

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

FINANCIAL STATEMENTS

JUNE 30, 2010

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

Official Roster

June 30, 2010

Officers

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

Members

Carl Alongi	Gary Gordon
Laura Bass	Peter Johnstone
Sandra Begay-Campbell	Yolanda Jones King
Stephanie Bennett-Smith	Gerald Landgraf
Robert Bovinette	Mark Leshner
Elizabeth Bronson Wiggins	John Lopez
Dennis Burns	James Maddox
Louise Campbell	Steven Petranovich
Michelle Coons	David Schmidly
John Cordova	John Stropp
Michael Emerson	Anne Yegge
Edward Foster	Ray Ziler
George Friberg	Orcilia Zuniga-Forbes
Gene Gallegos	

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, 2010 and 2009, as listed in the table of contents. We have also audited the budgetary comparison for operating fund expenditures for the year ended June 30, 2010. 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, 2010 and 2009 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 then ended June 30, 2010, 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 13, 2010, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 7 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.

Mess Adams LLP

Albuquerque, New Mexico
October 13, 2010

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

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, 2010 and 2009 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>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 28,504,092	33,002,158	26,630,603
Noncurrent assets	<u>127,481,171</u>	<u>117,528,464</u>	<u>134,064,656</u>
Total assets	<u>155,985,263</u>	<u>150,530,622</u>	<u>160,695,259</u>
Current liabilities	1,272,659	690,721	460,140
Noncurrent liabilities	<u>2,490,132</u>	<u>2,766,090</u>	<u>2,547,631</u>
Total liabilities	<u>3,762,791</u>	<u>3,456,811</u>	<u>3,007,771</u>
Net assets			
Unrestricted	2,989,597	2,552,752	2,574,456
Restricted	<u>149,232,875</u>	<u>144,521,059</u>	<u>155,113,032</u>
Total net assets	<u>152,222,472</u>	<u>147,073,811</u>	<u>157,687,488</u>
Total liabilities and net assets	<u>\$155,985,263</u>	<u>150,530,622</u>	<u>160,695,259</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, 2010 and 2009

Condensed Financial Information (Continued)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues			
Donations and pledges, net	\$ 16,535,418	28,833,858	22,992,282
Direct support from the University of New Mexico	2,503,606	4,186,951	4,338,881
Development funding allocation - University of New Mexico	3,246,379	1,893,873	-
Non-gift revenue	594,663	920,808	753,626
Total operating revenues	<u>22,880,066</u>	<u>35,835,490</u>	<u>28,084,789</u>
Operating expenses			
General and administrative	9,393,340	8,354,242	5,259,189
Distributions to UNM	26,807,949	22,089,474	32,183,259
Total operating expenses	<u>36,201,289</u>	<u>30,443,716</u>	<u>37,442,448</u>
Operating income (loss)	(13,321,223)	5,391,774	(9,357,659)
Nonoperating revenue			
Investment (loss) income, net	11,715,585	(23,771,385)	2,811,404
(Loss) income before contributions to permanent endowments	(1,605,638)	(18,379,611)	(6,546,255)
Donations to permanent endowments	6,754,299	7,765,934	14,181,638
Change in net assets	5,148,661	(10,613,677)	7,635,383
Net assets, beginning of year	<u>147,073,811</u>	<u>157,687,488</u>	<u>150,052,105</u>
Net assets, end of year	<u>\$152,222,472</u>	<u>147,073,811</u>	<u>157,687,488</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, 2010 and 2009

