

**UNIVERSITY OF NEW
MEXICO
FOUNDATION, INC.
(A Component Unit of the
University of New Mexico)**

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

Moss Adams LLP
6100 Uptown Blvd NE Suite 400
Albuquerque, New Mexico
(505) 878-7200

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(A Component Unit of the University of New Mexico)

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(A Component Unit of the University of New Mexico)

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THE UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)

Official Roster

June 30, 2009

Officers

Anne Yegge	Chair of the Board
John R. Stropp	UNM Foundation President
Gary L. Gordon	Vice Chair /Chair Elect
Sonnet McKinnon	Vice Chair of the Board (National)
Carl M. Alongi	Treasurer of the Board
Peter Johnstone	Secretary of the Board

Members

Carl Alongi	Peter Johnstone
Laura Hueter Bass	Yolanda Jones King, Ph.D.
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Michelle Coons	Ron Schneier
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Edward Foster	Ray Ziler
George Friberg	Orcilia Zuniga-Forbes
Gary Gordon, Esq.	

Independent Auditors' Report

Board of Trustees
University of New Mexico Foundation, Inc.
and
Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the University of New Mexico Foundation, Inc. (Foundation), a component unit of the University of New Mexico, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. We have also audited the budgetary comparison for operating fund expenditures for the year ended June 30, 2009. 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 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 above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009 and 2008 and the changes in its financial position, its cash flows for the years then ended and the budgetary comparison for the operating fund expenditures for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
University of New Mexico Foundation, Inc.
and
Hector H. Balderas
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009, 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 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Foundation taken as a whole. The supplementary information as listed in the table of contents is presented for additional analysis and is not a required part of the basic 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.

Moss Adams LLP

Albuquerque, New Mexico
October 9, 2009

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2009 and 2008

As a component unit of the University of New Mexico (UNM), the University of New Mexico Foundation, Inc. (Foundation) has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*.

Overview of the Basic Financial Statements

The Foundation's annual report consists of the Management's Discussion and Analysis (MD&A), which provides a broad narrative overview of its financial statements for the fiscal years ended June 30, 2009 and 2008 and the following which comprise the basic financial statements:

1. Balance Sheet, which presents information on the Foundation's assets and liabilities and resulting net assets.
2. Statement of Revenues, Expenses, and Changes in Net Assets, which provides information on the results of operations for the fiscal years.
3. Statement of Cash Flows, which presents information on changes in cash balances and identifies the source of cash flows resulting in those changes.
4. Notes to Financial Statements, which provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Financial Information

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 33,002,158	26,630,603	28,288,970
Noncurrent assets	<u>117,528,464</u>	<u>134,064,656</u>	<u>123,749,577</u>
Total assets	<u>150,530,622</u>	<u>160,695,259</u>	<u>152,038,547</u>
Current liabilities	690,721	460,140	351,985
Noncurrent liabilities	<u>2,766,090</u>	<u>2,547,631</u>	<u>1,634,457</u>
Total liabilities	<u>3,456,811</u>	<u>3,007,771</u>	<u>1,986,442</u>
Net assets			
Unrestricted	2,552,752	2,574,456	1,010,572
Restricted	<u>141,521,059</u>	<u>155,113,032</u>	<u>149,041,533</u>
Total net assets	<u>147,073,811</u>	<u>157,687,488</u>	<u>150,052,105</u>
Total liabilities and net assets	<u>\$150,530,622</u>	<u>160,695,259</u>	<u>152,038,547</u>

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2009 and 2008

Condensed Financial Information (Continued)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues			
Donations and pledges, net	\$ 28,833,858	22,992,282	20,909,962
Operational support for management services	6,862,521	4,338,881	4,056,741
Non-gift revenue	920,808	753,626	649,211
Total operating revenues	<u>36,617,187</u>	<u>28,084,789</u>	<u>25,615,914</u>
Operating expenses			
General and administrative	8,354,242	5,259,189	4,586,956
Distributions to UNM	22,871,171	32,183,259	23,263,099
Distribution to other organizations	-	-	176
Total operating expenses	<u>31,225,413</u>	<u>37,442,448</u>	<u>27,850,231</u>
Operating income (loss)	5,391,774	(9,357,659)	(2,234,317)
Nonoperating revenue			
Investment (loss) income, net	<u>(23,771,385)</u>	2,811,404	19,571,802
(Loss) income before contributions to permanent endowments	(18,379,611)	(6,546,255)	17,337,485
Contributions to permanent endowments	<u>7,765,934</u>	14,181,638	15,721,756
Change in net assets	(10,613,677)	7,635,383	33,059,241
Net assets, beginning of year	<u>157,687,488</u>	150,052,105	116,992,864
Net assets, end of year	<u>\$147,073,811</u>	<u>157,687,488</u>	<u>150,052,105</u>

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2009 and 2008

Financial Analysis

- At June 30, 2009, the Foundation's total assets are \$150,530,622, which represents a decrease of 6.3% over June 30, 2008 total assets of \$160,695,259. At June 30, 2008, the Foundation's total assets are \$160,695,259, a 5.7% increase over the \$152,038,547 in total assets held at June 30, 2007.
- Net assets also decreased to \$147,073,811 at June 30, 2009, a decrease of \$10,613,677 or 6.7% over the previous year net assets of \$157,687,488 at June 30, 2008. This decrease in net assets in fiscal year 2009 reduced the \$7,635,383 or 5.1% gain achieved in fiscal year 2008. The net assets at June 30, 2007 are \$150,052,105.
- The decrease in both total assets and net assets were the result of investment losses in excess of total gifts received for the fiscal year ended June 30, 2009.
- The market value of the CIF at June 30, 2009 under investment is \$259 million. The market value of the CIF at June 30, 2009 including funds held for the benefit of UNM is \$268 million, a decrease of approximately \$62 million over the June 30, 2008 market value of \$330 million. Net capital additions decreased to \$13.3 million from the prior year's \$22.7 million, a \$9.4 million decrease.
- Realized losses in the CIF were \$12.7 million and unrealized losses in the CIF were \$58.3 million. The CIF had a negative return of 20.5%, underperforming a policy index of negative 15.5%. During the same period U.S. and International Equity markets experienced negative returns of 26.4% and 30.9% respectively.
- Spending distributions from the CIF to UNM departments were \$6.4 million, a decrease of \$7.6 million or 54.4% from \$14.0 million distribution in the prior year. The decrease was due to spending distribution limitations in the Uniform Management of Institutional Funds Act (UMIFA). UMIFA was superseded by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as of July 1, 2009. An additional \$8.4 million of spending distribution was delivered to UNM in July and August consistent with the enactment of UPMIFA, see note 13 for more detail. The total value of funds received by UNM from the CIF was \$14.8 million. Some spending distribution from state matching fund endowments (approximately \$551,000) has not been made available because the authorizing legislation does not allow for a distribution when the market value of the principal account falls below historic value; however, the Office of the University Counsel is working to resolve this situation with the New Mexico Higher Education Department. When it is permissible, these funds will also be made available to the appropriate programs.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2009 and 2008

Financial Analysis (Continued)

- Total liabilities at June 30, 2009 were \$3,456,811, an increase of approximately 14.9% over June 30, 2008 total liabilities of \$3,007,771. The increase is the result of an increase in accrued leave and an increase in liability for deferred annuities payable.

