



**UNIVERSITY OF NEW MEXICO
FOUNDATION, INC.
(A Component Unit of the
University of New Mexico)
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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

Official Roster of the Board of Trustees

June 30, 2011

Officers

Anne Yegge	Chair of the Board
Henry Nemcik	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
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Report of Independent Auditors

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, 2011 and 2010, as listed in the table of contents. We have also audited the budgetary comparison for the operating fund expenditures for the year ended June 30, 2011. 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 audits 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010 and the changes in financial position, and cash flows, for the years then ended and the budgetary comparison for the operating fund expenditures for the year then ended June 30, 2011, 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 12, 2011, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Foundation taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of 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 12, 2011

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2011 and 2010

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, 2011 and 2010 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>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 5,735,853	28,504,092	33,002,158
Noncurrent assets	<u>155,844,455</u>	127,481,171	117,528,464
Total assets	<u>161,580,308</u>	<u>155,985,263</u>	<u>150,530,622</u>
Current liabilities	4,424,988	1,272,659	690,721
Noncurrent liabilities	<u>5,308,008</u>	2,490,132	2,766,090
Total liabilities	<u>9,732,996</u>	<u>3,762,791</u>	<u>3,456,811</u>
Net assets			
Unrestricted	2,224,495	2,989,597	2,552,752
Invested in capital assets	37,448	-	-
Restricted	<u>149,585,369</u>	149,232,875	144,521,059
Total net assets	<u>151,847,312</u>	<u>152,222,472</u>	<u>147,073,811</u>
Total liabilities and net assets	<u>\$ 161,580,308</u>	<u>155,985,263</u>	<u>150,530,622</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, 2011 and 2010

Condensed Financial Information (Continued)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues			
Donations and pledges, net	\$ 18,436,859	16,535,418	28,833,858
Direct support from the University of New Mexico	1,963,680	2,503,606	4,186,951
Development funding allocation - Consolidated Investment Fund	3,325,390	3,246,379	1,893,873
Non-gift revenue	242,352	594,663	920,808
Total operating revenues	23,968,281	22,880,066	35,835,490
Operating expenses			
General and administrative	9,517,512	9,393,340	8,354,242
Operating income	14,450,769	13,486,726	27,481,248
Nonoperating revenue (expenses)			
Distributions to UNM	(53,446,916)	(26,807,949)	(22,089,474)
Investment income (loss), net	24,056,008	11,715,585	(23,771,385)
Total nonoperating revenues (expenses)	(29,390,908)	(15,092,364)	(45,860,859)
(Loss) before contributions to permanent endowments	(14,490,139)	(1,605,638)	(18,379,611)
Donations to permanent endowments	14,564,979	6,754,299	7,765,934
Change in net assets	(375,160)	5,148,661	(10,613,677)
Net assets, beginning of year	152,222,472	147,073,811	157,687,488
Net assets, end of year	\$151,847,312	152,222,472	147,073,811

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, 2011 and 2010

Financial Analysis

- At June 30, 2011, the Foundation's total assets were \$161.6 million, which represents an increase of 3.6% over June 30, 2010 total assets of \$156.0 million. At June 30, 2010, the Foundation's total assets were \$156.0 million, which represents an increase of 3.7% over June 30, 2009 total assets of \$150.5 million.
- Net assets decreased to \$151.8 million at June 30, 2011, a decrease of \$375 thousand or .2% over the previous year net assets of \$152.2 million at June 30, 2010. Net assets increased to \$152.2 million at June 30, 2010, an increase of \$5.1 million or 3.5% over the previous year net assets of \$147.1 million at June 30, 2009.
- The increase in total assets during the year ended June 30, 2011, was due to investment gains and gifts to permanent endowments. The decrease in net assets during the year was due to an increase in distributions to UNM.
- The market value of the Consolidated Investment Fund (CIF) at June 30, 2011 was \$336.0 million, an increase of \$53.2 million over the June 30, 2010 market value of \$283.2 million. The market value of the CIF at June 30, 2010 was \$283.2 million, an increase of approximately \$15.0 million over the June 30, 2009 market value of \$267.7 million. The CIF consisted of 1,342,175 total units on June 30, 2011 and 1,343,711 total units on June 30, 2010. Of these totals, 572,831 and 547,516 units of the pool were owned by the Foundation with a market value of \$143.4 million and \$115.4 million at June 30, 2011 and 2010, respectively. The remaining 769,344 and 796,195 units of the pool were owned by UNM at a fair value of \$192.6 million and \$167.8 million, at June 30, 2011 and 2010, respectively.
- Total additions to the CIF during the year ended June 30, 2011, were \$19.9 million, an increase of \$3.3 million from the prior year's \$16.6 million.
- Total realized gains in the CIF were \$5.9 million and total unrealized gains in the CIF were \$43.9 million during the year ended June 30, 2011. The CIF had a return of 19.0%, outperforming the CIF long-term policy index return of 16.6%. Domestic equities returned 31.9%, international equities returned 29.8%, fixed income returned 7.0%, real assets returned 33.7%, private equities returned 14.5% and marketable alternatives returned 8.2%.

