



THIS PAGE INTENTIONALLY LEFT BLANK



INTRODUCTORY SECTION



New Mexico Highlands University
Table of Contents
June 30, 2024

INTRODUCTORY SECTION

Table of Contents	4
President's Message	7
Official Roster	9

FINANCIAL SECTION

Independent Auditor's Report	12
Management's Discussion and Analysis	16

BASIC FINANCIAL STATEMENTS

Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	28
Notes to Financial Statements	31

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the University's Proportionate Share of the Net Pension Liability	74
Schedule of the University's Contributions	76
Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Act Plan	78
Schedule of Employer Contributions	80
Notes to Required Supplementary Information	82

SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (Non-GAAP Budgetary Basis) and Actual	
Schedule of Budgetary Comparisons - Budgetary Basis	
Combined Revenues and Expenditures Budgetary Comparisons	84
Schedule of Budgetary Comparisons - Budgetary Basis	
Summary of Instruction and General Revenues and Expenditures	85
Restricted Current Funds	
Summary of Instruction and General Revenues and Expenditures	86

New Mexico Highlands University
Table of Contents
June 30, 2024

SUPPORTING SCHEDULES

Schedule of Deposit and Investment Accounts	88
Schedule of Collateral Pledged by Depository	91
Multiple-Year Capital Projects Funded by Special and Severance Tax Capital Outlay Appropriations	92

COMPLIANCE SECTION

Independent Auditor's 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>	96
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	99
Schedule of Expenditures of Federal Awards	104
Notes to the Schedule of Expenditures of Federal Awards	111
Schedule of Findings and Questioned Costs	112
Other Disclosures	133

THIS PAGE INTENTIONALLY LEFT BLANK

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



This last academic year presented many opportunities and challenges at NMHU. Among the accomplishments at the institution, enrollment continued to improve after a decade of losses and retention also continued on a positive trend line. For the first time in many years, we actually added to the faculty thanks to the expansion of several programs and the addition of some new offerings. Our accreditation was reaffirmed and we continued to improve the overall look of the campus. Grant performance was outstanding. Perhaps most critically, we entered into the quiet phase of our very first comprehensive campaign---the first in the 125 year+ history of HU---and exceeded our year-one goal. While these positive developments were underway, we faced yet another potentially existential crisis of a lack of potable water on campus, in the city, and the broader community. It was another tough year after several equally tough years. But, good people and dedicated students find a way to persevere. And we did.

Turning to the future, a major recurring issue at NMHU and one I am confident will continue in one form or another is budgeting for current and to the degree it is possible to forecast, future conditions and needs. One major tension is the always very difficult task of building an annual budget that is balanced (a challenging task in and of itself) while also addressing the structural budget challenges in higher education building over several decades. Obviously, an annual budget must be established and approved no matter what, but it is also important to at least attempt to address structural budget challenges including extreme variations in funding, severe variability in enrollment, a plummeting level of confidence in higher education, and in the case of HU, decreasing population in our historical catchment area. It is important to try to address both challenges, but extremely difficult to do so. Planning to address structural budget issues is important, but often fails due to new or more extreme than anticipated structural issues that arise while the plan is developed. Who would ever anticipate no--zero---state support at a state institution? Well, it happened to me in my career. Twice. Also, attempts to resolve structural issues too aggressively or too quickly sometimes result in very undesirable outcomes such as personnel furloughs, program closures, and sometimes even institutional closures or mergers. Still, I am pleased that HU is making sincere efforts to accomplish both fiscal goals.

Another looming challenge is the enrollment decline predicted for this decade. It varies from year to year, but 30%-40% of our resources come directly from student enrollment. Virtually every institution in the nation wants to increase enrollment and there are simply not enough students to meet all needs. I believe that the "solving budgets problems through growth" era is nearly over and perhaps already is.

There are additional challenges, no doubt, but these two are critical.

One of the best mentors I ever had encouraged me to recognize the efforts of others when something turns out well and if one is a real leader, to fully take complete responsibility for poor outcomes and I have tried very hard to follow that advice. So, once again, I will. There were significant positive developments at HU last year and I attribute them to my colleagues. As always, there were partially unresolved or fully unresolved challenges as well, and I take full responsibility for those.

Viva HU!

THIS PAGE INTENTIONALLY LEFT BLANK

**New Mexico Highlands University
Official Roster
June 30, 2024**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF REGENTS		
Mr. William E. "Bill" Garcia	Chairman	December 2024
Ms. Danelle J. Smith	Vice-Chairman	December 2025
Dr. Frank Sanchez	Regent	December 2026
Mr. Robert Lucero	Regent	December 2028
Mr. Cody Rivera	Student Regent/Secretary	December 2024

PRINCIPAL ADMINISTRATIVE OFFICIALS

Mr. Michael Woolf	President
Dr. Roxanne Gonzales	Provost/Vice President for Academic Affairs
Mrs. Stephanie Gonzales, CPA	Vice President of Finance and Administration
Paul Grindstaff, Ed.D., D.C., MBA	Vice President for Advancement
Mr. David Lepre	Vice President of Marketing and Communications and Government Relations
Dr. Kimberly Blea	Vice President for Student Affairs

PRINCIPAL FINANCIAL OFFICIALS

Mrs. Catherine Diaz, CPA	Director of Finance & Payroll
Ms. Jennifer Madrid	Director of Purchasing
Ms. Victoria Lovato	Director of Human Resources
Ms. Adele Ludi	Interim-Director of Information Technology
Mr. Ryan Aragon	Services Student Accounts Receivable Manager

THIS PAGE INTENTIONALLY LEFT BLANK



FINANCIAL SECTION





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

505.883.2727
505.884.6719 (fax)
CRIadv.com

INDEPENDENT AUDITOR’S REPORT

Joseph M. Maestas, P.E., CFE, New Mexico State Auditor and
The Office of Management and Budget and
New Mexico Highlands University Regents
New Mexico Highlands University
Las Vegas, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Mexico Highlands University (the “University”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements as listed in the table of contents. We also have audited the budgetary schedules presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2024, as listed in the table of contents.

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 discretely presented component unit of the University, as of June 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying budgetary schedules referred to above present fairly, in all material respects, the respective budgetary position of the University, as of June 30, 2024, and the respective changes for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and the changes in financial position of only that portion of the government 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, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 21, the GASB required pension schedules on pages 74 through 77, the GASB required other post-employment benefit schedules on pages 78 through 81, and the notes to the required supplementary information on page 82 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and supporting schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 schedule of expenditures of federal awards and supporting schedules, as identified in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other disclosures but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025, on our consideration of the University'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 solely 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 University'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 University's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
January 10, 2025

NEW MEXICO HIGHLANDS UNIVERSITY

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

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" position and results of operations as of and for the year ended June 30, 2024. 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 "blended 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 (Carr, Riggs & Ingram, 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, 2024). 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, 2024). Its purpose is to assess the University's operating results. This statement begins with a presentation of the operating revenues received by the institution. Operating revenues are revenues arising from exchange (earned) transactions. In a public university, such as New Mexico Highlands University, income from state government appropriations, although not earned, are heavily relied upon to pay operating expenses for almost all instruction and general programs.

**NEW MEXICO HIGHLANDS UNIVERSITY
STATE OF NEW MEXICO
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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

However, government accounting standards define state appropriations income as non-operating revenue, causing the presentations of a large operating loss on the first page of the Statement of Revenues, Expenses and Changes in Net Position. The operating loss is offset by *non-operating revenues* in the next section of this statement, non-operating revenues and (expenses).

Statement of Cash Flows presents cash receipts and payments of the University during a period of time (year ended June 30, 2024). Its purpose is to assess the University’s ability to generate net cash flows and meet its obligations as they come due.

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

We suggest that readers combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, number of undergraduates and graduates completing their degrees, and campus safety. Information about nonfinancial indicators is not included in this analysis but can be obtained from the University’s Office of Information, University Relations Director.

Capital Asset and Long-Term Debt Activity

The University was awarded \$7 million in General Obligation Bonds to plan, design, construct, renovate, furnish and equip Sininger Hall. The university advertised an RFP to hire a general contractor in September 2022; however, the respondents’ cost proposals exceeded 10% of the construction budget, so the Board of Regents has elected for the university to seek additional funds from the State during the 2023 legislative process to continue with the project. The University was awarded \$4.5 million in the General fund for the Sininger renovation.

Factors Impacting Future Periods

In FY24, the University may continue to experience uncertainty from a financial perspective due to decreasing student enrollment, post pandemic workforce conditions, talent shortages, and increases in benefits, technology, and other operating costs. The population loss in northern New Mexico, which are traditional feeder schools, is declining. The University recognizes the need to broaden its recruitment strategy into new markets such as online graduate programs. The University is doing everything possible to mitigate the uncertain conditions to include working with an outside vendor, Wiley edu, LLC, to increase online student enrollment.

**NEW MEXICO HIGHLANDS UNIVERSITY
STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Highlights

CONDENSED STATEMENT OF NET POSITION

Net Position as of June 30, 2024 and 2023 (thousands)		
	<u>2024</u>	<u>2023</u>
Assets:		
Current assets	\$24,393	\$14,283
Restricted cash	2,569	23,004
Assets held by others	3,897	3,031
Due from component unit	-	-
Endowment investments	30,342	6,803
Other	16,226	9,181
Capital assets, net of accum. depreciation	<u>83,126</u>	<u>86,601</u>
Total assets	<u>160,553</u>	<u>142,903</u>
Deferred outflows	<u>14,418</u>	<u>29,722</u>
Liabilities:		
Current liabilities	24,926	13,722
Non-current liabilities	20,497	22,905
Net pension & OPEB liabilities	<u>73,447</u>	<u>77,991</u>
Total liabilities	<u>118,870</u>	<u>114,618</u>
Deferred inflows	<u>24,969</u>	<u>52,017</u>
Net Position:		
Invested in capital assets, net of debt	79,005	70,206
Restricted for nonexpendable	37,143	33,005
Restricted for expendable	(989)	195
Unrestricted	<u>(84,028)</u>	<u>(97,416)</u>
Total net position	<u>\$31,131</u>	<u>\$5,990</u>

Discussion of Statement of Net Position

Current assets increased 71% during the year. The current asset ending balance of \$24.4 million consists primarily of cash/cash equivalents (\$3.1 million), receivables (\$20.7 million) and other (\$382K). All cash and cash equivalents are essential and completely designated for ongoing operations including capital projects. The University attempts to maximize interest earnings by investing funds in the State Investment Council and with the State of New Mexico Local Government Investment Pool. The University has abided by its short term and endowment investment policies, thereby, ensuring liquidity and safety. The University has implemented procedures to collect receivables in a timely manner and is well able to meet all its current financial obligations.

