



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

Financial Statements

June 30, 2015 and 2014

(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, 2015

**Officers**

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

**Members**

Carl Alongi	Anthony Pachelli
Gary Beal	Sherry Parsons
Brian Colon	Kimberly Peña
Michelle Coons	Steven Petranovich
Geraldine Forbes-Isais	Dorothy Rainosek
Jack Fortner	Nancy Ridenour
Edward Foster	Tommy Roberts
Robert Frank	Kurt Roth
Henry Nemcik	David Salazar
Stephen Mitchell	Randy Velarde
Lynn Mosher	Linda Warning
Laurie Moye	Judy Zanotti
Ryan Mummert	Orcilia Zuniga-Forbes



**KPMG LLP**  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

## **Independent Auditors' Report**

The Board of Trustees  
University of New Mexico Foundation, Inc.  
and  
Mr. Tim Keller  
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, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### ***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 audit. 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 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.



### ***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, 2015 and 2014, the respective changes in financial position, and cash flows thereof for the year 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 and the financial analysis by account group on page 33 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 Foundation's basic financial statements. The statement of net position 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 2015 on pages 34–36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of net position information by account group, statement 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 statement of net position 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 November 18, 2015 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  
November 18, 2015

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

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

As a component unit of the University of New Mexico (UNM or the University) and governmental not-for-profit, 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, which provides a broad narrative overview of its financial statements for the fiscal years ended June 30, 2015 and 2014 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. Statements 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>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 44,007,051	13,669,752	7,813,748
Noncurrent assets	208,918,116	215,460,937	173,274,768
Total assets	<u>252,925,167</u>	<u>229,130,689</u>	<u>181,088,516</u>
Current liabilities	48,587,055	23,895,099	6,188,961
Noncurrent liabilities	6,376,241	6,888,379	4,901,603
Total liabilities	<u>54,963,296</u>	<u>30,783,478</u>	<u>11,090,564</u>
Net position:			
Unrestricted	2,131,929	2,396,794	2,109,091
Investment in capital assets	87,930	112,632	137,335
Restricted	195,742,012	195,837,785	167,751,526
Total net position	<u>\$ 197,961,871</u>	<u>198,347,211</u>	<u>169,997,952</u>

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

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
Donations and pledges, net	\$ 18,183,206	22,829,875	21,129,198
Direct support from the University of New Mexico	5,641,345	5,969,202	3,659,715
Development funding allocation – Consolidated Investment Fund	2,515,480	2,294,731	2,804,303
Nongift revenue	803,838	464,794	731,996
Total operating revenues	<u>27,143,869</u>	<u>31,558,602</u>	<u>28,325,212</u>
Operating expenses:			
Distributions to UNM	26,224,604	30,455,098	27,897,237
General and administrative	12,213,276	12,134,671	10,128,821
Total operating expenses	<u>38,437,880</u>	<u>42,589,769</u>	<u>38,026,058</u>
Operating loss	(11,294,011)	(11,031,167)	(9,700,846)
Investment (loss) income, net	<u>(794,918)</u>	<u>31,649,155</u>	<u>17,383,587</u>
Income (loss) before changes in term and permanent endowments	(12,088,929)	20,617,988	7,682,741
Changes in term and permanent endowments	<u>11,703,589</u>	<u>7,731,271</u>	<u>9,543,766</u>
Decrease (increase) in net position	(385,340)	28,349,259	17,226,507
Net position, beginning of year	<u>198,347,211</u>	<u>169,997,952</u>	<u>152,771,445</u>
Net position, end of year	<u>\$ 197,961,871</u>	<u>198,347,211</u>	<u>169,997,952</u>

**Financial Analysis**

- At June 30, 2015, the Foundation's total assets were \$252.9 million, which represents an increase of 10.4% over June 30, 2014 total assets of \$229.1 million. 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.
- Net position decreased to \$198.0 million at June 30, 2015, a decrease of \$385 thousand, or 0.2%, over the net position of \$198.3 million at June 30, 2014. Net position increased during the year ended June 30, 2014, by \$28.3 million, or 16.6%, over the net position of \$170.0 million at June 30, 2013.
- The increase in total assets during the year ended June 30, 2015 was primarily due to an increase in the Short-Term Investment fund 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.
- The decrease in net position during the year ended June 30, 2015 was primarily due to the investment loss during the fiscal year.



