



REPORT OF INDEPENDENT AUDITORS AND FINANCIAL
STATEMENTS

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

June 30, 2019 and 2018

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University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Official Roster
June 30, 2019

Officers

Laurie Moye	Chair
Henry Nemcik	UNM Foundation President and CEO
Randy Velarde	Vice Chair/Chair Elect
Kurt Roth	National Vice Chair
Kenny Stansbury	Treasurer
William P. Lang	Assistant Treasurer
Kimberly Peña	Secretary

Members

Garnett Stokes	Anthony Pachelli
Carolyn Abeita	Sherry Parsons
John Brown	Kimberly Peña
Michelle Coons	Don Power
Gary Dushane	Dorothy Rainosek
Felicia Finston	Nancy Ridenour
Greg Foltz	Tommy Roberts
Geraldine Forbes-Isais	Kurt Roth
Cheryl Fossum-Graham	David Salazar
William P. Lang	Robert Schwartz
Lameck Lukanga	Randy Velarde
Laurie Moye	Linda Warning
John Myers	Judy Zanotti
Ryan Mummert	

Report of Independent Auditors

The Board of Trustees
University of New Mexico Foundation, Inc.
and Mr. Brian S. Colón, Esq., 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, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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, 2019 and 2018, and the changes its financial position, and cash flows thereof 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 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 supplementary information as of and for the year ended June 30, 2019 on pages 13 through 32 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 supplementary information as of and for the year ended June 30, 2019 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 referred to above 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 13, 2019 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.

Mess Adams LLP

Albuquerque, New Mexico
September 13, 2019

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018

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, which provides a broad narrative overview of its financial statements for the fiscal years ended June 30, 2019 and 2018 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

	June 30,	
	2019	2018
Current assets	\$ 8,290,136	\$ 10,288,721
Noncurrent assets	263,266,759	254,500,379
Total assets	<u>271,556,895</u>	<u>264,789,100</u>
Current liabilities	8,154,098	8,059,619
Noncurrent liabilities	6,113,392	5,823,929
Total liabilities	<u>14,267,490</u>	<u>13,883,548</u>
Deferred inflows of resources		
Deferred inflows of beneficial interest in irrevocable split interest agreements	21,311,638	21,346,184
Net position		
Unrestricted	3,675,290	3,405,109
Investment in capital assets	-	19,262
Restricted	<u>232,302,477</u>	<u>226,134,997</u>
Total net position	<u>\$ 235,977,767</u>	<u>\$ 229,559,368</u>

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018

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

	June 30	
	2019	2018
Operating revenues		
Donations and pledges, net	\$ 18,949,105	\$ 21,448,899
UNM contract service revenue	5,300,026	4,865,083
Development funding allocation - Consolidated Investment Fund	3,017,323	3,022,594
Nongift revenue	246,711	546,548
Total operating revenues	27,513,165	29,883,124
Operating expenses		
Distributions to UNM	27,572,038	30,428,049
General and administrative	13,440,331	12,612,109
Total operating expenses	41,012,369	43,040,158
Operating loss	(13,499,204)	(13,157,034)
Investment income, net	10,311,480	16,924,804
Income before changes in term and permanent endowments	(3,187,724)	3,767,770
Changes in term and permanent endowments	9,606,123	16,814,820
Increase in net position	6,418,399	20,582,590
Net position, beginning of year	229,559,368	211,134,997
Impact of change in adoption of new accounting pronouncement (see Note 2)	-	(2,158,219)
Net position, end of year	\$ 235,977,767	\$ 229,559,368

Financial Analysis

- At June 30, 2019, the Foundation's total assets were \$271.6 million, which represents an increase of 3% over June 30, 2018 total assets of \$264.8 million.
- The increase in total assets during the year ended June 30, 2019, was primarily due to endowment gifts and investment gains in the Consolidated Investment Fund (CIF).
- The Foundation's endowment funds are invested alongside 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. Approximately 85% of the Foundation's assets were held as endowments in the CIF as of June 30, 2019 and 2018.

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018

- The fair value and ownership units of the CIF as of June 30, 2019 and 2018 are as follows:

	<u>Consolidated Investment Fund</u>	
	<u>2019</u>	<u>2018</u>
Fair value (in millions)		
Foundation	\$ 229.9	\$ 223.9
University of New Mexico	<u>230.0</u>	<u>231.0</u>
Total fair value of CIF	<u>\$ 459.9</u>	<u>\$ 454.9</u>
Units		
Foundation	561,038	569,248
University of New Mexico	<u>561,401</u>	<u>587,175</u>
Total units of CIF	<u>1,122,439</u>	<u>1,156,423</u>

- Additions to endowment principal for the CIF during the years ended June 30, 2019 and 2018 were \$11.4 million, \$18.9 million, respectively.
- CIF investment performance, net of fees, for the fiscal years ended June 30, 2019 and 2018 is shown below:

	<u>Consolidated Investment Fund</u>	
	<u>2019</u>	<u>2018</u>
Investment performance		
1 year	4.2%	8.2%
3 year	8.0%	6.0%
5 year	4.6%	7.0%
10 year	8.0%	5.0%

- CIF investment performance by asset class for the fiscal years ended June 30, 2019 and 2018 is shown in the table below:

	<u>Consolidated Investment Fund</u>	
	<u>2019</u>	<u>2018</u>
Investment performance		
Domestic Equity	9.0%	14.8%
International Equity	1.2%	7.3%
Fixed Income	6.2%	0.6%
Private Equity	10.2%	15.9%
Real Assets	-7.3%	5.4%
Marketable Alternatives	0.9%	5.6%
CIF Investment Performance	4.2%	8.2%

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018

- Investment income, net of fees, was \$10.3 million and \$16.9 million for the years ended June 30, 2019 and 2018, respectively.
- The approved spending distributions from the CIF to UNM were \$16.0 million and \$15.5 million during the fiscal years ended June 30, 2019 and 2018, respectively. Spending distributions from Foundation owned endowment are reported as part of Distributions to UNM and were \$7.7 million and \$7.6 million, respectively.
- Total operating revenue was \$27.5 million for the fiscal year ended June 30, 2019, a decrease of \$2.4 million, or 8%, from the previous year total of \$29.9 million, primarily due to an decrease in endowed cash gifts.
- Distributions to UNM are endowed spending distributions and nonendowed gifts which are transferred to UNM as received. These distributions were \$27.6 and \$30.4 for the years ended June 30, 2019 and 2018, respectively. The decrease is primarily due to a decrease in non-endowed cash gifts.
- The primary funding sources for the Foundation's operating costs for the year ended June 30, 2019 were UNM contract service revenue (41%), short-term investment income (5%), unrestricted gifts and other revenue (2%), and a development funding allocation (DFA) (52%) based on the market value of the CIF. The DFA rate was 1.85% for the fiscal years 2019 and 2018.

