



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

Financial Statements

June 30, 2014 and 2013

(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, 2014

**Officers**

Carl Alongi	Chair
Henry Nemcik	UNM Foundation President and CEO
Michelle Coons	Vice Chair/Chair Elect
Randy Velarde	National Vice Chair
Larry Abraham	Assistant Treasurer of the Board
Dorothy Rainosek	Secretary of the Board

**Members**

Carl Alongi	Henry Nemcik
Larry Abraham	Laurie Moye
Gary Beal	Sherry Parsons
Doug Brown	Kimberly Peña
Laura Hueter Bass	Steven Petranovich
Michelle Coons	Dorothy Rainosek
John Cordova	Nancy Ridenour
Gary Gordon	Kurt L. Roth
Jack Fortner	Randy Royster
Robert Frank	Randy Velarde
Edward Foster	Anne Yegge
Mark Leshner	Orcilia Zuniga-Forbes
Steve Mitchell	Judy Zanotti
Laurie Moye	



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Two Park Square, Suite 700  
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Albuquerque, NM 87110-8179

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

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, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statement of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Opinions***

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, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 5–9 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.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundations' basic financial statements. The financial analysis by account group, balance sheet information by account group, statement of revenues, expenses, and changes in net position information by account group, and notes to supplemental information as of and for the year ended 2014 on pages 33 – 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial analysis by account group, balance sheet information by account group, statements of revenues, expenses, and changes in net position information by account group, and notes to supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 basic 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 information by account group, statement of revenues, expenses, and changes in net position information 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.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico  
September 26, 2014

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

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

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, 2014 and 2013 and the following, which comprise the basic financial statements:

1. Statements of net position, which present information on the Foundation's assets and liabilities and resulting net position.
2. Statement of revenues, expenses, and changes in net position, 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 Position*

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 13,669,752	7,813,748	7,224,300
Noncurrent assets	215,460,937	173,274,768	156,495,732
Total assets	<u>229,130,689</u>	<u>181,088,516</u>	<u>163,720,032</u>
Current liabilities	23,895,099	6,188,961	4,956,395
Noncurrent liabilities	6,888,379	4,901,603	5,992,192
Total liabilities	<u>30,783,478</u>	<u>11,090,564</u>	<u>10,948,587</u>
Net position:			
Unrestricted	2,396,794	2,109,091	1,988,201
Investment in capital assets	112,632	137,335	123,477
Restricted	195,837,785	167,751,526	150,659,767
Total net position	<u>\$ 198,347,211</u>	<u>169,997,952</u>	<u>152,771,445</u>

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

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Donations and pledges, net	\$ 22,829,875	21,129,198	17,299,760
Direct support from the University of New Mexico	5,969,202	3,659,715	1,860,870
Development funding allocation – Consolidated Investment Fund	2,294,731	2,804,303	3,349,449
Nongift revenue	<u>464,794</u>	<u>731,996</u>	<u>894,259</u>
Total operating revenues	<u>31,558,602</u>	<u>28,325,212</u>	<u>23,404,338</u>
Operating expenses:			
Distributions to UNM	30,455,098	27,897,237	25,336,191
General and administrative	<u>12,134,671</u>	<u>10,128,821</u>	<u>9,280,165</u>
Total operating expenses	<u>42,589,769</u>	<u>38,026,058</u>	<u>34,616,356</u>
Operating loss	(11,031,167)	(9,700,846)	(11,212,018)
Investment income, net	<u>31,649,155</u>	<u>17,383,587</u>	<u>1,612,231</u>
Income (loss) before changes in term and permanent endowments	20,617,988	7,682,741	(9,599,787)
Changes in term and permanent endowments	<u>7,731,271</u>	<u>9,543,766</u>	<u>10,523,920</u>
Increase in net position	28,349,259	17,226,507	924,133
Net position, beginning of year	<u>169,997,952</u>	<u>152,771,445</u>	<u>151,847,312</u>
Net position, end of year	<u>\$ 198,347,211</u>	<u>169,997,952</u>	<u>152,771,445</u>

**Financial Analysis**

- At June 30, 2014, the Foundation's total assets were \$229.1 million, which represents an increase of 26.5% over June 30, 2013 total assets of \$181.1 million. At June 30, 2013, the Foundation's total assets were \$181.1 million, which represents an increase of 10.6% over June 30, 2012 total assets of \$163.7 million.
- Net position increased to \$198.3 million at June 30, 2014, an increase of \$28.3 million, or 16.6%, over the net position of \$170.0 million at June 30, 2013. Net position increased to \$170.0 million at June 30, 2013, an increase of \$17.2 million, or 11.3%, over the net position of \$152.8 million at June 30, 2012.
- The increases in total assets and net position during the years ended June 30, 2014 and 2013 were due to investment income and donations to endowment funds in excess of distributions from endowments.
- The market value of the Consolidated Investment Fund (CIF) at June 30, 2014 was \$415.2 million, an increase of \$56.8 million from the June 30, 2013 market value of \$358.4 million. Realized gains for the entire CIF were \$24.6 million and unrealized gains were \$3.6 million during the year ended June 30, 2014.



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Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

The market value of the CIF at June 30, 2013 was \$358.4 million, an increase of \$28.9 million from the June 30, 2012 market value of \$329.5 million. Realized gains for the entire CIF were \$10.2 million and unrealized gains were \$21.6 million during the year ended June 30, 2013. The fair value and ownership units of the CIF as of June 30, 2014, 2013, and 2012 are as follows:

	<b>Consolidated Investment Fund</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Fair value (in millions):			
Foundation	\$ 189.1	162.2	144.9
University of New Mexico	226.1	196.2	184.6
Total fair value of CIF	<u>\$ 415.2</u>	<u>358.4</u>	<u>329.5</u>
Units:			
Foundation	568,158	579,131	576,030
University of New Mexico	679,611	700,367	733,737
Total units of CIF	<u>1,247,769</u>	<u>1,279,498</u>	<u>1,309,767</u>