Financial Analysis

- At June 30, 2010, the Foundation's total assets were \$155,985,263, which represents an increase of 3.6% over June 30, 2009 total assets of \$150,530,622. At June 30, 2009, the Foundation's total assets were \$150,530,622, a 6.3% decrease from the \$160,695,259 in total assets held at June 30, 2008.
- Net assets also increased to \$152,222,472 at June 30, 2010, an increase of \$5,148,661 or 3.5% over the previous year net assets of \$147,073,811 at June 30, 2009. At June 30, 2009, the Foundation's net assets were \$147,073,811, a 6.7% decrease from the \$157,687,488 in net assets at June 30, 2008.
- The increase in both total assets and net assets were the result of investment gains and gifts in excess of distributions for the fiscal year ended June 30, 2010.
- The market value of the CIF at June 30, 2010 was \$283.2 million, an increase of approximately \$15 million over the June 30, 2009 market value of \$267.7 million. The CIF consisted of 1,343,711 total units on June 30, 2010 and 1,378,839 total units on June 30, 2009, respectively. Of these totals, 547,516 and 530,779 units of the pool were owned by the Foundation with a market value of \$115.4 million and \$103.0 million at June 30, 2010 and 2009, respectively. The remaining 796,195 and 848,060 units of the pool were owned by UNM at a fair value of \$167.8 million and \$164.7 million, at June 30, 2010 and 2009, respectively.
- Additions to the endowment increased to \$16.6 million from the prior year's \$13.3 million, a \$3.3 million increase.
- Realized losses in the CIF were \$2.3 million and unrealized gains in the CIF were \$26.0 million. The CIF had a return of 10.4%, underperforming a policy index return of 13.0%. During the same period U.S. and International Equity markets experienced returns of 16.1% and 10.4% respectively.
- Spending distributions from the CIF to UNM departments were \$23.8 million, an increase of \$17.3 million or 270% from \$6.4 million distribution in the prior year. The increase was due to spending distribution limitations in the Uniform Management of Institutional Funds Act (UMIFA) at June 30, 2009. 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 2009 consistent with the enactment of UPMIFA. Of this distribution, \$4.3 million was distributed from Foundation endowments and \$4.1 million was distributed from UNM endowments. See Note 6 for more detail.

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, 2010 and 2009

Financial Analysis (Continued)

- Total liabilities at June 30, 2010 were \$3,762,791, an increase of approximately 8.9% over June 30, 2009 total liabilities of \$3,456,811. The increase is the result of an increase in accrued payroll liabilities in excess of the decrease in the deferred annuities payable liability.
- Total operating revenue was \$22.9 million for the fiscal year ended June 30, 2010, an decrease of \$13 million or a 36.2% decrease over the previous year total of \$35.8 million. The decrease resulted primarily from a \$14.4 million decrease in non-endowed gifts. Contributions to permanent endowments experienced a \$1.7 million or 19.9% decrease. During the year ended June 30, 2010, UNM also elected to transfer \$7.1 million in donations to the permanent endowment.
- Non-operating revenues, which include interest, dividends, gains or losses and fees on investments, were \$11.7 million for the year ended June 30, 2010. In the fiscal year ended June 30, 2009, non-operating losses were a loss of \$23.8 million. Distributions to UNM in the form of endowed spending distributions and non-endowed expenditures increased from \$22.1 million in 2008-09 to \$26.8 million in 2009-10. CIF investment performance showed a net rate of return of approximately 10.4% compared with the -20.5% and the 0.7% net rate of return earned during the fiscal years ended June 30, 2009 and June 30, 2008, respectively. Approximately 74% of the Foundation's assets are currently held as endowments in the CIF compared to 68.5% 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 development funding allocation was 1.85% and 1.15% in the fiscal years ending June 30, 2010 and 2009, respectively.
- General and administrative expenses totaled \$9.4 million and \$8.4 million for the year ended June 30, 2010 and 2009, respectively.
- The Foundation's budgeted general and administrative expenses increased from \$9.1 million budgeted in 2008-09 to \$9.9 million in 2009-10, an increase of 9.1%. Actual general and administrative expenses were 5.83% under-budget.

Contacting the Foundation's Financial Management

If you have questions about this report or need additional financial information, please contact the UNM Foundation Chief Financial Officer, Rodney Harder, at Two Woodward Center, 700 Lomas Boulevard NE, Suite 203, Albuquerque, New Mexico 87131 or (505) 277-9551.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
BALANCE SHEETS
June 30, 2010 and 2009

ASSETS

	2010	2009
Current Assets		
Cash and cash equivalents - unrestricted	\$ 3,700,686	2,816,570
Cash and cash equivalents - restricted	24,595,994	30,150,718
Other current assets	207,412	34,870
	<hr/>	<hr/>
Total current assets	28,504,092	33,002,158
Noncurrent assets, restricted		
Investments held in Consolidated Investment Fund	115,413,103	103,043,785
Investments held by the University of New Mexico Foundation, Inc.	5,521,723	5,320,776
Pledges receivable, net of allowance and discount of \$2,276,809 and \$448,773 for the years ended June 30, 2010 and 2009, respectively	4,803,987	7,421,545
Real estate	1,734,358	1,734,358
Other noncurrent assets	8,000	8,000
	<hr/>	<hr/>
Total noncurrent assets	127,481,171	117,528,464
Total assets	\$ 155,985,263	150,530,622

