



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

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**  
(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, 2012

**Office**

Gary Gordon	Chair
Henry Nemcik	UNM Foundation President
Carl Alongi	Vice Chair/Chair Elect
Stephanie Bennett-Smith	National Vice-Chair
Ray Ziler	Assistant Treasurer of the Board
Peter Johnstone	Secretary of the Board

**Members**

Carl Alongi	Peter Johnstone
Laura Bass	Gerald Landgraf
Gary Beal	Mark Lesher
Stephanie Bennett-Smith	James Maddox
Dennis Burns	Henry Nemcik
Louise Campbell	Kimberly Peña
Michelle Coons	Steven Petranovich
John Cordova	Dorothy Rainosek
Jack Fortner	Randy Velarde
Edward Foster	Anne Yegge
Robert Frank	Ray Ziler
Gary Gordon	Orcilia Zuniga-Forbes



**KPMG LLP**  
Suite 700  
Two Park Square  
6565 Americas Parkway NE  
PO Box 3990  
Albuquerque, NM 87190

## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the University of New Mexico Foundation, Inc. (the Foundation), a component unit of the University of New Mexico, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Foundation as of June 30, 2011 were audited by other auditors whose report thereon dated October 12, 2011 expressed an unqualified opinion on those statements.

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. 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 also 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of New Mexico Foundation, Inc. as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The financial analysis by account group, balance sheet by account group, statement of revenues, expenses, and changes in net assets by account group, and notes to supplemental information, as of and for the year ended 2012, on pages 31 – 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules and related notes on pages 31 – 35 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial analysis by account group, balance sheet by account group, statement of revenues, expenses, and changes in net assets by account group, and notes to supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Albuquerque, New Mexico  
November 7, 2012

# UNIVERSITY OF NEW MEXICO FOUNDATION, INC.

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2012 and 2011

As a component unit of the University of New Mexico (UNM or the University), the University of New Mexico Foundation, Inc. (the Foundation) applies 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, 2012 and 2011 and the following, which comprise the basic financial statements:

1. Balance sheets, which present information on the Foundation's assets and liabilities and resulting net assets.
2. Statements of revenues, expenses, and changes in net assets, which provide information on the results of operations for the fiscal years.
3. Statements of cash flows, which present information on changes in cash balances and identify 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

*Condensed Assets, Liabilities, and Net Assets*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 7,224,300	6,112,133	28,504,092
Noncurrent assets	156,495,732	155,468,175	127,481,171
Total assets	<u>\$ 163,720,032</u>	<u>161,580,308</u>	<u>155,985,263</u>
Current liabilities	\$ 4,956,395	4,424,988	1,272,659
Noncurrent liabilities	5,992,192	5,308,008	2,490,132
Total liabilities	<u>10,948,587</u>	<u>9,732,996</u>	<u>3,762,791</u>
Net assets:			
Unrestricted	1,988,201	2,224,495	2,989,597
Invested in capital assets	123,477	37,448	—
Restricted	150,659,767	149,585,369	149,232,875
Total net assets	<u>152,771,445</u>	<u>151,847,312</u>	<u>152,222,472</u>
Total liabilities and net assets	<u>\$ 163,720,032</u>	<u>161,580,308</u>	<u>155,985,263</u>

**UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**

(A Component Unit of the University of New Mexico)

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June 30, 2012 and 2011

*Condensed Summary of Revenues, Expenses, and Changes in Net Assets*

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Donations and pledges, net	\$ 17,299,760	17,988,073	16,535,418
Direct support from the University of New Mexico	1,860,870	1,963,680	2,503,606
Development funding allocation – Consolidated Investment Fund	3,349,449	3,325,390	3,246,379
Nongift revenue	<u>894,259</u>	<u>691,138</u>	<u>594,663</u>
Total operating revenues	23,404,338	23,968,281	22,880,066
Operating expenses:			
General and administrative	<u>9,280,165</u>	<u>9,517,512</u>	<u>9,393,340</u>
Operating income	<u>14,124,173</u>	<u>14,450,769</u>	<u>13,486,726</u>
Nonoperating revenue (expenses):			
Distributions to UNM	(25,336,191)	(53,903,667)	(26,807,949)
Investment income, net	<u>1,612,231</u>	<u>24,056,008</u>	<u>11,715,585</u>
Total nonoperating expenses	<u>(23,723,960)</u>	<u>(29,847,659)</u>	<u>(15,092,364)</u>
Loss before changes in term and permanent endowments	(9,599,787)	(15,396,890)	(1,605,638)
Changes in term and permanent endowments	<u>10,523,920</u>	<u>15,021,730</u>	<u>6,754,299</u>
Increase (decrease) in net assets	924,133	(375,160)	5,148,661
Net assets, beginning of year	<u>151,847,312</u>	<u>152,222,472</u>	<u>147,073,811</u>
Net assets, end of year	<u>\$ 152,771,445</u>	<u>151,847,312</u>	<u>152,222,472</u>

**Financial Analysis**

- At June 30, 2012, the Foundation's total assets were \$163.7 million, which represents an increase of 1.3% over June 30, 2011 total assets of \$161.6 million. 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.
- Net assets increased to \$152.8 million at June 30, 2012, an increase of \$924 thousand or 0.6% over the net assets of \$151.8 million at June 30, 2011. Net assets decreased to \$151.8 million at June 30, 2011, a decrease of \$375 thousand or 0.2% from the net assets of \$152.2 million at June 30, 2010.
- The increase in total assets and net assets, during the year ended June 30, 2012, was due to revenues exceeding expenses and distributions.

**UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**

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June 30, 2012 and 2011

- The market value of the Consolidated Investment Fund (CIF) at June 30, 2012 was \$329.5 million, a decrease of approximately \$6.5 million from the June 30, 2011 market value of \$336.0 million. Total realized gains for the entire CIF were \$6.9 million and unrealized losses were \$10 million during the year ended June 30, 2012. The market value of the CIF at June 30, 2011 was \$336.0 million, an increase of approximately \$52.8 million over the June 30, 2010 market value of \$283.2 million. The fair value and ownership units of the CIF as of June 30, 2012 and 2011 are as follows:

	<b>Consolidated Investment Fund</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Units:			
Foundation	\$ 576,030	572,831	547,516
University of New Mexico	733,737	769,344	796,195
Total units of CIF	<u>\$ 1,309,767</u>	<u>1,342,175</u>	<u>1,343,711</u>
Fair value (in millions):			
Foundation	\$ 144.9	143.4	115.4
University of New Mexico	184.6	192.6	167.8
Total fair value of CIF	<u>\$ 329.5</u>	<u>336.0</u>	<u>283.2</u>

