

**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, 2012 and 2011
(With Independent Auditors' Reports Thereon)



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

**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, 2012

Diane Harrison Ogawa, President

Kathy Ulibarri, Treasurer

Ross Busby, President Elect/Vice President

Lisa McCulloch, Secretary

Sally Adams, General Mgr, Clear Channel Outdoor

Ian Anderson, New Mexico Business Weekly

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

Gina Euell, Exhibit Solutions of NM

Ed Garcia, President, Garcia Automotive Group

Mark Gorham, Lorelei Investment

David Grieves, Chavez Grieves Consulting Engineers Inc.

Ann Lerner, Albuquerque City Film Office

John Lewinger, CEO, Grubbs & Ellis/New Mexico

Linda M. López, President, López Consulting

Natasha Martell, Community Programs Manager, Intel

Sherman McCorkle, CEO, Sandia Science and Technology Park

Dave Melton, Sacred Power Corporation

Kirk Meyer, CFO, Don Chalmers Ford

Janice Micali, Retired TVI Vice President Student Services

Diane Harrison Ogawa, PNM Resources Foundation

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

Jessie Salk, CEO, TriCore Reference Laboratories

Ray Smith, President, Klinger Constructors

Amy Tapia, Sandia National Laboratories

Joseph Varro Jr., President & CEO, DSRM National Bank

Kathie Winograd, President, CNM

Kathy Ulibarri, Vice President Finance and Operations

Lisa McCulloch, Executive Director, CNM Foundation



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial 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, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows as of and 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 opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 previously present fairly, in all material respects, the respective financial position of the Central New Mexico Community College Foundation, as of June 30, 2012 and 2011, and the respective changes in its net assets and its cash flows, for the years 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 1, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our requires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The additional schedule listed as "schedule of cash and Investments" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A beyta, Weiner & Cherne, P. C.

November 1, 2012

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
FOUNDATION, INC.**
(A Component Unit of Central New Mexico Community College)
Management's Discussion and Analysis (Unaudited)
June 30, 2012 and 2011

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, 2012 and 2011, 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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(A Component Unit of Central New Mexico Community College)

Management's Discussion and Analysis (Unaudited)

June 30, 2012 and 2011

Condensed Financial Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 661,420	677,016	310,350
Noncurrent assets	5,239,008	6,515,894	4,216,312
Total assets	<u>\$ 5,900,428</u>	<u>7,192,910</u>	<u>4,526,662</u>
Current liabilities	\$ 453,389	2,252,321	147,764
Noncurrent liabilities	—	—	—
Total liabilities	<u>\$ 453,389</u>	<u>2,252,321</u>	<u>147,764</u>
Net assets:			
Unrestricted	\$ 17,919	(66,729)	(260,218)
Restricted	5,429,120	5,007,318	4,639,116
Total net assets	<u>5,447,039</u>	<u>4,940,589</u>	<u>4,378,898</u>
Total liabilities and net assets	<u>\$ 5,900,428</u>	<u>7,192,910</u>	<u>4,526,662</u>
Operating revenues:			
Gifts and pledges	\$ 814,896	681,372	454,578
Grant revenue	1,879,736	795,075	631,203
Total operating revenues	<u>2,694,632</u>	<u>1,476,447</u>	<u>1,085,781</u>
Operating expenses:			
Contributions to CNM:			
Scholarships	268,520	294,624	170,475
Program support	2,389,227	1,189,862	673,451
Equipment and supplies	32,989	38,605	28,026
Fund raising	74,386	97,987	91,222
General and administrative	23,639	18,297	21,108
Salary Support	—	—	69,778
Uncollectible pledges	2,801	(352)	(5,232)
Total operating expenses	<u>2,791,562</u>	<u>1,639,023</u>	<u>1,048,828</u>
Operating income (loss)	<u>(96,930)</u>	<u>(162,576)</u>	<u>36,953</u>
Nonoperating revenues (expenses):			
Investment income	75,359	707,840	402,651
Investment management fees	(50,442)	(44,250)	(24,306)
Total nonoperating revenues (expenses)	<u>24,917</u>	<u>663,590</u>	<u>378,345</u>
Contributions to permanent endowments:			
Gifts and pledges	578,463	60,677	128,064
Change in net assets	506,450	561,691	543,362
Net assets, beginning of year	4,940,589	4,378,898	3,835,536
Net assets, end of year	<u>\$ 5,447,039</u>	<u>4,940,589</u>	<u>4,378,898</u>