LIABILITIES AND NET ASSETS

Current Liabilities		
Due to the University of New Mexico	\$ -	125
Accounts payable	58,772	7,655
Accrued payroll	668,073	274,044
Deferred annuities payable	378,187	408,897
Deferred revenue	167,627	-
	<hr/>	<hr/>
Total current liabilities	1,272,659	690,721
Noncurrent liabilities - deferred annuities payable	2,490,132	2,766,090
	<hr/>	<hr/>
Total liabilities	3,762,791	3,456,811
Net Assets		
Unrestricted	2,989,597	2,552,752
Restricted, expendable	37,778,589	45,547,396
Restricted, unexpendable	111,454,286	98,973,663
	<hr/>	<hr/>
Total net assets	152,222,472	147,073,811
Total liabilities and net assets	\$ 155,985,263	150,530,622

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, 2010 and 2009

	2010	2009
Operating Revenues		
Donations and pledges, net of allowance and change in discounts of \$1,828,036 and \$45,780 for the years ended June 30, 2010 and 2009, respectively	\$ 16,535,418	28,833,858
Direct support from the University of New Mexico	2,503,606	4,186,951
Development funding allocation - University of New Mexico	3,246,379	1,893,873
Non-gift revenue	594,663	920,808
Total operating revenues	<u>22,880,066</u>	<u>35,835,490</u>
Operating Expenses		
General and administrative expenses	9,393,340	8,354,242
Distributions to the University of New Mexico	26,807,949	22,089,474
Total operating expenses	<u>36,201,289</u>	<u>30,443,716</u>
Operating income (loss)	(13,321,223)	5,391,774
Nonoperating revenues - investment (loss) income	<u>11,715,585</u>	<u>(23,771,385)</u>
(Loss) income before contributions to permanent endowments	<u>(1,605,638)</u>	<u>(18,379,611)</u>
Donations to permanent endowments		
Donations and pledges, net of discounts	6,635,811	8,282,444
New gifts	69,077	180,000
Nongift revenue	11,100	7,658
Adjustment of actuarial liability for annuities payable	372,590	(208,015)
Expenditure for maintenance of investment and payments to annuitants	(334,279)	(496,153)
Total contributions to permanent endowments	<u>6,754,299</u>	<u>7,765,934</u>
Change in net assets	5,148,661	(10,613,677)
Net assets, beginning of year	<u>147,073,811</u>	<u>157,687,488</u>
Net assets, end of year	<u>\$ 152,222,472</u>	<u>147,073,811</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, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Cash received from donors and other sources	\$ 25,329,751	29,136,722
Cash paid to beneficiaries and vendors	(9,120,736)	(8,104,021)
Distributions to the University of New Mexico	(26,808,074)	(22,871,046)
	<hr/>	<hr/>
Net cash used by operating activities	(10,599,059)	(1,838,345)
	<hr/>	<hr/>
Cash Flows From Noncapital Financing Activities		
Donations and pledges	6,657,006	8,502,764
Expenditures for maintenance of investments and payments to beneficiaries	(334,279)	(578,063)
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	6,322,727	7,924,701
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Proceeds from sale of investments	14,719,324	8,388,879
Purchases of investments	(16,096,838)	(9,669,426)
Interest and dividends received	983,238	1,575,066
	<hr/>	<hr/>
Net cash (used) provided by investing activities	(394,276)	294,519
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(4,670,608)	6,380,875
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	32,967,288	26,586,413
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 28,296,680	32,967,288
	<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, 2010 and 2009

	2010	2009
Reconciliation of Operating (Loss) to Net Cash From Operating Activities		
Operating income (loss)	\$ (13,321,223)	5,391,774
Adjustments to reconcile operating (loss) to net cash used in operating activities		
Changes in assets and liabilities		
Accounts receivable	(172,542)	9,320
Pledges receivable	2,617,558	(2,820,536)
Due to the University of New Mexico	(125)	125
Other assets	-	-
Accounts payable	51,117	(33,143)
Accrued payroll	394,029	274,044
Deferred revenue	167,627	-
Donations of investments	(335,500)	(4,659,929)
Total adjustments	<u>2,722,164</u>	<u>(7,230,119)</u>
Net cash used by operating activities	<u>\$ (10,599,059)</u>	<u>(1,838,345)</u>
Supplemental disclosure of noncash investing, noncapital and financing activities		
Interest and dividends reinvested	\$ 1,402,614	2,008,948
Donations of real estate to permanent endowments	-	-
Change in fair value of investments	10,305,826	(21,788,782)
Donations of investments to permanent endowments	124,904	49,247

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, 2010

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 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.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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

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. 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 classified as noncurrent due to the inability to immediately liquidate the Foundation's interest in the CIF.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

**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 non-endowed pledges as increases in assets and revenue upon receipt of a signed pledge commitment, so long as collectability 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.