NEW MEXICO HIGHLANDS UNIVERSITY
STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Activities for the years ended June 30, 2024 and 2023 (thousands)		
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Tuition and fees, net	\$16,942	\$ 17,962
Grants & contracts	35,321	38,077
Sales and services / other revenue	<u>6,806</u>	<u>27,016</u>
Total operating revenues	<u>59,069</u>	<u>83,055</u>
Operating expenses:		
Instruction and general	40,112	39,744
Other operating expenses	43,336	59,246
Depreciation	<u>5,316</u>	<u>5,412</u>
Total operating expenses	<u>88,764</u>	<u>104,402</u>
Operating loss	<u>(29,695)</u>	<u>(21,347)</u>
Non-operating revenue:		
State general fund appropriations	42,324	40,520
Interest and investment income	4,939	2,065
Other	<u>-</u>	<u>-</u>
Total Non-operating revenue:	<u>47,263</u>	<u>42,585</u>
Income/(loss) before other revenue, expenses, gains, losses	<u>17,568</u>	<u>21,238</u>
Capital appropriations	8,641	1,033
Interest on indebtedness	(911)	(1,142)
Other	<u>(157)</u>	<u>(38)</u>
Total other	<u>7,573</u>	<u>(147)</u>
Decrease/increase in net position	<u>25,141</u>	<u>21,091</u>
Net position, beginning	5,990	(15,101)
Restatement	<u>-</u>	<u>-</u>
Net position, ending	<u>\$31,131</u>	<u>\$5,990</u>

**NEW MEXICO HIGHLANDS UNIVERSITY
STATE OF NEW MEXICO
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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

The University’s net position increased by \$25 million during the year. Operating expenses (\$88 million) are subtracted from operating revenues (\$59 million), resulting in an “operating loss” (\$29 million). State general fund appropriations (\$42.3 million), are not included as operating revenue; however, it is reflected as non-operating revenue, because they are provided to the University without the state receiving commensurate goods and services in exchange. State general fund appropriations are essential for the University to carry out its instructional and public service mission. “Income/(loss) before other revenue, expenses, gains and losses” was \$17 million. \$8.6 million in capital appropriations revenues (federal and state funds designated for construction projects) resulted in an increase in net position of \$25 million.

The state appropriation for general funds for year ended June 30, 2024 was \$42.3 million as compared to state appropriation for year ended June 30, 2023 at \$40.5 million.

Analysis of Tuition and Fees Revenue (thousands)				
	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	
Tuition	\$15,388	\$14,829	559	4%
Fees	<u>5,103</u>	<u>5,797</u>	<u>(694)</u>	-14%
Subtotal	20,491	20,626	(-135)	-1%
Wiley Revenue Share	(1,776)	(890)	(886)	50%
Tuition discounts/allowance	<u>(1,773)</u>	<u>(1,774)</u>	<u>1</u>	0%
Net	<u>\$16,942</u>	<u>\$17,962</u>	<u>(1,020)</u>	-6%

Tuition and fees, net of discounts and allowances, increased by 4%. Tuition discounts and allowances are tracked individually by student and the annual had no percentage change. The University has contracted with Wiley, in a revenue share agreement, to launch 10 academic programs, including a Bachelor of Science in Nursing (RN-BSN), business programs, MBA, MSW and others. NMHU will take advantage of Wiley’s full suite of offerings including market research, marketing, enrollment, and retention, including clinical placement support.

NEW MEXICO HIGHLANDS UNIVERSITY
STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENT OF CASH FLOWS

Statement of Cash Flows for the years ended June 30, 2024 and 2023 (thousands)		
	2024	2023
Cash flows from operating activities:		
Net cash used by operating activities	\$(38,143)	\$(17,402)
Net cash provided by noncapital financing activities	42,738	41,284
Net cash flow provided by investment activities	(20,267)	1,288
Net cash used by capital & related financial activity	<u>(4,857)</u>	<u>(5,444)</u>
Net increase/(decrease) in cash and cash equivalents	(20,529)	19,726
Restricted cash, beginning of year	23,004	2,460
Cash and cash equivalents, beginning of year	<u>26,192</u>	<u>4,006</u>
	<u>49,196</u>	<u>6,466</u>
Restricted cash, end of year	2,568	23,004
Unrestricted cash and cash equivalents, end of year	<u>3,094</u>	<u>3,188</u>
Cash and cash equivalents, end of year	<u>\$ 5,662</u>	<u>\$ 26,192</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 \$20.5 million net decrease during the year, resulting in an ending cash balance of \$5.6 million.

Discussion of Budget Comparisons

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

Requests for Additional Financial Information

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's retailers and vendors, and other interested parties with a general overview of the financial position as of June 30, 2024, and the results of its operations, cash flows, and variances from the budgets for the years then ended for New Mexico Highlands University.

If you have any questions about this report or need additional financial information, contact New Mexico Highlands University, University Relations, Box 9000, Las Vegas, New Mexico 87701-9000.

The New Mexico Highlands University Foundation, Inc. is a separately audited, component unit of New Mexico Highlands University. Management of the Foundation can be contacted at New Mexico Highlands University Foundation, Box 9000, Las Vegas, New Mexico 87701-9000.

THIS PAGE INTENTIONALLY LEFT BLANK



BASIC FINANCIAL STATEMENTS



New Mexico Highlands University
Statement of Net Position

June 30, 2024	Primary Government	NMHU Foundation
Assets		
Current assets		
Cash and cash equivalents	\$ 3,094,062	\$ 1,022,589
Short-term investments	266,824	-
Receivables, net of allowances for uncollectibles		
Student receivable, net	3,566,038	-
Grants receivable	9,805,471	-
Other receivables	7,278,690	14,270
Note receivable, short-term	-	520,557
Interest receivable	137	-
Prepaid expenses	381,816	12,159
Total current assets	24,393,038	1,569,575
Noncurrent assets		
Restricted cash and cash equivalents	2,568,889	1,153,446
Certificates of deposit	-	1,000,000
Note receivable, net of current portion	-	2,143,333
Lease receivable	77,273	-
Assets held by others	3,897,214	-
Investments	30,342,111	-
Endowment, including assets held for others of \$3,897,214	-	12,794,303
Subscription assets, net	2,135,015	-
Right-to-use-assets, net	271,858	-
Non-depreciable capital assets	14,013,738	6,238,152
Depreciable capital assets, net	82,853,950	-
Total noncurrent assets	136,160,048	23,329,234
Total assets	160,553,086	24,898,809
Deferred outflows of resources		
Deferred outflows - pension	9,952,778	-
Deferred outflows - OPEB	4,465,540	-
Total deferred outflows of resources	14,418,318	-
Total assets and deferred outflows of resources	\$ 174,971,404	\$ 24,898,809

The accompanying notes are an integral part of these financial statements.

June 30, 2024	Primary Government	NMHU Foundation
Liabilities		
Current liabilities		
Accounts payable	\$ 3,594,426	\$ 294,381
Accrued expenses	4,381,062	-
Accrued interest payable	194,522	-
Compensated absences, short-term	1,026,439	-
IRS payable	545,611	-
Unearned revenues	12,386,636	-
Current portion of lease liability	187,902	-
Current portion of subscription liabilities	684,247	-
Bonds payable, current	1,405,000	-
Notes payable, current	520,557	95,728
Total current liabilities	24,926,402	390,109
Noncurrent liabilities		
Compensated absences	575,772	-
Assets held for others	-	3,897,216
Lease liabilities, less current maturities	74,802	-
Subscription liabilities, less current maturities	1,452,678	-
Bonds payable, long-term portion	16,250,000	-
Note payable, net of current portion	2,143,333	368,745
Net pension liability	63,998,838	-
Net OPEB liability	9,448,667	-
Total noncurrent liabilities	93,944,090	4,265,961
Total liabilities	118,870,492	4,656,070
Deferred inflows of resources		
Deferred inflows - lease	77,596	-
Deferred inflows - pension	13,580,883	-
Deferred inflows - OPEB	11,311,140	-
Total deferred inflows of resources	24,969,619	-
Net position		
Net investment in capital assets	76,284,184	5,773,679
Restricted for		
Nonexpendable		
Nonexpendable scholarships and grants	37,143,887	6,542,908
Expendable		
Expendable scholarships and grants	186,582	4,390,498
Expendable loans	27,821	-
Expendable capital projects	(1,735,327)	-
Expendable debt service	531,218	-
Unrestricted (deficit)	(81,307,072)	3,535,654
Total net position	31,131,293	20,242,739
Total liabilities and net position	\$ 174,971,404	\$ 24,898,809

The accompanying notes are an integral part of these financial statements.

