micali, Retired TVI Vice President Student Services
Stuart Paisano, Assistant Cabinet Secretary, State of NM Office of Economic Development
Peter Parnegg, Owner, Coldwell Banker Legacy
JJ Parsons, VP Performance Excellence, Presbyterian
Don Power, President and CEO, Jaynes Corporation
Carol Radosevich, Director Economic Development, PNM
Michael Ragsdale, CFO, U.S. New Mexico Federal Credit Union
Sharla Reinhart, AVP, NM Educators Federal Credit Union
Nancy Salem, Publisher, New Mexico Business Weekly
Joseph Varro Jr., President & CEO, DSRM National Bank
Glenn Wertheim
Margarita Wilder, General Manager, KLUZ-TV-UHF Univision
Susan Wilson, VP Marketing, New Mexico Mutual
Kathie Winograd, President, CNM
Kathy Ulibarri, Vice President Planning and Budget
Lisa McCulloch, Executive Director, CNM Foundation



KARDAS • ABEYTA • WEINER P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Central New Mexico Community College Foundation, Inc.
Albuquerque, New Mexico

We have audited the accompanying statements of financial position of Central New Mexico Community College Foundation, Inc. (the "Foundation"), a component unit of Central New Mexico Community College as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the Foundation's basic financial statements. The accompanying schedule of individual deposit and investment accounts is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kardas, Abeyta & Weiner, P.C.

November 11, 2010

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
FOUNDATION, INC.**
(A Component Unit of Central New Mexico Community College)
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009

Overview of the Basic Financial Statements

The Central New Mexico Community College Foundation's (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, 2010 and 2009, and the following, which comprise the basic financial statements:

1. Statements of net assets
2. Statements of revenues, expenses, and changes in net assets
3. Statements of cash flows
4. Notes to financial statements

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

The statements of net assets of the Foundation provide both long-term and short-term information about the Foundation's overall financial status. The statements of revenues, expenses, and changes in net assets provide information about the operating revenues and expenses, and the nonoperating revenues of the Foundation. The statements of cash flows provide information about the sources and uses of cash by the Foundation. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2010 and 2009

Condensed Financial Information

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|---------------------|------------------|------------------|
| Current assets | \$ 310,350 | 411,015 | 674,690 |
| Noncurrent assets | 4,216,312 | 3,511,936 | 4,182,310 |
| Total assets | <u>\$ 4,526,662</u> | <u>3,922,951</u> | <u>4,857,000</u> |
| Current liabilities | \$ 147,764 | 87,415 | 491,011 |
| Noncurrent liabilities | — | — | — |
| Total liabilities | <u>\$ 147,764</u> | <u>87,415</u> | <u>491,011</u> |
| Net assets: | | | |
| Unrestricted | \$ (260,218) | (539,298) | 206,837 |
| Restricted | 4,639,116 | 4,374,834 | 4,159,152 |
| Total net assets | <u>4,378,898</u> | <u>3,835,536</u> | <u>4,365,989</u> |
| Total liabilities and net assets | <u>\$ 4,526,662</u> | <u>3,922,951</u> | <u>4,857,000</u> |
| Operating revenues: | | | |
| Gifts and pledges | \$ 454,578 | 1,890,087 | 1,488,895 |
| Grant revenue | 631,203 | 18,222 | 20,000 |
| Total operating revenues | <u>1,085,781</u> | <u>1,908,309</u> | <u>1,508,895</u> |
| Operating expenses: | | | |
| Contributions to CNM: | | | |
| Scholarships | 170,475 | 373,406 | 279,341 |
| Program support | 673,451 | 967,587 | 1,045,470 |
| Equipment and supplies | 28,026 | 183,228 | 75,393 |
| Fund raising | 91,222 | 67,749 | 67,457 |
| General and administrative | 21,108 | 22,561 | 20,980 |
| Salary Support | 69,778 | 59,027 | — |
| Uncollectible pledges | (5,232) | 5,480 | — |
| Total operating expenses | <u>1,048,828</u> | <u>1,679,038</u> | <u>1,488,641</u> |
| Operating income (loss) | <u>36,953</u> | <u>229,271</u> | <u>20,254</u> |
| Nonoperating revenues (expenses): | | | |
| Investment income | 402,651 | (748,447) | (116,604) |
| Investment management fees | (24,306) | (27,050) | (50,460) |
| Total nonoperating revenues (expenses) | <u>378,345</u> | <u>(775,497)</u> | <u>(167,064)</u> |
| Contributions to permanent endowments: | | | |
| Gifts and pledges | 128,064 | 15,773 | 28,080 |
| Change in net assets | <u>543,362</u> | <u>(530,453)</u> | <u>(118,730)</u> |
| Net assets, beginning of year | 3,835,536 | 4,365,989 | 4,484,719 |
| Net assets, end of year | <u>\$ 4,378,898</u> | <u>3,835,536</u> | <u>4,365,989</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, 2010 and 2009