F. Budgetary Process

The operating budget of University of New Mexico Foundation is submitted to the Board of Trustees for approval. The operating budget is on a GAAP basis for operating expenses, which is consistent with the financial statements.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Budgetary Process (Continued)

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 \$21,692,903 and \$31,915,518 on deposit in pooled accounts with UNM at June 30, 2010 and 2009, 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.

The Foundation also has deposits in deposit and money market accounts held outside of the University. The cash in these accounts have a carrying value of \$6,603,577 and \$1,051,770 at June 30, 2010 and 2009, respectively.

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NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents held outside of the Foundation and the University at Wells Fargo totaled \$5,162,029 at June 30, 2010. These amounts are invested in overnight sweep accounts and are collateralized at 50 percent of the invested balance. At June 30, 2010, these funds were collateralized by three government backed securities held in the Foundation's name. Below is a summary of the collateralized accounts:

Wells Fargo Operating Account Balance	\$ 4,572,484
Wells Fargo Development Account Balance	<u>589,544</u>
	5,162,028
FDIC insurance	<u>250,000</u>
	4,912,028
Collateralized amount	<u>50%</u>
	2,456,014
Collateralization:	
CUSIP 314D9W6Y2	464,545
CUSIP36202DM40, 31409X4Z9	<u>4,447,390</u>
	4,911,934
Over/(under) collateralized	<u>\$ 2,455,920</u>

Risk disclosure information relating to the cash and cash equivalents held at UNM 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.

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NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

A detail of the cash accounts at June 30, 2010 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
University of New Mexico	Operating	Cash	\$ (2,060,769)	(1,994)	(2,062,763)
University of New Mexico	Operating	Cash	167,627	-	167,627
University of New Mexico	Development	Cash	23,539,504	48,535	23,588,039
Wells Fargo	Operating	Cash	4,572,484	(57,720)	4,514,764
Wells Fargo	Development	Cash	589,544	133,578	723,122
Southwest Securities	Charitable Trust Fund	Money Market	30,090	-	30,090
Bank of America	Scholarship Trust	Money Market	80,480	(6)	80,474
Bank of America	Scholarship Fund	Money Market	16,563	(2)	16,561
Wells Fargo	Charitable Trust Fund	Money Market	97,473	-	97,473
Morgan Stanley	UNM Foundation, Inc	Money Market	2	-	2
UBS Financial Services	Endowed Chair	Money Market	999,811	-	999,811
UBS Financial Services	Endowed Professorship	Money Market	141,480	-	141,480
			<u>\$ 28,174,289</u>	<u>122,391</u>	<u>28,296,680</u>

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 Trust	Money Market	47,104	(7)	47,097
Bank of America	Scholarship Fund	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>

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

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, 2010. It is the Foundation's policy to liquidate contributed securities as soon as possible following receipt.

At June 30, 2010 and 2009, 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

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NOTE 4. INVESTMENTS (CONTINUED)

portfolio and hire independent investment managers. The investment managers are then responsible for specific asset categories and management styles.

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, 20% international equities, 18% fixed income, including TIPS, 2% cash 10% real assets, 10% 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 & Poor's 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, 2010 and 2009, the CIF consisted of 1,343,711 and 1,378,839 total units valued at \$283,246,167 and \$267,733,179, respectively. Of these totals, 547,516 and 530,779 units of the pool are held by the Foundation with a fair value of \$115,413,103 and \$103,043,785, respectively. The remaining 796,195 and 848,060 units of the pool are recorded on the financial statements of UNM at a fair value of \$167,833,064 and \$164,689,394, at June 30, 2010 and 2009, respectively.

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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.

Investments Held by the Foundation - A detail of the investment accounts at June 30, 2010 is included below:

Name of Depository	Account Name	Account Type	Bank Balance
Bank of America	Scholarship Fund	Mutual Funds, Fixed	\$ 160,605
		Mutual Funds, Equity	313,890
Bank of America	Scholarship Trust	Mutual Funds, Equity	617,497
		Mutual Funds, Fixed	277,328
Wells Fargo	Charitable Trust Fund	US Agency Bonds	107,097
		Domestic Corporate Bonds	329,832
		Mutual Funds, Fixed	193,285
		Mutual Funds, Equity	594,949
		Real Estate	165,972
		Other	130,543
Morgan Stanley	UNM Foundation, Inc	Certificates of Deposit	61,110
UBS Financial Services	Endowed Chair	Municipal Bonds	1,937,878
UBS Financial Services	Endowed Professorship	Municipal Bonds	269,762
Southwest Securities	Charitable Trust Fund	Mutual Funds, Fixed	190,610
		Mutual Funds, Equity	96,900
		Domestic Corporate Stock	74,465
			<u>\$ 5,521,723</u>