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, 2011 and 2010

Financial Analysis (Continued)

- CIF investment performance showed a net rate of return of approximately 19.0% compared with the 10.4% and the -20.5% net rate of return earned during the fiscal years ended June 30, 2010 and June 30, 2009, respectively. Approximately 89% of the Foundation's assets are currently held as endowments in the CIF compared to 74% in the previous year.
- The approved spending distribution from the CIF to UNM departments was \$14.9 million, a decrease of \$0.5 million from the approved distribution of \$15.4 million in the prior year. Of this year's distribution, \$6.3 million was distributed from Foundation endowments and \$8.6 million was distributed from UNM endowments.
- Total liabilities at June 30, 2011 were \$9.7 million, an increase of \$5.9 million over June 30, 2010 total liabilities of \$3.8 million. The increase was primarily due to the separation of the Foundation's treasury functions from UNM based on the treasury operating agreement dated July 1, 2010. The agreement allows the Foundation to hold gifts and pledge payments received and transfer those funds to UNM at regular intervals. This change resulted in an increase in the payable to UNM balance at June 30, 2011. Total liabilities at June 30, 2010 were \$3.8 million, an increase of approximately 8.6% over June 30, 2009 total liabilities of \$3.5 million.
- Total operating revenue was \$24.0 million for the fiscal year ended June 30, 2011, an increase of \$1.1 million or 4.8% over the previous year total of \$22.9 million primarily due to an increase in non-endowed gifts. Total operating revenue was \$22.9 million for the fiscal year ended June 30, 2010, a decrease of \$12.9 million or 36.2% over the year ended June 30, 2009 total of \$35.8 million.
- Contributions to the Foundation's permanent endowments totaled \$14.6 million during the year, an increase of \$7.8 million or 115% over the previous year total of \$6.8 million.
- Distributions to UNM in the form of endowed spending distributions and non-endowed expenditures increased from \$26.8 million for the year ended June 30, 2010 to \$53.4 million for the year ended June 30, 2011. The increase was primarily due to the separation of the Foundation's treasury functions from UNM based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with UNM but reflected as assets on the Foundation's financial statements were recorded as distributions to UNM during the year.

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, 2011 and 2010

Financial Analysis (Continued)

- Investment income which includes interest, dividends, gains or losses, and net of fees was \$24.0 million for the year ended June 30, 2011 an increase of \$12.3 million over the year ended June 30, 2010.
- The Foundation's operating costs are supported by funding through UNM, short-term interest earned on unexpended non-endowed and endowed spending balances and a development fund allocation based on the market value of the CIF. The development funding allocation was 1.85% in the fiscal years ended June 30, 2011 and 2010. Direct support from UNM decreased to \$2.0 million in the year ended June 30, 2011, a 20% decrease from the \$2.5 million of direct support received in the year ended June 30, 2010.
- Actual general and administrative expenses totaled \$9.5 million and \$9.4 million for the years ended June 30, 2011 and 2010, respectively. The Foundation's budgeted general and administrative expenses totaled \$10.0 million and \$9.9 million for the years ended June 30, 2011 and 2010, respectively. Actual general and administrative expenses were 5% under-budget for the year ended June 30, 2011.

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, 2011 and 2010

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents - unrestricted	\$ 2,041,378	3,700,686
Cash and cash equivalents - restricted	3,378,570	24,595,994
Other current assets	315,905	207,412
	<hr/>	<hr/>
Total current assets	5,735,853	28,504,092
Noncurrent assets, restricted		
Investments held in Consolidated Investment Fund	143,392,723	115,413,103
Investments held by the University of New Mexico Foundation, Inc.	7,991,630	5,521,723
Pledges receivable, net of allowance and discount of \$908,427 and \$2,276,809 for the years ended June 30, 2011 and 2010, respectively	2,668,829	4,803,987
Real estate	1,745,825	1,734,358
Capital assets, net	37,448	-
Art collection, net	8,000	8,000
	<hr/>	<hr/>
Total noncurrent assets	155,844,455	127,481,171
	<hr/>	<hr/>
Total assets	\$ 161,580,308	155,985,263

