



*Service plus value, it all adds up.*

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**NEW MEXICO HIGHLANDS  
UNIVERSITY FOUNDATION,  
INC.**

**(A COMPONENT UNIT OF  
NEW MEXICO HIGHLANDS  
UNIVERSITY)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS'  
REPORT**

**June 30, 2020**

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

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**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A Component Unit of New Mexico Highlands University)**  
**OFFICIAL ROSTER**  
**June 30, 2020**

**BOARD OF DIRECTORS**

|                            |                                  |
|----------------------------|----------------------------------|
| Dr. Carlotta E. Lockmiller | President/Public Director        |
| Dr. Sam Minner             | NMHU President/Ex-Officio        |
| Mr. Vince E. Marchi        | Vice President/Public Director   |
| Mr. Paul Cassidy           | Treasurer/Public Director        |
| Ms. Viola Martinez         | Secretary/Public Director        |
| Mrs. Theresa M. Law        | Ex-Officio                       |
| Dr. James Abreu            | Public Director                  |
| Mr. Christopher “Max” Baca | Ex-Officio                       |
| Ms. Tina M. Cordova        | Public Director                  |
| Mr. Paul Grindstaff        | Ex-Officio                       |
| Dr. Eileen Madrid          | Public Director                  |
| Mr. Joseph Montoya         | Public Director                  |
| Ms. Felicia Ortiz          | Public Director                  |
| Dr. Barbara A. Perea Casey | Public Director                  |
| Dr. D. Pauline Rindone     | Public Director                  |
| Ms. Victoria Sanchez       | Public Director                  |
| Mr. Tom Whitson            | Public Director                  |
| Mr. William E. Garcia      | Emeritus Director                |
| Ms. Editha Bartley         | Emeritus Director                |
| Dr. Sharon Caballero       | Emeritus Director                |
| Dr. G. Doyle Daves, Jr.    | Emeritus Director                |
| Mrs. Linda Mitchell Davis  | Emeritus Director                |
| Mr. Carlos Lucero          | Emeritus Director                |
| Mr. Frank A. Marchi        | Emeritus Director                |
| Dr. Joseph McCaffrey       | Emeritus Director                |
| Mr. Ernie Quintana         | Emeritus Director                |
| Mr. Leveo V. Sanchez       | Emeritus Director                |
| Mr. Joe H. Staley, Jr.     | Emeritus Director                |
| Mr. Matias Zamora          | Emeritus Director                |
| Mr. Jim Franken            | Public Director/Leave of Absence |

**Administrative Personnel**

|                            |                                      |
|----------------------------|--------------------------------------|
| Mrs. Theresa Law, JD, CFRE | Executive Director/VP of Advancement |
| Ms. Juli Salman            | Alumni Director                      |
| Mrs. Louise CdeBaca        | Development Finance Officer          |
| Ms. Corie Weaver           | Director Advancement Services        |
| Ms. Julie Tumblety         | Alumni Relation Assistant            |

## **FINANCIAL SECTION**



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## **Independent Auditors' Report**

Brian S. Colón, Esq.  
New Mexico State Auditor  
and  
The Board of Regents  
New Mexico Highlands University Foundation Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the New Mexico Highlands University Foundation Inc. (the Foundation, a nonprofit organization and component unit of New Mexico Highlands University), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2020 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Ricci & Company, LLC*

Albuquerque, New Mexico  
September 18, 2020

## **BASIC FINANCIAL STATEMENTS**

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

**ASSETS**

Current Assets

|                                     |            |
|-------------------------------------|------------|
| Cash and cash equivalents           | \$ 673,122 |
| Accounts receivable                 | 7,684      |
| Pledges receivable, current portion | 143,200    |
| Prepaid assets                      | 3,100      |

**Total current assets** 827,106

Noncurrent Assets

|   |           |
|---|-----------|
| Restricted cash and cash equivalents                          | 1,019,613 |
| Pledges receivable, net of current portion                    | 149,860   |
| Life insurance contract                                       | 85,306    |
| Investments   | 1,000,000 |
| Endowment, including assets held<br>for others of \$2,479,440 | 7,696,307 |
| Capital assets, net   | 7,463,842 |

Total noncurrent assets 17,414,928

**Total assets** \$ 18,242,034

**LIABILITIES AND NET POSITION**

Current Liabilities

|  |           |
|--|-----------|
| Accounts payable and accrued liabilities | \$ 20,309 |
| Accrued interest payable                 | 1,577     |
| Notes payable, current portion           | 219,693   |

