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**NEW MEXICO HIGHLANDS
UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF
NEW MEXICO HIGHLANDS
UNIVERSITY)**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2021

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

TABLE OF CONTENTS

Table of Contents	
Official Roster	ii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	5
Statement of Revenues, Expenses, and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	9
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Schedule of Findings and Responses	27
Summary Schedule of Prior Audit Findings	31
Exit Conference	32

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

**OFFICIAL ROSTER
JUNE 30, 2021**

BOARD OF DIRECTORS

Dr. Carlotta E. Lockmiller	President/Public Director
Mr. Vince E. Marchi	Vice President/Public Director
Mr. Paul Cassidy	Treasurer/Public Director
Ms. Viola Martinez	Secretary/Public Director
Dr. James Abreu	Public Director
Ms. Tina M. Cordova	Public Director
Mr. Paul Grindstaff	Public Director
Dr. Eileen Madrid	Public Director
Ms. Felicia Ortiz	Public Director
Dr. Barbara A. Perea Casey	Public Director
Dr. D. Pauline Rindone	Public Director
Ms. Victoria Sanchez	Public Director
Mr. Tom Whitson	Public Director

Administrative Personnel

Mrs. Theresa Law, JD, CFRE	Vice President, Student and Donor Engagement and Executive Director
Mr. Adam Bustos	Director of Advancement
Ms. Juli Salman	Director of Alumni Relations and Annual Giving
Renee Buchanan	Art Curator
Julie Tumblety	Alumni Relations Assistant
Leticia Griego	Foundation Financial Officer
Vanessa Valazquez	Executive Assistant

FINANCIAL SECTION



1030 18th Street NW
Albuquerque, NM 87104
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New Mexico Highlands University Foundation, Inc. (the Foundation), a component unit of New Mexico Highlands University (the University), which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

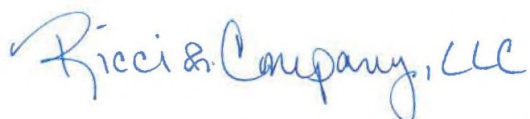
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 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, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Albuquerque, New Mexico
November 1, 2021

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

This section of New Mexico Highlands University Foundation (“Foundation”) annual financial report presents our discussion and analysis of the Foundation’s financial performance during the fiscal year that ended on June 30, 2021.

FINANCIAL HIGHLIGHTS

- The Foundation’s total net position \$17,931,564
- Donor contributions increased forty-five percent as compared to the prior fiscal year. This is primarily due to the \$970,000 grant from the Mellon Foundation to the New Mexico Highlands University (University) Media Arts department.
- The Foundation reported a decrease lease income of approximately nine percent. The University’s lease of the parking lot on 8th street in Las Vegas ended in January 2020. No lease income has been earned since that date. The parking lot is currently being offered for sale.
- Expenses for programming, specifically Student Aid and University Support increased approximately fifteen percent. More emergency funding was awarded during COVID as compared to the prior fiscal year.
- The Foundation reported one-time proceeds of approximately \$462,000 from the sale of vacant land in Rio Rancho, NM. These proceeds were added to unrestricted reserves.
- Endowment Investment Income increased substantially from approximately \$9,000 in fiscal year 2020 to \$1.7 million in fiscal year 2021. Investment income varies year to year based on market return but the significant change from FY20 to FY21 was the transfer of Invested Endowed Funds from Merrill Lynch to the State Investment Council (SIC). The SIC does not charge investment management fees and the pooled investments produced a significantly higher return than benchmark in FY21.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the Foundation’s reported capital assets were approximately \$7.2 million. This amount represents a net decrease (including additions and deductions) of approximately \$240,000, or three percent, over last year.

