

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

(A Component Unit of  
Central New Mexico Community College)

Financial Statements

For the Fiscal Years Ended June 30, 2011 and 2010

(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, 2011

JJ Parsons, President  
Kathy Ulibarri, Treasurer

Diane Harrison Ogawa, Vice President  
Lisa McCulloch, Secretary

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Sally Adams, General Mgr, Clear Channel Outdoor  
Steven Anaya, RANM  
Thomas Briones, Attorney, Briones Business Consulting, P.C.  
Bruce Beebe, Senior VP, Wells Fargo Bank  
Ross Busby, VP, Bank of the West  
Luisa Casso, Director of Public Affairs and Communication, Coca-Cola Enterprises  
Adrian Chavez, Senior Food Service Representative, Pepsi Beverages Company  
Regina Chavez, Executive Dir, Creative Albuquerque  
Brad Clevenger, VP, Emcore  
Roger Cook, Retired, Intel Corporation  
Dale Dekker, Dekker/Perich/Sabatini, LTD  
Ed Garcia, President, Garcia Automotive Group  
David Grieves, Chavez Grieves Consulting Engineers Inc.  
Diane Harrison Ogawa, Executive Director, PNM Foundation  
Ann Lerner, Albuquerque City Film Office  
John Lewinger, CEO, Grubb & Ellis/New Mexico  
Linda M. López, President, López Consulting  
Natasha Martell, Community Programs Manager, Intel  
Sherman McCorkle, CEO, Sandia Science and Technology Park

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Dave Melton, Sacred Power Corporation  
Kirk Meyer, CFO, Don Chalmers Ford  
Janice Micali, Retired TVI Vice President Student Services  
Stuart Paisano, CEO, Paisano & Associates, LLC  
Peter Parnegg, Owner, Coldwell Banker Legacy  
JJ Parsons, VP Performance Excellence, Presbyterian  
Don Power, President and CEO, Jaynes Corporation  
Michael Ragsdale, CFO, U.S. New Mexico Federal Credit Union  
Nancy Salem, Publisher, New Mexico Business Weekly  
Jessie Salk, CEO, TriCore Reference Laboratories  
Angie Samperi-Baca, Market President, First Community Bank  
James Smith, President, Bank of America  
Ray Smith, President, Klinger Constructors  
Joseph Varro Jr., President & CEO, DSRM National Bank  
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**

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

We have audited the accompanying statements of net assets of Central New Mexico Community College Foundation, Inc. (Foundation), a component unit of Central New Mexico Community College as of June 30, 2011 and 2010, 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 financial position of the Central New Mexico Community College Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its 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 October 31, 2011, 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 audits were conducted for the purpose of forming opinions on the 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.

October 31, 2011

**CENTRAL NEW MEXICO COMMUNITY COLLEGE  
FOUNDATION, INC.**  
(A Component Unit of Central New Mexico Community College)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2011 and 2010

**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, 2011 and 2010, 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  
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Management's Discussion and Analysis (Unaudited)  
June 30, 2011 and 2010