- Additions to endowment principal for the CIF, during the year ended June 30, 2014, were \$9.9 million; a decrease of \$3.6 million from the prior year. Additions to endowment principal for the CIF, during the year ended June 30, 2013, were \$13.5 million; an increase of \$1.1 million from the prior year.
- CIF investment performance showed a net rate of return in the current year of 16.7% compared with the 11.3% and 1.1% net investment return earned during the fiscal years ended June 30, 2013 and 2012, respectively.
- During the year ended June 30, 2014, the CIF had a return of 16.7%, outperforming the CIF policy benchmark return of 16.3%. Domestic equities returned 24.4%, international equities returned 22.6%, fixed income returned 4.4%, real assets returned 19.7%, private equities returned 23.7%, and marketable alternatives returned 7.9%.
- During the year ended June 30, 2013, the CIF had a return of 11.3%, outperforming the CIF policy benchmark return of 10.6%. Domestic equities returned 19.2%, international equities returned 17.4%, fixed income returned 0.1%, real assets returned 9.8%, private equities returned 4.8%, and marketable alternatives returned 13.3%.
- Approximately 83% of the Foundation's assets are held as endowments in the CIF as of June 30, 2014, compared to 90% and 89% at June 30, 2013 and 2012, respectively.
- The approved spending distribution from the CIF to UNM departments was \$13.8 million during fiscal year 2014, an increase of \$300 thousand from the approved distribution of \$13.5 million during fiscal year 2013, primarily due to an increase in trailing twenty-quarter average market value per unit of the CIF. Of fiscal year 2014's distribution, \$6.3 million was distributed from Foundation endowments and \$7.5 million was distributed from UNM endowments. The spending distribution for fiscal year 2013 of \$13.5 million

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June 30, 2014 and 2013

decreased by \$500 thousand from the fiscal year 2012, approved distribution of \$14.0 million, due to a decrease in the trailing twenty-quarter average market value per unit of the CIF at June 30, 2013.

- Investments in artwork increased to \$2.7 million at June 30, 2014, compared to \$8 thousand at June 30, 2013 and 2012. The increase was due to a donation of an art collection in the year ended June 30, 2014.
- Total liabilities at June 30, 2014 were \$30.8 million, an increase of \$19.7 million over June 30, 2013 total liabilities of \$11.1 million. The increase was primarily due to an increase in the amount due to University of New Mexico as a result of a change in the Treasury Operating Agreement, dated October 1, 2013. The agreement allows the Foundation to invest nonendowed gifts and endowed spending distributions until spent by UNM. Total liabilities at June 30, 2013 were \$11.1 million, an increase of \$200 thousand over June 30, 2012 total liabilities of \$10.9 million. The increase was primarily due to an increase in Advances from UNM related to the data and records upgrade project.
- Total operating revenue was \$31.6 million for the fiscal year ended June 30, 2014, an increase of \$3.3 million, or 11.7%, from the previous year total of \$28.3 million, primarily due to an increase in nonendowed gifts. Total operating revenue was \$28.3 million for the fiscal year ended June 30, 2013, an increase of \$4.9 million, or 20.9%, from the previous year total of \$23.4 million, also due to an increase in nonendowed gifts.
- Changes in term and permanent endowments totaled \$7.7 million during the year ended June 30, 2014; a decrease of \$1.8 million, or 18.9%, from the previous year total of \$9.5 million, primarily due to a decrease in donations to permanent endowments. Changes in term and permanent endowments totaled \$9.5 million during the year ended June 30, 2013; a decrease of \$1.0 million, or 9.5%, from the previous year total of \$10.5 million, primarily due to a decrease in donations to permanent endowments.
- Distributions to UNM are endowed spending distributions and nonendowed expenditures and were \$30.5, \$27.9 and \$25.3 million for the years ended June 30, 2014, 2013 and 2012, respectively.
- Investment income comprises interest, dividends, gains, and losses. Investment income is presented net of fees and was \$31.6 million for the year ended June 30, 2014; an increase of \$14.2 million over the year ended June 30, 2013. The increase was the result of an increase in the rate of return for the CIF from 11.3% in the year ended June 30, 2013 to 16.7% in the year ended June 30, 2014. Investment income, net of fees, was \$17.4 million and \$1.6 million for the years ended June 30, 2013 and 2012, respectively.
- The primary funding sources for the Foundation's operating costs in the year ended June 30, 2014 were support from UNM (51.2%), short-term interest earned on unexpended nonendowed and endowed spending balances (8.1%), unrestricted gifts and other revenue (0.7%), and a development fund allocation (40.0%) based on the market value of the CIF. The development funding allocation was 1.4% in the fiscal years ended June 30, 2014. The development funding allocation was 1.85% in the year ended June 30, 2013 and 2012.
- Direct support from UNM increased to \$6.0 million in the year ended June 30, 2014, a 62.2% increase from the \$3.7 million of direct support received in the year ended June 30, 2013. In 2013, direct support from UNM increased 94.7% from the \$1.9 million of direct support received in the year ended June 30, 2012.

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Management's Discussion and Analysis (Unaudited)

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- General and administrative expenses for the operating account group totaled \$11.4 million, \$9.8 million, and \$9.1 million for the years ended June 30, 2014, 2013, and 2012, respectively. The Foundation's budgeted operating general and administrative expenses totaled \$11.3 million, \$9.9 million, and \$9.4 million for the years ended June 30, 2014, 2013, and 2012, respectively. Using the unrounded amounts, operating general and administrative expenses were 0.3% over budget for the year ended June 30, 2014 and 1.5% under budget for the year ended June 30, 2013.

**Factors Impacting Future Periods**

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

UNM has made a one-year operating budget commitment of \$4.8 million to fund the Foundation in fiscal year 2015. The fee charged to the CIF (development funding allocation) will remain at 1.4% for fiscal year 2015. UNM has not made an operating budget commitment to fund the Foundation beyond fiscal year 2015.

**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, or the Foundation's Controller, Kenny Stansbury, at Two Woodward Center, 700 Lomas Boulevard NE, Suite 203, Albuquerque, New Mexico 87131 or (505) 277-4503.

