



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

Report of Independent Auditors
and Financial Statements with Supplementary Information

June 30, 2023 and 2022

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

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

Official Roster (unaudited)

June 30, 2023

Officers

Ryan Mummert	Chair
Jeffrey Todd	UNM Foundation President and CEO
Felicia Finston	Vice Chair/Chair Elect
Thomas Daulton	National Vice Chair
Nadina Paisano	CFO and Treasurer
Adam Harrington	Assistant Treasurer
Cheryl Fossum Graham	Secretary

Trustees

Carolyn Abeita	William P. Lang
Doug Campbell	Lameck Lukanga
Paul Cassidy	Amy Miller
Don Clampitt	Ryan Mummert
Carol Mayo Cochran	Brad Preber
Thomas Daulton	Jerry Roehl
Dee Dennis, Jr.	Alex Romero
James Ellis	Todd Sandoval
Felicia Finston	Robert Schwartz
Greg Foltz	Harris Smith
Cheryl Fossum Graham	Garnett Stokes
Francine Gaillour	Randy Velarde
Donald Godwin	Patricia Vincent-Collawn
Adam Harrington	Linda Warning
Monica Jojola	



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

Independent Auditors' Report

The Board of Trustees
University of New Mexico Foundation, Inc
and
Mr. Joseph M. Maestas, P.E.,
New Mexico State Auditor:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of New Mexico Foundation, Inc. (the Foundation), a component unit of the University of New Mexico, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the respective changes in financial position, and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2a, the financial statements of the Foundation are intended to present the financial position, the changes in financial position, and cash flows of only the Foundation. They do not purport to, and do not, present fairly the financial position of the University of New Mexico as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Foundation for the year ended June 30, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on October 10, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 5 -11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The statement of net position information by account group, statement of revenues, expenses and changes in net position information by account group, and notes to supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the information is 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 October 19, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
October 19, 2023

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2023 and 2022

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, 2023 and 2022 and the following, which comprise the basic financial statements:

1. Statements of net position, which present information on the Foundation's assets and liabilities, deferred inflows, 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		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 14,740,045	16,793,982	10,956,072
Noncurrent assets	<u>439,927,467</u>	<u>376,816,880</u>	<u>333,357,826</u>
Total assets	<u>\$ 454,667,512</u>	<u>393,610,862</u>	<u>344,313,898</u>
Current liabilities	\$ 10,173,241	14,179,542	9,669,900
Noncurrent liabilities	<u>100,689,803</u>	<u>66,144,950</u>	<u>5,386,009</u>
Total liabilities	<u>\$ 110,863,044</u>	<u>80,324,492</u>	<u>15,055,909</u>
Deferred inflows of resources:			
Deferred inflows of beneficial interest in irrevocable split interest agreements	\$ 19,658,896	18,951,584	23,295,038

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.

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Management's Discussion and Analysis (unaudited)

June 30, 2023 and 2022

	June 30		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net position:			
Unrestricted	\$ 7,355,903	7,254,510	5,434,458
Investment in capital assets	134,462	147,867	189,974
Restricted	<u>316,655,207</u>	<u>286,932,409</u>	<u>300,338,519</u>
Total net position	<u>\$ 324,145,572</u>	<u>294,334,786</u>	<u>305,962,951</u>

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

	June 30		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Donations and pledges, net	\$ 21,201,560	52,081,082	23,221,504
UNM contract service revenue	5,823,966	5,447,608	4,866,050
Development funding allocation	2,926,039	2,958,293	2,985,342
Nongift revenue	<u>307,503</u>	<u>693,689</u>	<u>121,500</u>
Total operating revenues	<u>30,259,068</u>	<u>61,180,672</u>	<u>31,194,396</u>
Operating expenses:			
Distributions to UNM	36,208,555	64,012,806	33,383,432
General and administrative	<u>15,771,007</u>	<u>13,800,770</u>	<u>11,529,575</u>
Total operating expenses	<u>51,979,562</u>	<u>77,813,576</u>	<u>44,913,007</u>
Operating loss	(21,720,494)	(16,632,904)	(13,718,611)
Nonoperating revenues (expenses)	<u>24,623,240</u>	<u>(10,989,507)</u>	<u>71,458,531</u>
Loss before changes in term and permanent endowments	2,902,746	(27,622,411)	57,739,920
Changes in term and permanent endowments	<u>26,908,040</u>	<u>15,994,246</u>	<u>16,119,005</u>
Increase (decrease) in net position	29,810,786	(11,628,165)	73,858,925
Net position, beginning of year	<u>294,334,786</u>	<u>305,962,951</u>	<u>232,104,026</u>
Net position, end of year	<u>\$ 324,145,572</u>	<u>294,334,786</u>	<u>305,962,951</u>

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Financial Analysis – Condensed Financial Information

The following summarizes the results as of and for the fiscal year ended June 30, 2023:

- At June 30, 2023, the Foundation's total assets were \$454.7 million, which represents an increase of 15.5% compared to June 30, 2022, total assets of \$393.6 million.
- The increase in total assets during the year ended June 30, 2023, was primarily due to the second year implementation of the revised Treasury Operation Agreement with the University, which sets the frequency of cash transfers between the organizations, and increases in the fair market value of investments. This also contributed to the increase in noncurrent liabilities as liabilities due to UNM increased from \$64.4 million to \$99.1 million.
- Investment income, net of fees, was \$24.6 million for the year ended June 30, 2023, compared to investment loss, net of fees, of \$12.3 million for the year ended June 30, 2022 due to improved market performance year over year.
- The approved spending distribution rate from the investments held in endowment pools was 4.5% for the fiscal years ended June 30, 2023 and 2022. Total approved spending distributions from the endowment pools to UNM were \$26.2 million and \$19.8 million during the fiscal years ended June 30, 2023 and 2022, respectively, and are reported as part of Distributions to UNM of \$36.2 million and \$64.0 million, respectively.
- Total operating revenue was \$30.3 million for the fiscal year ended June 30, 2023, a decrease of \$30.9 million, or 51%, from the previous year total of \$61.2 million, primarily due to a decrease in nonendowed cash gifts.
- Distributions to UNM were \$36.2 million and \$64.0 million for the years ended June 30, 2023 and 2022, respectively. The decrease is primarily due to a decrease in nonendowed cash gifts.
- The primary funding sources for the Foundation's operating costs for the year ended June 30, 2023, were UNM contract service revenue (39%), short-term investment income (6%), and a development funding allocation (DFA) (54%) based on the market value of the endowment pools. The DFA rate was 1.85% for the fiscal years June 30, 2023 and 2022.