Financial Analysis

The Foundation's total assets at June 30, 2010 of \$4,526,662 represent an increase of 15% from the previous year total of \$3,922,951 and increased total liabilities of \$60,349 resulting in net assets of \$4,378,898, an increase of \$543,362 from the previous year net assets of \$3,835,536. The increase in net assets occurred primarily due to an increase in the market value of investments. The Foundation has investment management authority of the investment funds and manages the assets of the investment funds through the Finance and Investment Committee, which is comprised of members of the Foundation Board of Directors. The fair value of investments at June 30, 2010 was \$4,209,482 which included money market funds of \$664,803, classified as cash and cash equivalents in the statements of net assets.

The Foundation's total assets at June 30, 2009 of \$3,922,951 represent a decrease of 19% from the previous year total of \$4,857,000 and decreased total liabilities of \$403,596 resulting in net assets of \$3,835,536, a decrease of \$530,453 from the previous year net assets of \$4,365,989. The decrease in net assets occurred primarily due to a decrease in the market value of investments. The Foundation has investment management authority of the investment funds and manages the assets of the investment funds through the Finance and Investment Committee, which is comprised of members of the Foundation Board of Directors. The fair value of investments at June 30, 2009 was \$3,534,603 which included money market funds of \$287,841 and certificates of deposit of \$25,097, classified as cash and cash equivalents in the statements of net assets.

Contributions to permanent endowments including gifts and pledges in 2010 were \$128,064. Total operating revenue and contributions to unrestricted and temporarily restricted funds, which includes donations, pledges, and noncash revenue, were \$1,085,781 for the fiscal year ended June 30, 2010.

Contributions to permanent endowments including gifts and pledges in 2009 were \$15,773. Total operating revenue and contributions to unrestricted and temporarily restricted funds, including donations, pledges, noncash revenue, were \$1,908,309 for the fiscal year ended June 30, 2009.

The Foundation continues to expand support for programs such as the Center for Working Families, the Rust Opportunity Fund, and the American Indian Education Emergency Scholarship program through partnerships with the Annie E. Casey Foundation, McCune Foundation, CITI, Bank of Albuquerque, the Kellogg Foundation and PNM. Additionally, the Foundation received a major gift from Public Service Company of NM to launch a Success Scholarship this year in the School of Applied Technologies to incentivize graduation. The Foundation has also expanded the Making Money Work program, which supports the online financial literacy program to high schools across New Mexico as dual credit.

For the fiscal years ended June 30, 2010 and 2009, nonoperating revenues, which include interest and dividends, unrealized and realized gains or losses on investments, and investment management fees, were \$378,345 and (\$775,497), respectively. Approximately 93.3% and 90.1% of the Foundation's assets are held as investments in 2010 and 2009, respectively. The Foundation's stated goal of CPI + 5% was 6.53% for the fiscal year. The markets in fiscal year 2010 were kinder to the Foundation than in the prior year. The investments' net rate of return for fiscal years 2010 and 2009 was 10.1% and -18.4%, 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, 2010 and 2009

The CNM 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 system.

Economic Outlook

The Foundation is Central New Mexico Community College's (the College) private, non-profit organization created to leverage private resources and opportunities to maximize the College's operational and program funding. The Foundation also works to provide the extra financial assistance necessary for the citizens of the College's service area to obtain the educational opportunities they deserve. In support of the College, the Foundation will be working towards generating increasing revenues in times of economic instability to support the College's programs and students.

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, which is expected to decline 3 to 5 percent for FY11 with little overall growth over the long term. In fiscal year 2010, appropriations for the College decreased by \$6.66 million, a 12.39% decrease.

The recent recession has impacted philanthropy in New Mexico, including the Foundation, in that donors are being more conservative in their giving. In addition, investment earnings have declined though they are beginning to stabilize. It is anticipated that this pattern will continue over the next year. As a result, the Foundation will continue to look to new strategies to meet the needs of the College and its students.

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 is hopeful that it can begin to distribute earnings from endowments to provide student assistance. In addition, 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 Executive Director, Lisa McCulloch at (505) 224-4688.

