



NEW MEXICO HIGHLANDS UNIVERSITY

State of New Mexico | Audit Report | June 30, 2010



**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO**

<b>BOARD OF REGENTS AND PRINCIPAL OFFICERS.....</b>	<b>1</b>
<b>MESSAGE FROM THE PRESIDENT .....</b>	<b>2</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	<b>6</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	23
Statement of Revenues, Expenses and Changes in Net Assets .....	24
Statement of Cash Flows.....	26
Notes to Financial Statements .....	28
<b>SUPPLEMENTAL INFORMATION</b>	
Combined Revenues and Expenditures Budget Comparisons .....	49
Unrestricted Current Funds Revenues and Expenditures Budget Comparisons.....	50
Unrestricted Current Funds Summary of Instruction and General Revenues and Expenditures Budget Comparisons .....	51

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO**

Restricted Current Funds Revenues and Expenditures Budget Comparisons .....	52
Restricted Current Funds Summary of Instruction and General Revenues and Expenditures Budget Comparisons .....	53

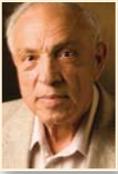
**SCHEDULES**

Schedule of Individual Deposit Accounts.....	54
Schedule of Joint Powers Agreements and Memorandums of Understanding .....	58
Schedule of Expenditures of Federal Awards.....	59
Notes to the Schedule of Expenditures of Federal Awards.....	61

**SINGLE AUDIT SECTION**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	62
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	64
Status of Prior Year Audit Findings.....	67
Schedule of Findings and Questioned Costs.....	68
Exit Conference.....	74

## Board of Regents



### **Leveo V. Sanchez, Chairman**

Leveo Sanchez is a dynamic leader with decades of domestic and international business success and distinguished public service. He is a New Mexico native and returned to the state in 2006. Over the years, Sanchez has shared his expertise tirelessly as a board member with numerous organizations. From 1966 through 2005, Sanchez established several successful businesses in governmental and management consulting, banking, real estate development and investment, property management, and export trading. His term expires on December 31, 2012.



### **Jesus L. Lopez, Vice Chairman**

Jesus L. Lopez was born in Las Vegas, New Mexico, where he has resided his entire life. He is a 1972 graduate of New Mexico Highlands University, majoring in Spanish and political science. He received his Juris Doctorate from the University of New Mexico School of Law, and has been a Las Vegas attorney for 31 years. Lopez has served as counsel to two presidents of Highlands University, and is a former district attorney. He also served 14 years as chairman of the West Las Vegas Board of Education. Always active in civil and political affairs, Lopez also served as chairman of the San Miguel County Democratic Party for more than a decade. His term expires on December 31, 2014.



### **Nancy R. Long**

Nancy Long is president and shareholder of Long, Pound & Komer, P.A., a Santa Fe based law firm, founded in 1987. Her practice is primarily in the areas of land use, transactional work, real estate and commercial representation. She has attained an AV rating, the highest attainable for the rating of lawyers in the United States by Martindale Hubbell. Ms. Long has represented large development projects in the City of Santa Fe as well as representing the County of Santa Fe in its real estate and land use cases. Her term expires on December 31, 2013.



### **Pete Aguilar**

New Mexico Highlands Regent Pete Aguilar earned three degrees from New Mexico Highlands University: an associates in electrical, a bachelor's in industrial arts and a master's in industrial arts and secondary education. Aguilar's experience ranges from operating a successful electrical contracting business, which he founded after receiving his bachelor's degree, to serving as assistant principal and principal of Santa Fe High School. His term expires on December 31, 2010.



### **Gregory Rael**

Student Regent Gregory Rael is completing his master's degree in chemistry at New Mexico Highlands University. During his undergraduate tenure, Rael served as a senator for the Associated Students of New Mexico Highlands University for in 2006-2007. In fall 2007, he served as student body vice president then as interim student body president in the 07/08 academic year. His term expires on December 31, 2010.

## **Principal Administrative Officials**

Dr. James Fries President

Dr. Gilbert Rivera Vice President for Academic Affairs

Dr. William Taylor Vice President for Finance & Administrative Services

Lawrence Trujillo Associate Vice President for Finance & Administrative Services

## **Principal Financial Officials**

Nesbitt Hagood Controller

Jesus Baquera Assistant Controller

## From the President



Founded in 1893, New Mexico Highlands University is a multicultural university at which Hispanic, Native American, and African American students comprise nearly 75% of the enrollment. A master's level university, 40% of our students are pursuing master's degrees in the Schools of Education, Social Work, and Business as well as in several areas of strength in the arts and sciences. Highlands is widely regarded as northern New Mexico's university with centers that stretch from Raton in the northeastern corner to Farmington in the northwestern corner of the State. However, our students come from across the State, the country, and increasingly the world with 19 tribes, 42 states and 33 countries represented.

As you will see in this report, Highlands is fiscally sound and has been able to absorb cut-backs in state funding while still maintaining strong forward momentum. The University has been experiencing enrollment growth and is in the midst of an \$80M list of major capital improvements. This includes a 276 bed suite-style LEED Silver certified residence hall that opened for the fall 2009, a new Student Union now under construction and major remodeling of the Lora Shields Science Building, Felix Martinez Building, Natatorium, and an historic stone building as a home for the Media Arts program. The University is also well along with major updates of its Strategic Plan and has approved a new Campus Master Plan.

The first university in the State to achieve wireless status, the University remains committed to ever more effective uses of technology in the delivery of its educational programs and administrative processes. An open admissions university, Highlands has instituted a diagnostic testing program to better evaluate each student's educational readiness for university work, and seeks to become a leader in value-added education. Students with developmental needs in both reading and mathematics complete a contract for success that provides them with a clear indication of available services and our expectations regarding their use of those services. Being admitted is relatively easy at Highlands, but degree-completion is not.

NMHU is committed to expanding its historic role as the educational leader and economic catalyst for the several school systems and communities in its primary service area, and to building stronger ties with the distinctive Hispanic and Native American traditions of the region. A "we" not "they" campus, we are creating a work and learning environment that fosters integrity, respect, tolerance, fairness, quality, equity, and accountability. The University is moving forward on all fronts by enhancing the educational opportunities and services available for our students.

## Independent Auditors' Report

The Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities and each discretely presented component unit of the New Mexico Highlands University (University) as of and for the years ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the accompanying table of contents. We have also audited the budget comparisons presented as supplemental information for the year ended June 30, 2010, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements of New Mexico Highlands University are intended to present the financial position, and the changes in net assets and cash flows for only that portion of the business-type activities of the State of New Mexico which are attributable to the transactions of New Mexico Highlands University. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2010, or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each discretely presented component units of the University at June 30, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2010 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in Note 1 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of internal control over financial reporting and our tests of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 22 is not a required part of the financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements, each discretely presented component unit, and budgetary comparison presented as supplemental information. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying

The Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

supplemental information in the Schedule of Individual Deposit Accounts and Schedule of Joint Powers Agreement and Memorandums of Understanding, as required by the New Mexico State Audit Rule are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 12, 2010

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2010**

**Introduction**

The following discussion and analysis provides an overview of the financial position and analysis of New Mexico Highlands University (University). It is intended to make the University financial statements easier to understand and communicate our financial situation in an open and accountable manner. It provides an objective analysis of the “University’s” position and results of operations as of and for the year ended June 30, 2010. University management has prepared the financial statements and the related note disclosures in addition to the discussion and analysis. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

The University has one supporting Foundation, **New Mexico Highlands University Foundation, Inc.**, a not-for-profit organization. The financial information of the Foundation is presented in the financial statements as a “discretely presented component unit”. The Foundation does not issue separate financial statements.

The University has one wholly owned research corporation, **Highlands Stable Isotopes Corporation**, a New Mexico University Research Park Act not-for-profit organization. The financial information of this corporation is presented in the financial statements as a “discretely presented component unit”. Copies of this report can be obtained by contacting New Mexico Highlands University, Office of University Relations, PO Box 9000, Las Vegas, New Mexico, 87701.

**Understanding the Financial Statements**

Financial highlights are presented in this discussion and analysis to help your assessment of the University’s financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements which have the following five other parts.

*Report of Independent Auditors* presents an unqualified opinion by our auditors (an independent certified public accounting firm (Moss Adams LLP) on the fairness (in all material respects) of our financial statements.

*Statement of Net Assets* presents the assets, liabilities, and net assets of the University at a point in time (June 30, 2010). Its purpose is to present a financial snapshot of the University. It aids readers in determining the assets available to continue the University’s operations, how much the University owes to vendors, and investors, and a picture of net assets and their availability for expenditures in the University.

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

*Statement of Revenues, Expenses, and Changes in Net Assets (continued)*

*Statement of Revenues, Expenses, and Changes in Net Assets* presents the total revenues earned and expenses incurred by the University for operating, non-operating, and other related activities during a period of time (the year ended June 30, 2010). Its purpose is to assess the University's operating results. This statement begins with a presentation of the operating revenues received by the institution. *Operating revenues* are revenues arising from exchange (earned) transactions. In a public university, such as New Mexico Highlands University, income from state government appropriations, although not earned, are heavily relied upon to pay operating expenses for almost all instruction and general programs; **however, government accounting standards define state appropriations income as non-operating revenue, causing the presentations of a large operating loss on the first page of the Statement of Revenues, Expenses and Changes in Net Assets.** The operating loss is offset by *non-operating revenues* in the next section of this statement, non-operating revenues and (expenses).

*Statement of Cash Flows* presents cash receipts and payments of the University during a period of time (year ended June 30, 2010). Its purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

*Notes to the Financial Statements* present additional information to support the financial statements and are commonly referred to as Note(s). Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

We suggest that you combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, number of undergraduates and graduates completing their degrees, and campus safety. Information about nonfinancial indicators is not included in this analysis, but can be obtained from the University's Office of Information (Sean Weaver – University Relations Director ([slweaver@nmhu.edu](mailto:slweaver@nmhu.edu))).

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

**Financial Highlights**

During the fiscal year ended June 30, 2010, the University's net assets decreased by 1% from \$73.6 million to \$72.6 million and cash and cash equivalents increased by 12.5%, from \$27.2 million to \$30.6 million.

**CONDENSED STATEMENT OF NET ASSETS**

Net Assets as of June 30, 2010 and 2009 (thousands)		
	<u>2010</u>	<u>2009</u>
Assets:		
Current assets	\$41,129	\$34,825
Endowment investments	4,664	4,164
Capital assets, net of accum. depr.	<u>69,753</u>	<u>63,215</u>
Total assets	<u>115,546</u>	<u>102,204</u>
Liabilities:		
Current liabilities	10,410	8,930
Non-current liabilities	<u>32,515</u>	<u>19,676</u>
Total liabilities	<u>42,925</u>	<u>28,606</u>
Net Assets:		
Invested in capital assets, net of debt	36,705	43,473
Restricted for nonexpendable	5,756	4,725
Restricted for expendable	25,026	18,586
Unrestricted	<u>5,134</u>	<u>6,814</u>
Total net assets	<u>\$72,621</u>	<u>\$73,598</u>

**Discussion of Statement of Net Assets**

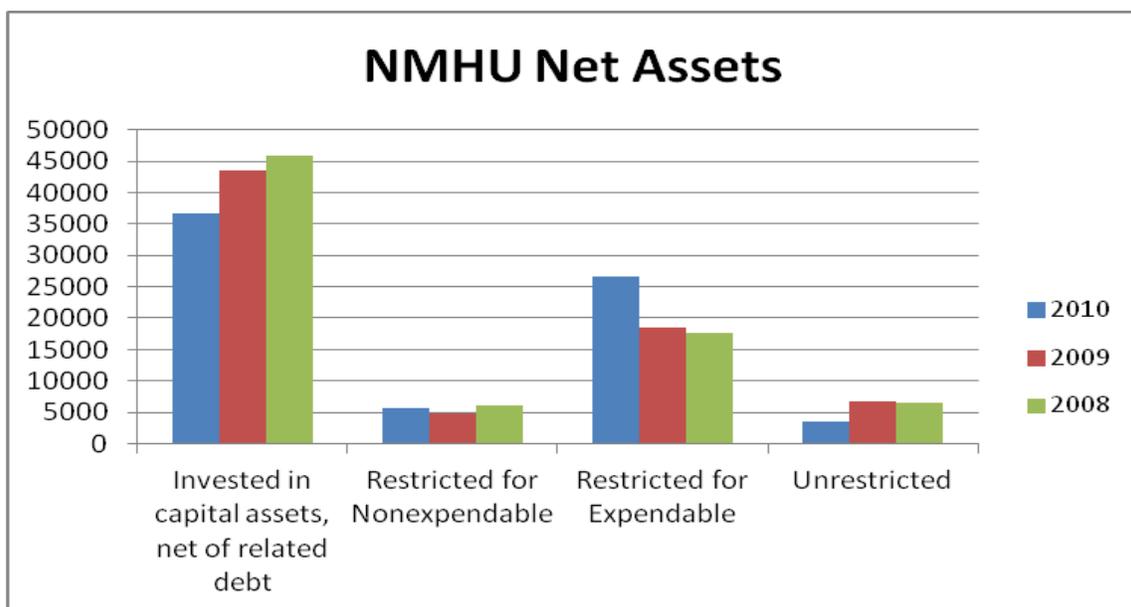
**Current assets** increased 15.3 % during the year. The ending balance of \$41.1 million consists primarily of cash/cash equivalents (\$30.6 million) and receivables (\$5.6 million). Cash/cash equivalents increased 12.5 %. However, it should be noted that all cash and cash equivalents are essential and completely designated for ongoing operations including capital projects. The University attempts to maximize interest earnings by investing funds in the State Investment Council and with the State of New Mexico Local Government Investment Pool. The University has abided by its short term and endowment investment policies, thereby, ensuring liquidity and safety. The University has implemented procedures to collect receivables in a timely manner and is well able to meet all its current financial obligations.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

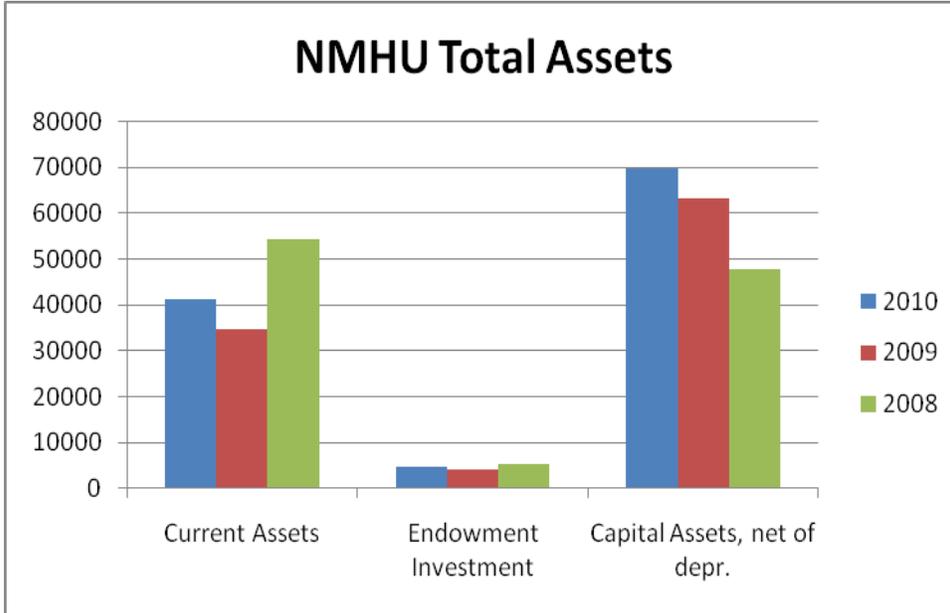
The total cost of **Capital assets** is comprised of land, buildings and improvements, library books, equipment, vehicles, furniture and patents of \$152.9 less accumulated depreciation of \$83.1 million. All capital assets, except land and construction-in-progress, are being **depreciated**, meaning a percentage of the assets’ cost is being charged to operating expenses each year. Consequently, capital assets are shown as a net amount of \$69.8 million (\$152.9 million cost less \$83.1 million accumulated depreciation).

