



**NEW MEXICO
HIGHLANDS UNIVERSITY
AGREED-UPON PROCEDURES
JUNE 30, 2012**

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

Dr. James Fries, President
New Mexico Highlands University

We have performed the procedures enumerated below, which were agreed to by New Mexico Highlands University (University), solely to assist you in evaluating whether the accompanying Statement of Revenue and Expenses (included as Exhibit A) of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2012. The University's management is responsible for the Statement of Revenue and Expenses (Statement) and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Note: The term "Institution" refers to New Mexico Highlands University.

Note: Independent accountant reports for agreed-upon procedures engagements are in the form of procedures and findings. Throughout the procedures identified below there are references to terms such as "compared" and "agreed". If items tested do not agree or compare, the discrepancies are noted below. In addition, terms such as "major revenue", "major expense", and "significant variance" may be referred to in this report. "Major revenue" and "major expense" are defined as \$50,000 or 10% of total revenues or expenses. A "significant variance" is defined as 15% (+) or (-) of the specific expense or revenue line item on the Statement of Revenues and Expenses.

Agreed-Upon Procedures Related to the Statement of Revenue and Expenses

The procedures that we performed and findings are as follows:

For all revenue categories we performed the agreed-upon procedures set forth below:

1. Compared and agreed each operating revenue category reported in the Statement during the reporting period to supporting schedules provided by the Institution.

We received from the General Fund's Supervisor a spreadsheet detailing general ledger revenues and expenditures for current year budget expenditures, current year actual expenditures and prior year actual expenditures. We agreed the totals on the spreadsheet (for current year revenues and for expenditures) to Banner detail. For additional detailed work, see steps below.

2. Compared and agreed a sample of five operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.
 - Agreed the cash receipt and deposit ticket from the cashier's office to the general ledger posting in Banner.
 - Agreed the general ledger total, summing general ledger totals as necessary (for revenue category) to the operating revenue supporting schedules.

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3. Compared each major revenue account to prior period amounts and budget estimates. Obtained and documented an understanding of any significant variations.

For each major revenue and expenditure account for the current period, we compared actual to both the prior period actual and to the current period budget. For each variance greater than 15% from the prior year or the current year budget, we obtained from the Athletic Administrative Assistant a detailed explanation of the variances. We reviewed the variances for reasonableness and corroborated the explanation through review of additional schedules and invoices as necessary. All variances were deemed reasonable.

Ticket Sales

- We did not compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue and attendance records reported by the Institution as the total ticket sales were below our reporting threshold of \$26,000.

Student Fees

- Compared and agreed student headcount derived from student fees reported by the Institution in the Statement to student enrollments during the same reporting period.
- Obtained and documented an understanding of Institution's methodology for allocating student fees to intercollegiate athletics programs.
- Recalculated totals.

The University allocates student fees to the Athletic Department based on a budgeted student fee allocation. We obtained supporting documentation, agreed and recalculated totals without exception.

Guarantees

- Selected two settlement reports for away games and the contractual agreements pertaining to revenues derived from the guaranteed contests during the reporting period and compared and agreed each selection to the Institution's general ledger and/or the Statement.
- Recalculated totals.

We obtained the supporting documentation and contractual documents for two away games: women's basketball: New Mexico State University and University of New Mexico. We agreed the documentation to the general ledger without exception.

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Contributions

- Compared each major revenue account to prior period amounts and budget estimates. Obtained and documented an understanding of any significant variations.
- Determined if there were any contributions of monies, goods or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting periods.

We determined that the only contributions made to the University are from individual fundraising efforts by the student athletes. We noted that no single contribution was greater than 10% of the total contributions.

Direct State or Other Governmental Support

- Compared direct state or other governmental support recorded by the Institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentations.
- Recalculated totals

The Athletic Department reported \$1.8 million in revenue from the State General Fund. We reviewed the monthly journal entries made by the University's Central Accounting without exception. We also materially agreed the appropriation amount back to the New Mexico Legislature Bill (House Bill #2) for the year ended June 30, 2012.

Direct Institutional Support

- Compared direct institutional support recorded by the Institution during the reporting period with institutional authorizations and/or other corroborative supporting documentation.
- Recalculated totals

The Athletic Department reported approximately \$338 thousand in revenue for direct institutional support from the Institution. Approximately \$128 thousand of this amount was housing waivers that the Institution provided for student athletes. We obtained scholarship listings from the Associate Athletic Director and selected three student awards and tied them to award letters which included the housing waivers.