The following summarizes the results as of and for the fiscal year ended June 30, 2022:

- At June 30, 2022, the Foundation's total assets were \$393.6 million, which represents an increase of 14.3% compared to June 30, 2021, total assets of \$344.3 million.
- The increase in total assets during the year ended June 30, 2022, was primarily due to the implementation of a revised Treasury Operation Agreement with the University, which sets the frequency of cash transfers between the organizations. This also contributed to the increase in noncurrent liabilities as liabilities due to UNM increased from \$3.2 million to \$64.4 million.
- Investment loss, net of fees, was \$12.3 million for the year ended June 30, 2022, compared to investment income, net of fees, of \$71.4 million for the year ended June 30, 2021 due to declining markets year over year.
- The approved spending distribution rate from the investments held in endowment pools was 4.5% for the fiscal years ended June 30, 2022 and 2021. Total approved spending distributions from the endowment

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Management's Discussion and Analysis (unaudited)

June 30, 2023 and 2022

pools to UNM were \$19.8 million and \$18.3 million during the fiscal years ended June 30, 2022 and 2021, respectively, and are reported as part of Distributions to UNM of \$64.0 million and \$33.4 million, respectively.

- Total operating revenue was \$61.2 million for the fiscal year ended June 30, 2022, an increase of \$29.9 million, or 96%, from the previous year total of \$31.2 million, primarily due to an increase in nonendowed cash gifts.
- Distributions to UNM were \$64.0 million and \$33.4 million for the years ended June 30, 2022 and 2021, respectively. The increase is primarily due to an increase in nonendowed cash gifts.
- The primary funding sources for the Foundation's operating costs for the year ended June 30, 2022, were UNM contract service revenue (36%), short-term investment income (4%), and a development funding allocation (DFA) (50%) based on the market value of the endowment pools. The DFA rate was 1.85% for the fiscal years June 30, 2022 and 2021.

Financial Analysis – Consolidated Investment Fund (CIF)

The following summarizes the results as of and for the fiscal year ended June 30, 2023:

- The Foundation manages the Consolidated Investment Fund (CIF) which totals \$713.8 million and represents over 99% of the total investments held in endowment pools and managed by the Foundation. The CIF is a unitized investment portfolio, which is a consolidated internal investment pool of the University. The Foundation's share of the CIF represents \$413.1 million and is reported within investments held in endowment pools in the statement of net position. Approximately 91% and 89% of the Foundation's total assets were held in the CIF as of June 30, 2023 and 2022, respectively. The remaining balance of the CIF are endowment funds owned by the University.
- The fair value and ownership units of the CIF at June 30 are as follows:

	Consolidated Investment Fund	
	2023	2022
Fair value (in millions):		
Foundation	\$ 413	349
University of New Mexico	301	255
Total fair value of the CIF	<u>\$ 714</u>	<u>604</u>
Units:		
Foundation	\$ 746,310	683,025
University of New Mexico	542,949	499,700
Total units of the CIF	<u>\$ 1,289,259</u>	<u>1,182,725</u>

- Additions to endowment principal in the CIF during the years ended June 30, 2023 and 2022 were \$97.9 million and \$82.4 million, respectively.

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- CIF performance, net of fees, for the fiscal years ended June 30, 2023 and 2022 is shown below:

	Consolidated Investment Fund	
	2023	2022
Investment performance:		
1 year	9.4 %	(6.0)%
3 year	10.8	7.3
5 year	7.2	6.8
10 year	7.1	7.2

- CIF performance by asset class for the fiscal years ended June 30, 2023 and 2022 is shown in the table below:

	Consolidated Investment Fund	
	2023	2022
Investment performance:		
Domestic equity	18.3 %	(14.4)%
International equity	11.8	(22.5)
Fixed income	(0.4)	(5.5)
Private investments	(0.1)	24.0
Real assets	7.9	26.5
Marketable alternatives	5.8	(3.6)
Investment performance	9.4	(6.0)

The following summarizes the results as of and for the fiscal year ended June 30, 2022:

- The CIF totals \$604.0 million and represents 99% of the total endowment pools managed by the Foundation. The Foundation's share of the CIF represents \$348.8 million and is reported within investments held in endowment pools in the statement of net position. Approximately 89% and 88% of the Foundation's total assets were held in the CIF as of June 30, 2022 and 2021, respectively. The remaining balance of the CIF are endowment funds owned by the University.

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

	Consolidated Investment Fund	
	2022	2021
Fair value (in millions):		
Foundation	\$ 349	302
University of New Mexico	255	278
Total fair value of the CIF	<u>\$ 604</u>	<u>580</u>
Units:		
Foundation	\$ 683,025	565,486
University of New Mexico	499,700	519,398
Total units of the CIF	<u>\$ 1,182,725</u>	<u>1,084,884</u>

- Additions to endowment principal in the CIF during the years ended June 30, 2022 and 2021 were \$82.4 million and \$23.9 million, respectively.
- CIF performance, net of fees, for the fiscal years ended June 30, 2022 and 2021 is shown below:

	Consolidated Investment Fund	
	2022	2021
Investment performance:		
1 year	(6.0)%	31.3 %
3 year	7.3	11.0
5 year	6.8	10.6
10 year	7.2	8.0

CIF performance by asset class for the fiscal years ended June 30, 2022 and 2021 is shown in the table below:

	Consolidated Investment Fund	
	2022	2021
Investment performance:		
Domestic equity	(14.4)%	44.3 %
International equity	(22.5)	35.6
Fixed income	(5.5)	5.0
Private investments	24.0	49.1
Real assets	26.5	13.8
Marketable alternatives	(3.6)	18.1
Investment performance	(6.0)	31.3

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Factors Impacting Future Periods

- UNM has committed to a \$6.5 million contract service fee for the Foundation's services in fiscal year 2024. The DFA fee charged to the endowment pools will remain at 1.85% for fiscal year 2024.
- The approved endowment spending distribution rate for fiscal year 2024 is 4.5%.

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, Nadina Paisano, 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