**Total current liabilities** 241,579

Long-term liabilities

|                                       |           |
|---------------------------------------|-----------|
| Notes payable, net of current portion | 632,845   |
| Assets held for others                | 2,479,440 |

**Total long-term liabilities** 3,112,285

**Total liabilities** 3,353,864

**NET POSITION**

|   |           |
|---|-----------|
| Invested in capital assets, net of related debt | 6,611,304 |
| Restricted, non-expendable                      | 5,246,091 |
| Restricted expendable                           | 1,698,047 |
| Unrestricted                                    | 1,332,728 |

**Total net position** 14,888,170

**Total liabilities and net position** \$ 18,242,034

*The Notes to the Financial Statements are an integral part of this statement.*

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year ended June 30, 2020**

**OPERATING REVENUES - UNRESTRICTED**

|   |                |
|---|----------------|
| Lease income                                  | \$ 420,769     |
| Contributions from donors                     | 1,007,956      |
| Donated artwork                               | 435,575        |
| Contributed supplies, facilities and services | <u>216,309</u> |

**Total operating revenues** 2,080,609

**OPERATING EXPENSES**

|   |               |
|---|---------------|
| University support                            | 216,773       |
| Operating expenses                            | 282,526       |
| Student aid grants and stipends               | 162,575       |
| Contributed supplies, facilities and services | 216,309       |
| Depreciation                                  | <u>57,698</u> |

**Total operating expenses** 935,881

Operating income 1,144,728

**NONOPERATING ACTIVITIES**

|                         |                 |
|-------------------------|-----------------|
| Loss on sale of artwork | (1,500)         |
| Investment income, net  | 9,123           |
| Interest expense        | <u>(44,928)</u> |

**Net non-operating activities** (37,305)

**CHANGES IN NET POSITION** 1,107,423

Net position - beginning of year 13,780,747

**Net position, end of year** \$ 14,888,170

*The Notes to the Financial Statements are an integral part of this statement.*

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF CASH FLOWS**  
**Year ended June 30, 2020**

|   |                          |
|---|--------------------------|
| Cash Flows From Operating Activities                              |                          |
| Cash received from donors   | \$ 661,715               |
| Cash received from leasing activities                             | 420,769                  |
| Cash paid to beneficiaries and vendors                            | <u>(442,264)</u>         |
| <b>Net cash provided by operating activities</b>                  | <b><u>640,220</u></b>    |
| Cash Flows From Capital and Related Financing Activities          |                          |
| Principal payments on note payable                                | (218,400)                |
| Interest paid on notes payable                                    | <u>(45,192)</u>          |
| <b>Net cash used for capital and related financing activities</b> | <b><u>(263,592)</u></b>  |
| Cash Flows From Investing Activities                              |                          |
| Purchase and sales of investments, net                            | 89,019                   |
| Interest and dividends on investments                             | <u>13,366</u>            |
| <b>Net cash provided by investing activities</b>                  | <b><u>102,385</u></b>    |
| <b>Net increase in cash and cash equivalents</b>                  | <b><u>479,013</u></b>    |
| Restricted cash, beginning of year                                | 520,764                  |
| Cash and cash equivalents, beginning of year                      | <u>692,958</u>           |
| Subtotal  | 1,213,722                |
| Restricted cash, end of year                                      | <u>1,019,613</u>         |
| <b>Cash and cash equivalents, end of year</b>                     | <b><u>\$ 673,122</u></b> |

*The Notes to the Financial Statements are an integral part of this statement.*

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**Year ended June 30, 2020**

|  |                          |
|--|--------------------------|
| Reconciliation of operating income to net cash provided by operating activities        |                          |
| Operating income   | \$ 1,144,728             |
| Adjustments to reconcile operating income to net cash provided by operating activities |                          |
| Depreciation expense   | 57,698                   |
| Change in cash surrender value of life insurance                                       | (1,372)                  |
| Donated artwork  | (435,575)                |
| Changes in assets and liabilities  |                          |
| Accounts receivable  | (55)                     |
| Pledges and accounts receivable  | (128,041)                |
| Prepaid assets   | 236                      |
| Accounts payable and accrued liabilities   | 2,601                    |
|  | <u>640,220</u>           |
| <b>Net cash provided by operating activities</b>                                       | <b><u>\$ 640,220</u></b> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

|   |                   |
|---|-------------------|
| Donated artwork added to capital assets | <u>\$ 435,575</u> |
|---|-------------------|