Factors Impacting Future Periods

- UNM has committed to a \$5.3 million contract service fee for the Foundation's services in fiscal year 2020. The fee charged to the CIF (DFA) will remain at 1.85% for fiscal year 2020.
- The approved CIF endowment spending distribution for fiscal year 2020 is \$16.5 million.

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, Kenny Stansbury, at Two Woodward Center, 700 Lomas Boulevard NE, Suite 203, Albuquerque, New Mexico 87131 or (505) 313-7600.

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Statements of Net Position
Years ended June 30, 2019 and 2018

ASSETS		
	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 6,879,068	\$ 9,247,436
Pledges receivable, net of allowance and discounts	1,015,354	744,924
Other current assets	<u>395,714</u>	<u>296,361</u>
Total current assets	<u>8,290,136</u>	<u>10,288,721</u>
Noncurrent assets:		
Investments held in the Consolidated Investment Fund	229,871,871	223,906,565
Investments held by the Foundation	6,658,436	3,734,711
Pledges receivable, net of allowance and discounts	1,380,821	1,225,392
Artwork	2,645,150	2,657,554
Real estate	1,033,408	1,160,628
Capital assets, net	-	19,262
Beneficial interest in irrevocable split interest agreements	20,998,761	21,070,244
Other noncurrent assets	<u>678,312</u>	<u>726,023</u>
Total noncurrent assets	<u>263,266,759</u>	<u>254,500,379</u>
Total assets	<u>\$ 271,556,895</u>	<u>\$ 264,789,100</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 157,664	\$ 227,400
Accrued liabilities	1,947,203	1,728,155
Current portion of annuities payable	335,441	304,582
Advances from UNM	22,487	159,319
Due to the Consolidated Investment Fund	1,224,830	850,242
Due to UNM	<u>4,466,473</u>	<u>4,789,921</u>
Total current liabilities	<u>8,154,098</u>	<u>8,059,619</u>
Noncurrent liabilities:		
Annuities payable	2,060,731	1,955,131
Due to UNM	<u>4,052,661</u>	<u>3,868,798</u>
Total noncurrent liabilities	<u>6,113,392</u>	<u>5,823,929</u>
Total liabilities	<u>14,267,490</u>	<u>13,883,548</u>
Deferred inflows of resources:		
Deferred inflows of beneficial interest in irrevocable split interest agreements	<u>21,311,638</u>	<u>21,346,184</u>
Net position:		
Unrestricted	2,275,290	2,405,109
Unrestricted, designated	1,400,000	1,000,000
Investment in capital assets	-	19,262
Restricted, expendable	20,508,104	21,145,692
Restricted, nonexpendable	<u>211,794,373</u>	<u>204,989,305</u>
Total net position	<u>235,977,767</u>	<u>229,559,368</u>
Total liabilities, deferred inflows and net position	<u>\$ 271,556,895</u>	<u>\$ 264,789,100</u>

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, 2019 and 2018

	2019	2018
Operating revenues:		
Donations and pledges, net of allowance and discounts	\$ 18,949,105	\$ 21,448,899
UNM contract service revenue	5,300,026	4,865,083
Development funding allocation – Consolidated Investment Fund	3,017,323	3,022,594
Nongift revenue	246,711	546,548
Total operating revenues	27,513,165	29,883,124
Operating expenses:		
Distributions to UNM	27,572,038	30,428,049
General and administrative expenses	13,435,670	12,612,109
Total operating expenses	41,007,708	43,040,158
Operating loss	(13,494,543)	(13,157,034)
Nonoperating revenue:		
Investment income, net	10,306,819	16,924,804
Income before changes in term and permanent endowments	(3,187,724)	3,767,770
Changes in term and permanent endowments:		
Donations	9,100,408	15,136,941
Institutional transfers to Consolidated Investment Fund	630,162	1,710,318
Nongift revenue	39,614	43,390
Adjustment of actuarial liability for annuities payable	129,771	188,416
Expenditure for payments to annuitants and beneficiaries	(293,832)	(264,245)
Total changes in term and permanent endowments	9,606,123	16,814,820
Increase in net position	6,418,399	20,582,590
Net position, beginning of year	229,559,368	211,134,997
Impact of change in adoption of new accounting pronouncement see Note 2	-	(2,158,219)
Net position, end of year	\$ 235,977,767	\$ 229,559,368

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 17,724,613	\$ 21,096,549
Cash received from UNM	5,111,552	5,318,382
Cash received from the Consolidated Investment Fund	3,017,323	3,022,594
Cash paid to employees	(9,123,095)	(9,295,104)
Cash paid to vendors	(4,144,001)	(3,247,027)
Cash distributed to UNM	<u>(27,701,623)</u>	<u>(29,751,240)</u>
Net cash flows from operating activities	<u>(15,115,231)</u>	<u>(12,855,846)</u>
Cash flows from noncapital financing activities:		
Donations and pledges	8,251,623	11,681,880
Institutional transfers to Consolidated Investment Fund	630,162	1,710,318
Payments to annuitants and beneficiaries	<u>(16,916)</u>	<u>14,073</u>
Net cash flows from noncapital financing activities	<u>8,864,869</u>	<u>13,406,271</u>
Cash flows from investing activities:		
Proceeds from sale of investments	14,397,515	16,485,449
Purchases of investments	(11,301,267)	(14,144,614)
Interest and dividends received	790,395	582,027
Administration of split interest agreements	<u>(4,649)</u>	<u>-</u>
Net cash flows from investing activities	<u>3,881,994</u>	<u>2,922,862</u>
Net (decrease) increase in cash and cash equivalents	(2,368,368)	3,473,287
Cash and cash equivalents, beginning of year	<u>9,247,436</u>	<u>5,774,149</u>
Cash and cash equivalents, end of year	<u>\$ 6,879,068</u>	<u>\$ 9,247,436</u>