- Total additional investments into the CIF, during the year ended June 30, 2012, were \$11.8 million; a decrease of \$8.1 million from the prior year. Total additional investments into 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 \$6.9 million and unrealized losses in the CIF were \$10 million during the year ended June 30, 2012. The CIF had a return of 1.05%, outperforming the CIF long-term policy index return of (0.72)%. Domestic equities returned 3.22%, international equities returned (11.39)%, fixed income returned 9.45%, real assets returned (3.39)%, private equities returned 10.61%, and marketable alternatives returned 1.92%.
- 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%.
- CIF investment performance showed a net rate of return in the current year of approximately 1.05% compared with the 19.0% and the 10.4% net rate of return earned during the fiscal years ended June 30, 2011 and 2010, respectively.
- The approved spending distribution from the CIF to UNM departments was \$14.0 million during 2012, a decrease of \$0.9 million from the approved distribution of \$14.9 million in the prior year primarily due to a decrease in the spending rate to 4.5% during the fiscal year ended June 30, 2012 from 4.65% in the year ended June 30, 2011. The spending rate was reduced as a result of a reduction in the expected rate of return for the CIF asset allocation. Of this year's distribution, \$6.2 million was distributed from Foundation



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June 30, 2012 and 2011

endowments and \$7.8 million was distributed from UNM endowments. The spending distribution for the year ended June 30, 2011 of \$14.9 million decreased by \$0.5 million from the 2010 approved distribution of \$15.4 million.

- Approximately 89% of the Foundation's assets are held as endowments in the CIF as of June 30, 2012 and 2011, compared to 74% as of June 30, 2010.
- Total liabilities at June 30, 2012 were \$10.9 million, an increase of \$1.2 million over June 30, 2011 total liabilities of \$9.7 million. The increase was primarily due to an increase in amounts due to the CIF. Endowment gifts are received and transferred to the CIF in the month following the month of receipt. 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 operating revenue was \$23.4 million for the fiscal year ended June 30, 2012, a decrease of \$600 thousand or - 2.4% from the previous year total of \$24.0 million primarily due to a decrease in nonendowed gifts. 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 2010 total of \$22.9 million primarily due to an increase in nonendowed gifts.
- Changes in term and permanent endowments totaled \$10.5 million during the year; a decrease of \$4.5 million or (29.9)% over the previous year total of \$15.0 million. Changes in term and permanent endowments during the year ended June 30, 2011 increased \$7.8 million over the 2010 year total of \$6.8 million.
- Distributions to UNM in the form of endowed spending distributions and nonendowed expenditures were \$25.3 million for the year ended June 30, 2012, which decreased from \$53.9 million for the year ended June 30, 2011 but is consistent with the \$26.8 million for the year ended June 30, 2010. The higher amount in 2011 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 the University during the year ended June 30, 2011.
- Investment income that includes interest, dividends, gains or losses, and net of fees was \$1.6 million for the year ended June 30, 2012; a decrease of \$22.4 million over the year ended June 30, 2011. The decrease was the result of a decrease in the rate of return for the CIF from 19.0% in the year ended June 30, 2011 to 1.05% in the year ended June 30, 2012. Investment income was \$24.0 million for the year ended June 30, 2011 an increase of \$12.3 million over the year ended June 30, 2010.

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- The primary funding sources for the Foundation's operating costs are support from UNM (20.8%), short-term interest earned on unexpended nonendowed and endowed spending balances (10.3%) and a development fund allocation (65.9%) based on the market value of the CIF. The development funding allocation was 1.85% in the fiscal years ended June 30, 2012, 2011, and 2010. Direct support from UNM decreased to \$1.9 million in the year ended June 30, 2012, a 5.2% decrease from the \$2.0 million of direct support received in the year ended June 30, 2011. In 2011, direct support from UNM decreased 20% from the \$2.5 million of direct support received in the year ended June 30, 2010.
- Actual general and administrative expenses for the operating account group totaled \$9.1 million, \$9.5 million, and \$9.5 million for the years ended June 30, 2012, 2011, and 2010, respectively. The Foundation's budgeted operating general and administrative expenses totaled \$9.4 million, \$10.0 million, and \$9.9 million for the years ended June 30, 2012, 2011, and 2010, respectively. Actual operating general and administrative expenses were 2.8% under-budget for the year ended June 30, 2012 and 5% under-budget for the year ended June 30, 2011.

**Factors Impacting Future Periods**

The continued uncertainty of the economy and its effect on donor contributions could have a significant impact on the Foundation.

In fiscal year 2013, UNM will increase its contribution to the Foundation by approximately \$1.8 million with an additional increase expected in fiscal year 2014. This contribution is expected to allow the Foundation to, over time, reduce its management fees charged to the CIF (development funding allocation), from the current level of 1.85%.

**Contacting the Foundation's Financial Management**

If you have questions about this report or need additional financial information, please contact the UNM Foundation's 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, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets:		
Cash and cash equivalents – unrestricted	\$ 2,737,055	2,041,378
Cash and cash equivalents – restricted	3,787,845	3,378,570
Pledges receivable, net of allowance	435,187	376,280
Other current assets	264,213	315,905
Total current assets	7,224,300	6,112,133
Noncurrent assets, restricted:		
Investments held in Consolidated Investment Fund	144,930,931	143,392,723
Investments held by the University of New Mexico Foundation, Inc.	7,395,480	7,991,630
Pledges receivable, net of discounts	2,224,965	2,292,549
Real estate	1,812,879	1,745,825
Capital assets, net	123,477	37,448
Other noncurrent assets	8,000	8,000
Total noncurrent assets	156,495,732	155,468,175
Total assets	\$ 163,720,032	161,580,308
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 130,089	282,147
Accrued payroll	769,731	719,174
Current portion of deferred annuities payable	364,033	377,663
Deferred revenue	90,169	8,454
Due to the Consolidated Investment Fund	1,384,256	332,032
Due to the University of New Mexico	2,218,117	2,705,518
Total current liabilities	4,956,395	4,424,988
Noncurrent liabilities:		
Deferred annuities payable	2,986,551	2,375,488
Due to the University of New Mexico	3,005,641	2,932,520
Total noncurrent liabilities	5,992,192	5,308,008
Total liabilities	10,948,587	9,732,996
Net assets:		
Unrestricted	1,988,201	2,224,495
Invested in capital assets	123,477	37,448
Restricted, expendable	15,696,708	11,222,906
Restricted, nonexpendable	134,963,059	138,362,463
Total net assets	152,771,445	151,847,312
Total liabilities and net assets	\$ 163,720,032	161,580,308