New Mexico Highlands University
Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2024	Primary Government	NMHU Foundation
Operating revenues		
Student tuition and fees, net	\$ 16,942,581	\$ -
Federal awards and contracts	24,723,974	-
State and local grants and contracts	8,380,731	-
Private grants and contracts	2,216,350	-
Sales and services of auxiliary enterprises	4,480,712	-
Contributions	-	120,485
Lease income	55,605	-
Other	2,269,540	983,620
Total operating revenues	59,069,493	1,104,105
Operating expenses		
Instruction	19,676,825	-
Academic support	2,449,471	-
Student services	3,966,664	-
Institutional support	7,958,556	-
Operations and maintenance	6,060,729	-
Student social and cultural development	1,249,570	-
Research	3,992,710	-
Public service	14,300,731	-
Internal services	2,525,610	-
Student aid grants and stipends	20,249,467	-
Auxiliary enterprises	2,856,094	-
Athletics	4,168,963	-
Renewals and replacements	1,837,163	-
Other expenditures	-	1,604,271
Pension (benefit)	(6,478,956)	-
Other post employment (benefit)	(2,705,449)	-
Lease expense	236,049	-
Amortization	1,104,285	-
Depreciation	5,316,425	-
Total operating expenses	88,764,907	1,604,271
Operating (loss) income	(29,695,414)	(500,166)
Non-operating revenues (expenses)		
State appropriations	42,324,100	-
State land, permanent fund and investment income	413,668	-
NMHED endowment contribution	500,000	-
Investment gain	2,924,235	1,076,038
Interest income	1,101,507	175,914
Other	-	589,960
Net non-operating revenues (expenses)	47,263,510	1,841,912

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30, 2024	Primary Government	NMHU Foundation
Income before other revenues, expenses, gains and losses	\$ 17,568,096	\$ 1,341,746
Other revenue (expenses) and capital items		
State appropriations, capital	8,811,753	-
Severance tax bond appropriations	70,125	-
Interest expense on leases	(240,444)	-
Interest on indebtedness	(911,299)	(21,514)
Endowment expense	(157,053)	-
Total other revenue (expenses) and capital items	7,573,082	(21,514)
Change in net position	25,141,178	1,320,232
Net position, beginning of year	5,990,115	18,922,507
Net position, end of year	\$ 31,131,293	\$ 20,242,739

The accompanying notes are an integral part of these financial statements.

New Mexico Highlands University
Statement of Cash Flows

For the Year Ended June 30, 2024	Primary Government
Cash flows from operating activities	
Tuition, fees and trainings	\$ 19,208,048
Federal, state, private grants and contracts	33,053,926
Auxiliary enterprise charges	4,480,712
Contributions and other operating revenues	2,428,316
Payments to employees and for employee benefits	(59,918,517)
Disbursement of net aid to students	(20,249,467)
Payments to suppliers	(17,145,575)
Net cash (used in) operating activities	
	(38,142,557)
Cash flows from noncapital financing activities	
State appropriations	42,324,100
Land and permanent fund	413,668
Net cash provided by noncapital financing activities	
	42,737,768
Cash flows from capital financing activities	
Capital appropriations	8,811,753
Severance tax bond appropriations	70,125
Purchase of capital assets	(9,877,338)
Payment on bonds	(1,355,000)
Payment on leases	(157,301)
Payments on SBITA	(673,261)
Payments on note payable with the Foundation	(490,316)
Interest payment on leases	(240,444)
Interest payments on bonds	(945,565)
Net cash (used in) capital financing activities	
	(4,857,347)
Cash flows from investing activities	
Endowment expense	(157,053)
Purchase of investments	(20,384,400)
Proceeds from sale of investments	274,353
Net cash (used in) investing activities	
	(20,267,100)
Net change in cash and cash equivalents	(20,529,236)
Cash and cash equivalents - beginning of year	26,192,187
Cash and cash equivalents - end of year	\$ 5,662,951
Cash and cash equivalents, unrestricted	
	\$ 3,094,062
Restricted cash and cash equivalents	
	2,568,889
Cash and cash equivalents - end of year	
	\$ 5,662,951

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30, 2024	Primary Government
Operating (loss)	\$ (29,695,414)
Reconciliation of operating loss to net cash (used in) operating activities	
Depreciation expense	5,316,425
Amortization expense for leases	342,208
Amortization expense for SBITA	762,076
Assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable, net	(9,978,110)
Prepaid expenses	(108,658)
Accounts payable	2,003,113
Accrued expenses	28,250
Compensated absences	(142,224)
IRS payable	(462,425)
Deferred outflows - subsequent contributions - pension	(538,827)
Deferred outflows - subsequent contributions - OPEB	4,341
Deferred outflows of resources - pension	14,601,752
Deferred outflows of resources - OPEB	1,236,020
Net pension liability	(1,271,952)
Net OPEB liability	(3,271,397)
Deferred inflows of resources - pension	(25,606,624)
Deferred inflows of resources - OPEB	(1,334,879)
Deferred inflows of resources - leases	(105,851)
Unearned revenues	10,079,619
Net cash (used in) operating activities	\$ (38,142,557)
Supplemental cash flow information	
Addition of leases	\$ 217,193

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

This summary of significant accounting policies of the University is presented to assist in the understanding of the University's financial statements. The financial statements and notes are the representation of University's management who is responsible for their integrity and objectivity. The financial statements of the University have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of the University and the statement of net position, statement of revenues, expenses, and changes in net position of its discretely presented component unit.

In evaluating how to define the University, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only-criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

The University has two component units required to be reported under GASB Statements No. 14, No. 39, No. 61, No. 80, and No. 90 as there is one discretely presented component unit and one blended component unit. Both component units have a separately issued financial statement. The University does not have any related organizations, joint ventures or jointly governed organizations.

Discretely Presented Component Unit

The New Mexico Highlands University Foundation (the "Foundation") was organized as legally separate 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 is a private nonprofit organization that reports under GASB standards, The Foundation's financial statements are separately audited.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Presented Component Unit

Highlands Stable Isotopes Corporation (“HSI”) 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. HSI’s financial statements are separately audited.

Basis of Accounting and Financial Statement Presentation

The accounting and reporting policies of the University reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a public institution, the University is considered a special purpose government under the provisions of GASB Statement No. 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by the financial information for the Foundation. The effect of internal activity between funds or groups has been eliminated from these financial statements.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated. The Fiduciary Funds are used to account for assets held by the University in a capacity as an agent for various student organizations and outside parties. Fiduciary Funds are custodial in nature (assets equal liabilities and net position) and do not involve measurement of results of operations. The University does not have any fiduciary funds as of June 30, 2024.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary basis of accounting

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 Regents can, in general, adopt an operating budget within the limits of available income.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appointed in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year.

To amend the budget, the University requires the following order of approval: (1) University President, (2) University Regents, (3) Higher Education Department, and (4) State Department of Finance and Administration.

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.

Budgets are adopted on a basis of accounting that is not in accordance with accounting principles generally accepted in the United States of America. The purpose of the Budget Comparison is to reconcile the change in net position as reported on a budgetary basis to the change in net position as reported using generally accepted accounting principles. The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, securities subject to overnight sweep repurchase agreements, and certificates of deposit with various financial institutions. For purposes of the statement of cash flows, the University considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the University's bank.

Investments

Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool (LGIP). Amounts invested are readily available to the University when needed and are recorded at cost, which approximates fair value. The University considers cash deposited at the State Treasurer's Office to be 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.

Receivables and Payables

Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, and student and third-party payers for student tuition and fees. The University records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts. Other receivables includes amounts related to Perkins loans receivable, capital appropriations, and other miscellaneous sources.

Prepaid Expenses

Prepaid expenses include subsequent services for software services and other items which reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment and right-to-use subscription assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year.

**New Mexico Highlands University
Notes to Financial Statements**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction. There was no interest expense capitalized by the University during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the University are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	39
Library materials	5
Equipment and furniture	5-7

Leases

The University recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of an other than short-term lease. The University uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the University's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Subscription-Based Information Technology Arrangements (SBITAs)

The University recognizes SBITAs that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of another than short-term SBITA. The University uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the University's incremental borrowing rate at start of the arrangement for a similar asset type and term length to the contract. Short-term subscription payments are expensed when incurred.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Lease Receivable

The University's lease receivables are measured at the present value of lease payments expected to be received during the lease term.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of fund balance or net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time. The University has three types of items that qualify for reporting in this category related to reporting under GASB 68 and five types that relate to reporting under GASB 75, which total \$9,952,778 and \$4,465,540, respectively, in the statement of net position. The amounts are further detailed in Note 12 and Note 13. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability and other post-employment benefit liability, respectively, in future periods.

Deferred Inflows of Resources

In addition, the University has four types of items present on the statement of net position that qualify for reporting in this category related to reporting under GASB 68 and three types that related to reporting under GASB 75. The deferred inflows of resources total \$13,580,883 and \$11,311,140, respectively, in the statement of net position, and are further detailed in Note 12 and Note 13. The University also had \$77,596 of deferred inflows of resources from leases. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Unearned Revenues

Unearned revenue relates to student tuition and fees for each academic session within the fiscal year during which the session is completed. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

Compensated Absences

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. 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).

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

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 Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. 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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and postemployment expense, information about the fiduciary net position of the Retiree Health Care Act (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis accounting. 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.

Categories and Classification of Fund Equity

The University's net position is classified into the following net position categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – All other categories of net position. In addition, unrestricted net position may be designated for use by management of the University. This requirement limits the area of operations for which expenditures of net position may be made, and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses. The University has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Operating revenue includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; and c) contracts and grants.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

The University periodically receives severance tax and general obligation bond appropriations for capital asset projects. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance.

Revenue Recognition for Derived Tax Revenues

It is the policy of the University to recognize nonexchange revenue for which there are time requirements in the period in which those time requirements are met, regardless of whether the revenues are due or whether an enforceable legal claim exists. If no time requirements are specified in enabling legislation, revenues are recognized when the University has an enforceable legal claim (provided that the underlying exchange transaction has occurred) to the assets or when they are received, whichever occurs first.