**Condensed Financial Information**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 677,016	310,350	411,015
Noncurrent assets	6,515,894	4,216,312	3,511,936
Total assets	<u>\$ 7,192,910</u>	<u>4,526,662</u>	<u>3,922,951</u>
Current liabilities	2,252,321	147,764	87,415
Noncurrent liabilities	—	—	—
Total liabilities	<u>2,252,321</u>	<u>147,764</u>	<u>87,415</u>
Net assets:			
Unrestricted	(66,729)	(260,218)	(539,298)
Restricted	5,007,318	4,639,116	4,374,834
Total net assets	<u>4,940,589</u>	<u>4,378,898</u>	<u>3,835,536</u>
Total liabilities and net assets	<u>\$ 7,192,910</u>	<u>4,526,662</u>	<u>3,922,951</u>
Operating revenues:			
Gifts and pledges	\$ 681,372	454,578	1,890,087
Grant revenue	795,075	631,203	18,222
Total operating revenues	<u>1,476,447</u>	<u>1,085,781</u>	<u>1,908,309</u>
Operating expenses:			
Contributions to CNM:			
Scholarships	294,624	170,475	373,406
Program support	1,189,862	673,451	967,587
Equipment and supplies	38,605	28,026	183,228
Fund raising	97,987	91,222	67,749
General and administrative	18,297	21,108	22,561
Salary support	—	69,778	59,027
Uncollectible pledges	(352)	(5,232)	5,480
Total operating expenses	<u>1,639,023</u>	<u>1,048,828</u>	<u>1,679,038</u>
Operating income (loss)	<u>(162,576)</u>	<u>36,953</u>	<u>229,271</u>
Nonoperating revenues (expenses):			
Investment income	707,840	402,651	(748,447)
Investment management fees	(44,250)	(24,306)	(27,050)
Total nonoperating revenues (expenses)	<u>663,590</u>	<u>378,345</u>	<u>(775,497)</u>
Contributions to permanent endowments:			
Gifts and pledges	60,677	128,064	15,773
Change in net assets	561,691	543,362	(530,453)
Net assets, beginning of year	4,378,898	3,835,536	4,365,989
Net assets, end of year	<u>\$ 4,940,589</u>	<u>4,378,898</u>	<u>3,835,536</u>

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

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

**Financial Analysis**

The Foundation's total assets at June 30, 2011 of \$7,192,910 represent an increase of 59% from the previous year total of \$4,526,662 and total liabilities of \$2,252,321 resulting in net assets of \$4,940,589, an increase of \$561,691 from the previous year net assets of \$4,378,898. 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, 2011 was \$6,515,894 which included money market mutual funds and certificates of deposits of \$575,456, classified as cash and cash equivalents in the statements of net assets.

The Foundation's total assets at June 30, 2010 of \$4,526,662 represented an increase of 15% from the previous year total of \$3,922,951 and total liabilities of \$147,764 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 fair value of investments at June 30, 2010 was \$4,209,482 which included money market mutual funds of \$664,803, classified as cash and cash equivalents in the statements of net assets.

Contributions to permanent endowments including gifts and pledges in 2011 were \$60,677. Total operating revenue and contributions to unrestricted and temporarily restricted funds, which includes donations, pledges, and noncash revenue, were \$1,476,447 for the fiscal year ended June 30, 2011.

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.

The Foundation continues to support CNM programs such as 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.

During 2011, the Foundation received two of the largest single grants made to the Foundation in its 20-year history from the Kellogg Foundation (\$1,282,722) and the Kresge Foundation (\$900,000) to expand "CNM Connect," an innovative new model aimed at more thoroughly connecting students to the support services that can increase their chances for success.

For the fiscal years ended June 30, 2011 and 2010, non-operating revenues, which include interest and dividends, unrealized and realized gains or losses on investments, and investment management fees, were



**CENTRAL NEW MEXICO COMMUNITY COLLEGE  
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Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

\$663,590 and \$378,345, respectively. Approximately 91.6% and 93.3% of the Foundation's assets are held as investments in 2011 and 2010, respectively. The Foundation's stated goal of CPI + 5% was 8.81% for the fiscal year. The markets in fiscal year 2011 were kinder to the Foundation than in the prior year. The investments' net rate of return for fiscal years 2011 and 2010 was 14.5% and 10.1%, respectively. During FY11, the foundation restructured the investment portfolio to better match the intent of funds and provide for maximized earnings where possible.

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 has declined by ten percent for FY12 and declined approximately twenty percent over the past three years.

