

Financial Audit for Fiscal Year 2020



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**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
PRESIDENT'S MESSAGE (UNAUDITED)**



Founded in 1893, New Mexico Highlands University is a multicultural university. Hispanic, Native American, and African American students comprise approximately 71.8% of the enrollment. Forty-three percent of our students are studying at the master's level in the Schools of Education, Social Work, and Business as well as in several programs in the Arts and Sciences. Highlands is widely regarded as northern New Mexico's university; however, our students come from across the state, the country, and the world with 19 tribes, 42 states, and 36 countries represented.

After completing my first several years at Highlands University, we were able to address several major initiatives established by the board of regents. In addition to those, I also focused on campus life (via the Division of Student Affairs), Strategic Enrollment Management (the newest division here at HU), and a reengineer of Advancement. These three areas were not chosen randomly nor were they chosen because I thought they would be easy to improve. Quite the contrary. I chose them because, in my view, they held the most promise to address what I considered (and still consider) our most daunting challenge---moving from a historical reliance on state funding to a situation where we rely more on our own efforts to accrue revenue and remain vibrant and strong. That means-- getting more students recruited and retained and improving our performance in private giving. New Mexico remains one of the states where state funding continues to support a large percentage of higher education funding, but the national trend is quite clear. For example, several states now receive less than 20% of their higher education funding from state government. Even though New Mexico devotes more than that (percentage-wise), the state trend is also clear--state funding is diminishing over time. Hence, my concerns.

I am rarely satisfied with performance (at least my own), but I am generally pleased with progress in the three areas of campus life, enrollment management, and advancement. All are trending in the right direction.

We accomplished additional and important initiatives, including,

- the implementation of the new Master of Fine Arts Degree in Media Arts and Technology,
- the final development and implementation of a new Alternative Teacher Certification Program designed to fast track teacher licensure,
- a major renovation of the historic Rodgers Building, and many other positive and other important programs and initiatives.

American higher education has always done a great job educating students who come to university well prepared and able to meet the academic and other demands of university work. Students not among those groups have not fared as well...and that is still true today. For that reason, HU is at the very center of both the contemporary challenges and opportunities in the American academy and I am proud to lead and manage such an institution. At HU, we change lives every day and prepare our students for great jobs and careers and lives of deep meaning and purpose. The future at HU is challenging, no doubt, but it is also so fulfilling and important to our students and the maintenance of a free society.

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

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NEW MEXICO HIGHLANDS UNIVERSITY**

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

BOARD OF REGENTS AND PRINCIPAL OFFICERS

Board of Regents

<u>Appointed Members:</u>	<u>Title:</u>	<u>Term Expires</u>
Leveo V. Sanchez	Chairman	December 2020
Frank Marchi	Secretary/Treasurer	December 2022
William E. "Bill" Garcia	Regent	December 2024
Danelle J. Smith	Regent	December 2025
Christopher Ulibarri	Student Regent	March 2021

Principal Administrative Officials

Dr. Sam Minner	President
Dr. Roxanne Gonzales	Provost/Vice President for Academic Affairs
Mrs. Theresa M. Law, JD, CFRE	Vice President, Student and Donor Engagement
Dr. Kimberly Blea	Dean of Students
Mr. Max Baca	Vice President for Finance & Administration

Principal Financial Officials

Stephanie Gonzales, CPA	Director of Finance & Budget / Comptroller
Adam Bustos	Director of Purchasing
Ryan Aragon	Student Accounts Receivable Manager

FINANCIAL SECTION



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Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of New Mexico Highlands University (the University) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University'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 auditor's 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 respective financial position of the business-type activities, and the aggregate discretely presented component units of the University, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, the financial statements of the University are intended to present the financial position, and changes in financial position of only that portion of the activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2020, and the changes in its financial position and its cash flows, where applicable for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 9 and the pension schedules on pages 59 to 64 for the University's participation in the Educational Retirement Board Pension Plan and other Post Employment Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other "Supplementary Information", as listed in the Table of Contents as required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of the University's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
October 30, 2020

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020**

Introduction

The following discussion and analysis provides an overview of the financial position and analysis of New Mexico Highlands 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” financial position and results of operations as of and for the year ended June 30, 2020. 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 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”.

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 parts.

Report of Independent Auditors presents an unqualified opinion by our auditors from an independent certified public accounting firm (Ricci & Co., LLC) on the fairness (in all material respects) of our financial statements.

Statement of Net Position presents the assets, liabilities, and net position of the University at a point in time (June 30, 2020). 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.

Statement of Revenues, Expenses, and Changes in Net Position 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, 2020). 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 expenses.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Financial Highlights

CONDENSED STATEMENT OF NET POSITION

Net Position as of June 30, 2020 and 2019 (thousands)		
	<u>2020</u>	<u>2019</u>
Assets:		
Current assets	\$18,204	\$17,571
Restricted cash	2,398	2,357
Assets held by others	2,479	2,442
Due from component unit	-	-
Endowment investments	5,108	4,931
Capital assets, net of accum. depr.	<u>95,404</u>	<u>95,048</u>
Total assets	<u>123,593</u>	<u>122,349</u>
Deferred outflows	<u>11,656</u>	<u>22,980</u>
Liabilities:		
Current liabilities	8,954	9,998
Non-current liabilities	21,651	22,862
Net pension & OPEB liabilities	<u>72,164</u>	<u>112,738</u>
Total liabilities	<u>102,769</u>	<u>145,598</u>
Deferred inflows	<u>16,918</u>	<u>11,105</u>
Net Position:		
Invested in capital assets, net of debt	72,599	71,064
Restricted for nonexpendable	10,162	9,742
Restricted for expendable	8,725	6,341
Unrestricted	<u>(75,924)</u>	<u>(98,521)</u>
Total net position	<u>\$15,562</u>	<u>\$(11,374)</u>

Discussion of Statement of Net Position

Current assets increased 4% during the year. The ending balance of \$18.2 million consists primarily of cash/cash equivalents (\$11.8 million), receivables (\$6.1 million) and other (\$318k). 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.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Activities for the years ended June 30, 2020 and 2019 (thousands)		
	<u>2020</u>	<u>2019</u>
Operating revenues:		
Tuition and fees, net	\$16,201	\$ 16,646
Grants & contracts	15,498	14,858
Sales and services / other revenue	<u>3,347</u>	<u>4,519</u>
Total operating revenues	<u>35,046</u>	<u>36,023</u>
Operating expenses:		
Instruction and general	42,964	41,312
Other operating expenses	(4,188)	31,536
Depreciation	<u>4,868</u>	<u>4,780</u>
Total operating expenses	<u>43,644</u>	<u>77,628</u>
Operating loss	<u>(8,598)</u>	<u>(41,605)</u>
Non-operating revenue:		
State general fund appropriations	32,566	30,136
Interest and investment income	807	1,053
Other	<u>-</u>	<u>281</u>
Total Non-operating revenue:	<u>33,373</u>	<u>31,470</u>
Income/(loss) before other revenue, expenses, gains, losses	<u>24,775</u>	<u>(10,135)</u>
Capital appropriations	3,336	2,382
Interest on indebtedness	(1,116)	(1,149)
Other	<u>(59)</u>	<u>(58)</u>
Total other	<u>2,161</u>	<u>1,175</u>
Decrease/increase in net position	<u>26,936</u>	<u>(8,960)</u>
Net position, beginning	(11,374)	(2,414)
Restatement	<u>-</u>	<u>-</u>
Net position, ending	<u>\$15,562</u>	<u>\$(11,374)</u>

**STATE OF NEW MEXICO
 NEW MEXICO HIGHLANDS UNIVERSITY
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 June 30, 2020**

Discussion of Statement of Revenues, Expenses and Changes in Net Position

The University’s net position increased by \$27 million during the year. Operating expenses (\$43.6 million) are subtracted from operating revenues (\$35 million), resulting in an “operating loss” (\$8.6 million). State general fund appropriations (\$32.6 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 (\$24.8 million). \$3.3 million in capital appropriations revenues (federal and state funds designated for construction projects) resulted in an increase in net position of (\$27 million)

The state appropriation for general funds for year ended June 30, 2020 was \$32.6 million as compared to state appropriation for year ended June 30, 2019 at \$30.1 million.

Analysis of Tuition and Fees Revenue (thousands)				
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	
Tuition	\$12,491	\$13,248	(757)	-6%
Fees	<u>4,840</u>	<u>4,667</u>	<u>173</u>	4%
Subtotal	17,331	17,915	(584)	-3%
Tuition discounts/allowance	<u>(1,130)</u>	<u>(1,269)</u>	139	-12%
Net	<u><u>\$16,201</u></u>	<u><u>\$16,646</u></u>	<u><u>(445)</u></u>	-3%

Tuition and fees, net of discounts and allowances, decreased by 3%. Tuition discounts and allowances are tracked individually by student and the annual expense decreased by 12%.