*The Notes to the Financial Statements are an integral part of this statement.*

**NOTES TO FINANCIAL STATEMENTS**

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization and Nature of Activities***

New Mexico Highlands University Foundation, Inc., a not-for-profit organization, (Foundation) is formed to encourage, solicit, receive, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of New Mexico Highlands University and its objectives and, to that end (a) to take and to hold, either absolutely or in trust for any limitations and conditions imposed by law or the instrument under which received; (b) to sell, lease, convey, and dispose of any such property, to invest and re-invest any proceeds and other funds, and to deal with and expend the principal and income for any purpose herein authorized; (c) to act as trustee; and (d) in general, to exercise any, all, and every power, including trust powers, which a non-profit organized under the laws of New Mexico for the foregoing purposes can be authorized to exercise.

The University will: 1) assign staff to service the administrative needs of the Foundation; 2) provide suitable office and meeting space; 3) pay the cost of reasonable utilities, maintenance and repairs, property insurance, and any other reasonable physical facility support services; 4) provide certain reasonable administration support services; and 5) provide, at no cost to the Foundation, reasonable information technology processing and support, including acquisition of appropriate hardware and software.

The Foundation meets the criteria under Governmental Accounting Standards Board (GASB) Statements No. 39 and No. 61 to qualify as a component unit of the New Mexico Highlands University. The Foundation's financial statements are discretely presented in the New Mexico Highlands University audit report. The Foundation has no component units.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The Foundation has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America for governmental entities. The Foundation has no component units, related organizations, joint ventures, or jointly governed organizations. The Foundation's financial statements are reported using a flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

***Cash and Cash Equivalents***

The Foundation considers all highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

***Pledges Receivable and Allowance for Doubtful Accounts***

Pledges are recorded at net realizable value. Management reviews the collectability of its pledges and if necessary, records an allowance for its estimate of uncollectible amounts.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

*Pledges Receivable and Allowance for Doubtful Accounts (Continued)*

The Foundation uses the direct write-off method in recognizing uncollectible pledges receivable. Under this method, pledges are charged to operations when they are deemed by management to be uncollectible. There were no pledges receivables written off during fiscal year 2020.

*Investments*

The Board of Directors has the sole authority and responsibility over the investment assets of the Foundation. The Foundation had adopted an investment policy in 2008 and amended it in 2017. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet in accordance with GASB 72.

Mutual funds are based on the Foundation's pro-rata share of unit value of the mutual funds. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in restricted net position.

Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported.

The Foundation has no limitations on the types of investments or deposits it can make within the scope of its investment policy but Board approval of investments is necessary in certain situations. The following are the target allocations for the investments:

| Asset Class               | Minimum | Maximum | Preferred |
|---------------------------|---------|---------|-----------|
| U.S. Equities - Large Cap | 20%     | 45%     | 35%       |
| U.S. Equities - Small Cap | 5%      | 15%     | 10%       |
| International Equity      | 10%     | 25%     | 15%       |
| Total fixed Income        | 25%     | 50%     | 35%       |
| Alternative Investments   | 0%      | 10%     | 0%        |
| Cash and Cash Equivalents | 0%      | 10%     | 5%        |

*Capital Assets*

Capital assets used in the Foundation's operations are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. 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 Foundation capitalizes historical treasures and works of art.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

*Capital Assets*

The Foundation does not currently have any capital assets used in its operations. However, the Foundation has a building and land held for lease to the University. The Foundation's accounting policy over the building and land held for lease follows the same policy as the above capital assets policy.

The Foundation's art collection is recorded at estimated fair value at the date of acquisition or at cost if purchased. During 2020 donated works of art totaling \$435,575 were included in capital asset additions.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 39 years for buildings and 5 to 12 years for furniture, fixtures, and equipment.

The Foundation capitalizes capital assets with a cost over \$5,000. All artwork is capitalized and is not depreciated.

*Classification of Revenues*

The Foundation has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating Revenues*

Operating revenues include activities that have the characteristics of exchange transactions such as lease income on Foundation capital assets. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred. Unrestricted donations are classified as operating, as they are not financing or investing activities. Fundraising activities are a major activity of the Foundation and are considered operating revenues.

*Nonoperating Revenues*

Nonoperating revenues include activities that have characteristics of nonexchange transactions, and are consistently applied as nonoperating revenues by *GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and *GASB Statement No. 34, such as investment income*.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use the restricted resources first.

