



REPORT OF INDEPENDENT AUDITORS AND FINANCIAL  
STATEMENTS

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

June 30, 2020 and 2019

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**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Official Roster**  
**June 30, 2020**

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**Officers**

|                 |                                  |
|-----------------|----------------------------------|
| Randy Velarde   | Chair                            |
| Jeffrey Todd    | UNM Foundation President and CEO |
| Ryan Mummert    | Vice Chair/Chair Elect           |
| Lameck Lukanga  | National Vice Chair              |
| Kenny Stansbury | Treasurer                        |
| Greg Foltz      | Assistant Treasurer              |
| Felicia Finston | Secretary                        |

**Trustees**

|                      |                 |
|----------------------|-----------------|
| Carolyn Abeita       | Sherry Parsons  |
| Paul Cassidy         | Mark Peceny     |
| Don Clampitt         | Nancy Ridenour  |
| Carol Mayo Cochran   | Tommy Roberts   |
| Tom Daulton          | Jerry Roehl     |
| Felicia Finston      | Alex Romero     |
| Greg Foltz           | Kurt Roth       |
| Cheryl Fossum-Graham | Todd Sandoval   |
| William P. Lang      | Robert Schwartz |
| Lameck Lukanga       | Garnett Stokes  |
| Martha McGrew        | Alexis Tappan   |
| Laurie Moye          | Randy Velarde   |
| Ryan Mummert         | Linda Warning   |
| Anthony Pachelli     | Judy Zanotti    |

## **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, 2020 and 2019, 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, 2020 and 2019, and the changes in 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, statements 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, 2020 on pages 34 through 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, statements 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, 2020 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 10, 2020 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 10, 2020

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**

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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, 2020 and 2019 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,              |                       |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                  | 2020                  | 2019                  |
| Current assets                                                                   | \$ 13,580,198         | \$ 8,290,136          |
| Noncurrent assets                                                                | 256,561,837           | 263,266,759           |
| Total assets                                                                     | <u>270,142,035</u>    | <u>271,556,895</u>    |
| Current liabilities                                                              | 12,143,782            | 8,154,098             |
| Noncurrent liabilities                                                           | 5,792,915             | 6,113,392             |
| Total liabilities                                                                | <u>17,936,697</u>     | <u>14,267,490</u>     |
| Deferred inflows of resources                                                    |                       |                       |
| Deferred inflows of beneficial interest in irrevocable split interest agreements | <u>20,101,312</u>     | <u>21,311,638</u>     |
| Net position                                                                     |                       |                       |
| Unrestricted                                                                     | 3,965,568             | 3,675,290             |
| Restricted                                                                       | <u>228,138,458</u>    | <u>232,302,477</u>    |
| Total net position                                                               | <u>\$ 232,104,026</u> | <u>\$ 235,977,767</u> |

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**

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

|                                                                  | June 30,              |                       |
|------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                  | 2020                  | 2019                  |
| Operating revenues                                               |                       |                       |
| Donations and pledges, net                                       | \$ 26,271,299         | \$ 18,949,105         |
| UNM contract service revenue                                     | 4,971,580             | 5,300,026             |
| Development funding allocation -<br>Consolidated Investment Fund | 2,999,566             | 3,017,323             |
| Nongift revenue                                                  | 174,309               | 246,711               |
|                                                                  | <u>34,416,754</u>     | <u>27,513,165</u>     |
| Operating expenses                                               |                       |                       |
| Distributions to UNM                                             | 33,536,172            | 27,572,038            |
| General and administrative                                       | 12,891,134            | 13,440,331            |
|                                                                  | <u>46,427,306</u>     | <u>41,012,369</u>     |
| Operating loss                                                   | (12,010,552)          | (13,499,204)          |
| Investment (loss) income, net                                    | <u>(1,541,275)</u>    | <u>10,311,480</u>     |
| Loss before changes in term and<br>permanent endowments          | (13,551,827)          | (3,187,724)           |
| Changes in term and permanent endowments                         | <u>9,678,086</u>      | <u>9,606,123</u>      |
| (Decrease) increase in net position                              | (3,873,741)           | 6,418,399             |
| Net position, beginning of year                                  | <u>235,977,767</u>    | <u>229,559,368</u>    |
| Net position, end of year                                        | <u>\$ 232,104,026</u> | <u>\$ 235,977,767</u> |

**Financial Analysis**

- At June 30, 2020, the Foundation's total assets were \$270.1 million, which represents a decrease of less than 1% compared to June 30, 2019 total assets of \$271.6 million.
- The decrease in total assets during the year ended June 30, 2020, was primarily due to the investment return on Consolidated Investment Fund (CIF) of negative 0.2%.
- 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 84% and 85% of the Foundation's assets were held as endowments in the CIF as of June 30, 2020 and 2019, respectively.

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**

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- The fair value and ownership units of the CIF as of June 30, 2020 and 2019 are as follows:

|                          | Consolidated Investment Fund |                   |
|--------------------------|------------------------------|-------------------|
|                          | 2020                         | 2019              |
| Fair value (in millions) |                              |                   |
| Foundation               | \$ 226.0                     | \$ 229.9          |
| University of New Mexico | 218.6                        | 230.0             |
|                          | <u>          </u>            | <u>          </u> |
| Total fair value of CIF  | <u>\$ 444.6</u>              | <u>\$ 459.9</u>   |
|                          |                              |                   |
| Units                    |                              |                   |
| Foundation               | 554,555                      | 561,038           |
| University of New Mexico | 536,184                      | 561,401           |
|                          | <u>          </u>            | <u>          </u> |
| Total units of CIF       | <u>1,090,739</u>             | <u>1,122,439</u>  |

- Additions to endowment principal for the CIF during the years ended June 30, 2020 and 2019 were \$11.6 million, \$11.4 million, respectively.
- CIF investment performance, net of fees, for the fiscal years ended June 30, 2020 and 2019 is shown below:

|                        | Consolidated Investment Fund |      |
|------------------------|------------------------------|------|
|                        | 2020                         | 2019 |
| Investment performance |                              |      |
| 1 year                 | -0.2%                        | 4.2% |
| 3 year                 | 4.0%                         | 8.0% |
| 5 year                 | 4.5%                         | 4.6% |
| 10 year                | 6.9%                         | 8.0% |

- CIF investment performance by asset class for the fiscal years ended June 30, 2020 and 2019 is shown in the table below:

|                            | Consolidated Investment Fund |       |
|----------------------------|------------------------------|-------|
|                            | 2020                         | 2019  |
| Investment performance     |                              |       |
| Domestic Equity            | 6.4%                         | 9.0%  |
| International Equity       | -5.0%                        | 1.2%  |
| Fixed Income               | 3.8%                         | 6.2%  |
| Private Equity             | -1.1%                        | 10.2% |
| Real Assets                | -21.2%                       | -7.3% |
| Marketable Alternatives    | 0.7%                         | 0.9%  |
| CIF Investment Performance | -0.2%                        | 4.2%  |