Income Tax Status

The income generated by the University, as an instrumentality of the State of New Mexico, generally is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. However, the University is subject to taxation on income derived from business activities not substantially related to the University's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

HSI and the Foundation are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic Dependency

The University depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the University is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Use of 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 for the University are management's estimate of depreciation on assets over their estimated useful lives, amortization of leases, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences and estimates used in accounting for subscription-based information technology arrangements leases in accordance with GASB Statement No. 96.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 10, 2025. See Note 18 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement aim to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement aim to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement aim to improve reporting on capital assets by separately disclosing specific types of capital assets in financial statement notes. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

The University is evaluating the requirements of the above statements and the impact on reporting.

New Mexico Highlands University Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS

Deposits

State statutes authorize the investment of University funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the University properly followed State investment requirements as of June 30, 2024.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the University. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. All of the University's accounts at an insured depository institution, including non-interest-bearing accounts are insured by the up to the standard maximum deposit insurance amount of \$250,000.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2024, \$4,479,560 of the University's bank balances of \$4,794,351 was exposed to custodial credit risk. \$4,479,560 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the University's name and \$0 of the University's deposits were uninsured and uncollateralized at June 30, 2024.

	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank	Total
Total amount of deposits	\$ 17,209	\$ 47,582	\$ 4,729,560	\$ 4,794,351
Deposit accounts covered by the FDIC coverage	(17,209)	(47,582)	(250,000)	(314,791)
Total uninsured public funds	-	-	4,479,560	4,479,560
Collateralized by securities held by the pledging institution or by its trust department or agent other than the University's name	-	-	4,479,560	4,479,560
Uninsured and uncollateralized	\$ -	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ 2,239,781	\$ 2,239,781
Pledged security	-	100,000	7,296,035	7,396,035
Over collateralization	\$ -	\$ 100,000	\$ 5,056,254	\$ 5,156,254

New Mexico Highlands University Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The collateral pledged is listed on Schedule of Collateral Pledged by Depository of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the state of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

Investments

State statute authorizes the University to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the United States Government. State statute also authorizes the University to invest in bonds or negotiable securities of the United States, the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The University has no investment policy that would further limit its investment choices.

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at amortized costs. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. The University's investment assets include endowments and assets held by others in the Foundation.

The University's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

New Mexico Highlands University Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2024, the University had the following investments and maturity:

Investment Type	Weighted Average Maturity	Fair Value	Rating*
<i>New MexiGROW</i> LGIP	30 day WAM (R); 39 day WAM (F)	\$ 266,824	AAAm

*Based off Standard & Poor's rating

The University and Foundation hold investments at the New Mexico State Investment Council (NMSIC). These funds 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. At June 30, 2024, the University investments are summarized as follows:

For the year ending June 30, 2024	New Mexico Highlands University
Investment with NMSIC	
Domestic Equities	
US Large Cap Index Pool	\$ 10,309,857
US Small/Mid Cap Pool	2,676,840
US Corporate Bonds	
US Core Bonds Pool	11,870,899
International Equities	
Non-US Emerging Markets Pool	2,219,411
Non-US Developed Markets Index Pool	3,265,104
Total investments	\$ 30,342,111

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a policy to manage the credit risk of its investments.

Interest Rate Risk Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The University and its component units do not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

New Mexico Highlands University Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Concentration of 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 NMSIC. Please refer to the NMSIC's separately issued financial statements for complete disclosures on credit risk.

Reconciliation of Deposits and Investments to the Statement of Net Position

Deposits	\$	4,794,351
New Mexico Finance Authority		2,459,518
New Mexico State Investment Council		30,342,111
<i>New MexiGROW</i> LGIP		266,824
<hr/>		
Total deposits and investments		37,862,804
Petty cash		2,455
Less reconciling items		(1,593,373)
<hr/>		
Total cash and cash equivalents and investments	\$	36,271,886
<hr/> <hr/>		
Statement of net position		
Cash and cash equivalents	\$	3,094,062
Short-term investments		266,824
Restricted cash and cash equivalents		2,568,889
Investments		30,342,111
<hr/>		
Net deposits and investments	\$	36,271,886
<hr/> <hr/>		

Fair Value Measurements

The fair value framework uses a hierarchy that prioritizes the inputs to the 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

New Mexico Highlands University Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

New MexiGROW LGIP is valued at the daily closing price as reported by the fund. These investments held by the University are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the University are deemed to be actively traded.

Investment	Level 1	Level 2	Level 3	Total
US Large Cap Index Pool	\$ -	\$ 10,309,857	\$ -	\$ 10,309,857
US Small/Mid Cap Pool	-	2,676,840	-	2,676,840
US Core Bonds Pool	-	11,870,899	-	11,870,899
Non-US Emerging Markets Pool	-	2,219,411	-	2,219,411
Non-US Developed Markets Index Pool	-	3,265,104	-	3,265,104
Total	\$ -	\$ 30,342,111	\$ -	\$ 30,342,111

New Mexico Highlands University Notes to Financial Statements

Note 3: ASSETS HELD BY OTHERS

As of June 30, 2024, the University's investments assets include the following assets held by others in the Foundation:

Assets held by others in the Foundation endowment	\$	3,897,214
Restricted cash held at the Wells Fargo Bank for scholarships		109,371
Restricted cash held at the New Mexico Finance Authority for debt service reserve		2,459,518
		2,459,518
Total assets held by others	\$	6,466,103

Note 4: ACCOUNTS RECEIVABLE

The University's accounts receivable at June 30, 2024, represent revenues earned from student tuition and fee, federal government grants and contracts, private grants, and State of New Mexico agencies that include pass through federal and state grants. All amounts are expected to be collected within sixty days after year-end and assets must be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever comes first. An allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables.

A schedule of receivables and allowance for uncollectible accounts is as follows:

Receivables, net of allowances for uncollectibles		
Student accounts receivable	\$	12,313,572
Less allowance for doubtful accounts		(8,747,534)
Student receivable, net		\$ 3,566,038
Federal grant receivable		7,725,843
State grant receivable		1,842,316
Private grant receivable		192,858
Unbilled grant receivable		44,454
Grant receivable		9,805,471
Other receivables		7,278,690
		9,805,471
Total receivables, net of allowances for uncollectibles	\$	20,650,199

New Mexico Highlands University
Notes to Financial Statements

Note 5: CAPITAL ASSETS

The following table summarizes the changes in the University's capital assets during the fiscal year ended June 30, 2024. Land and construction in progress are not subject to depreciation.

	June 30, 2023	Additions	Deletions	June 30, 2024
Assets not being depreciated				
Land	\$ 4,275,414	\$ -	\$ -	\$ 4,275,414
Artwork	969,023	-	-	969,023
Patent	73,686	-	-	73,686
Construction in progress	784,660	8,048,235	(137,280)	8,695,615
Total assets not being depreciated	6,102,783	8,048,235	(137,280)	14,013,738
Assets being depreciated				
Land improvements	43,672,856	776,150	-	44,449,006
Buildings	140,199,381	-	-	140,199,381
Furniture and equipment	10,842,018	1,129,046	(138,852)	11,832,212
Library materials	9,602,400	61,187	-	9,663,587
Intangible right-to-use lease asset	872,756	217,193	(594,100)	495,849
Total assets being depreciated	205,189,411	2,183,576	(732,952)	206,640,035
Less accumulated depreciation				
Land improvements	(30,307,035)	(2,262,452)	-	(32,569,487)
Buildings	(70,122,697)	(2,093,890)	-	(72,216,587)
Furniture and equipment	(8,126,409)	(839,146)	138,850	(8,826,705)
Library books	(9,556,520)	(120,937)	-	(9,677,457)
Intangible right-to-use lease asset	(475,883)	(342,208)	594,100	(223,991)
Total accumulated depreciation	(118,588,544)	(5,658,633)	732,950	(123,514,227)
Total assets being depreciated, net	86,600,867	(3,475,057)	(2)	83,125,808
Net capital assets	\$ 92,703,650	\$ 4,573,178	\$ (137,282)	\$ 97,139,546

Depreciation is \$5,316,425 and amortization expense for right-to-use assets of is \$342,208 for a combined \$5,658,633 as of June 30, 2024.

New Mexico Highlands University
Notes to Financial Statements

Note 5: CAPITAL ASSETS (Continued)

The following is a summary of changes in subscription assets during the year ended June 30, 2024:

	June 30, 2023	Additions	Deletions	June 30, 2024
Subscription assets, being amortized	\$ 3,670,039	\$ -	\$ -	\$ 3,670,039
Less accumulated amortization for subscription-based information technology arrangements	772,948	762,076	-	1,535,024
Total accumulated amortization	772,948	762,076	-	1,535,024
Subscription assets being amortized, net	\$ 2,897,091	\$ (762,076)	\$ -	\$ 2,135,015

Amortization expense for the year ended June 30, 2024 was \$762,076.

Note 6: LEASES

The University has noncancellable leases for office space and equipment with lease terms through 2025. There are no residual value guarantees included in the measurement of the University's lease liability nor recognized as an expense for the year ended June 30, 2024. The University does not have any commitments that were incurred at the commencement of the leases. No termination penalties were incurred during the fiscal year.