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

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

- The increase in total assets and net position during the year ended June 30, 2014 was 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, 2015 was \$405.8 million, a decrease of \$9.4 million from the June 30, 2014 market value of \$415.2 million. Realized gains for the entire CIF were \$19 million and unrealized losses were \$24 million during the year ended June 30, 2015. 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. The fair value and ownership units of the CIF as of June 30, 2015, 2014, and 2013 are as follows:

				<b>Consolidated Investment Fund</b>		
				<b>2015</b>	<b>2014</b>	<b>2013</b>
Fair value (in millions):						
Foundation	\$	189.0		189.1	162.2	
University of New Mexico		216.8		226.1	196.2	
Total fair value of CIF	\$	405.8		415.2	358.4	
Units:						
Foundation		570,951		568,158	579,131	
University of New Mexico		655,318		679,611	700,367	
Total units of CIF		1,226,269		1,247,769	1,279,498	

- Additions to endowment principal for the CIF, during the year ended June 30, 2015, were \$14.4 million; a increase of \$4.5 million from the prior year. 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 year ended June 30, 2013.
- CIF investment performance showed a net rate of return in the current year of 0.5% compared with the 16.7% and 11.3% net investment return earned during the fiscal years ended June 30, 2014 and 2013, respectively.
- During the year ended June 30, 2015, the CIF had a return of 0.5%, underperforming the CIF policy benchmark return of 1.6%. Domestic equities returned 7.4%, international equities returned negative 6.3%, fixed income returned negative 2.9%, real assets returned negative 12.6%, private equities returned 9.4%, and marketable alternatives returned 5.4%.
- 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%.
- Approximately 75% of the Foundation's assets were held as endowments in the CIF as of June 30, 2015, compared to 83% and 90% at June 30, 2014 and 2013, respectively.

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

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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

- The approved spending distribution from the CIF to UNM departments was \$15.0 million during fiscal year 2015, an increase of \$1.2 million from the approved distribution of \$13.8 million during fiscal year 2014, primarily due to an increase in trailing twenty-quarter average market value per unit of the CIF. Of fiscal year 2015's distribution, \$7.0 million was distributed from Foundation endowments and \$8.0 million was distributed from UNM endowments. The spending distribution for fiscal year 2014 of \$13.8 million increased by \$300 thousand from the fiscal year 2013 approved distribution of \$13.5 million, due to an increase in the trailing twenty-quarter average market value per unit of the CIF at June 30, 2014.
- Total liabilities at June 30, 2015 were \$55.0 million, an increase of \$24.2 million over June 30, 2014 total liabilities of \$30.8 million. Total liabilities at June 30, 2014 increased \$19.7 million over June 30, 2013 total liabilities of \$11.1 million. The increases were 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.
- Total operating revenue was \$27.1 million for the fiscal year ended June 30, 2015, a decrease of \$4.5 million, or 14.2%, from the previous year total of \$31.6 million, primarily due to a decrease in nonendowed gifts. 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.
- Changes in term and permanent endowments totaled \$11.7 million during the year ended June 30, 2015; an increase of 4.0 million, or 51.9%, from the previous year total of \$7.7 million, primarily due to an increase in donations to permanent endowments. 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.
- Distributions to UNM are endowed spending distributions and nonendowed expenditures and were \$26.2, \$30.5 and \$27.9 million for the years ended June 30, 2015, 2014 and 2013, respectively.
- Investment (loss) income comprises interest, dividends, gains, and losses. Investment (loss) income is presented net of fees and was a net loss of \$794.9 thousand for the year ended June 30, 2015; a decrease of \$32.4 million over the year ended June 30, 2014. The decrease was the result of a decrease in the rate of return for the CIF from 16.7% in the year ended June 30, 2014 to 0.5% in the year ended June 30, 2015. Investment income, net of fees, was \$31.6 million and \$17.4 million for the years ended June 30, 2014 and 2013, respectively.
- The primary funding sources for the Foundation's operating costs in the year ended June 30, 2015, were institutional support from UNM (50.5%), unrestricted gifts and other revenue (3.0%), and a development funding allocation (DFA) (46.5%) based on the market value of the CIF. The DFA rate was 1.4% for the first three quarters of fiscal year 2015 and 1.6% for the fourth quarter of fiscal year 2015. The DFA rate was 1.4% for fiscal years 2014 and 2013.
- Direct support from UNM decreased to \$5.6 million in the year ended June 30, 2015, a 5.5% decrease from the \$6.0 million of direct support received in the year ended June 30, 2014. In 2014, direct support from UNM increased 62.2% from the \$3.7 million of direct support received in the year ended June 30, 2013.

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

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

- General and administrative expenses for the operating account group totaled \$11.3 million, \$11.4 million, and \$9.8 million for the years ended June 30, 2015, 2014, and 2013, respectively. The Foundation's budgeted operating general and administrative expenses totaled \$11.5 million, \$11.3 million, and \$9.9 million for the years ended June 30, 2015, 2014, and 2013, respectively. Using the unrounded amounts, operating general and administrative expenses were 2% under budget for the year ended June 30, 2015 and 0.3% over budget for the year ended June 30, 2014.

**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 \$4.3 million to fund the Foundation in fiscal year 2016. The fee charged to the CIF (DFA) will remain at 1.6% for fiscal year 2016. UNM has not made an operating budget commitment to fund the Foundation beyond fiscal year 2016.