The recent recession continues to impact philanthropy in New Mexico, including the Foundation, in that donors are being more conservative in their giving. However, investment earnings are reflecting positive returns and continuing to stabilize. It is anticipated that this pattern will continue over the next year. The Foundation continues 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  
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(A Component Unit of Central New Mexico Community College)

Statements of Net Assets

June 30, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
<b>Current assets:</b>		
Cash and cash equivalents – unrestricted (note 2)	\$ —	44,143
Cash and cash equivalents – restricted (note 2)	528,345	208,791
Grants receivable – restricted	—	13,779
Pledges receivable – unrestricted, net (note 3)	2,248	6,647
Pledges receivable – restricted, net (note 3)	14,136	20,123
Other receivable – unrestricted	14,675	15,828
Other receivable – restricted	117,612	1,039
Total current assets	677,016	310,350
<b>Noncurrent assets:</b>		
Cash and cash equivalents – restricted (note 2)	575,456	664,803
Investments – restricted (note 2)	5,940,438	3,544,679
Pledges receivable – restricted, net (note 3)	—	6,830
Total noncurrent assets	6,515,894	4,216,312
Total assets	\$ 7,192,910	4,526,662
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Cash overdraft - unrestricted (note 2)	\$ 80,666	—
Accounts payable	174,571	15,359
Due to CNM	48,415	38,890
Deferred revenue	1,948,669	93,515
Total liabilities	2,252,321	147,764
<b>Net assets:</b>		
Unrestricted	(66,729)	(260,218)
Restricted, expendable	2,202,097	2,147,630
Restricted, unexpendable	2,805,221	2,491,486
Total net assets	4,940,589	4,378,898
Total liabilities and net assets	\$ 7,192,910	4,526,662

See accompanying notes to financial statements.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE  
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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Gifts and pledges	\$ 681,372	454,578
Grant revenue	795,075	631,203
Total operating revenues	<u>1,476,447</u>	<u>1,085,781</u>
Operating expenses:		
Contributions to CNM:		
Scholarships	294,624	170,475
Program support	1,189,862	673,451
Equipment and supplies	38,605	28,026
Fund-raising	97,987	91,222
General and administrative (note 4)	18,297	21,108
Salary support	—	69,778
Uncollectible pledges	(352)	(5,232)
Total operating expenses	<u>1,639,023</u>	<u>1,048,828</u>
Operating income (loss)	<u>(162,576)</u>	<u>36,953</u>
Nonoperating revenues (expenses):		
Investment income	707,840	402,651
Investment management fees and taxes	(44,250)	(24,306)
Net nonoperating revenues (expenses)	<u>663,590</u>	<u>378,345</u>
Income before contributions to permanent endowments	501,014	415,298
Contributions to permanent endowments:		
Gifts and pledges	<u>60,677</u>	<u>128,064</u>
Change in net assets	561,691	543,362
Net assets, beginning of year	<u>4,378,898</u>	<u>3,835,536</u>
Net assets, end of year	<u>\$ 4,940,589</u>	<u>4,378,898</u>

See accompanying notes to financial statements.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE  
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Statements of Cash Flows  
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 3,208,923	1,410,317
Cash paid to beneficiaries and vendors for scholarships	(97,987)	(78,305)
Cash paid to CNM for scholarships and program support	(1,315,750)	(890,009)
Cash paid for operating expenses	(18,297)	(90,886)
Net cash provided by (used in) operating activities	<u>1,776,889</u>	<u>351,117</u>
Cash flows from noncapital financing activities:		
Donations and pledges	<u>60,677</u>	<u>128,064</u>
Cash flows from investing activities:		
Proceeds from sale or maturity of investments	4,127,223	2,174,490
Purchases of investments	(5,945,026)	(2,210,617)
Interest and dividends received	129,885	115,764
Investment management fees	(44,250)	(24,306)
Net cash (used in) provided by investing activities	<u>(1,732,168)</u>	<u>55,331</u>
Net increase in cash and cash equivalents	105,398	534,512
Cash and cash equivalents, beginning of year	<u>917,737</u>	<u>383,225</u>
Cash and cash equivalents, end of year	<u>\$ 1,023,135</u>	<u>917,737</u>
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (162,576)	36,953
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Change in:		
Grants receivable	13,779	(3,542)
Pledges receivable	17,216	255,926
Other receivable	(115,420)	1,431
Accounts payable	159,212	12,916
Due to CNM	9,525	(46,082)
Deferred revenue	1,855,153	93,515
Total adjustments	<u>1,939,465</u>	<u>314,164</u>
Net cash provided by (used in) operating activities	<u>\$ 1,776,889</u>	<u>351,117</u>
Supplemental disclosure of noncash transactions:		
Contributions of equipment and supplies	\$ 38,605	28,026
Distributions to CNM of equipment and supplies	\$ (38,605)	(28,026)
Change in fair value of investments	\$ 2,395,759	323,014