Long-Term Debt

At year-end the Foundation had approximately \$623,000 in notes outstanding, a decrease of thirty-seven percent over last year. The primary mortgage debt on the Foundation’s Rio Rancho Center Building was paid in full. The remaining debt of \$623,000 held by the Foundation is secured by the Rio Rancho Center, against approximately \$3.6 million in appraised value of the building. The remaining debt will be paid on or before December 2027.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

FACTORS IMPACTING FUTURE PERIODS

The Foundation currently has two properties on the market for sale, its Rio Rancho Building, listed for approximately \$3.3 million, and its parking lot in Las Vegas, NM, listed for \$160,000. If a sale of either or both properties is realized, this may impact the Foundation's future net position. No other significant factors that may impact net position or results of operations are known at this time.

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our donors, customers, investors and creditors with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Foundation Office, 905 University Ave., Las Vegas, NM 87701

BASIC FINANCIAL STATEMENTS

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,132,214
Pledges receivable, current portion	43,765

Total current assets 1,175,979

Noncurrent Assets

Restricted cash and cash equivalents	1,714,551
Pledges receivable, net of current portion	106,095
Certificates of deposit	1,000,000
Pooled investments in endowment, including assets held for others of \$3,094,492	10,460,545
Capital assets, net of accumulated depreciation	7,223,627

Total noncurrent assets 20,504,818

Total assets \$ 21,680,797

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable and accrued liabilities	\$ 31,356
Notes payable, current portion	17,036

Total current liabilities 48,392

Long-term liabilities

Notes payable, net of current portion	606,349
Assets held for others	3,094,492

Total long-term liabilities 3,700,841

Total liabilities 3,749,233

NET POSITION

Invested in capital assets, net of related debt	6,600,242
Restricted, non-expendable	5,340,652
Restricted expendable	5,292,419
Unrestricted	698,251

Total net position 17,931,564

Total liabilities and net position \$ 21,680,797

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

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUES

Contributions from donors	\$ 1,465,187
Lease income	382,882
Donated artwork	346,610
Contributed supplies, facilities and services	<u>180,633</u>

Total operating revenues 2,375,312

OPERATING EXPENSES

University support	245,006
Operating expenses	342,209
Student aid grants and stipends	192,519
Contributed supplies, facilities and services	180,633
Depreciation	<u>57,698</u>

Total operating expenses 1,018,065

Operating income 1,357,247

NONOPERATING ACTIVITIES

Loss on sale of land	(15,152)
Gain on disposition of artwork	6,750
Investment income, net	1,721,830
Interest expense	<u>(27,283)</u>

Net non-operating activities 1,686,145

CHANGES IN NET POSITION 3,043,392

Net position, beginning of year 14,888,172

Net position, end of year \$ 17,931,564

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

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities	
Cash received from donors	\$ 1,371,382
Cash received from leasing activities	382,882
Cash paid to beneficiaries and vendors	<u>(509,256)</u>
Net cash provided by operating activities	<u>1,245,008</u>
Cash Flows From Capital and Related Financing Activities	
Cash received from sale of land	499,900
Cash received from sale of art	9,500
Principal payments on note payable	(229,153)
Interest paid on notes payable	<u>(28,860)</u>
Net cash provided by capital and related financing activities	<u>251,387</u>
Cash Flows From Investing Activities	
Cash received from life insurance policy	84,989
Purchase and sales of investments, net	(434,215)
Interest and dividends on investments	<u>6,859</u>
Net cash used by investing activities	<u>(342,367)</u>
Net increase in cash and cash equivalents	<u>1,154,028</u>
Restricted cash, beginning of year	1,019,613
Cash without restrictions, beginning of year	<u>673,122</u>
Total cash and cash equivalents, beginning of year	1,692,735
Restricted cash, end of year	1,714,551
Cash without restrictions, end of year	<u>1,132,212</u>
Total cash and cash equivalents, end of year	<u>\$ 2,846,763</u>