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020 and 2019**

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- Investment loss, net of fees, was \$1.5 million for the year ended June 30, 2020 compared to investment income, net of fees, of \$10.3 million for the year ended June 30, 2020.
- The approved spending distributions from the CIF to UNM were \$16.5 million and \$16.0 million during the fiscal years ended June 30, 2020 and 2019, respectively. Spending distributions from Foundation owned endowment are reported as part of Distributions to UNM and were \$8.3 million and \$7.7 million, respectively.
- Total operating revenue was \$34.4 million for the fiscal year ended June 30, 2020, an increase of \$6.9 million, or 25%, from the previous year total of \$27.5 million, primarily due to an increase in nonendowed cash gifts.
- Distributions to UNM are endowed spending distributions and nonendowed gifts which are transferred to UNM as received. These distributions were \$33.5 and \$27.6 for the years ended June 30, 2020 and 2019, respectively. The increase is primarily due to an increase in nonendowed cash gift.
- The primary funding sources for the Foundation's operating costs for the year ended June 30, 2020 were UNM contract service revenue (39%), short-term investment income (4%), unrestricted gifts and other revenue (4%), and a development funding allocation (DFA) (53%) based on the market value of the CIF. The DFA rate was 1.85% for the fiscal years 2020 and 2019.

**Factors Impacting Future Periods**

- UNM has committed to a \$5.3 million contract service fee for the Foundation's services in fiscal year 2021. The fee charged to the CIF (DFA) will remain at 1.85% for fiscal year 2021.
- The approved CIF endowment spending distribution for fiscal year 2021 is \$18.25 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 87102 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, 2020 and 2019**

| <b>ASSETS</b>                                                                    |                |                |
|----------------------------------------------------------------------------------|----------------|----------------|
|                                                                                  | 2020           | 2019           |
| Current assets:                                                                  |                |                |
| Cash and cash equivalents                                                        | \$ 12,164,356  | \$ 6,879,068   |
| Pledges receivable, net of allowance and discounts                               | 850,277        | 1,015,354      |
| Other current assets                                                             | 565,565        | 395,714        |
| Total current assets                                                             | 13,580,198     | 8,290,136      |
| Noncurrent assets:                                                               |                |                |
| Investments held in the Consolidated Investment Fund                             | 226,060,001    | 229,871,871    |
| Investments held by the Foundation                                               | 5,919,095      | 6,658,436      |
| Pledges receivable, net of allowance and discounts                               | 977,091        | 1,380,821      |
| Artwork                                                                          | 1,633,045      | 2,645,150      |
| Real estate                                                                      | 1,424,533      | 1,033,408      |
| Beneficial interest in irrevocable split interest agreements                     | 19,941,453     | 20,998,761     |
| Other noncurrent assets                                                          | 606,619        | 678,312        |
| Total noncurrent assets                                                          | 256,561,837    | 263,266,759    |
| Total assets                                                                     | \$ 270,142,035 | \$ 271,556,895 |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>              |                |                |
| Current liabilities:                                                             |                |                |
| Accounts payable                                                                 | \$ 94,756      | \$ 157,664     |
| Accrued liabilities                                                              | 1,915,968      | 1,947,203      |
| Notes payable                                                                    | 658,912        | -              |
| Annuities payable                                                                | 367,299        | 335,441        |
| Advances from UNM                                                                | 361,929        | 22,487         |
| Due to the Consolidated Investment Fund                                          | 463,190        | 1,224,830      |
| Due to UNM                                                                       | 8,281,728      | 4,466,473      |
| Total current liabilities                                                        | 12,143,782     | 8,154,098      |
| Noncurrent liabilities:                                                          |                |                |
| Notes payable                                                                    | 644,875        | -              |
| Annuities payable                                                                | 2,060,973      | 2,060,731      |
| Due to UNM                                                                       | 3,087,067      | 4,052,661      |
| Total noncurrent liabilities                                                     | 5,792,915      | 6,113,392      |
| Total liabilities                                                                | 17,936,697     | 14,267,490     |
| Deferred inflows of resources:                                                   |                |                |
| Deferred inflows of beneficial interest in irrevocable split interest agreements | 20,101,312     | 21,311,638     |
| Net position:                                                                    |                |                |
| Unrestricted                                                                     | 2,764,697      | 2,275,290      |
| Unrestricted, designated                                                         | 1,200,871      | 1,400,000      |
| Restricted, expendable                                                           | 20,080,545     | 20,508,104     |
| Restricted, nonexpendable                                                        | 208,057,913    | 211,794,373    |
| Total net position                                                               | 232,104,026    | 235,977,767    |
| Total liabilities, deferred inflows of resources, and net position               | \$ 270,142,035 | \$ 271,556,895 |

**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, 2020 and 2019**

|                                                               | 2020           | 2019           |
|---------------------------------------------------------------|----------------|----------------|
| Operating revenues:                                           |                |                |
| Donations and pledges, net of allowance and discounts         | \$ 26,271,299  | \$ 18,949,105  |
| UNM contract service revenue                                  | 4,971,580      | 5,300,026      |
| Development funding allocation – Consolidated Investment Fund | 2,999,566      | 3,017,323      |
| Nongift revenue                                               | 174,309        | 246,711        |
| Total operating revenues                                      | 34,416,754     | 27,513,165     |
| Operating expenses:                                           |                |                |
| Distributions to UNM                                          | 33,536,172     | 27,572,038     |
| General and administrative expenses                           | 12,891,134     | 13,435,670     |
| Total operating expenses                                      | 46,427,306     | 41,007,708     |
| Operating loss                                                | (12,010,552)   | (13,494,543)   |
| Nonoperating revenue:                                         |                |                |
| Investment (loss) income, net                                 | (1,541,275)    | 10,306,819     |
| Loss before changes in term and permanent endowments          | (13,551,827)   | (3,187,724)    |
| Changes in term and permanent endowments:                     |                |                |
| Donations                                                     | 9,517,349      | 9,100,408      |
| Institutional transfers to Consolidated Investment Fund       | 346,209        | 630,162        |
| Nongift revenue                                               | 134,876        | 39,614         |
| Adjustment of actuarial liability for annuities payable       | (40,048)       | 129,771        |
| Expenditure for payments to annuitants and beneficiaries      | (280,300)      | (293,832)      |
| Total changes in term and permanent endowments                | 9,678,086      | 9,606,123      |
| (Decrease) increase in net position                           | (3,873,741)    | 6,418,399      |
| Net position, beginning of year                               | 235,977,767    | 229,559,368    |
| Net position, end of year                                     | \$ 232,104,026 | \$ 235,977,767 |