Total operating revenue was \$36.6 million for the fiscal year ended June 30, 2009, an increase of \$8.5 million or a 30.2% increase over the previous year total of \$28.1 million. The increase resulted primarily from a \$5.8 million increase in non-endowed gifts. Contributions to permanent endowments experienced a \$6.4 million or 45.2% decrease, primarily due to a decrease in donations to permanent endowments. UNM elected to transfer \$6.5 million in donations to the permanent endowment subsequent to year end.

- Non-operating revenues, which include interest and dividends, and gains or losses on investments, were \$2.8 million at June 30, 2008. In the fiscal year ended June 30, 2009, non-operating losses were \$23.8 million. Distributions to UNM in the form of endowed spending distributions and non-endowed expenditures decreased from \$32.2 million in 2007-08 to \$22.9 million in 2008-09. CIF investment performance showed a net rate of return of approximately -20.5% compared with the 0.7% and the 19.9% net rate of return earned during the fiscal years ended June 30, 2008 and June 30, 2007, respectively. Approximately 68.5% of the Foundation's assets are currently held as endowments in the CIF compared to 75.6% in the previous year.
- The Foundation's operating costs are supported by instruction and general funding through the University of New Mexico, short-term interest earned on reserve balances and a development fund allocation based on the market value of the CIF. The administrative allocation was 1.15% and 1.10% in the fiscal years ending June 30, 2009 and 2008, respectively
- General and administrative expenses totaled \$8.4 million, where \$7.0 million of those expenses was paid with instruction and general funds and the development funding allocation.

UNM mandated that the Foundation become an independent organization, expecting that the restructure would ultimately lead to more financial self-reliance. The Foundation's general and administrative budget increased from \$6,966,675 budgeted in 2007-08 to \$9,106,940 in 2008-09. The 30.7% increase was needed to pay costs previously borne by UNM (primarily payroll-related). Additionally, a budget increase was necessary to fund a non-recurring expense for donor and financial reporting systems software conversions. Actual general and administrative expenses were 9.2% under-budget due to delays in launching a major fund raising campaign.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2009 and 2008

Contacting the Foundation's Financial Management

If you have questions about this report or need additional financial information, please contact the UNM Foundation Controller, Elaine S. Rivera at Two Woodward Center, 700 Lomas Boulevard NE, Suite 108, Albuquerque, New Mexico 87131 or (505) 277-5612.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
BALANCE SHEETS
June 30, 2009 and 2008

ASSETS

	2009	2008
Current Assets		
Cash and cash equivalents - unrestricted	\$ 2,816,570	2,600,254
Cash and cash equivalents - restricted	30,150,718	23,986,159
Other current assets	34,870	44,190
	<hr/>	<hr/>
Total current assets	33,002,158	26,630,603
Noncurrent assets, restricted		
Investments held in Consolidated Investment Fund	103,043,785	121,546,524
Investments held by the University of the New Mexico Foundation, Inc.	5,320,776	6,174,765
Pledges receivable, net of allowance and discount of \$448,773 and \$402,993 for the years ended June 30, 2009 and 2008, respectively	7,421,545	4,601,009
Real estate	1,734,358	1,734,358
Other noncurrent assets	8,000	8,000
	<hr/>	<hr/>
Total noncurrent assets	117,528,464	134,064,656
Total assets	\$ 150,530,622	160,695,259

LIABILITIES AND NET ASSETS

Current Liabilities		
Due to the University of New Mexico	125	-
Accounts payable	7,655	40,798
Accrued payroll	274,044	-
Deferred annuities payable	408,897	419,342
	<hr/>	<hr/>
Total current liabilities	690,721	460,140
Noncurrent liabilities - deferred annuities payable	2,766,090	2,547,631
	<hr/>	<hr/>
Total liabilities	3,456,811	3,007,771
Contingencies		
Net Assets		
Unrestricted	2,552,752	2,574,456
Restricted, expendable	45,547,396	39,766,944
Restricted, unexpendable	98,973,663	115,346,088
	<hr/>	<hr/>
Total net assets	147,073,811	157,687,488
Total liabilities and net assets	\$ 150,530,622	160,695,259

See Notes to Financial Statements.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues		
Donations and pledges, net of allowance and change in discounts of \$45,780 and (\$163,629) for the years ended June 30, 2009 and 2008, respectively	\$ 28,833,858	22,992,282
Operational support for management services	6,862,521	4,338,881
Non-gift revenue	920,808	753,626
Total operating revenues	<u>36,617,187</u>	<u>28,084,789</u>
Operating Expenses		
General and administrative expenses	8,354,242	5,259,189
Distributions to the University of New Mexico	22,871,171	32,183,259
Total operating expenses	<u>31,225,413</u>	<u>37,442,448</u>
Operating income (loss)	5,391,774	(9,357,659)
Nonoperating revenues - investment (loss) income	<u>(23,771,385)</u>	2,811,404
(Loss) income before contributions to permanent endowments	<u>(18,379,611)</u>	<u>(6,546,255)</u>
Contributions to permanent endowments		
Donations and pledges, net of discounts	8,282,444	14,431,151
New gifts	180,000	416,506
Nongift revenue	7,658	11,947
Adjustment of actuarial liability for annuities payable	(208,015)	(174,656)
Expenditure for maintenance of investment and payments to annuitants	(496,153)	(503,310)
Total contributions to permanent endowments	<u>7,765,934</u>	<u>14,181,638</u>
Change in net assets	(10,613,677)	7,635,383
Net assets, beginning of year	<u>157,687,488</u>	150,052,105
Net assets, end of year	<u>\$ 147,073,811</u>	<u>157,687,488</u>

See Notes to Financial Statements.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Cash received from donors and other sources	\$ 29,136,722	23,560,305
Cash paid to beneficiaries and vendors	(8,104,021)	(5,223,200)
Distributions to the University of New Mexico	(22,871,046)	(32,206,635)
	<hr/>	<hr/>
Net cash used by operating activities	(1,838,345)	(13,869,530)
	<hr/>	<hr/>
Cash Flows From Noncapital Financing Activities		
Donations and pledges	8,502,764	13,774,780
Expenditures for maintenance of investments and payments to beneficiaries	(578,063)	(503,310)
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	7,924,701	13,271,470
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Proceeds from sale of investments	8,388,879	12,696,135
Purchases of investments	(9,669,426)	(17,489,606)
Interest and dividends received	1,575,066	3,688,974
	<hr/>	<hr/>
Net cash provided (used) by investing activities	294,519	(1,104,497)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	6,380,875	(1,702,557)
Cash and cash equivalents, beginning of year	26,586,413	28,288,970
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 32,967,288	26,586,413
	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Operating (Loss) to Net Cash From Operating Activities		
Operating income (loss)	\$ 5,391,774	(9,357,659)
Adjustments to reconcile operating (loss) to net cash used in operating activities		
Changes in assets and liabilities		
Accounts receivable	9,320	-
Pledges receivable	(2,820,536)	(973,439)
Due to the University of New Mexico	125	(23,376)
Other assets	-	(14,506)
Accounts payable	(33,143)	35,989
Accrued payroll	274,044	-
Donations of investments	(4,659,929)	(3,536,539)
Total adjustments	<u>(7,230,119)</u>	<u>(4,511,871)</u>
Net cash used by operating activities	<u>\$ (1,838,345)</u>	<u>(13,869,530)</u>
Supplemental disclosure of noncash investing, noncapital and financing activities		
Interest and dividends reinvested	\$ 2,008,948	2,137,529
Donations of real estate to permanent endowments	-	1,186,306
Change in fair value of investments	(21,788,782)	(7,786,375)
Donations of investments to permanent endowments	49,247	732,578