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 282,147	58,772
Accrued payroll	719,174	668,073
Deferred annuities payable	377,663	378,187
Deferred revenue	8,454	167,627
Due to the Consolidated Investment Fund	332,032	-
Due to the University of New Mexico	2,705,518	-
	<hr/>	<hr/>
Total current liabilities	4,424,988	1,272,659
Noncurrent liabilities		
Deferred annuities payable	2,375,488	2,490,132
Due to the University of New Mexico	2,932,520	-
	<hr/>	<hr/>
Total noncurrent liabilities	5,308,008	2,490,132
	<hr/>	<hr/>
Total liabilities	9,732,996	3,762,791
Net Assets		
Unrestricted	2,224,495	2,989,597
Invested in capital assets	37,448	-
Restricted, expendable	10,838,940	37,778,589
Restricted, unexpendable	138,746,429	111,454,286
	<hr/>	<hr/>
Total net assets	151,847,312	152,222,472
	<hr/>	<hr/>
Total liabilities and net assets	\$ 161,580,308	155,985,263

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, 2011 and 2010

	2011	2010
Operating Revenues		
Donations and pledges, net of allowance and change in discounts of \$2,030,906 and \$1,828,036 for the years ended June 30, 2011 and 2010, respectively	\$ 18,436,859	16,535,418
Direct support from the University of New Mexico	1,963,680	2,503,606
Development funding allocation - Consolidated Investment Fund	3,325,390	3,246,379
Non-gift revenue	242,352	594,663
Total operating revenues	23,968,281	22,880,066
Operating Expenses		
General and administrative expenses	9,517,512	9,393,340
Operating income	14,450,769	13,486,726
Nonoperating Revenues (Expenses)		
Distributions to the University of New Mexico	(53,446,916)	(26,807,949)
Investment income	24,056,008	11,715,585
Total nonoperating revenues (expenses)	(29,390,908)	(15,092,364)
(Loss) before contributions to permanent endowments	(14,940,139)	(1,605,638)
Contributions to permanent endowments		
Donations and pledges, net of discounts	14,706,505	6,635,811
New gifts	90,371	69,077
Nongift revenue	46,666	11,100
Adjustment of actuarial liability for annuities payable	164,798	372,590
Expenditure for maintenance of investment and payments to annuitants	(443,361)	(334,279)
Total contributions to permanent endowments	14,564,979	6,754,299
Change in net assets	(375,160)	5,148,661
Net assets, beginning of year	152,222,472	147,073,811
Net assets, end of year	\$ 151,847,312	152,222,472

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, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Cash received from donors and other sources	\$ 25,772,888	25,329,751
Cash paid to beneficiaries and vendors	<u>(9,343,685)</u>	<u>(9,120,736)</u>
Net cash provided by operating activities	<u>16,429,203</u>	<u>16,209,015</u>
Cash Flows From Noncapital Financing Activities		
Distributions to the University of New Mexico	(47,808,878)	(26,808,074)
Donations and pledges	14,534,726	6,657,006
Expenditures for maintenance of investments and payments to beneficiaries	<u>(303,360)</u>	<u>(334,279)</u>
Net cash used by noncapital financing activities	<u>(33,577,512)</u>	<u>(20,485,347)</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	<u>(45,292)</u>	-
Net cash used by capital financing activities	<u>(45,292)</u>	<u>-</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	15,723,861	14,719,324
Purchases of investments	(22,160,173)	(16,096,838)
Interest and dividends received	<u>753,181</u>	<u>983,238</u>
Net cash used by investing activities	<u>(5,683,131)</u>	<u>(394,276)</u>
Net decrease in cash and cash equivalents	(22,876,732)	(4,670,608)
Cash and cash equivalents, beginning of year	<u>28,296,680</u>	<u>32,967,288</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,419,948</u></u>	<u><u>28,296,680</u></u>
Cash and cash equivalents - unrestricted	2,041,378	3,700,686
Cash and cash equivalents - restricted	<u>3,378,570</u>	<u>24,595,994</u>
Total	<u><u>\$ 5,419,948</u></u>	<u><u>28,296,680</u></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 (CONTINUED)
Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	<u>\$ 14,450,769</u>	13,486,726
Adjustments to reconcile operating income to net cash used in operating activities		
Depreciation expense	7,844	-
Donations of investments	(171,378)	(335,500)
Changes in assets and liabilities		
Other current assets	(108,493)	(172,542)
Pledges receivable	2,135,158	2,617,558
Accounts payable	223,375	51,117
Accrued payroll	51,101	394,029
Deferred revenue	(159,173)	167,627
Total adjustments	<u>1,978,434</u>	<u>2,722,289</u>
Net cash provided by operating activities	<u>\$ 16,429,203</u>	<u>16,209,015</u>
Supplemental disclosure of noncash investing, noncapital and financing activities		
Interest and dividends reinvested	\$ 1,719,256	1,402,614
Change in fair value of investments	18,939,438	10,305,826
Donations of investments to permanent endowments	218,445	124,904

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, 2011 and 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 Foundation and the Regents of UNM, dated April 30, 2008, UNM will continue to provide the Foundation sufficient administrative support to allow the Foundation to conduct its business and fulfill its responsibilities to UNM. 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.