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

|                                                         | <u>2020</u>          | <u>2019</u>         |
|---------------------------------------------------------|----------------------|---------------------|
| Cash flows from operating activities:                   |                      |                     |
| Cash received from donors and other sources             | \$ 26,086,552        | \$ 17,724,613       |
| Cash received from UNM                                  | 5,212,864            | 5,111,552           |
| Cash received from the Consolidated Investment Fund     | 2,999,566            | 3,017,323           |
| Cash paid to employees                                  | (9,694,671)          | (9,123,095)         |
| Cash paid to vendors                                    | (3,288,609)          | (4,144,001)         |
| Cash distributed to UNM                                 | <u>(30,686,511)</u>  | <u>(27,701,623)</u> |
| Net cash flows from operating activities                | <u>(9,370,809)</u>   | <u>(15,115,231)</u> |
| Cash flows from noncapital financing activities:        |                      |                     |
| Donations and pledges                                   | 8,459,252            | 8,251,623           |
| Institutional transfers to Consolidated Investment Fund | 346,209              | 630,162             |
| Proceeds from notes payable                             | 1,301,790            | -                   |
| Payments to annuitants and beneficiaries                | <u>(280,300)</u>     | <u>(16,916)</u>     |
| Net cash flows from noncapital financing activities     | <u>9,826,951</u>     | <u>8,864,869</u>    |
| Cash flows from investing activities:                   |                      |                     |
| Proceeds from sale of investments                       | 16,388,939           | 14,397,515          |
| Purchases of investments                                | (12,207,426)         | (11,301,267)        |
| Interest and dividends received                         | 648,611              | 790,395             |
| Administration of split interest agreements             | <u>(978)</u>         | <u>(4,649)</u>      |
| Net cash flows from investing activities                | <u>4,829,146</u>     | <u>3,881,994</u>    |
| Net increase (decrease) in cash and cash equivalents    | 5,285,288            | (2,368,368)         |
| Cash and cash equivalents, beginning of year            | <u>6,879,068</u>     | <u>9,247,436</u>    |
| Cash and cash equivalents, end of year                  | <u>\$ 12,164,356</u> | <u>\$ 6,879,068</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, 2020 and 2019**

|                                                                                              | 2020            | 2019            |
|----------------------------------------------------------------------------------------------|-----------------|-----------------|
| Reconciliation of operating loss to net cash from operating activities:                      |                 |                 |
| Operating loss                                                                               | \$ (12,010,552) | \$ (13,494,543) |
| Adjustments to reconcile operating loss to net cash flows<br>from (to) operating activities: |                 |                 |
| Accrued interest on loan                                                                     | 1,996           | -               |
| Depreciation expense                                                                         | -               | 19,262          |
| Donations of investments                                                                     | (458,310)       | (948,544)       |
| Donations of artwork, net of reserve                                                         | -               | (30,800)        |
| Donation of real estate, net of reserve                                                      | (469,552)       | (66,000)        |
| Transfer of donated artwork and real estate to UNM                                           | -               | 10,000          |
| Changes in assets and liabilities:                                                           |                 |                 |
| Pledges receivable                                                                           | 568,807         | (425,859)       |
| Other current assets                                                                         | (169,851)       | (99,353)        |
| Other noncurrent assets                                                                      | 71,693          | 47,711          |
| Accounts payable                                                                             | (62,908)        | (69,736)        |
| Accrued liabilities                                                                          | (31,235)        | 219,048         |
| Advances from UNM                                                                            | 339,442         | (136,832)       |
| Due to UNM                                                                                   | 2,849,661       | (139,585)       |
| Total adjustments                                                                            | 2,639,743       | (1,620,688)     |
| Net cash from operating activities                                                           | \$ (9,370,809)  | \$ (15,115,231) |
| Supplemental disclosures of noncash investing, noncapital,<br>and financing activities:      |                 |                 |
| Change in fair value of investments                                                          | \$ (10,785,071) | \$ 4,120,288    |
| Donations of investments to permanent endowments                                             | 1,192,973       | 443,400         |

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Notes to Financial Statements**  
**Years Ended June 30, 2020 and 2019**

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**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 will encourage individuals and organizations to support UNM programs and services. 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.

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

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.

**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 Foundation 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.**  
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**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.

**Notes Payable**

Notes payable represents a Paycheck Protection Program (PPP) forgivable loan, which was part of an economic relief package under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which is guaranteed through a nonexchange financial guarantee provided by the U.S. Small Business Administration (See Note 13). The Foundation has recorded a liability in accordance with Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, until the Foundation is legally released from the debt. During the period in which the Foundation is legally released from the debt, which is expected to be in the next fiscal year, an inflow of resources will be reported.

**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.

*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.

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

*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.

*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 or losses.

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.

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**Note 2 – Summary of Significant Accounting Policies (continued)**

*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.

*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 2020 and 2019. 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, 2020, 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 \$609,000 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, 2020 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.

**University of New Mexico Foundation, Inc.**  
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**Note 3 – Cash and Cash Equivalents**

Cash balances, including deposits in transit, had a carrying value of \$12,164,356 and \$6,879,068 at June 30, 2020 and 2019, respectively.

The Foundation's bank accounts (Operating and Development) had deposits totaling \$9,125,535 and \$5,228,730 at June 30, 2020 and 2019, respectively. These amounts are invested in overnight sweep accounts that are collateralized at 96% and 98% of the overnight balance at June 30, 2020 and 2019, 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 \$183,970 and \$171,857 at June 30, 2020 and 2019, respectively. Below is a summary of the Federal Deposit Insurance Corporation (FDIC) insured, National Credit Union Administration (NCUA) insured, and collateralized accounts.

|                    |           |               | June 30,         |              |
|--------------------|-----------|---------------|------------------|--------------|
|                    |           |               | 2020             | 2019         |
|                    |           |               | \$ 2,677,943     | \$ 1,235,646 |
|                    |           |               | 6,447,592        | 3,993,084    |
|                    |           |               | 1,301,785        | -            |
|                    |           |               | 183,970          | 171,857      |
|                    |           |               | \$ 10,611,290    | \$ 5,400,587 |
|                    |           |               | \$ 500,000       | \$ 250,000   |
|                    |           |               | 183,970          | 171,857      |
|                    |           |               | June 30,         |              |
|                    |           |               | 2020             | 2019         |
| Collateralization: |           |               |                  |              |
|                    | CUSIP     | Maturity Date | Type of Security |              |
|                    | 3131XRVG6 | 6/1/2045      | FHG-3            | \$ 2,424,102 |
|                    | 3128MJYG9 | 6/1/2046      | FHG-3            | 6,008,927    |
|                    | 3138NXES2 | 7/1/2043      | FN-30            | -            |
|                    | 3128MJTQ3 | 11/1/2043     | FHG-3            | 1,132,860    |
|                    |           |               | -                | 3,934,532    |
|                    |           |               | \$ 8,433,029     | \$ 5,067,392 |

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**Note 3 – Cash and Cash Equivalents (continued)**