**STATE OF NEW MEXICO
 NEW MEXICO HIGHLANDS UNIVERSITY
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 June 30, 2020**

CONDENSED STATEMENT OF CASH FLOWS

Statement of Cash Flows for the years ended June 30, 2020 and 2019 (thousands)		
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net cash used by operating activities	\$(26,716)	\$(27,359)
Net cash provided by noncapital financing activities	32,866	30,447
Net cash flow provided by investment activities	266	345
Net cash used by capital & related financial activity	<u>(4,192)</u>	<u>(3,129)</u>
Net increase/(decrease) in cash and cash equivalents	2,224	304
Restricted cash, beginning of year	2,356	2,319
Cash and cash equivalents, beginning of year	<u>9,613</u>	<u>9,346</u>
	<u>11,969</u>	<u>11,665</u>
Restricted cash, end of year	2,398	2,356
Cash and cash equivalents, end of year	<u>\$ 11,795</u>	<u>\$ 9,613</u>

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 \$2.2 million net increase during the year, resulting in an ending cash balance of \$11.8 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.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS	Primary Institution	HSI	Foundation
Cash and Cash Equivalents			
Cash in bank	\$ 11,779,942	-	\$ 673,122
Petty cash	15,412	-	-
Total cash and cash equivalents	11,795,354	-	673,122
Student accounts receivable (net of an allowance of \$7,259,272)	2,866,123	-	-
Grants receivable	1,979,900	-	-
Other receivables	1,122,099	-	7,684
Stipend receivable	122,754	-	-
Pledges receivable	-	-	143,200
Inventories	28,615	-	-
Prepaid assets	44,999	-	3,100
Short-term investments	244,104	-	-
Total current assets	18,203,948	-	827,106
Noncurrent Assets			
Restricted Cash	2,397,715	-	1,019,613
Pledges receivable, net of current portion	-	-	149,860
Life insurance contract	-	-	85,306
Assets held by others	2,479,440	-	-
Investments	5,108,220	-	8,696,307
Capital assets, net of accumulated depreciation	95,404,107	-	7,463,842
Total noncurrent assets	105,389,482	-	17,414,928
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	11,190,383	-	-
Deferred outflows of resources related to pensions OPEB liabilities	465,264	-	-
Total deferred outflows of resources	11,655,647	-	-
Total assets and deferred outflows of resources	\$ 135,249,077	-	\$ 18,242,034

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

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2020**

LIABILITIES	Primary Institution	HSI	Foundation
Current Liabilities			
Accounts payable and accrued liabilities	\$ 2,962,684	-	\$ 20,309
Accrued compensated absences	1,051,640	-	-
Unearned revenue	3,541,647	-	-
Accrued interest payable	177,535	-	1,577
Bonds payable-current	1,220,000	-	-
Notes payable-current	-	-	219,693
Total current liabilities	8,953,506	-	241,579
Noncurrent Liabilities			
Accrued compensated absences	67,126	-	-
Due to university	-	-	-
Assets held for others	-	-	2,479,440
Bonds payable long-term portion	21,585,000	-	-
Notes payable-long term portion	-	-	632,845
Net pension liability	55,062,742	-	-
Net OPEB liability	17,100,682	-	-
Total non-current liabilities	93,815,550	-	3,112,285
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	5,252,242	-	-
Deferred inflows of resources related to pensions OPEB liability	11,665,927	-	-
Total deferred outflows of resources	16,918,169	-	-
Total liabilities and deferred inflows of resources	119,687,225	-	3,353,864
NET POSITION			
Investment in capital assets net of related debt	72,599,107	-	6,611,304
Restricted for			
Nonexpendable			
Restricted for scholarships and grants	10,162,314	-	5,246,091
Expendable			
Restricted for scholarships and grants	586,663	-	1,698,047
Loans	333,896	-	-
Capital projects	2,551,780	-	-
Debt service	5,252,208	-	-
Unrestricted (deficit)	(75,924,116)	-	1,332,728
Total net position (deficit)	15,561,852	-	14,888,170
Total net position, liabilities and deferred inflows of resources	\$ 135,249,077	-	\$ 18,242,034

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year ended JUNE 30, 2020**

	Primary Institution	HSI	Foundation
OPERATING REVENUES			
Tuition and fees	\$ 17,330,772	-	\$ -
Tuition discounts and allowances	(1,129,967)	-	-
Total operating revenues	16,200,805	-	-
Federal grants and contracts	11,319,524	-	-
State and local grants and contracts	1,944,895	-	-
Private grants and contracts	2,233,700	-	-
Sales and services of auxiliary enterprises	2,910,662	-	-
Contributions	-	-	1,224,265
Other	436,185	107,581	856,344
Total operating revenues	35,045,771	107,581	2,080,609
EXPENSES			
Instruction and general			
Instruction	24,898,947	-	-
Academic support	2,490,352	-	-
Student services	4,049,353	-	-
Institutional support	6,546,156	-	-
Operations and maintenance support	4,978,728	-	-
	42,963,536	-	-
Student social/cultural development	1,020,701	-	-
Research	191,425	-	-
Public service	5,436,093	-	-
Internal Services	110,405	-	-
Student aid grants and stipends	9,365,403	-	162,575
Auxiliary enterprises	801,553	-	-
Athletics	3,093,056	-	-
Renewals and replacement	(770,113)	-	-
Other expenditures	-	107,581	715,608
Pension income	(21,244,075)	-	-
OPEB income	(2,191,997)	-	-
Depreciation	4,868,110	-	57,698
Total operating expenses	43,644,097	107,581	935,881
Operating Gain (loss) income	\$ (8,598,326)	-	\$ 1,144,728

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

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION (CONTINUED)
Year ended JUNE 30, 2020**

	Primary Institution	HSI	Foundation
	<u> </u>	<u> </u>	<u> </u>
Non operating revenues (expenses)			
State appropriations	\$ 32,565,600	-	\$ -
State land, permanent fund and investment income	300,701	-	-
Interest and investment income	507,190	-	(35,805)
Unrealized gain on fair value adjustment	-	-	-
Other	-	-	(1,500)
Net non-operating revenues	<u>33,373,491</u>	<u>-</u>	<u>(37,305)</u>
(Loss) income before other revenues, expenses, gains and losses	<u>24,775,165</u>	<u>-</u>	<u>1,107,423</u>
Other revenues (expenses) and capital items			
Capital appropriations	3,336,465	-	-
Transfer in from Auxiliary	-	-	-
Interest on indebtedness	(1,115,876)	-	-
Endowment income (expense)	(60,006)	-	-
Total other revenues (expenses) and capital items	<u>2,160,583</u>	<u>-</u>	<u>-</u>
(Decrease) increase in Net Position	<u>26,935,748</u>	<u>-</u>	<u>1,107,423</u>
Net Position (deficit)			
Net Position (deficit) - beginning of year -	(11,373,896)	-	13,780,747
	<u> </u>	<u> </u>	<u> </u>
Net Position (deficit), end of year	<u><u>\$ 15,561,852</u></u>	<u><u>-</u></u>	<u><u>\$ 14,888,170</u></u>

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

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2020**

	Primary Institution	HSI	Foundation
Cash Flows From Operating Activities			
Tuition and fees	\$ 16,282,628	-	\$ -
Grants and contracts	15,139,550	-	-
Sales and services	4,420,376	-	-
Other operating receipts	398,685	107,581	1,082,484
Payments to employees for salaries and benefits	(36,841,802)	-	-
Payments to suppliers	(26,115,444)	(107,581)	-
Payments to others	-	-	(442,264)
Net cash (used in) provided by operating activities	(26,716,007)	-	640,220
Cash Flows From Noncapital Financing Activities			
State appropriations	32,565,600	-	-
Land and permanent fund	300,701	-	-
Net cash provided by noncapital financing activities	32,866,301	-	-
Cash Flows From Investment Activities			
Investment income	325,708	-	13,366
Purchase of capital assets	-	-	-
Purchases of investments	-	-	89,019
Proceeds from sale of artwork	-	-	-
Change in cash surrender value of life insurance	-	-	-
Endowment expense	(60,006)	-	-
Net cash provided by (used in) investment activities	265,702	-	102,385
Cash Flows From Capital and Related Financing Activities			
State appropriations for capital projects	3,336,465	-	-
Cash paid for capital assets	(5,223,401)	-	-
In kind fixed asset donation	-	-	-
Repayments of bonds and notes payable	(1,189,503)	-	(218,400)
Transfer in from Auxiliary	-	-	-
Interest payment on bonds	(1,115,876)	-	(45,192)
Net cash used by capital and related financing activities	(4,192,315)	-	(263,592)
Net increase in cash and cash equivalents	2,223,681	-	479,013
Restricted cash, beginning of year	2,356,792	-	520,764
Cash and cash equivalents, beginning of year	9,612,596	-	692,958
	11,969,388	-	1,213,722
Restricted cash, end of year	2,397,715	-	1,019,613
Cash and cash equivalents, end of year	\$ 11,795,354	-	\$ 673,122

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

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended June 30, 2020**

	Primary Institution	HSI	Foundation
Reconciliation of operating (loss) income to net cash (used) provided by operating activities			
Operating (loss) income	\$ (8,598,326)	-	\$ 1,144,728
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities			
Depreciation expense	4,868,110	-	57,698
Bad debt expense	-	-	-
Pension expense (income)	(23,436,072)	-	-
Unrealized gain on fair value adjustment	-	-	-
Investment fees	-	-	-
Loss on sale of art	-	-	-
Donated artwork	-	-	(435,575)
Other	-	-	(1,372)
Changes in assets and liabilities			
Receivables	1,504,715	-	(128,096)
Inventories	698	-	-
Other assets	48,075	-	236
Due from component unit	-	-	-
Accounts payable and accrued expenses	(907,796)	-	2,601
Assets held for others	(37,500)	-	-
Deferred revenue	(271,747)	-	-
Due to primary government	-	-	-
Compensated absences	113,836	-	-
Net cash (used in) provided by operating activities	\$ (26,716,007)	-	\$ 640,220

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

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creation and Purposed Entity

New Mexico Highlands University (the 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. Grant revenues are recognized as revenue after all eligibility requirements have been met.

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.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Financial Reporting Entity (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 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 was granted Section 501 (c) (3) of the Internal Revenue Code of 1986 statutes in September of 2018. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University. Highlands Stable Isotopes Corporation does issue separate financial statements.

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.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates (Continued)

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 1st.

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 legal level of budgetary control is at the functional category levels as defined for higher education entities.