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 12,420,354	14,720,193
Pledges receivable, net of allowance and discounts	1,207,721	1,181,362
Other current assets	1,111,970	892,427
Total current assets	<u>14,740,045</u>	<u>16,793,982</u>
Noncurrent assets:		
Investments held in endowment pools	413,136,329	348,888,506
Investments held by the Foundation	3,568,312	4,519,385
Pledges receivable, net of allowance and discounts and current portion	787,349	1,211,053
Artwork	1,543,621	1,577,832
Real estate	534,660	615,060
Capital assets, net	134,462	147,867
Beneficial interest in irrevocable split interest agreements	19,394,660	18,719,224
Other noncurrent assets	828,074	1,137,953
Total noncurrent assets	<u>439,927,467</u>	<u>376,816,880</u>
Total assets	<u>\$ 454,667,512</u>	<u>393,610,862</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable	\$ 57,083	90,307
Accrued liabilities	1,737,823	1,675,465
Annuities payable	341,860	325,729
Advances from UNM	441,291	547,188
Due to the endowment pools	4,583,323	8,161,109
Due to UNM	3,011,861	3,379,744
Total current liabilities	<u>10,173,241</u>	<u>14,179,542</u>
Noncurrent liabilities:		
Annuities payable	1,658,386	1,784,101
Due to UNM	99,031,417	64,360,849
Total noncurrent liabilities	<u>100,689,803</u>	<u>66,144,950</u>
Total liabilities	<u>110,863,044</u>	<u>80,324,492</u>
Deferred inflows of resources:		
Deferred inflows of beneficial interest in irrevocable split interest agreements	19,658,896	18,951,584
Net position (Note 2j):		
Unrestricted	5,822,443	5,608,360
Unrestricted, designated	1,533,460	1,646,150
Investment in capital assets	134,462	147,867
Restricted, expendable	19,961,617	23,232,465
Restricted, nonexpendable	296,693,590	263,699,944
Total net position	<u>324,145,572</u>	<u>294,334,786</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 454,667,512</u>	<u>393,610,862</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Donations and pledges, net of allowance and discounts	\$ 21,201,560	52,081,082
UNM contract service revenue	5,823,966	5,447,608
Development funding allocation	2,926,039	2,958,293
Nongift revenue	307,503	693,689
Total operating revenues	30,259,068	61,180,672
Operating expenses:		
Distributions to UNM	36,208,555	64,012,806
General and administrative expenses	15,771,007	13,800,770
Total operating expenses	51,979,562	77,813,576
Operating loss	(21,720,494)	(16,632,904)
Nonoperating revenue (expenses):		
Gain upon debt extinguishment	—	1,318,786
Investment income (loss), net	24,623,240	(12,308,293)
Total nonoperating revenues (expenses), net	24,623,240	(10,989,507)
Income (loss) before changes in term and permanent endowments	2,902,746	(27,622,411)
Changes in term and permanent endowments:		
Donations	26,267,319	15,031,457
Institutional transfers to the endowment pools	597,529	771,938
Nongift revenue	62,227	73,871
Adjustment of actuarial liability for annuities payable	265,442	417,849
Expenditure for payments to annuitants and beneficiaries	(284,477)	(300,869)
Net changes in term and permanent endowments	26,908,040	15,994,246
Increase (decrease) in net position	29,810,786	(11,628,165)
Net position, beginning of year	294,334,786	305,962,951
Net position, end of year	\$ 324,145,572	294,334,786

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from donors and other sources	\$ 17,766,611	48,297,370
Cash received from UNM	5,808,405	4,439,471
Cash received from the endowment pools	2,926,039	2,958,293
Cash paid to employees	(11,484,757)	(9,838,775)
Cash paid to vendors	(4,208,711)	(3,596,684)
Cash distributed to UNM	(1,905,870)	(4,741,370)
Net cash flows from operating activities	8,901,717	37,518,305
Cash flows from noncapital financing activities:		
Donations and pledges	18,725,186	12,250,483
Institutional transfers to the endowment pools	597,529	771,938
Payments to annuitants and beneficiaries	(284,477)	(300,869)
Net cash flows from noncapital financing activities	19,038,238	12,721,552
Cash flows from capital and related financing activity:		
Purchases of capital assets	(35,000)	—
Net cash flows used in capital and related financing activity	(35,000)	—
Cash flows from investing activities:		
Proceeds from sale of investments	40,987,683	18,736,716
Purchases of investments	(74,623,402)	(68,140,099)
Interest and dividends received	3,414,234	4,868,511
Administration of split interest agreements	16,691	5,593
Net cash flows used in investing activities	(30,204,794)	(44,529,279)
Net (decrease) increase in cash and cash equivalents	(2,299,839)	5,710,578
Cash and cash equivalents, beginning of year	14,720,193	9,009,615
Cash and cash equivalents, end of year	\$ 12,420,354	14,720,193

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

Years ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (21,720,494)	(16,632,904)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation expense	48,405	42,107
Donations of investments	(4,139,797)	(4,464,209)
Donation of real estate, net of reserve	—	(66,330)
Changes in assets and liabilities:		
Pledges receivable	397,345	53,138
Other current assets	(219,543)	(320,549)
Other noncurrent assets	309,879	(477,004)
Accounts payable	(33,224)	(61,137)
Accrued liabilities	62,358	384,341
Advances from UNM	(105,897)	(210,584)
Due to UNM	34,302,685	59,271,436
Total adjustments	30,622,211	54,151,209
Net cash flows from operating activities	\$ 8,901,717	37,518,305
Supplemental disclosures of noncash investing, noncapital, and financing activities:		
Change in fair value of investments	\$ 21,176,997	(36,990,211)
Donations of investments to permanent endowments	7,780,478	2,886,022

See accompanying notes to financial statements.

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

Years ended June 30, 2023 and 2022

(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 via the UNM contract service revenues 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.

(2) Summary of Significant Accounting Policies

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

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

The Foundation applies business-type activity accounting and the Foundation's basic financial statements are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned, and expenses are recognized as soon as the liability is incurred.

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

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit at financial institutions and does not include Foundation investments held by the endowment pools.

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(c) 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.

Investments held by the Foundation have been classified as noncurrent based on the nature of the underlying investment. Investment in the endowment pools 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.

(d) Investments Held in Endowment Pools

Investments held in endowment pools is a combination of the Foundation's investments held in the Consolidated Investment Fund (CIF) and donor directed investment pools. Each investment pool is unitized separately.

As the endowment pools are not publicly quoted, the value is based on the total estimated value of the underlying investments within the endowment pools. Within the endowment pools, 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.

(e) Investments Held by the Foundation

Investments held by the Foundation include operating, reserves, deferred compensation investments, charitable remainder trusts, and donated investments.

(f) Other Assets

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

(g) Due to the Endowment Pools

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

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(h) Due to UNM and Distributions to UNM

The current and noncurrent amounts due to UNM represents nonendowed, restricted assets held by the Foundation and gift funds held in the CIF included as part of investments held in endowment pools in the accompanying statements of net position. The amount and timing of the cash distributions are defined in the Treasury Operations Agreement, dated July 1, 2021.

(i) 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.

(j) Net Position

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

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

Investment in capital assets – Resources that consist of capital assets net of accumulated depreciation. The Foundation does not have any related debt.

Restricted Net Position – Resources that, because of donor-imposed restrictions, must be used for a specified purpose, generally UNM programs, or maintained for a specified time period.

- *Restricted, Expendable* – Resources that are contributions designated 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.

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(k) 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.

(l) 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 9, 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 received not deemed a gift.

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) – A percentage of the market value of the endowment pools managed by the Foundation is allocated, annually, to the Foundation, for the Foundation's management of the endowment pools. 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 2023 and 2022. 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 endowment pools and revenue is recognized when earned.

Investment Income (Loss), Net – Investment income (loss), 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

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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.

(m) Institutional Transfers to the Endowment Pools

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

(n) 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, 2022, the most recent filing date, the Foundation had a net operating loss carryforward of approximately \$706 thousand, as a result of cumulative losses from underlying partnership investments within the CIF. The deferred tax asset associated with this loss carryforward of approximately \$148 thousand 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, 2023 is not material.