The Memorandum further stipulates that the expenditure of gift funds and income on gift funds for the benefit of any unit of UNM or affiliated organization will be disbursed through UNM's general ledger system and that the Foundation will provide UNM appropriate documentation regarding any donor-imposed gift restrictions to assist UNM in following these donor-directives. As all gifts and all income on gifts is to be disbursed through UNM's general ledger system, UNM is responsible for monitoring the disbursements from both non-endowment gift accounts and endowed spending accounts to ensure that any and all donor imposed restrictions are maintained.

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.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Effective July 1, 2010, the Foundation adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB 62 had no impact on the Foundation's accounting policies, as the Foundation had previously elected to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, and applicable FASB pronouncements issued on or before November 30, 1989 have now been incorporated into GASB pronouncements.

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 general and administrative expenses. Nonoperating revenues and expenses include distributions to UNM and investment income. Contributions to permanent endowments include contributions to endowments and annuities, actuarial adjustments to annuities payable and payments to annuitants.

B. Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit at financial institutions 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.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Investments and Real Estate (Continued)

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.

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.

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.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the Foundation is submitted to the Board of Trustees for approval. The operating budget is on a generally accepted accounting principles (GAAP) basis for operating expenses, which is consistent with the financial statements.

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.

I. Distributions and Amounts Due to UNM

The Foundation separated its treasury function from UNM based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with UNM, but previously reflected as assets on the Foundation's financial statements were recorded as distributions to the University during the year ended June 30, 2011. Assets held by the Foundation, primarily cash, pledges receivable and real estate, but not yet distributed to UNM as of June 30, 2011, are recorded as due to the University of New Mexico.

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NOTE 3. CASH AND CASH EQUIVALENTS

The Foundation has a carrying value of \$3,257 and \$21,692,903 on deposit in pooled accounts with UNM at June 30, 2011 and 2010, 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. Risk disclosure information relating to the cash and cash equivalents held at UNM may be obtained by reference to the annual financial report of UNM. That report may be obtained by contacting the Controller's office at 1 University of New Mexico, MSC01 1300, University of New Mexico, Albuquerque, New Mexico 87131.

The Foundation also holds cash outside of UNM. These cash balances, including deposits in transit, had a carrying value of \$5,416,691 and \$6,603,577 at June 30, 2011 and 2010, respectively.

The Foundation's operating accounts (Operating and Development) at Wells Fargo had deposits totaling \$4,416,993 and \$5,162,029 at June 30, 2011 and 2010, respectively. These amounts are invested in overnight sweep accounts and are insured and collateralized at 102 percent of the invested balance. At June 30, 2011 and 2010, these funds were collateralized by government backed securities held in the Foundation's name. Below is a summary of the collateralized accounts:

	2011	2010
Wells Fargo Operating Account Balance	\$ 2,037,432	4,572,484
Wells Fargo Development Account Balance	<u>2,379,561</u>	<u>589,544</u>
	4,416,993	5,162,028
FDIC insurance	765,026	250,000
Collateralization:		
CUSIP 314D9W6Y2	-	464,545
CUSIP36202DM40, 31409X4Z9	-	4,447,390
CUSIP31419CVM2	2,054,826	-
CUSIP36202DM40	<u>1,670,181</u>	-
Total Collateralization	<u>3,725,007</u>	<u>4,911,935</u>
Uninsured and uncollateralized balance	<u><u>\$ -</u></u>	<u>-</u>

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NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

A detail of the cash accounts at June 30, 2011 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
University of New Mexico	Operating	Cash	\$ 3,257	-	3,257
Wells Fargo	Operating	Cash	2,037,432	(1,519)	2,035,913
Wells Fargo	Development	Cash	2,379,561	627,953	3,007,514
Southwest Securities	Charitable Trust Fund	Money Market	11,437	-	11,437
Bank of America	Scholarship Trust	Money Market	153,447	(10)	153,437
Bank of America	Scholarship Fund	Money Market	16,247	(1)	16,246
Wells Fargo	Charitable Trust Fund	Money Market	82,383	-	82,383
UBS Financial Services	Endowed Chair	Money Market	75,021	-	75,021
UBS Financial Services	Endowed Professorship	Money Market	34,740	-	34,740
			<u>\$ 4,793,525</u>	<u>626,423</u>	<u>5,419,948</u>

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>

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, 2011. It is the Foundation's policy to liquidate contributed securities as soon as possible following receipt.

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NOTE 4. INVESTMENTS (CONTINUED)

At June 30, 2011 and 2010, the Foundation held approximately 95% of its investments in the CIF, respectively. 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 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 5% liquid real assets, 5% illiquid real assets, 10% private equity and 20% marketable alternative investments.