The following summarizes the University's leased assets:

Lease Assets	June 30, 2023	Additions	Deletions	June 30, 2024
Office Space - Tech Commons	\$ 594,100	\$ 210,205	\$ (594,100)	\$ 210,205
Equipment - De Lage Landen	278,656	6,988	-	285,644
Total leased assets	872,756	217,193	(594,100)	495,849
Less: Accumulated Amortization				
Office Space - Tech Commons	(339,399)	(272,219)	594,100	(17,518)
Equipment - De Lage Landen	(136,484)	(69,989)	-	(206,473)
Total accumulated amortization	(475,883)	(342,208)	594,100	(223,991)
Total lease assets, net	\$ 396,873	\$ (125,015)	\$ -	\$ 271,858

New Mexico Highlands University
Notes to Financial Statements

Note 6: LEASES (Continued)

The University evaluated the right-to-use assets for impairment and determined there was no impairment for the year ended June 30, 2024. The University recognized the following as lease expense for the year ending June 30, 2024 in the statement of revenues, expenses, and changes in the net position:

Lease expense	June 30, 2024
Amortization expense by class of underlying asset	
Office Space	\$ 272,219
Equipment	69,989
Total	\$ 342,208

The following summarizes the University's lease liability as of June 30, 2024:

June 30, 2023	Additions	Deletions	June 30, 2024	Amounts Due Within One Year
\$ 420,005	\$ 210,205	\$ (367,506)	\$ 262,704	\$ 187,902

Lease liabilities totaled \$262,704 and \$187,902 is due within one year. The future principal and interest lease payments as of June 30, 2024, were as follows:

Maturity Analysis	Principal	Interest	Total Payments
2025	\$ 187,902	\$ 9,395	\$ 197,297
2026	74,802	3,740	78,542
Total Future Payments	\$ 262,704	\$ 13,135	\$ 275,839

The University is the lessor for various noncancellable leases for office space and land with lease terms through 2034. For the year ended June 30, 2024, the University recognized \$32,310 in lease revenue released from deferred inflows of resources and interest revenue of \$4,474, related to these leases. There are no variable lease payments under the terms of the agreements. The balance of the lease receivable at June 30, 2024 was \$77,273.

New Mexico Highlands University Notes to Financial Statements

Note 7: ACCRUED EXPENSES

The University's accrued expenses at June 30, 2024 are as follows:

Payroll	\$	1,977,087
Payroll taxes and related liabilities		1,605,760
Medical insurance liabilities		172,593
Other accruals		<u>625,622</u>
Total accrued expenses	\$	<u><u>4,381,062</u></u>

Note 8: COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. The University had a liability for accrued vacations as of June 30, 2024 as follows:

Accrued vacation – beginning of year	\$	1,744,435
Additions		925,868
Deletions		<u>(1,068,092)</u>
Accrued vacation – end of year	\$	<u><u>1,602,211</u></u>

The University estimates that \$1,026,439 of the compensated absences will be due within one year.

Note 9: LONG-TERM LIABILITIES

The University has five software arrangements that require recognition under GASBS No. 96. The arrangements are for accounting, course planning, and enterprise resource planning with contracts terms through 2027. The University does not have any commitments that were incurred at the commencement of the SBITAs. No termination penalties were incurred during the fiscal year. The University now recognizes a subscription-based information technology arrangements (SBITA) liability and an intangible right-to-use subscription asset for various software. The University uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the University's incremental borrowing rate at start of the arrangement for a similar asset type and term length to the contract which was a rate of 2.86% and 2.21% depending on when the agreement started. Short-term subscription payments are expensed when incurred.

**New Mexico Highlands University
Notes to Financial Statements**

Note 9: LONG-TERM LIABILITIES (Continued)

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024, was as follows:

	June 30, 2023	Additions	Deletions	June 30, 2024	Due within one year
Subscription liabilities	\$ 2,810,186	\$ -	\$ (673,261)	\$ 2,136,925	\$ 684,247

Subscription liabilities, right of use assets, and terms are as follows at June 30, 2024:

	Effective Date	Payments	Monthly, Annual or Quarterly Payments	Borrowing Rate	Lease Liability	Right-to-Use Lease Asset, net Amortization
Chome River	7/1/2022	61	65,379	2.86%	\$ (185,243)	\$ 181,381
Ellucian Company LP	7/1/2022	61	660,171	2.86%	(1,870,534)	1,861,184
BlackBaud	7/1/2022	24	6,853	2.21%	(81,148)	75,695
Ad Astra	7/1/2022	27	68,000	2.21%	-	16,755
Total					\$ (2,136,925)	\$ 2,135,015

The following is a schedule of minimum future payments from subscription agreements as of June 30th:

<i>For the years</i>	Principal	Interest	Total
2025	\$ 684,247	\$ 43,395	\$ 727,642
2026	726,408	22,721	749,129
2027	726,270	1,776	728,046
Total	\$ 2,136,925	\$ 67,892	\$ 2,204,817

On February 1, 2023, a note payable was formed in the amount of \$3,350,000 between the University and the Foundation for the University to purchase a building and its land that the Foundation had been leasing to the University. The note carries a 6% interest rate with monthly payments of \$55,519 and matures on January 1, 2029. The note payable activity for the year ending June 30, 2024 was as follows:

June 30, 2023	Additions	Retirements	June 30, 2024	Current Portion
\$ 3,154,206	\$ -	\$ (490,316)	\$ 2,663,890	\$ 520,557

**New Mexico Highlands University
Notes to Financial Statements**

Note 9: LONG-TERM LIABILITIES (Continued)

Changes In Long-Term Liabilities (Continued)

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

Fiscal Years Ending June 30,	Principal	Interest	Total Debt Service
2025	\$ 520,557	\$ 145,673	\$ 666,230
2026	552,664	113,566	666,230
2027	586,751	79,479	666,230
2028	622,941	43,289	666,230
2029	380,977	7,658	388,635
Total	\$ 2,663,890	\$ 389,665	\$ 3,053,555

General obligation bonds are direct obligations and pledge the full faith and credit of the University. These bonds are issued with varying terms and varying amounts of principal maturing each year. Bonds outstanding at June 30, 2024 are comprised of the following:

	Series 2009B	Series 2012
Original issue	\$ 9,230,000	\$ 13,085,000
Principal	1-May	1-May
Interest	1-May 1-Nov	1-May 1-Nov
Interest rates	5.32% - 6.07%	.93% - 4.26%
Maturity date	5/1/2035	5/1/2034

During the year ended June 30, 2024, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
General Obligation Bonds	\$ 19,010,000	\$ -	\$ (1,355,000)	\$ 17,655,000	\$ 1,405,000
Note payable	3,154,206	-	(490,316)	2,663,890	520,557
Compensated absences	1,744,435	925,868	(1,068,092)	1,602,211	1,026,439
Total long-term debt	\$ 23,908,641	\$ 925,868	\$ (2,913,408)	\$ 21,921,101	\$ 2,951,996

**New Mexico Highlands University
Notes to Financial Statements**

Note 9: LONG-TERM LIABILITIES (Continued)

Changes In Long-Term Liabilities (Continued)

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2024, including interest payments, are as follows:

GO Bond Series 2009B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2025	\$ 570,000	\$ 458,832	\$ 1,028,832
2026	590,000	425,088	1,015,088
2027	615,000	390,160	1,005,160
2028	640,000	353,752	993,752
2029	660,000	315,864	975,864
2030-2034	3,725,000	949,045	4,674,045
2035	835,000	50,685	885,685
Total	\$ 7,635,000	\$ 2,943,426	\$ 10,578,426

GO Bond Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2025	\$ 835,000	\$ 408,898	\$ 1,243,898
2026	865,000	377,252	1,242,252
2027	900,000	343,604	1,243,604
2028	935,000	307,873	1,242,873
2029	975,000	270,193	1,245,193
2030-2034	5,510,000	715,050	6,225,050
Total	\$ 10,020,000	\$ 2,422,870	\$ 12,442,870

Note 10: RISK MANAGEMENT

The University currently is party to various litigation and other claims in the ordinary course of business. 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 property and liability coverage. The University believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the University. Federal grants received by the University are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. University management estimates that such refunds, if any, will not be significant.

New Mexico Highlands University Notes to Financial Statements

Note 11: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including

- A. Deficit equity
The University maintains a deficit equity position.

- B. Excess of expenditures over appropriations.
The University did not have excess of expenditures over appropriations.

- C. Designated cash appropriation in excess of available balances.
The University is not aware of any designated cash appropriations in excess of available balances.

Note 12: 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 Annual Comprehensive 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 nine-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, junior and community colleges, public technical and vocational institutions, state special schools, charter schools, regional education cooperatives, the New Mexico Activities Association, and certain employees at state agencies that provide 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.

New Mexico Highlands University Notes to Financial Statements

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (Continued)

Benefits provided - 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, which for those who began employment prior to July 1, 2019, is 0.0235. The multiplier is variable for those who began work after July 1, 2019. 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. A brief summary of Plan coverage provisions follows: www.nmrhca.org.

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 allowable service credit add up to the sum of 75 or more and those who retire under the age of 60, and who have fewer than 25 years of earned service credit will receive reduced retirement benefits; 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.

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 that date was refunded all member contributions and then became, or becomes, reemployed 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.

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 NMERB 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 and 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 age and earned service credit add up to the sum of 80 or more and those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits; or the member's age is 67 and has earned five or more years of service credit.

Section 22-11-23.3, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2019, or who were employed before July 1, 2019, but terminated employment and subsequently withdrew all contributions and returned to work for an NMERB employer on or after July 1, 2019. These members must meet one of the following requirements: the member is any age and has thirty or more years of earned service credit; or the member is at least 67 years of age and has 5 or more years of earned service credit; or the sum of the member's age and years of earned service credit equals at least eighty.

New Mexico Highlands University Notes to Financial Statements

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (Continued)

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

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 either 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of the Final Average Salary (FAS) times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied.

Contributions - The contribution requirements of plan members and the College are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Colleges and universities contributed 10.90% of participating employees' gross salary and 7.25% of the employees' gross salary to NMERB, for a total of 18.15%. For the fiscal year ended June 30, 2024 plan members are required to contribute 10.70% of their gross salary.

New Mexico Highlands University
Notes to Financial Statements

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (Continued)

NMERB is required to contribute 18.15% of the gross covered salary. Plan members whose annual salary is \$24,000 or less are required to contribute 7.90% of their gross salary. Plan members whose annual salary exceeded \$24,000 are required to contribute 10.70% of their gross salary. Employers contribute 18.15% of the gross covered salary for employees whose annual salary was \$24,000 or less, and 18.15% of the gross covered salary for employees whose salary exceeded \$24,000. Contributions to the pension plan from the University was \$5,927,083 for the year ended June 30, 2024.