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

Statements of Net Assets

June 30, 2010 and 2009

| Assets | 2010 | 2009 |
|---|--------------|-------------|
| Current assets: | | |
| Cash and cash equivalents – unrestricted (note 2) | \$ 44,143 | — |
| Cash and cash equivalents – restricted (note 2) | 208,791 | 95,384 |
| Grants receivable – restricted | 13,779 | 10,237 |
| Pledges receivable – unrestricted, net (note 3) | 6,647 | 4,074 |
| Pledges receivable – restricted, net (note 3) | 20,123 | 283,022 |
| Other receivable – unrestricted | 15,828 | — |
| Other receivable – restricted | 1,039 | 18,298 |
| Total current assets | 310,350 | 411,015 |
| Noncurrent assets: | | |
| Cash and cash equivalents – restricted (note 2) | 664,803 | 287,841 |
| Investments – restricted (note 2) | 3,544,679 | 3,221,665 |
| Pledges receivable – restricted, net (note 3) | 6,830 | 2,430 |
| Total noncurrent assets | 4,216,312 | 3,511,936 |
| Total assets | \$ 4,526,662 | 3,922,951 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,359 | 2,443 |
| Due to CNM | 38,890 | 84,972 |
| Deferred revenue | 93,515 | — |
| Total liabilities | 147,764 | 87,415 |
| Net assets: | | |
| Unrestricted | (260,218) | (539,298) |
| Restricted, expendable | 2,147,630 | 2,032,013 |
| Restricted, unexpendable | 2,491,486 | 2,342,821 |
| Total net assets | 4,378,898 | 3,835,536 |
| Total liabilities and net assets | \$ 4,526,662 | 3,922,951 |

See accompanying notes to 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 Assets
Years ended June 30, 2010 and 2009

| | 2010 | 2009 |
|--|--------------|-------------|
| Operating revenues: | | |
| Gifts and pledges | \$ 454,578 | 1,890,087 |
| Grant revenue | 631,203 | 18,222 |
| Total operating revenues | 1,085,781 | 1,908,309 |
| Operating expenses: | | |
| Contributions to CNM: | | |
| Scholarships | 170,475 | 373,406 |
| Program support | 673,451 | 967,587 |
| Equipment and supplies | 28,026 | 183,228 |
| Fund-raising | 91,222 | 67,749 |
| General and administrative (note 4) | 21,108 | 22,561 |
| Salary support | 69,778 | 59,027 |
| Uncollectible pledges | (5,232) | 5,480 |
| Total operating expenses | 1,048,828 | 1,679,038 |
| Operating income (loss) | 36,953 | 229,271 |
| Nonoperating revenues (expenses): | | |
| Investment income | 402,651 | (748,447) |
| Investment management fees and taxes | (24,306) | (27,050) |
| Total nonoperating revenues | 378,345 | (775,497) |
| Contributions to permanent endowments: | | |
| Gifts and pledges | 128,064 | 15,773 |
| Change in net assets | 543,362 | (530,453) |
| Net assets, beginning of year | 3,835,536 | 4,365,989 |
| Net assets, end of year | \$ 4,378,898 | 3,835,536 |

See accompanying notes to 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, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|------------------|
| Cash flows from operating activities: | | |
| Cash received from donors and other sources | \$ 1,410,317 | 1,636,434 |
| Cash paid to beneficiaries and vendors for scholarships and program support | (78,305) | (79,368) |
| Cash paid to CNM for scholarships and program support | (890,009) | (1,732,970) |
| Cash paid for operating expenses | (90,886) | (81,588) |
| Net cash provided by (used in) operating activities | <u>351,117</u> | <u>(257,492)</u> |
| Cash flows from noncapital financing activities: | | |
| Donations and pledges | <u>128,064</u> | <u>15,773</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale or maturity of investments | 2,174,490 | 2,340,435 |
| Purchases of investments | (2,210,617) | (2,469,697) |
| Interest and dividends received | 115,764 | 143,339 |
| Investment management fees | (24,306) | (27,050) |
| Net cash (used in) provided by investing activities | <u>55,331</u> | <u>(12,973)</u> |
| Net increase in cash and cash equivalents | 534,512 | (254,692) |
| Cash and cash equivalents, beginning of year | <u>383,225</u> | <u>637,917</u> |
| Cash and cash equivalents, end of year | <u>\$ 917,737</u> | <u>383,225</u> |
| Reconciliation of operating (loss) income to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ 36,953 | 229,271 |
| Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities: | | |
| Change in: | | |
| Grants receivable | (3,542) | (10,238) |
| Pledges receivable | 255,926 | (268,138) |
| Other receivable | 1,431 | 195,209 |
| Account payable | 12,916 | (11,619) |
| Due to CNM | (46,082) | (391,977) |
| Deferred revenue | 93,515 | — |
| Total adjustments | <u>314,164</u> | <u>(486,763)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 351,117</u> | <u>(257,492)</u> |
| Supplemental disclosure of noncash transactions: | | |
| Contributions of equipment and supplies | \$ 28,026 | 183,228 |
| Distributions to CNM of equipment and supplies | (28,026) | (183,228) |
| Change in fair value of investments | 323,014 | (762,523) |