During the year ended June 30, 2011, the CIF investment policy was revised. The revised investment policy reduced the long-term target allocations for private equity and illiquid real assets to 0%. As a result, the long term target portfolio is comprised of 27% domestic equity, 28% international equities, 18% fixed income, including TIPS, 2% cash, 5% liquid real assets and 20% marketable alternative investments.

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 the Memorandum between UNM and the Foundation, 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, 2011 and 2010, the CIF consisted of 1,342,175 and 1,343,711 total units valued at \$335,977,115 and \$283,246,167, respectively. Of these totals, 572,831 and 547,516 units of the pool are held by the Foundation with a fair value of \$143,392,723 and \$115,413,103, respectively. The remaining 769,344 and 796,195 units of the pool are recorded on the financial statements of UNM at a fair value of \$192,584,392 and \$167,833,064, at June 30, 2011 and 2010, respectively.

At June 30, 2011 and 2010, the Foundation had commitments for future contributions to private equity investments totaling \$17,426,360 and \$19,986,876, respectively.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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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 UNM. That report may be obtained by contacting the Controller's office at 1 University of New Mexico, MSC01 1300, University of New Mexico, Albuquerque, New Mexico 87131.

Investments Held by the Foundation - A detail of the investment accounts at June 30, 2011 is included below:

Name of Depository	Account Name	Account Type	Bank Balance
Bank of America	Scholarship Fund	Mutual Funds, Fixed	\$ 162,246
		Mutual Funds, Equity	401,909
Bank of America	Scholarship Trust	Mutual Funds, Equity	732,357
		Mutual Funds, Fixed	280,413
Wells Fargo	Charitable Trust Fund	US Agency Bonds	25,216
		Domestic Corporate Bonds	184,040
		Mutual Funds, Fixed	272,122
		Mutual Funds, Equity	894,352
		Real Estate	239,700
		Other	155,035
UBS Financial Services	Endowed Chair	Municipal Bonds	2,911,829
UBS Financial Services	Endowed Professorship	Municipal Bonds	387,345
Southwest Securities	Charitable Trust Fund	Mutual Funds, Fixed	214,555
		Mutual Funds, Equity	104,380
		Domestic Corporate Stock	128,711
Vanguard Investments	Operating Fund	Mutual Funds, Equity	<u>897,420</u>
			<u>\$ 7,991,630</u>

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NOTE 4. INVESTMENTS (CONTINUED)

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	<u>74,465</u>
			<u>\$ 5,521,723</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, 2011 and 2010 and the Foundation's exposure to custodial credit risk is as follows:

	2011	2010
Custodial Credit Risk		
U.S. Government Agency securities	\$ 25,216	107,097
Municipal bonds, City	1,084,364	782,467
Municipal bonds, County	615,718	241,057
Municipal bonds, State	453,963	290,644
Municipal bonds, other	1,145,129	893,472
Domestic corporate bonds	184,040	329,832
Domestic corporate stock	<u>128,711</u>	<u>74,465</u>
Total securities held by custodians	3,637,141	2,719,034
Investments not subject to custodial credit risk		
Certificates of deposit	-	61,110
Mutual funds	3,959,754	2,445,064
Real estate	239,700	165,972
Other	<u>155,035</u>	<u>130,543</u>
Total investments	<u>\$7,991,630</u>	<u>5,521,723</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, 2011, the Foundation did not have a policy to limit its exposure to concentrated credit risk; however, as of June 30, 2011 and 2010, 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, 2011 and 2010 and the exposure to interest rate risk is as follows:

	Fair Value	2011 Investment Maturities			
		Less than one year	1-5 years	6-10 years	More than 10 years
At interest rate risk					
U.S. Agency bonds	\$ 25,216	-	25,216	-	-
Municipal bonds, City	1,084,364	-	-	314,386	769,978
Municipal bonds, County	615,718	-	-	183,714	432,004
Municipal bonds, State	453,963	-	-	106,368	347,595
Municipal bonds, other	1,145,129	-	67,927	165,095	912,107
Domestic Corporate bonds	184,040	-	131,461	52,579	-
	<u>3,508,430</u>	-	224,604	822,142	2,461,684
Not at interest rate risk					
Certificates of deposit	-				
Domestic corporate stock	128,711				
Mutual funds	3,959,754				
Real estate	239,700				
Other	<u>155,035</u>				
Total investments	<u>\$ 7,991,630</u>				
	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>	264,517	201,671	163,255	2,015,126
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>				

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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, 2011 and 2010 that are subject to credit risk are as follows:

June 30, 2011

Category	Rating	Fair Value	% of Bond Portfolio
U.S. Agency	Aaa	<u>\$ 25,216</u>	.72%
City Municipal	Not rated	\$ 55,175	1.57%
City Municipal	Moody's - Aaa	135,519	3.86%
City Municipal	Moody's - Aa1	135,196	3.85%
City Municipal	Moody's - Aa2	481,582	13.74%
City Municipal	Moody's - Aa3	276,892	7.89%
County Municipal	Moody's - Aaa	67,437	1.92%
County Municipal	Moody's - Aa1	141,490	4.03%
County Municipal	Moody's - Aa2	244,067	6.96%
County Municipal	Moody's - Aa3	138,087	3.94%
County Municipal	Moody's - A3	24,637	0.70%
State Municipal	Moody's - Aaa	78,368	2.23%
State Municipal	Moody's - Aa2	244,712	6.97%
State Municipal	Moody's - Aa3	25,108	0.72%
State Municipal	Moody's - A1	105,775	3.01%
Other Municipal	Not rated	31,071	0.89%
Other Municipal	Moody's - Aaa	438,027	12.49%
Other Municipal	Moody's - Aa2	373,415	10.65%
Other Municipal	Moody's - Aa3	181,125	5.16%
Other Municipal	Moody's - A1	86,423	2.46%
Other Municipal	Moody's - A2	23,678	0.67%
Other Municipal	Moody's - Baa1	<u>11,390</u>	0.32%
		<u>3,299,174</u>	
Domestic corporate	Moody's - Aa1	\$ 52,579	1.50%
	Moody's - Aa2	26,463	0.75%
	Moody's - A2	52,109	1.49%
	Moody's - A3	<u>52,889</u>	1.51%
		<u>184,040</u>	

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NOTE 4. INVESTMENTS (CONTINUED)

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>	

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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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, 2011 and 2010 follows:

	2011	2010
Real estate		
Beginning balance at July 1	\$ 2,298,059	2,298,059
Additions	121,467	-
Deletions	-	-
Balance at June 30	<u>2,419,526</u>	<u>2,298,059</u>
Real estate reserve		
Beginning balance at July 1	(563,701)	(563,701)
Additions	(110,000)	-
Deletions	-	-
Balance at June 30	<u>(673,701)</u>	<u>(563,701)</u>
Real Estate, net	<u>\$ 1,745,825</u>	<u>1,734,358</u>

All Investments

During the years ended June 30, 2011 and 2010, the Foundation recognized realized and unrealized gains (losses) on investments held as outlined below:

		CIF	Foundation	Total
2011				
Realized gains	\$	2,504,007	139,285	2,643,292
Unrealized gains		18,412,493	526,945	18,939,438
2010				
Realized (losses)	\$	(857,640)	(5,032)	(862,672)
Unrealized gains		9,776,698	403,009	10,179,707

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, 2011 and 2010:

	2011	2010
Amounts due in less than one year	\$1,055,143	1,768,183
Amounts due in more than one year	2,522,113	5,312,613
Total pledges receivable	3,577,256	7,080,796
Discounts to net present value	(229,564)	(272,439)
Allowance for doubtful pledges	(678,863)	(2,004,370)
Pledges receivable, net	<u>\$2,668,829</u>	<u>4,803,987</u>

Noncurrent pledges receivable are discounted at the IRS discount rate of 2.8% and 3.2% for the years ended June 30, 2011 June 30, 2010, 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 at any time.

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 any time.

At June 30, 2011 and 2010, endowments were comprised of the following:

	2011	2010
True endowment	\$ 136,895,601	109,739,913
Term endowment	383,966	340,005
Quasi-endowment (designated by the Board of Trustees)	<u>10,838,940</u>	<u>9,676,128</u>
	<u>\$ 148,118,507</u>	<u>119,756,046</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 interest, dividends and 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.

NOTE 7. 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) or term endowments. 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.

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June 30, 2011 and 2010

NOTE 7. RESTRICTED ASSETS AND RESTRICTED NET ASSETS (CONTINUED)

Restricted net assets consisted of the following at June 30:

	2011	2010
True endowments, unexpendable	\$ 136,895,601	109,738,913
Term endowments, unexpendable	383,966	340,005
Annuity gifts, unexpendable	<u>1,466,862</u>	1,375,368
Total unexpendable	<u>138,746,429</u>	111,454,286
Quasi-endowments, expendable	10,838,940	9,676,128
Donations and gifts, expendable	<u>-</u>	28,102,461
Total expendable	<u>10,838,940</u>	37,778,589
Total unexpendable and expendable	<u>\$ 149,585,369</u>	149,232,875

NOTE 8. 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 factors, based on the American Council on Gift Annuities guidelines 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, 2011 and 2010, the Foundation had the following deferred annuities payable activity:

	2011	2010
Balance due at July 1	\$ 2,868,319	3,174,987
Additions to deferred annuities payable	49,629	65,922
Net adjustment of actuarial liability	<u>(164,797)</u>	(372,590)
Balance due at June 30	<u>\$ 2,753,151</u>	2,868,319
Amount due in one year	<u>\$ 377,663</u>	378,187