(o) Estimates

Management uses estimates and assumptions in preparing the accompanying financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(3) Cash and Cash Equivalents

Cash balances, including deposits in transit, had a carrying value of \$12,420,354 and \$14,720,193 at June 30, 2023 and 2022, respectively.

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The Foundation's bank accounts (Operating and Development) had deposits totaling \$12,185,794 and \$11,819,172 at June 30, 2023 and 2022, respectively. These amounts are invested in overnight sweep accounts that are collateralized at 132% and 122% of the overnight balance at June 30, 2023 and 2022, 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 \$207,681 and \$194,460 at June 30, 2023 and 2022, respectively. Below is a summary of the Federal Deposit Insurance Corporation (FDIC) insured, National Credit Union Administration (NCUA) insured, and collateralized accounts.

	June 30	
	2023	2022
Operating account balance – Wells Fargo	\$ 8,126,192	5,353,872
Gift account balance	4,049,697	6,455,345
Operating account balance – Washington Federal	9,905	9,955
Credit union balances	207,681	194,460
Bank balances	\$ 12,393,475	12,013,632
FDIC insurance	\$ 259,905	259,955
NCUA insurance	207,681	194,460

			June 30	
			2023	2022
Collateralization:				
CUSIP	Maturity date	Type of security		
3132DWAV5	1/1/2051	FHLMC - 30 yr MBS	\$ 13,728,741	—
31418DXJ6	2/1/2051	FNMA - 30 yr MBS	—	14,129,503
			\$ 13,728,741	14,129,503

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A detail of the cash accounts at June 30, 2023, is included below:

Name of Depository	Account name	Account type	Bank balances	Reconciling items	Reconciled balances
Wells Fargo	Operating	Cash	\$ 8,126,192	(107,068)	8,019,124
Wells Fargo	Development	Cash	4,049,697	58,016	4,107,713
Washington Federal	Operating	Cash	9,905	—	9,905
Nusenda	General Fund	Cash	187,923	—	187,923
Nusenda	Restricted Fund	Cash	20,051	—	20,051
Morgan Stanley	Restricted Fund	Money Market	82	—	82
Fidelity	Restricted Fund	Money Market	41,555	—	41,555
Hilltop Securities	Charitable Trust Fund	Money Market	34,001	—	34,001
			<u>\$ 12,469,406</u>	<u>(49,052)</u>	<u>12,420,354</u>

A detail of the cash accounts at June 30, 2022, is included below:

Name of Depository	Account name	Account type	Bank balances	Reconciling items	Reconciled balances
Wells Fargo	Operating	Cash	\$ 5,353,872	(40,466)	5,313,406
Wells Fargo	Development	Cash	6,455,345	85,522	6,540,867
Washington Federal	Operating	Cash	9,955	—	9,955
Nusenda	General Fund	Cash	184,440	—	184,440
Nusenda	Restricted Fund	Cash	10,020	—	10,020
Morgan Stanley	Restricted Fund	Money Market	2,603,583	—	2,603,583
Fidelity	Restricted Fund	Money Market	40,613	—	40,613
Hilltop Securities	Charitable Trust Fund	Money Market	17,309	—	17,309
			<u>\$ 14,675,137</u>	<u>45,056</u>	<u>14,720,193</u>

(4) Investments

Investments reported by the Foundation are inclusive of investments held in endowment pools and investments held by the Foundation.

Investments Held in Endowment Pools - The investments held in endowment pools are consolidated with endowment funds owned by the University and managed by the Foundation. The consolidated endowment pools are unitized investment portfolios, which are consolidated internal investment pools of the University.

Investments held in the endowment pools are 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 endowment pools. The investment of UNM and Foundation endowment funds is in accordance with Sections 6-8-10 and 46-9-1 through 46-9-12, New Mexico Statutes Annotated (NMSA) 1978.

At June 30, 2023 and 2022, the Foundation held approximately 99% of its investments in the endowment pools. Under the terms of an agreement with the UNM Board of Regents, the Foundation provides management oversight for the entirety of the endowment pools owned by the Foundation and the

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University. 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 endowment pools owned by the Foundation and the University are diversified with the intention of minimizing the risk of investment losses. Consequently, the target portfolio allocations are 33% domestic equity, 22% international equity, 22% private investments, 12% fixed income, 5% marketable alternative investment, 5% real assets and 1% cash.

The fair value and ownership units of the endowment pools owned by the Foundation and the University for years ended June 30, 2023 and 2022 are:

2023	CIF		Donor directed		Total endowment pools
	Fair value	Units	Fair value	Units	Fair value
Foundation	\$ 413,077,926	746,310	\$ 58,403	593	\$ 413,136,329
University of New Mexico	300,745,514	542,949	—	—	300,745,514
Total	<u>\$ 713,823,440</u>	<u>1,289,259</u>	<u>\$ 58,403</u>	<u>593</u>	<u>\$ 713,881,843</u>

2022	CIF		Donor directed		Total endowment pools
	Fair value	Units	Fair value	Units	Fair value
Foundation	\$ 348,845,442	683,025	\$ 43,064	473	\$ 348,888,506
University of New Mexico	255,214,851	499,700	—	—	255,214,851
Total fair value	<u>\$ 604,060,293</u>	<u>1,182,725</u>	<u>\$ 43,064</u>	<u>473</u>	<u>\$ 604,103,357</u>

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

<u>Depository/Account name</u>	<u>Account type</u>	<u>2023</u>	<u>2022</u>
Morgan Stanley and Continental Security Donations	Domestic corporate stock \$	75	960,597
Hilltop Financial Services:			
Charitable Trust Fund	Mutual funds, fixed	202,260	213,760
Charitable Trust Fund	Domestic corporate stock	154,980	148,555
Fidelity:			
Operating Fund	Mutual funds, equity	353,940	337,855
Vanguard Investments:			
Operating Fund	Mutual funds, equity	2,354,418	2,351,583
Cash Value Life Insurance Policies:			
Nonendowed Fund	Other	502,639	507,035
		<u>\$ 3,568,312</u>	<u>4,519,385</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 0.04% and 0.31% of total investments at June 30, 2023 and 2022, respectively.

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The investments held in endowment pools are not subject to custodial credit risk as all investments are held in the Foundation's name. A summary of the investments held by the Foundation and the exposure to custodial credit risk are as follows at June 30:

	2023	2022
Custodial credit risk:		
Domestic corporate stock	\$ 155,055	1,109,152
Total securities held by custodians	155,055	1,109,152
Investments not subject to custodial credit risk:		
Mutual funds, fixed	2,556,678	2,565,343
Mutual funds, equity	353,940	337,855
Cash Value Life Insurance Policies	502,639	507,035
Total investments not subject to custodial credit risk	3,413,257	3,410,233
Total investments held by the Foundation	3,568,312	4,519,385
Investments held in endowment pools – not subject to custodial credit risk	413,136,329	348,888,506
Total investments	\$ 416,704,641	353,407,891

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, 2023 and 2022, 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. At June 30, 2023 and June 30, 2022, there were no investments exposed to interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation is required to disclose credit ratings of its investments in order to assess credit risk.