**Total liabilities** of \$42.9 million constitute 38% of total assets and consist primarily of payables/accrued liabilities and accrued compensated absences (\$6.8 million), bonds/notes payable (\$33 million), and deferred revenue (\$2.4 million). Deferred revenue represents amounts prepaid by students, auxiliary enterprises customers, grantors and contractors (or amounts received before the University met all of its requirements for income recognition). These amounts will be recognized as revenue in future period after all conditions have been satisfied.

**Total net assets** decreased by \$0.9 million, or 1%, during the year. The ending balance of \$72.6 million is derived by deducting total liabilities from total assets and shows the composition of the University’s equity. Restricted for nonexpendable (\$5.7 million) represents the University’s endowment corpus, whereas restricted for expendable (\$25 million) represents resources that must be spent according to the stipulations of external entities. Unrestricted net assets (\$5.1 million) are available to the University for any lawful purpose under the full discretion of management.



**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**



**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

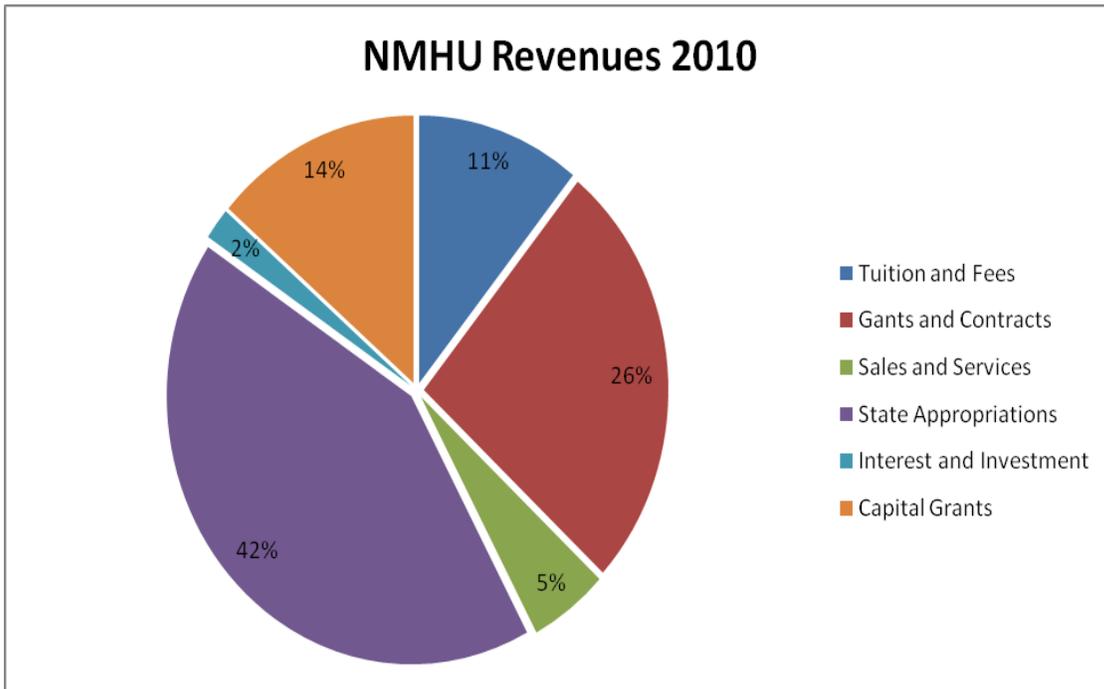
<b>Activities for the years ended June 30, 2010 and 2009 (thousands)</b>		
	<b><u>2010</u></b>	<b><u>2009</u></b>
Operating Revenues:		
Tuition and fees, net	\$ 8,025	\$ 8,678
Grants & contracts	19,315	17,065
Sales and services / other revenue	<u>3,866</u>	<u>4,050</u>
Total operating revenues	<u>31,206</u>	<u>29,793</u>
Operating expenses:		
Instruction and general	35,599	34,602
Other operating expenses	32,356	29,858
Depreciation	<u>5,758</u>	<u>5,234</u>
Total operating expenses	<u>73,713</u>	<u>69,694</u>
Operating loss	<u>(42,507)</u>	<u>(39,901)</u>
Non-operating revenue:		
State general fund appropriations	31,268	33,241
Interest and investment income/(loss)	<u>1,418</u>	<u>(670)</u>
Total Non-operating revenue:	<u>32,686</u>	<u>32,571</u>
Loss before other revenue, expenses, gains, losses	<u>(9,821)</u>	<u>(7,330)</u>
Interest on indebtedness	(577)	(1,221)
Capital appropriations	10,141	5,957
Other	<u>(720)</u>	<u>-</u>
Decrease in net assets	<u>(977)</u>	<u>(2,594)</u>
Net assets, beginning	<u>73,598</u>	<u>76,192</u>
Net assets, ending	<u>\$72,621</u>	<u>\$73,598</u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2010**

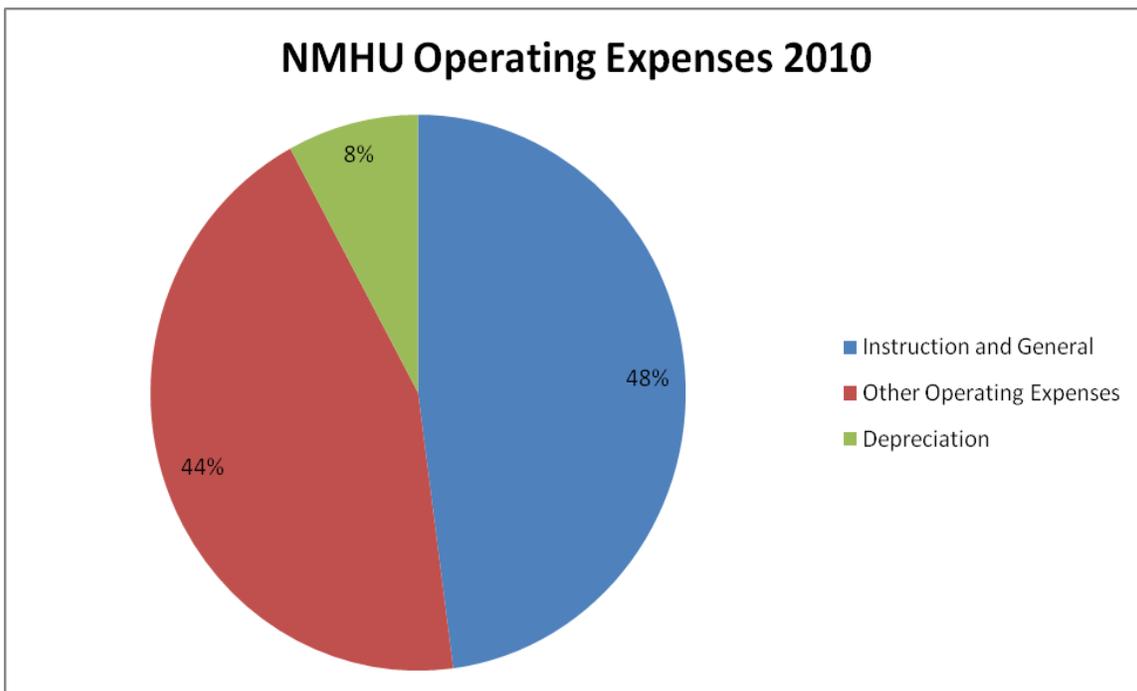
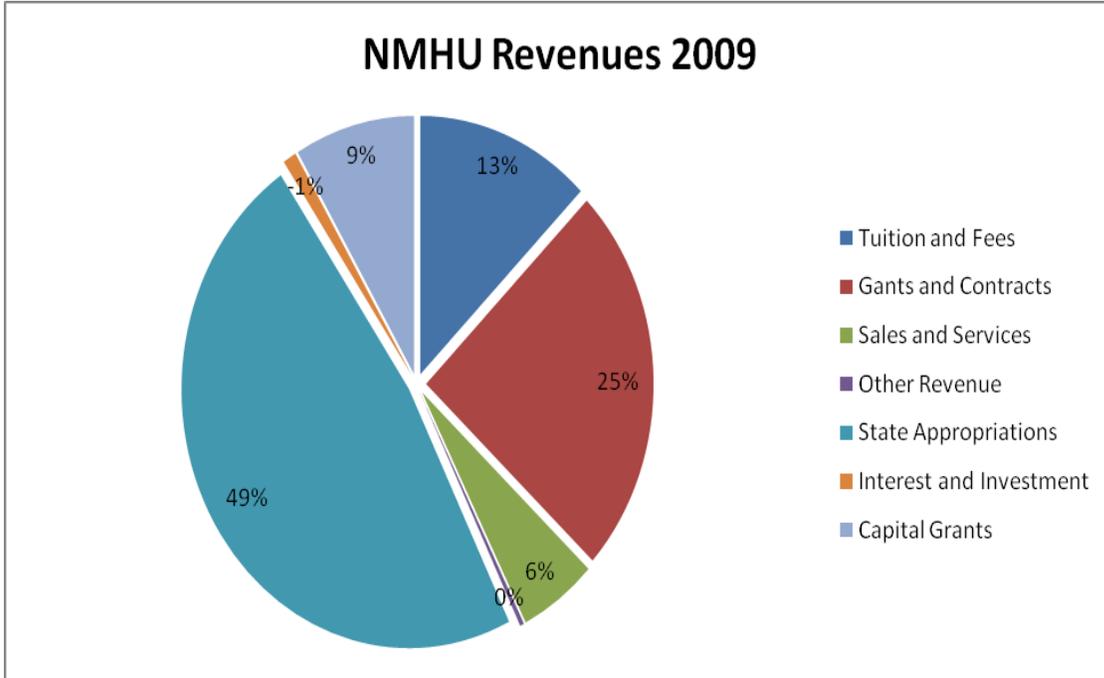
**Discussion of Statement of Revenues, Expenses and Changes in Net Assets**

This statement shows the components that decreased, in the aggregate. The University’s net assets decreased by \$0.9 million during the year. Operating expenses (\$73.7 million) are subtracted from operating revenues (\$31.2 million), resulting in an “operating loss” (\$42.5 million). State general fund appropriations (\$31.3 million), are not included as operating revenue; however, it is reflected as non operating revenue, because they are provided to the University without the state receiving commensurate goods and services in exchange. State general fund appropriations are essential for the University to carry out its instructional and public service mission. **“Income/ (loss) before other revenue, expenses, gains and losses”** was (\$9.8 million). Added to this loss is \$10 million in capital appropriations (federal and state funds designated for construction projects).

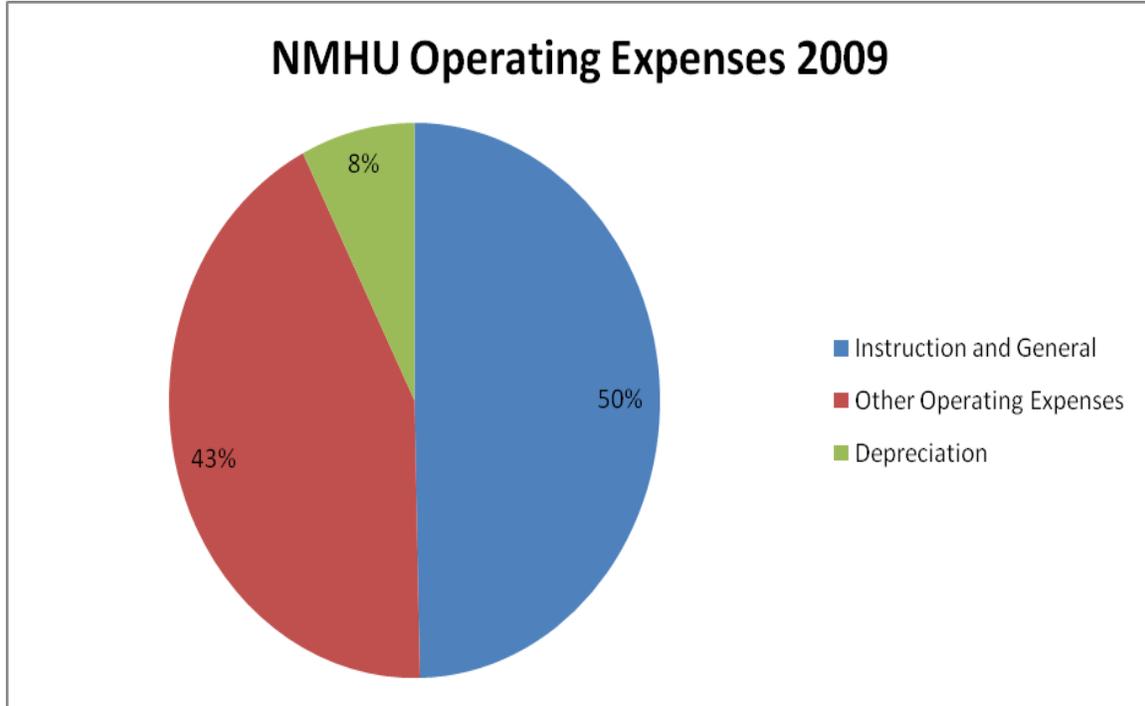
State general fund appropriations decreased by \$1.9 million (5.9%). The state appropriation for general funds for year ended June 30, 2010 was \$31.3 million as compared to state appropriation for year ended June 30, 2009 at \$33.2 million.