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June 30, 2011 and 2010

NOTE 9. WILLS AND BEQUESTS

The Foundation has been newly named as a beneficiary in wills and bequests totaling \$23,797,500 and \$20,670,765 during the fiscal years ended June 30, 2011 and 2010, respectively. Wills and Bequests will be 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 10. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of the following for the year ended June 30, 2011:

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Total
Audit fees	\$ 75,970	-	-	-	75,970
General & administrative	179,293	-	-	-	179,293
Board expense	14,793	-	-	-	14,793
Dues & subscriptions	90,386	-	-	-	90,386
Computer equipment and software	137,388	-	-	-	137,388
Donor relations	272,042	-	-	-	272,042
Furniture, office equipment and property	22,656	-	-	14,380	37,036
Office lease, building	295,118	-	-	-	295,118
Insurance	30,798	4,000	278	400	35,476
Professional services	802,371	-	3,106	690	806,167
Professional development	56,711	-	-	-	56,711
Postage & mailing	45,922	-	-	-	45,922
Printing, fundraising & promotional material	65,879	-	-	-	65,879
Staff salaries	6,110,938	-	-	-	6,110,938
Payroll taxes	372,730	-	-	-	372,730
Fringe benefits	779,703	-	-	-	779,703
Travel & entertainment	107,654	-	-	-	107,654
Property taxes	1,769	-	10,554	14,139	26,462
Depreciation	7,844	-	-	-	7,844
	<u>\$ 9,469,965</u>	<u>4,000</u>	<u>13,938</u>	<u>29,609</u>	<u>9,517,512</u>

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10. GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

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>

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 direct support from UNM. For the years ended June 30, 2011 and 2010, these operating expenses totaled \$1,304,783 and \$1,617,753, respectively. Corporate and program expenses paid directly by the Foundation for the years ended June 30, 2011 and 2010 were \$8,212,729 and \$7,775,587, respectively.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 11. 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 12. PENSION PLAN

The Foundation has 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 and (b) an additional 4% match for employees who do contribute to the plan. The Foundation's contributions to the plan for the years ended June 30, 2011 and 2010 was \$348,721 and \$347,747, respectively.

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, 2011

	Original Budget	Final Budget	Actual	Over/ (Under) Budget
Operating Fund Expenditures				
General and administrative	\$ 10,000,686	10,000,686	9,469,965	(530,721)

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
FINANCIAL ANALYSIS BY FUND
June 30, 2011

OPERATING FUND

The Operating Fund is used to account for the operating revenues and expenses of the Foundation.

The net assets of the Operating Fund decreased from \$2,989,597 at June 30, 2010 to \$2,261,943 at June 30, 2011. The decrease was primarily the result of a budgeted use of reserve funds to balance the budget for fiscal year 2010-11. Short-term investment income in the Operating Fund totaled \$852,179 for 2010-11 compared to \$807,805 for 2009-10. The increase was primarily due to additional investment income earned by investing the Foundation's reserve funds.

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. 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 and also accrues a payable to UNM until the gift funds are transferred to UNM.

The net assets in the General Fund decreased from \$28,102,461 at June 30, 2010 to \$0 at June 30, 2011. The decrease was primarily due to the separation of the Foundation's treasury function from UNM based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with UNM but reflected as assets on the Foundation's financial statements were recorded as distributions to UNM during the year.

Pledges receivable decreased from \$4,803,987 at June 30, 2010 to \$2,668,829 at June 30, 2011.

Distributions from the General Fund to UNM increased from \$15,929,867 in 2009-10 to \$46,282,194 in 2010-11, an increase of \$30,352,327. The increase was primarily due to the separation of the Foundation's treasury function from UNM based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with UNM but reflected as assets on the Foundation's financial statements were recorded as distributions to UNM during the year.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
FINANCIAL ANALYSIS BY FUND (CONTINUED)
June 30, 2011

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 the spending distribution be allocated for spending, subject to the restrictions imposed by the donor in the gift instrument. 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.

The net assets of the Endowment Fund increased from \$119,755,046 at June 30, 2010 to \$148,118,507 at June 30, 2011, an increase of \$28,363,461 or 24%. The majority of this increase is due to gifts and net investment gains in the Consolidated Investment Fund.