**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, 2015 and 2014

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents – unrestricted	\$ 2,357,462	2,011,949
Cash and cash equivalents – restricted	40,243,562	8,940,778
Pledges receivable, net of allowance and discounts	1,186,756	833,215
Other current assets	219,271	1,883,810
Total current assets	44,007,051	13,669,752
Noncurrent assets, restricted:		
Investments held in Consolidated Investment Fund	188,958,673	189,073,515
Investments held by the University of New Mexico Foundation, Inc.	14,116,497	20,073,326
Pledges receivable, net of allowance and discounts	1,352,042	1,642,502
Artwork	2,717,902	2,738,236
Real estate	1,685,072	1,820,726
Capital assets, net	87,930	112,632
Total noncurrent assets	208,918,116	215,460,937
Total assets	\$ 252,925,167	229,130,689
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 124,496	128,429
Accrued payroll	1,258,914	1,021,180
Current portion of annuities payable	340,768	345,046
Advances from the University of New Mexico	92,550	266,719
Due to the Consolidated Investment Fund	460,988	1,746,737
Due to the University of New Mexico	46,309,339	20,386,988
Total current liabilities	48,587,055	23,895,099
Noncurrent liabilities:		
Annuities payable	2,308,853	2,503,129
Due to the University of New Mexico	4,067,388	4,385,250
Total noncurrent liabilities	6,376,241	6,888,379
Total liabilities	54,963,296	30,783,478
Net position:		
Unrestricted	2,131,929	2,396,794
Invested in capital assets	87,930	112,632
Restricted, expendable	21,145,692	20,794,512
Restricted, nonexpendable	174,596,320	175,043,273
Total net position	197,961,871	198,347,211
Total liabilities and net position	\$ 252,925,167	229,130,689

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 Position

Years ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Operating revenues:		
Donations and pledges, net of provision for allowance and discounts of \$11,727 and \$31,331 for the years ended June 30, 2015 and 2014, respectively	\$ 18,183,206	22,829,875
Direct support from the University of New Mexico	5,641,345	5,969,202
Development funding allocation – Consolidated Investment Fund	2,515,480	2,294,731
Nongift revenue	803,838	464,794
Total operating revenues	27,143,869	31,558,602
Operating expenses:		
Distributions to the University of New Mexico	26,224,604	30,455,098
General and administrative expenses	12,213,276	12,134,671
Total operating expenses	38,437,880	42,589,769
Operating loss	(11,294,011)	(11,031,167)
Nonoperating revenue:		
Investment (loss) income, net	(794,918)	31,649,155
(Loss) income before changes in term and permanent endowments	(12,088,929)	20,617,988
Changes in term and permanent endowments:		
Donations	10,323,705	6,614,247
Institutional transfers to Consolidated Investment Fund	1,492,654	646,477
Nongift revenue	26,981	60,773
Adjustment of actuarial liability for annuities payable	198,555	783,416
Expenditure for payments to annuitants and beneficiaries	(338,306)	(373,642)
Total changes in term and permanent endowments	11,703,589	7,731,271
(Decrease) increase in net position	(385,340)	28,349,259
Net position, beginning of year	198,347,211	169,997,952
Net position, end of year	\$ 197,961,871	198,347,211

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, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 17,334,747	19,654,294
Cash received from the University of New Mexico	7,131,715	5,192,809
Cash received from the Consolidated Investment Fund	2,515,480	1,082,622
Cash paid to employees	(8,830,893)	(8,657,310)
Cash paid to vendors	(2,751,146)	(3,274,183)
Cash distributed to the University of New Mexico	(620,115)	(10,163,550)
Net cash flows from operating activities	14,779,788	3,834,682
Cash flows from noncapital financing activities:		
Donations and pledges	8,921,719	5,796,547
Institutional transfers to Consolidated Investment Fund	1,492,654	646,477
Payments to annuitants and beneficiaries	(338,306)	(319,086)
Net cash flows from noncapital financing activities	10,076,067	6,123,938
Cash flows from investing activities:		
Proceeds from sale of investments	102,162,771	25,770,052
Purchases of investments	(96,324,881)	(33,130,499)
Interest and dividends received	954,552	1,285,692
Net cash flows from investing activities	6,792,442	(6,074,755)
Net increase in cash and cash equivalents	31,648,297	3,883,865
Cash and cash equivalents, beginning of year	10,952,727	7,068,862
Cash and cash equivalents, end of year	\$ 42,601,024	10,952,727
Cash and cash equivalents, unrestricted	\$ 2,357,462	2,011,949
Cash and cash equivalents, restricted	40,243,562	8,940,778
Total	\$ 42,601,024	10,952,727

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

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (11,294,011)	(11,031,167)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	27,810	24,703
Donations of investments	(1,013,905)	(838,520)
Donations of artwork	(144,685)	(2,730,236)
Donation of real estate	(61,000)	—
Changes in assets and liabilities:		
Due to the University of New Mexico	25,604,489	20,291,548
Other current assets	1,664,539	(1,777,234)
Pledges receivable	(63,081)	(71,619)
Accounts payable	(3,933)	(23,670)
Accrued payroll	237,734	202,145
Advances from the University of New Mexico	(174,169)	(211,268)
Total adjustments	26,073,799	14,865,849
Net cash from operating activities	\$ 14,779,788	3,834,682
Supplemental disclosures of noncash investing, noncapital, and financing activities:		
Change in fair value of investments	\$ (11,329,933)	1,032,467
Donations of investments to permanent endowments	1,428,968	507,473
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, 2015 and 2014

**(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, invest, 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 the 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 honored.