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) Organization

Albuquerque Technical Vocational Institute Foundation, Inc. changed its legal name to Central New Mexico Community College Foundation, Inc. on June 2, 2006. Central New Mexico Community College Foundation (the Foundation) was organized in 1986 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.

The Foundation is considered a component unit of the College in accordance with Government Accounting Standards Board (GASB) generally accepted in the United States of America and these financial statements include all activities over which the Foundation has responsibility.

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

The Foundation's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Foundation follows Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provides a comprehensive perspective of the Foundation's assets, liabilities and net assets, revenues, expenses, changes in net assets, and cash flows.

The Foundation has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Foundation has elected not to apply FASB pronouncements issued after the application date.

Operating revenues and expenses are related to the primary, continuing operations of the Foundation. All other revenues and expenses are considered nonoperating in the financial statements.

(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 of assets and liabilities and disclosure of contingent assets and liabilities at the

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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Notes to Financial Statements

June 30, 2010 and 2009

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

(d) Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers restricted cash and all short-term debt securities or other cash investments purchased, if any, with an original maturity of three months or less to be cash equivalents.

(e) Investments

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

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 three fiscal years' asset value of the endowment fund. At the beginning of each fiscal year, the Foundation's board of directors will determine the potential distribution amount for each endowment fund for the ensuing fiscal year. On July 1, 2009 the Uniform Prudent Management of Institutional Funds Act became effective in New Mexico. Accumulation of annual net income; reserve; appropriation of appreciation and the Foundation's ability to spend net appreciation on investments of donor-restricted endowments has changed.

In the fiscal year ending June 30, 2010, the Foundation's endowment portfolio was still impacted by the financial market crisis, thus causing many of the endowment accounts to be "underwater." Asset values of underwater accounts are less than the permanent endowment contributions, due to allocated investment losses. The investment losses allocated to the individual endowment accounts, \$113,248 in aggregate, were recorded in the unrestricted fund as of June 30, 2010. The decrease of \$181,523 from previous year's \$294,771 was attributable to the financial market's degree of recovery.

(f) Agreements

An agreement between the Foundation and the College was entered into on December 2, 1991, and most recently amended on March 22, 2007. 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 pursuant to GASB Statement No. 34.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
FOUNDATION, INC.**
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Notes to Financial Statements

June 30, 2010 and 2009

(g) Net Assets

Unrestricted net assets represent resources whose use is not limited or restricted by donors. Unrestricted net assets have arisen from exchange transactions and receipt of unrestricted contributions. Restricted expendable net assets include resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Unexpendable restricted net assets consist of endowment funds in which the donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(h) Revenue Recognition and Donations and Pledges

Annual contributions are generally available for unrestricted use in the year donated unless specifically restricted by the donor. The Foundation records pledges receivable 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 Foundation considers an executed charitable gift or endowment agreement or a letter thanking the donor for the pledge as evidence as an unconditional promise. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

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.

(i) Deferred Revenue

For voluntary non-exchange transactions, the Foundation recognizes receivables and revenues when all applicable requirements, including time requirements are met. Resources received before the eligibility requirements are met are reported as deferred revenues. Resources received in advance where all eligibility requirements have been met are recorded as revenues when received. Deferred revenue at June 30, 2010 and 2009 are \$93,515 and \$0, respectively.

(j) Income Taxes

The Foundation is an organization described in Internal Revenue Code (IRC) Section 501(c)(3) and as such is exempt from federal and state income tax on its related income under Section 501(a). Furthermore, as a publicly supported organization, it is classified as a public charity and not a private foundation under Section 509(a)(1). The Foundation had no material unrelated business income during fiscal years 2010 and 2009; therefore, no provision for income taxes is included in the financial statements.