The Accompanying Schedules of Budget and Actual, for year ended June 30, 2020, (the "schedule") are prepared on the basis of accounting prescribed by the State of New Mexico, HED. HED requires budgets for combined revenues and expenditures, current unrestricted instruction and general, and current restricted instruction and general 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.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The University implemented Governmental Accounting Standard No. 72, *Fair Value Measurements and Application*. This standard generally requires investments to be measured at fair value. The statement also requires the disclosures in relation to fair value measurements, the fair value hierarchy and valuation techniques. The University also adopted Governmental Accounting Standards No. 79, *Certain External Investment Pools and Pool Participants* conforming to the adoption of the standard by the State Treasurer. This standard allows the State Treasurer and Pool Participants to report qualifying short term investments at amortized cost rather than adjusting such assets to fair value each reporting period. Accordingly, the short-term investments in the State Treasurer's Local Government Investment Pool (LGIP) are reported at amortized cost, which approximates fair value. The University's investment assets include endowments and assets held by others in the Foundation. All investments are measured at fair value.

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.

Unearned Revenue

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 2020 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2020. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Net of Accumulated Depreciation

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.

In accordance with 12-6-10 NMSA 1978, capital assets with a value exceeding \$5,000, and an estimated useful life of greater than one year are capitalized and depreciated. 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for infrastructure, 10 years for library books, 5 to 12 years for furniture, fixtures and equipment and 5 years for autos. At July 1, 2012, the University revised its policy for depreciating buildings by increasing the estimated useful life from 25 years to 50 years.

Accrued 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Liabilities (Continued)

Pensions (continued)

to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The University's net position is 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. Investment in capital assets net of related debt at year end is \$72,599,107.

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 -nonexpendable at year end is \$10,162,314.

Restricted Net Position – Expendable

Expendable restricted net positions are resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Total restricted net position -expendable at year end is \$8,724,547.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted (deficit) Net Position

Unrestricted net position represents 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. Unrestricted (deficit) net position at year end is (\$75,924,116).

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 Revenue

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, (2) most Federal, state and local grants and contracts and Federal appropriations, and (3) 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.

Classification of Expenses

The University classifies its expenses as either operating or non-operating expenses according to the following criteria:

Operating Expenses

Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expenses related to property, plant, and equipment.

**STATE OF NEW MEXICO
 NEW MEXICO HIGHLANDS UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Expenses (Continued)

Non-Operating Expenses

Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34.

NOTE 2. CASH AND CASH EQUIVALENTS

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.

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

	New Mexico Highlands University	Component NMHU Foundation
Petty cash	\$ 15,412	\$ -
Bank deposits	11,779,942	673,122
Cash and equivalents	<u>11,795,354</u>	<u>673,122</u>
State treasurer local government investment pool	<u>244,104</u>	<u>-</u>
Total	<u><u>\$ 12,039,458</u></u>	<u><u>\$ 673,122</u></u>

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. Collateral requirements may be greater depending on the specific bank holding public funds.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk (Continued)

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, 2020, \$0 of the University's bank balance of \$12,164,341 was exposed to custodial credit risk.

Credit Risk

The University has money market funds and investments in the State Treasurer Local Government Investment Pool that are considered cash. As of June 30, 2020, 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.

State Treasurer Local Government Investment Pool (LGIP)

As of June 30, 2020, the State Treasurer Investment Pool was paying the University 3.402 percent per annum. The interest rate is determined by the State Treasurer.

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 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.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

State Treasurer Local Government Investment Pool (LGIP) (Continued)

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's website www.nmsto.gov. The LGIP is rated by Standard & Poor's. The University's investment in the LGIP at year end consists of the following:

LGIP AAAM Rated; \$244,104; 25 day WAM (R); 77 day WAM (F)

NOTE 3. GRANTS RECEIVABLE

As of June 30, 2020, grants receivables consisted of the following:

Federal grants	\$	1,678,871
State grants		211,176
Private grants		89,853
Total grants receivable	\$	<u>1,979,900</u>

NOTE 4. OTHER RECEIVABLES

Other Receivables as of June 30, 2020, consisted of the following:

	New Mexico Highlands University	NMHU Foundation
Perkins loan receivable	\$ 265,014	\$ -
Due from State of New Mexico	222,727	-
Other	634,358	150,884
Other receivables	<u>\$ 1,122,099</u>	<u>\$ 150,884</u>

The Due from State of New Mexico consists of amount due for capital projects as of June 30, 2020.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 5. INVENTORIES

Inventories as of June 30, 2020, consisted of the following:

Ilfeld concessions	\$	1,457
Athletics merchandise and concessions		1,938
Golf course		25,220
Total inventory	\$	28,615

NOTE 6. INVESTMENTS

The University's investments are held at the State Investment Council. The University's monies are invested in accordance with 6-8-9 NMSA 1978. The State Investment Council issues a separate, publicly available financial report that includes financial statements and required supplementary information.

The Foundation has no limitations on the types of investments or deposits it can make within the scope of its investment policy.

At June 30, 2020, investments of the University and its component units are summarized as follows:

	New Mexico Highlands University	Component Unit NMHU Foundation
Cash & Money Market Funds	\$ -	\$ 1,000,000
Common stocks	3,794,104	-
U.S. corporate bonds	1,314,116	-
Certificate of deposit	-	7,696,307
Total investments	\$ 5,108,220	\$ 8,696,307

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. University bond holdings are held by the State Investment Council (SIC). Please refer to the SIC's separately issued financial statements for complete disclosures on credit risk.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 6. INVESTMENTS (CONTINUED)

Foundation Interest 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.

Foundation 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 1st Bank and Southwest Capital Bank.

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 and the Foundation 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 or decrease 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 Prudent Management of Institutional Funds Act. (UPMIFA) (Chapter 46, Article 9A, NMSA 1978). During the year, the endowments had \$9,123 of investment income.

Both the University and the Foundation hold nonexpendable endowments that generate income available for authorization for expenditure by a governing board. The amount available at June 30, 2019 is \$8,696,307 at the Foundation and \$5,108,220 at the University.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 7. FAIR VALUE OF INVESTMENTS

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: <ul style="list-style-type: none">• 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. |

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

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 7. FAIR VALUE OF INVESTMENTS (CONTINUED)

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 represents the fair value measurements of the assets and liabilities at June 30, 2020:

	Fair Value	Foundation Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservab Inputs (Level 3)
At June 30, 2020				
Common stock	\$ -	-	-	\$ -
Cash and money market funds	1,000,000	1,000,000	-	-
Certificates of deposit	7,696,307	7,696,307	-	-
Total	\$ 8,696,307	8,696,307	-	\$ -

	Fair Value	University Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservab Inputs (Level 3)
At June 30, 2020				
Common stock	\$ 3,794,104	3,794,104	-	\$ -
U.S. corporate bonds	1,314,116	-	1,314,116	-
Total	\$ 5,108,220	3,794,104	1,314,116	\$ -

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NEW MEXICO HIGHLANDS UNIVERSITY
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NOTE 8. ASSETS HELD BY OTHERS

As of June 30, 2020, assets held by others and restricted cash consist of the following:

	<u>University</u>	<u>Foundation</u>
Foundation endowment	\$ 2,479,440	\$ -
Debt service reserves held in restricted cash	2,397,715	1,019,613
	<u>\$ 4,877,155</u>	<u>\$ 1,019,613</u>

NOTE 9. CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended June 30, 2020.

	Balance June 30, 2019	Transfers	Additions	Retirements	Balance June 30, 2020
Capital assets not being depreciated					
Land and permanent fund	\$ 3,279,414	-	-	-	\$ 3,279,414
Artwork	969,023	-	-	-	969,023
Patents	73,686	-	-	-	73,686
Construction-in progress	2,516,497	(4,988,513)	2,568,544	-	96,528
Total capital assets not being depreciated	<u>\$ 6,838,620</u>	<u>(4,988,513)</u>	<u>2,568,544</u>	<u>-</u>	<u>\$ 4,418,651</u>
Other capital assets					
Land improvements	\$ 35,835,707	-	1,654,180	-	\$ 37,489,887
Buildings	132,470,540	4,988,513	-	-	137,459,053
Furniture, fixtures and equipment	10,786,337	-	967,284	(334,169)	11,419,452
Library materials	9,967,950	-	48,376	-	10,016,326
Total other capital assets	<u>\$ 189,060,534</u>	<u>4,988,513</u>	<u>2,669,840</u>	<u>(334,169)</u>	<u>\$ 196,384,718</u>
Less accumulated depreciation					
Capital and land improvements	\$ (20,989,760)	-	(2,187,099)	-	\$ (23,176,859)
Buildings	(61,622,061)	-	(2,125,696)	-	(63,747,757)
Furniture, fixtures and equipment	(9,494,905)	-	(370,764)	319,186	(9,546,483)
Library materials	(8,743,612)	-	(184,551)	-	(8,928,163)
Total accumulated depreciation other capital assets, net	<u>(100,850,338)</u>	<u>-</u>	<u>(4,868,110)</u>	<u>319,186</u>	<u>(105,399,262)</u>
Capital assets summary					
Capital assets not being depreciated	\$ 6,838,620	(4,988,513)	2,568,544	-	\$ 4,418,651
Other capital assets	189,060,534	4,988,513	2,669,840	(334,169)	196,384,718
Total cost of capital assets	<u>195,899,154</u>	<u>-</u>	<u>5,238,384</u>	<u>(334,169)</u>	<u>200,803,369</u>
Less accumulated depreciation	(100,850,338)	-	(4,868,110)	319,186	(105,399,262)
Capital assets, net	<u>\$ 95,048,816</u>	<u>-</u>	<u>370,274</u>	<u>(14,983)</u>	<u>\$ 95,404,107</u>

Depreciation expense for the year totaled \$4,868,110.