See Notes to Financial Statements.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. NATURE OF BUSINESS

The University of New Mexico Foundation, Inc. (Foundation) was organized on May 3, 1979, as a New Mexico not-for-profit corporation to solicit, receive, distribute and manage private gifts and donations given for the benefit of the University of New Mexico (UNM). By managing funds, identifying and developing new sources of private support, encouraging the adoption of common goals, and nurturing cooperation towards meeting those goals, the Foundation allows UNM to focus more clearly on its mission to engage in comprehensive educational, research and service programs.

In accordance with the amended Memorandum of Agreement (Memorandum) between the University of New Mexico Foundation, Inc. and the Regents of the University of New Mexico, dated April 30, 2008, UNM will continue to provide University of New Mexico Foundation sufficient administrative support to allow UNM Foundation to conduct its business and fulfill its responsibilities to the University. In return for this support, the Foundation guarantees that all private gifts and donations it receives, records and reflects in the accompanying financial statements are for the exclusive benefit of UNM. These financial statements only reflect private support received directly by the Foundation. In addition, the Foundation provides solicitation assistance, consultation, and other related services, including investment oversight responsibilities associated with the UNM Consolidated Investment Fund (CIF). The Foundation has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared as a governmental not-for-profit organization on the accrual basis of accounting. The significant accounting policies utilized by the Foundation in the preparation of the financial statements are described below.

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

As a component unit of UNM, the Foundation prepares the financial statements using the provisions of Governmental Accounting Standards Board (GASB).

Pursuant to GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Foundation has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), except those issued after

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

November 30, 1989. GASB No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, which is effective for fiscal years beginning after December 15, 1995, prohibits the application of FASB statements that prescribe accounting for not-for-profit entities.

The Foundation's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the Foundation. Principal operating revenues are non-endowed donations and pledges. Principal operating expenses are direct general and administrative expenses and distributions to UNM. Other revenues and expenses are classified as nonoperating in the financial statements.

B. Cash and Cash Equivalents

Cash and cash equivalents principally include cash on deposit with UNM in a pooled account. For purposes of reporting cash flows, these accounts have an original maturity of three months or less and do not include Foundation investments held by the CIF.

C. Investments and Real Estate

Investments are reported at fair value, with the exception of money market investments with maturities less than one year, which include short-term governmental and corporate debt securities, which are reported at amortized cost as this approximates market value. All real estate reflected in the accompanying balance sheets was contributed to the Foundation.

The following methods were used to estimate fair value:

Real estate - When real estate is received, it is recorded at fair value at the date of the gift less an estimated reserve for selling costs. Periodic appraisals and market analyses are performed to determine the appropriateness of fair value.

Other non-real estate investments - quoted market prices.

Investments held by the Foundation have been classified as current and noncurrent based on the nature of the underlying investment. Investment in the CIF has been

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Revenue Recognition

The Foundation is accounted for as a governmental not-for-profit organization, and it follows revenue recognition rules as defined below:

Donations - The Foundation recognizes revenue on donations when all applicable eligibility requirements are met.

Pledges - The Foundation recognizes nonendowed pledges as increases in assets and revenue upon receipt of a signed pledge commitment, so long as collectibility is probable, and when all applicable eligibility requirements are met. Endowed pledges are recognized as assets and revenues when all applicable eligibility requirements are met. An allowance for doubtful pledges is recorded when the pledge is recorded. The allowance is based on past pledge loss experience and other factors that management considers necessary in estimating pledge losses.

Nongift - Includes the dollar value of any benefit received by a donor making a charitable contribution. Also included is the excess of the present value amount to maintain a deferred annuity payable.

Wills and Bequests - Contributions resulting from wills and bequests are recognized as revenue in the reporting period during which the respective estates are probated and all applicable eligibility requirements are met.

E. 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 therefore no provision for income taxes is included in the financial statements.

Pursuant to FSP FIN 48-3, management has elected to defer the application of FASB Interpretation No. 48 - Accounting for Uncertainty in Income Taxes to fiscal years beginning after December 15, 2008. The Organization evaluates uncertain tax positions in accordance with FASB Statement No. 5, Accounting for Contingencies whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2009 and June 30, 2008, the Organization had no uncertain tax positions requiring accrual.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

F. Budgetary Process

The operating budget of University of New Mexico Foundation is submitted to the Board of Trustees for approval; once approved by the Board, the budget is submitted to the Board of Regents, the New Mexico Higher Education Department (HED), and the State Budget Division of the Department of Finance and Administration (DFA). The operating budget is on a GAAP basis for operating expenses. Similarly, separate legislative budget requests are submitted to the Board of Regents, HED, and the DFA for inclusion in the state of New Mexico Executive Budget for consideration of appropriations by the state legislature. University of New Mexico Foundation's operating budget does not include revenues generated through funding activities.

University of New Mexico Foundation, in accordance with the Memorandum, conducts solicitation, consultation, and other related services, in efforts to maximize private gifts and donations from various sources for the benefit of UNM; therefore, the University of New Mexico Foundation's budget allocation from UNM is handled through UNM's budgeting process.

G. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

H. Reclassification

Certain prior year amounts have been reclassified in order to be consistent with current year presentation.

NOTE 3. CASH AND CASH EQUIVALENTS

The Foundation has a carrying value of \$31,915,518 and \$25,750,399 on deposit in pooled accounts with UNM at June 30, 2009 and 2008, respectively. The UNM deposits are held in demand and time accounts at local financial institutions and in a U.S. Treasury Note portfolio managed by Smith Barney Citigroup. New Mexico statutes require financial institutions to pledge qualifying collateral to UNM to cover at least 50% of the uninsured deposits. All collateral is held by third parties in safekeeping. The Foundation is at risk to the extent that UNM's funds are uninsured or uncollateralized.

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NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

The Foundation also has deposits in money market accounts held outside of the University. The amounts in money market accounts have a carrying value of \$1,051,770 and \$836,014 at June 30, 2009 and 2008, respectively.