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (13,494,543)	\$ (13,157,034)
Adjustments to reconcile operating loss to net cash flows from (to) operating activities:		
Depreciation expense	19,262	23,924
Donations of investments	(948,544)	(903,051)
Donations of artwork, net of reserve	(30,800)	(215,287)
Donation of real estate	(66,000)	(150,000)
Transfer of donated artwork and real estate to UNM	10,000	190,000
Changes in assets and liabilities:		
Pledges receivable	(425,859)	369,440
Other current assets	(99,353)	328,204
Other noncurrent assets	47,711	91,621
Accounts payable	(69,736)	(985)
Accrued liabilities	219,048	47,039
Advances from UNM	(136,832)	33,474
Due to UNM	(139,585)	486,809
Total adjustments	(1,620,688)	301,188
Net cash from operating activities	\$ (15,115,231)	\$ (12,855,846)
Supplemental disclosures of noncash investing, noncapital, and financing activities:		
Change in fair value of investments	\$ 4,087,084	\$ 11,714,263
Donations of investments to permanent endowments	443,400	3,498,451

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 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 the 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, dated September 25, 2012, UNM will continue to provide the Foundation sufficient 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 for both nonendowed gift accounts and endowed spending accounts to ensure that any and all donor-imposed restrictions are honored.

Note 2 – Summary of Significant Accounting Policies

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 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.

In fiscal year 2018, The Foundation adopted GASB no. 81, *Irrevocable Split-Interest Agreements*, which enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements. GASB 81 requires recognition of assets, liabilities and deferred inflows related to irrevocable split interest agreements at the inception of the agreement, if certain criteria are met.

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

In 2018, the Foundation applied GASB 81 as an adjustment to beginning net position and did not retroactively apply GASB 81 to other periods presented because sufficient information is not readily available to accurately adjust the prior period to conform to GASB 81.

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

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.

Investments, Real Estate, Artwork, and Beneficial Interest

Investments, real estate, artwork, and beneficial interest are reported at fair value. Money market investments are carried at amortized 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. Where fair value is not readily determinable, the Foundations uses net asset value per share, units owned and other valuation factors to approximate fair value.

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.

It is the Foundation's policy to liquidate most donated investments as soon as possible following receipt.

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Other Assets

Other assets include notes receivable, accounts receivable and prepaid assets.

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.

Due to UNM and Distributions to UNM

The current amount due to UNM represents nonendowed, restricted assets held by the Foundation. The amount and timing of the transfers are defined in the Callable Funds Agreement, dated January 23, 2017.

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.

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.

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 used for the purpose identified by the donor. Investment income on endowment investments are classified as restricted, expendable net position unless otherwise specified by the donor.

University of New Mexico Foundation, Inc.
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Note 2 – Summary of Significant Accounting Policies (continued)

- 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.

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, UNM contract service revenues, 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 gains.

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.

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 8, are reported as changes to term and permanent endowments.

Pledges – The Foundation recognizes nonendowed pledges as increases in assets and revenue upon receipt of a signed pledge commitment, so long as collectability is probable, and when all applicable eligibility requirements are met. An allowance for doubtful pledges is recorded when the pledge is recorded. The allowance is based on past pledge loss experience and other factors that management considers necessary in estimating pledge losses.

Nongift – Includes the dollar value of any benefit provided to a donor making a charitable contribution.

Wills and Bequests – Contributions resulting from wills and bequests are recognized as revenue in the reporting period during which the respective estates are probated and all applicable eligibility requirements are met. These contributions are reported as donations and pledges, net in the accompanying statements of revenues, expenses, and changes in net position.

UNM contract service revenue – The University pays the Foundation for the services provided including investment management services and fundraising activities. The Foundation also facilitates funding of scholarships, faculty, and program support through distributions to UNM.

University of New Mexico Foundation, Inc.
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Note 2 – Summary of Significant Accounting Policies (continued)

Development funding allocation (DFA) – Consolidated Investment Fund – A percentage of the market value of the CIF is allocated, annually, to the Foundation, as part of the Foundation's overall fee for its services to the University. The allocation is used by the Foundation to cover the employment of its staff and other operating costs. The DFA rate was 1.85% for the fiscal years 2019 and 2018. 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, net – Investment 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), and calculated independently of the unrealized loss.

Institutional Transfers to CIF

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

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, 2018, the most recent filing date, the Foundation had a net operating loss carryforward of approximately \$2.9 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 \$600,000 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, 2019 is not material.

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.

Reclassifications

Certain reclassifications have been made to the fiscal year 2018 financial statements in order for them to conform to the current year financial statement presentation.

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Years Ended June 30, 2019 and 2018

Note 3 – Cash and Cash Equivalents

Cash balances, including deposits in transit, had a carrying value of \$6,879,068 and \$9,247,436 at June 30, 2019 and 2018, respectively.

The Foundation's bank accounts (Operating and Development) had deposits totaling \$5,228,730 and \$7,738,206 at June 30, 2019 and 2018, respectively. These amounts are invested in overnight sweep accounts that are collateralized at 102% and 101% of the overnight balance at June 30, 2019 and 2018, respectively. These funds were collateralized by government-backed securities held in the Foundation's name. The Foundation also held deposits at a credit union totaling \$171,857 and \$185,769 at June 30, 2019 and 2018, respectively. Below is a summary of the Federal Deposit Insurance Corporation (FDIC) insured, National Credit Union Administration (NCUA) insured, and collateralized accounts.