Of the approximately \$338 thousand noted above, we were unable to obtain support for approximately \$210 thousand.

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Indirect Facilities and Administrative Support

- Compared the indirect institutional support recorded by the Institution during the reporting period with, institutional authorizations and/or other corroborative supporting documentation.
- Recalculated totals.

The Athletic Department recorded approximately \$148 thousand in indirect support. This amount is pertaining to depreciation. We obtained corroborative supporting documentation and recalculated totals with an immaterial variance.

NCAA/Conference Distributions Including All Tournament Revenues

- We did not obtain and inspect agreements related to the Institution's participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. Nor did we compare and agree the related revenues to the Institution's general ledger, and the Statement and recalculated totals as the NCAA/Conference Distributions were below our reporting threshold of \$26,000.

Broadcast, Television, Radio and Internet Rights

- We did not obtain, review or recalculate Broadcast, Television, Radio or Internet Rights revenue as there was none.

Program Sales, Concessions, Novelty Sales and Parking

- We did not obtain support from the Institution for program sales, concessions, novelty sales and parking, and compared to the Institution's general ledger and the Statement of Revenues and Expenses nor did we recalculate program sales, concessions, novelty sales and parking totals as Program Sales, Concessions, Novelty Sales and Parking were below our reporting threshold of \$26,000.

Royalties, Advertisement and Sponsorships

- Compared and agreed royalties, advertisements and sponsorships revenues recorded on the Institution's general ledger to the Statement.
- Recalculated royalties, advertisements, and sponsorships totals.

The Athletic Department recorded approximately \$68 thousand in sponsorship revenue which include in-kind gifts of \$43 thousand.

We obtained a listing of sponsorship revenue; however, we were not able to obtain supporting documentation such as a signed contract from the athletic department for any of the corporate sponsors.

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Other

- Recalculated totals for revenues not included in other agreed-upon procedures to supporting documents.

Agreed-Upon Procedures Program for Expenses

For all expense categories we performed the agreed-upon procedures set forth below:

1. Compared and agreed each operating expense category reported in the Statement of Revenues and Expenses during the reporting period to supporting schedules provided by the Institution;

We received from the General Fund's Supervisor a spreadsheet detailing general ledger revenues and expenditures for current year budget expenditures, current year actual expenditures and prior year actual expenditures. We agreed the totals on the spreadsheet (for current year revenues and for expenditures) to Banner detail. For additional detailed work, see steps below.

2. Selected a sample of five operating expenses from the above operating expense supporting schedules by selecting the largest invoice/contract amount from each of the ten largest expense categories (excluding Administrative Professional salaries). Compared and agreed to supporting documentation provided by the Institution. Agreed invoice or contract amount to general ledger operating expense category.
3. Compared and agreed each major expense account to prior period amounts and budget estimates. Obtained and documented an understanding of any significant variations.

For each major revenue and expenditure account for the current period actual, we compared to both the prior period actual and to the current period budget. For each variance greater than 15% we obtained from the Athletic Administrative Assistant a detailed explanation of the variances. We reviewed the variances for reasonableness and corroborated the explanation through review of additional schedules and invoices as necessary. All variances were deemed reasonable.

Athletic Student Aid

- Haphazardly selected a sample of three students from the listing of institutional student aid recipients during the reporting period. We agreed this detail to the Schedule.
- Obtained individual student account detail for each selection and compare total aid allocated from the related aid award letter to the student's account.
- Recalculated totals.

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Guarantees

- We did not agree or recalculate obtain contractual agreements pertaining to expenses recorded by the Institution from guaranteed contests during the reporting period nor agree related expenses to the Institution's general ledger and the Statement as there were no game guarantee expenses during the year.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

- Obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period.
- Selected a sample of coaches' contracts that included the head coach for men's football, and men's and women's basketball from the above listing.
- Compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities to the Statement during the reporting period.
- Obtained and inspected W-2s, 1099s, contracts, etc. for each selection.
- Compared and agreed related W-2s, 1099s, contracts, etc. to the related coaching salaries, benefits and bonuses recorded by the Institution and related entities.
- Recalculated totals.

We reviewed the three head coaches' contracts from football and men's and women's basketball. We traced the dollar amount on the W-2 to an earnings statement provided by Payroll and reconciled to the Coaches' contracts. We agreed coaching salaries, benefits and bonuses paid without exception.