Risk disclosure information relating to the cash and cash equivalents may be obtained by reference to the annual financial report of the University of New Mexico. That report may be obtained by contacting the Controller's office at 1 University of New Mexico, MSC01 1300, University of New Mexico, Albuquerque, NM 87131.

A detail of the cash accounts at June 30, 2009 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
University of New Mexico	Operating	Cash	\$ 2,917,587	(111,253)	2,806,334
University of New Mexico	Development	Cash	28,831,268	277,916	29,109,184
University of New Mexico	Development – Specific uses	Cash	-	-	-
Southwest Securities	Charitable Trust Fund	Money Market	10,297		10,297
Bank of America	Scholarship Fund	Money Market	47,104	(7)	47,097
Bank of America	Scholarship Trust	Money Market	17,539	(3)	17,536
Wells Fargo	Irrevocable Trust Fund	Money Market	99,505		99,505
Morgan Stanley	UNM Foundation, Inc	Money Market	470		470
UBS Financial Services	Endowed Chair	Money Market	794,272		794,272
UBS Financial Services	Endowed Professorship	Money Market	82,593		82,593
			<u>\$32,800,635</u>	<u>166,653</u>	<u>32,967,288</u>

A detail of the cash accounts at June 30, 2008 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
University of New Mexico	Operating	Cash	\$ 2,598,976	(8,958)	2,590,018
University of New Mexico	Development	Cash	23,190,099	(100,669)	23,089,430
University of New Mexico	Development – Specific uses	Cash	70,951	-	70,951
Southwest Securities	Charitable Trust Fund	Money Market	18,401	-	18,401
Bank of America	Scholarship Fund	Money Market	99,215	(170)	99,045
Bank of America	Scholarship Trust	Money Market	29,430	(52)	29,378
Wells Fargo	Irrevocable Trust Fund	Money Market	133,182	-	133,182
UBS Financial Services	Endowed Chair	Money Market	493,996	-	493,996
UBS Financial Services	Endowed Professorship	Money Market	62,012	-	62,012
			<u>\$26,696,262</u>	<u>(109,849)</u>	<u>26,586,413</u>

Money market funds are money market mutual funds and not subject to custodial credit risk.

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NOTE 4. INVESTMENTS

Consolidated Investment Fund - Investments are held by the Foundation as well as in UNM's CIF, a unitized investment pool. Investments held by the Foundation represent investments physically contributed to the Foundation and which are still being held by the Foundation at June 30, 2009. It is the Foundation's policy to liquidate contributed investments as soon as possible following receipt.

Investments in the CIF are diversified with the intention of minimizing the risk of large investment losses. Consequently, the one-year target portfolio is comprised of 20% domestic equity, 24% international equities, 15% fixed income (including TIPS and cash investments), 15% real assets, 6% private equity and 20% other investments including marketable alternative investments. Equity holdings are restricted to high-quality, readily marketable securities of corporations that are actively traded on the major exchanges, including NASDAQ. Marketable alternative investments can include the following hedge funds: equity, multi-strategy, and fund of funds. This entire investment policy is in accordance with the Uniform Prudent Investor Act, NMSA 45-7 (601-612).

Exclusive of the U.S. government and agency issues, all other fixed-income issues of the CIF are limited to "A" or better quality as established by a recognized rating service and further reinforced by independent in-house credit analyses. In cases where the yield spread adequately compensates for additional risk, "BAA" ratings are purchased up to a maximum of 10% of the market value of fixed-income portfolio.

Cash equivalent reserves consist of interest-bearing or discount instruments of the U.S. Government or agencies thereof, money market funds, corporate discounted instruments, corporate-issued commercial paper rated at least A-1 by Standard & Poors and B-1 by Moody's, time deposits of U.S. or foreign banks, bankers acceptances, and fully collateralized repurchase agreements. Both U.S. and foreign offerings are permissible.

The investment of the CIF Endowment funds is in accordance with the laws of 1991, chapter 69 of the State of New Mexico. In accordance with UNM and the Foundation's "Memorandum of Agreement," the endowment assets of the Foundation and UNM are commingled for investment purposes whenever possible in the CIF. The investment of UNM and Foundation endowment funds is in accordance with Sections 6-8-10 and 46-9-1 through 46-9-12, NMSA 1978.

At June 30, 2009 and 2008, the CIF consisted of 1,378,839 and 1,266,055 total units valued at \$267,733,179 and \$330,514,044, respectively. Of these totals, 530,779 and 465,591 units of the pool are held by the Foundation with a fair value of \$103,043,785 and \$121,546,524, respectively. The remaining 848,060 and 800,463 units of the pool are recorded on the financial statements of UNM at a fair value of \$164,689,394 and \$208,967,520, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4. INVESTMENTS (CONTINUED)

Risk disclosure information relating to the CIF fund may be obtained by reference to the annual financial report of the University of New Mexico. That report may be obtained by contacting the Controller's office at 1 University of New Mexico, MSC01 1300, University of New Mexico, Albuquerque, NM 87131.

At June 30, 2009 and 2008, the Foundation held approximately 95% of its investments in the CIF. Under the terms of an agreement with the UNM Board of Regents, the Foundation provides management oversight for the entire CIF. The Foundation Investment Committee works with an institutional investment consultant to structure the portfolio and hire independent investment managers. The investment managers are then responsible for specific asset categories and management styles.

Investments Held by the Foundation - A detail of the investment accounts at June 30, 2009 is included below:

Name of Depository	Account Name	Account Type	Bank Balance
Bank of America	Scholarship Trust	Mutual Funds, Fixed	\$ 146,268
		Mutual Funds, Equity	281,405
Bank of America	Scholarship Fund	Mutual Funds, Equity	587,291
		Mutual Funds, Fixed	254,412
Wells Fargo	Charitable Trust Fund	US Agency Bonds	235,879
		Domestic Corporate Bonds	251,228
		Mutual Funds, Fixed	125,690
		Mutual Funds, Equity	290,147
		Domestic Corporate Stock	379,518
		Real Estate	66,344
		Other	94,954
Morgan Stanley	UNM Foundation, Inc	Certificates of Deposit	60,666
UBS Financial Services	Endowed Chair	Municipal Bonds	1,942,540
UBS Financial Services	Endowed Professorship	Municipal Bonds	305,820
Southwest Securities	Charitable Trust Fund	Mutual Funds, Fixed	238,815
		Domestic Corporate Stock	59,799
			<u>\$ 5,320,776</u>

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NOTE 4. INVESTMENTS (CONTINUED)

A detail of the investment accounts at June 30, 2008 is included below:

Name of Depository	Account Name	Account Type	Bank Balance
Bank of America	Scholarship Trust	Mutual Funds, Fixed	\$ 166,441
		Mutual Funds, Equity	361,605
Bank of America	Scholarship Fund	Mutual Funds, Equity	731,069
		Mutual Funds, Fixed	287,524
Wells Fargo	Charitable Trust Fund	US Agency Bonds	130,913
		Municipal Bonds	50,004
		Domestic Corporate Bonds	237,993
		Mutual Funds, Fixed	361,491
		Domestic Corporate Stock	719,983
		Real Estate	68,270
		Other	157,053
UBS Financial Services	Endowed Chair	Municipal Bonds	2,191,288
		Mutual Funds, Fixed	33,785
UBS Financial Services	Endowed Professorship	Municipal Bonds	312,686
Southwest Securities	Charitable Trust Fund	Domestic Corporate Stock	<u>364,660</u>
			<u>\$ 6,174,765</u>

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Mutual funds and external investment pools are not exposed to credit risk.