**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**



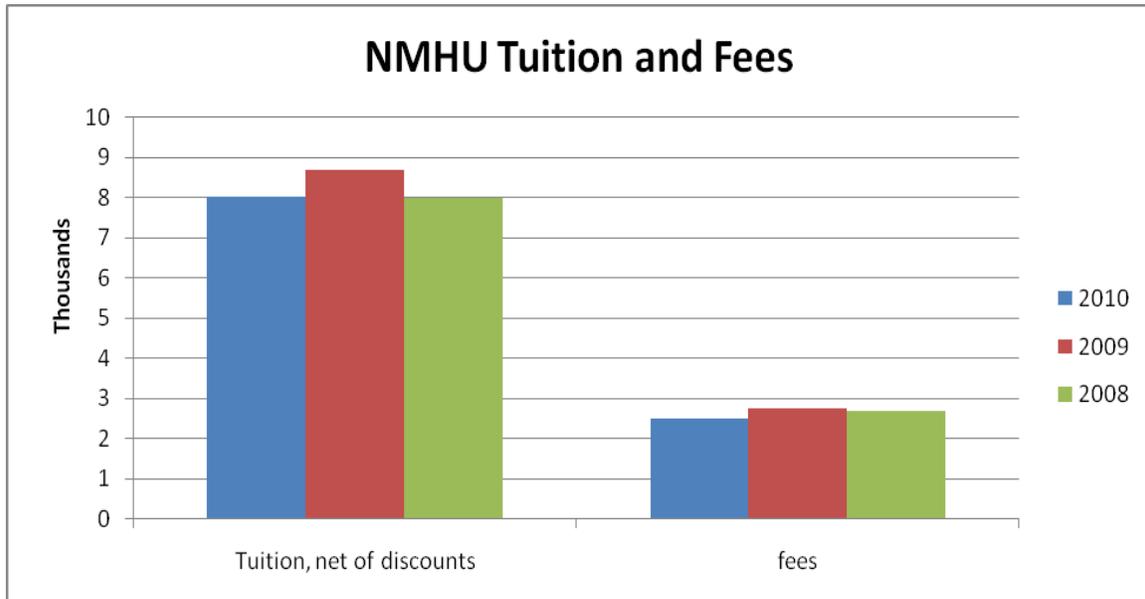
**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**



<b>Analysis of tuition and fees revenue (thousands)</b>				
	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>Increase</b></u> <u><b>(Decrease)</b></u>	
Tuition	\$7,562	\$7,049	513	7.28%
Fees	<u>2,501</u>	<u>2,760</u>	<u>(259)</u>	(9.38)%
Subtotal	10,063	9,809	254	2.59%
Tuition discounts/allowance	<u>(2,038)</u>	<u>(1,131)</u>	<u>(907)</u>	(80.19)%
Net	<u><b>\$8,025</b></u>	<u><b>\$8,678</b></u>	<u><b>(653)</b></u>	( 8.14) %

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

Tuition and fees, net of discounts and allowances, decreased by 8.14%; however, excluding discounts and allowances, which are calculated using a multi-step formula and subtracted from tuition and fees, the latter increased by \$.25 million, or 2.59%.



**CONDENSED STATEMENT OF CASH FLOWS**

Statement of Cash Flows for the years ended June 30, 2010 and 2009 (thousands)		
	2010	2009
Cash flows from operating activities:		
Net cash used by operating activities	\$(39,950)	\$(32,241)
Net cash provided by noncapital financing activities	31,525	38,159
Net cash flow provided by investment activities	1,417	(973)
Net cash used by capital & related financial activity	<u>10,421</u>	<u>(21,343)</u>
Net decrease in cash and cash equivalents	3,413	(16,398)
Cash and cash equivalents, beginning of year	<u>27,276</u>	<u>43,674</u>
Cash and cash equivalents, end of year	<u>\$ 30,689</u>	<u>\$ 27,276</u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

**Discussion of Statement of Cash Flows**

This statement shows the sources and uses of cash and cash equivalents in four standard categories. The University had a \$3.4 million net increase during the year, resulting in an ending cash balance of \$30.6 million.

**Discussion of Budget Comparisons**

Included in this audit report are summary schedules of original budget, final budget, actual results and variances from the final budget. Schedules are prepared on the budgetary basis versus the accrual basis of accounting in a fund accounting format as required by the New Mexico State Auditor.

On the **Restricted Current Funds** and **Restricted Instruction & General** schedules, significant variances between the original budget and final budget are due to the fact that at the time of submission of the original budget (end of April), the amount of grant and contract awards for the following year is difficult to project accurately, because it is often not known which grants and contracts will be funded. Significant variances between actual results and the final budget are primarily due to the fact that most federal grants have a budget period different from the University's fiscal year. The entire grant budgets are typically included in the final budget column, whereas actual results only reflect part of the grants' budget period.

**Discussion of Significant Capital Projects**

The University continues to invest heavily in improvements to its campus. Some projects have been in progress for years. Others are the early results of the development of the University Master Plan, an effort that began in 2009. Capital projects range from the construction of large scale buildings, such as our new residence hall and our planned new student center, to small enhancements upgrading the look and feel of the campus, such as improved signage and lighting. Together, these projects will help revitalize the campus, allowing us to better meet the needs of the Highlands' community. This focus on infrastructure improvements began in FY06, when the New Mexico Higher Education Department undertook a statewide assessment of facility needs. As a result, the 2008 legislative session provided for an additional \$40.0 million distributed through the Building Renewal and Replacement (BR&R) formula to all higher education entities.

The University was the recipient of approximately \$1.7 million from this fund, plus additional appropriations for infrastructure, deferred maintenance, master planning, renovation, equipment, and \$1 million toward a new student center. Ultimately, the University received capital grant appropriations of \$5.7 million designated for physical plant improvements at the main campus. In the spring of 2008, an additional \$1.8 million

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

was requested from the legislature to complete specific infrastructure improvements. The University received an additional \$1.8 million to finish renovation of the Lora Mangum Shields building and \$9.0 million to address infrastructure within the University through General Obligation Bonds.

The total projected cost for recently completed and currently planned capital outlay projects is approximately \$80 million. Major highlights include:

- \$19.4 million for a new 276 bed residence hall (project completed)
- \$5.6 million for renovation of the Science Annex (project completed)
- \$3.0 million for roof replacement and a new HVAC system at Burriss Hall (project completed)
- \$4.0 million for renovation of the Golf Course (project completed)
- \$1.8 million toward remodeling the Lora Mangum Shields Science Building (in progress)
- \$3.5 million for creation of a one-stop shop for student services at the Felix Martinez building (project completed)
- \$20.5 million toward a new student center (in construction)
- \$8.1 million for renovation of the Trolley Building for media arts (in planning stage)
- \$5.3 million in deferred maintenance capital projects (in progress)
- \$9.0 million to address infrastructure within the University (in progress)

Four of these projects plus the campus master plan are discussed below.

***New Student Center***

The University began construction of a new student center in July 2010. The building is designed to meet the needs and expectations of current and future students. Together with the previously constructed residence hall and other improvements, large and small, it will help create an environment that serves to help the University recruit and retain students.

The new student center will be approximately 70,000 square feet and will be located at the corner of 8<sup>th</sup> Street and National Avenue. It will serve as the home for numerous student services. Some of the services that will be housed in the building include: study areas, computer labs, offices for Native American services, international student services, student activities, and student clubs; a board room for student and public meetings, a student art gallery, theatre, ballroom, coffee shop, game room, a copy center, post office,

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

bookstore, and dining facilities adequate to serve 400 students (compared to the current capacity of 250 students). As with the previously constructed residence hall, it is designed to meet LEED Silver Certification.

***Trolley Building Renovation***

During the 2010 legislative session, the University's Board of Regents and Administration made the renovation of the "Trolley Building" their top capital priority and Laws 2010 provided \$7,100,000 to be included in the 2010 General Obligation Bonds to be presented in the November 2010 general election for voter approval. In the Summer of 2010, the Board of Regents reaffirmed the Trolley Building as its top priority.

This historic building is envisioned as the new home for the University's successful media arts program. The Las Vegas Railroad and Power Company Building, or Trolley Building, was erected in 1905. The building is listed in the State Register of Cultural Properties and the National Register of Historic Places. The Office of Cultural affairs has indicated it would be pleased to support New Mexico Highlands University's efforts to repair and reuse this structure. The idea of using a historic building to house a cutting-edge technology program is one way that Highlands honors its history and culture while at the same time immersing its students in 21<sup>st</sup> century educational opportunities. The preservation of this building and its transformation into a media arts facility will be the fifth building on our campus to be included on the National Register.

Media Arts is one of the most successful programs in the College of Arts and Sciences, with over 90 currently declared majors, 15 graduate students, and an excellent paid internship program in partnership with the NM Department of Cultural Affairs, a new AmeriCorps internship program, and a new concentration in photography. However, the current facility is in poor condition and has never been optimally functional as academic housing for this program. Classroom and studio space is inadequate and the program is desperately short of office space for new faculty. The current facility does not support the technological character of the program adequately. Additionally, program expansion is impossible due to space constraints. This is consistent with the emphasis on Media Arts and Film initiatives brought forward by the Executive. The University anticipates significant growth in this area, once the building is renovated to provide studio and classroom space.

The University media arts students are in demand. Students have completed numerous multimedia projects for most major museums across the state; the opening exhibit (Fashioning New Mexico) at the New Mexico History Museum, the 50th anniversary exhibit for the Santa Fe Opera, an exhibit on the emergence of life for the Santa Fe institute that was on display at the National Science Foundation in Washington, D.C. during February 2008. They have also, assisted Site Santa Fe with their biennial program

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

and are currently working with the Smithsonian. Our projects have consistently received rave reviews from viewers as well as host organizations.

***Rodgers Hall Renovation***

The Board of Regents included the renovation of Rodgers Hall as the number two priority for the 2011 Legislative session. Rodgers Hall is a historic two story building that was constructed in 1936 as the University library. It currently houses administrative functions, including the Offices of the President, the Vice President for Finance and Administration, the Vice President for Academic Affairs, the Business Office, the Registrar, and the Human Resources Office.

The building is in need of improvements to its major systems. Renovation of Rodgers Hall will address issues such as ADA compliance, heating and cooling, upgrading of facilities, and overall improvements to space utilization.

***Infrastructure***

Laws 2008 provided \$9 million in General Obligation Bonds to address infrastructure needs within the New Mexico Highlands University campus (Phase 1). Currently, 71% of the funding from the GOB's has been expended or committed. The majority of the funding has been utilized to address heating & cooling needs, and roof replacement & repairs within the University.

Below is a list of some of the projects which have been fully or partially funded utilizing the 2008 GOB's (\$9.0 million for infrastructure);

- Natatorium renovation
- Boiler conversions (campus wide)
- Security cameras (campus wide)
- Parking lot improvements (Student Center and Gregg House)
- Student Center HVAC upgrade
- Roofing at Student Center
- HVAC replacement at Victoria De Sanchez education building
- Retaining wall in front of Hewitt Hall
- Lighting (Campus Police and Industrial Arts lots)
- Drainage improvement at Engineering Building
- Sidewalk improvements and traffic improvements
- Douglas Hall Parking lot renovation

In August of 2010, the Board of Regents approved and submitted a request for an additional \$3.2 million to continue to address infrastructure within the University.

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

***Campus Master Plan***

The University has completed a comprehensive, forward-looking campus master plan. As stated earlier, the plan was submitted to the Board of Regents and approved in July 2010. The projects described above form the center piece of the NMHU Campus Master plan. During the spring 2009 semester, a series of meetings were held with university stakeholders and the Las Vegas community to discuss the results of the firm's review and several potential plans for campus development.

The Master plan found that the University has adequate classroom space for an additional one thousand students. It also reported on the condition of each building and the estimated cost of bringing each building to acceptable building standards.

One of the most interesting aspects of the campus master plan is that it addresses the physical points of entry between the Highlands campus and the rest of the Las Vegas community. The plan identifies several major points of entry (such as 8<sup>th</sup> Street and National Avenue, and 9<sup>th</sup> Street and Washington Avenue) which introduce travelers to the University. The plan discusses the placement of buildings, signage, lighting, and landscaping that will highlight these areas as distinctive and welcoming introductions to the campus.

The plan also addresses the issue of the University's main campus as a pedestrian space with easy and safe access between heavily used areas. The necessary contrast to a pedestrian space, of course, is that adequate and convenient parking must be a part of the finalized plan. The plan proposes a significant change in traffic flow patterns within the University in which National Avenue would turn into a one-lane artery heading west and University remain one-way heading east.

**Factors Impacting Future Periods**

At this time the national economic recession and the State of New Mexico's budget have the University's attention. On October 20, 2010, the State's Department of Finance and Administration and Taxation and Revenue reported the latest economic and revenue forecasts to the Legislative Finance Committee. The condition was serious. The national economy had weakened more than expected and the New Mexico economy had followed the downward trajectory. Consequently, the State's revenue position has weakened considerably.

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

Since July 2008, the University has experienced a reduction in its state appropriation by approximately 17.2% or \$5.9 million. The impact of the state funding specific to students has been 14.69% or approximately \$4.3 million. Athletics has been reduced by 17.45% or \$412.6 thousand and Research and Public Service Projects have been reduced by 52.76% or \$1.1 million.

**State Funding Overview: FY09-FY11**

	<b>I&amp;G</b>	<b>Athletics</b>	<b>RPSP's</b>	<b>Total</b>
FY09	\$29,573.3	\$2,364.3	\$2,080.4	\$34,018.0
FY10	\$28,833.0	\$2,253.4	\$1,474.7	\$32,561.1
FY11 (Initial)	\$26,075.2	\$2,017.1	\$1,015.8	\$29,108.1
FY11 (Aug Adj)	<b>\$25,229.3</b>	<b>\$1,951.7</b>	<b>\$ 982.8</b>	<b>\$28,163.8</b>
FY09-FY11	< <b>\$4,344.0</b> >	< <b>\$412.6</b> >	< <b>\$1,097.6</b> >	< <b>\$5,854.2</b> >
Reduction %	< <b>14.69%</b> >	< <b>17.45%</b> >	< <b>52.76%</b> >	< <b>17.21%</b> >

The State Department of Finance and Administration estimates in October 2010 project deficits in FY11 through FY15. Educational institutions must therefore anticipate additional reductions. The University has maintained a 5% contingency and is prioritizing other potential reductions should such become necessary.

The University has worked closely with students, faculty and the community in providing transparency as it relates to the decrease in state funding.

Organizational changes and consolidation of administrative positions, not filling a number of faculty and staff vacancies, utility savings, reallocation of operating budgets based on actuals, and reduction of contingencies have allowed the University to absorb the reductions without a major impact on the core mission, current faculty and staff, and forward momentum.

**Advancement**

The University will also place a major emphasis on retention and overall enrollment planning during the 2010-11 year. The President is appointing a broad-based committee to evaluate current efforts, results, challenges, and options for more effective policies in terms of encouraging greater student success.