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NOTE 4. INVESTMENTS (CONTINUED)

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 Fund	Mutual Funds, Fixed	\$ 146,268
		Mutual Funds, Equity	281,405
Bank of America	Scholarship Trust	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>

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, 2010 and 2009 and the Foundation's exposure to custodial credit risk is as follows:

	2010	2009
Custodial Credit Risk		
US Government Agency securities	\$ 107,097	235,879
Municipal bonds, City	782,467	492,217
Municipal bonds, County	241,057	154,608
Municipal bonds, State	290,644	185,360
Municipal bonds, other	893,472	1,416,175
Domestic corporate bonds	329,832	251,228
Domestic corporate stock	74,465	439,317
Total securities held by custodians	<u>2,719,034</u>	<u>3,174,784</u>
Investments not subject to custodial credit risk		
Certificates of deposit	61,110	60,666
Mutual funds	2,445,064	1,924,028
Real estate	165,972	66,344
Other	130,543	94,954
Total investments	<u>\$ 5,521,723</u>	<u>5,320,776</u>

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. At June 30, 2010, the Foundation did not have a policy to limit its exposure to concentrated credit risk.

As of June 30, 2010 and 2009, 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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June 30, 2010

NOTE 4. INVESTMENTS (CONTINUED)

A summary of the investments held by the Foundation and the respective maturities at June 30, 2010 and 2009 and the exposure to interest rate risk is as follows:

	Fair Value	2010 Investment maturities			
		Less than one year	1-5 years	6-10 years	More than 10 years
At interest rate risk					
U.S. Agency bonds	\$ 107,097	81,175	25,922	-	-
Municipal bonds, City	782,466	-	-	-	782,466
Municipal bonds, County	241,057	-	-	-	241,057
Municipal bonds, State	290,644	-	-	-	290,644
Municipal bonds, other	893,471	10,256	70,095	112,161	700,959
Domestic Corporate bonds	329,834	173,086	105,654	51,094	-
	<u>2,644,569</u>	<u>264,517</u>	<u>201,671</u>	<u>163,255</u>	<u>2,015,126</u>

Not at interest rate risk	
Certificates of deposit	61,110
Domestic corporate stock	74,465
Mutual funds	2,445,064
Real estate	165,972
Other	<u>130,543</u>
Total investments	<u>\$ 5,521,723</u>

	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>

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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, 2010 and 2009 that are subject to credit risk are as follows:

June 30, 2010

Category	Rating	Fair Value	% of Bond Portfolio
US Agency	Aaa	<u>\$ 107,097</u>	4.05%
City Municipal	Not rated	55,233	2.09%
City Municipal	Moody's – Aaa	154,341	5.84%
City Municipal	Moody's – Aa2	273,567	10.34%
City Municipal	Moody's – Aa3	202,383	7.65%
City Municipal	Moody's – Baa1	96,942	3.67%
County Municipal	Moody's – Aa2	241,057	9.12%
State Municipal	Moody's – Aa1	154,038	5.82%
State Municipal	Moody's – Aa3	30,416	1.15%
State Municipal	Moody's – A1	106,190	4.02%
Other Municipal	Not rated	4,475	0.17%
Other Municipal	Moody's – Aaa	329,973	12.48%
Other Municipal	Moody's – Aa2	211,637	8.00%
Other Municipal	Moody's – Aa3	85,146	3.22%
Other Municipal	Moody's – A1	35,022	1.32%
Other Municipal	Moody's – A2	25,007	0.95%
Other Municipal	Moody's – A3	102,177	3.86%
Other Municipal	Moody's – Baa1	25,107	0.95%
Other Municipal	Moody's – Baa2	<u>74,927</u>	2.83%
		<u>2,207,638</u>	
Domestic corporate	Moody's – Aa1	\$ 51,095	1.93%
	Moody's – Aa2	20,643	0.78%
	Moody's – A1	51,360	1.94%
	Moody's – A2	153,122	5.79%
	Moody's – A3	<u>53,614</u>	2.03%
		<u>329,834</u>	

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NOTE 4. INVESTMENTS (CONTINUED)

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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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, 2010 and 2009 follows:

	2010	2009
Real estate		
Beginning balance at July 1	\$ 2,298,059	2,298,059
Additions	-	550,000
Deletions	-	(550,000)
Balance at June 30	<u>2,298,059</u>	<u>2,298,059</u>
Real estate reserve		
Beginning balance at July 1	(563,701)	(563,701)
Additions	-	(110,000)
Deletions	-	110,000
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, 2010 and 2009, the Foundation recognized realized and unrealized gains (losses) on investments held as outlined below:

		CIF	Foundation	Total
2010				
Realized (losses)	\$	(857,640)	(5,032)	(862,672)
Unrealized gains		9,776,698	403,009	10,179,707
2009				
Realized (losses)	\$	(4,812,609)	(453,714)	(5,266,323)
Unrealized (losses)		(21,341,236)	(447,546)	(21,788,782)

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, 2010 and 2009:

	2010	2009
Amounts due in less than one year	\$ 1,768,183	3,267,443
Amounts due in more than one year	<u>5,312,613</u>	<u>4,602,875</u>
Total pledges receivable	7,080,796	7,870,318
Discounts to net present value	(272,439)	(32,490)
Allowance for doubtful pledges	<u>(2,004,370)</u>	<u>(416,283)</u>
Pledges receivable, net	<u>\$ 4,803,987</u>	<u>7,421,545</u>

Noncurrent pledges receivable are discounted at the IRS discount rate of 3.2% for the year ended June 30, 2010 and discounted at the U.S. Treasury Bill 90-day rate of 0.19% for the year ended June 30, 2009.

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.

At June 30, 2010 and 2009, endowments were comprised of the following:

	2010	2009
True endowment	\$ 109,738,913	97,447,116
Term endowment	340,005	333,382
Quasi-endowment (designated by the Board of Trustees)	<u>9,676,128</u>	<u>9,293,479</u>
	<u>\$ 119,755,046</u>	<u>107,073,977</u>

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NOTE 6. ENDOWMENTS (CONTINUED)

If a donor has not provided specific instructions, state law permits the Board of Trustees 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 aims to distribute on an annual basis a percentage of the average market value of the CIF, at the calendar year-end, of the previous 20 quarters. The Spending Distribution shall not exceed 6% nor be less than 4% of the average market value. The endowment spending policy allows for the Spending Distribution regardless of whether the fair market value of an individual account exceeds its historic gift value, unless otherwise precluded by the donor or by law. This practice is consistent with the Uniform Prudent Management of Institutional Funds Act.

Consistent with the enactment of the Uniform Prudent Management of Institutional Funds Act of New Mexico on July 1, 2009, the Foundation's Board of Trustees authorized two endowment spending distributions to the University of New Mexico for the year ended June 30, 2009 during the year ended June 30, 2010. 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.

NOTE 7. OTHER NONCURRENT ASSETS

Other noncurrent assets consisted of the following at June 30:

	2010	2009
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

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**NOTE 8. RESTRICTED ASSETS AND RESTRICTED NET ASSETS
(CONTINUED)**

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 in accordance with donor imposed restrictions. The expenditure of unrestricted funds requires approval by the Board of Trustees.

Restricted net assets consisted of the following at June 30:

	2010	2009
True endowments, unexpendable	\$109,738,913	97,447,116
Term endowments, unexpendable	340,005	333,382
Annuity gifts, unexpendable	<u>1,375,368</u>	<u>1,193,165</u>
Total unexpendable	<u>111,454,286</u>	<u>98,973,663</u>
Quasi-endowments, expendable	9,676,128	9,293,479
Donations and gifts, expendable	<u>28,102,461</u>	<u>36,253,917</u>
Total expendable	<u>37,778,589</u>	<u>45,547,396</u>
Total unexpendable and expendable	<u>\$149,232,875</u>	<u>144,521,059</u>

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 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, 2010 and 2009, the Foundation had the following deferred annuities payable activity:

	2010	2009
Balance due at July 1	\$ 3,174,987	2,966,973
Additions to deferred annuities payable	65,922	81,909
Net adjustment of actuarial liability	<u>(372,590)</u>	<u>126,105</u>
Balance due at June 30	<u>\$ 2,868,319</u>	<u>3,174,987</u>
Amount due in one year	<u>\$ 378,187</u>	<u>408,897</u>

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NOTE 10. WILLS AND BEQUESTS

The Foundation has been newly named as a beneficiary in wills and bequests totaling \$20,670,765 and \$19,057,489 during the fiscal years ended June 30, 2010 and 2009, respectively. Wills and Bequests are recognized as revenue by the Foundation in the reporting period during which the respective estates are probated and all eligibility requirements related to such funds are met.