See accompanying notes to financial statements.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE  
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Notes to Financial Statements

June 30, 2011 and 2010

**(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

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Notes to Financial Statements

June 30, 2011 and 2010

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the 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 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 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, 2011, the Foundation's endowment portfolio was no longer impacted by the financial market crisis, thus none of the endowment accounts were "underwater." Asset values of underwater accounts are less than the permanent endowment contributions, due to allocated investment losses. As of June 30, 2011 the value of the Foundation's endowment portfolio was \$3,216,364 and the permanent endowment contributions were \$2,805,221.

**(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

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Notes to Financial Statements

June 30, 2011 and 2010

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.

**(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 Foundation'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 restricted revenues. Resources received in advance where all eligibility requirements have been met are recorded as revenues when received. Deferred revenue at June 30, 2011 and 2010 are \$1,948,669 and \$93,515, respectively.

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

(A Component Unit of Central New Mexico Community College)

Notes to Financial Statements

June 30, 2011 and 2010

**(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 2011 and 2010; therefore, no provision for income taxes is included in the financial statements.

**(2) Cash and Investments**

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

	<b>2011</b>	<b>2010</b>
Cash, including money market accounts	\$ 1,023,135	917,737
Federal agency obligations	1,707,845	836,155
Corporate obligations	605,082	317,974
Certificates of deposits	1,087,530	-
Marketable securities	2,539,981	2,390,550
	\$ 6,963,573	4,462,416

Included in investment income in the statements of revenues, expenses, and changes in net assets at June 30, 2011 are realized gains of \$164,069 and realized gains of \$98,785 at June 30, 2010.

**(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, 2011, the portfolio



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consisted of 19.42% 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.

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

<u>Asset class</u>	<u>Minimum</u>	<u>Maximum</u>
<b>Equities</b>	20%	70%
Value stocks	35	65
Growth stocks	35	65
International	5	25
<b>Bonds</b>	20	70
<b>Cash and equivalents</b>	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, 2011, the Foundation's bank balance was \$460,113 which was covered by federal depository (FDIC) insurance.

The balance of the money market mutual funds accounts at June 30, 2011 was \$200,640. Money market mutual funds are short-term investments that are classified as cash equivalents.

The balance of the certificates of deposit at June 30, 2011 was \$1,462,346. Certificates of deposit are insured by FDIC up to \$250,000 per account, per depository institution. All certificates of deposit at June 30, 2011 were maintained under the FDIC insurance limit per account and per depository institution. Certificates of deposits that mature within 90 days are classified as cash equivalents and certificates of deposits with a maturity of 90 days or more are classified as investments.

At June 30, 2010, the Foundation's bank balance was \$352,978 which was covered by FDIC insurance.

The balance of the money market mutual fund accounts at June 30, 2010 was \$664,803. Money market mutual funds are short-term investments that are classified as cash equivalents.

There were no outstanding certificates of deposit at June 30, 2010.

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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. Money market mutual funds and external investment pools are not exposed to credit risk.

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.