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

The University is also working more closely with the City of Las Vegas on integration of their respective master plans. The University has been asked to and will be calling and facilitating meetings with educational and community leaders to discuss identification of joint efforts that may be possible to achieve greater efficiencies in the use of tax dollars and to establish a more united effort to address major community issues such as economic development.

**Request for Additional Financial Information**

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's vendors and other interested parties with a general overview of the financial position as of June 30, 2010 and the results of operations, cash flows, and budget variances for the year for New Mexico Highlands University.

If you have any questions about this report or need additional financial information, contact the following:

New Mexico Highlands University  
Office of University Relations  
PO Box 9000  
Las Vegas, NM 87701  
www.nmhu.edu  
Phone: (505) 454-3387  
Fax: (505) 454-3386

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF NET ASSETS  
Year Ended June 30, 2010

	Primary Institution	Component Units	
		Highlands Stable Isotopes Corporation	New Mexico Highlands University Foundation, Inc.
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents (Note 2)	\$ 30,689,469	-	987,299
Assets held by others (Note 8)	1,176,607	-	-
Accounts receivable (Note 3) (net of an allowance of \$3,189,978)	2,220,333	-	-
Grants receivable (Note 6) (net of an allowance of \$411,630)	2,362,410	-	-
Due from State of New Mexico (Note 7)	3,149,279	-	-
Due from component unit	279,386	-	-
Other receivables	80,034	-	229,369
Inventories (Note 4)	1,127,964	-	-
Prepaid assets	43,621	-	3,627
<b>Total current assets</b>	<b>41,129,103</b>	<b>-</b>	<b>1,220,295</b>
Noncurrent Assets			
Investments (Note 5)	4,664,389	-	4,200,404
Capital assets, net of accumulated depreciation (Note 9)	69,753,031	-	2,352,316
<b>Total noncurrent assets</b>	<b>74,417,420</b>	<b>-</b>	<b>6,552,720</b>
<b>Total assets</b>	<b>\$ 115,546,523</b>	<b>-</b>	<b>7,773,015</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities (Note 10)	\$ 5,930,587	-	24,112
Accrued compensated absences (Note 11)	909,005	-	-
Due to University	-	279,386	-
Deferred revenue (Note 14)	2,467,685	-	-
Bonds payable-current portion (Note 11)	842,800	-	-
Notes payable-current portion (Note 11)	-	-	268,264
Accrued interest payable (Note 10)	259,715	-	1,864
<b>Total current liabilities</b>	<b>10,409,792</b>	<b>279,386</b>	<b>294,240</b>
Noncurrent Liabilities			
Accrued compensated absences	309,755	-	-
Bonds payable long-term portion (Note 12)	32,205,118	-	-
Assets held for others	-	-	1,176,607
Notes payable-long term portion	-	-	638,176
<b>Total noncurrent liabilities</b>	<b>32,514,873</b>	<b>-</b>	<b>1,814,783</b>
<b>Total liabilities</b>	<b>42,924,665</b>	<b>279,386</b>	<b>2,109,023</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of debt	36,705,113	-	1,445,876
Restricted for			
Nonexpendable			
Restricted for scholarships and grants	5,755,976	-	4,411,363
Expendable			
Loans	1,121,464	-	-
Capital projects	22,109,590	-	-
Debt service	3,361,833	-	-
Unrestricted (deficit)	3,567,882	(279,386)	(193,247)
<b>Total net assets</b>	<b>72,621,858</b>	<b>(279,386)</b>	<b>5,663,992</b>
<b>Total net assets and liabilities</b>	<b>\$ 115,546,523</b>	<b>-</b>	<b>7,773,015</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
Year Ended June 30, 2010

	Primary Institution	Component Units	
		Highlands Stable Isotopes Corporation	New Mexico Highlands University Foundation, Inc.
<b>Operating revenues</b>			
Tuition and fees	\$ 10,063,151	-	-
Tuition discounts and allowances	(2,038,474)	-	-
	8,024,677	-	-
Federal grants and contracts	13,898,063	-	-
State and local grants and contracts	3,048,080	-	-
Private grants and contracts	2,182,899	-	-
State land, permanent fund and investment income	257,371	-	160,156
Sales and services of auxiliary enterprises	4,856,384	-	-
Contributions	-	-	2,418,376
Other	(1,061,147)	-	473,142
<b>Total operating revenues</b>	<b>31,206,327</b>	<b>-</b>	<b>3,051,674</b>
<b>Expenses</b>			
Instruction and general			
Instruction	18,335,023	-	-
Academic support	2,784,005	-	-
Student services	3,283,577	-	-
Institutional support	6,033,771	-	-
Operations and maintenance support	5,163,036	-	-
	35,599,412	-	-
Student social/cultural development	812,358	-	-
Research	2,036,597	-	-
Public service	9,647,571	-	-
Student aid grants and stipends	8,101,579	-	163,178
Tuition discounts and allowances	(2,038,474)	-	-
Auxiliary enterprises	5,346,013	-	-
Athletics	2,492,380	-	-
Other expenditures	5,957,711	279,386	1,437,138
Depreciation	5,758,013	-	57,698
<b>Total operating expenses</b>	<b>73,713,160</b>	<b>279,386</b>	<b>1,658,014</b>
Operating (loss) income	(42,506,833)	(279,386)	1,393,660

See Notes to Financial Statements.

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS (CONTINUED)  
Year Ended June 30, 2010

	Primary Institution	Component Units	
		Highlands Stable Isotopes Corporation	New Mexico Highlands University Foundation, Inc.
Non operating revenues (expenses)			
State appropriations	\$ 31,268,050	-	-
Interest and investment gains	1,417,577	-	-
<b>Net non-operating revenues</b>	<b>32,685,627</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before other revenues, expenses, gains and losses</b>	<b>(9,821,206)</b>	<b>(279,386)</b>	<b>1,393,660</b>
Other			
Capital appropriations	10,142,923	-	-
Interest on indebtedness	(577,479)	-	-
Other	(720,020)	-	-
<b>(Decrease) Increase in net assets</b>	<b>(975,782)</b>	<b>(279,386)</b>	<b>1,393,660</b>
Net assets			
Net assets, beginning of year	73,597,640	-	4,270,332
<b>Net assets, end of year (deficit)</b>	<b>\$ 72,621,858</b>	<b>(279,386)</b>	<b>5,663,992</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2010**

	Primary Institution	Component Units	
		Highlands Stable Isotopes Corporation	New Mexico Highlands University Foundation, Inc.
Cash flows from operating activities			
Contributions	\$ -	-	440,294
Tuition and fees	8,055,994	-	-
Grants and contracts	18,550,555	-	-
Sales and services of educational activities	4,856,384	-	-
Other operating receipts	(2,955,732)	-	1,780,466
Payments to employees for salaries and benefits	(37,762,763)	-	-
Payments to suppliers	(30,694,124)	-	(1,658,014)
<b>Net cash (used) provided by operating activities</b>	<b>(39,949,686)</b>	<b>-</b>	<b>562,746</b>
Cash flows from noncapital financing activities			
State appropriations	31,268,050	-	-
Land and permanent fund	257,371	-	-
<b>Net cash provided by noncapital financing activities</b>	<b>31,525,421</b>	<b>-</b>	<b>-</b>
Cash flows from investment activities			
Purchases of investments	-	-	-
Investment income	1,417,577	-	100,240
Unrealized gain on assets	-	-	(159,944)
Interest received on investments	-	-	7,513
<b>Net cash provided (used) by investment activities</b>	<b>1,417,577</b>	<b>-</b>	<b>(52,191)</b>
Cash flows from capital and related financing activities			
State appropriations for capital	10,142,923	-	-
Cash paid for capital assets	(12,040,756)	-	-
Principal payment on bonds	(692,933)	-	-
Interest payment on bonds	(577,479)	-	-
Bond issuance cost	(720,020)	-	-
Proceeds from lease	-	-	372,902
Proceeds from bonds	14,308,860	-	-
<b>Net cash provided by capital and related financing activities</b>	<b>10,420,595</b>	<b>-</b>	<b>372,902</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,413,907</b>	<b>-</b>	<b>883,457</b>
Cash and cash equivalents, beginning of year	27,275,562	-	103,842
<b>Cash and cash equivalents, end of year</b>	<b>\$ 30,689,469</b>	<b>-</b>	<b>987,299</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2010

	Primary Institution	Component Units	
		Highlands Stable Isotopes Corporation	New Mexico Highlands University Foundation, Inc.
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating (loss) income	\$ (42,506,833)	(279,386)	1,393,660
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Depreciation expense	5,758,013	-	57,698
Non cash adjustment to allowance to depreciation	(1,345,915)	-	-
Changes in assets and liabilities			
Receivables	(2,738,305)	-	(874,634)
Inventories	(59,275)	-	-
Other assets	190,714	279,386	-
Accounts payable and accrued expenses	704,015	-	(13,978)
Deferred revenue	39,179	-	-
Investment and interest income	-	-	-
Compensated absences	8,721	-	-
<b>Net cash (used) provided by operating activities</b>	<b>\$ (39,949,686)</b>	<b>-</b>	<b>562,746</b>

See Notes to Financial Statements.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Creation and Purposed Entity.*** New Mexico Highlands University (University) formerly known as New Mexico Normal University, was established in 1893 when New Mexico was still a territory. The institution began operations in October 1898 and in 1917, the institution became a four-year teacher training college awarding the Bachelor of Arts degree. Graduate work in certain departments, leading to the degrees of Master of Arts and Master of Science, were added in the late 1920's and the mid-1950's, respectively. In 1941, the New Mexico Legislature changed the name of the institution to New Mexico Highlands University. The University's campus, including its golf course, encompasses approximately 176 acres in Las Vegas, in the northeastern portion of New Mexico.

***Governance.*** The University is controlled and managed by a Board of Regents consisting of five members appointed by the Governor, with the advice and consent of the New Mexico Senate, for a term of six years, except for the Student Representative, who serves for a term of two years. Not more than three of the Regents shall belong to the same political party at the time of their appointment. Four of the five members of the Board must be qualified electors of the State, and the fifth member shall be a member of the student body of the institution. The Board of Regents constitutes a body politic and corporate, and has the power to sue and be sued, to contract and be contracted with, and the title to all property belonging to the University is vested in this corporate body and successors.

***Basis of Accounting.*** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

***Basis of Presentation and Financial Reporting Entity.*** New Mexico Highlands University and its component units present their financial statements in accordance with Governmental Accounting Standards Board (GASB) 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB 35 – Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities; GASB 37 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; and GASB 38 – Certain Financial Statement Note Disclosures. This financial report provides an entity-wide perspective of the University's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The University has adopted Governmental Accounting Standards Board Statement No 39, determining whether certain organizations are component units, an amendment of GASB Statement 14 (GASB 39). GASB 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the University. As required by GASB 14 and 39, these basic financial statements present the University and its component units for which the University is considered to be financially accountable. These were selected for inclusion based on criteria as set forth in GASB 14 and 39. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the University. The decision to include a potential component unit in the University's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following discretely presented component units are included in these financial statements.

- **New Mexico Highlands Foundation, Inc. (Foundation)**  
The Foundation was organized as a not-for-profit New Mexico corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation receives support from contributions, earnings on investments and rental of real estate. The Foundation does not issue separate financial statements.
- **Highlands Stable Isotopes (HSI)**  
Highlands Stable Isotopes Corporation was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University – Research Park and Economic Development Act. The new corporation was filed under the New Mexico Non-profit Corporation Act and is seeking Section 501(c)(3) of the Internal Revenue Code of 1986 statutes. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University.

The University adopted GASB 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement 3. The GASB 40 statement addresses common deposit and investment risk related to custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. It also requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates as well as identification of deposit and investment policies related to the risks.

*Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Budget.*** The University follows the requirements established by the New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through the HED's policy that, when the appropriation has been made to the University, its Board of Regents can, in general, adopt an operating budget within the limits of available income.

*Procedures for Approval of Operating Budgets*

1. The institution submits an original budget approved by the institution's regents to the HED's office by May 1st.
2. The HED meets in June and acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for expenditures to the University in subsequent years pursuant to the General Appropriation Act of 2004, Section 4, J (Higher Education).

***Budgetary Control.*** Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.

The Accompanying Schedule of Budget and Actual – Current and Plant Funds, for year ended June 30 2010, (the "schedule") is prepared on the basis of accounting prescribed by the State of New Mexico, Higher Education Department (the Department). The Department requires budgets for current restricted, current unrestricted and plant fund revenues and expenditures on a basis consistent with the financial reporting model used by the University prior to implementation of GASB Statements No. 34 and 35. Additions to capital assets and debt principal retirements are reported as expenditures on the budget basis, but not on the basis required by generally accepted accounting principles (GAAP). Depreciation expense, scholarship allowance, Perkins Loans/Endowment Scholarship and Endowment/Agency expenditures are GAAP requirements not included on the budget basis submitted to HED.

***Cash and Cash Equivalents.*** For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments.** Certain investments such as debt and equity securities and pooled investment funds are recorded at market value in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gain or (loss) on the carrying value of investments are reported as investment income in the statements of revenues, expenses and changes in net assets. The carrying value of investments is based on quoted market prices. Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents.

**Inventory.** Inventories of supplies and materials held for sale or use are stated substantially at the lower of cost (first-in, first-out) or market value.

**Income Taxes.** The University, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

**Accounts Receivable.** The University records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses.

**Deferred Income.** Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2010 are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2010. Deferred revenues also include amounts received from grant and contract sponsors that have not been earned.

**Noncurrent Investments.** Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

**Capital Assets.** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment (including software), the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University does not capitalize historical treasures or works of art.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 25 years for buildings, 15 years for land improvements, 10 years for library books, 5 to 12 years for furniture, fixtures and equipment and 5 years for autos.

**Compensated Absences.** The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. The current portion of the accumulated vacation leave is based on the previous year's data. Accrued vacation up to 240 hours is recorded at 100% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA).

**Noncurrent Liabilities.** Noncurrent liabilities include (1) principal amounts of revenue bonds payable and notes payable; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

**Net Assets.** The University's net assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt.** This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**Restricted Net Assets - Nonexpendable.** Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

**Restricted Net Assets - Expendable.** Expendable restricted net assets are resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

**Unrestricted Net Assets.** Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted, and then toward unrestricted resources.

*Classification of Revenues.* The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating Revenues.* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

*Non-operating Revenues.* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

*Special Appropriation.* The University receives special appropriations during the year. When an expense is incurred that can be paid using either unrestricted or special appropriation resources, the University's policy is first apply the expense toward the special appropriation. The special appropriation funds are non-reverting and were spent during the year.

**NOTE 2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand; cash in banks, certificates of deposit with various financial institutions, and an investment in the New Mexico State Treasurer Local Government Investment Pool.