			June 30,	
			2019	2018
Operating account balance			\$ 1,235,646	\$ 1,643,510
Gift account balance			3,993,084	6,094,696
Credit union balance			171,857	185,769
			\$ 5,400,587	\$ 7,923,975
FDIC insurance			\$ 250,000	\$ 250,000
NCUA insurance			171,857	185,769
			June 30,	
			2019	2018
Collateralization:				
	CUSIP	Maturity Date	Type of Security	
	3138NXES2	7/1/2043	FN-30	\$ 1,132,860
	3128MJTQ3	11/1/2043	FHG-3	3,934,532
	31417CLN3	7/1/2042	FN-30	-
	3128MJYT1	8/1/2046	FHG-3	1,548,676
				6,018,594
				\$ 5,067,392
				\$ 7,567,270

There were no uninsured and under collateralized balances at June 30, 2019 and 2018.

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Notes to Financial Statements
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Note 3 – Cash and Cash Equivalents (continued)

A detail of the cash accounts at June 30, 2019 is included below:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balances</u>	<u>Reconciling Items</u>	<u>Reconciled Balances</u>
Wells Fargo	Operating	Cash	\$ 1,235,646	\$ (70,773)	\$ 1,164,873
Wells Fargo	Development	Cash	3,993,084	933,816	4,926,900
NUSENDA	General Fund	Cash	171,857	-	171,857
Fidelity	Restricted Fund	Money Market	171,202	-	171,202
Hilltop Securities	Charitable Trust Fund	Money Market	19,554	-	19,554
Morgan Stanley	Restricted Fund	Money Market	43,905	-	43,905
UBS Financial Services	Endowed Chair	Money Market	324,410	-	324,410
UBS Financial Services	Endowed Professorship	Money Market	55,739	-	55,739
Vanguard Investments	Operating	Money Market	628	-	628
			<u>\$ 6,016,025</u>	<u>\$ 863,043</u>	<u>\$ 6,879,068</u>

A detail of the cash accounts at June 30, 2018 is included below:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balances</u>	<u>Reconciling Items</u>	<u>Reconciled Balances</u>
Wells Fargo	Operating	Cash	\$ 1,643,510	\$ (73,780)	\$ 1,569,730
Wells Fargo	Development	Cash	6,094,696	738,756	6,833,452
NUSENDA	General Fund	Cash	185,769	-	185,769
Fidelity	Restricted Fund	Money Market	141,754	-	141,754
Hilltop Securities	Charitable Trust Fund	Money Market	24,204	-	24,204
UBS Financial Services	Endowed Chair	Money Market	447,879	-	447,879
UBS Financial Services	Endowed Professorship	Money Market	44,648	-	44,648
			<u>\$ 8,582,460</u>	<u>\$ 664,976</u>	<u>\$ 9,247,436</u>

Note 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 consolidated 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 consolidated 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.

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Note 4 – Investments (continued)

At June 30, 2019 and 2018, the Foundation held approximately 97% and 98%, 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 21.5% domestic equity, 21.5% international equity, 13% fixed income, 1% cash, 8% real assets, 15% private investments, and 20% marketable alternative investments.

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

	Consolidated Investment Fund			
	2019	Percentage	2018	Percentage
Fair Value (in millions):				
Foundation	\$ 229.9	50%	\$ 223.9	49%
University of New Mexico	230.0	50%	231.0	51%
Total fair value	<u>\$ 459.9</u>		<u>\$ 454.9</u>	
Units:				
Foundation	561,038	50%	569,248	49%
University of New Mexico	561,401	50%	587,175	51%
Total units	<u>1,122,439</u>		<u>1,156,423</u>	

University of New Mexico Foundation, Inc.
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Notes to Financial Statements
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Note 4 – Investments (continued)

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

Depository/Account Name	<u>Account Type</u>	<u>2019</u>	<u>2018</u>
Morgan Stanley Smith Barney:			
Security Donations	Domestic corporate stock	\$ 405,053	\$ 72
UBS Financial Services:			
Endowed Chair	Municipal bonds	2,870,719	2,678,503
Endowed Chair	Other funds	26,275	26,988
Endowed professorship	Municipal bonds	378,790	382,789
Hilltop Financial Services:			
Charitable Trust Fund	Mutual funds, fixed	301,002	146,060
Charitable Trust Fund	Mutual fund, equity	-	92,434
Charitable Trust Fund	Domestic corporate stock	162,042	214,524
Charitable Trust Fund	Real Estate	20,875	-
Fidelity:			
Operating Fund	Mutual funds, equity	226,248	193,341
Vanguard Investments:			
Operating Fund	U.S. Treasury Notes	2,258,695	-
Operating Fund	Other	8,737	-
		<u>\$ 6,658,436</u>	<u>\$ 3,734,711</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.

The investments that were subject to custodial credit risk were 2.6% and 1.4% of total investments at June 30, 2019 and 2018, respectively.

University of New Mexico Foundation, Inc.
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Note 4 – Investments (continued)

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 are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Custodial credit risk:		
Municipal bonds	\$ 3,249,509	\$ 3,061,292
US Treasury Notes	2,258,695	-
Domestic corporate stock	<u>567,095</u>	<u>214,596</u>
Total securities held by custodians	6,075,299	3,275,888
Investments not subject to custodial credit risk:		
Mutual funds, fixed	301,002	146,060
Mutual funds, equity	226,248	285,775
Real estate	20,875	-
Other	<u>35,012</u>	<u>26,988</u>
Total investments held by the Foundation	6,658,436	3,734,711
Investments held in CIF - not subject to custodial credit risk	<u>229,871,871</u>	<u>223,906,565</u>
Total investments	<u>\$ 236,530,307</u>	<u>\$ 227,641,276</u>

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.

The Foundation does not have a policy to limit its exposure to concentrated credit risk; however, as of June 30, 2019 and 2018, 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.