(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, 2011 and 2010. (See schedule 1 for details)

	<b>Rating</b>	<b>2011 Fair value</b>	<b>2010 Fair value</b>
Federal agency obligations			
Federal Home Loan Mortgage Corp.	AAA	\$ 252,168	182,082
Federal National Mortgage Assoc.	AAA	190,532	98,038
US Treasury Notes	AAA	659,020	556,035
US Treasury Bonds	AAA	181,565	-
US Treasury Bills	AAA	424,560	-
		<u>1,707,845</u>	<u>836,155</u>
Corporate obligations			
Corporate bonds	AA+	122,465	45,108
Corporate bonds	AA	59,657	45,159
Corporate bonds	A+	119,443	43,983
Corporate bonds	A	122,805	183,724
Corporate bonds	A-	180,712	-
		<u>605,082</u>	<u>317,974</u>
Total rated securities		<u>\$ 2,312,927</u>	<u>1,154,129</u>

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(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.

<b>2011</b>				
Investment type	Fair value	Investment maturities		
		Less than 1 year	1-5 years	5 years +
Federal agency obligations	\$ 1,707,845	544,574	861,648	301,623
Corporate obligations	\$ 605,082	-	292,766	312,316

<b>2010</b>				
Investment type	Fair value	Investment maturities		
		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

(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, 2011, the Foundation had 19.42% of the portfolio in U.S. Treasuries which is allowed by the Investment Policy Statement (IPS). As of June 30, 2010, the Foundation had investments in U.S. Treasuries totaling 13.21% of the investment portfolio, which exceeds the 5% limitation of the IPS but is allowed under Section G. *Temporary Infraction Exception*.

(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, 2011 and 2010, the Foundation held no international obligations.

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**(3) Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Amounts due in less than one year	\$ 16,761	27,366
Amounts due in more than one year	—	7,000
Total pledges receivable	16,761	34,366
Less discounts to net present value	42	79
Less allowance for doubtful pledges	335	687
Pledges receivable, net	\$ <u>16,384</u>	<u>33,600</u>
Less current portion	<u>16,384</u>	<u>26,770</u>
	\$ <u>—</u>	<u>6,830</u>

Noncurrent pledges receivable are discounted at the U.S. Treasury Bill 90-day rate of 0.250% and 0.180% for the years ended June 30, 2011 and 2010, respectively.

**(4) General and Administrative Expenses**

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

	<u>2011</u>	<u>2010</u>
Board expenses	\$ 10,112	12,929
Printing and publication	6,262	3,914
Insurance expense	1,421	1,353
Bank charges	398	1,368
Taxes and Fees	10	11
Supplies and postage and shipping	94	1,533
	\$ <u>18,297</u>	<u>21,108</u>

**CENTRAL NEW MEXICO COMMUNITY COLLEGE  
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Notes to Financial Statements

June 30, 2011 and 2010

**(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 2011 and 2010, members of the board of directors made new gifts and pledges to the Foundation totaling \$13,403 and \$27,669, respectively. At June 30, 2011 and 2010, the Foundation had \$2,752 and \$5,999, respectively, of pledges receivable due from various members of the board of directors.

**(6) 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, 2011.

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

**CENTRAL NEW MEXICO COMMUNITY COLLEGE FOUNDATION, INC.**  
**SCHEDULE OF CASH AND INVESTMENTS**  
**BY BANK AND ACCOUNT**  
**As of June 30, 2011**