See accompanying 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, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Operating revenues:		
Donations and pledges, net of provision for allowance and discounts of \$646,910 and \$2,030,906, for the years ended June 30, 2012 and 2011, respectively	\$ 17,299,760	17,988,073
Direct support from the University of New Mexico	1,860,870	1,963,680
Development funding allocation – Consolidated Investment Fund	3,349,449	3,325,390
Nongift revenue	894,259	691,138
Total operating revenues	23,404,338	23,968,281
Operating expenses	9,280,165	9,517,512
Operating income	14,124,173	14,450,769
Nonoperating revenues (expenses):		
Distributions to the University of New Mexico	(25,336,191)	(53,903,667)
Investment income, net	1,612,231	24,056,008
Total nonoperating expenses	(23,723,960)	(29,847,659)
Loss before changes in term and permanent endowments	(9,599,787)	(15,396,890)
Changes in term and permanent endowments:		
Donations	9,800,497	14,796,876
Institutional transfers to CIF	1,689,931	456,751
Nongift revenue	55,734	46,666
Adjustment of actuarial liability for annuities payable	(588,542)	164,798
Expenditure for payments to annuitants and beneficiaries	(433,700)	(443,361)
Total changes in term and permanent endowments	10,523,920	15,021,730
Increase (decrease) in net assets	924,133	(375,160)
Net assets, beginning of year	151,847,312	152,222,472
Net assets, end of year	\$ 152,771,445	151,847,312

See accompanying notes to financial statements.

**UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**  
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Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 15,187,453	20,324,645
Cash received from the University of New Mexico	1,942,585	2,122,853
Cash received from the Consolidated Investment Fund	3,349,449	3,325,390
Cash paid to employees	(6,036,605)	(6,059,837)
Cash paid to vendors	(3,285,525)	(3,283,848)
Net cash provided by operating activities	11,157,357	16,429,203
Cash flows from noncapital financing activities:		
Distributions to the University of New Mexico	(25,750,471)	(48,265,629)
Donations and pledges	6,935,012	14,534,726
Institutional transfers to CIF	1,689,931	456,751
Payments to annuitants and beneficiaries	(424,809)	(303,360)
Net cash used in noncapital financing activities	(17,550,337)	(33,577,512)
Cash flows from capital and related financing activity:		
Purchases of capital assets	(93,873)	(45,292)
Net cash used in capital and related financing activity	(93,873)	(45,292)
Cash flows from investing activities:		
Proceeds from sale of investments	17,578,311	15,723,861
Purchases of investments	(12,843,103)	(23,879,429)
Interest and dividends received	2,856,597	2,472,437
Net cash provided by (used in) investing activities	7,591,805	(5,683,131)
Net increase (decrease) in cash and cash equivalents	1,104,952	(22,876,732)
Cash and cash equivalents, beginning of year	5,419,948	28,296,680
Cash and cash equivalents, end of year	\$ 6,524,900	5,419,948
Cash and cash equivalents, unrestricted	\$ 2,737,055	2,041,378
Cash and cash equivalents, restricted	3,787,845	3,378,570
Total	\$ 6,524,900	5,419,948

**UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**  
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Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 14,124,173	14,450,769
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	7,844	7,844
Donations of investments	(3,015,243)	(171,378)
Changes in assets and liabilities:		
Other current assets	51,692	(108,493)
Pledges receivable	8,677	2,135,158
Accounts payable	(152,058)	223,375
Accrued payroll	50,557	51,101
Deferred revenue	81,715	(159,173)
Total adjustments	(2,966,816)	1,978,434
Net cash provided by operating activities	\$ 11,157,357	16,429,203
Supplemental disclosures of noncash investing, noncapital, and financing activities:		
Change in fair value of investments	\$ (4,248,993)	18,939,438
Donations of investments to permanent endowments	2,577,526	218,445
Donations of real estate to permanent endowments	589,975	—

See accompanying 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, 2012 and 2011

**(1) Nature of Business**

The University of New Mexico Foundation, Inc. (the 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 or University). By managing funds, identifying and developing new sources of private support, encouraging the adoption of common goals, and nurturing cooperation toward 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 the University of New Mexico, 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 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 UNM's ownership of Consolidated Investment Fund (CIF) endowments. 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 the University or affiliated organization will be disbursed through the University's general ledger system and that the Foundation will provide the University appropriate documentation regarding any donor-imposed gift restrictions to assist the University in following these donor directives. As all gifts and all income on gifts is to be disbursed through the University's general ledger system, the University is responsible for monitoring the disbursements from both nonendowment gift accounts and endowed spending accounts to ensure that any and all donor-imposed restrictions are maintained.

**(2) Summary of Significant Accounting Policies**

**(a) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

As a component unit of UNM, the Foundation presents its financial statements in accordance with U.S. generally accepted accounting standards as established by the Governmental Accounting Standards Board (GASB).

Under GASB Statement No. 14, *The Financial Reporting Entity*, the Foundation is a discretely presented component unit of UNM. The Foundation applies business-type activity accounting and the basic financial statements are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The significant accounting policies utilized by the Foundation in the preparation of the financial statements are described below.

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**(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.

Restricted cash and cash equivalents are donor restricted to use for a particular UNM program or purpose.

**(c) Investments and Real Estate**

Investments and real estate are generally reported at fair value. Short-term investments are carried at cost, which approximates fair value. All real estate reflected in the accompanying balance sheets was contributed to the Foundation. 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.

The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. As the CIF is not publically quoted, the value is based on the total estimated value of the underlying investments within the CIF. Within the CIF, the alternative investments are valued as reported by the general partners and fund managers. Management reviews and evaluates the valuation received from third parties and believes the carrying amount to be a reasonable estimate of fair value. As limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

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 restrictions limiting the Foundation's ability to use these investments.

*Donated Investments* – It is the Foundation's policy to liquidate donated investments as soon as possible following receipt.

**(d) Due to the Consolidated Investment Fund**

Amounts due to the CIF represent funds transferred from the University to be invested in the endowment and held temporarily by the Foundation. The funds are transferred to the CIF on a monthly basis.

**(e) Due to the University of New Mexico and Distributions to UNM**

The current amount due to UNM represents nonendowed, restricted cash held by the Foundation expected to be distributed to UNM within the next fiscal year.

The noncurrent amount due to UNM represents nonendowed assets held by the Foundation, primarily cash and pledges receivable, which are expected to be distributed to UNM after the next



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fiscal year. Generally, the noncurrent cash due to UNM is restricted by donors as to the time period in which they may be transferred to UNM.

The Foundation separated its treasury function from the University based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with the University but reflected as assets on the Foundation's financial statements as of July 1, 2010 were removed by recording distributions to the University during the year ended June 30, 2011.

**(f) *Deferred Annuities Payable***

Deferred annuities payable represents the 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 estimated liability. Significant factors of the estimate include the donor's age, amount of donation, and the discount rate, and are updated annually to adjust the liability.