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

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,357,247
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	57,698
Change in cash surrender value of life insurance	317
Donated artwork	(346,610)
Artwork donated to the University	11,325
Changes in assets and liabilities	
Accounts receivable	7,684
Pledges and accounts receivable	143,200
Prepaid assets	3,100
Accounts payable and accrued liabilities	11,047
	<hr/>
Net cash provided by operating activities	\$ 1,245,008
	<hr/> <hr/>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Donated artwork added to capital assets	\$ 346,610
	<hr/> <hr/>
Artwork donated to other organizations	\$ 11,325
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The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. NATURE OF ORGANIZATION

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Cash and Cash Equivalents

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

Pledges Receivable and Allowance for Doubtful Accounts

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

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable and Allowance for Doubtful Accounts (Continued)

The Foundation uses the direct write-off method in recognizing uncollectible pledges receivable. Under this method, pledges are charged to operations when they are deemed by management to be uncollectible. There were no pledges receivable written off during fiscal year 2021.

Investments

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

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

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

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

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

Capital Assets

Capital assets used in the Foundation's operations are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The Foundation capitalizes historical treasures and works of art.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The Foundation does not currently have any capital assets used in its operations. However, the Foundation has a building and land held for lease to the University. The Foundation's accounting policy over the building and land held for lease follows the same policy as the above capital assets policy. The land held for lease to the University includes \$676,899 that was purchased with endowment funds and is included in the endowment assets. The purchase was authorized by the Board for the purpose of leasing it to the University as a revenue source for the endowment.

The Foundation's art collection is recorded at estimated fair value at the date of acquisition or at cost if purchased. During 2021 donated works of art totaling \$346,610 were included in capital asset additions.

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

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

Classification of Revenues

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

Operating Revenues

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

Nonoperating Revenues

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

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

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

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Supplies, Facilities and Services

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

Endowments

The Foundation manages its endowment in a manner consistent with the standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The majority of the Foundation's endowment is made up of investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of net position. Net appreciation/depreciation on donor restricted endowments and related investment income are recorded as an increase in restricted, expendable net position and are available for expenditure in accordance with donor specifications.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include estimated useful lives of capital assets and valuation of artwork.

Income Taxes

The Foundation is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2021. The Foundation's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. There were no income tax penalties or interest for the year ended June 30, 2021. The Foundation's tax returns by statute, may be subject to normal federal and state examination up to three years from the date of filing.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The Foundation's net position is classified as follows:

Invested in capital assets, net of related debt

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

Restricted, non-expendable

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 expendable

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

Unrestricted

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

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the statement of financial position date but arose after the statement of financial position date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through November 1, 2021, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. CASH AND CUSTODIAL CREDIT RISK

As of June 30, 2021, cash and restricted cash maintained by the Foundation in financial institutions was as follows:

	NM Bank & Trust
Unrestricted	\$ 1,146,326
Restricted cash	1,838,648
Total cash in financial institutions	2,984,974
FDIC Insurance	(250,000)
	<u>\$ 2,734,974</u>
Amount covered by ICS agreement	<u>\$ 2,734,974</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.

Deposit classification in the financial statements at June 30, 2021 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
New Mexico Bank & Trust	Unrestricted	cash	\$ 1,146,326	(14,112)	\$ 1,132,214
New Mexico Bank & Trust	Endowment	cash	172,344	(63,649)	108,695
	Restricted by				
New Mexico Bank & Trust	donors	cash	1,666,304	\$ (60,448)	1,605,856
Total cash and cash equivalents			<u>\$ 2,984,974</u>	<u>\$ (138,209)</u>	<u>\$ 2,846,765</u>

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4. ENDOWMENT

The Foundation supports vital scholarship and other programs from the earnings of its endowment. Net position associated with the endowment fund, including amounts to be designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or as funds held for others.