	New Mexico Highlands University	Component Unit NMHU Foundation
Cashier's Cash	\$ 15,918	-
Bank Deposits	27,925,407	987,299
Bank of New York Mellon	2,402,715	-
State Treasurer Local Government Investment Pool	345,429	-
	<u>\$ 30,689,469</u>	<u>987,299</u>

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

***Custodial Credit Risk*** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 6-10-17, New Mexico Statutes requires that all depositories of the University provide collateral equal to at least one-half of the amount of uninsured public monies on deposit. Per State Auditor's Rule 2.2.2.10 N. Public Monies: Cash on deposit with the State Treasurer does not require disclosure of specific pledged collateral for amounts held by the State Treasurer.

As of June 30, 2010, none of the University's bank balance of \$30,689,469 was exposed to custodial credit risk.

***Credit Risk***. The University has money market funds and investments in the local government investment pool that are considered cash. As of June 30, 2010, the University's money market accounts are backed by commercial paper and other debt instruments that are rated AAA by Moody's Investor Service.

***Interest Rate Risk***. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***New Mexico State Treasurer Local Government Investment Pool***. As of June 30, 2010, the State Treasurer Investment Pool was paying the University .1812 percent per annum. The interest rate is determined by the State Treasurer. The following applies to the State Treasurer Investment Pool:

- The investments are valued at fair value based on quoted market prices as of the valuation date.

The New Mexico State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The reader should examine the State Treasurer's separately issued financial statements for such disclosures.

The pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the perspective amounts deposited in the fund and the length of time the amounts fund were invested; and participation is voluntary. The State Treasurer's rating of investments are for an average maturity of 50 days and the rating is AAAM by Standard & Poor's.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts Receivable as of June 30, 2010, consisted of the following:

Student accounts receivable	\$ 4,148,626
Perkins loan receivable	1,078,207
Bookstore receivable	151,625
Rio Rancho bookstore receivable	<u>31,853</u>
<b>Total student accounts receivable</b>	5,410,311
Allowance for uncollectible accounts	<u>(3,189,978)</u>
<b>Accounts receivable, net</b>	<u><u>\$ 2,220,333</u></u>

**NOTE 4. INVENTORIES**

At June 30, 2010, inventories of the University are summarized as follows:

Facilities services	\$ 501,046
Bookstore	377,611
Rio Rancho bookstore	49,561
Athletics	159,176
Golf course	<u>40,570</u>
<b>Total inventory</b>	<u><u>\$ 1,127,964</u></u>

**NOTE 5. INVESTMENTS**

At June 30, 2010, investments of the University and its components units are summarized as follows:

	New Mexico Highlands University	Component Unit NMHU Foundation
State Investment Council	\$ 2,109,493	-
State Investment Council (land grant)	2,554,896	-
Mutual funds	-	915,216
Common stocks	-	2,282,565
U.S. obligations	-	282,495
U.S. agency obligations	-	124,479
International bonds	-	10,800
U.S. corporate bonds	-	584,849
<b>Total investments</b>	<u><u>\$ 4,664,389</u></u>	<u><u>4,200,404</u></u>

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5. INVESTMENTS (CONTINUED)**

**Interest Rate Risk.** The University does not have a provision in its' formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** The University has an investment policy that requires an allocation percentage of a maximum of 75% of the funds will be invested and a minimum of 35% in both equities and fixed income securities.

**Foundation Investment Risk.** As of June 30, 2010, the Foundation had the following investments subject to investment rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
U.S. obligations	\$ 282,495	3.69
U.S. agency obligations	124,479	3.56
International bonds	10,800	1.29
U.S. corporate bonds	<u>584,849</u>	<u>2.58</u>
	<u>\$ 1,002,623</u>	
Portfolio weighted average maturity		<u><u>2.78</u></u>

The Foundation is not required to follow State Statutes and therefore no collateralization is required. As of June 30, 2010, none of the Foundation's bank balance was exposed to uncollateralized and uninsured amounts.

**Foundation Credit Risk.** As of June 30, 2010, the Foundation had the following investments subject to investment rate risk:

U.S. Corporate Bonds:

<u>Rating</u>	<u>Fair Value</u>
No Rating	\$ 6,096
AA	124,928
A	388,049
BAA	30,898
BBB	32,533
B1	<u>2,345</u>
	<u>\$ 584,849</u>

International Bonds:

<u>Rating</u>	<u>Fair Value</u>
BAA	\$ 3,930
A3	<u>6,870</u>
	<u>\$ 10,800</u>

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5. INVESTMENTS (CONTINUED)**

U.S. Agency Obligations:

<u>Rating</u>	<u>Fair Value</u>
AAA	<u>\$ 124,479</u>

U.S. Obligations:

<u>Rating</u>	<u>Fair Value</u>
AAA	<u>\$ 282,495</u>

The endowment spending policy is in concert with the long term endowment management philosophy of the University, which is to preserve the permanent viability of the endowment. The University supports vital scholarship and other programs from earning of its endowment. These programs are in concert with provisions established by donors of the endowment.

Net appreciation/depreciation on donor-restricted endowments and related investment income are recorded as an increase in temporarily restricted net assets until the amount is expended in accordance with donor specifications and in accordance with the State of New Mexico Uniform Management of Institutional Funds Act (Chapter 46, Article 9, NMSA 1978). During the current year, donor-restricted endowments had net appreciation of \$139,439 and investment income of \$80,872.

**NOTE 6. GRANTS RECEIVABLE**

As of June 30, 2010, grants receivables consisted of the following:

Federal grants	\$ 1,297,293
State grants	513,990
Private grants	548,931
Other grants	<u>413,826</u>
<b>Total grants receivables</b>	2,774,040
Allowance for uncollectible grant receivable	<u>(411,630)</u>
Grants receivable, net	<u>\$ 2,362,410</u>

**NOTE 7. DUE FROM STATE OF NEW MEXICO**

The amount of \$3,149,279 on the Statement of Net Assets consists of amounts due for capital projects as of June 30, 2010.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8. ASSETS HELD BY OTHERS**

As of June 30, 2010, assets held by others on the Foundation consists of the following:

Foundation Endowment \$ 1,176,607

**NOTE 9. PROPERTY, PLANT AND EQUIPMENT**

The following schedule presents the changes in capital assets and accumulated depreciation by major asset category for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets not being depreciated				
Land	\$ 2,041,632	-	-	<b>2,041,632</b>
Artwork	71,650	-	-	<b>71,650</b>
Construction-in-progress	14,988,949	448,127	15,437,076	-
<b>Total capital assets not being         depreciated</b>	<u>\$ 17,102,231</u>	<u>\$ 448,127</u>	<u>15,437,076</u>	<u><b>2,113,282</b></u>
Other capital assets				
Land improvements	\$ 15,392,696	8,094,590	-	<b>23,487,286</b>
Buildings	84,505,702	18,232,292	882,360	<b>101,855,634</b>
Furniture, fixtures and equipment	16,762,657	896,760	743,926	<b>16,915,491</b>
Library materials	8,213,953	372,945	104,147	<b>8,482,751</b>
Patents	-	73,686	-	<b>73,686</b>
<b>Total other capital assets</b>	<u>124,875,008</u>	<u>27,670,273</u>	<u>1,730,433</u>	<u><b>150,814,848</b></u>
Less accumulated depreciation for				
Land improvements	4,251,375	1,489,935	-	<b>5,741,310</b>
Buildings	53,330,073	3,038,170	415,794	<b>55,952,449</b>
Furniture, fixtures and equipment	13,961,066	854,124	825,978	<b>13,989,212</b>
Library materials	7,220,494	375,784	104,147	<b>7,492,131</b>
<b>Total accumulated depreciation</b>	<u>78,763,008</u>	<u>5,758,013</u>	<u>1,345,919</u>	<u><b>83,175,102</b></u>
<b>Other capital assets, net</b>	<u>\$ 46,112,000</u>	<u>21,912,260</u>	<u>384,514</u>	<u><b>67,639,746</b></u>
Capital assets summary				
Capital assets not being depreciated	\$ 17,102,231	448,127	15,437,076	<b>2,113,282</b>
Other capital assets	124,875,008	27,670,273	1,730,433	<b>150,814,848</b>
<b>Total cost of capital assets</b>	<u>141,977,239</u>	<u>28,118,400</u>	<u>17,167,509</u>	<u><b>152,928,130</b></u>
Less accumulated depreciation	78,763,005	5,758,013	1,345,919	<b>83,175,099</b>
<b>Capital assets, net</b>	<u>\$ 63,214,234</u>	<u>22,360,387</u>	<u>15,821,590</u>	<u><b>69,753,031</b></u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation expense for the year totaled \$5,758,013.

**New Mexico Highlands University Foundation, Inc.**

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets not being depreciated				
Land	\$ 794,460	-	-	<u>794,460</u>
Other capital assets				
Buildings	<u>2,250,237</u>	-	-	<u>2,250,237</u>
Less accumulated depreciation for				
Buildings	<u>634,684</u>	<u>57,697</u>	-	<u>692,381</u>
Other capital assets, net	<u>\$ 1,615,553</u>	<u>(57,697)</u>	-	<u>1,557,856</u>
Capital assets summary				
Capital assets not being depreciated	\$ 794,460	-	-	794,460
Other capital assets, at cost	<u>2,250,237</u>	-	-	<u>2,250,237</u>
<b>Total cost of capital assets</b>	3,044,697	-	-	3,044,697
Accumulated depreciation	<u>(634,684)</u>	<u>(57,697)</u>	-	<u>(692,381)</u>
<b>Capital assets, net</b>	<u>\$ 2,410,013</u>	<u>(57,697)</u>	-	<u>2,352,316</u>

**NOTE 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The \$5,930,587 amount consists of \$3,222,392 of accounts payables and other liabilities, and \$2,708,195 of accrued payroll tax liabilities.

**Discretely Presented Component Unit - Foundation**

The \$24,112 amount consists of the Foundation's \$24,112 of accounts payables, and \$22,248 of accrued interest liabilities.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 11. LONG-TERM LIABILITIES**

Long-term liability activity for the University for the Year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Deletions	<b>Balance June 30, 2010</b>	Amount Due Within One Year
Bonds payable	\$ 19,740,851	14,000,000	(692,933)	<b>33,047,918</b>	842,800
Accrued compensated balances	\$ 1,210,038	1,218,760	(1,210,038)	<b>1,218,760</b>	909,005

**New Mexico Highlands University Foundation, Inc.**

Long-term liability activity for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Deletions	<b>Balance June 30, 2010</b>	Amount Due Within One Year
Notes payable	\$ 1,156,379	-	(249,939)	<b>906,440</b>	268,264

**NOTE 12. BONDS PAYABLE AND NOTES PAYABLE**

The bonds are collateralized by substantially all unrestricted revenues, excluding state appropriations. Bonds payable consist of the following:

Systems refunding revenue bonds services, 2008, issued April 18, 2008, with interest ranging from 3.10% to 4.85% - final maturity 2034.	\$ 19,262,918
Systems refunding revenue bonds services, 2009A issued October 15, 2009, with interest ranging from 3.00% to 4.50% - final maturity 2021.	4,555,000
Systems refunding revenue bonds services, 2009B, issued October 15, 2009, with interest ranging from 5.32% to 6.07% - final maturity 2034.	<u>9,230,000</u>
Total bonds payable	33,047,918
Less amounts due within one year	<u>(842,800)</u>
Long term bonds payable	<u>\$ 32,205,118</u>

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 12. BONDS PAYABLE AND NOTES PAYABLE (CONTINUED)**

Debt service requirements for future fiscal years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 842,800	1,558,287	2,401,087
2012	868,671	1,531,956	2,400,627
2013	895,512	1,504,356	2,399,868
2014	928,282	1,471,831	2,400,113
2015	962,144	1,437,617	2,399,761
2016-2020	5,343,367	6,652,630	11,995,997
2021-2025	6,519,015	5,417,810	11,936,825
2026-2030	8,038,482	3,629,817	11,668,299
2031-2035	8,649,645	1,314,869	9,964,514
Total	<u>\$ 33,047,918</u>	<u>24,519,173</u>	<u>57,567,091</u>

The Foundation has a note payable which was used to pay off existing real property and indebtedness.

Seven year note payable	<u>Amount</u>
July 30, 2013 with 60 monthly payments of \$27,000 and one irregular last payment of \$41,289 at a 7% fixed interest rate.	
The note is secured with building and land.	\$ 906,440
Current portion	<u>(268,264)</u>
Total long-term portion	<u>\$ 638,176</u>

The scheduled maturity of note payable for the Foundation is as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 268,264
2011	287,847
2012	309,040
2013	<u>41,289</u>
	<u>\$ 906,440</u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 13. DEFERRED REVENUE**

As of June 30, 2010, deferred revenue consisted of the following:

Grants and Contract	\$ 1,314,607
Stafford Loans	213,056
Tuition	914,822
Housing/meal Plan	<u>25,200</u>
Total	<u>\$ 2,467,685</u>

**NOTE 14. RISK MANAGEMENT**

*State Risk Management Pool.* The University as a state university defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for coverage provided in the following areas:

1. Liabilities
  - Workers Compensation
  - General Liability
  - Law Enforcement
  - Medical Malpractice
  - Auto Liability
  - Civil Rights
  - State Unemployment Insurance
2. Property
  - Fine Arts
  - Blanket Property
  - Boiler & Machinery
  - Auto Physical Damage
  - Crime

**NOTE 15. EMPLOYEE BENEFITS**

*Plan Description.* Substantially all of the New Mexico Highlands University full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 15. EMPLOYEE BENEFITS (CONTINUED)**

**Retirement Plan.** Employees of the University participate in a defined benefit contributory retirement plan through the Educational Retirement Act (ERA) of the State of New Mexico; certain faculty may opt into an alternate retirement plan invested in tax-sheltered annuities. ERA is a cost sharing multiple employer public employee retirement system. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting ERA's progress in accumulating sufficient assets to pay benefits when due is not available as it relates to individual government agencies participating in the plan.

Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of the ERA.

**Retirement Eligibility.** The benefit for retirement at age 60, or after 25 years of service before age 60, is an annual sum equal to the "final average salary" multiplied by the total number of years of service credit times 2.35%.

A member is eligible to retire when:

1. The member's age and earned service credit add up to the sum of 75 or more, or
2. The member is age 65 or more with at least five years of earned service credit, or
3. The member has earned service credit at allowed service credit rates totaling 25 or more years.

A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957, and at least five years of contributory employment. The cost of such contributions is 16.25% of the average salary of the last five years for each year of contributory employment needed, plus 3% compounded interest from July 1, 1957, to the date of payment.