University of New Mexico Foundation, Inc.
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Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 4 – Investments (continued)

A summary of the investments and the respective maturities at June 30, 2019 and 2018 and the exposure to interest rate risk are as follows:

	2019 Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 years
At interest rate risk:					
Municipal bonds	\$ 3,249,509	\$ 25,625	\$ 553,470	\$ 1,270,432	\$ 1,399,982
US Treasury Notes	2,258,695	1,511,065	747,630	-	-
	5,508,204	<u>\$ 1,536,690</u>	<u>\$ 1,301,100</u>	<u>\$ 1,270,432</u>	<u>\$ 1,399,982</u>
Not subject to interest rate risk:					
Domestic corporate stock	567,095				
Mutual funds, fixed	301,002				
Mutual funds, equity	226,248				
Real Estate	20,875				
Other	35,012				
Investments held in CIF	229,871,871				
Total investments	<u>\$ 236,530,307</u>				
	2018 Investment Maturities				
	Fair Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 years
At interest rate risk:					
Municipal bonds	\$ 3,061,292	\$ 207,520	\$ 815,743	\$ 1,167,721	\$ 870,308
	3,061,292	<u>\$ 207,520</u>	<u>\$ 815,743</u>	<u>\$ 1,167,721</u>	<u>\$ 870,308</u>
Not subject to interest rate risk:					
Domestic corporate stock	214,596				
Mutual funds, fixed	146,060				
Mutual funds, equity	285,775				
Other	26,988				
Investments held in CIF	223,906,565				
Total investments	<u>\$ 227,641,276</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.

University of New Mexico Foundation, Inc.
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Notes to Financial Statements
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Note 4 – Investments (continued)

A summary of the Foundation's investments that are subject to credit risk are as follows:

	June 30, 2019		June 30, 2018	
	Fair Value	Percentage of Bond Portfolio	Fair Value	Percentage of Bond Portfolio
US treasury notes				
Aaa	\$ 2,258,695	41.0%	\$ -	0.0%
Municipal bonds				
Aaa	544,125	9.9%	579,575	19.0%
Aa1	431,588	7.8%	346,351	11.3%
Aa2	630,790	11.5%	833,033	27.2%
Aa3	613,641	11.1%	250,219	8.2%
A1	35,322	0.6%	25,415	0.8%
A2	-	0.0%	30,128	1.0%
Baa2	10,561	0.2%	10,642	0.3%
Not rated	983,482	17.9%	985,929	32.2%
Total	5,508,204	<u>100%</u>	3,061,292	<u>100%</u>
Not subject to credit risk:				
Domestic corporate stock	567,095		214,596	
Mutual funds, fixed	301,002		146,060	
Mutual funds, equity	226,248		285,775	
Real Estate	20,875		-	
Other	35,012		26,988	
Investments held in CIF	229,871,871		223,906,565	
Total investments	<u>\$ 236,530,307</u>		<u>\$ 227,641,276</u>	

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

All Investments – Investment Income (Loss)

The Foundation recognized investment income (losses) as outlined below, for the years ended June 30, 2019 and 2018.

	CIF	Foundation	Real Estate	Short-Term Investments	Total
2019:					
Realized gains	\$ 4,437,462	\$ 50,806	\$ 228,490	\$ -	\$ 4,716,758
Unrealized gains (losses)	4,085,155	100,844	(65,711)	-	4,120,288
Other investment income	778,297	81,337	-	610,139	1,469,773
	<u>\$ 9,300,914</u>	<u>\$ 232,987</u>	<u>\$ 162,779</u>	<u>\$ 610,139</u>	<u>\$ 10,306,819</u>
2018:					
Realized gains	\$ 3,976,421	\$ 32,318	\$ 13,567	\$ -	\$ 4,022,306
Unrealized gains (losses)	12,084,970	(48,953)	(306,467)	-	11,729,550
Other investment income	605,222	76,220	-	491,506	1,172,948
	<u>\$ 16,666,613</u>	<u>\$ 59,585</u>	<u>\$ (292,900)</u>	<u>\$ 491,506</u>	<u>\$ 16,924,804</u>

University of New Mexico Foundation, Inc.
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Note 5 – Fair Value Measurement

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

Level 2 – inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.

Level 3 – inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Foundation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Foundation has the following recurring fair value measurements as of June 30, 2019:

	Fair Value Measurement Using			
	Fair Value	Quoted Priced in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in split interest agreements	\$ 20,998,761	\$ -	\$ 20,998,761	\$ -
Investments held by the Foundation:				
Domestic corporate stock	\$ 567,095	\$ 567,095	\$ -	\$ -
Mutual funds, fixed	301,002	-	301,002	-
Mutual funds, equity	2,484,943	2,484,943	-	-
Municipal bonds	3,249,509	-	3,249,509	-
Real estate mutual funds	20,875	-	20,875	-
Other funds	35,012	-	35,012	-
Total investments held by the Foundation	<u>\$ 6,658,436</u>	<u>\$ 3,052,038</u>	<u>\$ 3,606,398</u>	<u>\$ -</u>

University of New Mexico Foundation, Inc.
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Note 5 – Fair Value Measurement (continued)

	Fair Value Measurement Using			
	Fair Value	Quoted Priced in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held in the CIF by fair value measure:				
Exchange-traded funds	\$ 2,135,689	\$ 2,135,689	\$ -	\$ -
Mutual funds, fixed	<u>22,815,360</u>	<u>22,815,360</u>	<u>-</u>	<u>-</u>
Total investments held by the CIF by fair value level	<u>\$ 24,951,049</u>	<u>\$ 24,951,049</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV as of June 30, 2019:				
	Fair Value	Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Marketable alternatives				
Multistrategy hedge funds	\$ 13,802,558	\$ -	Quarterly-annually	45-60 days
Event driven hedge funds	5,599,923	-	Quarterly	65 days
Equity hedge funds	5,012,828	-	Monthly	30 days
Distressed/restructuring hedge funds	10,472,556	-	Monthly-biennially	30-90 days
Global macro hedge funds	7,092,667	-	Monthly-annually	3-60 days
Systematic diversified risk hedge funds	2,496,030	-	Monthly	2 days
Private investment funds	29,736,267	24,397,204		
Illiquid real assets funds	4,292,196	5,559,454		
Real estate funds	5,570,537	2,350,330		
Mutual funds, fixed	11,219,431	-	Daily-Monthly	1 to 30 days
Mutual funds, equity	<u>106,681,713</u>	<u>-</u>	Daily	1 to 2 days
Total investments in the CIF measured at the NAV	201,976,706	32,306,988		
Money market funds held in the CIF, measured at amortized cost	<u>2,944,116</u>			
Total investments held in the CIF	<u>\$ 229,871,871</u>			