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

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

As a component unit of UNM and governmental not-for-profit, 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 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.

**(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.



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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 the University of New Mexico***

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 in a subsequent 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 amount and timing of the transfers are defined in the Treasury Operating agreement dated October 1, 2013.

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**(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 loss reported in the financial statements includes revenues and expenses related to the 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 include distributions to the University and general and administrative expenses.

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Nonoperating revenues include investment (loss) income.

Changes in term and permanent endowments include donations 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 statements 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 rate was 1.4% for the first three quarters of fiscal year 2015 and 1.6% for the fourth quarter of fiscal year 2015. The DFA rate was 1.4% for fiscal year 2014. 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 (loss) income, net* – Investment (loss) income, net 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 most recent filing date, the Foundation had a net operating loss carryforward of approximately \$2.8 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 \$1 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. The Foundation estimates that the change in the deferred tax asset for the year ended June 30, 2015 is immaterial.

**(l) Estimates**

Management uses estimates and assumptions in preparing the accompanying 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.

**(3) Cash and Cash Equivalents**

The Foundation has a carrying value of \$24,615 and \$765 on deposit in pooled accounts with UNM at June 30, 2015 and 2014, 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.

The Foundation also holds cash outside of the University. These cash balances, including deposits in transit, had a carrying value of \$42,576,409 and \$10,951,962 at June 30, 2015 and 2014, respectively.

The Foundation's operating accounts (Operating and Development) at Wells Fargo had deposits totaling \$40,972,228 and \$3,617,274 at June 30, 2015 and 2014, respectively. The Foundation also held deposits at NUSENDA Credit Union totaling \$118,503 and \$150,143 at June 30, 2015 and 2014, respectively. These

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amounts are invested in overnight sweep accounts and are collateralized at 101% and 96% of the invested balance for June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, 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, National Credit Union Administration (NCUA) insured and collateralized accounts:

	<b>2015</b>	<b>2014</b>
Wells Fargo operating account balance	\$ 37,220,620	972,872
Wells Fargo development account balance	3,751,608	2,644,402
NUSENDA Credit Union balance	118,503	150,143
	\$ 41,090,731	3,767,417
FDIC insurance	\$ 250,000	250,000
NCUA insurance	118,503	150,143
Collateralization:		
<b>CUSIP</b>	<b>Maturity Date</b>	<b>Type of Security</b>
31419AQ83	11/1/2040	FN-30
3138Y9RH3	1/1/2045	FN-30
3138WAGS0	11/1/2043	FN-30
3132JQKC3	11/1/2043	FN-30
36179NVN5	12/1/2043	FN-30
	Total collateralization	\$
	41,450,497	3,232,166
Uninsured and under collateralized balance	\$ —	135,108

A detail of the cash accounts at June 30, 2015 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
University of New Mexico	Operating	Cash	\$ 24,615	—	24,615
Wells Fargo	Operating	Cash	37,220,620	(35,952)	37,184,668
Wells Fargo	Development	Cash	3,751,608	1,018,835	4,770,443
NUSENDA	General Fund	Cash	118,503	—	118,503
Southwest Securities	Charitable Trust Fund	Money Market	22,310	—	22,310
Bank of America	Scholarship Trust 1	Money Market	28,143	—	28,143
Bank of America	Scholarship Trust 2	Money Market	48,164	—	48,164
Wells Fargo	Irrevocable Trust Fund	Money Market	58,918	—	58,918
UBS Financial Services	Endowed Chair	Money Market	309,777	—	309,777
UBS Financial Services	Endowed Professorship	Money Market	35,483	—	35,483
			\$ 41,618,141	982,883	42,601,024

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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 1	Money Market	30,147	(1)	30,146
Bank of America	Scholarship Trust 2	Money Market	84,973	(3)	84,970
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>

**(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, New Mexico Statutes Annotated (NMSA) 1978.

At June 30, 2015 and 2014, the Foundation held approximately 93% and 90%, 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.