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

June 30, 2012 and 2011

Financial Analysis

The Foundation's total assets at June 30, 2012 of \$5,900,428 represent a decrease of 18% from the previous year total of \$7,192,910 and decreased total liabilities of \$453,389 resulting in net assets of \$5,447,039, an increase of \$506,450 from the previous year net assets of \$4,940,589. The increase in net assets occurred primarily due to an increase in endowment corpus donations that was part of the fundraising goal to increase the value of the Foundation's endowments by one million dollars. 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, 2012 was \$5,164,586 which included money market mutual funds and certificates of deposits of \$859,658, classified as cash and cash equivalents in the statements of net assets.

The Foundation's total assets at June 30, 2011 of \$7,192,910 represented an increase of 59% from the previous year total of \$4,526,662 and increased 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 fair value of investments at June 30, 2011 was \$6,515,894 which included money market mutual funds of \$575,456, classified as cash and cash equivalents in the statements of net assets.

Contributions to permanent endowments including gifts and pledges in 2012 were \$578,463. Total operating revenue and contributions to unrestricted and temporarily restricted funds, which includes donations, pledges, and noncash revenue, were \$2,694,632 for the fiscal year ended June 30, 2012.

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.

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

In July 2012, the Foundation embarked on a three-year naming rights fundraising campaign with a potential to raise ten million dollars during the campaign.

For the fiscal years ended June 30, 2012 and 2011, non-operating revenues, which include interest and dividends, unrealized and realized gains or losses on investments, and investment management fees, were \$24,917 and \$663,590, respectively. Approximately 87.5% and 91.6% of the Foundation's assets are held as

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Management's Discussion and Analysis (Unaudited)
June 30, 2012 and 2011

investments in 2012 and 2011, respectively. The Foundation's stated goal of CPI + 5% was 7.4% for the fiscal year. The investments' net rate of return for fiscal years 2012 and 2011 was (1.64%) and 14.5% respectively.

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 state government. In FY 2012, state appropriations decreased \$4.8 million, a revenue reduction of (10.0%). However, state appropriations increased by 10.8% for FY 2013 when compared to FY 2012. In aggregate, state appropriation revenue has recovered to the FY 2011 level.

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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Statement of Net Assets

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents – unrestricted (note 2)	\$ 18,645	—
Cash and cash equivalents – restricted (note 2)	543,469	528,345
Grants receivable – restricted	—	—
Pledges receivable – unrestricted, net (note 3)	2,650	2,248
Pledges receivable – restricted, net (note 3)	76,465	14,136
Other receivable – unrestricted	7,414	14,675
Other receivable – restricted	12,777	117,612
Total current assets	661,420	677,016
Noncurrent assets:		
Cash and cash equivalents – restricted (note 2)	859,658	575,456
Investments – restricted (note 2)	4,304,928	5,940,438
Pledges receivable – restricted, net (note 3)	74,422	—
Total noncurrent assets	5,239,008	6,515,894
Total assets	\$ 5,900,428	7,192,910
Liabilities and Net Assets		
Current liabilities:		
Cash Overdraft - unrestricted (note 2)	\$ —	80,666
Accounts payable	6,579	174,571
Due to CNM	117,002	48,415
Deferred revenue	329,808	1,948,669
Total liabilities	453,389	2,252,321
Net assets:		
Unrestricted	17,919	(66,729)
Restricted, expendable	1,651,091	2,202,097
Restricted, unexpendable	3,778,029	2,805,221
Total net assets	5,447,039	4,940,589
Total liabilities and net assets	\$ 5,900,428	7,192,910