The Foundation has designed their endowment policies to ensure that donor funds are appropriately managed, are used appropriately used for the benefit of the University and the Foundation, contributions are preserved where directed by the donor, and that funds achieve the purpose directed by the donor. Consistent with these goals, the Foundation has established the following policies:

- a. Pooled Endowment Fund: All endowed funds may be aggregated for investment purposes, so long as a calculation and accounting of the principal and activity related to each fund is maintained. Earnings, gains, losses, dividends, distributions, interest, and all other additions to or losses from the pooled funds shall be allocated on a pro-rata basis, taking into account the date of establishment of each fund and its amounts, to each discrete fund as maintained in Foundation records.
- b. Earnings, gains, losses, dividends, or other additions to or losses from the pooled endowment fund shall be calculated quarterly and distributed on a pro rata basis to each endowed fund. The amount available annually for distribution shall be calculated annually, as of December 31, and shall be calculated as follows:
 - a. For funds with a principal balance of \$10,000 or more that were established at least three years prior to the date of calculation, the annual amount available for distribution shall be 5% of the average of the fund balance over the past twelve quarters.
 - b. For fund with a principal balance of \$10,000 or more that were established less than three years prior to the date of calculation, the annual amount for distribution shall be recommended by the Finance Committee to the Board.
 - c. For funds with a principal balance of less than \$10,000 the annual amount for distribution shall be recommended by the Finance Committee to the Board.
- c. The Foundation assesses a 1% annual management fee on December 31st of each year which is allocated on a pro rata basis to each endowed fund.

In addition to pooled investments, the Foundation also has cash in the amount of \$108,695 in their endowment. This is included with cash and cash equivalents on the Foundation's statement of net position.

The endowment also holds land in the amount of \$676,899 which is included with the capital assets of the Foundation.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4. ENDOWMENT

A summary of the endowment at June 30, 2021 is below:

Investments		
Permanent endowment, non-expendable		\$ 4,340,652
Restricted, expendable		3,025,401
Funds held for others		3,094,492
Total investments		<u>10,460,545</u>
Other endowment assets		
Restricted, expendable		
Land - Parking lot		676,899
Cash		108,695
Total endowment		<u><u>\$ 11,246,139</u></u>

Current year activity related to the endowment is summarized below:

	Balance at 6/30/2020	Income	Contributions	Distributions	Transfers	Fees	Balance at 6/30/2021
Investments	\$ 7,696,307	2,343,106	-	-	434,136	(13,004)	\$ 10,460,545
Land - Parking lot	676,899	-	-	-	-	-	676,899
Cash	507,352	-	101,896	(151,406)	(349,147)	-	108,695
CSV of life insurance	85,306	-	-	-	(84,989)	(317)	-
	<u>\$ 8,965,864</u>	<u>2,343,106</u>	<u>101,896</u>	<u>(151,406)</u>	<u>-</u>	<u>(13,321)</u>	<u>\$ 11,246,139</u>

NOTE 5. INVESTMENTS

The Foundation recognized investment income as outlined below for the year ended June 30, 2021:

Unrealized gains	\$ 2,144,041
Other investment income	199,065
Earnings on investments	<u>2,343,106</u>
Less fees	(13,004)
Less amount allocated to assets held for others	<u>(608,272)</u>
Investment income, net, as presented on statement of revenue, expenses and change in net position	<u><u>\$ 1,721,830</u></u>

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. INVESTMENTS (CONTINUED)

In addition, the Foundation holds certificates of deposit. These are donor restricted and non-expendable. Upon maturity, the certificates of deposit are reinvested. A summary of these are listed below:

<u>Held by</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Southwest Capital Bank	July 29, 2021	0.9%	\$ 200,000
Southwest Capital Bank	July 29, 2021	0.9%	200,000
Southwest Capital Bank	August 19, 2021	0.9%	200,000
Southwest Capital Bank	February 17, 2022	0.3%	200,000
1st Community Bank	July 30, 2022	1.2%	200,000
Total certificates of deposit			<u><u>\$ 1,000,000</u></u>

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2021, 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.

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, 2021, 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 the New Mexico State Investment Council (NMSIC). The Foundation's certificates of deposit are held with Community 1st Bank and Southwest Capital Bank.