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

Notes to Financial Statements

June 30, 2010 and 2009

(2) Cash and Investments

A summary of cash and investments as of June 30 follows (See Schedule 1 for details):

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|---------------------|------------------|
| Cash, including money market accounts | \$ 917,737 | 383,225 |
| Federal agency obligations | 836,155 | 771,784 |
| Corporate obligations | 317,974 | 297,782 |
| International obligations | — | 40,138 |
| Marketable securities | <u>2,390,550</u> | <u>2,111,961</u> |
| | <u>\$ 4,462,416</u> | <u>3,604,890</u> |

Included in investment income in the statements of revenues, expenses, and changes in net assets at June 30, 2010 are realized gains of \$98,785 and realized losses of \$675,429 at June 30, 2009.

(a) Investment Policy

Investment portfolio management is the responsibility of the Foundation's management. The Foundation's Finance and Investment Committee has established a new investment policy which was approved in October 2009 by the Board of Directors with a reasonable phase-in period to provide for the prudent management of invested funds.

The fundamental goal of the policy is to produce the maximum return possible while preserving the Foundation's assets. Qualified investments under the investment policy include investments in equity securities listed on the American Stock Exchange, New York Stock Exchange, or NASDAQ with a Standard & Poor's (S & P) rating of B+ or better; corporate bonds with an S & P rating of BBB/Baa or better; U.S. Treasury bills and notes and U.S. agency securities; investment in foreign debt and equity, limited to 25% of the total portfolio; and certificates of deposit, provided such amounts are fully insured by the Federal Deposit Insurance Corporation (FDIC). All investments will be diversified to minimize risk. No single issuer of debt or equity is allowed to comprise more than 5% of the total portfolio except for the U.S. government obligations.

The Foundation Investment Policy Statement (IPS) allows for the investment in U.S. Treasuries and U.S. Government backed securities. On June 30, 2010, the portfolio consisted of 13.21% of U.S. Treasuries. The IPS provides that no single issuer of debt or equity should comprise more than 5% of the total portfolio except for the U.S. government obligations. Given the current credit crisis and the state of the markets, money managers have communicated to the Foundation that holding such an amount was deemed prudent at this time.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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Notes to Financial Statements

June 30, 2010 and 2009

The following table sets out the asset allocation guidelines for the Foundation's portfolio:

| <u>Asset class</u> | <u>Minimum</u> | <u>Maximum</u> |
|-----------------------------|----------------|----------------|
| Equities | 20% | 70% |
| Value stocks | 35 | 65 |
| Growth stocks | 35 | 65 |
| International | 5 | 25 |
| Bonds | 20 | 70 |
| Cash and equivalents | 2 | 40 |

(b) Custodial Credit Risk

In the case of deposits, the custodial credit risk is the risk that in the event of a depository institution failure, the Foundation's deposits may not be recovered.

At June 30, 2010, the Foundation's bank balance including money market accounts was \$1,017,781. Of this amount, \$500,000 was covered by federal depository insurance, and \$517,781 was exposed to custodial risk as uninsured and uncollateralized. The balance of the money market accounts at June 30, 2010 was \$664,803, which is higher than normal. This was due to timing of the investment portfolio reorganization by the brokerage firm. Money market accounts were used to hold liquid funds pending completion of transactions.

At June 30, 2009, the Foundation's bank balance including money market accounts and certificates of deposit was \$528,123. Of this amount, \$465,185 was covered by federal depository insurance, and \$62,938 was exposed to custodial risk as uninsured and uncollateralized.

In the case of investments, the custodial credit risk is the risk that, in the event of the counterparty's failure, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in federal agency, corporate obligations, international obligations, and marketable securities, the Foundation had custodial risk exposure because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

The Foundation's investment portfolio is covered by the Securities Investor Protection Corporation (SIPC), up to \$500,000 of protection, of which \$100,000 may be cash for each protected account. Additionally, the brokerage firm provides supplemental protection on eligible assets over \$500,000 through underwriters, subject to aggregate loss limit of \$600 million. A per client limit for cash is \$1,900,000. Note that SIPC does not protect against losses in the portfolio value due to market fluctuations.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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Notes to Financial Statements

June 30, 2010 and 2009

(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, 2010 and 2009. (See schedule 1 for details)

| | Rating | 2010 Fair value | 2009 Fair value |
|----------------------------------|---------------|----------------------------|----------------------------|
| Federal agency obligations | | | |
| Federal Home Loan Mortgage Corp. | AAA | \$ 182,082 | 173,110 |
| Federal National Mortgage Assoc. | AAA | 98,038 | 92,676 |
| US Treasury Notes | AAA | 556,035 | 505,998 |
| | | <u>836,155</u> | <u>771,784</u> |
| Corporate obligations | | | |
| Corporate bonds | AA+ | 45,108 | 44,318 |
| Corporate bonds | AA | 45,159 | — |
| Corporate bonds | A+ | 43,983 | — |
| Corporate bonds | A | 183,724 | 168,192 |
| Corporate bonds | A- | — | 85,272 |
| | | <u>317,974</u> | <u>297,782</u> |
| International obligations | | | |
| International obligations | AA | — | 40,138 |
| | | <u>—</u> | <u>40,138</u> |
| Total rated securities | | <u>\$ 1,154,129</u> | <u>1,109,704</u> |