University of New Mexico Foundation, Inc.
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Note 5 – Fair Value Measurement (continued)

The Foundation has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurement Using			
	Fair Value	Quoted Priced in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in split interest agreements	\$ 21,070,244	\$ -	\$ 21,070,244	\$ -
Investments held by the Foundation:				
Domestic corporate stock	\$ 214,596	\$ 214,596	\$ -	\$ -
Mutual funds, fixed	146,060	-	146,060	-
Mutual funds, equity	285,775	285,775	-	-
Municipal bonds	3,061,292	-	3,061,292	-
Real estate mutual funds	-	-	-	-
Other funds	26,988	-	26,988	-
Total investments held by the Foundation	\$ 3,734,711	\$ 500,371	\$ 3,234,340	\$ -
Investments held in the CIF by fair value measure:				
Exchange-traded funds	\$ 2,525,330	\$ 2,525,330	\$ -	\$ -
Mutual funds, fixed	21,419,809	21,419,809	-	-
Total investments held by the CIF by fair value level	\$ 23,945,139	\$ 23,945,139	\$ -	\$ -
Investments measured at NAV as of June 30, 2018:				
	Fair Value	Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Marketable alternatives				
Multistrategy hedge funds	\$ 11,028,473	\$ -	Quarterly-annually	45-60 days
Event driven hedge funds	5,276,104	-	Quarterly	65 days
Equity hedge funds	8,349,237	-	Monthly	30 days
Distressed/restructuring hedge funds	10,501,694	-	Monthly-biennially	30-90 days
Global macro hedge funds	6,220,557	-	Monthly-annually	3-60 days
Systematic diversified risk hedge funds	2,503,000	-	Monthly	2 days
Private investment funds	23,053,887	23,219,367		
Illiquid real assets funds	4,990,769	3,078,905		
Real estate funds	5,412,830	280,212		
Mutual funds, fixed	13,227,418	-	Daily-Monthly	1 to 30 days
Mutual funds, equity	104,680,912	-	Daily	1 to 2 days
Total investments in the CIF measured at the NAV	195,244,881	26,578,484		
Money market funds held in the CIF, measured at amortized cost	4,716,545			
Total investments held in the CIF	\$ 223,906,565			

University of New Mexico Foundation, Inc.
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Note 6 – Pledges Receivable

Pledges receivable consisted of the following at:

	June 30,	
	2019	2018
Amounts receivable in less than one year	\$ 1,015,354	\$ 744,924
Amounts receivable in more than one year	1,756,747	1,598,405
Total pledges receivable	2,772,101	2,343,329
Discounts to net present value	(151,091)	(143,820)
Allowance for doubtful pledges	(224,835)	(229,193)
Pledges receivable, net	\$ 2,396,175	\$ 1,970,316

Noncurrent pledge receivables are discounted at the Internal Revenue Service discount rate 2.8% and 3.4% for the years ended June 30, 2019 and 2018, respectively. All pledges are for nonendowed gifts.

Note 7 – Artwork

Artwork activity consisted of the following at:

	June 30,	
	2019	2018
Artwork:		
Beginning balance	\$ 7,481,962	\$ 7,558,753
New donations received	77,000	192,850
Sales	(83,559)	(39,416)
Transfers to UNM, net	(10,000)	(230,225)
Balance at June 30	7,465,403	7,481,962
Reserve for selling costs	(4,820,253)	(4,824,408)
Artwork, at fair value as of June 30	\$ 2,645,150	\$ 2,657,554

The Foundation sells contributed artwork with the net proceeds benefiting UNM. 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.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 8 – Real Estate

The Foundation also has investments in real estate. The real estate activity consisted of the following at:

	June 30,	
	<u>2019</u>	<u>2018</u>
Real estate, values as of date of original receipt:		
Beginning balance	\$ 2,085,336	\$ 3,067,897
New donations received	511,000	150,000
Sales	<u>(716,000)</u>	<u>(1,132,561)</u>
Balance at June 30	1,880,336	2,085,336
Fair value adjustment, at June 30 net of reserve	<u>(846,928)</u>	<u>(924,708)</u>
Real estate, at fair value as of June 30	<u>\$ 1,033,408</u>	<u>\$ 1,160,628</u>

Note 9 – 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.

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.

Endowments comprised of the following at:

	June 30,	
	<u>2019</u>	<u>2018</u>
Permanent endowment	\$ 211,473,325	\$ 205,686,297
Term endowment	471,519	475,101
Quasi-endowment	<u>20,036,585</u>	<u>19,707,040</u>
	<u>\$ 231,981,429</u>	<u>\$ 225,868,438</u>

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 9 – Endowments (continued)

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the interest, dividends, and net appreciation (realized and unrealized) of the investments of endowment funds. Distributions are made from the CIF to UNM entities that benefit from the endowment funds.