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

Statements of Net Position

June 30, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current assets:		
Cash and cash equivalents – unrestricted	\$ 2,011,949	3,450,576
Cash and cash equivalents – restricted	8,940,778	3,618,286
Pledges receivable, net of allowance and discounts	833,215	638,310
Other current assets	1,883,810	106,576
Total current assets	13,669,752	7,813,748
Noncurrent assets, restricted:		
Investments held in Consolidated Investment Fund	189,073,515	162,220,160
Investments held by the University of New Mexico Foundation, Inc.	20,073,326	7,538,291
Pledges receivable, net of allowance and discounts	1,642,502	1,765,788
Artwork	2,738,236	8,000
Real estate	1,820,726	1,605,194
Capital assets, net	112,632	137,335
Total noncurrent assets	215,460,937	173,274,768
Total assets	\$ 229,130,689	181,088,516
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 128,429	152,099
Accrued payroll	1,021,180	819,035
Current portion of annuities payable	345,046	386,043
Advances from the University of New Mexico	266,719	477,987
Due to the Consolidated Investment Fund	1,746,737	1,583,718
Due to the University of New Mexico	20,386,988	2,770,079
Total current liabilities	23,895,099	6,188,961
Noncurrent liabilities:		
Annuities payable	2,503,129	3,190,992
Due to the University of New Mexico	4,385,250	1,710,611
Total noncurrent liabilities	6,888,379	4,901,603
Total liabilities	30,783,478	11,090,564
Net position:		
Unrestricted	2,396,794	2,109,091
Investment in capital assets	112,632	137,335
Restricted, expendable	20,794,512	17,916,757
Restricted, nonexpendable	175,043,273	149,834,769
Total net position	\$ 198,347,211	169,997,952

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Donations and pledges, net of provision (recovery) for allowance and discounts of \$31,331 and \$(93,249) for the years ended June 30, 2014 and 2013, respectively	\$ 22,829,875	21,129,198
Direct support from the University of New Mexico	5,969,202	3,659,715
Development funding allocation – Consolidated Investment Fund	2,294,731	2,804,303
Nongift revenue	464,794	731,996
Total operating revenues	31,558,602	28,325,212
Operating expenses:		
Distributions to the University of New Mexico	30,455,098	27,897,237
General and administrative expenses	12,134,671	10,128,821
Total operating expenses	42,589,769	38,026,058
Operating loss	(11,031,167)	(9,700,846)
Nonoperating revenue:		
Investment income, net	31,649,155	17,383,587
Income before changes in term and permanent endowments	20,617,988	7,682,741
Changes in term and permanent endowments:		
Donations	6,614,247	9,018,956
Institutional transfers to Consolidated Investment Fund	646,477	874,341
Nongift revenue	60,773	36,163
Adjustment of actuarial liability for annuities payable	783,416	7,951
Expenditure for payments to annuitants and beneficiaries	(373,642)	(393,645)
Total changes in term and permanent endowments	7,731,271	9,543,766
Increase in net position	28,349,259	17,226,507
Net position, beginning of year	169,997,952	152,771,445
Net position, end of year	\$ 198,347,211	169,997,952

See accompanying 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, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 19,654,294	20,688,042
Cash received from the University of New Mexico	5,192,809	4,205,170
Cash received from the Consolidated Investment Fund	1,082,622	2,804,303
Cash paid to employees	(8,657,310)	(7,560,909)
Cash paid to vendors	(3,274,183)	(2,469,492)
Cash distributed to the University of New Mexico	(10,163,550)	(28,640,305)
Net cash flows from operating activities	3,834,682	(10,973,191)
Cash flows from noncapital financing activities:		
Donations and pledges	5,796,547	6,700,522
Institutional transfers to Consolidated Investment Fund	646,477	874,341
Payments to annuitants and beneficiaries	(319,086)	(159,243)
Net cash flows from noncapital financing activities	6,123,938	7,415,620
Cash flows from capital and related financing activity:		
Purchases of capital assets	—	(40,964)
Net cash flows from capital and related financing activity	—	(40,964)
Cash flows from investing activities:		
Proceeds from sale of investments	25,770,052	15,574,394
Purchases of investments	(33,130,499)	(12,199,801)
Interest and dividends received	1,285,692	767,904
Net cash flows from investing activities	(6,074,755)	4,142,497
Net increase in cash and cash equivalents	3,883,865	543,962
Cash and cash equivalents, beginning of year	7,068,862	6,524,900
Cash and cash equivalents, end of year	\$ 10,952,727	7,068,862
Cash and cash equivalents, unrestricted	\$ 2,011,949	3,450,576
Cash and cash equivalents, restricted	8,940,778	3,618,286
Total	\$ 10,952,727	7,068,862

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

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Reconciliation of operating income to net cash from operating activities:		
Operating loss	\$ (11,031,167)	(9,700,846)
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation expense	24,703	27,106
Donations of investments	(838,520)	(1,429,206)
Donations of artwork	(2,730,236)	—
Changes in assets and liabilities:		
Due to the University of New Mexico	20,291,548	(743,068)
Other current assets	(1,777,234)	157,637
Pledges receivable	(71,619)	256,054
Accounts payable	(23,670)	22,010
Accrued payroll	202,145	49,304
Advances from the University of New Mexico	(211,268)	387,818
Total adjustments	14,865,849	(1,272,345)
Net cash from operating activities	\$ 3,834,682	(10,973,191)
Supplemental disclosures of noncash investing, noncapital, and financing activities:		
Change in fair value of investments	\$ 1,032,467	9,711,799
Donations of investments to permanent endowments	507,473	2,354,597
Donations of real estate to permanent endowments	371,000	—

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, 2014 and 2013

**(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 September 25, 2012, 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, unless specifically approved by the University President or his/her designee, 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. The University is responsible for monitoring all disbursements through the University's general ledger system from both nonendowed 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).

*The Foundation is a component unit of UNM.* The Foundation applies business-type activity accounting and the Foundation's 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 as soon as 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, Real Estate, and Artwork**

Investments, real estate, and artwork are generally reported at fair value. Short-term investments are carried at cost, which approximates fair value. All real estate and artwork reflected in the accompanying statements of net position were contributed to the Foundation. Donated real estate and artwork are 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 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 assets held by the Foundation.