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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Notes to Financial Statements

June 30, 2010 and 2009

(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.

| 2010 | | | | |
|----------------------------|------------|---------------------|-------------|-----------|
| Investment maturities | | | | |
| Investment type | Fair value | Less than 1 year | 1 – 5 years | 5 years + |
| Federal agency obligations | \$ 836,155 | 43,727 | 569,304 | 223,124 |
| Corporate obligations | 317,974 | — | 88,431 | 229,543 |
| International obligations | — | — | — | — |

| 2009 | | | | |
|----------------------------|------------|---------------------|-------------|-----------|
| Investment maturities | | | | |
| Investment type | Fair value | Less than 1 year | 1 – 5 years | 5 years + |
| Federal agency obligations | \$ 771,784 | 152,877 | 464,076 | 154,831 |
| Corporate obligations | 297,782 | — | 167,343 | 130,439 |
| International obligations | 40,138 | — | 40,138 | — |

(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 type of security. On June 30, 2010, the Foundation had 13.21% of the portfolio in U.S. Treasuries which is allowed by the Investment Policy Statement (IPS). As of June 30, 2009, the Foundation had investments in U.S. Treasuries totaling 14.32% of the investment portfolio, which exceeds the 5% limitation of the IPS but is allowed under Section G. *Temporary Infraction Exception*.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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Notes to Financial Statements

June 30, 2010 and 2009

(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, 2010, the Foundation held no international obligations.

(3) Pledges Receivable

Pledges receivable consisted of the following at June 30:

| | 2010 | 2009 |
|-------------------------------------|-------------|-------------|
| Amounts due in less than one year | \$ 27,366 | 293,473 |
| Amounts due in more than one year | 7,000 | 2,500 |
| Total pledges receivable | 34,366 | 295,973 |
| Less discounts to net present value | 79 | 528 |
| Less allowance for doubtful pledges | 687 | 5,919 |
| Pledges receivable, net | 33,600 | 289,526 |
| Less current portion | 26,770 | 287,096 |
| | \$ 6,830 | 2,430 |

Noncurrent pledges receivable are discounted at the U.S. Treasury Bill 90-day rate of 0.180% and 0.180% for the years ended June 30, 2010 and 2009, respectively.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
FOUNDATION, INC.**

(A Component Unit of Central New Mexico Community College)

Notes to Financial Statements

June 30, 2010 and 2009

(4) General and Administrative Expenses

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

| | 2010 | 2009 |
|-----------------------------------|-------------|-------------|
| Board expenses | \$ 12,929 | 12,711 |
| Professional services | — | 20 |
| Printing and publication | 3,914 | 2,493 |
| Insurance expense | 1,353 | 1,346 |
| Telephone | — | 738 |
| Bank charges | 1,368 | 1,754 |
| Taxes and Fees | 11 | 1,187 |
| Supplies and postage and shipping | 1,533 | 2,312 |
| | \$ 21,108 | 22,561 |

(5) Related Party Transactions

The College provides office space, personnel, utilities, and general operating expenses to the Foundation at no cost. No value has been assigned to these amounts for financial reporting purposes. 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 fiscal year 2010 and 2009, members of the board of directors made new gifts and pledges to the Foundation totaling \$27,669 and \$32,668, respectively. At June 30, 2010 and 2009, the Foundation had \$5,999 and \$4,602, respectively, of pledges receivable due from various members of the board of directors.

(6) Conditional Promise to Give

The Foundation received a conditional promise to give up to \$605,740 on September 19, 2007 for the implementation and deployment of a wireless network. The total gift was made in phases based upon the progress of the installation and deployment of the wireless network. As of June 30, 2010, a total of \$605,740 has been received. In fiscal year 2009, \$537,989 was recorded in gift revenue, including \$533,491 received and \$4,498 as accounts receivable. In fiscal year 2010, the \$4,498 was received and \$67,751 was included in gift revenue for this project.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
FOUNDATION, INC.**

(A Component Unit of Central New Mexico Community College)

Notes to Financial Statements

June 30, 2010 and 2009

(7) Risk Management

The Foundation is physically housed within the College and the College 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 of, damage to, and 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. Under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance coverage (benefits coverage), and property, casualty, and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the state of New Mexico. The College is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The College pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2010.