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

	<b>Consolidated Investment Fund</b>			
	<b>2015</b>	<b>Percentage</b>	<b>2014</b>	<b>Percentage</b>
Fair value (in millions):				
Foundation	\$ 189.0	47%	\$ 189.1	46%
University of New Mexico	216.8	53	226.1	54
Total fair value	<u>\$ 405.8</u>		<u>\$ 415.2</u>	
Units:				
Foundation	570,951	47%	568,158	46%
University of New Mexico	655,318	53	679,611	54
Total units	<u>1,226,269</u>		<u>1,247,769</u>	

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

	<b>2015</b>	<b>Percentage</b>	<b>2014</b>	<b>Percentage</b>
Money market	\$ 3,403,867	2%	\$ 808,498	—%
Exchange traded funds	5,832,389	3	7,852,250	4
Mutual funds, equity	80,749,943	43	83,396,932	44
Mutual funds, fixed	32,637,179	17	27,385,010	15
Illiquid real assets	8,900,183	5	11,677,419	6
Private equity	19,655,253	10	22,636,422	12
Marketable alternatives	37,779,859	20	35,316,984	19
Total investments	<u>\$ 188,958,673</u>		<u>\$ 189,073,515</u>	

At June 30, 2015 and 2014, the Foundation had commitments for future contributions to private equity investments totaling \$5,268,956 and \$7,399,511, 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>2015</u>	<u>2014</u>
Bank of America:			
Scholarship Fund Trust 1	Mutual funds, fixed	\$ 163,308	145,672
Scholarship Fund Trust 1	Mutual funds, equity	457,940	464,280
Scholarship Fund Trust 1	Real estate	39,988	—
Scholarship Fund Trust 1	Other	50,649	—
Scholarship Fund Trust 2	Mutual funds, fixed	293,769	244,274
Scholarship Fund Trust 2	Mutual funds, equity	837,999	866,245
Scholarship Fund Trust 2	Real estate	64,043	107,463
Scholarship Fund Trust 2	Other	88,870	148,066
Wells Fargo:			
Charitable Trust Fund	Mutual funds, fixed	315,068	375,153
Charitable Trust Fund	Mutual funds, equity	1,137,078	1,107,373
Charitable Trust Fund	Real estate	215,299	226,349
Charitable Trust Fund	Other	219,878	254,342
Morgan Stanley Smith Barney:			
Short term investments	Mutual funds, fixed	1,910,616	—
Short term investments	Mutual funds, equity	3,643,513	—
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	3,304	1,034,985
UBS Financial services:			
Endowed Chair	Municipal bonds	2,783,767	2,936,625
Endowed Chair	Other	22,667	—
Endowed Professorship	Municipal bonds	388,877	368,433
SWS Financial services:			
Charitable Trust Fund	Mutual funds, fixed	12,800	—
Charitable Trust Fund	Mutual funds, equity	224,073	390,270
Charitable Trust Fund	Domestic corporate stock	235,266	172,780
NUSENDA Credit Union:			
Operating Fund	Certificate of Deposit	1,007,725	—
		<u>\$ 14,116,497</u>	<u>20,073,326</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.



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At June 30, 2015, the Foundation did not have a policy to limit its exposure to custodial credit risk; however, as of June 30, 2015 and 2014, the investments that were subject to custodial credit risk were 2.1% and 7.6% of total investments at June 30, 2015 and 2014, respectively.

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>2015</b>	<b>2014</b>
Custodial credit risk:		
U.S. Treasury notes	\$ —	410,078
U.S. agency bonds	—	232,826
Certificate of deposit	1,007,725	—
Municipal bonds	3,172,644	3,305,057
Domestic corporate bonds	—	10,588,112
Other bonds	—	1,034,985
Domestic corporate stock	—	172,780
	4,180,369	15,743,838
Investments not subject to custodial credit risk:		
Mutual funds	9,231,430	3,593,269
Real estate	319,330	333,811
Other	385,368	402,408
	14,116,497	20,073,326
Investments held in CIF – not subject to custodial credit risk	188,958,673	189,073,515
Total investments	\$ 203,075,170	209,146,841

*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, 2015, the Foundation did not have a policy to limit its exposure to concentrated credit risk; however, as of June 30, 2015 and 2014, 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, 2015 and 2014 and the exposure to interest rate risk is as follows:

		<b>2015 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	\$	3,172,644	319,987	933,076	1,319,996	599,585
Certificates of deposit		1,007,725	1,007,725	—	—	—
		<u>4,180,369</u>	<u>1,327,712</u>	<u>933,076</u>	<u>1,319,996</u>	<u>599,585</u>
Not subject to interest rate risk:						
Domestic corporate stock		—				
Mutual funds		9,231,430				
Real estate		319,330				
Other		385,368				
Investments held in CIF		<u>188,958,673</u>				
Total investments	\$	<u>203,075,170</u>				

		<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
Certificates of deposit		—	—	—	—	—
Domestic corporate bonds		10,588,112	100,706	9,473,909	1,013,497	—
Other bonds		<u>1,034,985</u>	—	—	834,401	200,584
		15,571,058	<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:						
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>				

*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, 2015 and 2014 that are subject to credit risk is as follows:

<b>June 30, 2015</b>							<b>Percentage of bond portfolio</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>		
Aaa	\$	—	—	797,087	—	—	797,087	25.1%
Aa1		—	—	380,230	—	—	380,230	12.0
Aa2		—	—	1,108,922	—	—	1,108,922	35.0
Aa3		—	—	436,746	—	—	436,746	13.8
A1		—	—	106,217	—	—	106,217	3.3
A2		—	—	57,454	—	—	57,454	1.8
A3		—	—	64,662	—	—	64,662	2.0
Baa1		—	—	—	—	—	—	—
Baa2		—	—	—	—	—	—	—
Baa3		—	—	—	—	—	—	—
Not rated		—	221,326	—	—	—	221,326	7.0
Total	\$	—	221,326	2,951,318	—	—	3,172,644	100%

<b>June 30, 2014</b>							<b>Percentage of bond portfolio</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>		
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%

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

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

Notes to Financial Statements

June 30, 2015 and 2014

**Artwork**

Artwork activity for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Artwork:		
Beginning balance	\$ 7,692,089	12,000
New donations received	144,685	7,680,089
Sales	(145,389)	—
Balance at June 30	<u>7,691,385</u>	<u>7,692,089</u>
Reserve for selling costs	<u>(4,973,483)</u>	<u>(4,953,853)</u>
Artwork, at fair value as of June 30	<u>\$ 2,717,902</u>	<u>2,738,236</u>

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.

**Real Estate**

The Foundation also has investments in real estate. The real estate activity for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Real estate, values as of date of original receipt:		
Beginning balance	\$ 2,671,801	2,302,526
New donations received	61,000	371,000
Sales	(327,284)	(1,725)
Balance at June 30	<u>2,405,517</u>	<u>2,671,801</u>
Fair value adjustment, at June 30 net	<u>(720,445)</u>	<u>(851,075)</u>
Real estate, at fair value as of June 30	<u>\$ 1,685,072</u>	<u>1,820,726</u>

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

June 30, 2015 and 2014

***All Investments – Investment Income***

During the years ended June 30, 2015 and 2014, 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>
2015:					
Realized gains	\$ 8,779,893	86,094	141,326	(426,505)	8,580,808
Unrealized (losses) gains	(11,099,920)	(323,030)	70,337	22,680	(11,329,933)
Other investment income	1,316,476	364,922	—	272,809	1,954,207
Total investment (loss) income	<u>\$ (1,003,551)</u>	<u>127,986</u>	<u>211,663</u>	<u>(131,016)</u>	<u>(794,918)</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>

**(5) Pledges Receivable**

Pledges receivable consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts receivable in less than one year	\$ 1,186,756	833,215
Amounts receivable in more than one year	1,643,391	2,052,078
Total pledges receivable	2,830,147	2,885,293
Discounts to net present value	(97,967)	(261,752)
Allowance for doubtful pledges	(193,382)	(147,824)
Pledges receivable, net	<u>\$ 2,538,798</u>	<u>2,475,717</u>

Noncurrent pledges receivable are discounted at the Internal Revenue Service discount rate 2.0% and 2.2% for the years ended June 30, 2015 and 2014, 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, 2015 and 2014

*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, 2015 and 2014, endowments comprised the following:

	<b>2015</b>	<b>2014</b>
Permanent endowment	\$ 174,126,914	174,037,555
Term endowment	441,924	500,320
Quasi-endowment (designated as endowment by the Board of Trustees)	20,703,768	20,294,192
	\$ 195,272,606	194,832,067

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.**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2015 and 2014

**(7) Composition of Net Position**

Net position consisted of the following at June 30:

	<b>2015</b>	<b>2014</b>
Permanent endowments, nonexpendable	\$ 174,126,914	174,037,555
Annuity gifts, nonexpendable	469,406	1,005,718
Total nonexpendable	174,596,320	175,043,273
Term endowments, expendable after specified time	441,924	500,320
Quasi-endowments, expendable for specified purpose	20,703,768	20,294,192
Total restricted	195,742,012	195,837,785
Designated reserve for annuities payable	1,000,000	1,000,000
Other unrestricted	1,131,929	1,396,794
Total unrestricted	2,131,929	2,396,794
Investment in capital assets	87,930	112,632
Total net position	\$ 197,961,871	198,347,211

**(8) Annuities Payable**

During the years ended June 30, 2015 and 2014, the Foundation had the following annuities payable activity:

	<b>2015</b>	<b>2014</b>
Balance due at beginning of year	\$ 2,848,175	3,577,035
(Reductions) additions to deferred annuities payable	(58,649)	54,556
Net change in actuarial liability	(139,905)	(783,416)
Balance due at end of year	\$ 2,649,621	2,848,175
Amount due in one year	\$ 340,768	345,046

**(9) Wills and Bequests**

The Foundation has been newly named as a beneficiary in wills and bequests totaling \$16,010,674 and \$16,940,397 during the fiscal years ended June 30, 2015 and 2014, respectively.