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NOTE 4. INVESTMENTS (CONTINUED)

A summary of the Investments held by the Foundation at June 30, 2009 and 2008 and the Foundation's exposure to custodial credit risk is as follows:

	2009	2008
Custodial Credit Risk		
US Government Agency securities	\$ 235,879	130,912
Municipal bonds, City	492,217	643,249
Municipal bonds, County	154,608	154,197
Municipal bonds, State	185,360	252,591
Municipal bonds, other	1,416,175	1,503,940
Domestic corporate bonds	251,228	237,993
Domestic corporate stock	439,317	1,084,643
Total securities held by custodians	3,174,784	4,007,525
Investments not subject to custodial credit risk		
Certificates of deposit	60,666	-
Mutual funds	1,924,028	1,941,917
Real estate	66,344	68,270
Other	94,954	157,053
Total investments	\$ 5,320,776	6,174,765

Concentration of Credit Risk - Investments: Concentration risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. Investments in any one issuer that represents 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued and explicitly guaranteed by the U. S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Currently, the Foundation does not have a policy to limit its exposure to concentrated credit risk.

As of June 30, 2009 and 2008, the Foundation did not have any investments in one issuer that represented more than 5% of total investments.

Interest Rate Risk - Investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, the Foundation does not have a policy to limit its exposure to interest rate risk.

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NOTE 4. INVESTMENTS (CONTINUED)

A summary of the investments held by the Foundation and the respective maturities at June 30, 2009 and 2008 and the exposure to interest rate risk is as follows:

	Fair Value	2009 Investment maturities			
		Less than one year	1-5 years	6-10 years	More than 10 years
At interest rate risk					
U.S. Agency bonds	\$ 235,879	101,141	51,063	83,675	-
Municipal bonds, City	492,217	-	-	15,011	477,206
Municipal bonds, County	154,608	-	-	-	154,608
Municipal bonds, State	185,360	-	-	-	185,360
Municipal bonds, other	1,416,175	-	79,495	116,607	1,220,073
Domestic Corporate bonds	251,228	75,403	175,825	-	-
	<u>2,735,467</u>	<u>176,544</u>	<u>306,383</u>	<u>215,293</u>	<u>2,037,247</u>

Not at interest rate risk	
Certificates of deposit	60,666
Domestic corporate stock	439,317
Mutual funds	1,924,028
Real estate	66,344
Other	<u>94,954</u>
Total investments	<u>\$ 5,320,776</u>

	Fair Value	2008 Investment maturities			
		Less than one year	1-5 years	6-10 years	More than 10 years
At interest rate risk					
U.S. Agency bonds	\$ 130,913	-	49,438	81,475	-
Municipal bonds, City	643,249	50,004	-	15,217	578,028
Municipal bonds, County	154,197	-	-	-	154,197
Municipal bonds, State	252,591	-	-	-	252,591
Municipal bonds, other	1,503,940	5,036	76,953	115,759	1,306,192
Domestic Corporate bonds	237,993	20,144	217,849	-	-
	<u>2,922,883</u>	<u>75,184</u>	<u>344,240</u>	<u>212,451</u>	<u>2,291,008</u>

Not at interest rate risk	
Domestic corporate stock	1,084,643
Mutual funds	1,941,916
Real estate	68,270
Other	<u>157,053</u>
Total investments	<u>\$ 6,174,765</u>

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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NOTE 4. INVESTMENTS (CONTINUED)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation is required to disclose credit ratings of its investments in order to assess credit risk.

A summary of the Foundation's investments at June 30, 2009 and 2008 that are subject to credit risk are as follows:

June 30, 2009

Category	Rating	Fair Value	% of Bond Portfolio
US Agency	Aaa	<u>\$ 235,879</u>	8.62%
City Municipal	Not rated	51,312	1.88%
City Municipal	Moody's – Aaa	65,428	2.39%
City Municipal	Moody's – Aa1	15,011	0.55%
City Municipal	Moody's – Aa2	10,016	0.37%
City Municipal	Moody's – Aa3	135,302	4.95%
City Municipal	Moody's – A2	215,148	7.87%
County Municipal	Moody's – Aa3	154,608	5.65%
State Municipal	Moody's – Aa1	10,200	0.37%
State Municipal	Moody's – Aa2	105,546	3.86%
State Municipal	Moody's – A2	69,614	2.54%
Other Municipal	Not rated	4,192	0.15%
Other Municipal	Moody's – Aaa	398,881	14.58%
Other Municipal	Moody's – Aa1	10,200	0.37%
Other Municipal	Moody's – Aa2	146,668	5.36%
Other Municipal	Moody's – Aa3	452,291	16.53%
Other Municipal	Moody's – A1	78,156	2.86%
Other Municipal	Moody's – A2	50,707	1.85%
Other Municipal	Moody's – A3	96,864	3.54%
Other Municipal	Moody's – Baa1	113,965	4.17%
Other Municipal	Moody's – Baa2	<u>64,251</u>	2.35%
		<u>2,248,360</u>	
Domestic corporate	Moody's – Aa2	\$ 20,962	0.77%
	Moody's – A2	<u>230,266</u>	8.42%
		<u>251,228</u>	

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June 30, 2009

NOTE 4. INVESTMENTS (CONTINUED)

June 30, 2008

Category	Rating	Fair Value	% of Bond Portfolio
FHLB Agency	No rating	<u>\$ 130,913</u>	4.50%
City Municipal	Moody's – A1	60,017	2.10%
City Municipal	Moody's – A2	296,204	10.10%
City Municipal	Moody's – Aa1	15,217	0.50%
City Municipal	Moody's – Aa3	198,725	6.80%
City Municipal	Moody's – Aaa	73,087	2.50%
County Municipal	Moody's – A1	154,197	5.30%
State Municipal	Moody's – A1	75,731	2.60%
State Municipal	Moody's – Aa1	151,490	5.20%
State Municipal	Moody's – Aaa	25,370	0.90%
Other Municipal	Moody's – AAA	43,901	1.50%
Other Municipal	Moody's – A1	76,539	2.60%
Other Municipal	Moody's – A2	259,483	8.90%
Other Municipal	Moody's – Aaa	743,832	25.40%
Other Municipal	Moody's – Aa2	112,100	3.80%
Other Municipal	Moody's – Aa3	<u>268,082</u>	9.20%
		<u>2,553,975</u>	
Domestic corporate	Moody's – AAA	\$ 20,897	0.70%
	Moody's – A1	71,342	2.40%
	Moody's – A2	125,612	4.30%
	Moody's – A3	<u>20,144</u>	0.70%
		<u>237,995</u>	