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 fiscal year. Generally, the noncurrent cash due to UNM is restricted by donors as to the time period

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in which they may be transferred to UNM. The amount and timing of the transfers are defined in the Treasury Operating agreement dated October 1, 2013.

**(f) Annuities Payable**

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 Position**

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

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

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

*Restricted net position* – 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 term endowments 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 position 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.

**(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

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donations and pledges, direct support from the University, and the development funding allocation received from the CIF. Principal operating expenses include distributions to the University and general and administrative expenses.

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

(i) ***Revenue Recognition***

*Donations* – The Foundation recognizes revenue on donations when all applicable eligibility requirements are met. Donations to permanent 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 collectibility 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 in the accompanying statement of revenues, expenses, and changes in net position.

*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 distributions to UNM.

*Development funding allocation (DFA) – Consolidated Investment Fund* – A percentage of the market value of the CIF is allocated, annually, to the Foundation for general support of its operations. The allocation is used by the Foundation to cover the employment of its staff and other operating costs. The DFA percentages were 1.4% and 1.85% for fiscal years 2014 and 2013, respectively. 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 and revenue is recognized when earned.

*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.

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**(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, 2014, the Foundation has a net operating loss carryforward of approximately \$3.0 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 \$1.0 million is not recognized on the accompanying statements of net position 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 \$765 and \$337,587 on deposit in pooled accounts with UNM at June 30, 2014 and 2013, respectively. The UNM deposits are held in demand and time accounts at local financial institutions and in a fixed income portfolio managed by Morgan Stanley. 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 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.

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The Foundation also holds cash outside of the University. These cash balances, including deposits in transit, had a carrying value of \$10,951,962 and \$6,731,275 at June 30, 2014 and 2013, respectively.

The Foundation's operating accounts (Operating and Development) at Wells Fargo had deposits totaling \$3,617,274 and \$4,538,493 at June 30, 2014 and 2013, respectively. These amounts are invested in overnight sweep accounts and are collateralized at 96% and 102% of the invested balance for June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, these funds were collateralized by government-backed securities held in the Foundation's name. Below is a summary of the Federal Deposit Insurance Corporation (FDIC) insured and collateralized accounts:

	<u>2014</u>	<u>2013</u>
Wells Fargo operating account balance	\$ 972,872	2,123,904
Wells Fargo development account balance	2,644,402	2,414,589
New Mexico Educator's Federal Credit Union balance	150,143	—
	<u>\$ 3,767,417</u>	<u>4,538,493</u>
FDIC insurance		
Collateralization:	\$ 400,143	250,000
<u>CUSIP</u>	<u>Maturity Date</u>	<u>Type of Security</u>
3132JQKC3	11/1/2043	FN-30
36179NVN5	12/1/2043	FN-30
31418VX98	7/1/2040	FN-30
3138W32F9	3/1/2043	FN-30
	Total collateralization	
	\$ <u>3,232,166</u>	<u>3,837,737</u>
Uninsured and under collateralized balance	\$ 135,108	450,756

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A detail of the cash accounts at June 30, 2014 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
University of New Mexico	Operating	Cash	\$ 765	—	765
Wells Fargo	Operating	Cash	972,872	(109,730)	863,142
Wells Fargo	Development	Cash	2,644,402	627,801	3,272,203
New Mexico Educator's FCU	General Fund	Cash	150,143	—	150,143
Southwest Securities	Charitable Trust Fund	Money Market	16,834	—	16,834
Bank of America	Scholarship Trust	Money Market	84,973	(3)	84,970
Bank of America	Scholarship Fund	Money Market	30,147	(1)	30,146
Wells Fargo	Irrevocable Trust Fund	Money Market	89,293	—	89,293
Morgan Stanley Smith Barney	UNM Foundation, Inc.	Money Market	—	—	—
Morgan Stanley Smith Barney	Short Term Investments	Money Market	4,911,153	—	4,911,153
UBS Financial Services	Endowed Chair	Money Market	180,923	—	180,923
UBS Financial Services	Endowed Professorship	Money Market	57,367	—	57,367
Vanguard Investments	Operating	Money Market	1,295,788	—	1,295,788
			<u>\$ 10,434,660</u>	<u>518,067</u>	<u>10,952,727</u>

A detail of the cash accounts at June 30, 2013 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
University of New Mexico	Operating	Cash	\$ 337,587	—	337,587
Wells Fargo	Operating	Cash	2,123,904	(53,329)	2,070,575
Wells Fargo	Development	Cash	2,414,589	268,453	2,683,042
Southwest Securities	Charitable Trust Fund	Money Market	25,138	—	25,138
Bank of America	Scholarship Trust	Money Market	17,098	(1)	17,097
Bank of America	Scholarship Fund	Money Market	69,591	(3)	69,588
Wells Fargo	Charitable Trust Fund	Money Market	68,518	—	68,518
Morgan Stanley Smith Barney	UNM Foundation, Inc.	Money Market	338,213	—	338,213
UBS Financial Services	Endowed Chair	Money Market	89,812	—	89,812
UBS Financial Services	Endowed Professorship	Money Market	73,753	—	73,753
Vanguard Investments	Operating	Money Market	1,295,539	—	1,295,539
			<u>\$ 6,853,742</u>	<u>215,120</u>	<u>7,068,862</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

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accordance with Sections 6-8-10 and 46-9-1 through 46-9-12, New Mexico Statutes Annotated (NMSA) 1978.

At June 30, 2014 and 2013, the Foundation held approximately 90% and 95%, respectively, 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 investment losses. Consequently, the target portfolio allocations are 20% domestic equity, 20% international equity, 18% fixed income, 2% cash, 10% real assets, 10% private equity, and 20% marketable alternative investments.