When a member has completed five or more years of "earned service credit" and has made contributions for at least five years, the member may terminate employment, leave contributions in the retirement fund and retire (1) when the member's age and years of "earned service credit" (covered employment in New Mexico) add up to the sum of 75 or more, or (2) the member may retire at age 65, if the member has at least five years of "earned service credit." Eligible member who have one year of employment after July 1, 1957, but less than the required five, may receive credit for the additional years by making a contribution to the fund. The amount of the required contribution equals that which would have been made had the employee been covered by ERA for five years, less any amounts already contributed, while earning the average salary for the period of actual employment.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 15. EMPLOYEE BENEFITS (CONTINUED)**

**Funding Policy.** Effective July 1, 2009, members with annual wages of \$20,000 or less are required to contribute 7.90% of their gross wages and members with annual wages over \$20,000 are required to contribute 9.40%. The University is required to contribute 12.40% of reportable compensation for members with annual wages of \$20,000 or less and 10.90% for members whose annual wages are above \$20,000. The University is required to contribute 20.30% of gross wages for members participating in the Return to Work Program. The University is also required to contribute 10.90% of gross wages for PERA Retirees for members with annual wages over \$20,000 and 12.40% of gross wages for members with annual wages of \$20,000 or less. PERA Retirees are excluded from contributing. The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The University's contributions to ERB for the years ending June 30, 2010, June 30, 2009, and June 30, 2008 were \$2,594,011, \$2,528,350, and \$2,069,196, respectively, equal to the amount of the required contribution for each fiscal year.

**Health Insurance.**

**Plan Description.** The University contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.00%	1.000%

The NMRHCA plan is finance on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The University's contributions to the NMRHCA for years ended June 30, 2010, June 30, 2009, and June 30, 2008 were \$322,471, \$306,720, \$285,287, respectively, which equals the required contributions for each year.

**Alternative Retirement Plan.** Professors, coaches and top administrators who are eligible for the regular retirement plan may elect to go with an alternative retirement plan (ARP). With the alternative plan, the University contributes 3% of covered employee's gross salary to ERA and 7.90% to the carrier selected by the employee. The employee contributes 9.40% of his/her gross salary to the carrier they select. Contributions by the University totaled \$88,234 to the ERA for the alternative retirement plan and \$238,150 to the various carriers for the year ended June 30, 2010. Employees contributed \$283,369 to the various carriers under the alternative plan during the year ended June 30, 2010.

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 16. WORKERS COMPENSATION INSURANCE**

The University is insured for workers' compensation through the State of New Mexico General Services Department-Risk Management Division (RMD). RMD provides workers' compensation for all employees as required by state law. The University remits payments to RMD for this coverage based on premium statements received from RMD. Total expense for the year ended June 30, 2010, was \$193,083 which has been charged to expenditures.

**NOTE 17. LEASES**

At June 30, 2010, the University had various operating lease arrangements summarized as follows:

*Operating Leases.* Rent expense for operating leases amounted to \$955,495 for the year ended June 30, 2010.

*Minimum Lease Payments.* The following is a schedule of future minimum lease payments for these leases at June 30, 2010:

Year Ending June 30	Operating Leases
2011	\$ 432,536
2012	376,208
2013	376,208
2014	376,208
2015	376,208
2016-2020	1,881,040
2021-2025	1,881,040
2026-2030	1,881,040
2031-2035	1,881,040
2036-2040	<u>1,881,040</u>
	<u>\$ 11,342,568</u>

**NOTE 18. COMMITMENTS AND CONTINGENCIES**

At June 30, 2010, the University had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying combined balance sheet. The appropriate amount of such commitments is detailed as follows:

Current/Loan Funds	<u>\$ 1,181,948</u>
Plant Funds	<u>\$ 20,604,408</u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 18. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The University is a defendant in legal actions arising from normal business activities. Management believes that those actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the University's financial position or results of operations.

**NOTE 19. RECONCILIATION OF BUDGET BASIS TO GAAP**

	<u>Revenues</u>
Budget Basis Revenue	\$ 87,391,558
Scholarship Allowance	(2,038,474)
Capital Bond Proceeds	(14,000,000)
Plant Revenue	1,677,796
Loan	(13,229)
Endowment	856,663
Agency	160,563
Revenues per GAAP	<u>\$ 74,034,877</u>
	<u>Expenditures</u>
Budget Basis Expenditures	\$ 83,024,567
Capital Expenditures	(10,959,185)
Depreciation	5,758,013
Scholarship Allowance	(2,038,474)
Endowment/agency Expenditures	270,705
Other	(352,034)
Bond Payments	(692,933)
Expenses per GAAP	<u>\$ 75,010,659</u>

**NOTE 20. NEW MEXICO STATE INVESTMENT RISK – LOCAL GOVERNMENT  
INVESTMENT POOL**

The New Mexico State Treasurer's Office invested a portion of the LGIP in The Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008, 2009 and 2010. On September 15, 2008, the balance of the LGIP's investment in the Fund was \$381.7 million. The University had balances in the LGIP at September 15, 2008.

On September 16, 2008, The Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen. Since September 2008, The Reserve Primary fund has returned approximately \$0.90 per share to shareholders.

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 20. NEW MEXICO STATE INVESTMENT RISK – LOCAL GOVERNMENT  
INVESTMENT POOL (CONTINUED)**

The LGIP is excluded from the requirement of disclosing concentration of credit risk; therefore, the LGIP is exempt, from this disclosure. However, our portfolio is posted on the State Treasurer's website [www.stonm.org](http://www.stonm.org) and available for review by participants at any time.

On July 15, 2010, the Reserve Primary Fund announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of approximately \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on July 9, 2010, will have been returned to investors. There is \$108 million still remaining with the Reserve at this time and STO has no information about timing nor amounts of potential future distributions. As a result, the State Treasurer's Office or the University cannot anticipate what the actual loss to the LGIP from The Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date.

**NOTE 21. SUBSEQUENT EVENT – CITY OF LAS VEGAS RECEIVABLE**

Subsequent to June 30, 2010, the City of Las Vegas, New Mexico, recognized that it had over-charged the University for gas usage. At June 30, 2010, the University recorded an accounts receivable in the amount of \$574,832. The amount will be recovered by a credit to the University's monthly billing until the entire amount has been absorbed.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
COMBINED REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 16,443,158	18,336,165	26,177,868	7,841,703
<b>Unrestricted &amp; Restricted Revenues</b>				
State general fund appropriations	32,561,100	31,241,400	31,143,050	(98,350)
Federal revenue sources	11,627,423	11,613,844	11,400,208	(213,636)
Tuition and fees	7,753,572	8,357,237	9,165,791	808,554
Land and permanent fund	368,377	268,377	257,371	(11,006)
Private grants/contracts	2,693,985	2,788,285	1,717,608	(1,070,677)
Sales & services	5,447,831	5,481,392	4,981,701	(499,691)
Government grants - state	29,605,378	22,322,424	11,514,580	(10,807,844)
Endowments and private gifts	-	-	-	-
Other	2,136,450	2,139,919	17,211,249	15,071,330
<b>Total revenues</b>	<b>92,194,116</b>	<b>84,212,878</b>	<b>87,391,558</b>	<b>3,178,680</b>
<b>Total unrestricted &amp; restricted revenues</b>	<b>108,637,274</b>	<b>102,549,043</b>	<b>113,569,426</b>	<b>11,020,383</b>
<b>Unrestricted &amp; Restricted Expenditures</b>				
Instruction and general	37,542,989	36,943,781	35,441,734	(1,502,047)
Student social and cultural	794,467	824,778	812,358	(12,420)
Research	4,463,246	2,993,736	1,962,911	(1,030,825)
Public service	9,165,910	9,944,748	9,647,570	(297,178)
Internal service departments	70,823	561,018	473,923	(87,095)
Student aid	7,131,290	8,330,851	8,053,940	(276,911)
Auxiliary enterprises	4,324,825	4,965,084	5,182,146	217,062
Intercollegiate athletics	2,454,898	2,269,441	2,265,379	(4,062)
Capital outlay	21,000,000	12,000,000	15,697,661	3,697,661
Renewal and replacements	1,271,022	1,271,022	1,188,589	(82,433)
Retirement of indebtedness	995,517	1,514,556	2,298,356	783,800
<b>Total unrestricted &amp; restricted expenditures</b>	<b>89,214,987</b>	<b>81,619,015</b>	<b>83,024,567</b>	<b>1,405,552</b>
<b>Net transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in net assets-budgetary basis	2,979,129	2,593,863	4,366,991	1,773,128
<b>Ending fund balance</b>	<b>\$ 19,422,287</b>	<b>20,930,028</b>	<b>30,544,859</b>	<b>9,614,831</b>

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
UNRESTRICTED CURRENT FUNDS  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 16,443,158	18,336,165	26,177,868	7,841,703
<b>Revenues</b>				
Tuition	6,782,752	7,360,752	7,561,844	201,092
Miscellaneous fees	970,820	996,485	1,603,946	607,461
Government appropriations-federal	-	-	-	-
Government appropriations-state	32,561,100	31,241,400	31,143,050	(98,350)
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	25,500,000	17,500,000	7,963,589	(9,536,411)
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	368,377	268,377	257,371	(11,006)
Private gifts	-	-	-	-
Sales & services	5,447,831	5,481,392	4,981,702	(499,690)
Other sources	2,136,450	2,139,919	16,445,081	14,305,162
<b>Total revenues</b>	<b>73,767,330</b>	<b>64,988,325</b>	<b>69,956,583</b>	<b>4,968,258</b>
<b>Total Unrestricted revenues</b>	<b>90,210,488</b>	<b>83,324,490</b>	<b>96,134,451</b>	<b>12,809,961</b>
<b>Unrestricted Expenditures</b>				
Instruction and general	36,927,916	35,543,227	34,968,678	(574,549)
Student social and cultural	730,788	770,339	750,937	(19,402)
Research	689,558	922,975	431,040	(491,935)
Public service	1,292,400	1,712,817	1,596,845	(115,972)
Internal service departments	47,927	538,353	454,059	(84,294)
Student aid	1,142,073	942,073	812,602	(129,471)
Auxiliary enterprises	4,282,600	4,926,700	5,141,588	214,888
Intercollegiate athletics	2,408,400	2,252,400	2,249,239	(3,161)
Independent operations	-	-	-	-
Capital outlay	21,000,000	12,000,000	15,697,661	3,697,661
Renewal and replacements	1,271,022	1,271,022	1,188,589	(82,433)
Retirement of indebtedness	995,517	1,514,556	2,298,356	783,800
<b>Total unrestricted expenditures</b>	<b>70,788,201</b>	<b>62,394,462</b>	<b>65,589,594</b>	<b>3,195,132</b>
<b>Net transfers</b>	-	-	-	-
<b>Change in fund balance (budgetary basis)</b>	<b>2,979,129</b>	<b>2,593,863</b>	<b>4,366,989</b>	<b>1,773,126</b>
<b>Ending fund balance</b>	<b>\$ 19,422,287</b>	<b>20,930,028</b>	<b>30,544,857</b>	<b>9,614,829</b>

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
UNRESTRICTED CURRENT FUNDS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 1,540,919	2,832,162	3,162,110	329,948
Revenues				
Tuition	6,782,752	7,360,752	7,561,844	201,092
Miscellaneous fees	299,270	324,935	344,372	19,437
Government appropriations-federal	-	-	-	-
Government appropriations-state	29,165,300	27,991,900	27,980,910	(10,990)
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	368,377	268,377	257,371	(11,006)
Private gifts	-	-	-	-
Sales & services	20,000	20,000	11,235	(8,765)
Other sources	1,780,000	1,775,000	1,610,232	(164,768)
<b>Total revenues</b>	<b>38,415,699</b>	<b>37,740,964</b>	<b>37,765,964</b>	<b>25,000</b>
<b>Total unrestricted revenues</b>	<b>39,956,618</b>	<b>40,573,126</b>	<b>40,928,074</b>	<b>354,948</b>
Expenditures				
Instruction	18,670,010	17,819,267	17,711,409	(107,858)
Academic support	2,801,073	2,796,201	2,727,333	(68,868)
Student services	3,352,798	3,277,666	3,173,180	(104,486)
Institutional support	6,331,640	6,129,843	5,991,353	(138,490)
Oper. & maint. of plant	5,772,395	5,520,250	5,365,403	(154,847)
<b>Total expenditures</b>	<b>36,927,916</b>	<b>35,543,227</b>	<b>34,968,678</b>	<b>(574,549)</b>
<b>Net transfers</b>	<b>2,457,933</b>	<b>3,688,933</b>	<b>5,959,315</b>	<b>2,270,382</b>
<b>Change in net assets-budgetary basis</b>	<b>(970,150)</b>	<b>(1,491,196)</b>	<b>(3,162,029)</b>	<b>(1,670,833)</b>
<b>Ending fund balance</b>	<b>\$ 570,769</b>	<b>1,340,966</b>	<b>81</b>	<b>(1,340,885)</b>

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
RESTRICTED CURRENT FUNDS  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
Tuition	\$ -	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	11,627,423	11,613,844	11,400,208	(213,636)
Government grants - state	4,105,378	4,822,424	3,550,991	(1,271,433)
Contracts - local	-	-	-	-
Private grants/contracts	2,693,985	2,788,285	1,717,608	(1,070,677)
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	766,168	766,168
<b>Total revenues</b>	<b>18,426,786</b>	<b>19,224,553</b>	<b>17,434,975</b>	<b>(1,789,578)</b>
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	<b>18,426,786</b>	<b>19,224,553</b>	<b>17,434,975</b>	<b>(1,789,578)</b>
<b>Expenditures</b>				
Instruction and general	615,073	1,400,554	473,056	(927,498)
Student social and cultural	63,679	54,439	61,421	6,982
Research	3,773,688	2,070,761	1,531,871	(538,890)
Public service	7,873,510	8,231,931	8,050,726	(181,205)
Internal service departments	22,896	22,665	19,864	(2,801)
Student aid	5,989,217	7,388,778	7,241,338	(147,440)
Auxiliary enterprises	42,225	38,384	40,558	2,174
Intercollegiate athletics	46,498	17,041	16,140	(901)
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<b>Total expenditures</b>	<b>18,426,786</b>	<b>19,224,553</b>	<b>17,434,974</b>	<b>(1,789,579)</b>
<b>Change in net assets-budgetary basis</b>	<b>\$ -</b>	<b>-</b>	<b>1</b>	<b>1</b>

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
RESTRICTED CURRENT FUNDS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
Tuition	\$ -	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	401,138	334,636	311,423	(23,213)
Government grants - state	206,028	1,059,935	129,596	(930,339)
Contracts - local	-	-	-	-
Private grants/contracts	7,907	5,982	8,683	2,701
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & services	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	615,073	1,400,553	449,702	(950,851)
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	615,073	1,400,553	449,702	(950,851)
<b>Expenditures</b>				
Instruction	388,161	239,132	239,097	(35)
Academic support	48,419	57,701	56,672	(1,029)
Student services	121,123	125,400	110,398	(15,002)
Institutional support	44,017	44,051	42,256	(1,795)
Oper. & maint. of plant	13,353	934,270	24,634	(909,636)
<b>Total expenditures</b>	615,073	1,400,554	473,057	(927,497)
<b>Change in net assets-budgetary basis</b>	\$ -	(1)	(23,355)	(23,354)