See accompanying notes to financial statements.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
FOUNDATION, INC.**
(A Component Unit of Central New Mexico Community College)
Schedule of Revenues, Expenses, and Changes in Net Assets
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Gifts and pledges	\$ 814,896	681,372
Grant revenue	<u>1,879,736</u>	<u>795,075</u>
Total operating revenues	<u>2,694,632</u>	<u>1,476,447</u>
Operating expenses:		
Contributions to CNM:		
Scholarships	268,520	294,624
Program support	2,389,227	1,189,862
Equipment and supplies	32,989	38,605
Fund-raising	74,386	97,987
General and administrative (note 4)	23,639	18,297
Uncollectible pledges	<u>2,801</u>	<u>(352)</u>
Total operating expenses	<u>2,791,562</u>	<u>1,639,023</u>
Operating income (loss)	<u>(96,930)</u>	<u>(162,576)</u>
Non-operating revenues (expenses):		
Investment income	75,359	707,840
Investment management fees and taxes	<u>(50,442)</u>	<u>(44,250)</u>
Total non-operating revenues	<u>24,917</u>	<u>663,590</u>
Contributions to permanent endowments:		
Gifts and pledges	<u>578,463</u>	<u>60,677</u>
Change in net assets	506,450	561,691
Net assets, beginning of year	<u>4,940,589</u>	<u>4,378,898</u>
Net assets, end of year	<u>\$ 5,447,039</u>	<u>4,940,589</u>

See accompanying notes to financial statements.

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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Statement of Cash Flows

June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 1,014,924	3,208,923
Cash paid to beneficiaries and vendors for scholarships	(74,386)	(97,987)
Cash paid to CNM for scholarships and program support	(2,757,152)	(1,315,750)
Cash paid for operating expenses	(23,639)	(18,297)
Net cash provided by (used in) operating activities	(1,840,253)	1,776,889
Cash flows from noncapital financing activities:		
Donations and pledges	578,463	60,677
Cash flows from investing activities:		
Proceeds from sale or maturity of investments	3,826,680	4,127,223
Purchases of investments	(2,271,573)	(5,945,026)
Interest and dividends received	155,762	129,885
Investment management fees	(50,442)	(44,250)
Net cash (used in) provided by investing activities	1,660,427	(1,732,168)
Net increase in cash and cash equivalents	398,637	105,398
Cash and cash equivalents, beginning of year	1,023,135	917,737
Cash and cash equivalents, end of year	\$ 1,421,772	1,023,135
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (96,930)	(162,576)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Change in:		
Grants receivable	-	13,779
Pledges receivable	(137,153)	17,216
Other receivable	112,096	(115,420)
Account payable	(167,992)	159,212
Due to CNM	68,587	9,525
Deferred revenue	(1,618,861)	1,855,153
Total adjustments	(1,743,323)	1,939,465
Net cash provided by (used in) operating activities	\$ (1,840,253)	1,776,889
Supplemental disclosure of noncash transactions:		
Contributions of equipment and supplies	\$ 32,989	38,605
Distributions to CNM of equipment and supplies	(32,989)	(38,605)
Change in fair value of investments	(1,686,803)	2,395,759

See accompanying notes to financial statements.

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

June 30, 2012 and 2011

(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.

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Notes to the Financial Statements

June 30, 2012 and 2011

(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 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.

In the fiscal year ending June 30, 2012, the Foundation's endowment portfolio was impacted by a market decline late in the fiscal year, thus some 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, 2012 the value of the Foundation's endowment portfolio was \$3,930,972 and the permanent endowment contributions were \$3,651,441.

(f) ***Agreements***

An agreement between the Foundation and the College was entered into on December 2, 1991, and most recently amended on April, 10, 2012. 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,

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Notes to the Financial Statements

June 30, 2012 and 2011

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.

(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. Grants and other contributions of cash and other assets are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. Contributions of donated noncash assets are recorded at their estimated fair values in the period received.

The Foundation 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.

(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 and donor/grantor requires unspent funds are returned 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, 2012 and 2011 are \$329,808 and \$1,948,669, respectively.

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Notes to the Financial Statements

June 30, 2012 and 2011

(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 2012 and 2011; 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):

	<u>2012</u>	<u>2011</u>
Cash, including money market accounts	\$ 1,421,772	1,023,135
Federal agency obligations	983,956	1,707,845
Corporate obligations	719,139	605,082
Certificates of deposits	20,160	1,087,530
Marketable securities	2,581,673	2,539,981
	<u>\$ 5,726,700</u>	<u>6,963,573</u>

Included in investment income in the statements of revenues, expenses, and changes in net assets at June 30, 2012 are realized gains of \$23,165 and realized gains of \$164,069 at June 30, 2011.