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

	<b>Consolidated Investment Fund</b>			
	<b>2014</b>	<b>Percentage</b>	<b>2013</b>	<b>Percentage</b>
Fair value (in millions):				
Foundation	\$ 189.1	46%	\$ 162.2	45%
University of New Mexico	226.1	54	196.2	55
Total fair value of CIF	\$ 415.2		\$ 358.4	
Units:				
Foundation	568,158	46%	579,131	45%
University of New Mexico	679,611	54	700,367	55
Total units of CIF	1,247,769		1,279,498	

The investments held in the CIF, by type, comprise the following at June 30:

	<b>2014</b>	<b>Percentage</b>	<b>2013</b>	<b>Percentage</b>
Money market	\$ 808,498	—%	\$ 820,767	—%
Exchange traded funds	7,852,250	4	5,978,687	4
Mutual funds, equity	83,396,932	44	67,486,577	42
Mutual funds, fixed	27,385,010	15	26,479,361	16
Illiquid real assets	11,677,419	6	10,925,881	7
Private equity	22,636,422	12	18,645,071	11
Marketable alternatives	35,316,984	19	31,883,816	20
Total investments held in CIF	\$ 189,073,515		\$ 162,220,160	

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At June 30, 2014 and 2013, the Foundation had commitments for future contributions to private equity investments totaling \$7,399,511 and \$10,099,332, respectively.

*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>2014</u>	<u>2013</u>
Bank of America:			
Scholarship Fund	Mutual funds, fixed	\$ 145,672	143,495
Scholarship Fund	Mutual funds, equity	464,280	464,064
Scholarship Fund	Mutual funds, fixed	244,274	241,524
Scholarship Fund	Mutual funds, equity	866,245	682,055
Scholarship Fund	Real estate	107,463	64,623
Scholarship Fund	Other	148,066	123,020
Wells Fargo:			
Charitable Trust Fund	Mutual funds, fixed	375,153	339,628
Charitable Trust Fund	Mutual funds, equity	1,107,373	1,031,344
Charitable Trust Fund	Real estate	226,349	226,710
Charitable Trust Fund	Other	254,342	230,768
Morgan Stanley Smith Barney:			
Short term investments	U.S. treasury notes	410,078	—
Short term investments	U.S. agency bonds	232,826	—
Short term investments	Domestic corporate bonds	10,588,112	—
Short term investments	Other bonds	1,034,985	
UBS Financial services:			
Endowed Chair	Municipal bonds	2,936,625	3,078,702
Endowed Chair	Certificates of deposit	—	29,955
Endowed Professorship	Municipal bonds	368,433	348,259
Endowed Professorship	Certificates of deposit	—	19,968
SWS Financial services:			
Charitable Trust Fund	Mutual funds, fixed	—	223,155
Charitable Trust Fund	Mutual funds, equity	390,270	102,170
Charitable Trust Fund	Domestic corporate stock	172,780	188,851
		<u>\$ 20,073,326</u>	<u>7,538,291</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, 2014, the Foundation did not have a policy to limit its exposure to custodial credit risk; however, as of June 30, 2014 and 2013, the investments that were subject to custodial credit risk were 7.6% and 2.1% of total investments at June 30, 2014 and 2013, 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 the Foundation and the exposure to custodial credit risk at June 30 is as follows:

	<b>2014</b>	<b>2013</b>
Custodial credit risk:		
U.S. treasury notes	\$ 410,078	—
U.S. agency bonds	232,826	—
Municipal bonds	3,305,057	3,426,961
Domestic corporate bonds	10,588,112	—
Other bonds	1,034,985	—
Domestic corporate stock	172,780	188,851
Total securities held by custodians	15,743,838	3,615,812
Investments not subject to custodial credit risk:		
Certificates of deposit	—	49,923
Mutual funds	3,593,269	3,227,435
Real estate	333,811	291,333
Other	402,408	353,788
Total investments held by the Foundation	20,073,326	7,538,291
Investments held in CIF – not subject to custodial credit risk	189,073,515	162,220,160
Total investments	\$ 209,146,841	169,758,451

*Concentration of Credit Risk* – Concentration of credit 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, 2014, the Foundation did not have a policy to limit its exposure to concentrated credit risk; however, as of June 30, 2014 and 2013, 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.

The Foundation Investment Committee manages credit risk and interest rate risk with the assistance of third-party investment advisors.

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A summary of the investments and the respective maturities at June 30, 2014 and 2013 and the exposure to interest rate risk is as follows:

		<b>2014 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. treasury notes	\$	410,078	—	410,078	—	—
U.S. agency bonds		232,826	—	—	—	232,826
Municipal bonds		3,305,057	128,415	1,078,682	1,270,220	827,740
Domestic corporate bonds		10,588,112	100,706	9,473,909	1,013,497	—
Other bonds		1,034,985	—	—	834,401	200,584
		<u>15,571,058</u>	<u>\$ 229,121</u>	<u>10,962,669</u>	<u>3,118,118</u>	<u>1,261,150</u>
Not subject to interest rate risk:						
Certificates of deposit		—				
Domestic corporate stock		172,780				
Mutual funds		3,593,269				
Real estate		333,811				
Other		402,408				
Investments held in CIF		<u>189,073,515</u>				
Total investments	\$	<u>209,146,841</u>				
		<b>2013 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:						
Municipal bonds	\$	3,426,961	<u>75,969</u>	<u>635,868</u>	<u>888,762</u>	<u>1,826,362</u>
Not subject to interest rate risk:						
Certificates of deposit		49,923				
Domestic corporate stock		188,851				
Mutual funds		3,227,435				
Real estate		291,333				
Other		353,788				
Investments held in CIF		<u>162,220,160</u>				
Total investments	\$	<u>169,758,451</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, 2014 and 2013 that are subject to credit risk is as follows:

<b>June 30, 2014</b>							<b>Percentage</b>
<b>Credit rating (Moody's)</b>	<b>U.S. Treasury</b>	<b>U.S. Agency</b>	<b>Municipal</b>	<b>Domestic corporate</b>	<b>Other</b>	<b>Total</b>	<b>of bond portfolio</b>
Aaa	\$ 410,078	—	919,072	—	—	1,329,150	8.5%
Aa1	—	—	395,452	399,351	—	794,803	5.1
Aa2	—	—	1,116,166	363,614	—	1,479,780	9.5
Aa3	—	—	443,023	618,985	—	1,062,008	6.8
A1	—	—	109,385	2,141,964	—	2,251,349	14.5
A2	—	—	59,173	2,159,738	—	2,218,911	14.3
A3	—	—	59,805	2,199,005	—	2,258,810	14.5
Baa1	—	—	5,894	1,272,708	—	1,278,602	8.2
Baa2	—	—	—	1,223,973	211,493	1,435,466	9.2
Baa3	—	—	—	208,774	—	208,774	1.3
Not rated	—	232,826	197,087	—	823,492	1,253,405	8.0
Total	\$ 410,078	232,826	3,305,057	10,588,112	1,034,985	15,571,058	100%