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

Note 10 – Composition of Net Position

Net position consisted of the following at:

	June 30,	
	2019	2018
Permanent endowments, nonexpendable	\$ 211,473,325	\$ 205,686,297
Annuity gifts, nonexpendable	321,048	266,559
Total nonexpendable	211,794,373	205,952,856
Term endowments, expendable after specified time	471,519	475,101
Quasi-endowments, expendable for specified purpose	20,036,585	19,707,040
Total restricted	232,302,477	226,134,997
Designated reserve for annuities payable	1,000,000	1,000,000
Designated reserve for UNM Campaign	400,000	-
Other unrestricted	2,275,290	2,405,109
Total unrestricted	3,675,290	3,405,109
Investment in capital assets	-	19,262
Total net position	\$ 235,977,767	\$ 229,559,368

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 11 – Annuities Payable

The Foundation had the following annuities payable activity at:

	June 30,	
	2019	2018
Balance due at beginning of year	\$ 2,259,713	\$ 2,162,078
Net increase in annuities payable	266,229	286,051
Net change in actuarial liability	<u>(129,770)</u>	<u>(188,416)</u>
	2,396,172	2,259,713
Less amount due in one year	<u>(335,441)</u>	<u>(304,582)</u>
	<u>\$ 2,060,731</u>	<u>\$ 1,955,131</u>

Note 12 – General and Administrative Expenses

General and administrative expenses consisted of the following for the year ended June 30, 2019:

	Operating Accounts	General Accounts	Endowment Accounts	Life Income Accounts	Total
Staff salaries	\$ 7,658,628	\$ 5,325	\$ -	\$ -	\$ 7,663,953
Fringe benefits	1,509,821	1,490	-	-	1,511,311
Professional services	771,243	242,992	9,101	2,608	1,025,944
Donor relations	627,905	239,932	442	-	868,279
Payroll taxes	505,372	-	-	-	505,372
Travel	281,225	18,586	649	337	300,797
General and administrative	270,959	6,901	683	5,422	283,965
Computer equipment and software	279,996	-	-	-	279,996
Office lease, building	248,595	14,396	-	-	262,991
Insurance	82,998	61,814	4,019	3,015	151,846
Printing, fund-raising, and promotional material	131,812	-	31	-	131,843
Furniture, office equipment, and property	14,003	7,727	70,433	21,900	114,063
Dues and subscriptions	90,583	493	-	-	91,076
Audit fees	65,761	-	-	-	65,761
Postage and mailing	51,184	1,386	157	-	52,727
Professional development	44,908	33	-	-	44,941
Meeting expense	40,107	-	-	-	40,107
Depreciation	19,262	-	-	-	19,262
Property taxes	-	780	14,106	6,550	21,436
	<u>\$ 12,694,362</u>	<u>\$ 601,855</u>	<u>\$ 99,621</u>	<u>\$ 39,832</u>	<u>\$ 13,435,670</u>

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Note 12 – General and Administrative Expenses (continued)

General and administrative expenses consisted of the following for the year ended June 30, 2018:

	Operating Accounts	General Accounts	Endowment Accounts	Life Income Accounts	Total
Staff salaries	\$ 7,493,985	\$ -	\$ -	\$ -	\$ 7,493,985
Fringe benefits	1,363,850	-	-	-	1,363,850
Donor relations	473,148	290,337	511	-	763,996
Professional services	440,414	238,737	2,436	3,446	685,033
Payroll taxes	484,308	-	-	-	484,308
Furniture, office equipment, and property	30,843	199,000	36,918	8,613	275,374
Office lease, building	270,360	-	-	-	270,360
General and administrative	237,597	7,516	600	7,015	252,728
Travel	207,373	6,479	40	188	214,080
Computer equipment and software	210,489	-	-	-	210,489
Insurance	53,503	71,286	2,341	3,895	131,025
Dues and subscriptions	107,457	2,049	-	-	109,506
Printing, fund-raising, and promotional material	90,059	1,898	-	-	91,957
Meeting expense	69,710	-	-	-	69,710
Audit fees	67,346	-	-	-	67,346
Postage and mailing	40,920	155	-	-	41,075
Property taxes	-	14,297	10,496	8,036	32,829
Professional development	30,535	-	-	-	30,535
Depreciation	19,262	-	-	4,661	23,923
	<u>\$ 11,691,159</u>	<u>\$ 831,754</u>	<u>\$ 53,342</u>	<u>\$ 35,854</u>	<u>\$ 12,612,109</u>

The Foundation leases space in an office building from UNM. Lease expense in fiscal years 2019 and 2018 was \$248,595 and \$270,360, respectively.

Note 13 – 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, 2019 and 2018.

Note 14 – Pension Plan

The Foundation has a defined-contribution 403(b) retirement plan. The plan is available to employees who normally work more than 20 hours per week, beginning with the first day of service. The Foundation administers the plan and contributes the sum of (a) 5% of eligible gross salary for all employees and (b) up to an additional 4% match for employees who contribute to the plan. For the year ended June 30, 2019, the Foundation contributed an additional 1% non-elective discretionary contribution to eligible employees at June 30, 2019. The Foundation's contributions to the plan for the years ended June 30, 2019 and 2018 were \$637,091 and \$532,200, respectively. Employee contributions to the plan for the years ended June 30, 2019 and 2018 were \$500,245 and \$565,173, respectively.

Supplementary Information

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Statement of Net Position Information by Account Group
Year Ended June 30, 2019