**(g) *Net Assets***

To ensure observance of limitations and restrictions placed on the use of reserves available to the Foundation, net assets are classified as follows, based on the existence or absence of donor-imposed restrictions:

*Unrestricted net assets* – resources that are not subject to donor imposed. The Board of Trustees designates a portion of these net assets as nonexpendable reserves for annuities payable.

*Invested in capital assets* – represents the Foundation's total investment in capital assets, net of accumulated depreciation.

*Restricted net assets* – resources that, because of donor-imposed restrictions, must be used for a specified purpose, generally UNM programs, or maintained for a specified time period.

- *Restricted, expendable* – resources that are contributions designed by donors for use by particular entities or programs or for specific purposes or functions of UNM. Resources include contributions with donor-imposed time restrictions for spending or transferring the funds to UNM. These funds also include quasi-endowments, of which the corpus can be invaded. Investment income on endowment investments are classified as restricted, expendable net assets unless otherwise specified by the donor.
- *Restricted, nonexpendable* – resources that are permanent endowments. Such funds are generally subject to donor restrictions requiring that the principal be invested in perpetuity for the purpose of producing income and appreciation that may be expended or added to the principal in accordance with the donor's wishes.

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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**(h) Classification of Revenues and Expenses**

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the Foundation. Principal operating revenues include nonendowed donations and pledges, direct support from the University, and the development funding allocation received from the CIF. Principal operating expenses are general and administrative expenses.

Nonoperating revenues include investment income and nonoperating expenses include distributions to the University. Changes in term and permanent endowments include contributions to permanent endowments and annuities, actuarial adjustments to annuities payable, and payments to annuitants. Changes in term and permanent endowments also include institutional transfers to CIF.

**(i) Revenue Recognition**

*Donations* – The Foundation recognizes revenue on donations when all applicable eligibility requirements are met. Donations to true endowments or term endowments, as defined in note 6, are reported as changes to term and permanent endowments.

*Pledges* – The Foundation recognizes nonendowed 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. 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 provided to 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. These contributions are reported as donations and pledges, net on the accompanying statements of revenues, expenses and changes in net assets.

*Direct support from UNM* – The University provides support to the Foundation to fund administrative and fundraising activities, while the Foundation provides the University with investment management services and fundraising activities, and facilitates funding of scholarships, faculty, and program support through the endowment spending distribution.

Generally the funds are provided under cost sharing agreements with UNM; and received in the form of services by UNM employees, reimbursements for UNM's use of Foundation employees or use of office building. This revenue is recognized when the service is provided.

*Development funding allocation – Consolidated Investment Fund* – A percentage of the market value of the CIF is allocated, annually, to the Foundation for general management of the investments. The allocation is used by the Foundation to cover the employment of its staff and other operating costs. The percentage was 1.85% for fiscal years 2012 and 2011. The allocation does not provide support for third-party investment consultant fees, custodial fees, and investment manager fees. These costs are assigned directly to the CIF.

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*Investment income* – Investment income includes interest, dividends, unrealized gains or losses, and realized gains or losses. Investment interest and dividends are recognized when earned. Changes in the estimated fair value of investments are reported as unrealized gains and losses. Realized gains and losses are recognized as the difference between the sales proceeds and amortized costs when realized (sold), calculated independently of the unrealized loss.

**(j) *Institutional Transfers to CIF***

Institutional transfers to CIF represent transfers of nonendowed and endowed spending funds from the University to the CIF.

**(k) *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) of the IRC. Furthermore, as a publicly supported organization it is classified as a public charity and not a private foundation under IRC Section 509(a)(1). The Foundation had no material unrelated business income; therefore, no provision for income taxes is included in the financial statements.

As of June 30, 2012, the Foundation has a net operating loss carryforward of approximately \$1.8 million, as a result of cumulative losses from underlying partnership investments within the CIF. The deferred tax asset associated with this loss carryforward of approximately \$630,000 is not recognized on the accompanying balance sheets due to the uncertainty of future income that would be necessary to realize the benefit.

**(l) *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.

**(m) *Reclassification***

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

**(3) *Cash and Cash Equivalents***

The Foundation has a carrying value of \$8,154 and \$3,257 on deposit in pooled accounts with UNM at June 30, 2012 and 2011, respectively. The UNM deposits are held in demand and time accounts at local financial institutions and in a U.S. Treasury Note portfolio managed by Smith Barney Citigroup. New Mexico statutes require financial institutions to pledge qualifying collateral to UNM to cover at least 50% of the uninsured deposits. All collateral is held by third parties in safekeeping.

The Foundation is at risk to the extent that UNM's funds are uninsured or uncollateralized.

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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, New Mexico 87131.

The Foundation also holds cash outside of the University. These cash balances, including deposits in transit, had a carrying value of \$6,516,746 and \$5,416,491 at June 30, 2012 and 2011, respectively.

The Foundation's operating accounts (Operating and Development) at Wells Fargo had deposits totaling \$4,030,675 and \$4,416,993 at June 30, 2012 and 2011, respectively. These amounts are invested in overnight sweep accounts and are collateralized at 102% of the invested balance. At June 30, 2012 and 2011, these funds were collateralized by government backed securities held in the Foundation's name. Below is a summary of the collateralized accounts:

	<u>2012</u>	<u>2011</u>
Wells Fargo operating account balance	\$ 1,279,638	2,037,432
Wells Fargo development account balance	<u>2,751,037</u>	<u>2,379,561</u>
	<u>\$ 4,030,675</u>	<u>4,416,993</u>
FDIC insurance	\$ 865,364	765,026
Collateralization:		
CUSIP 31292K5Q6	\$ 2,331,387	—
CUSIP 3138AALE9	897,231	—
CUSIP 31419CVM2	—	2,054,826
CUSIP 36202DM40	<u>—</u>	<u>1,670,181</u>
Total collateralization	<u>\$ 3,228,618</u>	<u>3,725,007</u>
Uninsured and under collateralized balance	\$ —	—

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A detail of the cash accounts at June 30, 2012 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
University of New Mexico	Operating	Cash	\$ 8,154	—	8,154
Wells Fargo	Operating	Cash	1,279,638	(45,041)	1,234,597
Wells Fargo	Development	Cash	2,751,037	492,474	3,243,511
Southwest Securities	Charitable Trust Fund	Money Market	12,406	—	12,406
Bank of America	Scholarship Trust	Money Market	31,492	(7)	31,485
Bank of America	Scholarship Fund	Money Market	11,225	(1)	11,224
Wells Fargo	Charitable Trust Fund	Money Market	55,075	—	55,075
UBS Financial Services	Endowed Chair	Money Market	123,637	—	123,637
UBS Financial Services	Endowed Professorship	Money Market	9,622	—	9,622
Vanguard Investments	Operating	Money Market	1,795,189	—	1,795,189
			<u>\$ 6,077,475</u>	<u>447,425</u>	<u>6,524,900</u>

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>

**(4) Investments**

Investments reported by the Foundation represent investments contributed to the Foundation that are held outside of the CIF and the Foundation's share of the CIF. Foundation endowment funds are pooled with endowment funds owned by the University in the CIF. The CIF is a unitized investment portfolio, a consolidated internal investment pool of the University.