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS  
Year Ended June 30, 2010

	Pledged Collateral		Bank of Las Vegas	Wells Fargo	Community	State	Total
	Safekeeping Location	Type of Security	Las Vegas, NM*	Albuquerque NM	1st Bank Las Vegas, NM	Treasurer Santa Fe, NM	
Funds on deposit							
Demand deposits			\$ 928,535	928,070	26,736,429	345,429	28,938,463
FDIC insurance							
Demand deposits			(928,535)	(250,000)	(250,000)	-	(1,428,535)
Total uninsured public funds			\$ -	678,070	26,486,429	345,429	27,509,928
Fifty percent collateral requirement per section 6-10-17 NMSA			\$ -	339,035	13,243,215	N/A	\$ 13,582,250
Pledged collateral	FHLB of Dallas	1400000062			5,500,000		5,500,000
	Irrevocable Standby Letters of Credit	3737000092			5,000,000		5,000,000
	Federal Reserve Bank	Treasury Notes					
		CUSIP #31408BVE5	-	2,192,630		-	2,192,630
		CUSIP #31408HCE3	-	982,496		-	982,496
		CUSIP #31412TN74	-	9,890,601		-	9,890,601
			-	-		-	-
	Federal Reserve Bank	Treasury Notes					
		CUSIP #3133XAK9	-	-	751,299	-	751,299
		CUSIP #31416BLS5	-	-	518,369	-	518,369
		CUSIP #3133XLWM1	-	-	2,089,687	-	2,089,687
			-	-		-	-
Deficiency / (Excess) of pledged collateral over the required amount			-	13,065,727	13,859,355	-	26,925,082
			\$ -	(12,726,692)	(616,140)	N/A	(13,342,832)
Funds on Deposit with no collateral requirements (New Mexico Finance Authority) Debt Service Funds				Bank of NY Mellon			
			\$	2,402,715			

\* The Transaction Account Guarantee Program provides for a temporary full guarantee by the FDIC for funds held at participating FDIC-insured depository institutions in noninterest-bearing transaction accounts above the existing deposit insurance limit. This coverage became effective on October 14, 2008 and continues through June 30, 2010.

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS (CONTINUED)  
Year Ended June 30, 2010

<u>Name of Bank</u>	<u>Account Type</u>	<u>Balance Per Bank Statement</u>	<u>Reconciled Balance Per Books</u>
Bank of Las Vegas			
Account payable account	Checking	\$ 229,306	(328,447)
Payroll account	Checking	72,479	(58,574)
University wire-transfer account	Checking	228,270	228,270
Cash receipts account	Checking	316,551	324,119
Cashier's credit card account	Checking	79,649	83,102
Direct lending account	Checking	2,280	2,280
<b>Total</b>		<u>928,535</u>	<u>250,750</u>
Wells Fargo Bank - Albuquerque			
Rio Rancho business	Checking	47,811	48,973
Rio credit card	Checking	30,010	30,251
Savings account	Checking	328	328
NMHU business	Checking	658,300	658,300
Online payments	Checking	123,416	132,173
NMHU Golf Course	Checking	53,188	53,188
Farmington	Checking	7,080	7,080
Business Copy Center	Checking	7,938	7,938
<b>Total</b>		<u>928,071</u>	<u>938,231</u>
Community 1st Bank - Las Vegas			
Capital outlay	MMDA	10,604,511	10,604,511
NMHU Savings	Savings	16,131,917	16,131,917
		<u>26,736,428</u>	<u>26,736,428</u>
Bank of NY Mellon			
NMFA/NMHU	Reserve	1,342,302	1,342,302
	Reserve	361,298	361,298
	Reserve	699,115	699,115
		<u>2,402,715</u>	<u>2,402,715</u>
State Treasurer's Office			
Local government investments	Pooled	167,476	167,476
Local government investments	Pooled	177,953	177,953
		<u>345,429</u>	<u>345,429</u>
Cashier's cash			
		-	15,916
		<u>-</u>	<u>15,916</u>
	<b>Total cash and cash equivalents</b>	<u>\$ 31,341,178</u>	<u>30,689,469</u>
<b>University Investments:</b>			
State Investment Council	Pooled	\$ 2,109,493	2,109,493
State Investment Council (land grant)	Pooled	2,554,898	2,554,896
		<u>4,664,391</u>	<u>4,664,389</u>
	<b>Total investments</b>	<u>\$ 4,664,391</u>	<u>4,664,389</u>

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS (CONTINUED)  
Year Ended June 30, 2010**

**Foundation investments:**

		Amount
<b>Cash and Money Market Funds</b>	Pooled	<u>\$ 915,215</u>

		Amount
<b>Stocks</b>		<u>\$ 2,282,565</u>
Common Stocks		

**US Government Securities**

Name	Maturity Date	Amount	Interest Rate
US Treasury	2/28/2011	\$ 49,339	4.50%
US Treasury	8/15/2011	15,775	5.00%
US Treasury	4/30/2012	74,555	1.00%
US Treasury	11/15/2012	52,778	4.00%
US Treasury	5/15/2017	71,673	4.50%
US Treasury	5/15/2019	18,375	3.13%
Total Government Securities		<u>\$ 282,495</u>	3.69%

Name	Maturity Date	Amount	Interest Rate
U.S. Agency			
Federal Home loan	7/15/2012	\$ 41,432	5.13%
Federal Home loan	7/15/2012	44,000	4.50%
Federal Natl Mtg Assn	10/15/2014	39,047	4.63%
Total U.S. Agency		<u>\$ 124,479</u>	3.56%

**International Bonds**

Name	Maturity Date	Amount	Interest Rate
Ingersoll-Rand Co	4/15/2012	\$ 3,930	2.13%
Teva Pharmaceutical	2/1/2026	6,870	1.75%
Total International Bonds		<u>\$ 10,800</u>	1.29%

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS (CONTINUED)  
Year Ended June 30, 2010**

**Foundation investments:**

**Corporate Bonds**

Name	Maturity Date	Amount	Interest Rate	Rating
Walmart	8/15/2010	\$ 20,094	4.75%	AA2/AA
Cisco Systems	2/22/2011	30,816	5.25%	A1/A+
Merrill Lynch	7/25/2011	25,932	5.77%	A2/A
BellSouth Corp	10/15/2011	26,539	6.00%	A2/A
Bank of America	9/15/2012	36,428	4.88%	A2/A
IBM Corp	11/29/2012	27,063	4.75%	A1/A+
General Electric	5/1/2013	26,652	4.80%	AA2/AA
Eli Lilly & Co	3/6/2014	43,461	4.20%	A1/AA
Wachovia Corp	8/1/2014	31,770	5.25%	A2/A+
EI Du Pon De Nmeour	1/15/2015	26,081	3.25%	A2/A
JP Morgan Chase & Co.	5/1/2015	21,339	5.25%	A1/A
Western Union	10/1/2016	22,442	5.93%	A3/A-
Abbott Laboratories	11/30/2017	17,412	5.60%	A1/AA
UPS	1/15/2018	11,444	5.50%	AA3/AA-
Sysco Corp	2/12/2018	16,786	5.25%	A1/A+
Procter & Gamble Co	2/15/2019	19,724	4.70%	AA3/AA-
Coca Cola Co	3/15/2019	44,310	4.88%	AA3/A+
Nabors Inds Inc	5/15/2011	3,920	0.94%	BBB+
Borgwarner Inc	4/15/2012	6,450	3.50%	BBB
Amgen Inc CV	2/1/2013	10,863	0.38%	A3/A+
Medtronic Inc Global CV	4/15/2013	9,023	1.63%	A1/AA-
Symantec Corp Global	6/15/2013	6,098	1.00%	
Molson Coors Brewing Co	7/30/2013	4,290	2.50%	BBB-
EMC Corp Global	12/1/2013	11,396	1.75%	A-
Alcoa Inc Conv	3/15/2014	3,415	5.25%	BAA3
Allegheny Technologies Inc	6/1/2014	5,145	4.25%	BBB-
Navistar Intl	10/15/2014	2,345	3.00%	B1/B
Newmont Mining Corp Notes	7/15/2017	8,648	1.63%	BBB+
Danaher Corp	1/22/2021	7,569		A2/A+
Carnival Corp Conv	4/15/2021	5,175	2.00%	A3/BBB+
Invitrogen Corp	2/15/2012	2,198	1.50%	BBB-
TEVA Pharmaceutical	2/1/2026	2,330	0.25%	A3/A-
Allergan Inc Global	4/1/2026	2,180	1.50%	A3
Cooper Cameron Intl	6/15/2026	6,720	2.50%	BAA1/BBB+
Health Care Reit Inc	7/15/2027	5,325	4.75%	BAA2/BBB-
Jefferies Group Inc	11/1/2029	6,563	3.88%	BAA2/BBB-
3M Company Conv	11/21/2032	2,704	0.01%	AA2/AA-
Intel Corp Conv	12/15/2035	9,500	2.95%	A-
Boston Prop LP	12/15/2037	3,945	2.88%	A-
Porlogis Conv	4/1/2037	1,883	2.25%	BBB-
Transocean Inc	12/15/2037	8,871	1.50%	BAA2/BBB+
Total Corporate Bonds		<u>\$ 584,849</u>	<u>1.79%</u>	

Total Foundation Investments \$ 4,200,404

NEW MEXICO HIGHLANDS UNIVERSITY  
 SCHEDULE OF JOINT POWERS AGREEMENTS (JPA's) and MEMORANDUMS OF UNDERSTANDING (MOU's)  
 Year Ended June 30, 2010

TYPE of Agreement	List of all Participants	Responsible operating party	Beginning Date	Ending Date	Total Estimated \$ of project	Portion \$ applicable to NMHU	Amount Contributed (FY10)	Audit Responsibility	Fiscal Agent	Name of Government Agency	Purpose
JPA	NMHU and NM-CYFD	NMHU	7/1/2009	6/30/2010	1,800,593	1,800,593	1,690,752	NMHU	Jeff Thompson	Children Youth & Families Department	To increase the number of social worker graduates who are qualified to work for CYFD/PS, Child Welfare Services Program by providing short term and long term training at educational institutions through grants to persons preparing for employment with the state or local agency.
JPA	NMHU & NM Energy, Minerals, and Nat. Res. Dept.	NMHU	9/5/2008	6/30/2009	112,000	112,000	49,822	NMHU	Carmen Austin	NM Energy, Minerals and Nat. Res. Dept.	Improving the ecological integrity and long term resiliency of NM's forests and watersheds through implementing the recommendations contained in the Plan.
MOU	NMHU & NM HED	NMHU	1/8/2007	6/30/2010	40,000	40,000	2,293	NMHU	Brandon Trujillo	NM Higher Education Department	To train high school students as the next generation of filmmakers who will be pivotal in developing a sustainable film industry in New Mexico.
MOU	NMHU & Department of Cultural Affairs	NMHU		6/30/2011	250,000	250,000	23,234	NMHU	Andrea Martinez-Chavez	Department of Cultural Affairs	To provide administrative support and oversight to the joint program, including developing internship opportunities for Media Arts majors in NM's museums and cultural institutions
MOU	NMHU & HED	NMHU		9/30/2010	141,000	141,000	59,239	NMHU	Elizabeth Gutierrez	NM Higher Education Department	Carry mandates of No Child Left Behind Title II Part A Improving Teacher Quality
MOU	NMHU & Department of Cultural Affairs	NMHU	8/11/2009	6/30/2012	68,000	68,000	40,203	NMHU	Danette Trujillo	Department of Cultural Affairs	To provide for the training of all internships for students at NMHU pertaining to the use of media technologies by museums, libraries, and cultural institutions
MOU	NMHU & DFA	NMHU	7/1/2008	6/30/2009	50,000	50,000	12,379	NMHU	Katherine B. Miller	DFA	To provide funding to the University to purchase a horse trailer and facility management equipment for the Rodeo Program.
MOU	NMHU & DFA	NMHU	8/1/2009	6/30/2010	10,285	10,285	9,307	NMHU	Katherine B. Miller	DFA	To provide funding to the university for the rodeo program.
MOU	NMHU & SFPS	NMHU		6/30/2010	4,157	4,157	3,755	NMHU	Andrea Tasan	SFPS	Provide all instruction at SFCC for administrative cohort meeting licensure, assist SFPS with application processing for licensure of cohort members, provide all administrative, advisement and other students services for cohort members
MOU	NMHU & SFCC	NMHU		6/30/2010	93,750	93,750	77,506	NMHU	Meridee Walters	SFCC	Higher education institutions in the Northeastern region- SFCC, NMHU, and NNNMC will continue to disseminate information on best practices, programs, and services so as to improve successful transition of in-school and out-of-school youth to postsecondary education.
MOU	NMHU & UNM	NMHU	7/1/2009	6/30/2011	9,000	9,000	-	NMHU	Wendy Wiggins	CASAA/COSAP	In recognition of the relatively low level of readiness to conduct prevention at some of the institutions covered by this agreement, and for the purpose of increasing prevention capacity at all of the member institutions.
MOU	NMHU & New Mexico Library Association	NMHU		5/1/2010	1,000	1,000	993	NMHU	Valerie Nye	New Mexico Library Association	The principal use is to help support the Preserving the Beisman Collection.
MOU	NMHU & NNNMC	NMHU			2,460	2,460	-	NMHU		Northern New Mexico College (NNMC)	To provide student support services for NMHU School of Social Work students and to provide a long distance fax code for JCC office NNNMC.
MOU	NMHU & LV/SMCOEM	NMHU	10/28/2009		-	-	-	NMHU	Dennis English	Las Vegas/San Miguel County Office Emergency Management	To provide proper coordination and expeditious delivery of support and assistance to the citizens of the city of Las Vegas and San Miguel County, New Mexico during an emergency or disaster response.
MOU	NMHU & Region IV Narcotics Task Force	NMHU	12/15/2009		-	-	-	NMHU	Gary Gold	Region IV Narcotics Task Force	To maintain a multi-jurisdictional task force (law enforcement body) in Region IV, which will coordinate available resources to combat a problem common to their respective agencies, the illegal possession, use, manufacture, and distribution of narcotics and dangerous drugs, particularly within the jurisdiction covered by the agencies.
MOU	NMHU & TRIBES	NMHU	2/19/2009	6/30/2012	46,811	46,811	29,387	NMHU	Norman Coeoyate	TRIBES	To formalize the relationship between NMHU and TRIBES, with goals to promote higher education opportunities leading to the retention and successful completion of degree programs by TRIBES' students. Scholarships are tuition based on current tuition price for both undergraduates and graduates; a total of 69 scholarship are awarded per academic year (fall and spring only); total scholarship awarded were 19.
MOU	NMHU & SFCC	NMHU	8/24/08	ongoing	-	-	-	NMHU	Sheila Ortego	Santa Fe Community College	To articulate twelve hours from the NMHU TESOL License Program into the recently developed SFCC TESOL Endorsement Program
MOU	NMHU & SJC	NMHU	2/7/00	ongoing	-	-	-	NMHU	Carol J. Spencer	San Juan College	To establish a unique educational partnership. It initiates the development of integrated, seamless curricula and system of student support services. The curricula will link the completion of an associate's degree from San Juan College to the completion of a bachelor's degree from NMHU. Secondly, it will enable the institutions to make more efficient use of their organizational structures in providing course offerings to a greater number of students. Thirdly, this agreement will establish a process by which individual instructional units at San Juan College and NMHU may integrate instructional matrices.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