(a) Investment Policy

Investment portfolio management is the responsibility of the Foundation's management. The Foundation's Finance and Investment Committee revised the investment policy which was approved in October 2011 by the Board of Directors.

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.

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The Foundation Investment Policy Statement (IPS) allows for the investment in U.S. Treasuries and U.S. Government backed securities. On June 30, 2012, the portfolio consisted of 12.4% 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 Endowment 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, 2012, the Foundation's bank balance was \$562,114 which was covered by federal depository (FDIC) insurance.

The balance of the money market mutual funds accounts at June 30, 2012 was \$859,658. Money market mutual funds are short-term investments that are classified as cash equivalents.

The balance of the certificates of deposit at June 30, 2012 was \$20,160. Certificates of deposit are insured by the federal depository (FDIC) insurance up to \$250,000 per account, per depository institution. Certificates of deposits that mature within 90 days are classified as cash equivalents.

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 fund 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.

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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, 2012 and 2011. (See schedule 1 for details)

	Rating	2012 Fair value	2011 Fair value
Federal agency obligations			
Federal Home Loan Mortgage Corp.	Aaa	\$ 208,369	252,168
Federal National Mortgage Assoc.	Aaa	135,014	190,532
US Treasury Notes	AA+	442,602	659,020
US Treasury Bonds	AA+	197,971	181,565
US Treasury Bills	AA+	-	424,560
		<u>983,956</u>	<u>1,707,845</u>
Corporate obligations			
Corporate bonds	AA+	125,310	122,465
Corporate bonds	AA	58,907	59,657
Corporate bonds	A+	58,651	119,443
Corporate bonds	A	175,092	122,805
Corporate bonds	A-	301,179	180,712
		<u>719,139</u>	<u>605,082</u>
		<u>1,703,095</u>	<u>2,312,927</u>
Total rated securities		\$ <u>1,703,095</u>	<u>2,312,927</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.

2012				
Investment type	Fair value	Investment maturities		
		Less than 1 year	1-5 years	5 years +
Federal agency obligations	\$ 983,956	-	600,888	383,068
Corporate obligations	719,139	51,157	237,160	430,822

2011				
Investment type	Fair value	Investment maturities		
		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

(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, 2012 the Foundation had 12.4% of the portfolio in U.S. Treasuries which is allowed by the Investment Policy Statement (IPS). As of June 30, 2011, the Foundation had investments in U.S. Treasuries totaling 19.42% 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, 2012 and 2011, the Foundation held no international obligations.

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(3) Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Amounts due in less than one year	\$ 79,115	16,761
Amounts due in more than one year	<u>77,700</u>	<u>—</u>
Total pledges receivable	156,815	16,761
Less discounts to net present value	141	42
Less allowance for doubtful pledges	<u>3,137</u>	<u>335</u>
Pledges receivable, net	<u>\$ 153,537</u>	<u>16,384</u>
Less current portion		
Current Unrestricted	2,650	2,248
Current Restricted	<u>76,465</u>	<u>14,136</u>
	<u>79,115</u>	<u>16,384</u>
Noncurrent Assets: Pledges receivable, Restricted	<u>\$ 74,422</u>	<u>—</u>

Noncurrent pledges receivable are discounted at the U.S. Treasury Bill 90-day rate of 0.09% and 0.250% for the years ended June 30, 2012 and 2011, respectively.

(4) General and Administrative Expenses

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

	<u>2012</u>	<u>2011</u>
Board expenses	\$ 9,916	10,112
Printing and publication	10,205	6,262
Insurance expense	1,520	1,421
Bank charges	904	398
Taxes and Fees	0	10
Supplies and postage and shipping	<u>1,094</u>	<u>94</u>
	<u>\$ 23,639</u>	<u>18,297</u>

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June 30, 2012 and 2011

(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 2012 and 2011, members of the board of directors made new gifts and pledges to the Foundation totaling \$45,964 and \$13,403, respectively. At June 30, 2012 and 2011, the Foundation had \$35,500 and \$2,752, 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, 2012.