NOTE 6. FAIR VALUE OF INVESTMENTS

During fiscal year 2016, the Foundation adopted the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6. FAIR VALUE OF INVESTMENTS (CONTINUED)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

The investment portfolio is comprised of pooled investments with the NMSIC and is recorded in the financial statements at fair value. The corresponding unrealized gain or loss in the fair value in relation to costs is accounted for as a separate item in the statement of revenues, expenses, and changes in net position.

During 2021, the Foundation used the net asset value provided by the NMSIC as an approximation of the fair value of NMSIC investments. These investments are classified within Level 2 of the fair value hierarchy.

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

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6. FAIR VALUE OF INVESTMENTS (CONTINUED)

The following table represents the fair value measurements of the assets at June 30, 2021

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Large Cap Index Pool	\$ 4,095,265	-	4,095,265	\$ -
Core Bonds Pool	1,809,671	-	1,809,671	-
US Small/Mid Cap Pool	1,528,820	-	1,528,820	-
US Core Plus Bonds Pool	1,280,987	-	1,280,987	-
Non-US Emerging Markets Pool	1,082,177	-	1,082,177	-
Non-US Developed Markets Index Pool	663,625	-	663,625	-
Certificates of Deposits	1,000,000	-	1,000,000	-
	<u>\$ 11,460,545</u>	<u>-</u>	<u>11,460,545</u>	<u>\$ -</u>

NOTE 7. ASSETS HELD FOR OTHERS AND TRANSACTION WITH THE PRIMARY INSTITUTION

As of June 30, 2021, assets held by the Foundation include of University Endowments in the amount of \$3,094,492.

During 2021, the Foundation provided \$188,407 of scholarship funds to the University.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. CAPITAL ASSETS

Capital assets consist of the following:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 1,748,442	-	(515,052)	\$ 1,233,390
Land - held by the endowment	676,899	-	-	676,899
Artwork	4,057,629	346,610	(14,075)	4,390,164
	<u>6,482,970</u>	<u>346,610</u>	<u>(529,127)</u>	<u>6,300,453</u>
Capital assets being depreciated:				
Buildings held for lease to University	2,250,237	-	-	2,250,237
Accumulated depreciation				
Buildings	(1,269,365)	(57,698)	-	(1,327,063)
	<u>(1,269,365)</u>	<u>(57,698)</u>	<u>-</u>	<u>(1,327,063)</u>
Capital assets, net	<u>\$ 7,463,842</u>	<u>288,912</u>	<u>(529,127)</u>	<u>\$ 7,223,627</u>

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

NOTE 9. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Amount Due Within One Year
Notes Payable	<u>\$ 852,538</u>	<u>-</u>	<u>(229,153)</u>	<u>623,385</u>	<u>\$ 17,036</u>

NOTE 10. NOTES PAYABLE

The Foundation has a 4% note payable to a bank related to its Rio Rancho land and building. The Foundation has the ability to make additional draws on the loan to upgrade and remodel the building. During 2021 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.

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. NOTES PAYABLE (CONTINUED)

The Foundation had 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. During fiscal year end June 30, 2021, the loan balance was paid in full.

Interest expense for the year ended June 30, 2021 totaled \$27,283.

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

Year	Principal	Interest	Total
2022	\$ 17,036	38,404	\$ 55,440
2023	606,349	36,381	642,730
	\$ 623,385	74,785	\$ 698,170

NOTE 11. COMPOSITION OF NET POSITION

Net position consists of the following at:

	June 30, 2021
Permanent endowment, non-expendable	\$ 4,340,652
Donor gifts, non-expendable	1,000,000
Total non-expendable	5,340,652
Endowment investments, appreciation	3,025,401
Endowment, cash	108,695
Total endowment restricted, expendable	3,134,096
Gifts designated for academic departments	756,128
Gifts designated for programming	197,166
Gifts designated for scholarships	128,787
Gifts designated for athletics	1,008,501
Gifts designated for clubs	60,147
Gifts designated for alumni	7,594
Total restricted, expendable	5,292,419
Total restricted	10,633,071
Invested in capital assets, net of related debt including \$676,899 restricted for endowment	6,600,242
Unrestricted	698,251
Total net position	\$ 17,931,564