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

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2022. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2023, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2023. At June 30, 2024, the University reported a liability of \$63,998,838 for its proportionate share of the net pension liability. The University's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2023. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2024, the University's proportion was 0.73695 percent, which was an decrease of 0.03808 percent from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the University recognized a pension benefit of 6,478,956.

At the June 30, 2024, the University reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,814,008	\$ 578,666
Net difference between projected and actual earnings on pension plan investments	-	400,921
Changes in assumptions	-	9,497,270
Changes in proportion	2,211,687	3,104,026
Contributions subsequent to the measurement date	5,927,083	-
Total	\$ 9,952,778	\$ 13,580,883

**New Mexico Highlands University
Notes to Financial Statements**

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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

\$5,927,083 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2023, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2024	\$ (8,889,700)
2025	(2,708,355)
2026	1,983,323
2027	59,544
<u>Total</u>	<u>\$ (9,555,188)</u>

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2022. The total pension liability was rolled forward from the valuation date to June 30, 2023 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the rollforward liabilities as of June 30, 2023. For purposes of projecting future benefits, it is assumed that the full COLA will be paid in all future years.

The total pension liability was rolled forward from the valuation date to June 30, 2023 using generally accepted actuarial principles and incorporated the following changes to the Plan's provisions: Change to the employer contribution rate, which increased the employer contribution by 1% each year for the next fiscal year, resulting in a 16.15% employer contribution rate in fiscal year 2024. As a result of these changes and the excellent performance of the fund for the fiscal year, the discount rate was 7.00%.

New Mexico Highlands University
Notes to Financial Statements

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2019 to June 30, 2049
Asset Valuation Method	5 year smoothed market
Inflation	2.3%
Salary Increase	Composed of 2.30% inflation, plus 0.70% productivity increase rate, plus step rate promotional increases for members with less than 15 years of service
Investment Rate of Return	7.00%
Retirement Age	Experience based table rates based on age and service, adopted by the Board on April 17, 2020 in conjunction with the six-year experience study for the period ending June 30, 2019.
Mortality	Healthy males: 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.
	Healthy females: 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.); 2) application of key economic projections (inflation, real growth, dividends, etc.); and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

New Mexico Highlands University
Notes to Financial Statements

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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

Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted in August 2019.

Comparative Schedule of Target Investment Allocation

Asset Class	After Allocation	Policy Target
Equities		
<i>Domestic Equities</i>		
Large cap equities	11.4%	15.0%
Small- mid cap equities	2.9%	4.0%
Total domestic	14.3%	19.0%
<i>International Equities</i>		
Developed	4.9%	5.0%
Emerging markets	5.3%	4.0%
Total international	10.2%	9.0%
Total equities	24.5%	28.0%
Fixed Income		
Core fixed income	5.0%	6.0%
Opportunistic credit	17.8%	18.0%
Emerging markets debt	0.0%	0.0%
Total fixed income	22.8%	24.0%
Alternatives		
Global asset allocation	2.1%	2.0%
Risk parity	0.5%	0.0%
Other diversifying assets	6.1%	8.0%
REITs	1.5%	0.0%
Private real estate	8.1%	8.0%
Private equity	22.3%	17.0%
Inflation-linked assets	10.8%	12.0%
Total alternatives	51.4%	47.0%
Cash	1.3%	1.0%
Total	100.0%	100.0%

**New Mexico Highlands University
Notes to Financial Statements**

Note 12: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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

Discount rate - A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2023. This is the same rate used for June 30, 2022. The 7.00% single discount rate was based on a long-term expected rate of return on pension plan investments of 7.00%. 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 all projected future benefit payments 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.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate - The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the June 30, 2023. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the single discount rate.

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Proportionate share of the net pension liability	\$ 87,000,979	\$ 63,998,838	\$ 44,996,363

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2023, which is publicly available at www.nmerb.org.

Payables to the pension plan - The University remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld.

New Mexico Highlands University Notes to Financial Statements

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND

General Information about the Other Post-Employment Benefits Plan

Plan Description - Substantially all of the College's full-time employees are provided with other post-employment benefits (OPEB) through the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was created by the state's Retiree Health Care Act, Section 10-7C-1 through 10-7C-19, NMSA 1978, as amended, to administer the New Mexico Retiree Health Care Fund (Plan). The Plan is a cost-sharing, multiple employer defined benefit healthcare plan established to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

The purpose is to provide 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 consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments of eligible retirees.

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

The Authority issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the New Mexico Retiree Health Care Authority at 6300 Jefferson Street NE, Suite 150; Albuquerque, NM 87109.

Benefits provided - The Act authorizes the Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the Authority or viewed on their website at www.nmrhca.org.

**New Mexico Highlands University
Notes to Financial Statements**

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

General Information about the Other Post-Employment Benefits Plan (Continued)

Employees covered by benefit terms - At June 30, 2023, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefit	12,552
Current active members	93,595
<hr/>	
Total NMRHCA plan members	159,125
<hr/>	
Active membership	
State general	18,462
State police and corrections	1,260
Municipal general	17,283
Municipal police	3,169
Municipal FTRE	2,419
Educational Retirement Board	51,002
<hr/>	
Total NMRHCA active members	93,595
<hr/>	

Contributions - The employer, employee, and retiree contributions are required to be remitted to the Authority on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the fund in the amount determined to be appropriate by the Board.

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

**New Mexico Highlands University
Notes to Financial Statements**

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

General Information about the Other Post-Employment Benefits Plan (Continued)

The University's contributions to the plan for the year ended June 30, 2023 totaled \$631,193, which equals the required contributions for the year.

At June 30, 2024, the University reported a liability of \$9,448,667 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the University's proportion was 0.55485 percent which was an increase of .00458 percent from June 30, 2022.

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

For the year ended June 30, 2024, the recognized OPEB benefit of (2,705,449). At June 30, 2024, 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
Differences between expected and actual experience	\$ 159,730	\$ 1,710,685
Net difference between projected and actual earnings on OPEB plan investments	202,026	-
Changes in proportion	1,654,228	687,196
Changes in assumptions	1,818,363	8,913,259
Contributions subsequent to the measurement date	631,193	-
Total	\$ 4,465,540	\$ 11,311,140

New Mexico Highlands University
Notes to Financial Statements

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

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

\$631,193 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (2,339,800)
2025	(1,505,196)
2026	(1,788,092)
2027	(1,368,131)
2028	(475,574)
Total	\$ (7,476,793)

Actuarial assumptions - The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023. The mortality, retirement, disability, turnover, and salary increase assumptions for PERA members are based on the PERA actuarial valuation as of April 17, 2020, in conjunction with the six-year actuarial experience study period ending June 30, 2019, and for ERB members are based on the ERB actuarial valuation as of June 30, 2022. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2023
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets

New Mexico Highlands University Notes to Financial Statements

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

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

Actuarial assumptions:

Inflation	2.30% for ERB member, 2.50% for PERA members
Projected payroll increase	3.00% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, 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 8.5% graded down to 4.5% over 12 for Medicare medical plan costs. Actual premium increase for the first year, then 8.25% graded down the 4.50% over 15 years
Mortality	<p>ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.</p> <p>PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.</p>

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.

New Mexico Highlands University
Notes to Financial Statements

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	20%	1.6%
U.S. equity - large cap	20%	6.9%
Non U.S. - emerging markets	15%	8.7%
Non U.S. - developed equities	12%	7.2%
Private equity	10%	9.9%
Credit and structured finance	10%	3.7%
Real estate	5%	3.6%
Absolute return	5%	3.2%
U.S. equity - small/mid cap	3%	6.9%

Discount rate - The discount rate used to measure the total OPEB liability is 6.22% as of June 30, 2023. 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 OPEB plan'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, 2070. The 7.00% assumed investment return on plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2070. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.65%) was used beyond 2070, resulting in a blended discount rate of 6.22%.

Basis for Allocation - The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of the Authority as of June 30, 2023.

**New Mexico Highlands University
Notes to Financial Statements**

Note 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

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

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the University's proportionate share of the net OPEB liability, calculated using the discount rate of 6.22% as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.22 percent) or 1-percentage-point higher (7.22 percent) than the current discount rate:

1% Decrease (5.22%)	Current Discount Rate (6.22%)	1% Increase (7.22%)
\$ 11,912,438	\$ 9,448,667	\$ 7,451,550

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2023, as well as what the University's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

1% Decrease	Current Trend Rates	1% Increase
\$ 7,822,537	\$ 9,448,667	\$ 11,316,233

OPEB plan fiduciary net position - Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2023. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 6300 Jefferson Street NE, Suite 150, Albuquerque, NM 87109.

Payables to the Pension Plan - The NMRHCA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2024, the University recorded a payable to NMRHCA in the amount of \$136,346 for the contributions withheld in the month of June 2024, which is included in the Accrued Payroll on the Statement of Net Position.

New Mexico Highlands University Notes to Financial Statements

Note 14: CONTINGENCIES

During the ordinary course of its operation, the University is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the University, the liabilities which may arise from such actions would not result in losses, which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the University or results of activities. The University has commitments as of June 30, 2024 for the following:

Current funds	\$ 2,577,129
Plant funds	3,042,378
<hr/>	
Total	\$ 5,619,507
<hr/> <hr/>	

Note 15: 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. 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. The University has the patent for HSI on its books for \$73,686 as of June 30, 2024. Due to the patent generating income, no impairment on the patent was necessary.

New Mexico Highlands University Notes to Financial Statements

Note 16: JOINT POWERS AGREEMENTS

On February 2, 2017, the University appoints the New Mexico State Investment Council as the fiduciary authorized to invest long term reserves of the University and all investment income thereon (collectively the "long-term reserves"), through NMSIC 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 the University.