Severance Payment

- We did not select any employees receiving severance payments by the Institution during the reporting period, agree or recalculate the severance payment to the related termination letter or employment contract as there were no employees receiving severance payments.

Recruiting

- Noted the Institution has a policy for recruiting and the elements of the recruiting policy substantially agree to the NCAA policy.

Based on our review of the University recruiting policies and comparison to NCAA policies, the University's recruiting policy and related expenses incorporate the NCAA Division II Recruiting Policies.

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Team Travel

- Noted the Institution has a policy for team travel and the elements of the team travel policy substantially agree to the NCAA policy.

Based on our review and comparison, the elements of the University's policy on team travel expenses are consistent with NCAA policies.

Equipment, Uniforms and Supplies

- Haphazardly selected a sample of five equipment, uniform, and supplies expenses and agreed each expense to supporting documentation provided by the Institution.
- Recalculated totals for equipment, uniforms, and supplies.

Game Expenses

- Haphazardly selected a sample of five game related expenses and agreed each expense to supporting documentation provided by the Institution.
- Recalculated totals.

Fund Raising, Marketing and Promotion

- We did not select a sample of five fund raising, marketing, or promotion expenses and agree to supporting documentation provided by the Institution as Marketing and Promotion as there were no expenses reported for the year.

Direct Facilities, Maintenance and Rental

- Haphazardly selected a sample of five direct facilities, maintenance and rental expenses and agreed to supporting documentation provided by the Institution.
- Recalculated totals.

We noted the only balance for direct facilities was calculated based on the Institutions expenses and allocated to athletics. We recalculated without exception.

Indirect Facilities and Administrative Support

- Obtained and documented an understanding of the Institution's methodology for allocating indirect facilities support.
- Summed the indirect facilities support and administrative support totals reported by the Institution in the Statement.
- Compared and agreed indirect facilities support and administrative support reported by the Institution in the Statement to the corresponding revenue category (indirect facilities and administrative support – category 8) reported by the Institution in the Statement.
- Recalculated totals.

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Medical Expenses and Medical Insurance

- Recalculated totals.

We obtained a detail of medical expenses and insurance costs from the Athletic Administrative Assistant. This detail was recalculated and tied to the Statement without exception.

Membership and Dues

- Recalculated totals.

We obtained a detail of Membership and Dues paid for fiscal year 2012 from the Athletic Administrative Assistant. This detail was recalculated and tied to the general ledger without exception.

Other Operating Expenses

- Recalculated totals and tied to the Schedule.

Capital Expenditures

- Compared and agreed the capital asset balances (net of accumulated depreciation) in total, and the capital asset additions and deletions by classification of facility, per the Schedule of Capital Expenditures (disclosed in footnotes) to a schedule of fixed asset additions and deletions prepared by the Institution that supports or can be agreed to the Institution's 2012 audited financial statements.
- For outstanding debt of the Institution relating to intercollegiate athletics purposes, we obtained repayment schedules for the debt from the Institution.
- Compared and agreed repayment schedules to the total debt outstanding on the Schedule of Capital Expenditures.

We noted that the University has no outstanding debt related to the Athletic Department.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenue and Expenses of the University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of University management, Internal Audit, and the Board of Regents, and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
January 15, 2013

**New Mexico Highlands University
Statement of Revenues and Expenses
For the Fiscal Year Ended June 30, 2012 (Unaudited)
Exhibit A**