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

June 30, 2015 and 2014

**(10) Operating Expenses**

Operating expenses consisted of the following for the year ended June 30, 2015:

	<u>Operating accounts</u>	<u>General accounts</u>	<u>Endowment accounts</u>	<u>Life income accounts</u>	<u>Total</u>
Staff salaries	\$ 7,190,337	21,004	—	—	7,211,341
Fringe benefits	1,389,326	1,634	—	—	1,390,960
Payroll taxes	488,964	1,700	—	—	490,664
General and administrative	307,501	195,611	57,619	5,295	566,026
Professional services	371,728	51,670	13,959	1,876	439,233
Office lease and building	299,610	9,920	42,379	—	351,909
Donor relations	261,372	314,599	750	—	576,721
Computer equipment and software	256,335	—	—	—	256,335
Travel	218,021	18,481	607	426	237,535
Insurance	62,762	78,167	(565)	—	140,364
Dues and subscriptions	128,257	204	—	—	128,461
Printing, fund-raising, and promotional material	90,652	5,761	—	—	96,413
Postage and mailing	63,080	11,869	10	—	74,959
Audit fees	65,813	4,280	—	—	70,093
Furniture, office equipment, and property	10,165	1,050	18,599	20,151	49,965
Professional development	48,342	—	—	—	48,342
Meeting expense	32,721	—	—	—	32,721
Depreciation	24,703	—	—	3,107	27,810
Property taxes	—	1,173	13,463	8,788	23,424
	<u>\$ 11,309,689</u>	<u>717,123</u>	<u>146,821</u>	<u>39,643</u>	<u>12,213,276</u>



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

Notes to Financial Statements

June 30, 2015 and 2014

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>

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 2015 and 2014 was \$313,295 and \$299,610, respectively. The expected lease payment for fiscal years 2015 and 2016 is \$313,470 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, 2015 and 2014.

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

Notes to Financial Statements

June 30, 2015 and 2014

**(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, 2015 and 2014 were \$520,000 and \$512,773, respectively.

## **SUPPLEMENTAL INFORMATION**

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

(A Component Unit of the University of New Mexico)

Financial Analysis by Account Group (Unaudited)

June 30, 2015

### **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 decreased from \$2.5 million at June 30, 2014 to \$2.2 million at June 30, 2015. The decrease was primarily the result of lower investment revenue for the year ended June 30, 2015. Net investment loss in the operating account group totaled negative \$131 thousand for the fiscal year ended June 30, 2015 compared to \$929 thousand for the year ended June 30, 2014. The net investment loss was due to increasing bond interest rates during fiscal year ended June 30, 2015, which caused lower market values for bond investments.

### **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 decreased from \$18.6 million for the year ended June 30, 2014 to \$16.7 million for the year ended June 30, 2015, a decrease of \$1.9 thousand. The decrease was primarily due to a decrease in nonendowed gifts in the general account group for the year ended June 30, 2015.

### **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 \$194.8 million at June 30, 2014 to \$195.3 million at June 30, 2015, an increase of \$0.5 million, or 0.2%. The majority of this increase is due to donations to permanent endowments.

### **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)  
Statement of Net Position Information by Account Group  
June 30, 2015

<b>Assets</b>	<b>Operating account group</b>	<b>General account group</b>	<b>Endowment and quasi- endowment account group</b>	<b>Life income account group</b>	<b>Combined total</b>
Current assets:					
Cash and cash equivalents – unrestricted	\$ 2,357,462	—	—	—	2,357,462
Cash and cash equivalents – restricted	—	39,571,774	1,224,079	(552,291)	40,243,562
Pledges receivable	—	1,186,756	—	—	1,186,756
Other current assets	213,856	4,940	475	—	219,271
Total current assets	<u>2,571,318</u>	<u>40,763,470</u>	<u>1,224,554</u>	<u>(552,291)</u>	<u>44,007,051</u>
Noncurrent assets:					
Investments held in Consolidated Investment Fund	—	—	186,829,173	2,129,500	188,958,673
Investments held by the University of the New Mexico Foundation, Inc.	1,007,725	5,557,433	7,079,201	472,138	14,116,497
Pledges receivable	—	1,352,042	—	—	1,352,042
Artwork	—	2,709,902	8,000	—	2,717,902
Real estate	—	5,444	599,310	1,080,318	1,685,072
Capital assets, net	87,930	—	—	—	87,930
Total noncurrent assets	<u>1,095,655</u>	<u>9,624,821</u>	<u>194,515,684</u>	<u>3,681,956</u>	<u>208,918,116</u>
Total assets	<u>\$ 3,666,973</u>	<u>50,388,291</u>	<u>195,740,238</u>	<u>3,129,665</u>	<u>252,925,167</u>
<b>Liabilities and Net Position</b>					
Current liabilities:					
Accounts payable	\$ 106,531	7,327	—	10,638	124,496
Accrued payroll	1,254,677	4,237	—	—	1,258,914
Annuities payable	—	—	—	340,768	340,768
Advances from the University of New Mexico	92,550	—	—	—	92,550
Due to (from) the Consolidated Investment Fund	(6,644)	—	467,632	—	460,988
Due to the University of New Mexico	—	46,309,339	—	—	46,309,339
Total current liabilities	<u>1,447,114</u>	<u>46,320,903</u>	<u>467,632</u>	<u>351,406</u>	<u>48,587,055</u>
Noncurrent liabilities:					
Annuities payable	—	—	—	2,308,853	2,308,853
Due to the University of New Mexico	—	4,067,388	—	—	4,067,388
Total noncurrent liabilities	<u>—</u>	<u>4,067,388</u>	<u>—</u>	<u>2,308,853</u>	<u>6,376,241</u>
Total liabilities	<u>1,447,114</u>	<u>50,388,291</u>	<u>467,632</u>	<u>2,660,259</u>	<u>54,963,296</u>
Net position:					
Unrestricted	1,131,929	—	—	—	1,131,929
Designated reserve for annuities payable	1,000,000	—	—	—	1,000,000
Invested in capital assets	87,930	—	—	—	87,930
Restricted	—	—	195,272,606	469,406	195,742,012
Total net position	<u>2,219,859</u>	<u>—</u>	<u>195,272,606</u>	<u>469,406</u>	<u>197,961,871</u>
Total liabilities and net position	<u>\$ 3,666,973</u>	<u>50,388,291</u>	<u>195,740,238</u>	<u>3,129,665</u>	<u>252,925,167</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, 2015