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, 2012

Schedule 1

<u>Account Name</u>	<u>Account Type</u>	<u>MorganStanley SmithBarney</u>	<u>Wells Fargo</u>	<u>Book Balance</u>
Cash, including money market accounts				
Business Checking	Checking	\$ -	312,548	312,548
Business Saving	Saving	-	249,566	249,566
Money Market Mutual Funds	Money market	29819-10 206,317	-	206,317
Money Market Mutual Funds	Money market	32809-16 27,611	-	27,611
Money Market Mutual Funds	Money market	35133-16 7,671	-	7,671
Money Market Mutual Funds	Money market	35134-15 33,938	-	33,938
Money Market Mutual Funds	Money market	36356-14 281	-	281
Money Market Mutual Funds	Money market	36357-13 477,499	-	477,499
Money Market Mutual Funds	Money market	36373-13 784	-	784
Money Market Mutual Funds	Money market	36381-13 9,519	-	9,519
Money Market Mutual Funds	Money market	36382-12 38,982	-	38,982
Money Market Mutual Funds	Money market	36383-11 12,702	-	12,702
Money Market Mutual Funds	Money market	36384-10 14,116	-	14,116
Money Market Mutual Funds	Money market	36385-19 13,819	-	13,819
Money Market Mutual Funds	Money market	36388-16 16,419	-	16,419
Total amount of deposit in bank		<u>859,658</u>	<u>562,114</u>	<u>1,421,772</u>
Federal Agency Obligations				
	Credit Rating			
Federal National Mtg Assn	Aaa	135,014	-	135,014
Federal Home Loan Mtg Corp	Aaa	208,369	-	208,369
US Treasury Notes	AA+	442,602	-	442,602
US Treasury Bonds	AA+	197,971	-	197,971
Mortgage backed securities		<u>983,956</u>	<u>-</u>	<u>983,956</u>
Corporate Obligations				
	Credit Rating			
General Electric CAP Corp	AA+	113,633	-	113,633
General Electric S/F Deb -Reg	AA+	11,677	-	11,677
Pfizer Inc	AA	58,907	-	58,907
Wells Fargo & Co	A+	58,651	-	58,651
Bear Stearns COS Inc	A	48,832	-	48,832
Wachovia Corp Sub Notes	A	11,273	-	11,273
Conoco Inc	A	57,617	-	57,617
Bank of America	A-	51,293	-	51,293
JP Morgan Chase & Co	A	57,370	-	57,370
JP Morgan Chase & Co	A-	10,253	-	10,253
Verizon Communications Inc NTS	A-	52,706	-	52,706
Verizon Communications	A-	59,696	-	59,696
Dell Inc	A-	11,527	-	11,527
Bellsouth Telecommunication Global DTD	A-	56,590	-	56,590
Goldman Sachs Group Inc/The DTD	A-	59,114	-	59,114
Corporate bonds		<u>719,139</u>	<u>-</u>	<u>719,139</u>
Certificates of Deposit		<u>20,160</u>	<u>-</u>	<u>20,160</u>
Marketable securities				
Mutual Funds		274,362	-	274,362
Stocks		2,307,311	-	2,307,311
Total mutual funds and stocks		<u>2,581,673</u>	<u>-</u>	<u>2,581,673</u>
Total		<u>\$ 5,164,586</u>	<u>562,114</u>	<u>5,726,700</u>



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. (Foundation) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012. 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

Management of the Foundation is responsible for establishing and maintaining effective 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 a 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, Central New Mexico Community College, the New Mexico State Auditor and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

A. Beyta, Weiner & Cherna, P. C.

November 1, 2012

**CENTRAL NEW MEXICO COMMUNITY COLLEGE
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(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 reported?	No
Significant deficiencies reported 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

None

Section C - Status of Prior Year Findings

None

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Exit Conference

A closing conference was held on November 1, 2012, 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 the Governing Board of Central New Mexico Community College

Blair Kaufman	Audit Committee Chair
Mark Armijo	Governing Board Member
Janet Saiers	Governing Board Member

Representing Central New Mexico Community College

Katherine Ulibarri	Vice President of Finance and Operations
Philip Bustos	Vice President of Student Services
Wencui Yang	Business Office Accounting Director
Allen Leatherwood	Director of Internal Audit
Mark Lovato	Senior Staff Auditor

Representing Central New Mexico Community College Foundation

Joseph Varro Jr.	Foundation Board Member
Lisa McCulloch	Executive Director
Wanda Helms	Director of Contracts and Grants

Representing Abeyta, Weiner & Cherne, P.C.

Amy C. Cherne	Principal
Sean S. Weiner	Principal