*Consolidated Investment Fund* – 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, 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.

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At June 30, 2012 and 2011, the Foundation held approximately 95% of its investments in the CIF. Under the terms of an agreement with the UNM Board of Regents, the Foundation provides management oversight for the entire CIF. The Foundation Investment Committee works with an institutional investment consultant to structure the portfolio and hire independent investment managers. The investment managers are then responsible for specific asset categories and management styles.

Investments in the CIF are diversified with the intention of minimizing the risk of large investment losses. Consequently, the one-year target portfolio allocations are 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.

The long-term target portfolio allocations are 27% domestic equity, 28% international equities, 18% fixed income, including TIPS, 2% cash, 5% liquid real assets, and 20% marketable alternative investments.

The fair value and ownership units of the CIF are as follows, as of June 30:

	<b>Consolidated Investment Fund</b>			
	<b>2012</b>	<b>%</b>	<b>2011</b>	<b>%</b>
Units:				
Foundation	576,030	44%	572,831	43%
University of New Mexico	733,737	56	769,344	57
Total units of CIF	1,309,767		1,342,175	
Fair value (in millions):				
Foundation	\$ 144.9	44%	143.4	43%
University of New Mexico	184.6	56	192.6	57
Total fair value of CIF	\$ 329.5		336.0	

The investments held in the CIF, by type, are comprised of the following at June 30:

	<b>2012</b>	<b>%</b>	<b>2011</b>	<b>%</b>
Money market	\$ 1,687,791	1%	5,309,974	4%
Exchange traded funds	6,599,814	5%	7,894,651	6%
Mutual funds, equity	56,751,248	39%	59,489,831	41%
Mutual funds, fixed	27,748,533	19%	24,702,038	17%
Illiquid real assets	9,401,020	6%	6,987,393	5%
Private equity	17,911,862	12%	15,027,003	10%
Marketable alternatives	24,830,663	17%	23,981,833	17%
Total investments held in CIF	\$ 144,930,931		143,392,723	

At June 30, 2012 and 2011, the Foundation had commitments for future contributions to private equity investments totaling \$14,105,665 and \$17,426,360, respectively.

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*Investments Held by the Foundation* – A detail of the investment accounts at June 30 is as follows:

<u>Depository/account name</u>	<u>Account type</u>	<u>2012</u>	<u>2011</u>
Bank of America:			
Scholarship Fund	Mutual funds, fixed	\$ 12,226	162,246
Scholarship Fund	Mutual funds, equity	—	401,909
Scholarship Trust	Mutual funds, fixed	697,459	280,413
Scholarship Trust	Mutual funds, equity	554,426	732,357
Scholarship Trust	Domestic corporate bonds	360,354	—
Wells Fargo:			
Charitable Trust Fund	U.S. Agency bonds	57,594	25,216
Charitable Trust Fund	Domestic corporate bonds	181,192	184,040
Charitable Trust Fund	Mutual funds, fixed	301,418	272,122
Charitable Trust Fund	Mutual funds, equity	849,145	894,352
Charitable Trust Fund	Real estate	212,557	239,700
Charitable Trust Fund	Other	147,197	155,035
UBS Financial Services:			
Endowed Chair	Municipal bonds	3,106,306	2,911,829
Endowed Professorship	Municipal bonds	438,095	387,345
SWS Financial Services:			
Charitable Trust Fund	Mutual funds, fixed	221,275	214,555
Charitable Trust Fund	Mutual funds, equity	106,250	104,380
Charitable Trust Fund	Domestic corporate stock	149,986	128,711
Vanguard Investments:			
Operating Fund	Mutual funds, equity	—	897,420
		<u>\$ 7,395,480</u>	<u>7,991,630</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 custodial credit risk.

At June 30, 2012, the Foundation did not have a policy to limit its exposure to custodial credit risk; however, as of June 30, 2012 and 2011, the investments that were subject to custodial credit risk were 2.6% and 2.4% of total investments at June 30, 2012 and 2011, respectively.

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The investments held in the CIF are not subject to custodial credit risk. A summary of the investments held by Foundation and the exposure to custodial credit risk at June 30 is as follows:

	<b>2012</b>	<b>2011</b>
Custodial credit risk:		
U.S. government agency securities	\$ 26,592	25,216
Municipal bonds	3,544,400	3,299,174
Domestic corporate bonds	181,192	184,040
Domestic corporate stock	149,986	128,711
Total securities held by custodians	3,902,170	3,637,141
Investments not subject to custodial credit risk:		
Mutual funds	3,102,554	3,959,754
Real estate	212,557	239,700
Other	178,199	155,035
Total investments held by the Foundation	\$ 7,395,480	7,991,630
Investments held in CIF - not subject to custodial credit risk	144,930,931	143,392,723
Total investments	152,326,411	151,384,353

*Concentration of Credit Risk* – 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 represent 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, 2012, the Foundation did not have a policy to limit its exposure to concentrated credit risk; however, as of June 30, 2012 and 2011, the Foundation did not have any investments in one issuer that represented more than 5% of total investments.

*Interest Rate Risk* – 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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A summary of the investments and the respective maturities at June 30, 2012 and 2011 and the exposure to interest rate risk is as follows:

		<b>2012 Investment maturities</b>				
		<b>Fair value</b>	<b>Less than one year</b>	<b>1 – 5 years</b>	<b>6 – 10 years</b>	<b>More than 10 years</b>
At interest rate risk:						
	U.S. agency bonds	\$ 26,592	—	26,592	—	—
	Municipal bonds	3,544,400	30,083	345,133	932,512	2,236,672
	Domestic corporate bonds	181,192	101,287	79,905	—	—
		<u>3,752,184</u>	<u>131,370</u>	<u>451,630</u>	<u>932,512</u>	<u>2,236,672</u>
Not subject to interest rate risk:						
	Domestic corporate stock	149,986				
	Mutual funds	3,102,554				
	Real estate	212,557				
	Other	178,199				
	Investments held in CIF	<u>144,930,931</u>				
	Total investments	<u>\$ 152,326,411</u>				
		<b>2011 Investment maturities</b>				
		<b>Fair value</b>	<b>Less than one year</b>	<b>1 – 5 years</b>	<b>6 – 10 years</b>	<b>More than 10 years</b>
At interest rate risk:						
	U.S. agency bonds	\$ 25,216	—	25,216	—	—
	Municipal bonds	3,299,174	—	67,927	769,563	2,461,684
	Domestic corporate bonds	184,040	—	131,461	52,579	—
		<u>3,508,430</u>	<u>\$ —</u>	<u>224,604</u>	<u>822,142</u>	<u>2,461,684</u>
Not subject to interest rate risk:						
	Domestic corporate stock	128,711				
	Mutual funds	3,959,754				
	Real estate	239,700				
	Other	155,035				
	Investments held in CIF	<u>143,392,723</u>				
	Total investments	<u>\$ 151,384,353</u>				

*Credit Risk* – 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.