<b>June 30, 2013</b>							<b>Percentage</b>
<b>Credit rating (Moody's)</b>	<b>U.S. Treasury</b>	<b>U.S. Agency</b>	<b>Municipal</b>	<b>Domestic corporate</b>	<b>Other</b>	<b>Total</b>	<b>of bond portfolio</b>
Aaa	\$ —	—	698,374	—	—	698,374	20.4%
Aa1	—	—	437,760	—	—	437,760	12.8
Aa2	—	—	1,467,550	—	—	1,467,550	42.9
Aa3	—	—	527,801	—	—	527,801	15.4
A2	—	—	86,063	—	—	86,063	2.5
A3	—	—	25,327	—	—	25,327	0.7
Baa1	—	—	11,638	—	—	11,638	0.3
Not rated	—	—	172,448	—	—	172,448	5.0
Total	\$ —	—	3,426,961	—	—	3,426,961	100%

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

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(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2014 and 2013

***Real Estate***

The Foundation also has investments in real estate. The real estate activity for the years ended June 30, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Real estate, values as of date of original receipt:		
Beginning balance	\$ 2,302,526	2,612,501
New donations received	371,000	—
Sales	(1,725)	(309,975)
Balance at June 30	2,671,801	2,302,526
Fair value adjustments:		
Prior year balance	(697,332)	(799,622)
Change in fair value	(153,743)	102,290
Fair value adjustment, net	(851,075)	(697,332)
Real estate, at fair value as of June 30	\$ 1,820,726	1,605,194

***Artwork***

Artwork activity for the years ended June 30, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Artwork		
Beginning balance	\$ 12,000	12,000
New donations received	7,680,089	—
Balance at June 30	7,692,089	12,000
Reserve for selling costs	(4,953,853)	(4,000)
Artwork, at fair value as of June 30	\$ 2,738,236	8,000

The Foundation received a major gift of artwork on June 25, 2014, consisting of over 1,000 works of art created by Beatrice Mandelman and Louis Ribak. The artwork was recorded at an amount approximating fair value (\$7,680,089) along with a reserve for estimated selling costs (\$4,949,853). The Foundation intends to sell the artwork with the net proceeds benefiting UNM's art programs, collections and museums. The Foundation expects the sales to be completed over many years, given the desire to preserve the market value of the artwork.

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

June 30, 2014 and 2013

***All Investments – Investment Income***

During the years ended June 30, 2014 and 2013, 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>
2014:					
Realized gains	\$ 24,580,803	83,884	8,275	47,470	24,720,432
Unrealized gains (losses)	3,571,558	382,261	(153,743)	9,901	3,809,977
Other investment income	1,935,527	291,726	—	891,493	3,118,746
Total investment income (loss)	<u>\$ 30,087,888</u>	<u>757,871</u>	<u>(145,468)</u>	<u>948,864</u>	<u>31,649,155</u>
2013:					
Realized gains (losses)	\$ 4,579,167	94,738	(19,183)	—	4,654,722
Unrealized gains	9,595,021	14,488	102,290	—	9,711,799
Other investment income	2,251,855	261,562	—	503,649	3,017,066
Total investment income	<u>\$ 16,426,043</u>	<u>370,788</u>	<u>83,107</u>	<u>503,649</u>	<u>17,383,587</u>

**(5) Pledges Receivable**

Pledges receivable consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Amounts receivable in less than one year	\$ 833,215	839,037
Amounts receivable in more than one year	2,052,078	1,943,305
Total pledges receivable	2,885,293	2,782,342
Discounts to net present value	(261,752)	(79,902)
Allowance for doubtful pledges	(147,824)	(298,342)
Pledges receivable, net	<u>\$ 2,475,717</u>	<u>2,404,098</u>

Noncurrent pledges receivable are discounted at the Internal Revenue Service discount rate 2.2% and 1.2% for the years ended June 30, 2014 and 2013, respectively. All pledges are for nonendowed gifts.

**(6) Endowments**

*Permanent Endowments.* Permanent 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.

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

June 30, 2014 and 2013

*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. Any portion of the principal of quasi-endowment funds may be expended for the donor specified purpose at any time.

At June 30, 2014 and 2013, endowments comprised the following:

	<b>2014</b>	<b>2013</b>
Permanent endowment	\$ 174,037,555	149,371,005
Term endowment	500,320	461,046
Quasi-endowment (designated as endowment by the Board of Trustees)	20,294,192	17,455,707
	\$ 194,832,067	167,287,758

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.

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

June 30, 2014 and 2013

**(7) Composition of Net Position**

Net position consisted of the following at June 30:

	<b>2014</b>	<b>2013</b>
Permanent endowments, nonexpendable	\$ 174,037,555	149,371,005
Annuity gifts, nonexpendable	1,005,718	463,764
Total nonexpendable	175,043,273	149,834,769
Term endowments, expendable after specified time	500,320	461,046
Quasi-endowments, expendable for specified purpose	20,294,192	17,455,711
Total restricted	195,837,785	167,751,526
Designated reserve for annuities payable	1,000,000	1,000,000
Other unrestricted	1,396,794	1,109,091
Total unrestricted	2,396,794	2,109,091
Investment in capital assets	112,632	137,335
Total net position	\$ 198,347,211	169,997,952

**(8) Annuities Payable**

During the years ended June 30, 2014 and 2013, the Foundation had the following annuities payable activity:

	<b>2014</b>	<b>2013</b>
Balance due at beginning of year	\$ 3,577,035	3,350,584
Additions to deferred annuities payable	54,556	234,402
Net change in actuarial liability	(783,416)	(7,951)
Balance due at end of year	\$ 2,848,175	3,577,035
Amount due in one year	\$ 345,046	386,043

**(9) Wills and Bequests**

The Foundation has been newly named as a beneficiary in wills and bequests totaling \$16,940,397 and \$17,364,982 during the fiscal years ended June 30, 2014 and 2013, respectively.