Note 17: CONCENTRATIONS

The University depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the University is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Note 18: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after June 30, 2024 through January 10, 2025, the date the current year's financial statements were available to be issued.

The following events occurred: On September 3, 2024, the Ivan Hilton Science Building was closed due to the university's failure to properly store chemicals and dispose of hazardous waste. The university has been informed of the potential imposition of a fine related to the closure. As of today, the exact amount of the fine and the timeline for its determination remain uncertain.

THIS PAGE INTENTIONALLY LEFT BLANK



REQUIRED SUPPLEMENTARY INFORMATION



New Mexico Highlands University
Schedule of the University's Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

Fiscal Year	June 30,			
	2024	2023	2022	2021
Measurement Date	2023	2022	2021	2020
Proportion of the net pension liability (asset)	0.73695%	0.77503%	0.74378%	0.68507%
Proportionate share of the net pension liability (asset)	\$ 63,998,838	\$ 65,270,790	\$ 52,715,160	\$ 138,835,531
Covered payroll	30,929,541	29,246,310	26,937,163	21,248,140
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	206.92%	223.18%	195.70%	653.40%
Plan fiduciary net position as a percentage of the total pension liability	65.19%	64.87%	69.77%	39.11%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten 10-year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

June 30,					
2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
0.72688%	0.75029%	0.77877%	0.74889%	0.77310%	0.81023%
\$ 55,062,742	\$ 89,219,467	\$ 86,548,356	\$ 53,893,871	\$ 50,075,746	\$ 46,229,335
20,491,671	20,254,346	20,870,492	21,108,107	24,563,545	24,563,545
268.71%	440.50%	414.69%	255.32%	203.86%	188.20%
64.13%	52.17%	52.95%	61.58%	63.97%	66.54%

See notes to required supplementary information.

**New Mexico Highlands University
Schedule of the University's Contributions
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years***

As of and for the Year Ended June 30,	2024	2023	2022	2021
Contractually required contribution	\$ 5,927,083	\$ 5,388,256	\$ 3,979,520	\$ 3,373,997
Contributions in relation to the contractually required contribution	5,927,083	5,388,256	3,979,520	3,373,997
Contribution deficiency (excess)	-	-	-	-
Covered payroll	34,934,066	30,929,541	29,246,310	26,937,163
Contributions as a percentage of covered payroll	16.97%	17.42%	13.61%	12.53%

* This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

2020	2019	2018	2017	2016	2015
\$ 3,077,651	\$ 2,960,097	\$ 2,914,653	\$ 3,085,048	\$ 3,486,299	\$ 2,973,025
3,077,651	2,960,097	2,914,653	2,973,025	3,054,737	2,973,025
-	-	-	112,023	431,562	-
21,248,140	20,491,671	20,254,346	20,870,492	21,108,107	24,563,545
14.48%	14.45%	14.39%	14.25%	14.47%	12.10%

See notes to required supplementary information.

New Mexico Highlands University
Schedule of Employer's Proportionate Share of the Net OPEB Liability of
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

	June 30,		
Fiscal Year	2024	2023	2022
Measurement Date	2023	2022	2021
The University's proportion of the net OPEB liability	0.55485%	0.55027%	0.52953%
The University's proportionate share of the net OPEB liability	\$ 9,448,667	\$ 12,720,064	\$ 17,423,389
The University's covered payroll	30,929,541	29,246,310	26,937,163
The University's proportionate share of the net OPEB liability as a percentage of its covered payroll	30.55%	43.49%	64.68%
Plan fiduciary net position as a percentage of the total	44.16%	33.33%	25.39%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

June 30,			
2021	2020	2019	2018
2020	2019	2018	2017
0.49190%	0.52741%	0.54085%	0.57068%
\$ 20,654,429	\$ 17,100,682	\$ 23,518,077	\$ 25,861,352
21,248,140	20,491,671	20,254,346	20,870,492
97.21%	83.45%	116.11%	123.91%
16.50%	18.92%	13.14%	11.34%

See notes to required supplementary information.

**New Mexico Highlands University
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

As of and for the Year Ended June 30,	2024	2023	2022
Contractually required contributions	\$ 631,193	\$ 635,534	\$ 558,994
Contributions in relation to the contractually required contribution	(631,193)	(635,534)	(558,994)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered payroll	\$34,934,066	\$30,929,541	\$29,246,310
Contributions as a percentage of covered payroll	2.00%	2.00%	2.00%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

2021	2020	2019	2018
\$ 534,677	\$ 465,264	\$ 470,722	\$ 462,681
(534,677)	(465,264)	(470,722)	(462,681)
\$ -	\$ -	\$ -	\$ -
\$26,937,163	\$21,248,140	\$20,491,671	\$20,254,346
2.00%	2.00%	2.00%	2.00%

See notes to required supplementary information.

New Mexico Highlands University Notes to Required Supplementary Information

Education Retirement Board (ERB) Plan

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan – Educational Retirement Board, General Information on the Pension Plan.

Changes of assumptions. There were not assumption changes since the last actuary valuation.

New Mexico Retiree Health Care Authority (NMRHCA) Plan

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY23 audit available at <https://www.nmrhca.org/wp-content/uploads/2024/01/FINAL-FS-NMRHCA-2023.pdf>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2023 report is available at <https://www.nmrhca.org/wp-content/uploads/2024/01/GASB-74-from-Dec-2023-Board-Meetingv2.pdf>. See the notes to the financial statements beginning on page 22, which summarizes actuarial assumptions and methods effective with the June 30, 2023 valuation.



SUPPLEMENTARY INFORMATION



New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Combined Revenues and Expenditures Budgetary Comparisons
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	\$ 13,292,111	\$ 7,703,830	\$ 7,703,830	\$ -
Unrestricted and Restricted Revenues				
State general fund appropriations	42,324,100	42,324,100	42,324,100	-
Federal grants/contracts	26,122,755	30,861,358	16,715,796	(14,145,562)
Tuition and fees	17,284,726	16,454,697	16,942,347	487,650
Land and permanent fund	1,320,000	406,000	413,668	7,668
Private grants/contracts	3,980,535	1,070,952	1,990,125	919,173
Sales and service	3,452,000	4,342,983	4,186,466	(156,517)
Government grants - state, local	8,880,180	8,439,363	8,364,728	(74,635)
Renewals and replacements	613,200	613,200	-	(613,200)
Other	1,115,000	1,372,265	4,704,900	3,332,635
Capital outlay	7,457,867	17,566,231	8,881,878	(8,684,353)
Retirement of indebtedness	1,184,040	1,107,696	-	(1,107,696)
Total revenues	113,734,403	124,558,845	104,524,008	(20,034,837)
Total Unrestricted and Restricted Revenues	127,026,514	132,262,675	112,227,838	(20,034,837)
Unrestricted and Restricted Expenditures				
Instruction and general	49,383,315	48,205,472	47,330,577	874,895
Student social and cultural	1,588,842	1,598,944	1,334,437	264,507
Research	6,616,240	7,883,825	4,081,714	3,802,111
Public service	24,694,439	24,265,581	16,530,740	7,734,841
Internal service departments	4,127,138	4,319,003	3,585,573	733,430
Student aid	11,855,114	13,010,900	12,206,605	804,295
Auxiliary enterprises	2,483,117	2,592,208	2,368,054	224,154
Intercollegiate athletics	3,978,800	4,550,054	4,448,791	101,263
Capital outlay	7,457,867	18,591,231	9,467,704	9,123,527
Renewal and replacements	1,296,022	2,386,720	1,774,562	612,158
Retirement of indebtedness	2,285,639	2,285,639	2,266,299	19,340
Total unrestricted and restricted expenditures	115,766,533	129,689,577	105,395,056	24,294,521
Net transfers	-	(720,000)	(245,683)	474,317
Change in net assets-budgetary basis	(2,032,130)	(4,410,732)	(625,365)	
Ending Fund Balance	\$ 11,259,981	\$ 3,293,098	\$ 7,078,465	\$ 3,785,367
Change in net position per statement of revenues, expenses and changes in net position			\$ 25,141,178	
Perkins loan activity			26,059	
Endowment activity			(3,922,461)	
Agency activity			7,446	
Depreciation expense			5,316,425	
GASB 87 and 96 activity			220,120	
Capital asset purchases			(9,877,337)	
Bond obligation payment			(1,355,000)	
Pension expense			(12,815,651)	
OPEB Expense			(3,365,915)	
Other			(229)	
Financial statements change in net position reconciled			\$ (625,365)	

New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Summary of Instruction and General Revenues and Expenditures
Budget Comparisons
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 4,703,048	\$ 868,178	\$ 868,178	\$ -
Revenues				
Tuition	15,339,100	14,797,120	14,065,858	(731,262)
Miscellaneous fees	-	-	-	-
Government appropriations-federal	-	-	-	-
Government appropriations-state	35,837,392	35,837,392	35,837,392	-
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants and contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	1,320,000	406,000	413,668	7,668
Private gifts	-	-	-	-
Sales and service	-	-	4,107	4,107
Other sources	1,065,000	1,244,417	1,908,430	664,013
Total revenues	53,561,492	52,284,929	52,229,455	(55,474)
Total Unrestricted Revenues and Beginning Balance	58,264,540	53,153,107	53,097,633	(55,474)
Expenditures				
Instruction	26,027,549	24,370,213	24,318,725	51,488
Academic support	2,565,567	2,669,684	2,700,603	(30,919)
Student services	4,787,126	4,700,945	4,479,085	221,860
Institutional support	8,186,848	8,993,493	8,730,488	263,005
Operation and maintenance of plant	7,359,309	6,946,137	6,683,148	262,989
Total expenditures	48,926,399	47,680,472	46,912,049	768,423
Net transfers	7,320,607	4,336,221	3,316,670	-
Change in net assets-budgetary basis	(2,685,514)	268,236	2,000,736	(823,897)
Ending Fund Balance	\$ 2,017,534	\$ 1,136,414	\$ 2,868,914	\$ (823,897)