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 during their lifetime. 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 invested with Endowment Fund assets in the CIF and will exhibit similar return characteristics.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
BALANCE SHEET BY FUND
June 30, 2011

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Combined Total
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	\$ 2,041,378	-	-	-	2,041,378
Cash and cash equivalents - restricted	-	2,905,518	761,091	(288,039)	3,378,570
Other current assets	281,850	-	34,055	-	315,905
Total current assets	2,323,228	2,905,518	795,146	(288,039)	5,735,853
Noncurrent assets					
Investments held in Consolidated Investment Fund - restricted	-	-	140,613,183	2,779,540	143,392,723
Investments held by the University of the New Mexico Foundation, Inc.	897,420	1	6,646,563	447,646	7,991,630
Pledges receivable - restricted	-	2,668,829	-	-	2,668,829
Real estate - restricted	-	63,690	404,667	1,277,468	1,745,825
Capital assets, net	37,448	-	-	-	37,448
Art collection, net - restricted	-	-	8,000	-	8,000
Total noncurrent assets	934,868	2,732,520	147,672,413	4,504,654	155,844,455
Total assets	\$ 3,258,096	5,638,038	148,467,559	4,216,615	161,580,308
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	268,525	-	-	13,622	282,147
Accrued payroll	719,174	-	-	-	719,174
Deferred annuities payable	-	-	-	377,663	377,663
Deferred revenue	8,454	-	-	-	8,454
Due to (from) the Consolidated Investment Fund	-	-	349,052	(17,020)	332,032
Due to the University of New Mexico	-	2,705,518	-	-	2,705,518
Total current liabilities	996,153	2,705,518	349,052	374,265	4,424,988
Noncurrent liabilities					
Deferred annuities payable	-	-	-	2,375,488	2,375,488
Due to the University of New Mexico, deferred	-	2,932,520	-	-	2,932,520
Total noncurrent liabilities	-	2,932,520	-	2,375,488	5,308,008
Total liabilities	996,153	5,638,038	349,052	2,749,753	9,732,996
Net Assets					
Unrestricted	2,224,495	-	-	-	2,224,495
Invested in capital assets	37,448	-	-	-	37,448
Restricted	-	-	148,118,507	1,466,862	149,585,369
Total net assets	2,261,943	-	148,118,507	1,466,862	151,847,312
Total liabilities and net assets	\$ 3,258,096	5,638,038	148,467,559	4,216,615	161,580,308

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
For the Year Ended June 30, 2011

	Operating Fund	General Fund	Endowment Fund	Life Income Fund	Combined Total
Operating Revenues					
Donations and pledges, net	\$ 147,215	17,986,434	303,210	-	18,436,859
Direct support from the University of New Mexico	1,963,680	-	-	-	1,963,680
Development funding allocation - Consolidated Investment Fund	3,325,390	-	-	-	3,325,390
Nongift revenue	3,295	174,578	28,956	35,523	242,352
Total operating revenues	5,439,580	18,161,012	332,166	35,523	23,968,281
Operating Expenses					
General and administrative expenses	9,469,965	4,000	13,938	29,609	9,517,512
Operating (loss) income	(4,030,385)	18,157,012	318,228	5,914	14,450,769
Nonoperating Revenues (Expenses)					
Distributions to the University of New Mexico	-	(46,282,194)	(7,073,454)	(91,268)	(53,446,916)
Investment income	852,179	15,358	22,730,486	457,985	24,056,008
Total nonoperating revenues (expenses)	852,179	(46,266,836)	15,657,032	366,717	(29,390,908)
(Loss) income before contributions to permanent endowment	(3,178,206)	(28,109,824)	15,975,260	372,631	(14,940,139)
Contributions to permanent endowments					
Donations and pledges, net	-	-	14,706,505	-	14,706,505
New gifts	-	-	-	90,371	90,371
Nongift revenue	-	-	46,666	-	46,666
Adjustment of actuarial liability for annuities payable	-	-	-	164,798	164,798
Expenditure for maintenance of investment and payments to annuitants	-	-	(46,586)	(396,775)	(443,361)
Total contributions to permanent endowments	-	-	14,706,585	(141,606)	14,564,979
Transfers					
Transfers to (from)					
Development funding allocation - Consolidated Investment Fund	2,401,374	-	(2,351,095)	(50,279)	-
General fund transfers to endowment fund	-	-	-	-	-
Other transfers	49,178	7,363	32,711	(89,252)	-
Total transfers	2,450,552	7,363	(2,318,384)	(139,531)	-
Change in net assets	(727,654)	(28,102,461)	28,363,461	91,494	(375,160)
Net assets, beginning of year	2,989,597	28,102,461	119,755,046	1,375,368	152,222,472
Net assets, end of year	\$ 2,261,943	-	148,118,507	1,466,862	151,847,312

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO SUPPLEMENTAL INFORMATION
June 30, 2011

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 at any time.

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.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
NOTES TO SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2011

NOTE 2. TRANSFERS

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

**Report of Independent Auditors 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, 2011. We have also audited the budgetary comparison, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of 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 12, 2011

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

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, 2011

An exit conference was conducted on September 13, 2011, 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
Kimberly Pena, Board Member
Anne Yegge, Board Member
Gary Gordon, 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
Adam Cavin, Senior Manager
Brandon Solwick, Manager