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A summary of the Foundation's investments at June 30, 2012 and 2011 that are subject to credit risk is as follows:

<b>June 30, 2012</b>					
<b>Credit rating (Moody's)</b>	<b>U.S. agency</b>	<b>Municipal</b>	<b>Domestic Corporate</b>	<b>Total</b>	<b>Percentage of bond portfolio</b>
Aaa	\$ 26,592	743,077	—	769,669	20.5%
Aa1	—	427,187	53,658	480,845	12.8
Aa2	—	1,469,082	—	1,469,082	39.2
Aa3	—	618,446	—	618,446	16.5
A1	—	160,960	26,247	187,207	5.0
A3	—	25,830	50,987	76,817	2.0
Baa2	—	11,998	50,300	62,298	1.7
Not rated	—	87,820	—	87,820	2.3
Total	\$ 26,592	3,544,400	181,192	3,752,184	100.0%

<b>June 30, 2011</b>					
<b>Credit rating (Moody's)</b>	<b>U.S. agency</b>	<b>Municipal</b>	<b>Domestic Corporate</b>	<b>Total</b>	<b>Percentage of bond portfolio</b>
Aaa	\$ 25,216	719,351	—	744,567	21.2%
Aa1	—	276,686	52,579	329,265	9.4%
Aa2	—	1,343,776	26,463	1,370,239	39.1%
Aa3	—	621,212	—	621,212	17.7%
A1	—	192,198	—	192,198	5.5%
A2	—	23,678	52,109	75,787	2.2%
A3	—	24,637	52,889	77,526	2.2%
Baa1	—	11,390	—	11,390	0.3%
Not rated	—	86,246	—	86,246	2.5%
Total	\$ 25,216	3,299,174	184,040	3,508,430	100.1%

*Foreign Currency Risk* – None of the investments are subject to foreign currency risk.

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**Real Estate**

The Foundation also has investments in real estate. The real estate activity for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Real estate, values as of date of original receipt:		
Beginning balance	\$ 2,419,526	2,298,059
New donations received	589,975	121,467
Sales	(397,000)	—
Balance at June 30	<u>2,612,501</u>	<u>2,419,526</u>
Fair value adjustments:		
Prior year balance	(673,701)	(563,701)
Change in fair value	(125,921)	(110,000)
Fair value adjustment, net	<u>(799,622)</u>	<u>(673,701)</u>
Real estate, at fair value as of June 30	<u>\$ 1,812,879</u>	<u>1,745,825</u>

**All Investments – Investment Income**

During the years ended June 30, 2012 and 2011, the Foundation recognized realized and unrealized gains (losses) on investments held as outlined below:

	<u>CIF</u>	<u>Foundation</u>	<u>Real estate</u>	<u>Short term investments</u>	<u>Total</u>
2012:					
Realized gains (losses)	\$ 2,986,664	88,882	(272,021)	—	2,803,525
Unrealized (losses) gains	(4,179,508)	56,436	(125,921)	—	(4,248,993)
Other investment income	2,007,793	274,283	—	775,623	3,057,699
Total investment income	<u>\$ 814,949</u>	<u>419,601</u>	<u>(397,942)</u>	<u>775,623</u>	<u>1,612,231</u>
2011:					
Realized gains	\$ 2,504,007	139,285	—	—	2,643,292
Unrealized (losses) gains	18,412,493	636,945	(110,000)	—	18,939,438
Other investment income	1,656,332	251,379	—	565,567	2,473,278
Total investment income	<u>\$ 22,572,832</u>	<u>1,027,609</u>	<u>(110,000)</u>	<u>565,567</u>	<u>24,056,008</u>

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June 30, 2012 and 2011

**(5) Pledges Receivable**

Pledges receivable consisted of the following at June 30, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Amounts receivable in less than one year	\$ 1,005,869	1,055,143
Amounts receivable in more than one year	2,343,276	2,522,113
Total pledges receivable	3,349,145	3,577,256
Discounts to net present value	(118,311)	(229,564)
Allowance for doubtful pledges	(570,682)	(678,863)
Pledges receivable, net	\$ 2,660,152	2,668,829
Amounts receivable in less than one year, net	\$ 435,187	376,280

Noncurrent pledges receivable are discounted at the Internal Revenue Service discount rate of 1.4% and 2.8% for the years ended June 30, 2012 and 2011, respectively. All pledges are for non-endowed gifts.

**(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 subject to donor restrictions in gift instruments permitting the donation only be used for a specified purpose, generally for UNM programs. These funds are also internally designated by the Board of Trustees for similar purposes as true endowment funds; however, 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, 2012 and 2011, endowments comprised the following:

	<b>2012</b>	<b>2011</b>
True endowment	\$ 134,486,553	136,895,601
Term endowment	438,147	383,966
Quasi-endowment (designated as endowment by the Board of Trustees)	15,258,561	10,838,940
	\$ 150,183,261	148,118,507

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

Notes to Financial Statements

June 30, 2012 and 2011

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.

**(7) Other Noncurrent Assets**

Other noncurrent assets consisted of an art collection with a recorded balance of \$8,000 as of June 30, 2012 and 2011.

**(8) Composition of Net Assets**

Net assets consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
True endowments, nonexpendable	\$ 134,486,553	136,895,601
Annuity gifts, nonexpendable	476,506	1,466,862
Total nonexpendable	<u>134,963,059</u>	<u>138,362,463</u>
Term endowments, expendable after specified time	438,147	383,966
Quasi-endowments, expendable for specified purpose	15,258,561	10,838,940
Total restricted	<u>150,659,767</u>	<u>149,585,369</u>
Designated reserve for annuities payable	1,000,000	—
Other unrestricted	988,201	2,224,495
Total unrestricted	<u>1,988,201</u>	<u>2,224,495</u>
Invested in capital assets	<u>123,477</u>	<u>37,448</u>
Total net assets	<u>\$ 152,771,445</u>	<u>151,847,312</u>

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

Notes to Financial Statements

June 30, 2012 and 2011

**(9) Deferred Annuities Payable**

During the years ended June 30, 2012 and 2011, the Foundation had the following deferred annuities payable activity:

	<b>2012</b>	<b>2011</b>
Balance due at beginning of year	\$ 2,753,151	2,868,319
Additions to deferred annuities payable	8,890	49,629
Net change in actuarial liability	588,543	(164,797)
Balance due at end of year	\$ 3,350,584	2,753,151
Amount due in one year	\$ 364,033	377,663

**(10) Wills and Bequests**

The Foundation has been newly named as a beneficiary in wills and bequests totaling \$9,520,682 and \$23,797,500 during the fiscal years ended June 30, 2012 and 2011, respectively.