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NOTE 4. INVESTMENTS (CONTINUED)

Real Estate Investments

The Foundation also has investments in real estate. The real estate activity for the years ended June 30, 2009 and 2008 follows:

	2009	2008
Real estate		
Beginning balance at July 1	\$ 2,298,059	1,438,059
Additions	550,000	1,482,882
Deletions	<u>(550,000)</u>	<u>(622,882)</u>
Balance at June 30	<u>2,298,059</u>	<u>2,298,059</u>
Real estate reserve		
Beginning balance at July 1	\$ (563,701)	(429,401)
Additions	(110,000)	(296,576)
Deletions	<u>110,000</u>	<u>162,276</u>
Balance at June 30	<u>(563,701)</u>	<u>(563,701)</u>
Real Estate, net	<u>\$ 1,734,358</u>	<u>1,734,358</u>

All Investments

During the years ended June 30, 2009 and 2008, the Foundation recognized realized and unrealized gains (losses) on investments held as outlined below:

		CIF	Foundation	Total
2009				
Realized (losses)	\$	(4,812,609)	(453,714)	(5,266,323)
Unrealized (losses)		(21,341,236)	(447,546)	(21,788,782)
2008				
Realized gains	\$	5,203,237	292,425	5,495,662
Unrealized (losses)		(6,901,268)	(885,107)	(7,786,375)

The calculation of realized gains/losses is independent of a calculation of the net change in fair value of investments. In addition, realized gains/losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and current year.

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NOTE 5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30, 2009 and 2008:

	2009	2008
Amounts due in less than one year	\$ 3,267,443	2,447,832
Amounts due in more than one year	<u>4,602,875</u>	<u>2,556,170</u>
Total pledges receivable	7,870,318	5,004,002
Discounts to net present value	(32,490)	(106,220)
Allowance for doubtful pledges	<u>(416,283)</u>	<u>(296,773)</u>
Pledges receivable, net	<u>\$ 7,421,545</u>	<u>4,601,009</u>

Noncurrent pledges receivable are discounted at the U.S. Treasury Bill 90-day rate of 0.19% and 1.87% for the years ended June 30, 2009 and 2008, respectively.

NOTE 6. ENDOWMENTS

True Endowments. True endowments are those funds subject to restrictions in gift instruments permitting only the income be used as specified by the donor and that the principal be held in perpetuity.

Term Endowments. Term endowments are funds similar to true endowment funds except that upon the passage of a stated period of time or a particular occurrence, all or part of the principal may be expended.

Quasi Endowments. Quasi-endowment funds are internally designated by the Board of Trustees for similar purposes as true endowment funds; however, funds are donor unrestricted and any portion of the principal of quasi-endowment funds may be expended at the discretion of the Board of Trustees.

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NOTE 6. ENDOWMENTS (CONTINUED)

At June 30, 2009 and 2008, endowments were comprised of the following:

	2009	2008
True endowment	\$ 97,447,116	112,378,209
Term endowment	333,382	444,238
Quasi-endowment (designated by the Board of Trustees)	<u>9,293,479</u>	<u>12,286,609</u>
	<u>\$107,073,977</u>	<u>125,109,056</u>

If a donor has not provided specific instructions, state law permits the Board of Trustees (as delegated by UNM Board of Regents) to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Distributions are made from the CIF to UNM entities that benefit from the endowment funds. The endowment spending policy provides for the total annual distribution of Spendable Income to each unit of the CIF. Distributions shall not exceed 6% nor be less than 4% of the Average Market Value of a unit of the CIF. The Average Market Value of a unit will be based on the average unit values of the CIF for the preceding 12 quarters. The target annual distribution rate shall be 5% of the average unit market value. If, in any given 12 quarter rolling period, Total Return is less than target annual distribution, actual distribution shall not be less than 4% of the average unit market value for such 12 quarter rolling period. If in any 12 quarter rolling period the distribution exceeds 5% of the current market value then the actual distribution will be determined by the CIF Investment Committee. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income. The amount of net appreciation on the quasi-endowments that is available for authorization for expenditure by the Board of Trustees decreased from \$12,286,609 as of June 30, 2008 to \$9,293,479 at June 30, 2009. The net appreciation on the quasi-endowments is reported as restricted net assets.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 7. OTHER NONCURRENT ASSETS

Other noncurrent assets consisted of the following at June 30:

	2009	2008
Art collection, net	\$ 8,000	8,000

NOTE 8. RESTRICTED ASSETS AND RESTRICTED NET ASSETS

Certain assets are restricted for donations that are subject to donor restrictions requiring that only the income be used by the Foundation or transferred to UNM programs and that the principal be held in perpetuity. These assets are classified as true endowments. Other restricted net assets include the net assets classified as quasi-endowments (endowments designated by the Board of Trustees for similar purposes as true endowment funds). The Board of Regents of the University approves the establishment of all quasi-endowments. All other assets not specifically restricted by the donor or the University of New Mexico Board of Regents, with the exception of the investment income earned on the non-endowed gifts, are considered restricted in accordance with a memorandum of agreement between the University of New Mexico and the Foundation. When both restricted and unrestricted funds are available, the Foundation expends restricted funds first.

Restricted net assets consisted of the following at June 30:

	2009	2008
True endowments, unexpendable	\$ 97,447,116	112,378,209
Term endowments, unexpendable	333,382	444,238
Annuity gifts, unexpendable	<u>1,193,165</u>	<u>2,523,641</u>
Total unexpendable	<u>98,973,663</u>	<u>115,346,088</u>
Quasi-endowments, expendable	9,293,479	12,286,609
Donations and gifts, expendable	<u>36,253,917</u>	<u>27,480,335</u>
Total expendable	<u>45,547,396</u>	<u>39,766,944</u>
Total unexpendable and expendable	<u>\$144,521,059</u>	<u>155,113,032</u>

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NOTE 9. DEFERRED ANNUITIES PAYABLE

Deferred annuities payable represents a liability established for donations whereby a specified amount of funds are to be paid to the donor for the duration of his or her life. The amount paid to the donor is determined through the use of the rate of return agreed upon by all parties involved. The Foundation uses annuity rates, including the discount and remainder factor, from the IRS to establish the liability and factors such as the donor's age and amount of donation are included in the calculation of the liability owed to the donor which is adjusted on an annual basis. During the years ended June 30, 2009 and 2008, the Foundation had the following deferred annuities payable activity:

	2009	2008
Balance due at July 1	\$ 2,966,973	1,958,257
Additions to deferred annuities payable	81,909	834,060
Net adjustment of actuarial liability	<u>126,105</u>	174,656
Balance due at June 30	<u>\$ 3,174,987</u>	<u>2,966,973</u>
Amount due in one year	<u>\$ 408,897</u>	<u>419,342</u>

NOTE 10. WILLS AND BEQUESTS

The Foundation has been named as a beneficiary in wills and bequests totaling approximately \$4,175,901 and \$11,117,276 at June 30, 2009 and 2008, respectively, which will be recognized by the Foundation in the reporting period during which the respective estates are probated and all eligibility requirements related to such funds are met.