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NOTE 9. CAPITAL ASSETS (CONTINUED)

New Mexico Highlands University Foundation, Inc.

	Balance June 30, 2019	Additions	Deletions	Balance 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
Total capital assets not being depreciated	<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
Less accumulated depreciation				
Buildings	(1,211,667)	(57,698)	-	(1,269,365)
Other capital assets, net	<u>\$ 7,087,465</u>	<u>377,877</u>	<u>(1,500)</u>	<u>\$ 7,463,842</u>
Capital assets summary:				
Capital assets not being depreciated	\$ 6,048,895	435,575	(1,500)	\$ 6,482,970
Other capital assets, at cost	2,250,237	-	-	2,250,237
Total cost of capital assets	<u>8,299,132</u>	<u>435,575</u>	<u>(1,500)</u>	<u>8,733,207</u>
Accumulated depreciation	(1,211,667)	(57,698)	-	(1,269,365)
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 10. ACCOUNTS PAYABLE/ACCRUED AND OTHER LIABILITIES

Account payable and accrued liabilities for the University is \$2,962,684 as of June 30, 2020. This amount consists of \$579,038 of accounts payable, and \$2,383,646 of accrued salaries and related taxes and benefits payable.

The Foundation has \$20,309 in accounts payable, and \$1,577 in accrued interest liabilities as of June 30, 2020.

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NOTE 11. LONG-TERM LIABILITIES

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Amount Due Within One Year
Bonds payable	\$ 23,985,000	-	(1,180,000)	22,805,000	\$ 1,220,000
Accrued compensated balances	\$ 1,004,930	649,171	(535,335)	1,118,766	\$ 1,051,640

New Mexico Highlands University Foundation, Inc.

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Amount Due Within One Year
Notes payable	\$ 1,070,938	-	(218,400)	852,538	\$ 219,693

NOTE 12. BONDS PAYABLE AND NOTES PAYABLE

The bonds payable and notes payable as of June 30, 2020:

Systems refunding revenue bonds services, 2012, issued November 1, 2012, with interest ranging from .93% to 4.26% - final maturity 2034.	\$ 13,085,000
Systems refunding revenue bonds services, 2009A issued October 15, 2009, with interest ranging from 3.00% to 4.50% - final maturity 2021.	490,000
Systems refunding revenue bonds services, 2009B, issued October 15, 2009 with interest ranging from 5.32% to 6.07% - final maturity 2035.	9,230,000
Total bonds payable	22,805,000
Less amounts due within one year	(1,220,000)
Long term bonds payable	<u>\$ 21,585,000</u>

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NOTE 12. BONDS PAYABLE AND NOTES PAYABLE (CONTINUED)

Debt service requirements for future fiscal years are as follows:

Fiscal Year Ending June 30, 2020	Principal	Interest	Total Debt Service
2021	\$ 1,220,000	1,081,727	\$ 2,301,727
2022	1,265,000	1,035,879	2,300,879
2023	1,310,000	982,680	2,292,680
2024	1,355,000	926,639	2,281,639
2025	1,405,000	867,730	2,272,730
2026-2030	7,885,000	3,291,186	11,176,186
2031-2035	8,365,000	1,207,379	9,572,379
	<u>\$ 22,805,000</u>	<u>9,393,220</u>	<u>\$ 32,198,220</u>

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:

Fiscal Year Ending June 30, 2020	Principal	Interest	Total Debt Service
2020	\$ 219,693	29,318	\$ 249,011
2022	18,990	23,744	42,734
2023	613,855	11,400	625,255
	<u>\$ 852,538</u>	<u>64,462</u>	<u>\$ 917,000</u>

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NOTE 13. UNEARNED REVENUE

As of June 30, 2020, unearned revenue consisted of the following:

Grants and contract	\$ 471,223
Tuition	1,375,634
Housing/meal plan	386,977
Other	1,307,813
Total	<u><u>\$ 3,541,647</u></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
- Mexican Auto

There have been no uninsured losses in the last 3 years.

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 recent years.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

Plan Description

The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB’s comprehensive annual financial report. The report can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Pension Benefit

A member’s retirement benefit is determined by a formula which includes three component parts: 1) the member’s final average salary (FAS), 2) the number of years of service credit, and 3) a multiplier.

For members hired on or before June 30, 2019 (Tiers 1-3 members) the multiplier is 2.35%. For members hired after June 30, 2019 the multiplier accrues as follows:

<u>Years of Service</u>	<u>Benefit Percentage Earned</u>
1-10	1.35%
11-20	2.35%
21-30	3.35%
31 plus	2.40%

The FAS is the average of the member’s salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Summary of Plan Provisions for Retirement Eligibility by Tier;

Tier 1: Membership prior to July 1, 2010

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Tier 2: Membership on or after July 1, 2010, but prior to July 1, 2013

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Tier 3: Membership beginning on or after July 1, 2013

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55 and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67 and has earned 5 or more years of service credit.

Tier 4: Membership beginning on or after July 1, 2019

Section 2-11-23.3, NMSA 1978, added eligibility requirements for new members who were first employed on or after July 1, 2019 and had, before that date, been refunded all member contributions and had not restored all refunded contributions and interest before July 1, 2019. A member in this tier must meet one of the following requirements.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Tier 4: Membership beginning on or after July 1, 2019 (continued)

- The member's minimum age must be 58, and the member has earned 30 or more years of service credit. (A member who retires earlier than age 58, receives a reduction in benefits equal to the actuarial equivalent of retiring at age 58.)
- The member's minimum age and earned service credit add up to the sum of 80 or more. (Those who retire under the age of 65, and who have fewer than 30 years of earned service credit, received reduced retirement benefits.
- Or, the member's age is 67, and the member has earned 5 or more years of service credit.

Forms of Payment

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options

The Plan has three benefit options available.

- *Option A – Straight Life Benefit* – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- *Option B – Joint 100% Survivor Benefit* – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- *Option C – Joint 50% Survivor Benefit* – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Disability Benefit

An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA)

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3 and Tier 4).

If a member is eligible for a COLA, the amount depends on the annual change in the Consumer Price Index (CPI) and whether the fund is fully funded (that is, the fund's funded ratio is 100%). Accordingly, if there is no increase in the CPI, or the CPI is negative, the amount of the COLA will be zero (if the CPI is negative, retirement benefits will not be decreased).

When CPI has increased and the fund is fully funded, the COLA will be the same amount as the increase in the CPI except as follows: If the increase in the CPI is 2% or greater, the COLA will be one-half of the CPI increase, not to exceed 4% or to be less than 2%.

However, while the fund is not fully funded, the COLA for retirees will be reduced based on the median annual retirement benefit, calculated after the end of each fiscal year:

- When the funded ratio is 90% or less, the COLA for retirees whose annuity is at or below the median and who have 25 or more years of service credit at retirement will be reduced by 10%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 20%.
- When the funded ratio exceeds 90% but is less than 100%, the COLA for retirees whose annuity is at or below the median adjusted annuity and who had 25 or more years of service credit at retirement and will be reduced by 5%. For retirees whose annuity is greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 10%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Refund of Contributions

Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Alternative Retirement Plan

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The two administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Eligibility

Certain employees of the University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, New Mexico Highlands University, Eastern New Mexico University, Western New Mexico University, Central New Mexico Community College, Clovis Community College, Luna Community College, Mesalands Community College, New Mexico Junior College, Northern New Mexico College, San Juan College and Santa Fe Community College are eligible to make an election to participate within ninety days of employment. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan.

Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Form of Payment

Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Service Code. Retirement benefits shall, at the option of the employee, be paid in the form of:

- A lifetime income, if held in an annuity contract,
- Payments for a term of years, or
- A single-sum cash payment.

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the funds administered by NMERB.

ARP Contributions - For the year ended June 30, 2020, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3.25% of the employees' gross salary to NMERB, for a total of 14.15%. Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 3.25% contributions to the Plan.

The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

Employer contributions reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The 3.25% contribution remitted for fiscal year ended June 30, 2020 and the 3.0% remitted for fiscal year ended June 30, 2019 were \$98,445 and \$102,148 respectively.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions

For the fiscal years ended June 30, 2020 and 2019 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2020	7-1-19 to 6-30-20	Over \$20K	10.70%	14.15%	24.85%	0.25%
2020	7-1-19 to 6-30-20	\$20K or less	7.90%	14.15%	22.05%	0.25%
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2020 and 2019, the University paid employee and employer contributions of \$3,077,651 and \$2,960,097, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the University reported a liability of \$55,062,742 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles.

House Bill 360 made several changes to benefit provisions, which were effective July 1, 2019. These included:

- Increasing the employer contribution rate by 0.25%, from 13.9% to 14.15%;
- Increasing from \$20,000 to \$24,000 the member salary range subject to the lower 7.90 contribution rate (higher rate is 10.70%);
- Increasing the employer contribution to ERP on behalf of ARP members from 3.0% to 3.25%;
- Implementing anti-spiking measures to prevent artificially increasing benefits;
- Requiring all working retirees and their employers to contribute to ERP; and
- For members hired after June 30, 2019, using a tiered multiplier instead of a single multiplier to calculate retirement benefits upon retirement.