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

Notes to Financial Statements

June 30, 2014 and 2013

**(10) Operating Expenses**

Operating expenses consisted of the following for the year ended June 30, 2014:

	<u>Operating accounts</u>	<u>General accounts</u>	<u>Endowment accounts</u>	<u>Life income accounts</u>	<u>Total</u>
Staff salaries	\$ 7,123,250	—	—	—	7,123,250
Fringe benefits	1,294,580	—	—	—	1,294,580
Professional services	607,815	148,403	6,676	315	763,209
Donor relations	290,328	278,741	—	—	569,069
Payroll taxes	441,624	—	—	—	441,624
General and administrative	236,634	88,504	52,922	6,459	384,519
Office lease and building	299,610	—	—	—	299,610
Travel	243,388	27,989	127	—	271,504
Computer equipment and software	255,259	—	—	—	255,259
Printing, fund-raising, and promotional material	147,153	135	—	—	147,288
Insurance	59,315	61,840	3,322	—	124,477
Dues and subscriptions	111,519	—	—	—	111,519
Professional development	78,103	—	—	—	78,103
Audit fees	67,247	—	—	—	67,247
Furniture, office equipment, and property	5,474	9,374	12,844	26,685	54,377
Postage and mailing	50,660	500	—	—	51,160
Property taxes	—	579	33,506	8,353	42,438
Meeting expense	30,735	—	—	—	30,735
Depreciation	24,703	—	—	—	24,703
	<u>\$ 11,367,397</u>	<u>616,065</u>	<u>109,397</u>	<u>41,812</u>	<u>12,134,671</u>



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

Notes to Financial Statements

June 30, 2014 and 2013

Operating expenses consisted of the following for the year ended June 30, 2013:

	<u>Operating accounts</u>	<u>General accounts</u>	<u>Endowment accounts</u>	<u>Life income accounts</u>	<u>Total</u>
Staff salaries	\$ 6,336,596	—	—	—	6,336,596
Fringe benefits	939,597	—	—	—	939,597
Professional services	486,595	155,560	3,825	749	646,729
Payroll taxes	334,020	—	—	—	334,020
Computer equipment and software	304,665	—	—	—	304,665
General and administrative	219,294	17,812	48,388	7,197	292,691
Office lease and building	276,089	—	—	—	276,089
Donor relations	220,004	2,748	—	—	222,752
Travel	124,802	1,985	—	239	127,026
Printing, fund-raising, and promotional material	118,942	—	—	—	118,942
Insurance	52,606	55,866	1,989	—	110,461
Dues and subscriptions	76,096	—	—	—	76,096
Audit fees	73,457	—	—	—	73,457
Postage and mailing	71,740	—	32	—	71,772
Furniture, office equipment, and property	12,339	5,751	26,472	22,429	66,991
Professional development	59,071	—	—	—	59,071
Depreciation	27,106	—	—	—	27,106
Meeting expense	24,945	—	—	—	24,945
Property taxes	—	672	10,876	8,267	19,815
	<u>\$ 9,757,964</u>	<u>240,394</u>	<u>91,582</u>	<u>38,881</u>	<u>10,128,821</u>

The Foundation leases space in an office building from UNM, under a three-year lease term expiring in fiscal year 2016 and a storage space in Taos, NM expiring in fiscal year 2016. Lease expense in fiscal years 2014 and 2013 was \$299,610 and \$276,089, respectively. The expected lease payment for fiscal years 2015 and 2016 is \$313,290 per year.

**(11) 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, 2014 and 2013.

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

June 30, 2014 and 2013

**(12) 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) 5% of gross salary for employees who do not contribute to the plan and (b) up to 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, 2014 and 2013 were \$512,773 and \$377,744, respectively.

## **SUPPLEMENTAL INFORMATION**

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

Financial Analysis by Account Group

June 30, 2014

**Operating Account Group**

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

The net position of the operating account group increased from \$2.2 million at June 30, 2013 to \$2.5 million at June 30, 2014. The increase was primarily the result higher than budgeted development funding allocation revenue for the year ended June 30, 2014. Investment income in the operating account group totaled \$929 thousand for the year ended June 30, 2014 compared to \$505 thousand for the year ended June 30, 2013. The increase was partly due to a change in the Treasury Operating Agreement, dated October 1, 2013. The agreement allows the Foundation to invest nonendowed gifts and endowed spending distributions until spent by UNM.

**General Account Group**

The general account group 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.

Distributions from the general account group to the University increased from \$18.0 million for the year ended June 30, 2013 to \$18.6 million for the year ended June 30, 2014, an increase of \$600 thousand. The increase was primarily due to higher gifts received in the general account group for the year ended June 30, 2014.

**Endowment and Quasi-Endowment Account Group**

Permanent 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 designated by the donor. The principal of quasi-endowment funds may be expended for the donor specified purpose of the endowment at any time.

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 position of the endowment account group increased from \$167.3 million at June 30, 2013 to \$194.8 million at June 30, 2014, an increase of \$27.5 million, or 16.4%. The majority of this increase is due to net investment income in the CIF.