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NOTE 11. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2009	2008
Salaries	\$ 6,199,671	3,820,287
Professional services	711,464	392,303
Printing	138,228	163,655
Equipment and remodeling expense	50,373	4,316
Rent – building and equipment	230,556	205,005
Postage	76,068	87,677
Entertainment	44,517	18,507
Computer maintenance	90,909	86,392
General office supplies	55,794	31,549
Special events	296,010	197,512
Travel	83,009	51,221
Dues and subscriptions	70,147	11,776
Communication line	51,696	27,339
Professional development	72,227	38,534
Taxes	77,993	65,239
Insurance expense	28,315	13,444
Telephone	19,959	13,827
Bank charges	53,889	26,613
Automobile	3,417	3,993
	<u>\$ 8,354,242</u>	<u>5,259,189</u>

Pursuant to the Memorandum, a portion of UNM Foundation’s general and administrative expenses are paid with Instructional and General funds from UNM. For the years ended June 30, 2009 and 2008, these operating expenses totaled \$6,862,521 and \$4,338,881, respectively. Corporate and program expenses paid directly by the Foundation for the years ended June 30, 2009 and 2008 were \$1,491,721 and \$920,307, respectively.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 12. CONTINGENCIES

Insurance Coverage. The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Foundation is insured through private carriers for liability, casualty and director and officer liability insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. PENSION PLAN

Beginning in FY09, the Foundation created a defined contribution 403(b) retirement plan. The plan is available to all full-time employees, beginning with the first day of service. The Foundation contributes the sum of (a) 4% of gross salary for employees who do not contribute to the plan or (b) up to 8% match for employees who do contribute to the plan. The Foundation's contributions to the plan for the year ended June 30, 2009 is \$231,702.

NOTE 14. SUBSEQUENT EVENTS

Consistent with the enactment of UPFMIFA in New Mexico on July 1, 2009, and subsequent to year end, the Foundation's Board of Trustees authorized two endowment spending distributions to the University of New Mexico. On July 31, 2009, the Foundation made an endowment spending distribution of \$2,984,712. On August 24, 2009, the Foundation made an endowment spending distribution of \$1,351,377 the share of spending distribution associated with State matched endowments.

SUPPLEMENTAL INFORMATION

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
 (A Component Unit of the University of New Mexico)
 OPERATING FUND EXPENDITURES (WITH BUDGET COMPARISONS)
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over/ (Under) Budget
Expenditures				
General and administrative	\$ 8,478,691	9,106,940	8,271,983	(834,957)

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
FINANCIAL ANALYSIS BY FUND
June 30, 2009

OPERATING FUND

The Operating Fund is used to account for the services provided by the University, the operating expenses of the Foundation/Development Program and the interest revenue that is earned in the General Fund and then transferred to the Operating Fund.

The net assets of the Operating Fund decreased from \$2,574,456 at June 30, 2008 to \$2,552,752 at June 30, 2009. Operating expenses exceeded operating revenues by \$1,407,842. Transfers of short-term investment income from the General Fund totaled \$891,197 for 2008-09 compared to \$1,672,324 for 2007-08 primarily because of lower short-term interest rates.

GENERAL FUND

The General Fund is used to account for current or non-endowed gifts that are expendable by UNM for purposes designated by the donor and for the interest earned on cash balances on deposit with the University. Currently, interest earned on non-endowed gifts is transferred to the Operating Fund. As new gifts are received and all applicable eligibility requirements are met, the Foundation recognizes an asset and revenue.

The net assets in the General Fund increased from \$27,480,335 at June 30, 2008 to \$36,253,917 at June 30, 2009. General Fund operating revenues increased from \$23,745,908 in 2007-08 to \$29,753,046 in 2008-09. Pledges receivable increased from \$4,601,009 at June 30, 2008 to \$7,421,545 at June 30, 2009.

Distributions from the General Fund to the University decreased from \$26,938,744 in 2007-08 to \$20,925,008 in 2008-09, a decrease of \$6,013,736 or 22.3%.

ENDOWMENT FUND

The Endowment Fund is used to account for gifts that are designated by the donor for endowment requiring that the principal or corpus be held in perpetuity and that only a portion of the income be allocated for spending, subject to the restrictions imposed by the donor in the gift instrument.

The net assets of the Endowment Fund decreased from \$125,109,056 at June 30, 2008 to \$107,073,977 at June 30, 2009, a decrease of \$18,035,079 or 14.4%. The majority of this decrease is due to net investment losses in the Consolidated Investment Fund.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
FINANCIAL ANALYSIS BY FUND (CONTINUED)
June 30, 2009

LIFE INCOME FUND

The Life Income Fund is used to account for charitable gift annuities and charitable remainder trusts. Charitable Gift Annuities require that a portion of the income earned on the fund assets be paid to the donor or other designated beneficiaries. When the gift is received, a liability is recorded that represents an actuarial calculation of the present value of future amounts due under the gift agreement. This liability is adjusted annually.

The majority of Life Income Fund assets is co-invested with Endowment Fund assets in the CIF and will exhibit similar return characteristics. Net assets in the Life Income Fund decreased from \$2,523,641 at June 30, 2008 to \$1,193,165 at June 30, 2009. New gifts decreased from \$415,914 for the year ended June 30, 2008, to \$180,000 during the year ended June 30, 2009. Due to falling interest rates, the adjustment for the actuarial liability increased 19.1% from \$174,656 to \$208,015 at June 30, 2008 and 2009, respectively. During the year, the Foundation established four new charitable gift annuities compared to eight in the prior year.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
BALANCE SHEET BY FUND
June 30, 2009

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Combined Total
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	\$ 2,816,570	-	-	-	2,816,570
Cash and cash equivalents - restricted	-	28,708,141	1,293,716	148,861	30,150,718
Other current assets	10,226	-	24,644	-	34,870
Total current assets	2,826,796	28,708,141	1,318,360	148,861	33,002,158
Noncurrent assets					
Investments held in Consolidated Investment Fund - restricted	-	-	100,381,454	2,662,331	103,043,785
Investments held by the University of the New Mexico Foundation, Inc.	-	60,666	4,961,496	298,614	5,320,776
Pledges receivable - restricted	-	7,421,545	-	-	7,421,545
Real estate - restricted	-	63,690	404,667	1,266,001	1,734,358
Other noncurrent assets - restricted	-	-	8,000	-	8,000
Total noncurrent assets	-	7,545,901	105,755,617	4,226,946	117,528,464
Total assets	\$ 2,826,796	36,254,042	107,073,977	4,375,807	150,530,622
LIABILITIES AND NET ASSETS					
Current Liabilities					
Due to the University of New Mexico	\$ -	125	-	-	125
Accounts payable	-	-	-	7,655	7,655
Accrued payroll	274,044	-	-	-	274,044
Deferred annuities payable	-	-	-	408,897	408,897
Total current liabilities	274,044	125	-	416,552	690,721
Noncurrent liabilities - deferred annuities payable	-	-	-	2,766,090	2,766,090
Total liabilities	274,044	125	-	3,182,642	3,456,811
Net Assets					
Unrestricted	2,552,752	-	-	-	2,552,752
Restricted	-	36,253,917	107,073,977	1,193,165	144,521,059
Total net assets	2,552,752	36,253,917	107,073,977	1,193,165	147,073,811
Total liabilities and net assets	\$ 2,826,796	36,254,042	107,073,977	4,375,807	150,530,622