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All Investments – Investment Income (Loss) – The Foundation recognized investment income (losses) as outlined below, for the years ended June 30, 2023 and 2022.

	<u>Endowment pools</u>	<u>Foundation</u>	<u>Total</u>
2023:			
Realized gains (losses), net	\$ 7,629,392	130,643	7,760,035
Unrealized gains (losses), net	14,024,207	(112,696)	13,911,511
Other investment income	<u>2,732,768</u>	<u>218,926</u>	<u>2,951,694</u>
	<u>\$ 24,386,367</u>	<u>236,873</u>	<u>24,623,240</u>
2022:			
Realized gains (losses), net	\$ 21,970,187	188,313	22,158,500
Unrealized gains (losses), net	(36,869,501)	(114,691)	(36,984,192)
Other investment income	<u>2,326,490</u>	<u>190,909</u>	<u>2,517,399</u>
	<u>\$ (12,572,824)</u>	<u>264,531</u>	<u>(12,308,293)</u>

(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, and cash value life insurance policies are valued based on the cash surrender value on the individual policy provided by the insurance carrier in which the Foundation is the owner and beneficiary of the policy.

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.

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The Foundation has the following recurring fair value measurements as of June 30, 2023:

	Fair value measurement using			
	Fair value	Quoted priced in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Beneficial interest in split interest agreements	\$ 19,394,660	—	19,394,660	—
Investments held by the Foundation:				
Domestic corporate stock	\$ 155,055	155,055	—	—
Mutual funds, fixed	2,556,678	—	2,556,678	—
Mutual funds, equity	353,940	353,940	—	—
Life Insurance Contracts	502,639	—	502,639	—
Total investments held by the Foundation	<u>\$ 3,568,312</u>	<u>508,995</u>	<u>3,059,317</u>	<u>—</u>

	Fair value measurement using			
	Fair value	Quoted priced in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held in endowment pools by fair value measure:				
Mutual funds, fixed	\$ 35,852,485	35,852,485	—	—
Total investments held in endowment pools by fair value level	<u>35,852,485</u>	<u>35,852,485</u>	<u>—</u>	<u>—</u>

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Investments measured at NAV as of June 30, 2023:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Marketable alternatives:				
Multistrategy hedge funds	8,674,583	—	Quarterly – Rolling 2 Years	45-60 days
Distressed/restructuring hedge funds	4,414,918	—	Annually	90 days
Global macro hedge funds	4,166,445	—	Monthly	3 days
Technology	1,801,528	—	Quarterly	60 days
Private investment funds	82,061,463	14,710,532		
Illiquid real assets funds	8,721,284	3,926,985		
Real estate funds	7,221,379	4,401,524		
Mutual funds, equity	<u>245,381,655</u>	<u>—</u>	Daily – Monthly	1 to 30 days
Total investments in the endowment pools measured at the NAV	362,443,255	\$ <u>23,039,041</u>		
Money market funds held in endowment pools, measured at amortized cost				
Total investments held in endowment pools	<u>\$ 413,136,329</u>			

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The Foundation has the following recurring fair value measurements as of June 30, 2022:

	Fair value measurement using			
	Fair value	Quoted priced in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held in endowment pools by fair value measure:				
Exchange-traded funds	\$ 8,569,363	8,569,363	—	—
Mutual funds, fixed	21,256,180	21,256,180	—	—
Total investments held in endowment pools by fair value level	<u>29,825,543</u>	<u>29,825,543</u>	—	—
Investments measured at NAV as of June 30, 2022:				
	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Marketable alternatives:				
Multistrategy hedge funds	11,636,142	—	Quarterly-Annually	45-60 days
Distressed/restructuring hedge funds	5,742,446	—	Annually-biennially	45-90 days
Global macro hedge funds	4,001,417	—	Monthly	3 days
Technology	1,937,646	—	Quarterly	60 days
Private investment funds	81,418,468	23,331,314		
Illiquid real assets funds	7,563,171	5,517,701		
Real estate funds	7,038,997	5,339,176		
Mutual funds, equity	<u>177,153,645</u>	—	Daily Monthly	1 to 30 days
Total investments in the endowment pools measured at the NAV	296,491,932	<u>\$ 34,188,191</u>		
Money market funds held in endowment pools, measured at amortized cost	<u>22,571,031</u>			
Total investments held in endowment pools	<u>\$ 348,888,506</u>			

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

Notes to Financial Statements
Years ended June 30, 2023 and 2022

(6) Pledges Receivable

Pledges receivable consisted of the following at:

	June 30	
	2023	2022
Amounts receivable in less than one year	\$ 1,207,720	1,181,362
Amounts receivable in more than one year	1,067,088	1,521,320
Total pledges receivable	2,274,808	2,702,682
Discounts to net present value	(134,808)	(139,556)
Allowance for doubtful pledges	(144,930)	(170,711)
Pledges receivable, net	\$ 1,995,070	2,392,415

Noncurrent pledge receivables are discounted at the Internal Revenue Service discount rate 4.2% and 3.6% for the years ended June 30, 2023, 2022, respectively. All pledges are for nonendowed gifts.

(7) Artwork

Artwork activity consisted of the following at:

	June 30	
	2023	2022
Artwork:		
Beginning balance	\$ 7,153,506	7,198,672
Sales	(129,749)	(45,166)
Balance at June 30	7,023,757	7,153,506
Reserve for selling costs	(5,480,136)	(5,575,674)
Artwork, at fair value as of June 30	\$ 1,543,621	1,577,832

The Foundation sells contributed artwork with the net proceeds benefiting UNM. The Foundation expects the sales to be completed over many years, given the desire to preserve the market value of the artwork.

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

Notes to Financial Statements
Years ended June 30, 2023 and 2022

(8) Real Estate

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

	June 30	
	2023	2022
Real estate, values as of date of original receipt:		
Land	\$ 198,000	318,000
Buildings	600,001	600,001
Balance at June 30	798,001	918,001
Fair value adjustment, at June 30	(263,341)	(302,941)
Real estate, at fair value as of June 30	\$ 534,660	615,060

(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	
	2023	2022
Permanent endowment	\$ 296,693,590	262,969,862
Term endowment	132,156	510,444
Quasi-endowment	19,170,909	22,722,021
	\$ 315,996,655	286,202,327

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.

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

Years ended June 30, 2023 and 2022

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.