**(11) Operating Expenses**

Operating expenses consisted of the following for the year ended June 30, 2012:

	<b>Operating accounts</b>	<b>General accounts</b>	<b>Endowment accounts</b>	<b>Life income accounts</b>	<b>Total</b>
Staff salaries	\$ 6,087,162	—	—	—	6,087,162
Fringe benefits	892,584	—	—	—	892,584
Payroll taxes	398,515	—	—	—	398,515
Office lease, building	301,155	7,925	—	—	309,080
Professional services	276,683	—	3,362	8,081	288,126
Computer equipment and software	241,828	—	—	—	241,828
General and administrative	182,768	—	45,068	8,258	236,094
Donor relations	143,785	—	—	—	143,785
Travel	113,895	—	—	—	113,895
Printing, fund-raising, and promotional material	100,860	—	—	—	100,860
Insurance	38,427	59,142	—	—	97,569
Dues and subscriptions	90,674	—	—	—	90,674
Professional services	71,792	—	—	—	71,792
Postage and mailing	58,181	—	—	—	58,181
Professional development	56,109	—	—	—	56,109
Furniture, office equipment, and property	11,939	—	5,866	22,220	40,025
Meeting expense	28,908	—	—	—	28,908
Property taxes	2,942	616	10,361	3,215	17,134
Depreciation	7,844	—	—	—	7,844
	\$ 9,106,051	67,683	64,657	41,774	9,280,165

**UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**  
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Notes to Financial Statements

June 30, 2012 and 2011

Operating expenses consisted of the following for the year ended June 30, 2011:

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

Pursuant to the Memorandum, a portion of the Foundation's operating expenses are paid with direct support from the University. For the years ended June 30, 2012 and 2011, these expenses totaled \$1,203,653 and \$1,304,783, respectively. Operating expenses paid directly by the Foundation for the years ended June 30, 2012 and 2011 were \$8,076,512 and \$8,212,729, respectively.

The Foundation leases space in an office building from UNM, under a three-year lease term expiring in fiscal year 2013. Lease expense in fiscal years 2012 and 2011 was \$301,155 and \$295,118, respectively. The minimum lease payment for fiscal year 2013 is approximately \$300,000.

**(12) Contingencies**

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 years ended June 30, 2012 and 2011.

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

Notes to Financial Statements

June 30, 2012 and 2011

**(13) Pension Plan**

Beginning in fiscal year 2009, 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 administers the plan and 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, 2012 and 2011 are \$356,654 and \$348,721, respectively.

**(14) Subsequent Event**

Beginning in fiscal year 2013, UNM increased its contribution to the Foundation by approximately \$1.8 million with an additional increase expected in fiscal year 2014. This contribution is expected to allow the Foundation to, over time, reduce its management fees charged to the CIF (development funding allocation), from the current level of 1.85%.



## **SUPPLEMENTAL INFORMATION**

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

Financial Analysis by Account Groups

June 30, 2012

**Operating Account Group**

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

The net assets of the operating account group decreased from \$2,261,943 at June 30, 2011 to \$2,111,678 at June 30, 2012. The decrease was primarily the result of a budgeted use of reserve funds to balance the budget for the year ended June 30, 2012. Investment income in the operating account group totaled \$924,217 for the year ended June 30, 2012 compared to \$852,179 for the year ended June 30, 2011. The increase was primarily due to additional short-term interest earned on nonendowed and endowed spending balances held at the University.

**General Account Group**

The general fund is used to account for current or nonendowed gifts that are expendable by UNM for purposes designated by the donor. Interest earned on nonendowed gifts is transferred to the operating account group. 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 the University until the gift funds are transferred to UNM.

The net assets in the general fund were \$0 at June 30, 2012 and 2011. This is primarily due to the separation of the Foundation's treasury function from the University based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with the University but reflected as assets on the Foundation's financial statements as of July 1, 2010 were removed by recording a distribution to the University during the year ended June 30, 2011.

Pledges receivable decreased from \$2,668,829 at June 30, 2011 to \$2,660,152 at June 30, 2012.

Distributions from the general fund to the University decreased from \$46,282,194 for the year ended June 30, 2011 to \$17,149,873 for the year ended June 30, 2012, a decrease of \$29,632,321. The decrease was primarily due to the separation of the Foundation's treasury function from the University based on the treasury operating agreement dated July 1, 2010. As a result of the agreement, unexpended funds on deposit with the University but reflected as assets on the Foundation's financial statements were recorded as distributions to the University during the year ended June 30, 2011.

**Endowment Account Group**

The endowment account group 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 account group increased from \$148,118,507 at June 30, 2011 to \$150,183,261 at June 30, 2012, an increase of \$2,064,754 or 1.39%. The majority of this increase is due to gifts and net investment gains in the CIF.

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

Financial Analysis by Account Groups

June 30, 2012

**Life Income Account Group**

The life income account group 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 account group assets is invested with endowment account group assets in the CIF and as a result, exhibits similar return characteristics.