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS BY FUND
June 30, 2009

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Combined Total
Operating Revenues					
Donations and pledges, net	\$ -	28,833,858	-	-	28,833,858
Operational support for management services	6,862,521	-	-	-	6,862,521
Nongift revenue	1,620	919,188	-	-	920,808
Total operating revenues	6,864,141	29,753,046	-	-	36,617,187
Operating Expenses					
General and administrative expenses	8,271,983	36,716	45,543	-	8,354,242
Distributions to the University of New Mexico	-	20,925,008	1,946,163	-	22,871,171
Total operating expenses	8,271,983	20,961,724	1,991,706	-	31,225,413
Operating (loss)	(1,407,842)	8,791,322	(1,991,706)	-	5,391,774
Nonoperating revenues - investment income	494,941	799,520	(24,243,862)	(821,984)	(23,771,385)
(Loss) income before contributions to permanent endowment	(912,901)	9,590,842	(26,235,568)	(821,984)	(18,379,611)
Contributions to permanent endowments					
Donations and pledges, net	-	-	8,282,444	-	8,282,444
New gifts	-	-	-	180,000	180,000
Nongift revenue	-	-	7,658	-	7,658
Adjustment of actuarial liability for annuities payable	-	-	-	(208,015)	(208,015)
Expenditure for maintenance of investment and payments to annuitants	-	-	(178)	(495,975)	(496,153)
Total contributions to permanent endowments	-	-	8,289,924	(523,990)	7,765,934
Transfers to (from)	891,197	(817,260)	(89,435)	15,498	-
Change in net assets	(21,704)	8,773,582	(18,035,079)	(1,330,476)	(10,613,677)
Net assets, beginning of year	2,574,456	27,480,335	125,109,056	2,523,641	157,687,488
Net assets, end of year	\$ 2,552,752	36,253,917	107,073,977	1,193,165	147,073,811

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO SUPPLEMENTAL INFORMATION
June 30, 2009

**NOTE 1. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND
FINANCIAL STATEMENT PRESENTATION**

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the assets, liabilities, and net assets are reported internally in four self-balancing funds as follows:

Operating Fund. Funds of the Foundation consisting of unrestricted resources and interest and dividends transferred from the General Fund as further discussed below.

General Fund. Expendable funds for conveyance to UNM for scholarships, academic and administrative departments, building projects, and other university-related activities. Currently, the interest and dividends earned on assets in this fund are transferred to the Operating Fund and retained by the Foundation to provide a portion of the operating budget revenue. Cash held in this fund is restricted for the purpose of distributions to UNM.

Endowment Fund. True endowments are those funds subject to restrictions in gift instruments requiring that only the income be used as specified by the donor and that the principal be held in perpetuity. Term endowment funds are funds similar to true endowment funds except that upon the passage of a stated period of time or a particular occurrence, all or part of the principal may be expended. Quasi-endowment funds are funds internally designated by the Board of Trustees for similar purposes as true endowment funds; however, funds are unrestricted and any portion of the principal of quasi-endowment funds may be expended at the discretion of the Board of Trustees.

Life Income Fund. Funds subject to the requirement that part of the income earned on the fund assets be paid periodically to donor-designated beneficiaries. Such income payments terminate at a time specified in the agreements, at which time the principal reverts to the Foundation and equivalent revenue will be recognized. Annually, any net residual income or loss is credited/charged to the liability account, "Deferred Annuities." This payable is adjusted annually, through the fund balance, to represent the present value of the aggregate liability for amounts estimated to be paid to beneficiaries based upon the actuarially determined expected lives of the designated beneficiaries.

NOTE 2. TRANSFERS

Transfers among funds are the result of gifts whose restrictions have been satisfied, donors' requests to amend their initial gift restrictions, or actions of the Board of Trustees.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2009

NOTE 3. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of the following for the year ended June 30, 2009:

	Operating Fund	General Fund	Endowment Fund	Combined Total
Salaries	\$ 6,199,671	-	-	6,199,671
Professional services	703,048	-	8,416	711,464
Printing	138,228	-	-	138,228
Equipment and remodeling expense	50,373	-	-	50,373
Rent – building and equipment	230,556	-	-	230,556
Postage	76,068	-	-	76,068
Entertainment	44,517	-	-	44,517
Computer maintenance	90,909	-	-	90,909
General office expense	55,794	-	-	55,794
Special events	296,010	-	-	296,010
Travel	83,009	-	-	83,009
Dues and subscriptions	70,147	-	-	70,147
Communication line	51,696	-	-	51,696
Professional development	72,227	-	-	72,227
Taxes	56,625	17,963	3,405	77,993
Insurance expense	28,315	-	-	28,315
Telephone	19,959	-	-	19,959
Bank charges (refunds)	1,414	18,753	33,722	53,889
Automobile	3,417	-	-	3,417
	<u>\$ 8,271,983</u>	<u>36,716</u>	<u>45,543</u>	<u>8,354,242</u>

Expenses that can be identified with a specific fund are allocated directly according to their natural expenditure classification.

Included in the \$8,354,242 of general and administrative expenses recognized by the Foundation is approximately \$6,862,521 of expenses incurred in support of the Foundation's management and fund-raising responsibilities, pursuant to the Memorandum. Corporate and program expenses paid directly by the Foundation were \$1,491,721.

**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 Trustees
University of New Mexico Foundation, Inc.
and
Hector H. Balderas
New Mexico State Auditor

We have audited the basic financial statements of the University of New Mexico Foundation, Inc. (Foundation), a component unit of the University of New Mexico as of and for the year ended June 30, 2009, and have also audited the budgetary comparison, and have issued our report thereon dated October 9, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Board of Trustees
University of New Mexico Foundation, Inc.
and
Hector H. Balderas
New Mexico State Auditor

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Audit Committee, Board of Trustees, Management, the New Mexico State Auditor, and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
October 9, 2009

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009

Prior Year Findings

None

Current Year Findings

None

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
EXIT CONFERENCE
June 30, 2009

An exit conference was conducted on September 18, 2009, in which the contents of this report were discussed with the following:

For the University of New Mexico Foundation, Inc.:

Audit Committee Members:

Carl Alongi, Committee Chair
Gerald Landgraf, Board Member
John R. Stropp, UNM Foundation President & CEO
Beth Wiggins, Board Member
Anne Yegge, Board Chair

Foundation Management:

Michael K. Kingan, Senior Vice President for Development
John W. Welty, Vice President for Development & Administration
Elaine S. Rivera, Controller

For Moss Adams LLP:

Larry Carmony, Partner
Sarah Shepperson, Senior