NOTE 11. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of the following for the year ended June 30, 2010:

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Total
Audit fees	\$ 79,675	-	-	-	79,675
General & administrative	252,829	-	-	1,651	254,480
Board expense	27,107	-	-	-	27,107
Dues & subscriptions	71,554	-	-	-	71,554
Computer equipment and software	68,867	-	-	-	68,867
Donor relations	253,312	-	-	-	253,312
Furniture, office equipment	1,719	-	-	-	1,719
Office lease, building	243,930	-	-	-	243,930
Insurance	36,990	-	1,000	-	37,990
Professional services	503,008	-	6,043	2,089	511,140
Professional development	59,111	-	-	-	59,111
Postage & mailing	55,380	-	-	-	55,380
Printing, fundraising & promotional material	72,887	-	-	-	72,887
Staff salaries	6,308,908	-	-	-	6,308,908
Payroll taxes	358,624	-	-	-	358,624
Fringe benefits	869,483	-	-	-	869,483
Travel & entertainment	93,064	-	-	-	93,064
Property taxes	1,545	13,480	4,544	6,540	26,109
	<u>\$ 9,357,993</u>	<u>13,480</u>	<u>11,587</u>	<u>10,280</u>	<u>9,393,340</u>

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 11. GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

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

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Total
Audit fees	\$ 59,740	-	-	-	59,740
General & administrative	229,189	18,753	33,722	-	281,664
Board expense	24,724	-	-	-	24,724
Dues & subscriptions	93,825	-	-	-	93,825
Computer equipment and software	67,616	-	-	-	67,616
Donor relations	309,937	-	-	-	309,937
Furniture, office equipment	-	-	-	-	-
Office lease, building	246,596	-	-	-	246,596
Insurance	28,315	-	-	-	28,315
Professional services	620,321	-	8,416	-	628,737
Professional development	86,911	-	-	-	86,911
Postage & mailing	76,068	-	-	-	76,068
Printing, fundraising & promotional material	137,844	-	-	-	137,844
Staff salaries	5,271,716	-	-	-	5,271,716
Payroll taxes	250,548	-	-	-	250,548
Fringe benefits	677,407	-	-	-	677,407
Travel & entertainment	79,485	-	-	-	79,485
Property taxes	11,741	17,963	3,405	-	33,109
	<u>\$ 8,271,983</u>	<u>36,716</u>	<u>45,543</u>	<u>-</u>	<u>8,354,242</u>

Fund categories shown in the tables, above are described in the financial analysis by fund section of the supplemental information section of the financial statements. 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, 2010 and 2009, these operating expenses totaled \$1,617,753 and \$1,663,840, respectively. Corporate and program expenses paid directly by the Foundation for the years ended June 30, 2010 and 2009 were \$7,775,587 and \$6,690,402, respectively.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010 and 2009 is \$347,747 and \$231,702.

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, 2010

	Original Budget	Final Budget	Actual	Over/ (Under) Budget
Expenditures				
General and administrative	\$ 9,937,432	9,937,432	9,393,340	(544,092)

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
FINANCIAL ANALYSIS BY FUND
June 30, 2010

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 increased from \$2,552,752 at June 30, 2009 to \$2,989,597 at June 30, 2010. Short-term investment income in the Operating Fund totaled \$807,805 for 2009-10 compared to \$891,197 for 2008-09. The decrease was primarily due to 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 decreased from \$36,253,917 at June 30, 2009 to \$28,102,461 at June 30, 2010. General Fund operating revenues decreased from \$29,753,046 in 2008-09 to \$14,898,545 in 2009-10. Pledges receivable decreased from \$7,421,545 at June 30, 2009 to \$4,803,987 at June 30, 2010.

Distributions from the General Fund to the University decreased from \$20,925,008 in 2008-09 to \$15,929,867 in 2009-10, a decrease of \$4,995,141 or 23.87%.

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 increased from \$107,073,977 at June 30, 2009 to \$119,755,046 at June 30, 2010, an increase of \$12,681,069 or 11.84%. The majority of this increase is due to net investment gains 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, 2010

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 are co-invested with Endowment Fund assets in the CIF and will exhibit similar return characteristics. Net assets in the Life Income Fund increased from \$1,193,165 at June 30, 2009 to \$1,375,368 at June 30, 2010. New gifts decreased from \$180,000 for the year ended June 30, 2009, to \$69,077 during the year ended June 30, 2010. Due to an increase IRS midterm rate and annuity maturities in excess of new annuities, deferred annuity payable liability decreased 10.0% from \$2,766,090 to \$2,490,132 at June 30, 2009 and 2010, respectively. During the year, the Foundation established two new charitable gift annuities compared to five 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, 2010