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

These changes have been reflected in the roll-forward and in the projection used to determine the single discount rate. The University’s proportion of the net pension liability was based on a projection of the University’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2019, actuarially determined. At June 30, 2019, the University’s proportion was 0.72668%, which was a decrease of 0.02361% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension income of \$21,244,075. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,443,121
Changes of assumptions	7,758,473	-
Net difference between projected and actual earnings on pension plan investments	-	1,172,652
Changes in proportion and differences between contributions and proportionate share of contributions	354,259	2,636,469
Employer's contributions subsequent to the measurement date	3,077,651	-
Total	\$ 11,190,383	\$ 5,252,242

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NOTE 15. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$3,077,651 reported as deferred outflows of resources related to pensions resulting from the University’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Total Debt Service
2020	\$ 5,145,889
2021	(1,502,828)
2022	(629,709)
2023	(152,862)
2024	-
	\$ 2,860,490

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of 2.50% inflation rate and a 4.75 real rate of return.
Mortality	Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.

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NOTE 15. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (continued)

Mortality	<p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

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NOTE 15. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	31%	
Fixed income	26%	
Alternatives	42%	
Cash	1%	
Total	<u>100%</u>	<u>7.25%</u>

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This rate is 1.56% increase over the rate 5.69% rate used in the prior measurement year. The 7.25% was based on a long-term expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTE 15. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

The projections of cash flows used to determine the single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Additionally, contributions received through Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's Proportionate share of the net pension liability	\$ 74,330,485	\$ 55,062,742	\$ 39,126,487

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued NMERB’S financial reports. The reports can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

Payables to the Pension Plan

At June 30, 2020, the University reported a payable of \$668,566 for outstanding contributions due to ERB.

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NOTE 16. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB

Plan Description

Employees of the University are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by Benefit Terms

At June 30, 2019, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	\$ 52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	<u>\$ 154,177</u>
Active membership	
State general	\$ 17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal FTRE	1,966
Educational Retirement Board	49,492
	<u>\$ 91,082</u>

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NOTE 16. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Contributions

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the University were \$465,264 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the University reported a liability of \$17,100,682 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The University's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the University's proportion was 0.52741 percent.

For the year ended June 30, 2020, the University recognized OPEB income of \$2,191,997. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 4,303,400
Net difference between projected and actual investment earnings on OPEB plan investments	-	158,994
Changes of assumptions	-	5,519,273
Changes in proportion	-	1,684,260
Employer's contributions made subsequent to the measurement date	465,264	-
Total	\$ 465,264	\$ 11,665,927

Deferred outflows of resources totaling \$465,264 represent University contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

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NEW MEXICO HIGHLANDS UNIVERSITY
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NOTE 16. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Fiscal Year Ending June 30:	
2021	\$ (3,123,530)
2022	(3,123,530)
2023	(2,780,639)
2024	(1,782,944)
2025	(855,284)
	<u>\$ (11,665,927)</u>

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.50% for PERA members
Projected payroll increases	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2014 Combined Healthy Mortality

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NOTE 16. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.10%
U.S. equity - large cap	7.10%
Non U.S. - emerging markets	10.20%
Non U.S. - developed equities	7.80%
Private equity	11.80%
Credit and structured finance	5.30%
Real estate	4.90%
Absolute return	4.10%
U.S. equity - small/mid cap	7.10%

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2039, resulting in a blended discount rate of 4.16%.

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NOTE 16. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the University, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
New Mexico Highland University's			
Proportionate share of the net OPEB liability	\$ 20,918,256	\$ 17,100,682	\$ 14,099,710

The following presents the net OPEB liability of the University, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
New Mexico Highland University's			
Proportionate share of the net OPEB liability	\$ 14,237,421	\$ 17,100,682	\$ 19,393,129

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2019.

Payable Changes in the Net OPEB Liability

At June 30, 2020, the University reported a payable of \$89,689 for outstanding contributions due to NMRHCA.

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NOTE 17. 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, 2020, was \$103,229 which has been charged to expenditures.

NOTE 18. LEASES

At June 30, 2020, the University had various operating lease arrangements summarized as follows:

Operating Leases

Rent expense for operating leases amounted to \$973,643 for the year ended June 30, 2020. Included in current year rent expense is a lease for a building owned by the Foundation in the amount of \$382,256. There is also a second lease for a parking lot owned by the Foundation in the amount of \$31,000. The leases with the Foundation have been included in the minimum lease payments below.

Minimum Lease Payments

The following is a schedule of future minimum lease payments for these leases at June 30, 2020:

Fiscal Year Ending June 30, 2020	Operating Leases
2021	\$ 816,256
2022	586,506
2023	268,764
2024-2026	223,406
	\$ 1,894,932

Commitments

At June 30, 2020, 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	\$ 1,556,649
Plant Funds	\$ 275,790

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NOTE 19. COMMITMENTS AND CONTINGENCIES

Contingencies

The University is a defendant in various legal actions arising from claims of wrongful termination and or discrimination. Management believes that those actions are without merit and the ultimate liability, if any, resulting from them will not materially affect the University's financial position or results of operations. At this point the likelihood of an unfavorable outcome is undeterminable.

NOTE 20. RESEARCH COMMERCIALIZATION

The University Board of Regents, in its meeting of May 7, 2009, approved and created "Highlands Stable Isotopes Corporation (HSI)." The 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 classified as a public entity under section 501 (c) (3) of the Internal Revenue Code of 1986 status. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University.

On May 7, 2009, the Board of Regents entered into a Memorandum of Agreement with the corporation recognizing that the University has developed and patented Isotopes that have significant commercial potential. The agreement sets forth processes and structure where the patents can be licensed to other corporation(s) and other operational details.

On May 2015, the Board of Regents required the HSI board to downsize the operation staff and implement a solvency plan to address the significant negative fund balance. The board reduce the staff to the primary researcher on a part-time basis for the sole purpose is to answer technical questions from potential buyers of our patented products. On October 26, 2018 the Board of Regents voted to replace former members of the HSI board.

From inception, the University has advanced approximately \$1,488,000 to HSI to develop its patented isotopes. HSI recorded a gain from debt relief on the \$469,559 of reduction in amounts due to the University. The advances to HSI have been forgiven by the University due to the HSI's inability to generate the expected revenue to repay the advancements. Based on this the Highland Stable Isotopes has substantial doubt to continue as a going concern. The debt is forgivable by the university and does not conflict with the Anti-donation state policy as HSI was established as a Research and Development arm of the University.

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NOTE 21. LEASE WITH NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION

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. 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 entered into 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. As of 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.

NOTE 22. UNRESTRICTED NET POSITION SUPPLEMENTAL DISCLOSURE

Unrestricted net position without the effects of the required liabilities, deferred outflows and deferred inflows recorded per GASB Statement 68 is presented below to provide additional information to users regarding the University's financial position:

Unrestricted net position (as stated in the statement of net position)	\$ (75,924,116)
Add: Net effect of pension adjustments	77,425,946
Adjusted unrestricted net position	<u><u>\$ 1,501,830</u></u>

**STATE OF NEW MEXICO
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NOTE 23. RECONCILIATION OF BUDGET BASIS TO GAAP

	<u>Revenues</u>
Budget basis revenue	\$ 73,037,514
Loan	58,869
In kind donation	(15,184)
Agency	172,917
Capital Appropriations in expense program 300	(1,228,281)
Indirect Cost Recovery in program 100	(545,113)
Endowments	275,005
Revenue per GAAP	<u><u>\$ 71,755,727</u></u>
	 <u>Expenditures</u>
Budget basis expenditures	\$ 69,966,757
Agency	172,917
Loan	181,256
Endowments	63,605
Depreciation expense	4,868,110
Capital Appropriations in expense program 300	(1,228,281)
Indirect Cost Recovery in program 100	(545,113)
Loss on disposal of asset	15,184
Transfer to capital asset fund	(5,238,384)
Pension expense	(21,244,075)
OPEB expense	(2,191,997)
Expenditures per GAAP	<u><u>\$ 44,819,979</u></u>

NOTE 24. SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 30, 2020, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

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 October 30, 2020, the University 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.

**STATE OF NEW MEXICO
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NOTE 24. SUBSEQUENT EVENTS (CONTINUED)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

As of October 30, 2020, the University 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.

NOTE 25. RECENT GASB PRONOUNCEMENTS

The University 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 University.

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 University.

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 University has adopted this standard in the year ended June 30, 2020.

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NOTE 25. RECENT GASB PRONOUNCEMENTS (CONTINUED)

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 University will be implemented in a subsequent period.

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. This statement is not applicable to the University.

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. This statement is not applicable to the University.

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. This statement is not applicable to the University.

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. This statement is not applicable to the University.