A detail of the cash accounts at June 30, 2020 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                | \$ 2,677,943         | \$ (5,550)               | \$ 2,672,393               |
| Wells Fargo               | Development           | Cash                | 6,447,592            | 578,067                  | 7,025,659                  |
| Washington Federal        | Operating             | Cash                | 1,301,785            | -                        | 1,301,785                  |
| NUSENDA                   | General Fund          | Cash                | 183,970              | -                        | 183,970                    |
| Fidelity                  | Restricted Fund       | Money Market        | 276,664              | -                        | 276,664                    |
| Hilltop Securities        | Charitable Trust Fund | Money Market        | 18,576               | -                        | 18,576                     |
| Morgan Stanley            | Restricted Fund       | Money Market        | 24                   | -                        | 24                         |
| UBS Financial Services    | Endowed Chair         | Money Market        | 584,863              | -                        | 584,863                    |
| UBS Financial Services    | Endowed Professorship | Money Market        | 93,263               | -                        | 93,263                     |
| Vanguard Investments      | Operating             | Money Market        | 7,159                | -                        | 7,159                      |
|                           |                       |                     | <u>\$ 11,591,839</u> | <u>\$ 572,517</u>        | <u>\$ 12,164,356</u>       |

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>        |

**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.

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

At June 30, 2020 and 2019, the Foundation held approximately 97% 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 23.5% domestic equity, 19.5% 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 |            |                  |            |
|---------------------------|------------------------------|------------|------------------|------------|
|                           | 2020                         | Percentage | 2019             | Percentage |
| Fair Value (in millions): |                              |            |                  |            |
| Foundation                | \$ 226.0                     | 51%        | \$ 229.9         | 50%        |
| University of New Mexico  | 218.6                        | 49%        | 230.0            | 50%        |
| Total fair value          | <u>\$ 444.6</u>              |            | <u>\$ 459.9</u>  |            |
| Units:                    |                              |            |                  |            |
| Foundation                | 554,555                      | 51%        | 561,038          | 50%        |
| University of New Mexico  | 536,184                      | 49%        | 561,401          | 50%        |
| Total units               | <u>1,090,739</u>             |            | <u>1,122,439</u> |            |

**University of New Mexico Foundation, Inc.**  
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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      | Account Type             | 2020                | 2019                |
|------------------------------|--------------------------|---------------------|---------------------|
| Morgan Stanley Smith Barney: |                          |                     |                     |
| Security Donations           | Domestic corporate stock | \$ 72               | \$ 405,053          |
| UBS Financial Services:      |                          |                     |                     |
| Endowed Chair                | Municipal bonds          | 2,756,451           | 2,870,719           |
| Endowed Chair                | Other funds              | 23,272              | 26,275              |
| Endowed professorship        | Municipal bonds          | 356,008             | 378,790             |
| Hilltop Financial Services:  |                          |                     |                     |
| Charitable Trust Fund        | Mutual funds, fixed      | 198,700             | 301,002             |
| Charitable Trust Fund        | Domestic corporate stock | 125,231             | 162,042             |
| Charitable Trust Fund        | Real Estate              | -                   | 20,875              |
| Fidelity:                    |                          |                     |                     |
| Operating Fund               | Mutual funds, equity     | 140,037             | 226,248             |
| Vanguard Investments:        |                          |                     |                     |
| Operating Fund               | U.S. Treasury Notes      | 2,318,256           | 2,258,695           |
| Operating Fund               | Other                    | 1,068               | 8,737               |
|                              |                          | <u>\$ 5,919,095</u> | <u>\$ 6,658,436</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 2.0% and 2.6% of total investments at June 30, 2020 and 2019, respectively.

**University of New Mexico Foundation, Inc.**  
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**Notes to Financial Statements**  
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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:

|                                                                | 2020           | 2019           |
|----------------------------------------------------------------|----------------|----------------|
| Custodial credit risk:                                         |                |                |
| Municipal bonds                                                | \$ 3,112,459   | \$ 3,249,509   |
| US Treasury Notes                                              | 2,318,256      | 2,258,695      |
| Domestic corporate stock                                       | 125,303        | 567,095        |
| Total securities held by custodians                            | 5,556,018      | 6,075,299      |
| Investments not subject to custodial credit risk:              |                |                |
| Mutual funds, fixed                                            | 198,700        | 301,002        |
| Mutual funds, equity                                           | 140,037        | 226,248        |
| Real estate                                                    | -              | 20,875         |
| Other                                                          | 24,340         | 35,012         |
| Total investments held by the Foundation                       | 5,919,095      | 6,658,436      |
| Investments held in CIF - not subject to custodial credit risk | 226,060,001    | 229,871,871    |
| Total investments                                              | \$ 231,979,096 | \$ 236,530,307 |

*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, 2020 and 2019, 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, 2020 and 2019**

**Note 4 – Investments (continued)**

A summary of the investments and the respective maturities at June 30, 2020 and 2019 and the exposure to interest rate risk are as follows:

|                                    | 2020 Investment Maturities |                    |              |              |                    |
|------------------------------------|----------------------------|--------------------|--------------|--------------|--------------------|
|                                    | Fair Value                 | Less Than One Year | 1-5 Years    | 6-10 Years   | More Than 10 years |
| At interest rate risk:             |                            |                    |              |              |                    |
| Municipal bonds                    | \$ 3,112,459               | \$ 66,809          | \$ 875,989   | \$ 1,103,975 | \$ 1,065,686       |
| US Treasury Notes                  | 2,318,256                  | 1,516,742          | 801,514      | -            | -                  |
|                                    | 5,430,715                  | \$ 1,583,551       | \$ 1,677,503 | \$ 1,103,975 | \$ 1,065,686       |
| Not subject to interest rate risk: |                            |                    |              |              |                    |
| Domestic corporate stock           | 125,303                    |                    |              |              |                    |
| Mutual funds, fixed                | 198,700                    |                    |              |              |                    |
| Mutual funds, equity               | 140,037                    |                    |              |              |                    |
| Other                              | 24,340                     |                    |              |              |                    |
| Investments held in CIF            | 226,060,001                |                    |              |              |                    |
| Total investments                  | \$ 231,979,096             |                    |              |              |                    |
|                                    |                            |                    |              |              |                    |
|                                    | 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                  | \$ 1,536,690       | \$ 1,301,100 | \$ 1,270,432 | \$ 1,399,982       |
| 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                  | \$ 236,530,307             |                    |              |              |                    |

**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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**Note 4 – Investments (continued)**