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

Balance Sheet by Account Group

June 30, 2012

Assets	<u>Operating account group</u>	<u>General account group</u>	<u>Endowment and quasi- endowment account group</u>	<u>Life income account group</u>	<u>Combined total</u>
Current assets					
Cash and cash equivalents – unrestricted	\$ 2,737,055	—	—	—	2,737,055
Cash and cash equivalents – restricted	—	2,484,556	1,681,918	(378,629)	3,787,845
Pledges receivable – restricted	—	435,187	—	—	435,187
Other current assets	237,037	—	32,336	(5,160)	264,213
Total current assets	<u>2,974,092</u>	<u>2,919,743</u>	<u>1,714,254</u>	<u>(383,789)</u>	<u>7,224,300</u>
Noncurrent assets					
Investments held in Consolidated Investment Fund – restricted	—	—	142,542,756	2,388,175	144,930,931
Investments held by the University of the New Mexico Foundation, Inc.	—	1	6,917,968	477,511	7,395,480
Pledges receivable – restricted	—	2,224,965	—	—	2,224,965
Real estate – restricted	—	79,049	456,362	1,277,468	1,812,879
Capital assets, net	123,477	—	—	—	123,477
Other noncurrent assets – restricted	—	—	8,000	—	8,000
Total noncurrent assets	<u>123,477</u>	<u>2,304,015</u>	<u>149,925,086</u>	<u>4,143,154</u>	<u>156,495,732</u>
Total assets	<u>\$ 3,097,569</u>	<u>5,223,758</u>	<u>151,639,340</u>	<u>3,759,365</u>	<u>163,720,032</u>
<b>Liabilities and Net Assets</b>					
Current liabilities					
Accounts payable	\$ 125,991	—	1,224	2,874	130,089
Accrued payroll	769,731	—	—	—	769,731
Deferred annuities payable	—	—	—	364,033	364,033
Deferred revenue	90,169	—	—	—	90,169
Due to (from) the Consolidated Investment Fund	—	—	1,454,855	(70,599)	1,384,256
Due to the University of New Mexico	—	2,218,117	—	—	2,218,117
Total current liabilities	<u>985,891</u>	<u>2,218,117</u>	<u>1,456,079</u>	<u>296,308</u>	<u>4,956,395</u>
Noncurrent liabilities					
Deferred annuities payable	—	—	—	2,986,551	2,986,551
Due to the University of New Mexico, deferred	—	3,005,641	—	—	3,005,641
Total noncurrent liabilities	<u>—</u>	<u>3,005,641</u>	<u>—</u>	<u>2,986,551</u>	<u>5,992,192</u>
Total liabilities	<u>985,891</u>	<u>5,223,758</u>	<u>1,456,079</u>	<u>3,282,859</u>	<u>10,948,587</u>
Net assets					
Unrestricted	988,201	—	—	—	988,201
Designated reserve for annuities payable	1,000,000	—	—	—	1,000,000
Invested in capital assets	123,477	—	—	—	123,477
Restricted	—	—	150,183,261	476,506	150,659,767
Total net assets	<u>2,111,678</u>	<u>—</u>	<u>150,183,261</u>	<u>476,506</u>	<u>152,771,445</u>
Total liabilities and net assets	<u>\$ 3,097,569</u>	<u>5,223,758</u>	<u>151,639,340</u>	<u>3,759,365</u>	<u>163,720,032</u>

See accompanying notes to supplemental information.

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

Statement of Revenues, Expenses and Changes in Net Assets by Account Group

Year ended June 30, 2012

	<b>Operating</b>	<b>General</b>	<b>Endowment and quasi- endowment</b>	<b>Life income</b>	<b>Combined</b>
	<b>account group</b>	<b>account group</b>	<b>account group</b>	<b>account group</b>	<b>total</b>
Operating revenues					
Donations and pledges, net	\$ 232,598	16,365,675	701,487	—	17,299,760
Direct support from the University of New Mexico	1,860,870	—	—	—	1,860,870
Development funding allocation – Consolidated Investment Fund	3,349,449	—	—	—	3,349,449
Nongift revenue	4,938	805,328	48	83,945	894,259
Total operating revenues	<u>5,447,855</u>	<u>17,171,003</u>	<u>701,535</u>	<u>83,945</u>	<u>23,404,338</u>
Operating expenses	<u>9,106,051</u>	<u>67,683</u>	<u>64,657</u>	<u>41,774</u>	<u>9,280,165</u>
Operating (loss) income	<u>(3,658,196)</u>	<u>17,103,320</u>	<u>636,878</u>	<u>42,171</u>	<u>14,124,173</u>
Nonoperating revenues (expenses)					
Distributions to the University of New Mexico	—	(17,149,873)	(8,117,579)	(68,739)	(25,336,191)
Investment income	924,217	56,047	576,345	55,622	1,612,231
Total nonoperating revenues (expenses)	<u>924,217</u>	<u>(17,093,826)</u>	<u>(7,541,234)</u>	<u>(13,117)</u>	<u>(23,723,960)</u>
(Loss) income before changes in term and permanent endowments	<u>(2,733,979)</u>	<u>9,494</u>	<u>(6,904,356)</u>	<u>29,054</u>	<u>(9,599,787)</u>
Changes in term and permanent endowments:					
Donations	—	—	9,785,143	15,354	9,800,497
Institutional transfers to CIF	—	—	1,689,931	—	1,689,931
Nongift revenue	—	—	55,734	—	55,734
Adjustment of actuarial liability for annuities payable	—	—	—	(588,542)	(588,542)
Expenditure for payments to annuitants and beneficiaries	—	—	(40,932)	(392,768)	(433,700)
Total changes in term and permanent endowments	<u>—</u>	<u>—</u>	<u>11,489,876</u>	<u>(965,956)</u>	<u>10,523,920</u>
Transfers:					
Transfers to (from):					
Development funding allocation – Consolidated Investment Fund	2,556,969	—	(2,509,730)	(47,239)	—
General account group transfers to endowment accounts	—	—	—	—	—
Other transfers	26,745	(9,494)	(11,036)	(6,215)	—
Total transfers	<u>2,583,714</u>	<u>(9,494)</u>	<u>(2,520,766)</u>	<u>(53,454)</u>	<u>—</u>
Increase (decrease) in net assets	<u>(150,265)</u>	<u>—</u>	<u>2,064,754</u>	<u>(990,356)</u>	<u>924,133</u>
Net assets, beginning of year	<u>2,261,943</u>	<u>—</u>	<u>148,118,507</u>	<u>1,466,862</u>	<u>151,847,312</u>
Net assets, end of year	<u>\$ 2,111,678</u>	<u>—</u>	<u>150,183,261</u>	<u>476,506</u>	<u>152,771,445</u>

See accompanying notes to supplemental information.

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

Notes to Supplemental Information

June 30, 2012

**(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 Account Group.* Funds of the Foundation consisting of unrestricted resources and interest and dividends transferred from the general account group as further discussed below.

*General Account Group.* 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 account group 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 Account Group.* 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 Account Group.* Account groups 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 is recognized. Annually, any net residual income or loss is credited/charged to the liability account, "Deferred Annuities." This payable is adjusted annually, through the account group 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.

**(2) Transfers**

Transfers among these account groups 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.



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**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***

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

We have audited the financial statements of the University of New Mexico Foundation, Inc. (the Foundation), a component unit of the University of New Mexico, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of 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 over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the



determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Foundation, and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Albuquerque, New Mexico  
November 7, 2012



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

Schedule of Findings and Responses

June 30, 2012

**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, 2012

An exit conference was conducted on September 11, 2012, in which the contents of this report were discussed with the following:

**For the University of New Mexico Foundation, Inc.**

Audit Committee Members:

Kimberly Peña, Committee Chair  
Gary Gordon, Board Chair  
Larry Abraham, Board Member

Foundation Management:

Henry Nemcik, UNM Foundation President & CEO  
Rodney Harder, Chief Financial Officer  
Kenny Stansbury, Controller  
Sandra Liggett, General Counsel  
Codi Azuela, Administrative Assistant

**For KPMG LLP**

Cynthia Reinhart, Partner  
Jennifer Hall, Senior Manager