In addition, the Foundation has officer and director liability insurance with an outside third party.

SCHEDULE OF CASH AND INVESTMENTS

BY BANK AND ACCOUNT

As of June 30, 2010

| <u>Account Name</u> | <u>Account Type</u> | | <u>Smith Barney</u> | <u>Wells Fargo</u> | <u>Book Balance</u> |
|--|---------------------|----------|---------------------|--------------------|---------------------|
| Cash, including money market accounts | | | | | |
| Business Checking | Checking | | \$ - | 322,938 | 222,894 |
| Business Saving | Saving | | - | 30,040 | 30,040 |
| Money Market | Money market | 29819-10 | 447,561 | - | 447,561 |
| Money Market | Money market | 31563-14 | 32,155 | - | 32,155 |
| Money Market | Money market | 32808-17 | 3,370 | - | 3,370 |
| Money Market | Money market | 32809-16 | 88,290 | - | 88,290 |
| Money Market | Money market | 32810-13 | 5,057 | - | 5,057 |
| Money Market | Money market | 33177-18 | 8,762 | - | 8,762 |
| Money Market | Money market | 35133-16 | 3,313 | - | 3,313 |
| Money Market | Money market | 35134-15 | 55,900 | - | 55,900 |
| Money Market | Money market | 35135-14 | 20,395 | - | 20,395 |
| Total amount of deposit in bank | | | <u>664,803</u> | <u>352,978</u> | <u>917,737</u> |
| Federal Agency Obligations | | | | | |
| Credit Rating: AAA | | | | | |
| Federal National Mtg Assn | | | 98,038 | - | 98,038 |
| Federal Home Loan Mtg Corp | | | 182,082 | - | 182,082 |
| US Treasury Notes | | | 556,035 | - | 556,035 |
| Mortgage backed securities | | | <u>836,155</u> | <u>-</u> | <u>836,155</u> |
| Corporate Obligations | | | | | |
| Credit Rating: AA+ | | | | | |
| General Electric Cap Corp | | | 45,108 | - | 45,108 |
| Credit Rating: AA | | | | | |
| Pfizer Inc | | | 45,159 | - | 45,159 |
| Credit Rating: A+ | | | | | |
| Jpmorgan Chase & Co | | | 43,983 | - | 43,983 |
| Credit Rating: A | | | | | |
| Verizon Global Fdg Corp | | | 44,276 | - | 44,276 |
| Goldman Sachs Group | | | 47,138 | - | 47,138 |
| Bellsouth Telecommunication | | | 44,448 | - | 44,448 |
| Conoco Inc | | | 47,862 | - | 47,862 |
| Corporate bonds | | | <u>317,974</u> | <u>-</u> | <u>317,974</u> |
| Marketable securities | | | | | |
| Mutual Funds | | | 354,977 | - | 354,977 |
| Stocks | | | 2,035,573 | - | 2,035,573 |
| Total mutual funds and stocks | | | <u>2,390,550</u> | <u>-</u> | <u>2,390,550</u> |
| Total | | | <u>\$ 4,209,482</u> | <u>352,978</u> | <u>4,462,416</u> |



KARDAS • ABEYTA • WEINER P.C.
Certified Public Accountants

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*

Board of Directors
Central New Mexico Community College Foundation, Inc.
Albuquerque, New Mexico

We have audited the financial statements of the Central New Mexico Community College Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 11, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as listed as 10-1.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as listed as 10-2 and 10-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 10-2 and 10-3.

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Foundation's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the Foundation, the New Mexico State Auditor and Central New Mexico Community College and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weiner, P.C.

November 11, 2010

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

Section A - Summary of Auditor's Results

Financial Statements

| | |
|--|--------------------|
| Type of auditors' report issued: | <u>Unqualified</u> |
| Internal control over financial reporting: Material weakness identified? 10-1 | Yes |
| Significant deficiencies identified not considered to be material weaknesses? 10-2, 10-3 | Yes |
| Noncompliance material to financial statements noted? | Yes |
| Other matters involving internal control over financial reporting that are required to be reported by the State of New Mexico, Office of the State Auditor pursuant to 2.2.2 NMAC, February 12, 2010? | No |

Section B - Financial Statement Findings

10-1 Deferred Revenue (material weakness)

Condition

During our test work of internal controls over revenue recognition, we noted the following instance of non-compliance for one out of 6 grants tested.