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

|                             | June 30, 2020         |                                    | June 30, 2019         |                                    |
|-----------------------------|-----------------------|------------------------------------|-----------------------|------------------------------------|
|                             | Fair Value            | Percentage<br>of Bond<br>Portfolio | Fair Value            | Percentage<br>of Bond<br>Portfolio |
| US treasury notes           |                       |                                    |                       |                                    |
| Aaa                         | \$ 2,318,256          | 42.7%                              | \$ 2,258,695          | 41.0%                              |
| Municipal bonds             |                       |                                    |                       |                                    |
| Aaa                         | 676,607               | 12.5%                              | 544,125               | 9.9%                               |
| Aa1                         | 304,976               | 5.6%                               | 431,588               | 7.8%                               |
| Aa2                         | 608,215               | 11.2%                              | 630,790               | 11.5%                              |
| Aa3                         | 529,418               | 9.7%                               | 613,641               | 11.1%                              |
| A1                          | 25,051                | 0.5%                               | 35,322                | 0.6%                               |
| Baa2                        | 10,464                | 0.2%                               | 10,561                | 0.2%                               |
| Not rated                   | 957,728               | 17.6%                              | 983,482               | 17.9%                              |
| Total                       | 5,430,715             | <u>100%</u>                        | 5,508,204             | <u>100%</u>                        |
| Not subject to credit risk: |                       |                                    |                       |                                    |
| Domestic corporate stock    | 125,303               |                                    | 567,095               |                                    |
| Mutual funds, fixed         | 198,700               |                                    | 301,002               |                                    |
| Mutual funds, equity        | 140,037               |                                    | 226,248               |                                    |
| Real Estate                 | -                     |                                    | 20,875                |                                    |
| Other                       | 24,340                |                                    | 35,012                |                                    |
| Investments held in CIF     | 226,060,001           |                                    | 229,871,871           |                                    |
| Total investments           | <u>\$ 231,979,096</u> |                                    | <u>\$ 236,530,307</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, 2020 and 2019.

|                           | CIF                   | Foundation          | Real Estate        | Short-Term<br>Investments | Total                 |
|---------------------------|-----------------------|---------------------|--------------------|---------------------------|-----------------------|
| 2020                      |                       |                     |                    |                           |                       |
| Realized gains (losses)   | \$ 7,741,088          | \$ (3,504)          | \$ -               | \$ 3,852                  | \$ 7,741,436          |
| Unrealized gains (losses) | (9,791,196)           | (908,185)           | (10,875)           | (74,815)                  | (10,785,071)          |
| Other investment income   | 786,138               | 87,772              | -                  | 628,450                   | 1,502,360             |
|                           | <u>\$ (1,263,970)</u> | <u>\$ (823,917)</u> | <u>\$ (10,875)</u> | <u>\$ 557,487</u>         | <u>\$ (1,541,275)</u> |
| 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>  |

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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, 2020:

|                                                  | Fair Value    | Fair Value Measurement Using                                                  |                                                           |                                                    |
|--------------------------------------------------|---------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                  |               | Quoted Priced<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Beneficial interest in split interest agreements | \$ 19,941,453 | \$ -                                                                          | \$ 19,941,453                                             | \$ -                                               |
| Investments held by the Foundation:              |               |                                                                               |                                                           |                                                    |
| Domestic corporate stock                         | \$ 125,303    | \$ 125,303                                                                    | \$ -                                                      | \$ -                                               |
| Mutual funds, fixed                              | 198,700       | -                                                                             | 198,700                                                   | -                                                  |
| Mutual funds, equity                             | 2,458,293     | 2,458,293                                                                     | -                                                         | -                                                  |
| Municipal bonds                                  | 3,112,459     | -                                                                             | 3,112,459                                                 | -                                                  |
| Other funds                                      | 24,340        | -                                                                             | 24,340                                                    | -                                                  |
| Total investments held by<br>the Foundation      | \$ 5,919,095  | \$ 2,583,596                                                                  | \$ 3,335,499                                              | \$ -                                               |

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**Note 5 – Fair Value Measurement (continued)**

The Foundation has the following recurring fair value measurements as of June 30, 2020 (continued):

|                                                                   | Fair Value Measurement Using |                                                                               |                                                           |                                                    |
|-------------------------------------------------------------------|------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                                   | Fair Value                   | Quoted Priced<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Investments held in the CIF by fair value measure:                |                              |                                                                               |                                                           |                                                    |
| Exchange-traded funds                                             | \$ 1,534,101                 | \$ 1,534,101                                                                  | \$ -                                                      | \$ -                                               |
| Mutual funds, fixed                                               | 20,038,639                   | 20,038,639                                                                    | -                                                         | -                                                  |
| Total investments held by the CIF<br>by fair value level          | <u>\$ 21,572,740</u>         | <u>\$ 21,572,740</u>                                                          | <u>\$ -</u>                                               | <u>\$ -</u>                                        |
| Investments measured at NAV as of June 30, 2020:                  |                              |                                                                               |                                                           |                                                    |
|                                                                   | Fair Value                   | Unfunded<br>Commitments                                                       | Redemption<br>Frequency (if<br>Currently<br>Eligible)     | Redemption<br>Notice<br>Period                     |
| Marketable alternatives                                           |                              |                                                                               |                                                           |                                                    |
| Multistrategy hedge funds                                         | \$ 14,957,631                | \$ -                                                                          | Quarterly-annually                                        | 45-60 days                                         |
| Event driven hedge funds                                          | 5,622,331                    | -                                                                             | Quarterly                                                 | 65 days                                            |
| Equity hedge funds                                                | 5,092,371                    | -                                                                             | Monthly                                                   | 30 days                                            |
| Distressed/restructuring hedge funds                              | 10,111,144                   | -                                                                             | Annually-biennially                                       | 45-90 days                                         |
| Global macro hedge funds                                          | 4,301,916                    | -                                                                             | Monthly-Quarterly                                         | 3-90 days                                          |
| Systematic diversified risk hedge funds                           | 2,172,567                    | -                                                                             | Monthly                                                   | 2 days                                             |
| Private investment funds                                          | 33,184,416                   | 27,667,008                                                                    |                                                           |                                                    |
| Illiquid real assets funds                                        | 2,833,479                    | 4,978,746                                                                     |                                                           |                                                    |
| Real estate funds                                                 | 5,478,721                    | 2,114,083                                                                     |                                                           |                                                    |
| Mutual funds, fixed                                               | 7,774,803                    | -                                                                             | Daily                                                     | 1 day                                              |
| Mutual funds, equity                                              | 105,612,503                  | -                                                                             | Daily                                                     | 1 to 2 days                                        |
| Total investments in the<br>CIF measured at the NAV               | 197,141,882                  | 34,759,837                                                                    |                                                           |                                                    |
| Money market funds held in the<br>CIF, measured at amortized cost | <u>7,345,379</u>             |                                                                               |                                                           |                                                    |
| Total investments held<br>in the CIF                              | <u>\$ 226,060,001</u>        |                                                                               |                                                           |                                                    |

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**Note 5 – Fair Value Measurement (continued)**