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12. LEASE WITH NEW MEXICO HIGHLANDS UNIVERSITY

The Foundation leases a building it owns in Rio Rancho, New Mexico to New Mexico Highlands University. The Foundation entered into a twenty-year operating lease agreement on January 30, 1997, with the option to renew the lease for five additional consecutive one-year periods upon the same terms and conditions. At June 30, 2021, the Foundation was in its fifth renewal year. Lease income for the year ended June 30, 2021, was \$382,882.

NOTE 13. RISK MANAGEMENT

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

NOTE 14. RECENT GASB PRONOUNCEMENTS

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

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

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

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

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14. RECENT GASB PRONOUNCEMENTS (CONTINUED)

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

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

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

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

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14. RECENT GASB PRONOUNCEMENTS (CONTINUED)

and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (FY 2022). The Foundation will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

COMPLIANCE SECTON



1030 18th Street NW
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505 338 0800 office www.riccicpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Mexico Highlands University Foundation, Inc. (the Foundation), a component unit of New Mexico Highlands University, which comprise the statement of net position as of June 30 2021, and the related statement of revenues, expenses and changes in net position, and statement cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were identified. 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 did identify certain deficiencies in the internal control described in the accompanying schedule of findings and responses as item 2021-001 that was considered to be a significant deficiency.

Compliance and Other Matters

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

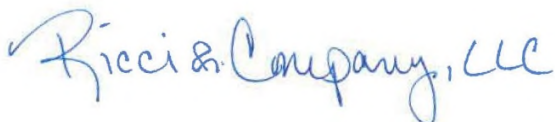
We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and responses under other matters as required by Section 12-6-5 NMSA 1978 as items 2021-002 and 2021-003.

Foundation's Responses to Findings

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Foundation's responses were not subjected to the auditing procedures 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
November 1, 2021

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

SECTION 1. SUMMARY OF AUDIT RESULTS

Type of report issued:	Unmodified
Internal controls over financial reporting:	
Material weaknesses reported?	No
Significant deficiencies reported?	Yes
Noncompliance material to the financial statements noted?	No

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

SECTION 2 – FINANCIAL STATEMENT FINDINGS

**2021-001 SIGNIFICANT DEFICEINCY - ENDOWMENT INVESTMENT ACCOUNTING
CONDITION**

During the testing of endowment assets, it was determined that the general ledger investment account had not been reconciled to the year-end statement from the New Mexico State Investment Council. Entries had been incorrectly posted and were not discovered and corrected by management.

CRITERIA

NMAC 2.20.5.8 requires that an internal control structure exists and is functioning properly, transactions are recorded timely and properly classified, and account balances are reconciled and reviewed regularly. In addition, in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Chapter 46, Article 9A 1-10 NMSA 1978). The Foundation has a fiduciary responsibility to properly record and accumulate investment income, including realized gains from the restricted non-expendable net position as well as the balance of the unrestricted net position in generally available for expenditure by the Foundation in a manner consistent with the Standard of prudence prescribed by UPMIFA.

CAUSE

Lack of month end or year-end reconciliation.

EFFECT

Endowment investments were understated by \$103,000.

RECOMENDATION

The Foundation should perform reconciliations of all significant accounts on a regular basis.

VIEWS OF RESPONSIBLE OFFICALS AND PLANNED CORRECTIVE ACTIONS

In October of 2020, the Foundation Financial Officer unexpectedly went on FMLA leave; the Foundation was informed in January of 2021 that she was unable to return; and, from then through April of 2021, was unable to hire a staff replacement for this position, which was responsible for monthly and year-end reconciliations. While the Foundation hired accounting consulting assistance for day-to-day operations, and while efforts were made to reconcile to monthly and year-end statements during this time, the complete unavailability of previous staff, training of new staff, and necessity of reconstructing previous work complicated and delayed these efforts.