(10) Composition of Net Position

Net position consisted of the following at:

	June 30	
	2023	2022
Permanent endowments, nonexpendable	\$ 295,788,982	262,969,862
Annuity gifts, nonexpendable	904,608	730,082
Total nonexpendable	296,693,590	263,699,944
Term endowments, expendable after specified time	132,156	510,444
Quasi-endowments, expendable for specified purpose	19,170,909	22,722,021
Donations and gifts	658,552	—
Total restricted	316,655,207	286,932,409
Designated reserve for annuities payable	946,150	946,150
Designated reserve for UNM Campaign	587,310	700,000
Other unrestricted	5,822,443	5,608,360
Total unrestricted	7,355,903	7,254,510
Investment in capital assets	134,462	147,867
Total net position	\$ 324,145,572	294,334,786

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

Notes to Financial Statements
Years ended June 30, 2023 and 2022

(11) Annuities Payable

The Foundation had the following annuities payable activity at:

	June 30	
	2023	2022
Balance due at beginning of year	\$ 2,109,830	2,510,816
Net increase in annuities payable	176,118	16,863
Net change in actuarial liability	(285,702)	(417,849)
	2,000,246	2,109,830
Less amount due in one year	(341,860)	(325,729)
	\$ 1,658,386	1,784,101

(12) General and Administrative Expenses

General and administrative expenses consisted of the following for the year ended June 30, 2023:

	Operating accounts	General accounts	Endowment accounts	Life income accounts	Total
Staff salaries	\$ 8,990,102	11,831	—	—	9,001,933
Fringe benefits	1,900,417	1,081	—	—	1,901,498
Donor relations	915,065	270,661	1,470	—	1,187,196
Professional services	971,136	208,591	11,637	—	1,191,364
Payroll taxes	642,911	773	—	—	643,684
Travel	307,008	7,534	—	—	314,542
Computer equipment and software	302,704	—	—	—	302,704
Office lease, building	247,391	1,204	—	—	248,595
General and administrative	198,860	6,972	—	184	206,016
Dues and subscriptions	129,317	55,999	—	—	185,316
Printing, fund-raising, and promotional material	107,235	24,065	—	—	131,300
Insurance	91,249	33,216	10	—	124,475
Audit fees	70,668	—	—	—	70,668
Professional development	65,276	—	—	—	65,276
Meeting expense	61,800	—	—	—	61,800
Depreciation	48,405	—	—	—	48,405
Postage and mailing	47,835	423	—	11	48,269
Furniture, office equipment, and property	18,653	1,317	10,661	—	30,631
Property taxes and property	—	1,494	5,841	—	7,335
	\$ 15,116,032	625,161	29,619	195	15,771,007

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

Years ended June 30, 2023 and 2022

General and administrative expenses consisted of the following for the year ended June 30, 2022:

	<u>Operating accounts</u>	<u>General accounts</u>	<u>Endowment accounts</u>	<u>Life income accounts</u>	<u>Total</u>
Staff salaries	\$ 8,051,193	6,800	—	—	8,057,993
Fringe benefits	1,624,878	—	—	—	1,624,878
Professional services	838,539	69,962	11,401	15	919,917
Donor relations	649,488	247,036	3,132	—	899,656
Payroll taxes	538,286	—	—	—	538,286
Computer equipment and software	433,693	—	—	—	433,693
Office lease, building	248,595	—	—	—	248,595
General and administrative	218,070	6,549	—	3,670	228,289
Travel	215,616	9,412	—	—	225,028
Dues and subscriptions	111,704	763	—	—	112,467
Furniture, office equipment, and property	—	—	—	91,881	91,881
Insurance	57,448	15,126	5	1,546	74,125
Audit fees	67,276	—	—	—	67,276
Printing, fund-raising, and promotional material	52,735	13,295	—	—	66,030
Meeting expense	65,675	—	—	—	65,675
Professional development	52,843	(136)	—	—	52,707
Depreciation	42,107	—	—	—	42,107
Postage and mailing	39,115	293	16	—	39,424
Property taxes and property	2,513	2,846	1,651	5,733	12,743
	<u>\$ 13,309,774</u>	<u>371,946</u>	<u>16,205</u>	<u>102,845</u>	<u>13,800,770</u>

The Foundation leases space in an office building from UNM on a month-to-month basis. Lease expense in fiscal years 2023 and 2022 was \$262,756 and \$248,595, respectively.

(13) Small Business Administration Paycheck Protection Program Loan

In May 2020, the Foundation received a Small Business Administration Paycheck Protection Program (SBA PPP) loan for \$1,316,825 for payroll and certain operating expenses realized in 2021. All conditions of the loan were met for full loan forgiveness, including any accrued interest, in the amount of \$1,318,786. In August 2021, the Foundation was approved for full loan forgiveness by the SBA PPP.

The Foundation met the conditions for forgiveness of the loan under the Small Business Administration's (SBA) safe harbor provisions for borrowers of less than \$2,000,000. A safe harbor applies to SBA's review of PPP loans for borrowers who, along with their affiliates, received PPP loans with an original principal amount of less than \$2,000,000. The SBA presumes the borrower's required certification concerning the necessity of the loan was made in good faith under the CARES Act, Section 1102 Lender agreement. Under the agreement, the SBA has five years to audit any applicant. The Foundation, at the time of submitting its application, evaluated the economic uncertainty resulting from the COVID-19 pandemic and the potential impact of that uncertainty on the ongoing operations of the business. Based on the risk of the Foundation having to limit or close its operations and unavailability of other sources of liquidity, it was determined that the loan request was necessary.

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

Notes to Financial Statements

Years ended June 30, 2023 and 2022

(14) 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, 2023 and 2022.

(15) 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, 2023 and 2022 were \$789,229 and \$708,822, respectively. Employee contributions to the plan for the years ended June 30, 2023 and 2022 were \$757,942 and \$641,703, respectively.