Review of the grant contract specified time and purpose restrictions. In connection with this grant, the sponsor forwarded funds in the amount of \$150,000 which was recognized by the Foundation as revenue when received. During the same period the revenue was recognized, corresponding expenditures were \$56,484. Therefore the amount of unexpended funds, \$93,516, represents deferred revenue at June 30, 2010.

Criteria

Established policies and procedures for tracking and documenting grants with time and purpose restrictions is critical to ensure proper revenue recognition.

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

Section B - Financial Statement Findings (continued)

10-1 Deferred Revenue (continued)

Cause

The Foundation does not have established policies and procedures for documenting those grants with time and purpose restrictions as it relates to the evaluation of deferred revenue. The Foundation maintains grant budget information, but this information needs to be reviewed at year end to ensure proper classification between revenue and deferred revenue.

Effect

The current year revenue was overstated until the error was discovered.

Recommendation

The Foundation should develop a procedure to review grant revenue and expenditures to ensure proper revenue recognition of grant funds received.

Response

Management will establish procedures to review grant revenue and respective grant periods. The Foundation staff will work closely with accounting staff to ensure that revenue is properly recognized.

10-2 Contributions

Condition

During our test work of internal controls over contributions, we noted the following instances of non-compliance from our sample of 38 receipts.

There were two instances where donor contribution letters indicated a specified purpose for gifts. The original deposit and posting of these contributions, in the amount of \$5,000 each, were made according to donor instructions. Subsequently, the Foundation received authorization to change the original purpose allocation of these gifts. The allocation changes were recorded in the donor software in the Foundation office, but were not communicated to the accounting department and changes were not made in the general ledger.

Criteria

Established policies and procedures for documenting the intent of the original deposit and any subsequent changes to donor intent is a critical function of any not-for-profit entity.

Cause

The Foundation has established policies and procedures for documenting the intent of the original deposit and providing the information to the accounting department, but does not have a procedure if the donors intent has changed during the year.

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

Section B - Financial Statement Findings (continued)

10-2 Contributions (continued)

Effect

The Foundation's fund balances were incorrectly stated until the error was discovered.

Recommendation

The Foundation should develop a policy and procedure for notifying the accounting department of changes in the donor's intent during the year.

Response

Management will ensure implementation of adequate processes to communicate donor intent changes to accounting staff. Procedures to reconcile revenue between Raiser's Edge and Banner systems will be enhanced.

10-3 D Grant Reporting

Condition

During our test work of internal controls over grant and contract compliance, we noted the following instance of non-compliance for one out of 6 grants tested.

Review of the grant contract specified that the Foundation was to prepare and submit a final grant report by January 31, 2010. This report had not been prepared as of October 15, 2010.

Criteria

Established policies and procedures for tracking and documenting grant reporting is critical to ensure compliance with contracts.

Cause

The Foundation does have established policies and procedures for the preparation and submission of grant reports. For this particular grant, the timing of the grant reporting was unusual in that the grant was awarded on September 4, 2009, the grant period was January 1, 2009 to December 31, 2009 and the final report due date was January 31, 2010. There was no indication that an extension for filing this report was requested.

Effect

The final report for this grant was not timely filed.

Recommendation

The Foundation should develop a procedure to ensure that grant reporting requirements are timely filed.

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

10-3 D Grant Reporting (continued)

Response

Management has contacted the grantor of these funds and there are no negative repercussions from the late filing of this report. In addition, management is currently preparing this report.

Section C - Status of Prior Year Findings

Current Status

| | | |
|------|--|----------|
| 09-1 | Cash disbursements | Resolved |
| 09-2 | Finance and Investment Committee minutes | Resolved |
| 09-3 | Pledge receivables | Resolved |

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

A closing conference was held on October 21, 2010, 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

| | |
|------------------|---|
| JJ Parsons | Foundation Board President |
| Kathy Ulibarri | Foundation Treasurer |
| Carl Alongi | Foundation Board Member |
| Ross W. Busby | Foundation Board Member |
| Michael Ragsdale | Foundation Board Member |
| Joseph Varro Jr. | Foundation Board Member |
| Lisa McCulloch | Executive Director |
| Loretta Montoya | Interim Executive Director of Planning Budget & Institutional Research |
| Anna Sanchez | Director of Development |
| Wencui Yang | Interim Accounting Director |
| Brenda Martinez | Grants & Operations Coordinator |

Representing Kardas, Abeyta & Weiner P.C.

| | |
|------------|-----------|
| Scott Peck | Principal |
| Amy Cherne | Manager |