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 University will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

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NOTE 25. 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 University 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 University will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
June 30, 2020**

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data* to last 10 Fiscal Years*

Fiscal year	2020	2019	2018	2017	2016	2015
Measurement date	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability (assets)	0.72668%	0.75029%	0.77877%	0.74889%	0.77310%	0.81023%
University's proportionate share of net pension liability (assets)	\$ 55,062,742	89,219,467	86,548,356	53,893,871	50,075,746	\$ 46,229,335
University's covered employee payroll	\$ 20,491,671	20,254,346	20,870,492	21,108,107	24,563,545	\$ 24,563,545
University's proportionate share of net pension liability (assets) as a percentage of its covered employee payroll	268.71%	440.50%	414.69%	255.32%	203.86%	188.20%
Plan fiduciary net position as a percentage of the total pension liability	64.13	52.17%	52.95%	61.58%	63.97%	66.54%

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF CONTRIBUTIONS – NET PENSION LIABILITY
June 30, 2020**

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data* to last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Statutory Required Contribution	\$ 3,077,651	2,960,097	2,914,653	3,085,048	3,486,299	\$ 2,973,025
Contributions in Relation to the Statutorily Required Contribution	3,077,651	2,960,097	2,914,653	2,973,025	3,054,737	2,973,025
Contribution Deficiency (Excess)	-	-	-	112,023	431,562	-
University's Covered Payroll	<u>\$ 21,248,140</u>	<u>20,491,671</u>	<u>20,254,346</u>	<u>20,870,492</u>	<u>21,108,107</u>	<u>\$ 24,563,545</u>
Contributions as a percentage of Covered Payroll	14.48%	14.45%	14.39%	14.25%	14.47%	12.10%

* *Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

Changes in benefit provisions . There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in Pension assumptions and methods . Actuarial assumptions and methods are set by the Board of Trustees (Board), based upon recommendations made by the plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF
THE OPEB LIABILITY
June 30, 2020**

New Mexico Retiree Health Care Authority OPEB Plan
Schedule of Ten Year Tracking Data* to last 10 Fiscal Years*

	Fiscal year	2020	2019	2018
	Measurement date	2019	2018	2017
University's proportion of the net OPEB liability (assets)		0.52741%	0.54085%	0.57068%
University's proportionate share of net OPEB liability (assets)	\$	17,100,682	23,518,077	25,861,352
University's covered employee payroll	\$	23,536,100	23,134,050	23,772,516
University's proportionate share of net OPEB liability (assets) as a percentage of its covered employee payroll		72.66%	101.66%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability		18.92%	13.14%	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See Notes to Required Supplementary Information

STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF THE UNIVERSITY CONTRIBUTIONS-OPEB
June 30, 2020

New Mexico Retiree Health Care Authority OPEB Plan
Schedule of Ten Year Tracking Data* to last 10 Fiscal Years*

	2020	2019	2018
Statutory Required Contribution	\$ 465,264	470,722	462,681
Contributions in Relation to the Statutorily Required Contribution	<u>465,264</u>	<u>470,722</u>	<u>462,681</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
University's Covered Payroll	\$ 23,263,200	\$ 23,536,100	23,134,050
Contributions as a percentage of Covered Payroll	2.00%	2.00%	2.00%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Notes to Required Supplementary Information

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

In the June 30, 2019 actuarial valuation, changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.08% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF BUDGETARY COMPARISONS – BUDGETARY BASIS
COMBINED REVENUES AND EXPENDITURES
BUDGET COMPARISON
Year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	\$ 17,840,864	21,001,096	21,001,096	\$ -
Unrestricted & Restricted Revenues				
State general fund appropriations	32,565,600	32,565,600	32,565,600	-
Federal revenue sources	10,592,124	14,803,865	11,319,520	(3,484,345)
Tuition and fees	14,485,500	14,907,696	15,043,552	135,856
Land and permanent fund	220,801	259,330	300,701	41,371
Private grants/contracts	4,350,371	3,930,914	2,069,347	(1,861,567)
Sales & service	4,162,320	3,189,553	2,914,746	(274,807)
Government grants - state	3,806,540	4,197,890	1,944,895	(2,252,995)
Endowments and private gifts	-	-	-	-
Other	722,000	678,902	831,426	152,524
Capital outlay	4,000,000	7,814,670	4,670,486	(3,144,184)
Retirement of indebtedness	1,000,000	1,317,435	1,377,241	59,806
Total revenues	<u>75,905,256</u>	<u>83,665,855</u>	<u>73,037,514</u>	<u>(10,628,341)</u>
Total Unrestricted & Restricted Revenues	<u>93,746,120</u>	<u>104,666,951</u>	<u>94,038,610</u>	<u>(10,628,341)</u>
Unrestricted & Restricted Expenditures				
Instruction and general	42,028,186	41,323,131	36,896,740	4,426,391
Student social and cultural	1,114,167	1,489,209	1,141,945	347,264
Research	2,663,430	5,437,744	1,363,872	4,073,872
Public service	8,863,905	8,920,906	5,508,496	3,412,410
Internal service departments	2,656,687	2,805,118	2,134,672	670,446
Student aid	8,416,074	10,733,178	9,480,365	1,252,813
Auxiliary enterprises	3,341,735	2,486,106	2,153,164	332,942
Intercollegiate athletics	3,183,256	3,176,817	3,093,051	83,766
Capital outlay	4,272,385	10,290,160	5,838,833	4,451,327
Renewal and replacements	1,296,022	1,828,611	1,239,743	588,868
Retirement of indebtedness	2,302,229	2,118,340	1,115,876	1,002,464
Total Unrestricted & Restricted Expenditures	<u>80,138,076</u>	<u>90,609,320</u>	<u>69,966,757</u>	<u>(20,642,563)</u>
Net Transfers	-	-	-	-
Change in net assets-budgetary basis	<u>(4,232,820)</u>	<u>(6,943,465)</u>	<u>3,070,757</u>	<u>10,014,222</u>
Ending Fund Balance	<u>\$ 13,608,044</u>	<u>14,057,631</u>	<u>24,071,853</u>	<u>\$ 10,014,222</u>

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
RESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTIONAL AND GENERAL
REVENUES AND EXPENDITURES
BUDGET COMPARISON
Year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Tuition	\$ -	-	-	\$ -
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	352,543	371,120	246,565	(124,555)
Government grants - state	274,870	286,129	83,704	(202,425)
Contracts - local	-	-	-	-
Private grants/contracts	1,000	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
Total revenues	628,413	657,249	330,269	(326,980)
Total unrestricted revenues	-	-	-	-
Expenditures				
Instruction	341,960	354,710	158,737	195,973
Academic support	33,576	39,583	33,110	6,473
Student services	113,871	113,871	68,376	45,495
Institutional support	121,367	125,451	59,714	65,737
Operation & maintenance of plant	17,639	23,634	10,332	13,302
Total expenditures	628,413	657,249	330,269	326,980
Change in net assets-budgetary basis	\$ -	-	-	\$ -

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
UNRESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTIONAL AND GENERAL
REVENUES AND EXPENDITURES
BUDGET COMPARISON
Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	\$ 7,063,822	11,119,603	11,119,603	\$ -
Revenues				
Tuition	11,054,400	11,272,750	11,367,792	95,042
Miscellaneous fees	1,822,000	1,856,943	1,838,033	(18,910)
Government appropriation - federal	-	-	-	-
Government appropriation - state	28,843,070	28,839,898	28,839,899	1
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	220,801	259,330	300,701	41,371
Private gifts	-	-	-	-
Sales & service	1,500	1,500	40,500	39,000
Other sources	617,000	596,280	683,658	87,378
Total revenues	<u>42,558,771</u>	<u>42,826,701</u>	<u>43,070,583</u>	<u>243,882</u>
Total Unrestricted Revenues	<u>49,622,593</u>	<u>53,946,304</u>	<u>54,190,186</u>	<u>243,882</u>
Expenditures				
Instruction	22,230,294	22,185,646	18,663,048	3,522,598
Academic support	2,563,816	2,489,572	2,457,244	32,328
Student services	4,181,006	4,075,293	3,988,299	86,994
Institutional support	7,473,548	6,743,884	6,489,463	254,421
Operation & maintenance of plant	4,951,109	5,171,487	4,968,417	203,070
Total expenditures	<u>\$ 41,399,773</u>	<u>40,665,882</u>	<u>36,566,471</u>	<u>\$ 4,099,411</u>
Net Transfers	<u>\$ 5,628,087</u>	<u>6,515,206</u>	<u>5,559,149</u>	<u>\$ (956,057)</u>
Change in net assets-budgetary basis	<u>(4,469,089)</u>	<u>(4,354,387)</u>	<u>944,963</u>	<u>(2,899,472)</u>
Ending Fund Balance	<u>\$ 2,594,733</u>	<u>6,765,216</u>	<u>12,064,566</u>	<u>\$ (2,899,472)</u>

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
June 30, 2020**

	Pledged Collateral		Southwest	Wells Fargo	Community	State	Total
	Safekeeping Location	Type of Security	Capital Bank Las Vegas, NM	Albuquerque NM	1st Bank Las Vegas, NM	Treasurer Santa Fe, NM	
Funds on deposit							
Demand deposits			\$ 239,316	5,029,141	6,651,780	244,104	\$ 12,164,341
FDIC insurance			(250,000)	(250,000)	(250,000)	-	(750,000)
Total uninsured public funds			<u>\$ (10,684)</u>	<u>4,779,141</u>	<u>6,401,780</u>	<u>244,104</u>	<u>\$ 11,414,341</u>
Collateral %			1.02	1.02	0.50		
Requirement per section 6-10-18 NMSA			\$ (10,898)	4,874,724	3,200,890	-	\$ 8,064,716
Pledged collateral							
	FNMA POOL 890405	CUSIP #31410LGN6			355,596		355,596
	FNMA POOL MA1385	CUSIP #31418ARF7			220,167		220,167
	GNMA2 POOL	CUSIP #36202FX68			325,500		325,500
	U.S TREASURY NOTE	CUSIP #912828R69			2,900,643		2,900,643
	FHLB	LOC	250,000				250,000
	FMAC	CUSIP #31329KUK8		472,332			472,332
	FMAC	CUSIP #3132A5HB4		372,846			372,846
	FNMA	CUSIP #31418CBG8		1,639,441			1,639,441
	FNMA	CUSIP #31418CPF5		1,482,594			1,482,594
	FNMA	CUISP #31418CUA0		1,465,352			1,465,352
			<u>250,000</u>	<u>5,432,565</u>	<u>3,801,906</u>	<u>-</u>	<u>9,484,471</u>
Deficiency / (Excess) of pledge Collateral over the required amount			<u>\$ (260,898)</u>	<u>(557,841)</u>	<u>(601,016)</u>	<u>-</u>	<u>\$ (1,419,755)</u>

* Line of credit is with a Federal Home Loan Bank in accordance with subsection A of section 6-10-16 NMSA 1978.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS (CONTINUED)
June 30, 2020**