SUPPLEMENTARY INFORMATION

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

Statement of Net Position Information by Account Group

Year ended June 30, 2023

Assets	Operating account group	General account group	Endowment and quasi- endowment account group	Life income account group	Combined total
Current assets:					
Cash and cash equivalents	\$ 6,165,106	1,807,191	4,894,243	(446,186)	12,420,354
Pledges receivable, net of allowance and discounts	—	1,207,721	—	—	1,207,721
Other current assets	1,111,970	—	—	—	1,111,970
Total current assets	<u>7,277,076</u>	<u>3,014,912</u>	<u>4,894,243</u>	<u>(446,186)</u>	<u>14,740,045</u>
Noncurrent assets:					
Investments held in the endowment pools	—	—	410,274,393	2,861,936	413,136,329
Investments held by the Foundation	2,708,363	502,711	—	357,238	3,568,312
Pledges receivable, net of allowance and discounts	38,000	749,349	—	—	787,349
Artwork	—	1,543,021	600	—	1,543,621
Real estate	—	534,660	—	—	534,660
Capital assets, net	134,462	—	—	—	134,462
Beneficial interest in irrevocable split interest agreements	—	—	—	19,394,660	19,394,660
Other noncurrent assets	226,495	62,574	157,440	381,565	828,074
Total noncurrent assets	<u>3,107,320</u>	<u>3,392,315</u>	<u>410,432,433</u>	<u>22,995,399</u>	<u>439,927,467</u>
Total assets	<u>\$ 10,384,396</u>	<u>6,407,227</u>	<u>415,326,676</u>	<u>22,549,213</u>	<u>454,667,512</u>
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities:					
Accounts payable	\$ 56,365	718	—	—	57,083
Accrued liabilities	1,737,823	—	—	—	1,737,823
Annuities payable	—	—	—	341,860	341,860
Advances from UNM	441,291	—	—	—	441,291
Due to the endowment pools	—	—	4,597,860	(14,537)	4,583,323
Due to UNM	—	3,011,861	—	—	3,011,861
Total current liabilities	<u>2,235,479</u>	<u>3,012,579</u>	<u>4,597,860</u>	<u>327,323</u>	<u>10,173,241</u>
Noncurrent liabilities:					
Annuities payable	—	—	—	1,658,386	1,658,386
Due to UNM	—	3,394,648	95,636,769	—	99,031,417
Total noncurrent liabilities	<u>—</u>	<u>3,394,648</u>	<u>95,636,769</u>	<u>1,658,386</u>	<u>100,689,803</u>
Total liabilities	<u>2,235,479</u>	<u>6,407,227</u>	<u>100,234,629</u>	<u>1,985,709</u>	<u>110,863,044</u>
Deferred inflows of resources:					
Deferred inflows of beneficial interest in irrevocable split interest agreements	—	—	—	19,658,896	19,658,896
Net position:					
Unrestricted	5,822,443	—	—	—	5,822,443
Invested in capital assets	134,462	—	—	—	134,462
Unrestricted, designated for annuities payable	946,150	—	—	—	946,150
Unrestricted, designated for campaign	587,310	—	—	—	587,310
Restricted	658,552	—	315,092,047	904,608	316,655,207
Total net position	<u>8,148,917</u>	<u>—</u>	<u>315,092,047</u>	<u>904,608</u>	<u>324,145,572</u>
Total liabilities and net position	<u>\$ 10,384,396</u>	<u>6,407,227</u>	<u>415,326,676</u>	<u>22,549,213</u>	<u>454,667,512</u>

See accompany 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, 2023

	<u>Operating account group</u>	<u>General account group</u>	<u>Endowment and quasi- endowment account group</u>	<u>Life income account group</u>	<u>Combined total</u>
Operating revenues:					
Donations and pledges, net	\$ 776,112	19,653,369	772,079	—	21,201,560
UNM contract service revenue	5,823,966	—	—	—	5,823,966
Development funding allocation	2,926,039	—	—	—	2,926,039
Nongift revenue	92,277	215,226	—	—	307,503
Total operating revenues	<u>9,618,394</u>	<u>19,868,595</u>	<u>772,079</u>	<u>—</u>	<u>30,259,068</u>
Operating expenses:					
Distributions to UNM	—	19,412,852	16,648,925	146,778	36,208,555
General and administrative expenses	15,116,032	625,161	29,619	195	15,771,007
Total operating expenses	<u>15,116,032</u>	<u>20,038,013</u>	<u>16,678,544</u>	<u>146,973</u>	<u>51,979,562</u>
Operating loss	<u>(5,497,638)</u>	<u>(169,418)</u>	<u>(15,906,465)</u>	<u>(146,973)</u>	<u>(21,720,494)</u>
Nonoperating revenues:					
Investment income, net	84,875	151,998	24,133,247	253,120	24,623,240
Total nonoperating (expenses) revenues	<u>84,875</u>	<u>151,998</u>	<u>24,133,247</u>	<u>253,120</u>	<u>24,623,240</u>
(Loss) income before changes in term and permanent endowments	<u>(5,412,763)</u>	<u>(17,420)</u>	<u>8,226,782</u>	<u>106,147</u>	<u>2,902,746</u>
Changes in term and permanent endowments:					
Donations	—	—	26,138,336	128,983	26,267,319
Institutional transfers to the endowment pools	—	—	597,529	—	597,529
Nongift revenues	—	—	62,227	—	62,227
Adjustment of actuarial liability for annuities payable	—	—	—	265,442	265,442
Expenditure for payments to annuitants and beneficiaries	—	—	—	(284,477)	(284,477)
Total changes in term and permanent endowments	<u>—</u>	<u>—</u>	<u>26,798,092</u>	<u>109,948</u>	<u>26,908,040</u>
Transfers:					
Development funding allocation	5,373,256	—	(5,331,687)	(41,569)	—
Quasi-endowed transfers	755,454	—	(755,454)	—	—
Other transfers	30,593	17,420	(48,013)	—	—
Total transfers	<u>6,159,303</u>	<u>17,420</u>	<u>(6,135,154)</u>	<u>(41,569)</u>	<u>—</u>
Increase in net position	<u>746,540</u>	<u>—</u>	<u>28,889,720</u>	<u>174,526</u>	<u>29,810,786</u>
Net position, beginning of year	<u>7,402,377</u>	<u>—</u>	<u>286,202,327</u>	<u>730,082</u>	<u>294,334,786</u>
Net position, end of year	<u>\$ 8,148,917</u>	<u>—</u>	<u>315,092,047</u>	<u>904,608</u>	<u>324,145,572</u>

See accompany 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, 2023

(1) Measurement Focus and Financial Information

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the assets, liabilities, and net position are reported internally in four self-balancing funds as follows:

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

General Account Group – Expendable funds for conveyance to UNM for scholarships, academic and administrative departments, building projects, and other University-related activities. Currently, the interest and dividends earned on assets in this fund are transferred to the operating account group and retained by the Foundation to provide a portion of the operating budget revenue. Cash held in this fund is restricted for the purpose of distributions to UNM.

Endowment and Quasi-Endowment Account Group – Permanent endowments are those funds subject to restrictions in gift instruments requiring that only the income be used as specified by the donor and that the principal be held in perpetuity. Term endowment funds are funds similar to true endowment funds except that upon the passage of a stated period of time or a particular occurrence, all or part of the principal may be expended. Quasi endowment funds are funds designated by the donor. The principal of quasi-endowment funds may be expended for the donor specified purpose of the endowment at any time.

Life Income Account Group – Account groups subject to the requirement that part of the income earned on the fund assets be paid periodically to donor-designated beneficiaries. Such income payments terminate at a time specified in the agreements, at which time the principal reverts to the Foundation and equivalent revenue is recognized. Annually, any net residual income or loss is credited/charged to the liability account, “annuities payable.” This payable is adjusted annually, through the account group balance, to represent the present value of the aggregate liability for amounts estimated to be paid to beneficiaries based upon the actuarially determined expected lives of the designated beneficiaries.

(2) Transfers

Transfers among these account groups are the result of gifts whose restrictions have been satisfied, donors’ requests to amend their initial gift restrictions, actions of the Board of Trustees, or payment of the development funding allocation.