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

|                                                                   | Fair Value Measurement Using |                                                                               |                                                           |                                                    |
|-------------------------------------------------------------------|------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                                   | Fair Value                   | Quoted Priced<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(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<br>the Foundation                       | \$ 6,658,436                 | \$ 3,052,038                                                                  | \$ 3,606,398                                              | \$ -                                               |
| Investments held in the CIF by fair value measure:                |                              |                                                                               |                                                           |                                                    |
| Exchange-traded funds                                             | \$ 2,135,689                 | \$ 2,135,689                                                                  | \$ -                                                      | \$ -                                               |
| Mutual funds, fixed                                               | 22,815,360                   | 22,815,360                                                                    | -                                                         | -                                                  |
| Total investments held by the CIF<br>by fair value level          | \$ 24,951,049                | \$ 24,951,049                                                                 | \$ -                                                      | \$ -                                               |
| Investments measured at NAV as of June 30, 2019:                  |                              |                                                                               |                                                           |                                                    |
|                                                                   | Fair Value                   | Unfunded<br>Commitments                                                       | Redemption<br>Frequency (if<br>Currently<br>Eligible)     | Redemption<br>Notice<br>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                                              | 106,681,713                  | -                                                                             | Daily                                                     | 1 to 2 days                                        |
| Total investments in the<br>CIF measured at the NAV               | 201,976,706                  | 32,306,988                                                                    |                                                           |                                                    |
| Money market funds held in the<br>CIF, measured at amortized cost | 2,944,116                    |                                                                               |                                                           |                                                    |
| Total investments held<br>in the CIF                              | \$ 229,871,871               |                                                                               |                                                           |                                                    |

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**Note 6 – Pledges Receivable**

Pledges receivable consisted of the following at:

|                                          | June 30,     |              |
|------------------------------------------|--------------|--------------|
|                                          | 2020         | 2019         |
| Amounts receivable in less than one year | \$ 850,277   | \$ 1,015,354 |
| Amounts receivable in more than one year | 1,182,489    | 1,756,747    |
| Total pledges receivable                 | 2,032,766    | 2,772,101    |
| Discounts to net present value           | (24,499)     | (151,091)    |
| Allowance for doubtful pledges           | (180,899)    | (224,835)    |
| Pledges receivable, net                  | \$ 1,827,368 | \$ 2,396,175 |

Noncurrent pledge receivables are discounted at the Internal Revenue Service discount rate 0.6% and 2.8% for the years ended June 30, 2020 and 2019, respectively. All pledges are for nonendowed gifts.

**Note 7 – Artwork**

Artwork activity consisted of the following at:

|                                      | June 30,     |              |
|--------------------------------------|--------------|--------------|
|                                      | 2020         | 2019         |
| Artwork:                             |              |              |
| Beginning balance                    | \$ 7,465,403 | \$ 7,481,962 |
| New donations received               | -            | 77,000       |
| Sales                                | (89,453)     | (83,559)     |
| Transfers to UNM, net                | -            | (10,000)     |
| Balance at June 30                   | 7,375,950    | 7,465,403    |
| Reserve for selling costs            | (5,742,905)  | (4,820,253)  |
| Artwork, at fair value as of June 30 | \$ 1,633,045 | \$ 2,645,150 |

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.

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**Note 8 – Real Estate**

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

|                                                     | June 30,                   |                            |
|-----------------------------------------------------|----------------------------|----------------------------|
|                                                     | 2020                       | 2019                       |
| Real estate, values as of date of original receipt: |                            |                            |
| Land                                                | \$ 120,000                 | \$ 120,000                 |
| Buildings                                           | <u>2,223,334</u>           | <u>1,760,336</u>           |
| Balance at June 30                                  | 2,343,334                  | 1,880,336                  |
| Fair value adjustment, at June 30                   | <u>(918,801)</u>           | <u>(846,928)</u>           |
| Real estate, at fair value as of June 30            | <u><u>\$ 1,424,533</u></u> | <u><u>\$ 1,033,408</u></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,                     |                              |
|---------------------|------------------------------|------------------------------|
|                     | 2020                         | 2019                         |
| Permanent endowment | \$ 208,057,913               | \$ 211,473,325               |
| Term endowment      | 446,469                      | 471,519                      |
| Quasi-endowment     | <u>19,634,076</u>            | <u>20,036,585</u>            |
|                     | <u><u>\$ 228,138,458</u></u> | <u><u>\$ 231,981,429</u></u> |

**University of New Mexico Foundation, Inc.**  
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**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,              |                       |
|----------------------------------------------------|-----------------------|-----------------------|
|                                                    | 2020                  | 2019                  |
| Permanent endowments, nonexpendable                | \$ 208,057,913        | \$ 211,473,325        |
| Annuity gifts, nonexpendable                       | -                     | 321,048               |
| Total nonexpendable                                | 208,057,913           | 211,794,373           |
| Term endowments, expendable after specified time   | 446,469               | 471,519               |
| Quasi-endowments, expendable for specified purpose | 19,634,076            | 20,036,585            |
| Total restricted                                   | 228,138,458           | 232,302,477           |
| Designated reserve for annuities payable           | 800,871               | 1,000,000             |
| Designated reserve for UNM Campaign                | 400,000               | 400,000               |
| Other unrestricted                                 | 2,764,697             | 2,275,290             |
| Total unrestricted                                 | 3,965,568             | 3,675,290             |
| Total net position                                 | <u>\$ 232,104,026</u> | <u>\$ 235,977,767</u> |

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**Note 11 – Annuities Payable**

The Foundation had the following annuities payable activity at:

|                                   | June 30,            |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | 2020                | 2019                |
| Balance due at beginning of year  | \$ 2,396,172        | \$ 2,259,713        |
| Net increase in annuities payable | -                   | 266,229             |
| Net change in actuarial liability | <u>32,100</u>       | <u>(129,770)</u>    |
|                                   | 2,428,272           | 2,396,172           |
| Less amount due in one year       | <u>(367,299)</u>    | <u>(335,441)</u>    |
|                                   | <u>\$ 2,060,973</u> | <u>\$ 2,060,731</u> |

**Note 12 – General and Administrative Expenses**

General and administrative expenses consisted of the following for the year ended June 30, 2020:

|                                                     | Operating<br>Accounts | General<br>Accounts | Endowment<br>Accounts | Life Income<br>Accounts | Total                |
|-----------------------------------------------------|-----------------------|---------------------|-----------------------|-------------------------|----------------------|
| Staff salaries                                      | \$ 7,716,534          | \$ 5,325            | \$ -                  | \$ -                    | \$ 7,721,859         |
| Fringe benefits                                     | 1,454,334             | 1,475               | -                     | -                       | 1,455,809            |
| Donor relations                                     | 672,379               | 220,492             | 959                   | -                       | 893,830              |
| Professional services                               | 719,300               | 67,483              | 239                   | -                       | 787,022              |
| Payroll taxes                                       | 485,768               | -                   | -                     | -                       | 485,768              |
| Office lease, building                              | 248,595               | 10,671              | 1,537                 | 19                      | 260,822              |
| Travel                                              | 218,640               | 23,172              | -                     | 70                      | 241,882              |
| Computer equipment<br>and software                  | 229,993               | -                   | -                     | -                       | 229,993              |
| General and administrative                          | 200,117               | 7,763               | 350                   | 5,416                   | 213,646              |
| Insurance                                           | 73,331                | 69,866              | 2,365                 | 3,031                   | 148,593              |
| Printing, fund-raising, and<br>promotional material | 143,017               | 211                 | -                     | -                       | 143,228              |
| Dues and subscriptions                              | 96,304                | 501                 | -                     | -                       | 96,805               |
| Audit fees                                          | 60,130                | -                   | -                     | -                       | 60,130               |
| Postage and mailing                                 | 36,485                | 8,135               | 25                    | -                       | 44,645               |
| Meeting expense                                     | 36,953                | -                   | -                     | -                       | 36,953               |
| Professional development                            | 29,549                | 1,540               | -                     | -                       | 31,089               |
| Furniture, office equipment,<br>and property        | 3,863                 | 8,222               | 361                   | 8,164                   | 20,610               |
| Property taxes                                      | -                     | 71                  | 11,701                | 6,678                   | 18,450               |
|                                                     | <u>\$ 12,425,292</u>  | <u>\$ 424,927</u>   | <u>\$ 17,537</u>      | <u>\$ 23,378</u>        | <u>\$ 12,891,134</u> |

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**Note 12 – General and Administrative Expenses (continued)**

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

|                                                     | Operating<br>Accounts | General<br>Accounts | Endowment<br>Accounts | Life Income<br>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<br>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<br>promotional material | 131,812               | -                   | 31                    | -                       | 131,843              |
| Furniture, office equipment,<br>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> |

The Foundation leases space in an office building from UNM. Lease expense in fiscal years 2020 and 2019 was \$248,595.

**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, 2020 and 2019.

In March 2020, the World Health Organization declared the novel coronavirus outbreak a pandemic. Subsequent to the declaration of a pandemic, the State of New Mexico declared a state of emergency and has issued several measures in an attempt to prevent the spread of the coronavirus. Given the dynamic nature of these circumstances and business disruption, the Foundation anticipates a significant short-term impact as restrictions on businesses and the community in which the Foundation operates remains in place. The Foundation will continue to monitor the situation closely, but given the uncertainty about the situation, the Foundation cannot estimate the impact to the financial statements.

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**Note 13 – Contingencies (continued)**

In May 2020, the Foundation obtained a Paycheck Protection Program (PPP) loan, which was part of an economic relief package in response to the Pandemic under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This PPP loan may be used for payroll, benefits, rent, and utility costs. If the loan is used for qualified expenses, the loan may be forgiven. Any amount that is not forgiven would be due May 2022 with accrued interest at 1%.

**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) 6% of eligible gross salary for all employees and (b) up to an additional 4% match for employees who contribute to the plan.

The Foundation's contributions to the plan for the years ended June 30, 2020 and 2019 were \$720,028 and \$637,091, respectively. Employee contributions to the plan for the years ended June 30, 2020 and 2019 were \$586,282 and \$500,245, respectively.

## **Supplementary Information**

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**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, 2020**

| <b>Assets</b>                                                       | Operating<br>Account<br>Group | General<br>Account<br>Group | Endowment<br>and Quasi-<br>Endowment<br>Account Group | Life<br>Income<br>Account<br>Group | Combined<br>Total     |
|---------------------------------------------------------------------|-------------------------------|-----------------------------|-------------------------------------------------------|------------------------------------|-----------------------|
| <b>Current assets:</b>                                              |                               |                             |                                                       |                                    |                       |
| Cash and cash equivalents                                           | \$ 4,291,984                  | \$ 7,211,020                | \$ 1,391,929                                          | \$ (730,577)                       | \$ 12,164,356         |
| Pledges receivable, net                                             | -                             | 850,277                     | -                                                     | -                                  | 850,277               |
| Other current assets                                                | 569,551                       | 5,000                       | -                                                     | (8,986)                            | 565,565               |
| Total current assets                                                | <u>4,861,535</u>              | <u>8,066,297</u>            | <u>1,391,929</u>                                      | <u>(739,563)</u>                   | <u>13,580,198</u>     |
| <b>Noncurrent assets:</b>                                           |                               |                             |                                                       |                                    |                       |
| Investments held in the Consolidated Investment Fund                | -                             | -                           | 223,912,361                                           | 2,147,640                          | 226,060,001           |
| Investments held by the Foundation                                  | 2,459,361                     | 72                          | 3,135,731                                             | 323,931                            | 5,919,095             |
| Pledges receivable, net                                             | -                             | 977,091                     | -                                                     | -                                  | 977,091               |
| Artwork                                                             | -                             | 1,627,646                   | 5,399                                                 | -                                  | 1,633,045             |
| Real estate                                                         | -                             | 402,000                     | 397,533                                               | 625,000                            | 1,424,533             |
| Beneficial interest in irrevocable split interest agreements        | -                             | -                           | -                                                     | 19,941,453                         | 19,941,453            |
| Other noncurrent assets                                             | 489,453                       | 97,922                      | 19,244                                                | -                                  | 606,619               |
| Total noncurrent assets                                             | <u>2,948,814</u>              | <u>3,104,731</u>            | <u>227,470,268</u>                                    | <u>23,038,024</u>                  | <u>256,561,837</u>    |
| Total assets                                                        | <u>\$ 7,810,349</u>           | <u>\$ 11,171,028</u>        | <u>\$ 228,862,197</u>                                 | <u>\$ 22,298,461</u>               | <u>\$ 270,142,035</u> |
| <b>Liabilities, Deferred Inflows of Resources, and Net Position</b> |                               |                             |                                                       |                                    |                       |
| <b>Current liabilities:</b>                                         |                               |                             |                                                       |                                    |                       |
| Accounts payable                                                    | \$ 63,968                     | \$ 1,500                    | \$ 24,790                                             | \$ 4,498                           | \$ 94,756             |
| Accrued liabilities                                                 | 1,915,968                     | -                           | -                                                     | -                                  | 1,915,968             |
| Notes payable                                                       | 658,912                       | -                           | -                                                     | -                                  | 658,912               |
| Annuities payable                                                   | -                             | -                           | -                                                     | 367,299                            | 367,299               |
| Advances from UNM                                                   | 361,929                       | -                           | -                                                     | -                                  | 361,929               |
| Due to (from) the Consolidated Investment Fund                      | -                             | -                           | 499,682                                               | (36,492)                           | 463,190               |
| Due to UNM                                                          | -                             | 8,082,461                   | 199,267                                               | -                                  | 8,281,728             |
| Total current liabilities                                           | <u>3,000,777</u>              | <u>8,083,961</u>            | <u>723,739</u>                                        | <u>335,305</u>                     | <u>12,143,782</u>     |
| <b>Noncurrent liabilities:</b>                                      |                               |                             |                                                       |                                    |                       |
| Notes payable                                                       | 644,875                       | -                           | -                                                     | -                                  | 644,875               |
| Annuities payable                                                   | -                             | -                           | -                                                     | 2,060,973                          | 2,060,973             |
| Due to UNM                                                          | -                             | 3,087,067                   | -                                                     | -                                  | 3,087,067             |
| Total noncurrent liabilities                                        | <u>644,875</u>                | <u>3,087,067</u>            | <u>-</u>                                              | <u>2,060,973</u>                   | <u>5,792,915</u>      |
| Total liabilities                                                   | <u>3,645,652</u>              | <u>11,171,028</u>           | <u>723,739</u>                                        | <u>2,396,278</u>                   | <u>17,936,697</u>     |
| <b>Deferred inflows of resources:</b>                               |                               |                             |                                                       |                                    |                       |
| Deferred inflows of irrevocable split interest agreements           | -                             | -                           | -                                                     | 20,101,312                         | 20,101,312            |
| <b>Net position:</b>                                                |                               |                             |                                                       |                                    |                       |
| Unrestricted                                                        | 2,764,697                     | -                           | -                                                     | -                                  | 2,764,697             |
| Designated reserve for annuities payable                            | 1,000,000                     | -                           | -                                                     | (199,129)                          | 800,871               |
| Designated reserve for UNM Campaign                                 | 400,000                       | -                           | -                                                     | -                                  | 400,000               |
| Restricted                                                          | -                             | -                           | 228,138,458                                           | -                                  | 228,138,458           |
| Total net position                                                  | <u>4,164,697</u>              | <u>-</u>                    | <u>228,138,458</u>                                    | <u>(199,129)</u>                   | <u>232,104,026</u>    |
| Total liabilities, deferred inflows of resources, and net position  | <u>\$ 7,810,349</u>           | <u>\$ 11,171,028</u>        | <u>\$ 228,862,197</u>                                 | <u>\$ 22,298,461</u>               | <u>\$ 270,142,035</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, 2020**