**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.**  
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Balance Sheet Information by Account Group

June 30, 2014

Assets	Operating account group	General account group	Endowment and quasi- endowment account group	Life income account group	Combined total
<b>Current assets:</b>					
Cash and cash equivalents – unrestricted	\$ 2,011,949	—	—	—	2,011,949
Cash and cash equivalents – restricted	—	7,219,052	2,204,563	(482,837)	8,940,778
Pledges receivable	—	833,215	—	—	833,215
Other current assets	1,775,710	89,630	22,988	(4,518)	1,883,810
Total current assets	<u>3,787,659</u>	<u>8,141,897</u>	<u>2,227,551</u>	<u>(487,355)</u>	<u>13,669,752</u>
<b>Noncurrent assets:</b>					
Investments held in Consolidated Investment Fund	—	—	186,607,996	2,465,519	189,073,515
Investments held by the University of the New Mexico Foundation, Inc.	—	12,266,002	7,244,274	563,050	20,073,326
Pledges receivable	—	1,642,502	—	—	1,642,502
Artwork	—	2,730,236	8,000	—	2,738,236
Real estate	—	12,512	530,746	1,277,468	1,820,726
Capital assets, net	112,632	—	—	—	112,632
Total noncurrent assets	<u>112,632</u>	<u>16,651,252</u>	<u>194,391,016</u>	<u>4,306,037</u>	<u>215,460,937</u>
Total assets	<u>\$ 3,900,291</u>	<u>24,793,149</u>	<u>196,618,567</u>	<u>3,818,682</u>	<u>229,130,689</u>
<b>Liabilities and Net Position</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 102,966	20,911	591	3,961	128,429
Accrued payroll	1,021,180	—	—	—	1,021,180
Annuities payable	—	—	—	345,046	345,046
Advances from the University of New Mexico	266,719	—	—	—	266,719
Due to (from) the Consolidated Investment Fund	—	—	1,785,909	(39,172)	1,746,737
Due to the University of New Mexico	—	20,386,988	—	—	20,386,988
Total current liabilities	<u>1,390,865</u>	<u>20,407,899</u>	<u>1,786,500</u>	<u>309,835</u>	<u>23,895,099</u>
<b>Noncurrent liabilities:</b>					
Annuities payable	—	—	—	2,503,129	2,503,129
Due to the University of New Mexico	—	4,385,250	—	—	4,385,250
Total noncurrent liabilities	<u>—</u>	<u>4,385,250</u>	<u>—</u>	<u>2,503,129</u>	<u>6,888,379</u>
Total liabilities	<u>1,390,865</u>	<u>24,793,149</u>	<u>1,786,500</u>	<u>2,812,964</u>	<u>30,783,478</u>
<b>Net position:</b>					
Unrestricted	1,396,794	—	—	—	1,396,794
Designated reserve for annuities payable	1,000,000	—	—	—	1,000,000
Investment in capital assets	112,632	—	—	—	112,632
Restricted	—	—	194,832,067	1,005,718	195,837,785
Total net position	<u>\$ 2,509,426</u>	<u>—</u>	<u>194,832,067</u>	<u>1,005,718</u>	<u>198,347,211</u>
Total liabilities and net position	<u>\$ 3,900,291</u>	<u>24,793,149</u>	<u>196,618,567</u>	<u>3,818,682</u>	<u>229,130,689</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 Position Information by Account Group

Year ended June 30, 2014

	<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>
Operating revenues:					
Donations and pledges, net	\$ 148,785	18,738,586	3,942,504	—	22,829,875
Direct support from the University of New Mexico	5,969,202	—	—	—	5,969,202
Development funding allocation – Consolidated Investment Fund	2,294,731	—	—	—	2,294,731
Nongift revenue	4,193	394,931	4,345	61,325	464,794
Total operating revenues	<u>8,416,911</u>	<u>19,133,517</u>	<u>3,946,849</u>	<u>61,325</u>	<u>31,558,602</u>
Operating expenses:					
Distributions to the University of New Mexico	—	18,588,335	11,484,188	382,575	30,455,098
General and administrative expenses	11,367,397	616,065	109,397	41,812	12,134,671
Total operating expenses	<u>11,367,397</u>	<u>19,204,400</u>	<u>11,593,585</u>	<u>424,387</u>	<u>42,589,769</u>
Operating loss	(2,950,486)	(70,883)	(7,646,736)	(363,062)	(11,031,167)
Investment income:	928,784	(11,107)	30,228,187	503,291	31,649,155
(Loss) income before changes in term and permanent endowments	<u>(2,021,702)</u>	<u>(81,990)</u>	<u>22,581,451</u>	<u>140,229</u>	<u>20,617,988</u>
Changes in term and permanent endowments:					
Donations	—	—	6,571,518	42,729	6,614,247
Institutional transfers to CIF	—	—	646,477	—	646,477
Nongift revenue	—	—	60,773	—	60,773
Adjustment of actuarial liability for annuities payable	—	—	—	783,416	783,416
Expenditure for payments to annuitants and beneficiaries	—	—	—	(373,642)	(373,642)
Total changes in term and permanent endowments	<u>—</u>	<u>—</u>	<u>7,278,768</u>	<u>452,503</u>	<u>7,731,271</u>
Transfers:					
Transfers to (from):					
Development funding allocation – Consolidated Investment Fund	2,360,297	—	(2,325,639)	(34,658)	—
Other transfers	(75,595)	81,990	9,725	(16,120)	—
Total transfers	<u>2,284,702</u>	<u>81,990</u>	<u>(2,315,914)</u>	<u>(50,778)</u>	<u>—</u>
Increase in net position	263,000	—	27,544,305	541,954	28,349,259
Net position, beginning of year	2,246,426	—	167,287,762	463,764	169,997,952
Net position, end of year	<u>\$ 2,509,426</u>	<u>—</u>	<u>194,832,067</u>	<u>1,005,718</u>	<u>198,347,211</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, 2014

**(1) Measurement Focus and Financial Information**

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the assets, liabilities, and net position 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 and Quasi-Endowment Account Group.* Permanent 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 designated by the donor. The principal of quasi-endowment funds may be expended for the donor specified purpose of the endowment at any time.

*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, "annuities payable." 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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**Independent Auditors' 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 Directors  
University of New Mexico Foundation, Inc.  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor:

We have audited, in accordance with the 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, the financial statements of University of New Mexico Foundation, Inc. (the Foundation), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statement of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated September 26, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Albuquerque, New Mexico  
September 26, 2014

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

Schedule of Findings and Responses

June 30, 2014

**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, 2014

An exit conference was conducted on September 10, 2014, 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  
Carl Alongi, Board Member  
Gary Beal, Board Member  
Gary Gordon, Board Member

Foundation Management:

Henry Nemcik, President and Chief Executive Officer  
Rodney Harder, Chief Financial Officer  
Kenny Stansbury, Controller  
Sandra Liggett, General Counsel

**For KPMG LLP**

Cynthia Reinhart, Partner  
John Kennedy, Partner  
Nicholas Williams, Manager