Name of Bank	Account Type	Bank Balance	Book Balance
Southwest Capital Bank - Las Vegas			
Cash receipts account	Interest bearing checking	\$ 202,540	\$ 246,450
Cashier's credit card account	Interest bearing checking	36,776	36,926
Total		<u>239,316</u>	<u>283,376</u>
Wells Fargo Bank - Albuquerque			
Rio Rancho business	Non-interest bearing checking	2,020,589	1,835,929
Rio credit card	Non-interest bearing checking	18,812	18,812
NMHU business	Non-interest bearing checking	1,506,336	1,506,336
Online payments	Non-interest bearing checking	882,740	901,051
NMHU golf course	Non-interest bearing checking	53,573	53,573
Farmington	Non-interest bearing checking	537,896	519,890
NMHU savings	Savings	9,195	9,195
Total		<u>5,029,141</u>	<u>4,844,786</u>
Community 1st Bank - Las Vegas			
NMHU golf course	Non-interest bearing checking	55,754	55,754
Capital outlay	Money market account	5,714,190	5,714,190
NMHU savings	Savings	881,836	881,836
Total		<u>6,651,780</u>	<u>6,651,780</u>
State Treasurer's Office			
Local government investments	Pooled	244,104	244,104
Cashier's cash			
		<u>15,412</u>	<u>15,412</u>
Total cash and cash		<u>\$ 12,179,753</u>	<u>\$ 12,039,458</u>

**STATE OF NEW MEXICO
 NEW MEXICO HIGHLANDS UNIVERSITY
 SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS (CONTINUED)
 June 30, 2020**

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

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

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY SPECIAL
AND SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS
Year ended June 30, 2020**

<u>Projection Description</u>	<u>Authority Chapter</u>	<u>Appropriation Laws</u>	<u>Period</u>	<u>Expiration</u>	<u>Total Appropriation</u>	
General Obligation Revenue Bond						
General Obligation A16-A5129	NMHU Rodgers Admin Bldg Renovate	Ch 82 Sec 10/C/5	2016	2016	6/30/2021	\$ 4,500,000
General Obligation GOB17 A5112	Library	Ch 82 Sec 10/B/2	2016	2016	6/30/2021	103,065
General Obligation C5076	Library	Ch 67 Sec 10/B/2	2018	2018	6/30/2023	143,074
General Obligation C5096	Infrastructure Upgrades	Ch 67 Sec 10/D/4	2018	2018	6/30/2023	4,000,000
	Total General Obligation Revenue Bonds					<u>\$ 8,746,139</u>
Severance Tax Bond Proceeds						
Severance Tax C2691	NMHU Safety Equip	Ch 80 Sec 35/3	2018	2018	6/30/2020	30,000
	Total Severance Tax Bonds					<u>\$ 30,000</u>
General Fund Appropriations						
General Fund D3457	NMHU Athletic Facilities Improve	Ch 277 Sec 43	2020	2019	6/30/2023	\$ 119,000
General Fund D3458	NMHU Classroom Tech Improve	Ch 277 Sec 43	2020	2019	6/30/2021	165,000
General Fund D3460	NMHU Info Tech Install	Ch 277 Sec 43	2020	2019	6/30/2023	80,000
General Fund D3459	Facilities Services Parking Lot	Ch 277 Sec 43	2020	2020	6/30/2023	357,000
General Fund D3461	Rodgers Bld Renovate	Ch 277 Sec 43	2020	2020	6/30/2023	1,000,000
General Fund D3462	Facilities Warehouse Improvement	Ch 277 Sec 43	2020	2020	6/30/2023	103,000
	Total General Fund Appropriations					<u>\$ 1,824,000</u>
	Total Capital Appropriations					<u>\$ 10,600,139</u>

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY SPECIAL
AND SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS (CONTINUED)
Year ended June 30, 2020**

	Bonds Sold To Date	Bonds Unsold	Amount Available	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Encumbered Amount	Current Year Revision Amount	Unencumbered Balance
\$	4,500,000	-	4,500,000	2,652,987	1,800,312	45,000	-	-	\$ 1,701
	103,065	-	103,065	42,687	60,378	-	-	-	-
	143,074	-	143,074	-	189	-	-	-	142,885
	4,000,000	-	4,000,000	-	1,475,586	40,000	257,771	-	2,226,643
\$	8,746,139	-	8,746,139	2,695,674	3,336,465	85,000	257,771	-	\$ 2,371,229
\$	30,000	-	30,000	3,468	26,532	-	-	-	\$ -
\$	30,000	-	30,000	3,468	26,532	-	-	-	\$ -
\$	119,000	-	119,000	-	65,533	-	-	-	\$ 53,467
	165,000	-	165,000	-	67,583	-	-	-	97,417
	80,000	-	80,000	-	-	-	80,000	-	-
	357,000	-	357,000	-	18,393	3,570	-	-	335,037
	1,000,000	-	1,000,000	-	990,000	10,000	-	-	-
	103,000	-	103,000	-	60,240	1,030	38,835	-	2,895
\$	1,824,000	-	1,824,000	-	1,201,749	14,600	118,835	-	\$ 488,816
\$	10,600,139	-	10,600,139	2,699,142	4,564,746	99,600	376,606	-	\$ 2,860,045

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020**

Federal Grantor/Program Title	CFDA#	Award/Sub Award #	Expenditures
Research and Development Cluster			
National Science Foundation			
Office of International Science and Engineering	47.079	1658085	\$ 35,787
Mathematical and Physical Sciences	47.049	DMR-1523611	541,041
Mathematical and Physical Sciences	47.049	2031548	47,242
Education and Human Resources	47.076	1742599	87,042
Education and Human Resources	47.076	1914463	42,572
Geosciences	47.05	1918357	153,162
Passed Through New Mexico State University			
Trans-NSF Recovery Act Research Support	47.076	Q02004	10,583
Trans-NSF Recovery Act Research Support	47.076	Q01616	9,750
Total National Science Foundation			927,179
Department of Health and Human Services National Institutes of Health			
Passed Through New Mexico State University			
Biomedical Research and Research Training	93.859	Q01677/Q02067	104,156
United States Department of Interior			
Passed Through State of NM State University			
Cooperative Research and Training Programs - Resources of the National Park System	15.945	Q01958	4,275
Total Research and Development Cluster			1,035,610
United States Department of Education			
Student Financial Aid Cluster			
Federal Work-Study Program - Office of Student Financial Assistance Programs	84.033*	P033A132646	392,323
Federal PELL Grant Program - Office of Student Financial Assistance Programs	84.063*	P063P130275	4,313,113
Federal Supplemental Educational Opportunity Grants- Office of Student Financial Assistance Programs	84.007*	P007A132646	226,091
TEACH Grant Programs - Office of Student Financial Assistance Programs	84.379*	P379T140275	17,376
Federal Direct Student Loans - Office of Student Financial Assistance Programs	84.268*	P268K150275	9,247,030
Total Student Financial Aid Cluster - US Department of Education			14,195,933
United States Department of Education			
Higher Education_Institutional Aid	84.031C	P013M140020	232,034
Higher Education_Institutional Aid	84.031C	P031C160248	548,287
Minority Science and Engineering Improvement	84.120A	P120A160011	145,010
COVID 19 - Education Stabilization Fund	84.425E*	P425E202502	849,987
COVID 19 - Education Stabilization Fund	84.425F*	P425F201880	849,987
Passed Through University of New Mexico-Taos			
English Language Acquisition State Grants - Office of Elementary and Secondary Education	84.365Z	T365Z160008	385,752
Higher Education_Institutional Aid	84.031S	P031S140070	46,978
Total US Department of Education			17,253,968

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year ended June 30, 2020**

Passed Through New Mexico State University			
Centers for Academic Excellence	12.598	688127-8744	\$ 26,049
Total Department of Defense			26,049
United States Department of Agriculture			
Southwest Forest Health and Wildfire Prevention	10.694	18-DG-11031600-049	63,231
Partnership Agreements	10.699	18-CS-11330152-065	3,238
Southwest Forest Health and Wildfire Prevention	10.694	19-DG-11031600-059	571,835
Hispanic Serving Institutions Education Grants	10.223	2019-38422-30210	18,669
Passed Through State of NM Energy, Minerals and Natural Resources Department			
Cooperative Forestry Assistance	10.664	18-521-0410-0018	8,020
Passed Through New Mexico State University			
Hispanic Serving Institutions Education Grants - National Institute of Food and Agriculture	10.223	Q01821	50,802
Cooperative Forestry Research	10.202	EQ01997	12,138
Total United States Department of Agriculture			727,933
National Endowment for the Arts			
Passed Through Arts Midwest			
Promotion of the Arts Grants to Organizations and Individuals	45.024	00023884	5,498
Total National Endowments for the Arts			5,498
Department of Health and Human Services			
Passed Through Behavioral Health Services Division			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		100,905
Passed Through New Mexico Department of Health			
Department of Health and Human Services/Centers for Disease Control and Prevention	93.136	17/665.0300.20185	500
Passed Through New Mexico Children's Youth and Families Department			
Foster Care Title IV-E - Administration for Children and Families	93.658	15-17849	1,385,504
Passed Through the University of Texas			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance - Substance Abuse and Mental Health Services Administration	93.243	UTA12-001073	30,587
Total US Department of Health and Human Services			1,517,496
Total Federal Awards Expended			\$ 20,566,554

* Denotes major program

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes all federal assistance to the University that had activity during 2020 or accrued revenue at June 30, 2020. This schedule has been prepared on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recorded for financial reporting purposes when the University has met the qualifications for the respective program.