Schedule 1

<u>Account Name</u>	<u>Account Type</u>		<u>MorganStanley SmithBarney</u>	<u>Wells Fargo</u>	<u>Book Balance</u>
<b>Cash, including money market mutual funds</b>					
Business Checking	Checking		\$ -	289,737	277,303
Business Saving	Saving		-	170,376	170,376
Certificates of Deposits	Certificates of Deposit	29819-10	374,816	-	374,816
Money Market Mutual Funds	Money market	29819-10	18,203	-	18,203
Money Market Mutual Funds	Money market	32809-16	14,572	-	14,572
Money Market Mutual Funds	Money market	35133-16	6,060	-	6,060
Money Market Mutual Funds	Money market	35134-15	29,378	-	29,378
Money Market Mutual Funds	Money market	36356-14	18,537	-	18,537
Money Market Mutual Funds	Money market	36357-13	2,460	-	2,460
Money Market Mutual Funds	Money market	36373-13	1,239	-	1,239
Money Market Mutual Funds	Money market	36381-13	14,967	-	14,967
Money Market Mutual Funds	Money market	36382-12	68,157	-	68,157
Money Market Mutual Funds	Money market	36383-11	8,935	-	8,935
Money Market Mutual Funds	Money market	36384-10	10,956	-	10,956
Money Market Mutual Funds	Money market	36385-19	4,404	-	4,404
Money Market Mutual Funds	Money market	36388-16	2,772	-	2,772
Total cash and cash equivalents			<u>575,456</u>	<u>460,113</u>	<u>1,023,135</u>
<b>Federal Agency Obligations</b>					
<b>Credit Rating: AAA</b>					
Federal National Mtg Assn			190,532	-	190,532
Federal Home Loan Mtg Corp			252,168	-	252,168
US Treasury Notes			659,020	-	659,020
US Treasury Bonds			181,565	-	181,565
US Treasury Bills			424,560	-	424,560
Mortgage backed securities			<u>1,707,845</u>	-	<u>1,707,845</u>
<b>Corporate Obligations</b>					
<b>Credit Rating: AA+</b>					
General Electric Cap Corp			122,465	-	122,465
<b>Credit Rating: AA</b>					
Pfizer Inc			59,657	-	59,657
<b>Credit Rating: A+</b>					
Bear Stearns COS Inc			49,318	-	49,318
JPMorgan Chase & Co			59,269	-	59,269
Wachovia Corp			10,856	-	10,856
<b>Credit Rating: A</b>					
Bank of America NA			52,631	-	52,631
Conoco Inc			59,514	-	59,514
JPMorgan Chase & Co			10,660	-	10,660
<b>Credit Rating: A-</b>					
Bellsouth Telecommunication			59,492	-	59,492
Dell Inc			11,090	-	11,090
Verizon Communications Inc			110,130	-	110,130
Corporate bonds			<u>605,082</u>	-	<u>605,082</u>
<b>Certificates of Deposit</b>			<u>1,087,530</u>	-	<u>1,087,530</u>
<b>Marketable securities</b>					
Mutual funds			353,399	-	353,399
Stocks			2,186,582	-	2,186,582
Total mutual funds and stocks			<u>2,539,981</u>	-	<u>2,539,981</u>
Total			<u>\$ 6,515,894</u>	<u>460,113</u>	<u>6,963,573</u>

See accompanying independent auditors report.



**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***

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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. (Foundation) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

October 31, 2011



**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**

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*Financial Statements*

<u>Type of auditors' report issued:</u>	<u>Unqualified</u>
Internal control over financial reporting: Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No
Other matters as required by New Mexico State Statute, 12-6-5, NMSA 1978.	No

**Section B - Financial Statement Findings**

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**None**

**Section C - Status of Prior Year Findings**

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		Current Status
10-1	Deferred Revenue	Resolved
10-2	Contributions	Resolved
10-3	Grant reporting	Resolved

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

A closing conference was held on October 20, 2011, 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*

Kathy Ulibarri	Foundation Treasurer
Barbara Lewis	Foundation Board Member
Joseph Varro Jr.	Foundation Board Member
Lisa McCulloch	Executive Director
Anna Sanchez	Director of Development and Alumni Affairs
Wanda Helms	Director of Contracts and Grants
Brenda Martinez	Grants & Operations Coordinator
Allen Leatherwood	Director of Internal Auditors
DayshaTrujillo	Development Coordinator

*Representing Kardas, Abeyta & Weiner P.C.*

Amy Cherne	Principal
Sean Weiner	Principal