REVENUES	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
Operating Revenues:						
Ticket Sales	\$ 8,600	6,500	6,500	3,250	-	24,850
Student Fees	-	-	-	-	306,745	306,745
Guarantees	-	-	8,500	-	-	8,500
Contributions	2,760	-	5,697	30,620	80,501	119,578
Direct State or Other Government Support	-	-	-	-	2,120,988	2,120,988
Direct Institutional Support	-	-	-	-	338,269	338,269
Indirect Facilities and Administrative Support	-	-	-	-	148,574	148,574
NCAA Conference Distributions Including Tournament Revenues	-	-	-	-	20,888	20,888
Program Sales, Concessions, Novelty Sales, and Parking	8,400	3,750	1,250	-	-	13,400
Royalties, Advertisements and Sponsorships	-	-	-	-	68,567	68,567
Other	-	-	-	-	5,750	5,750
Subtotal Operating Revenue	19,760	10,250	21,947	33,870	3,090,282	3,176,109
EXPENSES						
Operating Expenses:						
Athletics Student Aid	271,229	95,132	97,631	686,556	-	1,150,548
Coaching Salaries, Benefits, and Bonuses Paid by the University	189,921	88,713	72,557	450,226	-	801,417
Support/Administrative Salaries, Benefits, and Bonuses paid by the University	-	-	-	-	359,244	359,244
Recruiting	3,000	3,000	3,000	21,000	-	30,000
Team Travel	45,578	28,422	30,769	262,285	-	367,054
Equipment, Uniform and Supplies	8,885	4,039	1,358	11,029	3,836	29,147
Game Expenses	11,561	9,513	9,217	21,385	-	51,676
Direct Facilities, Maintenance and Rental	-	-	-	-	169,585	169,585
Indirect Facilities and Administrative Support	-	-	-	-	148,574	148,574
Medical Expenses and Medical Insurance	-	-	-	-	16,110	16,110
Memberships and Dues	-	-	-	-	15,760	15,760
Other Operating Expenses	1,004	269	173	307	2,672	4,425
Subtotal Operating Expenses	531,178	229,088	214,705	1,452,788	715,781	3,143,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	\$ (511,418)	(218,838)	(192,758)	(1,418,918)	2,374,501	32,569

**NEW MEXICO HIGHLANDS UNIVERSITY
FOOTNOTES TO THE STATEMENT OF REVENUES AND EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
EXHIBIT A**

NOTE 1. SUMMARY OF PRESENTATION POLICIES

The amounts in the accompanying Statement of Revenues and Expenses were obtained from the general ledger of New Mexico Highlands University (the "University"). All revenues and expenses directly related to the operations of various sports are disclosed as such; revenues and expenses related to football, men's basketball and women's basketball are separately disclosed. The Other Sports column in the accompanying Statement of Revenues and Expenses includes amounts related to men's baseball, men's and women's cross country, women's softball, women's soccer, women's volleyball, and men's wrestling. All remaining operating revenues and expenses are disclosed as non-program specific. The University records depreciation on physical plant and equipment and athletics-related debt service; depreciation on athletics-related facilities and equipment and current year debt service are included in Indirect Facilities and Administrative Support on the Statement of Revenues and Expenses.

NOTE 2. GIFTS

Gift revenue included in the Statement of Revenues and Expenses represents gifts given to the University or Foundation for the use of the Department of Intercollegiate Athletics. The gifts either contained no donor-imposed restrictions, or contained donor-imposed restrictions that were met during fiscal year 2012. There were no permanently restricted gifts for the benefit of the Department of Intercollegiate Athletics during fiscal year 2012. There were no individual contributions exceeding 10% of total contributions received during fiscal year 2012.

NOTE 3. CAPITAL ASSETS

University assets used by the Department of Intercollegiate Athletics are accounted for in the same manner as all University assets. Capital assets valued at \$5,000 or more are recorded at cost at date of acquisition or, if acquired by gift, at estimated fair value at date of donation. Additions to capital assets are capitalized, while maintenance and minor renovations are charged to operations. Capital assets are reported net of accumulated depreciation calculated on a straight-line basis over the estimated useful lives of the assets, ranging from five to fifty years.

**NEW MEXICO HIGHLANDS UNIVERSITY
 FOOTNOTES TO THE STATEMENT OF REVENUES AND EXPENSES (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 EXHIBIT A**

NOTE 3. CAPITAL ASSETS (CONTINUED)

Changes in capital assets at June 30, 2012:

	June 30, 2011	Additions	Deletions	June 30, 2012
Buildings	\$ 7,791,695	-	-	7,791,695
Equipment	545,387	-	-	545,387
Other improvements	1,995,898	-	-	1,995,898
	<u>10,332,980</u>	-	-	10,332,980
Less accumulated depreciation	(8,850,043)	(171,084)	-	(9,021,127)
Construction in progress	-	-	-	-
Property, plant and equipment, net	<u>\$ 1,482,937</u>	<u>(171,084)</u>	-	<u>1,311,853</u>

Depreciation expense related to intercollegiate athletics was \$171,084 for the year ended June 30, 2012.

NOTE 4. BONDS PAYABLE

The Athletic Department does not have any outstanding debt nor does it have a share in the University's outstanding debt.