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Albuquerque, NM 87110-8179

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Trustees
University of New Mexico Foundation, Inc.

and

Mr. Joseph Maestes, P.E.
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), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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



We note certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002.

Foundation's Response to Finding

The Foundation's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Foundation's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
October 19, 2023

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

Summary of Auditor's Results (As Required by Section 12-6-5 NMSA 1978)

Fiscal year ended June 30, 2023

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

Fiscal year ended June 30, 2023

Other Findings as Required by Section 12-6-5 NMSA 1978

**2023-001. Finance personnel have access to change permissions within the accounting application –
Other Matter**

Criteria:

Per the American Institute of Certified Public Accounts (AICPA), segregation of duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable.

Condition:

The responsibility for managing, updating, and changing access permissions and rights within the Foundation's general ledger system is assigned to the Chief Financial Officer who is also a user of the general ledger system and possess certain approval rights within the system. Per review of all transactions recorded during the fiscal year we concluded that the CFO did not prepare any of the transactions during the fiscal year.

Effect:

The lack of segregation of duties between the users of the general ledger system and those with the authorization and ability to make changes to how the general ledger system operates could lead to the circumventing of internal controls in place and the recording of unauthorized and/or inappropriate activity.

Cause:

Management lacked sufficient controls in place over the segregation of duties related to the management of the general ledger system.

Auditor's Recommendation:

Policies and procedures should be revised to ensure that the ability to setup, modify, remove access permissions and other change management functions within the general ledger system are properly segregated from the Foundation's finance and accounting personnel (e.g. assigned to the Foundation's IT department). Necessary access and changes should be submitted, processed and approved via appropriate change management policies and procedures.

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

Schedule of Findings and Responses

Fiscal year ended June 30, 2023

Management Response:

The Managing Director of Finance and Chief Financial Officer serve as the system administrators to the accounting system, specifically for the purpose of adding/removing roles to users of the accounting system. New users are added to the system by the software vendor. The Managing Director of Finance and Chief Financial Officer have always served as the system administrators to the Foundation's accounting systems including the current and prior systems due to the complexity and number of the roles structured over multiple tables in the system, and requires some level of accounting knowledge to ensure a user has the proper access. Users of the accounting system range from report users to transaction processing users. It should be noted that the number of non-finance team users far exceeds the number of finance team users, so ensuring a user has the proper role is critical. The accounting system is also a standalone system used to record accounting transactions, and it is not integrated with other Foundation systems or software programs.

The adding/removing of roles for users is conducted primarily by the Managing Director of the Finance position, and backed up by the Chief Financial Officer. The Chief Financial Officer reviews the system's user activity report for any unsound changes to the Managing Director of Finance user settings and roles. Further, any changes to either of these user roles is performed by the other user, which has been rare and has only happened due to turnover in these positions. Since April 1, 2023, the Managing Director of Finance position has been vacant resulting in the Chief Financial Officer to be the sole system administrator at this time. However, as noted by the auditors, their review of transactions recorded during the fiscal year did not indicate any instances of abuse by the Chief Financial Officer during the fiscal year.

The UNM Foundation takes into full consideration and appreciates the auditor's recommendation to move this responsibility to the Foundation's IT department. However, due to the mentioned reasons above of why the Managing Director of Finance and Chief Financial Officer manage the user roles in the finance system, we don't believe this would be the most effective way to ensure users have the proper access to the accounting system. We do believe that we should move the review of the user roles that is performed by the Chief Financial Officer to the IT department, so that the review is independent and includes a review of both system administrators. This change is also more cost beneficial to the organization as it would require minimal training to the IT department and/or no need to hire an IT professional who has some accounting knowledge to support assigning user roles in the accounting system. The Chief Financial Officer will ensure these changes are implemented by December 31, 2023.

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

Schedule of Findings and Responses

Fiscal year ended June 30, 2023

Other Findings as Required by Section 12-6-5 NMSA 1978

2023-002. Overstatement of amounts due to the University of New Mexico – Other Matter

Criteria:

In accordance with the COSO Internal Control Framework – 2013, control activities are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives associated with the entity’s operations, reporting, and compliance are carried out. Control activities are performed at all levels of the entity, at various stages within business processes. They may be preventive or detective in nature and may encompass a range of manual and automated activities.

Condition:

The Foundation has a Treasury Management Agreement wherein certain UNM owned assets are held and managed by the Foundation. These assets are reported on the books of the Foundation as an investment along with an equal offsetting amount recorded as a payable due to UNM. When the fair value of the total Foundation reported investments changes an adjustment is recorded via unrealized gain/loss. Subsequently, the portion of the unrealized gain/loss associated with the UNM owned assets is reversed via an offsetting entry to the payable due to UNM.

As part of current year audit testwork, we noted that unrealized gain/loss was not consistent with expectations. Upon further investigation it was determined that management incorrectly recorded the year-end adjustment to the portion of the unrealized gain/loss associated with the UNM owned assets. The debits and credits for this adjustment were reversed.

Effect:

The investment income of the Foundation was understated by \$4.9 million associated with unrealized gain/loss, and the payable due to UNM was overstated by the same amount.

Cause:

Management incorrectly accounted for certain of the transactions associated with the Treasury Operating Agreement and internal controls failed to identify the resulting error.

Auditor’s Recommendation:

Policies and procedures should be revised to ensure transactions related to the Treasury Management Agreement, and in particular the transactions related to the recording of unrealized gain/losses and the payable due to UNM are sufficiently reviewed and reconciled back to the Foundation’s books and records.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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Schedule of Findings and Responses

Fiscal year ended June 30, 2023

Management Response:

The year-end entries involve two (2) transactions that are recorded annually to true up the amounts Due to UNM based on the investment activities of two (2) gift funds. These entries are recorded annually at June 30th to true up the Due to UNM balances, and reversed subsequently on July 1. It was an oversight during management's review to ensure the transactions were recorded correctly as a debit and credit. We will ensure the finance staff are trained on proper recording and reviewing of these annual entries, including the current vacant finance staff positions. Of the two (2) vacant finance positions, one is the Director of Finance Position that has been vacant since April 1, 2023, and is highly involved in reconciling and reviewing transactions and balances of the gift funds. The Chief Financial Officer will ensure the updated training of the finance staff is completed by December 31, 2023.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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Summary Schedule of Prior Audit Findings

Fiscal year ended June 30, 2023

None.

UNIVERSITY OF NEW MEXICO FOUNDATION, INC.
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Exit Conference

Fiscal year ended June 30, 2023

An exit conference was conducted on October 19, 2023, in which the contents of this report were discussed with the following:

The Foundation

Audit Committee Members:

Carol Mayo Cochran, Committee Chair

Cheryl Graham Fossum

Debbie Harms

Adam Harrington

Thomas Daulton

Foundation Management:

Nadina Paisano, Chief Financial Officer

Patrick Allen, General Counsel

KPMG LLP

John Kennedy, Partner

John Bunnell, Senior Manager