Contributions of donated noncash assets are recorded at their fair values in the period received.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

*Contributed Supplies, Facilities and Services*

Contributed facilities represent the estimated fair rental value of the office space and general corporate services provided by the University. Contributed facilities are provided on a month-to-month basis. Contributed services are recognized if the services received a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded as in-kind expense and are included with University support in the financial statements. The Foundation also may receive contributions of various supplies.

*Endowments*

The endowment spending policy is in alignment with the long-term endowment management philosophy of the Foundation, which is to preserve the permanent viability of the endowment. The Foundation supports vital scholarship and other programs from the earnings of its endowment.

Net appreciation/depreciation on donor-restricted endowments and related investment income are recorded as increases or decreases in restricted net position and are available for expenditure in accordance with donor specifications and in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act. (46-9A 1-10 NMSA, 1978). The following activity was recorded in the endowment in the year ended June 30, 2020:

|                                    |                            |
|------------------------------------|----------------------------|
| Beginning balance                  | \$ 7,752,069               |
| Contributions (distributions), net | (89,019)                   |
| Asset depreciation                 | (308,355)                  |
| Interest and dividends             | 409,507                    |
| Investment management fees         | <u>(67,895)</u>            |
| Ending balance                     | <u><u>\$ 7,696,307</u></u> |

*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. Significant estimates used in preparing these financial statements include estimated useful lives of capital assets and valuation of artwork.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

***Income Taxes***

The Foundation is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2020. The Foundation's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. There were no income tax penalties or interest for the year ended June 30, 2020. The Foundation's tax returns by statute, may be subject to normal federal and state examination up to three years from the date of filing.

***Net Position***

The Foundation's net position is classified as follows:

Net Investment in Capital Assets

This represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Nonexpendable

Nonexpendable restricted net position consists 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 Position – Expendable

Expendable restricted net position consists of resources that the Foundation is legally or continually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Position

Unrestricted net position represents resources derived from unrestricted gifts and lease income from the University, net of expenses. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

***Subsequent Events***

The Foundation has evaluated subsequent events through September 18, 2020, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 2. CASH AND CUSTODIAL CREDIT RISK**

As of June 30, 2020, cash and cash equivalents and restricted cash recorded in the Foundation's financial statements were as follows:

|                                      | NM Bank<br>& Trust  |
|--------------------------------------|---------------------|
| Unrestricted                         | \$ 690,355          |
| Restricted cash                      | 1,027,424           |
| Total cash in financial institutions | 1,717,779           |
| FDIC Insurance                       | (250,000)           |
|                                      | <u>\$ 1,467,779</u> |
| Amount covered by ICS agreement      | <u>\$ 1,467,779</u> |

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation holds bank balances at NM Bank and Trust which is located in Las Vegas, New Mexico. New Mexico Bank and Trust offers Insured Cash Sweep (ICS) services to place the Foundations funds into demand deposit accounts (using the ICS demand option), money market deposit accounts (using the ICS savings option), or both, at other FDIC-insured member institutions. Sweeps occur in increments below the standard FDIC insurance maximum of \$250,000 so that both principal and interest are eligible for FDIC insurance. The Foundation has entered in ICS agreements for all accounts held at New Mexico Bank and Trust.

**NOTE 3. INVESTMENTS**

At June 30, 2020 investments of the Foundation are summarized as follows:

|                             |                     |
|-----------------------------|---------------------|
| Cash and money market funds | \$ 7,696,307        |
| Certificates of deposit     | 1,000,000           |
| <b>Total investments</b>    | <u>\$ 8,696,307</u> |

***Interest Rate Risk***

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2020, the Foundation did not hold any investments subject to interest rate risk:

The Foundation does not have a policy that manages its exposure to fair value losses arising from increasing interest rates.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 3. INVESTMENTS (CONTINUED)**

***Credit Risk***

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2020, the Foundation did not hold any investments subject to credit risk:

All of the Foundation's investments, except its certificates of deposit, are held by Merrill Lynch. The Foundation's certificates of deposit are held with Community 1<sup>st</sup> Bank and Southwest Capital Bank.

**NOTE 4. FAIR VALUE OF INVESTMENTS**

During fiscal year 2016, the Foundation adopted the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

U.S. generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2     Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 4. FAIR VALUE OF INVESTMENTS (CONTINUED)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies.

Investments held in cash and cash equivalents, certificates of deposit, and money market funds were valued using quoted market prices in active markets for identical assets under Level 1 of the hierarchy.