	<b>Operating account group</b>	<b>General account group</b>	<b>Endowment and quasi- endowment account group</b>	<b>Life income account group</b>	<b>Combined total</b>
Operating revenues:					
Donations and pledges, net	\$ 219,070	16,734,760	1,229,376	—	18,183,206
Direct support from the University of New Mexico	5,641,345	—	—	—	5,641,345
Development funding allocation – Consolidated Investment Fund	2,515,480	—	—	—	2,515,480
Nongift revenue	15,534	684,552	32,934	70,818	803,838
Total operating revenues	<u>8,391,429</u>	<u>17,419,312</u>	<u>1,262,310</u>	<u>70,818</u>	<u>27,143,869</u>
Operating expenses:					
Distributions to the University of New Mexico	—	16,721,819	9,453,789	48,996	26,224,604
General and administrative expenses	11,309,689	717,123	146,821	39,643	12,213,276
Total operating expenses	<u>11,309,689</u>	<u>17,438,942</u>	<u>9,600,610</u>	<u>88,639</u>	<u>38,437,880</u>
Operating (loss) income	(2,918,260)	(19,630)	(8,338,300)	(17,821)	(11,294,011)
Investment (loss) income	(131,016)	98,490	(689,101)	(73,291)	(794,918)
(Loss) income before changes in term and permanent endowments	<u>(3,049,276)</u>	<u>78,860</u>	<u>(9,027,401)</u>	<u>(91,112)</u>	<u>(12,088,929)</u>
Changes in term and permanent endowments:					
Donations	—	—	10,323,705	—	10,323,705
Institutional transfers to CIF	—	—	1,492,654	—	1,492,654
Nongift revenue	—	—	26,981	—	26,981
Adjustment of actuarial liability for annuities payable	—	—	—	198,555	198,555
Expenditure for payments to annuitants and beneficiaries	—	—	—	(338,306)	(338,306)
Total changes in term and permanent endowments	<u>—</u>	<u>—</u>	<u>11,843,340</u>	<u>(139,751)</u>	<u>11,703,589</u>
Transfers:					
Transfers to (from):					
Development funding allocation – Consolidated Investment Fund	2,668,570	—	(2,634,751)	(33,819)	—
Other transfers	91,139	(78,860)	259,351	(271,630)	—
Total transfers	<u>2,759,709</u>	<u>(78,860)</u>	<u>(2,375,400)</u>	<u>(305,449)</u>	<u>—</u>
(Decrease) increase in net position	(289,567)	—	440,539	(536,312)	(385,340)
Net position, beginning of year	2,509,426	—	194,832,067	1,005,718	198,347,211
Net position, end of year	<u>\$ 2,219,859</u>	<u>—</u>	<u>195,272,606</u>	<u>469,406</u>	<u>197,961,871</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, 2015

**(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.



**KPMG LLP**  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

**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 Trustees  
University of New Mexico Foundation, Inc.  
and  
Mr. Tim Keller  
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 the University of New Mexico Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2015.

**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  
November 18, 2015

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

Schedule of Findings and Responses

June 30, 2015

**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, 2015

An exit conference was conducted on September 14, 2015, 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  
Michelle Coons, Board Member  
Nancy Ridenour, Board Member  
Gary Gordon, Board Member

Foundation Management:

Rodney Harder, Chief Financial Officer  
Kenny Stansbury, Controller

**For KPMG LLP**

Suzette Longfellow, Managing Director  
Nicholas Williams, Manager