NOTE 2. 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 3. INDIRECT COST RATE

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. FEDERAL LOAN PROGRAM

For the Federal Direct Student Loan program, CFDA #84.268, the University does not have continuing reporting requirements. Therefore, the University has only reported the current year awards in the SEFA in the amount of \$9,247,030. As a note, the Federal Direct Student Loan program is not included in the financial statement presentation, which omits both the revenues and expenditures of the program.

NOTE 5. 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.

**STATE OF NEW MEXICO
 NEW MEXICO HIGHLANDS UNIVERSITY
 SCHEDULE OF JOINT POWER AGREEMENTS
 June 30, 2020**

Participants	Responsible operating party	Beginning Date	Ending Date	Total Award	Amount Contributed in fiscal year	Audit Responsibility	Fiscal Agent	Description
New Mexico State Investment Council	NMHU	2/2/2017	Indefinitely	Undetermined	Undetermined	NMHU	NMHU	NMHU appoints the SIC as the fiduciary authorized to invest long term reserves of NMHU and all investment income thereon (collectively the "Long-Term Reserves"), through SIC Long-Term Pooled Investment Funds (the "Pooled Investment Funds"). All right, title and interest in and to the Long-Term Reserves (including, without limitation, all interest earnings) will at all times be vested in NMHU.

COMPLIANCE SECTION



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**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***

Independent Auditors' Report

Board of Regents
New Mexico Highlands University
and
Mr. Brian Colón, Esq
New Mexico State Auditor

We have audited, 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, the financial statements of the business-type activities, of the State of New Mexico, New Mexico Highland University (University) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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. We noted no deficiencies described in the accompanying schedules of findings and questioned costs to be material weaknesses.

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. We noted three deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be significant deficiencies.

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. We noted two instances of noncompliance as items 2020-03 and 2020-04.

Management's Response to Findings

Management's response to the finding identified in our audit is described in the accompanying schedule of Findings and Questioned Costs. Management's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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
October 30, 2020



1030 18th Street NW
Albuquerque, NM 87104
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**Report on Compliance for Each Major Federal Program
And Report on Internal Control over Compliance
Required by The Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico, New Mexico Highlands University's (University) compliance with the types of compliance requirements described in the *OMB 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, 2020. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal status, regulations, and the terms and conditions of its federal awards to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each Major federal program. However, our audit does not provide a legal determination of the University's compliance.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion the University complied, in all material respects, with the types of compliance requirements referred to above that could have a material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance which we consider to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ricci & Company, LLC

Albuquerque, New Mexico
October 30, 2020

**STATE OF NEW MEXICO
 NEW MEXICO HIGHLANDS UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2020**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's report issued:	<u>Unmodified</u>
Internal Controls Over Financial Reporting:	
Material Weakness reported?	No
Significant Deficiencies reported not Considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
a. Material weakness reported?	No
b. Significant deficiencies reported not considered to be material weaknesses?	No
c. Know questioned costs greater than \$25,000 for compliance requirement for a major program?	No
d. Known questioned costs greater than \$25,000 for which is not audited as a major program?	No
e. Known or likely fraud?	No
f. Significant instances of abuse relating to major programs?	No
g. Circumstances causing the auditor's report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
h. Instances where results of audit follow up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit findings?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of major programs:

CFDA Number	Name of federal Program or Cluster
Various	Student financial Assistance Center
84.425	COVID 19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
Auditee qualified as low risk auditee?	Yes

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2020**

B. SCHEDULE OF PRIOR YEAR FINDINGS

Status

Financial Statement Audit

2019-001 Controls over Golf Course Activities Resolved

C. CURRENT YEAR FINDINGS

Financial Statement Audit

2020-001 Lack of Policies, Procedures over Campus Life Activities (Significant deficiency)

2020-002 Payroll Reconciliation (Significant deficiency)

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2020-003 Procurement Card Transaction (Other Non-compliance)

2020-004 Controls over Fuel Card (Other Non-compliance)

Federal awards findings

None

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2020**

FINANCIAL STATEMENT FINDINGS

2020-001 Lack of Policies, Procedures over Campus Life Activities (Significant Deficiency)

CONDITION

During review of transactions related to Campus Life it was noted that the University does not have coherent policies and procedures in place to insure sound internal controls over those transactions.

CRITERIA

Pursuant to 2.20.5.8 (C) NMAC, an internal control structure exists and is functioning properly. This would include policies and procedures over auxiliary activities.

CAUSE

The University has not reviewed and/or renewed the policies regarding Campus Life activities and events to be updated to current standards.

EFFECT

Fund raising events could potentially be held without knowledge of the business office or the University.

RECOMMENDATION

We recommend that a comprehensive revision of these policies be made to address current activities and to incorporate better controls over the activities.

MANAGEMENT RESPONSE:

NMHU agrees with this finding. Facility rentals will now be managed by University Relations. Policies and procedures are currently under review and revision by university relations, facilities, campus police and the business office.

TIMELINE TO CORRECT:

4th quarter 2021.

RESPONSIBLE PARTY:

Community Liaison, Comptroller.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2020**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-002 Payroll Reconciliations (Significant Deficiency)

CONDITION

During payroll testing, it was noted for one of the twelve months tested there was a variance of \$26,079 between wages reported per the ERB confirmation and the University's payroll report.

CRITERIA

Pursuant to Sec. 22-11-1 to 22-11-55, entities must manage their payroll accounts such that they are properly monitoring eligible contributions and that ineligible employees are properly excluded from these benefits.

CAUSE

The Banner system has apparently not been set up correctly to properly reconcile the accounts and staff did not attempt to perform periodic reconciliations.

EFFECT

Employees that are not eligible for ERB benefits could inadvertently be included in the calculations and employees that are eligible could be potentially inadvertently excluded from the calculations.

RECOMMENDATION

We recommend that more frequent reconciling of these accounts be performed. We also recommend that you consult with the Banner personnel to enable you to run proper reports that would enable more frequent and accurate reconciling and reporting.

MANAGEMENT RESPONSE:

NMHU agrees with this finding. A more in-depth approach of reconciling ERB data will be implemented to ensure accuracy of Banner data with adjustments to be reported monthly.

TIMELINE TO CORRECT:

4th quarter 2021.

RESPONSIBLE PARTY:

Human Resources/Payroll Director, Interim Payroll Manager.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2020**

FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC

2020-003 Procurement Card Transaction (Other Non-compliance)

CONDITION

During testing of P-card transactions, 2 out of 10 transactions tested in the amount of \$498.60 did not provide supporting receipts and 2 out of 10 in the amount of \$3,911.93 included amounts for the purchase of alcohol.

CRITERIA

Pursuant to the University's purchasing policy, all transactions must be accompanied by receipts; in addition the policy further states that alcohol purchases are prohibited.

CAUSE

Staff either misinterpreted or were not familiar with the internal policies regarding P-card purchases.

EFFECT

The University is out of compliance with their internal policies and out of compliance with general state procurement rules.

RECOMMENDATION

We recommend that the University enforce its internal policies requiring supporting documentation for all items procured on a P-Card or credit card. Also, we recommend that public funds not be used to purchase alcohol.

MANAGEMENT RESPONSE:

NMHU agrees with this finding. The university's use of P-cards is fairly new. More thorough training and communication will be provided to departments.

TIMELINE TO CORRECT:

4th quarter 2021.

RESPONSIBLE PARTY:

Purchasing Director, P-card users, Expense report submitters/administrative assistants.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2020**

FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (CONTINUED)

2020-004 Controls Over Fuel Cards (Other Non-compliance)

CONDITION

During testing of fuel card compliance, 1 out of 5 items tested in the amount of \$64.36 did not have receipts to support amount on the Campus Police fuel card statement.

CRITERIA

Pursuant to the University's fuel card policy, all receipts for purchases made on the Wex fuel card must be maintained and turned in to the business office.

CAUSE

Staff did not maintain receipt's and thus were not able to provide the business office with the proper documentation to reconcile the monthly statements.

EFFECT

The University is out of compliance with their internal policy over fuel card transactions.

RECOMMENDATION

We recommend that the Campus Police enforce the existing policies surrounding fuel card management and recordkeeping.

MANAGEMENT RESPONSE:

NMHU agrees with this finding. Receipts stored in campus police vehicles were damaged when left in the heat. Campus police revised procedure to require that receipts be turned into department administrative assistant weekly and that a copy of the receipt is also scanned and saved with the daily shift report.

TIMELINE TO CORRECT:

4th quarter 2021.

RESPONSIBLE PARTY:

Chief of Police.

**STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
EXIT CONFERENCE
June 30, 2020**

An exit conference was held on October 30, 2020, with the following in attendance:

New Mexico Highlands University:

Dr. Sam Minner	President
Max Baca	VP Finance, Administration, and Government Relations
Frank Marchi	Member, Board of Regents
Stephanie Gonzales, CPA	Director of Finance & Budget/Comptroller
Adam Bustos	Director of Purchasing
Ryan Aragon	Bursar/Student Accounts Receivable Manager
Crystal Romero	Accounting Technician
Lori Gonzales	Accounts Payable Technician
Junko McDonald	Accountant II
Catherine Diaz	Accounting Manager
Gian "Joe" Gieri	Director Information Technology Services
	Associate VP Finance, Administration, and Government Relations
Dr. Denise Montoya	Director of Human Resources/Payroll
Faron Valencia	Payroll Manager
Anthony Trujillo	Payroll Accountant
Steven Gonzales	Director of Financial Aid
Susan Chavez	Financial Aid Associate Director
Emily Montoya	Financial Aid Analyst
Gayle Martinez	Strategic Enrollment Mgt. Executive Admin Assistant
Maria Sena	

Ricci & Company, LLC Personnel:

Mark Santiago, CPA	Audit Senior Manager
Johana Burciaga	Audit In-charge