Investments in common stock, mutual funds, and debt securities are valued using quoted market prices in active markets for identical assets under Level 1 of the hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of the assets and liabilities at June 30, 2020:

|                             | Fair Value          | Fair Value Measurements Using  |   |  |
|-----------------------------|---------------------|--|---|--|
|                             |                     | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| At June 30, 2020            |                     |  |   |  |
| Cash and money market funds | \$ 7,696,307        | 7,696,307  | -   | \$ -   |
| Certificates of deposit     | 1,000,000           | 1,000,000  | -   | -  |
|                             | <u>\$ 8,696,307</u> | <u>8,696,307</u>   | <u>-</u>  | <u>\$ -</u>  |

**NOTE 5. ASSETS HELD FOR OTHERS AND TRANSACTION WITH THE PRIMARY INSTITUTION**

As of June 30, 2020, assets held for the Foundation consist of University Endowments in the amount of \$2,479,440.

During 2020, the Foundation provided \$162,575 of scholarship funds to the University.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 6. LIFE INSURANCE CONTRACT**

The Foundation owns, and is the beneficiary of a \$100,000 Whole Life insurance policy on one of the Board Members, who pays the annual premiums. As of June 30, 2020, the insurance policy had a cash value of \$85,306, which is recorded as an asset of the Foundation and determined by the life insurance company.

**NOTE 7. CAPITAL ASSETS**

Capital assets consist of the following:

|  | Balance<br>June 30, 2019 | Additions       | Deletions      | Balance<br>June 30, 2020 |
|--|--------------------------|-----------------|----------------|--------------------------|
| Capital assets not being depreciated:  |                          |                 |                |                          |
| Land                                   | \$ 2,425,341             | -               | -              | \$ 2,425,341             |
| Artwork                                | 3,623,554                | 435,575         | (1,500)        | 4,057,629                |
|  | <u>6,048,895</u>         | <u>435,575</u>  | <u>(1,500)</u> | <u>6,482,970</u>         |
| Capital assets being depreciated:      |                          |                 |                |                          |
| Buildings held for lease to University | 2,250,237                | -               | -              | 2,250,237                |
| Accumulated depreciation               |                          |                 |                |                          |
| Buildings                              | (1,211,667)              | (57,698)        | -              | (1,269,365)              |
|  | <u>(1,211,667)</u>       | <u>(57,698)</u> | <u>-</u>       | <u>(1,269,365)</u>       |
| Capital assets, net                    | <u>\$ 7,087,465</u>      | <u>377,877</u>  | <u>(1,500)</u> | <u>\$ 7,463,842</u>      |

Depreciation expense for the year totaled \$57,698.

**NOTE 8. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2020, is as follows:

|               | Balance<br>June 30, 2019 | Additions | Deletions        | Balance<br>June 30, 2020 | Amount<br>Due Within<br>One Year |
|---------------|--------------------------|-----------|------------------|--------------------------|----------------------------------|
| Notes Payable | <u>\$ 1,070,938</u>      | <u>-</u>  | <u>(218,400)</u> | <u>852,538</u>           | <u>\$ 219,693</u>                |

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 9. NOTE PAYABLE**

The Foundation has a 4% note payable to a bank related to its Rio Rancho land and building. The Foundation has the ability to make additional draws on the loan to upgrade and remodel the building. During 2020 there were no additional draws on the loan for this purpose. The loan is due in monthly installments of \$17,346 through October 2021, at which time the remaining balance is due. The terms of the note include a due on demand clause. Interest expense for the year totaled \$12,131.

The Foundation has an additional 5% notes payable to a bank related to its Rio Rancho land and building. During 2017 there was one draw of \$700,000 to initiate the loan, and no additional draws have been made. The loan is due in monthly installments of \$4,620 through December 2022, with the remaining unpaid balance due at maturity. The terms of the note include a due on demand clause. Interest expense for the year totaled \$32,797.

The scheduled maturity of note payable for the Foundation is as follows at June 30:

| Year | Principal  | Interest | Total      |
|------|------------|----------|------------|
| 2021 | \$ 219,693 | 29,318   | \$ 249,011 |
| 2022 | 18,990     | 23,744   | 42,734     |
| 2023 | 613,855    | 11,400   | 625,255    |
|      | \$ 852,538 | 64,462   | \$ 917,000 |

**NOTE 10. LEASE WITH NEW MEXICO HIGHLANDS UNIVERSITY**

The Foundation leases a building it owns in Rio Rancho, New Mexico to New Mexico Highlands University. The Foundation entered into a twenty-year operating lease agreement on January 30, 1997, with the option to renew the lease for five additional consecutive one-year periods upon the same terms and conditions. At June 30, 2020, the Foundation was in its third renewal year. Lease income for the year ended June 30, 2020, was \$383,569.