Assets	Operating Account Group	General Account Group	Endowment and Quasi- Endowment Account Group	Life Income Account Group	Combined Total
Current assets:					
Cash and cash equivalents	\$ 2,298,460	\$ 2,869,393	\$ 2,398,577	\$ (687,362)	\$ 6,879,068
Pledges receivable, net	-	1,015,354	-	-	1,015,354
Other current assets	395,714	-	-	-	395,714
Total current assets	<u>2,694,174</u>	<u>3,884,747</u>	<u>2,398,577</u>	<u>(687,362)</u>	<u>8,290,136</u>
Noncurrent assets:					
Investments held in the Consolidated Investment Fund	-	-	227,292,628	2,579,243	229,871,871
Investments held by the Foundation	2,493,679	405,054	3,275,784	483,919	6,658,436
Pledges receivable, net	-	1,380,821	-	-	1,380,821
Artwork	-	2,627,630	17,520	-	2,645,150
Real estate	-	-	397,533	635,875	1,033,408
Beneficial interest in irrevocable split interest agreements	-	-	-	20,998,761	20,998,761
Other noncurrent assets	606,557	51,052	20,703	-	678,312
Total noncurrent assets	<u>3,100,236</u>	<u>4,464,557</u>	<u>231,004,168</u>	<u>24,697,798</u>	<u>263,266,759</u>
Total assets	<u>\$ 5,794,410</u>	<u>\$ 8,349,304</u>	<u>\$ 233,402,745</u>	<u>\$ 24,010,436</u>	<u>\$ 271,556,895</u>
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities:					
Accounts payable	\$ 149,430	\$ 2,122	\$ -	\$ 6,112	\$ 157,664
Accrued liabilities	1,947,203	-	-	-	1,947,203
Annuities payable	-	-	-	335,441	335,441
Advances from UNM	22,487	-	-	-	22,487
Due to (from) the Consolidated Investment Fund	-	-	1,249,364	(24,534)	1,224,830
Due to UNM	-	4,294,521	171,952	-	4,466,473
Total current liabilities	<u>2,119,120</u>	<u>4,296,643</u>	<u>1,421,316</u>	<u>317,019</u>	<u>8,154,098</u>
Noncurrent liabilities:					
Annuities payable	-	-	-	2,060,731	2,060,731
Due to UNM	-	4,052,661	-	-	4,052,661
Total noncurrent liabilities	<u>-</u>	<u>4,052,661</u>	<u>-</u>	<u>2,060,731</u>	<u>6,113,392</u>
Total liabilities	<u>2,119,120</u>	<u>8,349,304</u>	<u>1,421,316</u>	<u>2,377,750</u>	<u>14,267,490</u>
Deferred inflows of resources:					
Deferred inflows of irrevocable split interest agreements	-	-	-	21,311,638	21,311,638
Net position:					
Unrestricted	2,275,290	-	-	-	2,275,290
Designated reserve for annuities payable	1,000,000	-	-	-	1,000,000
Designated reserve for UNM Campaign	400,000	-	-	-	400,000
Restricted	-	-	231,981,429	321,048	232,302,477
Total net position	<u>3,675,290</u>	<u>-</u>	<u>231,981,429</u>	<u>321,048</u>	<u>235,977,767</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,794,410</u>	<u>\$ 8,349,304</u>	<u>\$ 233,402,745</u>	<u>\$ 24,010,436</u>	<u>\$ 271,556,895</u>

See accompanying notes to supplementary information.

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Statements of Revenues, Expenses and Changes in Net Position
Information by Account Group
Year Ended June 30, 2019

	Operating Account Group	General Account Group	Endowment and Quasi- Endowment Account Group	Life Income Account Group	Combined Total
Operating revenues:					
Donations and pledges, net	\$ 207,578	\$ 15,918,517	\$ 2,823,010	\$ -	\$ 18,949,105
UNM contract service revenue	5,300,026	-	-	-	5,300,026
Development funding allocation – CIF	3,017,323	-	-	-	3,017,323
Nongift revenue	28,620	140,671	280	77,140	246,711
Total operating revenues	8,553,547	16,059,188	2,823,290	77,140	27,513,165
Operating expenses:					
Distributions to UNM	-	15,594,072	11,877,276	100,690	27,572,038
General and administrative expenses	12,694,362	601,855	99,621	39,832	13,435,670
Total operating expenses	12,694,362	16,195,927	11,976,897	140,522	41,007,708
Operating loss	(4,140,815)	(136,739)	(9,153,607)	(63,382)	(13,494,543)
Investment income	610,139	52,209	9,536,275	108,196	10,306,819
Income (loss) before changes in term and permanent endowments	(3,530,676)	(84,530)	382,668	44,814	(3,187,724)
Changes in term and permanent endowments:					
Donations	-	-	8,839,323	261,085	9,100,408
Institutional transfers to Consolidated Investment Fund	-	-	630,162	-	630,162
Nongift revenue	-	-	39,614	-	39,614
Adjustment of actuarial liability for annuities payable	-	-	-	129,771	129,771
Expenditure for payments to annuitants and beneficiaries	-	-	-	(293,832)	(293,832)
Total changes in term and permanent endowments	-	-	9,509,099	97,024	9,606,123
Transfers:					
Development funding allocation – CIF	3,763,555	-	(3,721,115)	(42,440)	-
Other transfers	18,040	84,530	(57,661)	(44,909)	-
Total transfers	3,781,595	84,530	(3,778,776)	(87,349)	-
Increase in net position	250,919	-	6,112,991	54,489	6,418,399
Net position, beginning of year	3,424,371	-	225,868,438	266,559	229,559,368
Net position, end of year	\$ 3,675,290	\$ -	\$ 231,981,429	\$ 321,048	\$ 235,977,767

See accompanying notes to supplementary information.

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Notes to Supplementary Information
June 30, 2019

Note 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.

Note 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.

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
University of New Mexico Foundation, Inc.
and Mr. Brian S. Colón, Esq., 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 statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2019.

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 audits 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 audits 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 audits 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.

Mess Adams LLP

Albuquerque, New Mexico
September 13, 2019

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L(1) f)
June 30, 2019

Financial Statements

Type of report the auditor issued on whether the financial

statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Compliance and other matters noted?

Yes No

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
June 30, 2019

Current Year Findings

No matters were reported

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
June 30, 2019

None

University of New Mexico Foundation, Inc.
(A Component Unit of the University of New Mexico)
Exit Conference
June 30, 2019

An exit conference was conducted on September 13, 2019, in which the contents of this report were discussed with the following:

For the Foundation

Audit Committee Members:

Cheryl Graham, Committee Chair
Carol Cochran
Tom Daulton
Gary Dushane
Todd Sandoval

Foundation Management:

Jeffrey Todd, Chief Executive Officer
Kenny Stansbury, Chief Financial Officer

For Moss Adams LLP

Lisa Todd, Partner
Corrine Zajac-Clarkson, Senior Manager
Samantha Hairston, Business Assurance Senior