<b>Federal Grantor/Program Title</b>	<b>CFDA#</b>	<b>Sub Award #</b>	<b>Expenditures</b>
National Institute of Health			
Research and Development Cluster			
NIH/RIMI Mod I 10/04-9/05	93.307		\$ 269,921
NIH/RIMI Mod III 10/04-9/05	93.307		26,354
NIH/RIMI Mod IV 10/04-9/05	93.307		6,371
NIH/RIMI Mod V 10/04-9/05	93.307		31,207
NIH/RIMI Mod VI 10/04-9/05	93.307		18,914
RIMI-Stable Isotopes	93.307		57,792
NIH/Polymorphs 8/08-7/11	93.855		87,817
NSF- Stem Stars 1/10-12/11	47.076		52,934
<b>Total National Institute of Health</b>			<u>551,310</u>
Passed through University of Central Florida			
SOAP	47.049	CHE-0832622	124,408
Passed through University of New Mexico			
EPSCOR/UNM 9/08-08/09	47.080	063013-8744	68,944
Passed through New Mexico State University			
INBRE/Gifford 5/09-4/10	93.389	Q01348	75,536
INBRE/Linder 5/09-4/10	93.389	Q01348	88,345
INBRE/NMSU/Linder 3/10-2/11	93.389	Q01348	53,447
INBRE/NMSU/Sammeth 3/10-2/11	93.389	Q01348	10,230
INBRE/Sammeth 5/09-4/10	93.389	Q01348	20,811
NMSU-CSREES 1/09-8/11	10.217	Q01313	12,176
Passed through University of Washington			
NSF/UW-Structural Study 8/07 - 7/08	47.049	450063	31,069
Passed through Arizona State University			
WAESO Fall 2008	47.076	KMS0019-7-45/SUB	1,089
WAESO Spring 2009	47.076	KMS0019-7-46/SUB	479
WAESO Summer 2009	47.076	KMS0019-7-47/SUB	2,147
<b>Total Research and Development Cluster</b>			<u>1,039,991</u>
US Department of Education			
Student Financial Aid Cluster			
Fed W/S - Instruction	84.033		85,944
Fed W/S - Academic Support	84.033		40,973
Fed W/S Student Services	84.033		56,053
Fed W/S - Institutional Support	84.033		19,640
Fed W/S - Operation & Maint.	84.033		19,598
Fed W/S - Social & Cultural	84.033		46,553
Fed W/S - Public Service	84.033		12,992
Fed W/S - Internal Service	84.033		16,660
Fed W/S - Auxiliaries	84.033		32,469
Fed W/S - Athletics	84.033		14,610
Fed Off Campus W/S	84.033		8,699
Federal PELL	84.063		5,303,229
Federal SEOG	84.007		179,461
ACG	84.375		78,407
SMART	84.376		37,327
TEACH	84.379		17,890
<b>Total Student Financial Aid Cluster - US Department of Education</b>			<u>5,970,505</u>
US Department of Education			
TRIO Programs Cluster			
Upward Bound	84.047A		572,260
Support Services 9/05-8/09	84.042A		588,604
<b>Total TRIO Programs Cluster - US Department of Education</b>			<u>1,160,864</u>

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

<b>Federal Grantor/Program Title</b>	<b>CFDA#</b>	<b>Sub Award #</b>	<b>Expenditures</b>
US Department of Education			
US Dept Ed/CESDP/Gear up 9/05-8/11	84.334A		\$ 551,376
Dept Ed Rehab Counseling 8/04-7/05	84.129B		34,186
NMHU/NNM GEAR-UP 8/07-8/13	84.334A		828,528
Natl Prof Dev Pgrm/CESDP 7/07-7/12	84.195N		285,657
Dept Ed Rehab Counseling 8/08-7/13	84.129F		55,053
US Dept Ed/CCRAA/HSI 10/08-9/10	84.031C		954,446
Dept Ed Rehab Counseling 10/09-9/14	84.129B		82,579
Passed through Public Education Department			
NMSDE-AP fee pmt prog 6/10	84.330B	10-924-0075	98,800
Passed through Northern New Mexico Community College			
EOS/NNM/Title V 10/06-9/07	84.031S	Sub # 411544201122	219,928
Passed through University of North Carolina at Charlotte			
University of North Carolina/VSL	84.326J	Sub # 20050422-07-NMH	5,000
Passed through Southwest Educational Development Laboratory			
CESDP/SEDL/TXCC 12/05-6/06	84.283B	Sub # / PO NO. P056032	113,257
<b>Total US Department of Education</b>			<u>3,228,810</u>
SAMHSA/HU Campus Suicide 9/09-9/12	93.143	1U79SM058973-01	60,334
Passed Through NM Department of Children Youth and Families			
Foster Care Title IV-E	93.658	CYFD SW 07/09-06/10	1,690,752
Passed through University of New Mexico			
PhD/Bridges Prgm 9/04-8/05	93.96	3R027/5544	7,119
Passed through Value Options New Mexico, Inc			
Value Options/VSL	93.558	NM60063307010901	29,437
<b>Total US Department of Human Services</b>			<u>1,787,642</u>
Passed through Cooperative State Research, Education and Extension Service			
USDA/SASE 7/06-7/09	10.223	2006-38422-17110	58,165
USDA/SASE Scholarship 7/06-7/11	10.223		10,222
USDA/FRRRE 08/09-07/11	10.223	2009-38422-19868	50,326
<b>Total US Department of Agriculture</b>			<u>118,713</u>
EPA\MBT Solid Waste 10/06-9/08	66.202	EM-96630201-3	40,228
<b>Total US Department of Environmental Protection Agency</b>			<u>40,228</u>
<b>Total Federal Awards expended</b>			<u>\$ 13,346,753</u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
June 30, 2010**

**NOTE 1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

The federal financial assistance of the University is included in the scope of the Single Audit, which was performed in accordance with the provisions of the Office of Management and Budget's Circular A-133, *Compliance Supplement for Audits of Institutions of Higher Learning and Other Not-for-Profit Institutions* (Compliance Supplement). Compliance testing of all specific requirements was performed, as described in the Compliance Supplement (June 2010).

**NOTE 2. FISCAL PERIOD AUDITED**

Single Audit testing procedures were performed for program transactions occurring during fiscal year ended June 30, 2010.

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying Schedule of Expenditures of Federal Awards includes all federal assistance to the University that had activity during 2010 or accrued revenue at June 30, 2010. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the institute has met the qualifications for the respective program.

**NOTE 4. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

**NOTE 5. STUDENT FINANCIAL ASSISTANCE**

The University administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2010, were \$1,078,207. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2010, were \$26,313. The Schedule of Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances for the year ended June 30, 2010.

During the fiscal year ended June 30, 2010, the University processed \$11,003,499 of new loans under the Stafford Loan Program and Parents' Loans for Undergraduate Students.

**NOTE 6. OTHER DISCLOSURES**

The University did not receive any non-cash assistance; there was no insurance in effect during the year and no federal loan guarantees outstanding at year-end.

**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***

To the Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the financial statements of the business-type activities and each discretely presented component unit of New Mexico Highlands University (“University”) as of and for the year ended June 30, 2010. We have also audited the budget comparisons for the year ended June 30, 2010. We have issued our report on the financial statements and budget comparisons described above dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting as a basis for designing our auditing procedures 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 University’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of 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.

Our consideration of internal control over financial reporting as for the limited purpose described in the first paragraph on this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in

To the Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that are required to be reported under section 12-6-5 NMSA 1978 which are described in the accompanying schedule of findings and questioned costs as items 03-17 and 10-02.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs section of this report. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Regents, management, the New Mexico State Auditor, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 12, 2010

**Report on Compliance With  
Requirements That Could Have a Direct and  
Material Effect On Each Major Program  
And on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

To the Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

Compliance

We have audited the compliance of New Mexico Highlands University (the “University”) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs for the year ended June 30, 2010. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University’s management. Our responsibility is to express an opinion on the University’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University’s compliance with those requirements.

In our opinion, New Mexico Highlands University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be

To the Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-01.

#### Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

To the Board of Regents  
New Mexico Highlands University and  
Mr. Hector Balderas  
New Mexico State Auditor

This report is intended solely for the information and use of the Board of Regents, management, the New Mexico State Auditor and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 12, 2010

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Prior Year Finding Description</b>	<b>Status</b>
03-17 – Budget Overspending	Repeated and Revised
09-01 – Lack of Segregation of Duties Over Internal Controls – Component Unit	Resolved
09-02 Student Financial Aid – Student Status Changes (Non-Compliance)	Resolved
09-03 Federal Work Study – Disbursement of Federal Funds	Resolved

**NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ None Reported

Non-compliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weakness(es) \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Aid Cluster
Various	Research and Development
84.031C	College Cost Reduction and Access Act Hispanic-Serving Institutions
93.658	Foster Care – Title IV-E

Dollar threshold used to distinguish between type A and type B programs \$ 400,403

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS  
PROGRAM AUDIT**

**10-01 Time and Effort Certifications (Non-Compliance)**

**Funding agency: NIH, NSF, EPA**

**Title: R & D Cluster**

**CFDA Number: Various**

**Funding agency: Department of Education**

**Title: Bridging Careers for Success (CCRAA)**

**CFDA Number: 84.031C**

**Funding agency: Department of Health and Human Services (Pass through CYFD)**

**Title: Foster Care – Title IV-E**

**CFDA Number: 93.658**

**CONDITION**

During our testing of payroll disbursements, we noted that the University does not maintain signed personnel activity reports for professional employees to verify time and effort charged to their grants.

**CRITERIA**

According to OMB Cost Circular A-21 “For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.”

**QUESTIONED COSTS**

None.

**EFFECT**

Failure to comply with federal cost circular requirements could result in a loss of funding.

**NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS  
PROGRAM AUDIT (CONTINUED)**

**10-01 Time and Effort Certifications (Non-Compliance) (Continued)**

CAUSE

The University tracks time and effort for individuals that submit time sheet; however, the requirements of OMB Circular A-21 were not implemented.

RECOMMENDATION

We recommend that the University track professional salaried employee's time and effort in order to ensure federal compliance.

MANAGEMENT RESPONSE

The University does track professional salaried employee's time and effort on a semi-annual basis. However, the reports were not available to the auditors' in a timely fashion.

**NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,  
SECTION 12-6-5, NMSA 1978**

**03-17 - Budget Overspending**

CONDITION

We noted that the University overspent its approved budget in unrestricted funds in the following categories:

Auxiliary enterprises	\$ 214,888
Capital outlay	3,697,661
Retirement of Indebtedness	783,800

We noted that the University overspent its approved budget in restricted funds in the following categories:

Student social and cultural	\$ 6,982
Auxiliary enterprises	2,174

CRITERIA

Per statute 5.3.4.10 NMAC total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

CAUSE

Expenditures were approved for payment when budgeted funds were not available. Budget adjustment requests were completed to cover the increase in expenditures.

EFFECT

Overspending of the budget could result in a shortfall of cash funds.

**NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,  
SECTION 12-6-5, NMSA 1978 (CONTINUED)**

**03-17 - Budget Overspending (Continued)**

RECOMMENDATION

We recommend that the University budget controls and processes should be strengthened to ensure that budgeted amounts are never overspent by any amount and budget adjustment requests are completed.

MANAGEMENT RESPONSE

The University acknowledges this finding and has been working diligently in refining its projection methodologies. Moreover, the University has hired a Budget Director to monitor budget projections more closely in an effort to eliminate budget overspending.

**10-02 Journal Entry Approvals**

CONDITION

During our testing of journal entries, we noted 2 out of 19 journal entries that were not signed by the preparer nor the reviewer.

CRITERIA

Good internal controls include preparation and approval of journal entries.

QUESTIONED COSTS

None.

EFFECT

Errors can be made while processing/creating journal entries and may go undetected due to lack of review. This can result in over/understatement of various accounts.

CAUSE

Oversight of signatures occurred due to the lack of staffing.

**NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,  
SECTION 12-6-5, NMSA 1978 (CONTINUED)**

**10-02 - Journal Entry Approvals (Continued)**

**RECOMMENDATION**

We recommend that employees who are authorized to prepare journal entries sign the journal entry and we recommend that the journal entries are reviewed in order to ensure they are prepared properly and posted to correct accounts.

**MANAGEMENT RESPONSE**

The University agrees with the auditors' observation. The University processed 1,986 journal entries in fiscal year 2010. This one occurrence is a result of correcting the same journal entry. The entry related to a reclassification of fund balances of which all levels of accounting were aware; however the formal journal entry template was not prepared. Any journal entries will be prepared on the journal entry template for all future journal entries.

**NEW MEXICO HIGHLANDS UNIVERSITY  
EXIT CONFERENCE  
June 30, 2010**

An exit conference was held on November 12, 2010, with the following in attendance:

<b>NMHU Representatives:</b>	<b>Title:</b>
Lopez, Jesus	Board of Regents Vice-Chairman
Fries, James	President
Taylor, William "Bill"	Vice President for Finance & Administrative Services
Trujillo, Lawrence A	Associate Vice President for Finance & Administration
Castro, Donna	Human Resources Director
Hagood, Nesbitt W	Comptroller
Baquera, Jesus	Assistant Controller
Martinez, Gayle	Restricted Funds Supervisor
Chavez, Dominic A	General Funds Supervisor
Garduno-Crespin, Inca	Accountant – Notary Public
Martinez, Annette L	Accounts Receivable Manager
McDonald, Junko	Accountant I
Juarez, Angela	Grant Manager
Duran, Eleanor	Accountant

<b>NMHU Foundation Representatives:</b>	
Daves, Doyle	President
Chavez, Darlene	Development Finance Officer

<b>Moss Adams Representatives:</b>	
Scott Eliason	Partner
Molly Griego	Supervisor

The financial statements were prepared by the University's Accounting Department.



NEW MEXICO HIGHLANDS UNIVERSITY\*

State of New Mexico | Audit Report | June 30, 2010