The Foundation has a second operating lease agreement with Highlands University for the 8th Street parking lot adjoining the campus. The Foundation purchased the property in 2014 and has entered into the lease on February 1, 2014, for a five-year period. In March 2019, the University extended the lease for one year. At June 30, 2020 the parking lot lease with the University had expired and is currently on a month to month basis. Monthly rental is \$3,100 per month. Rental income for the year ended June 30, 2020, was \$37,200.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 11. RISK MANAGEMENT**

The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Foundation is insured through a private carrier for business and property risk and for director and officer liability insurance. There have been no significant reductions in coverage from the prior years and settlements have not exceeded coverage in the past three years.

**NOTE 12. RECENT GASB PRONOUNCEMENTS**

The Foundation evaluated the following Governmental Accounting Standards Board Statements (GASBS) which became effective in the year ended June 30, 2020:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). This statement is not applicable to the Foundation.

In August 2018, the GASB issued Statement No. 90, *Majority Interests an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). This statement is not applicable to the Foundation.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the specified pronouncements are postponed by one year. The effective date for GASB Statement No. 87, *Leases*, has been postponed by 18 months. The requirements of this statement are effective immediately. The Foundation has adopted this standard in the year ended June 30, 2020.

The following standards have been issued but have future implementation dates:

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for eighteen months. Earlier application is encouraged. The Foundation is still evaluating how this pronouncement will affect future financial statements.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 12. RECENT GASB PRONOUNCEMENTS (CONTINUED)**

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Foundation is still evaluating how this pronouncement will affect future financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Foundation will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements of this Statement for all other topics are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Foundation will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address agreements in which variable payments made or received depend on an interbank offered rate (IBOR) and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (FY 2023). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Foundation will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022). Earlier application is encouraged. The Foundation is still evaluating how this pronouncement will affect future financial statements.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 12. RECENT GASB PRONOUNCEMENTS (CONTINUED)**

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY 2023). Earlier application is encouraged. The Foundation will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (FY 2022). The Foundation will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

**NOTE 13. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout the United States and around the world. As of September 18, 2020, the Foundation is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on our business as of the date of issuance.

In July 2020, the Foundation transferred their investments held with Merrill Lynch to the New Mexico State Investment Pool.

**SUPPLEMENTAL INFORMATION**



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**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***

Brian S. Colón, Esq.  
New Mexico State Auditor  
and  
The Board of Regents  
New Mexico Highlands University Foundation Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Mexico Highlands University Foundation, Inc. (the Foundation) (a component unit of New Mexico Highlands University), which comprise the statement of net position as of June 30 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 12-6-5 NMSA 1978.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ricci & Company, LLC*

Albuquerque, New Mexico  
September 18, 2020

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2020**

**A. SUMMARY OF AUDIT RESULTS**

Type of report issued:

|   |            |
|---|------------|
| Internal controls over financial reporting:               | Unmodified |
| Material weaknesses reported?                             | No         |
| Significant deficiencies reported?                        | No         |
| Noncompliance material to the financial statements noted? | No         |

**B. PRIOR YEAR FINDINGS**

None

**C. CURRENT AUDIT FINDINGS**

None

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.  
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)  
EXIT CONFERENCE  
June 30, 2020**

An exit conference was held via Zoom on October 7, 2020, with the following in attendance:

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

|              |  |
|--------------|--|
| Paul Cassidy | Treasurer, New Mexico Highlands University<br>Foundation |
|--------------|--|

|                          |                                      |
|--------------------------|--------------------------------------|
| Theresa M. Law, JD, CFRE | Executive Director/VP of Advancement |
|--------------------------|--------------------------------------|

**Ricci & Company LLC Personnel:**

|                    |                      |
|--------------------|----------------------|
| Mark Santiago, CPA | Senior Audit Manager |
|--------------------|----------------------|

|                  |                  |
|------------------|------------------|
| Mike Easley, CPA | Audit Supervisor |
|------------------|------------------|

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the Foundation. The financial statements and related footnotes remain the responsibility of management.