|                                                               | Operating<br>Account<br>Group | General<br>Account<br>Group | Endowment<br>and Quasi-<br>Endowment<br>Account Group | Life<br>Income<br>Account<br>Group | Combined<br>Total     |
|---------------------------------------------------------------|-------------------------------|-----------------------------|-------------------------------------------------------|------------------------------------|-----------------------|
| Operating revenues:                                           |                               |                             |                                                       |                                    |                       |
| Donations and pledges, net                                    | \$ 435,410                    | \$ 24,447,383               | \$ 1,388,506                                          | \$ -                               | \$ 26,271,299         |
| UNM contract service revenue                                  | 4,971,580                     | -                           | -                                                     | -                                  | 4,971,580             |
| Development funding allocation – CIF                          | 2,999,566                     | -                           | -                                                     | -                                  | 2,999,566             |
| Nongift revenue                                               | 37,377                        | 69,332                      | 1,160                                                 | 66,440                             | 174,309               |
| Total operating revenues                                      | <u>8,443,933</u>              | <u>24,516,715</u>           | <u>1,389,666</u>                                      | <u>66,440</u>                      | <u>34,416,754</u>     |
| Operating expenses:                                           |                               |                             |                                                       |                                    |                       |
| Distributions to UNM                                          | -                             | 23,247,778                  | 10,288,394                                            | -                                  | 33,536,172            |
| General and administrative expenses                           | 12,425,292                    | 424,927                     | 17,537                                                | 23,378                             | 12,891,134            |
| Total operating expenses                                      | <u>12,425,292</u>             | <u>23,672,705</u>           | <u>10,305,931</u>                                     | <u>23,378</u>                      | <u>46,427,306</u>     |
| Operating (loss) income                                       | (3,981,359)                   | 844,010                     | (8,916,265)                                           | 43,062                             | (12,010,552)          |
| Investment income                                             | 557,487                       | (971,762)                   | (1,104,920)                                           | (22,080)                           | (1,541,275)           |
| Income (loss) before changes in term and permanent endowments | <u>(3,423,872)</u>            | <u>(127,752)</u>            | <u>(10,021,185)</u>                                   | <u>20,982</u>                      | <u>(13,551,827)</u>   |
| Changes in term and permanent endowments:                     |                               |                             |                                                       |                                    |                       |
| Donations                                                     | -                             | -                           | 9,517,349                                             | -                                  | 9,517,349             |
| Institutional transfers to Consolidated Investment Fund       | -                             | -                           | 346,209                                               | -                                  | 346,209               |
| Nongift revenue                                               | -                             | -                           | 134,876                                               | -                                  | 134,876               |
| Adjustment of actuarial liability for annuities payable       | -                             | -                           | -                                                     | (40,048)                           | (40,048)              |
| Expenditure for payments to annuitants and beneficiaries      | -                             | -                           | -                                                     | (280,300)                          | (280,300)             |
| Total changes in term and permanent endowments                | <u>-</u>                      | <u>-</u>                    | <u>9,998,434</u>                                      | <u>(320,348)</u>                   | <u>9,678,086</u>      |
| Transfers:                                                    |                               |                             |                                                       |                                    |                       |
| Development funding allocation – CIF                          | 3,889,267                     | -                           | (3,848,530)                                           | (40,737)                           | -                     |
| Other transfers                                               | 24,013                        | 127,752                     | 28,310                                                | (180,075)                          | -                     |
| Total transfers                                               | <u>3,913,280</u>              | <u>127,752</u>              | <u>(3,820,220)</u>                                    | <u>(220,812)</u>                   | <u>-</u>              |
| Increase (decrease) in net position                           | 489,408                       | -                           | (3,842,971)                                           | (520,178)                          | (3,873,741)           |
| Net position, beginning of year                               | 3,675,290                     | -                           | 231,981,429                                           | 321,048                            | 235,977,767           |
| Net position, end of year                                     | <u>\$ 4,164,698</u>           | <u>\$ -</u>                 | <u>\$ 228,138,458</u>                                 | <u>\$ (199,130)</u>                | <u>\$ 232,104,026</u> |

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, 2020**

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**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, 2020, 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 10, 2020.

### **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 10, 2020

**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, 2020**

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***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, 2020**

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**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, 2020**

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None

**University of New Mexico Foundation, Inc.**  
**(A Component Unit of the University of New Mexico)**  
**Exit Conference**  
**June 30, 2020**

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An exit conference was conducted on September 10, 2020, in which the contents of this report were discussed with the following:

**For the Foundation**

Audit Committee Members:

Cheryl Fossum Graham, Committee Chair  
Carol Mayo Cochran  
Adam Harrington  
Todd Sandoval

Foundation Management:

Jeffrey Todd, Chief Executive Officer  
Kenny Stansbury, Chief Financial Officer  
Nadina Paisano, Controller  
Pat Allen, General Council

**For Moss Adams LLP**

Lisa Todd, Partner  
Corrine Zajac-Clarkson, Senior Manager