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Combined Total
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	\$ 3,700,686	-	-	-	3,700,686
Cash and cash equivalents - restricted	-	23,173,674	1,483,775	(61,455)	24,595,994
Other current assets	183,383	-	24,029	-	207,412
Total current assets	3,884,069	23,173,674	1,507,804	(61,455)	28,504,092
Noncurrent assets					
Investments held in Consolidated Investment Fund - restricted	-	-	112,735,937	2,677,166	115,413,103
Investments held by the University of New Mexico Foundation, Inc.	-	61,110	5,098,638	361,975	5,521,723
Pledges receivable - restricted	-	4,803,987	-	-	4,803,987
Real estate - restricted	-	63,690	404,667	1,266,001	1,734,358
Other noncurrent assets - restricted	-	-	8,000	-	8,000
Total noncurrent assets	-	4,928,787	118,247,242	4,305,142	127,481,171
Total assets	\$ 3,884,069	28,102,461	119,755,046	4,243,687	155,985,263
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 58,772	-	-	-	58,772
Accrued payroll	668,073	-	-	-	668,073
Deferred annuities payable	-	-	-	378,187	378,187
Deferred revenue	167,627	-	-	-	167,627
Total current liabilities	894,472	-	-	378,187	1,272,659
Noncurrent liabilities - deferred annuities payable	-	-	-	2,490,132	2,490,132
Total liabilities	894,472	-	-	2,868,319	3,762,791
Net Assets					
Unrestricted	2,989,597	-	-	-	2,989,597
Restricted	-	28,102,461	119,755,046	1,375,368	149,232,875
Total net assets	2,989,597	28,102,461	119,755,046	1,375,368	152,222,472
Total liabilities and net assets	\$ 3,884,069	28,102,461	119,755,046	4,243,687	155,985,263

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, 2010

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Combined Total
Operating Revenues					
Donations and pledges, net	\$ 905,365	14,381,059	1,248,994	-	16,535,418
Direct support from the University of New Mexico	2,503,606	-	-	-	2,503,606
Development funding allocation - University of New Mexico	3,246,379	-	-	-	3,246,379
Nongift revenue	17,999	517,486	-	59,178	594,663
Total operating revenues	6,673,349	14,898,545	1,248,994	59,178	22,880,066
Operating Expenses					
General and administrative expenses	9,357,993	14,480	10,587	10,280	9,393,340
Distributions to the University of New Mexico	146,714	15,929,867	10,701,745	29,623	26,807,949
Total operating expenses	9,504,707	15,944,347	10,712,332	39,903	36,201,289
Operating (loss)	(2,831,358)	(1,045,802)	(9,463,338)	19,275	(13,321,223)
Nonoperating revenues - investment income	807,805	(2,983)	10,541,239	369,524	11,715,585
(Loss) income before contributions to permanent endowment	(2,023,553)	(1,048,785)	1,077,901	388,799	(1,605,638)
Contributions to permanent endowments					
Donations and pledges, net	-	-	6,635,811	-	6,635,811
New gifts	-	-	-	69,077	69,077
Nongift revenue	-	-	11,100	-	11,100
Adjustment of actuarial liability for annuities payable	-	-	-	372,590	372,590
Expenditure for maintenance of investment and payments to annuitants	-	-	(54,437)	(279,842)	(334,279)
Total contributions to permanent endowments	-	-	6,592,474	161,825	6,754,299
Transfers to (from)					
Development funding allocation - UNM Foundation	2,107,424	-	(2,053,732)	(53,692)	-
General fund transfers to endowment fund	-	(7,100,000)	7,100,000	-	-
Other transfers	352,974	(2,671)	(35,574)	(314,729)	-
Total operating expenses	2,460,398	(7,102,671)	5,010,694	(368,421)	-
Change in net assets	436,845	(8,151,456)	12,681,069	182,203	5,148,661
Net assets, beginning of year	2,552,752	36,253,917	107,073,977	1,193,165	147,073,811
Net assets, end of year	\$ 2,989,597	28,102,461	119,755,046	1,375,368	152,222,472

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO SUPPLEMENTAL INFORMATION
June 30, 2010

**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.

**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, 2010. We have audited the budgetary comparison, and have issued our report thereon dated October 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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.

Mess Adams LLP

Albuquerque, New Mexico
October 13, 2010

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

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, 2010

An exit conference was conducted on September 15, 2010, 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
Elizabeth Bronson Wiggins, Board Member
Anne Yegge, Board Chair

Foundation Management:

Henry Nemcik, UNM Foundation President & CEO
Rodney Harder, Chief Financial Officer
Kenny Stansbury, Controller

For Moss Adams LLP:

Larry Carmony, Partner
Sarah Shepperson, Senior
Sandy Schwank, Staff