Going forward, additional accounting consulting help has been added, and monthly and year-end reconciliation will be compiled by the new Foundation Financial Officer with assistance as needed from accounting consultants. All reconciliation statements and entries will also additionally be reviewed and approved by the VP, Student and Donor Engagement, Theresa Law on a monthly basis. Lastly, a new financial and accounting software platform greatly simplifying and automating operations, including reconciliations, will be put into place by the end of FY 22.

RESPONSIBLE OFFICIAL

Vice President, Student and Donor Engagement

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2021**

SECTION 4 – SECTION 12-6-NMSA 1978 FINDINGS

**2021-002 – OTHER NON-COMPLIANCE - CONTROLS OVER CASH
DISBURSEMENTS**

CONDITION

As part of our audit, we tested 21 cash disbursements and noted two disbursements totaling \$1,400 that did not have the proper approval or supporting documentation.

CRITERIA

The Foundations policy and procedures states that cash disbursements will be properly approved and supporting documentation retained.

CAUSE

Improper monitoring and review is deemed to have caused the deficiency.

EFFECT

The Foundation is in violation of its own cash disbursement policies and did not maintain proper documentation.

RECOMENDATION

We recommend that the Foundation's policy is enforced and that the Foundation emphasizes the importance to employees of adhering to Foundation policies.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION

The lack of an approval signature on one above mentioned disbursement was human error. Going forward, we will no longer separate the check request and associated documentation from the check itself to provide another opportunity for review of all necessary signatures at the time of check signing.

For the other disbursement, reimbursement from Foundation funds for purchases made with the NMHU Purchasing card related to the University budget, not Foundation funds, was made in error. The Foundation will ask the NMHU Foundation Board to update its Use of Funds policy to specifically address and prohibit this type of transaction. The Foundation Financial Officer and any consulting staff assisting with Foundation financial functions will be trained on this issue.

RESPONSIBLE OFFICIAL

Vice President, Student and Donor Engagement

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2021**

SECTION 4 – SECTION 12-6-NMSA 1978 FINDINGS (CONTINUED)

2021-003 – OTHER NON-COMPLIANCE - CONTROLS OVER CASH RECEIPTS

CONDITION

As part of our audit, we tested 21 cash receipts and noted one deposit totaling \$100 did not have the deposit slip completed and retained.

CRITERIA

The Foundations policy and procedures states that a deposit slip will be completed and scanned with the documents supporting the deposit.

CAUSE

Improper monitoring and review is deemed to have caused the deficiency.

EFFECT

The Foundation is in violation of its own cash receipts policies and did not maintain proper documentation.

RECOMENDATION

We recommend that the Foundation's policy is enforced and that the Foundation emphasizes the importance to employees of adhering to Foundation policies.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION

The lack of paper documentation referenced for this cash deposit was human error; electronic documentation as to the donor from which the funds were received was retained in the Foundation donor database. Going forward, daily deposit batches including support will be scanned and archived as .pdf files in a location separate from and additional to the donor database so that the electronic versions of paper documentation can be easily accessible and referenced when necessary.

RESPONSIBLE OFFICIAL

Vice President, Student and Donor Engagement

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021**

PRIOR AUDIT FINANCIAL STATEMENT FINDINGS

None identified

PRIOR AUDIT SECTION 12-6-5 NMSA 1978 FINDINGS

None identified

NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
EXIT CONFERENCE
JUNE 30, 2021

An exit conference was held via Zoom on October 29, 2021, with the following in attendance:

New Mexico Highlands University Foundation, Inc.:

Paul Cassidy	Treasurer, New Mexico Highland Foundation
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Theresa M. Law, JD, CFRE	Executive Director/VP of Advancement
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Ricci & Company LLC Personnel:

Corrine Zajac-Clarkson, CPA	Audit Partner
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Mike Easley, CPA	Audit Manager
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PREPARATION OF FINANCIAL STATEMENTS

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