New Mexico Highlands University
Restricted Current Funds
Summary of Instruction and General Revenues and Expenditures
Budget Comparisons
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	173,867	403,398	213,748	(189,650)
Government grants - state	283,049	121,602	204,781	83,179
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and services	-	-	-	-
Other sources	-	-	-	-
Total revenues	456,916	525,000	418,528	(106,472)
Expenditures				
Instruction	100,000	120,000	117,488	159,845
Academic support	65,000	65,000	55,036	(4,176)
Student services	155,000	155,000	97,335	(37,647)
Institutional support	133,049	155,000	123,881	(3,599)
Operations and maint. of plant	3,867	30,000	24,787	(37,300)
Total expenditures	456,916	525,000	418,528	106,472
Net transfers	-	-	-	-
Change in net assets - budgetary basis	-	-	-	-
Ending fund balance	\$ -	\$ -	\$ -	\$ -



SUPPORTING SCHEDULES



New Mexico Highlands University
Schedule of Deposit and Investment Accounts
June 30, 2024

Account Name	Type	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank
CFB Golf Course	Checking Non-interest-bearing	\$ 5,754	\$ -	\$ -
CFB Checking	Checking Interest-bearing	7,261	-	-
CFB Savings	Savings	4,194	-	-
WF Payroll	Checking Non-interest-bearing	-	-	128,182
WF Accounts Payable	Checking Non-interest-bearing	-	-	1,326,296
WF Athletics	Checking Non-interest-bearing	-	-	106,774
Wells Fargo Savings	Savings	-	-	9,191
WF Online Payments	Checking Non-interest-bearing	-	-	10,833
WF Golf Course	Checking Non-interest-bearing	-	-	44,816
WF Golf Course	Checking Non-interest-bearing	-	-	3,092,238
WF Golf Course	Checking Non-interest-bearing	-	-	11,230
SWCB Cash Receipts	Checking Interest-bearing	-	12,021	-
SWCB Credit Cards	Checking Interest-bearing	-	35,561	-
Local Government Investments	Pooled Investment	-	-	-
Local Government Investments	Pooled Investment	-	-	-
NMHU	Pooled Investment	-	-	-
Debt service reserve escrow	Checking Interest-bearing	-	-	-
Debt service reserve escrow	Checking Interest-bearing	-	-	-
Amounts on deposit		17,209	47,582	4,729,560
Outstanding items		-	14,254	(1,607,627)
Reconciled balance		\$ 17,209	\$ 61,836	\$ 3,121,933

Petty cash

Total deposits and investments

Reconciliation to the financial statements

Cash and cash equivalents

Restricted cash

Short-term investment

Investments

Total deposits and investments

NM State Treasurer's Office	NM State Investment Council	NM Finance Authority	Total
\$ -	\$ -	\$ -	\$ 5,754
-	-	-	7,261
-	-	-	4,194
-	-	-	128,182
-	-	-	1,326,296
-	-	-	106,774
-	-	-	9,191
-	-	-	10,833
-	-	-	44,816
-	-	-	3,092,238
-	-	-	11,230
-	-	-	12,021
-	-	-	35,561
169,732	-	-	169,732
97,092	-	-	97,092
-	30,342,111	-	30,342,111
-	-	1,086,400	1,086,400
-	-	1,373,118	1,373,118
266,824	30,342,111	2,459,518	37,862,804
-	-	-	(1,593,373)
<u>\$ 266,824</u>	<u>\$ 30,342,111</u>	<u>\$ 2,459,518</u>	36,269,431
			2,455
			<u>\$ 36,271,886</u>
			\$ 3,094,062
			2,568,889
			266,824
			30,342,111
			<u>\$ 36,271,886</u>

THIS PAGE INTENTIONALLY LEFT BLANK

New Mexico Highlands University
Schedule of Collateral Pledged by Depository
June 30, 2024

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2024	Name and Location of Safekeeper
Southwest Capital Bank			
	New Mexico Highlands LOC due 9/13/2024	\$ 100,000	FHL Bank, Dallas, TX
Total Southwest Capital Bank		100,000	
Wells Fargo Bank			
	FMAC FEPC 1.500% CUSIP 3132DWAV5, due 1/1/2051	44,846	Bank of New York Mellon New York, NY
	GNMA FNMS 2.000% CUSIP 3140KFPK5, due 11/1/2050	1,772,141	Bank of New York Mellon New York, NY
	GNMA FNMS 2.000% CUSIP 31418DYZ7, due 4/1/2051	1,047,590	Bank of New York Mellon New York, NY
	GNMA FNMS 2.000% CUSIP 31418DZV7, due 6/1/2051	1,734,464	Bank of New York Mellon New York, NY
	GNMA G2SF 2.500% CUSIP 31679WNE4, due 9/20/2051	2,284,775	Bank of New York Mellon New York, NY
	GNMA G2SF 2.000% CUSIP 36179WRZ3, due 11/20/2051	412,219	Bank of New York Mellon New York, NY
Total Wells Fargo Bank		7,296,035	
Total pledged collateral		\$ 7,396,035	

New Mexico Highlands University
Multiple-Year Capital Projects Funded by Special and
Severance Tax Capital Outlay Appropriations
June 30, 2024

Type of Appropriation	Project Description	Authority Chapter
General Obligation Revenue Bonds		
General Obligation C5076	Library	Ch 67 Sec 10/B/2
General Obligation E5319	NMHU Sinninger Hall Renov	Ch 84 Sec 10
General Obligation E5298	Library	Ch 84 Sec 10
General Obligation G5387	NMHU Fclty Bldg Demo Abate & Construct	Ch 55 Sec 10/C/4
General Obligation G5374	Library	Ch 55 Sec 10/B/3
Total general obligation revenue bonds		
Severance Tax Bond Proceeds		
Severance Tax 20SA E2857	NMHU Athletics Fclty Improve	Ch 81 Sec 41
Severance Tax 20SA E2857	NMHU Athletic Facilities Improve	Ch 81 Sec 41
Severance Tax 20SA E2858	NMHU Student Equipment Retention	Ch 81 Sec 41
Severance Tax Bond 21A F3109	NMHU Athletics Fclty Improve	Ch 138 Sec 36/1
Severance Tax Bond 21A F3110	NMHU Health and Safety Infra Improve	Ch 138 Sec 36/2
Severance Tax Bond 21A F3111	NMHU Legislative Fellows Info Tech & Study Area	Ch 138 Sec 36/3
Severance Tax 22A G3215	NMHU Parking Lot Campuswide Equip	Ch 53 Sec 38
Total severance tax bonds		
General Fund Appropriations		
General Fund AG5127	Building Renewal and Replacement	Passed through HED
General Fund HZ5210	Building Renewal and Replacement	Ch 277 Sec 43/5
General Fund D3461	Rodgers Hall Renovate	Ch 277 Sec 43/5
General Fund H3387	HU Cares Construct	Ch 199
General Fund H3388	Police Veh Prchs	Ch 199
General Fund H3389	Security Sys Improve	Ch 199
General Fund H3390	Sininger Hall Ren	Ch 199
General Fund H3391	Student Wellness Ctr Construct	Ch 199
NMDOT L400619 FY23	NMDOT L400619 FY23	Ch 199
Total general fund appropriations		
Total Capital Appropriations		

Laws	Expiration	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Unencumbered Balance
2018	6/30/2023	\$ 143,074	\$ 143,074	\$ -	\$ -	\$ -
2020	6/30/2024	7,000,000	600,264	6,329,736	70,000	-
2020	6/30/2024	93,428	31,684	61,744	-	-
2022	6/30/2026	4,500,000	-	428,168	45,000	4,026,832
2022	6/30/2026	203,984	-	22,966	-	181,018
		11,940,486	775,022	6,842,614	115,000	4,207,850
2020	6/30/2024	190,000	190,000	-	-	-
2020	6/30/2024	188,100.00	188,100.00	-	-	-
2020	6/30/2024	55,000.00	55,000.00	-	-	-
2021	6/30/2025	105,000	103,950	-	1,050	-
2021	6/30/2025	750,000	750,000	-	-	-
2021	6/30/2025	75,000	75,000	-	-	-
2022	6/30/2026	375,000	375,000	-	-	-
		1,738,100	1,737,050	-	1,050	-
2022	6/30/2023	330,410	330,410	-	-	-
2019	6/30/2024	228,836	-	282,836	-	(54,000)
2019	6/30/2023	1,000,000	-	-	-	1,000,000
2023	6/30/2027	100,000	-	10,718	-	89,282
2023	6/30/2025	100,000	-	100,000	-	-
2023	6/30/2027	50,000	-	50,000	-	-
2023	6/30/2027	4,500,000	-	1,314,834	45,000	3,140,166
2023	6/30/2027	1,025,000	-	-	10,250	1,014,750
2023	6/30/2024	33,256.00	-	33,256	-	-
		7,367,502	330,410	1,791,644	55,250	5,190,198
		\$ 21,046,088	\$ 2,842,482	\$ 8,634,258	\$ 171,300	\$ 9,398,048

THIS PAGE INTENTIONALLY LEFT BLANK



COMPLIANCE SECTION





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

505.883.2727
505.884.6719 (fax)
CRIadv.com

INDEPENDENT AUDITOR’S 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*

Joseph M. Maestas, P.E., CFE, New Mexico State Auditor and
The Office of Management and Budget and
The Board of Regents
New Mexico Highlands University
Las Vegas, New Mexico

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 the business-type activities and the discretely presented component unit of the New Mexico Highlands University (the “University”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements and have issued our report thereon dated January 10, 2025. We also have audited the budgetary schedules presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2024, as listed in the table of contents.

Report on 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) as a basis for designing 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.

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 not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-003.

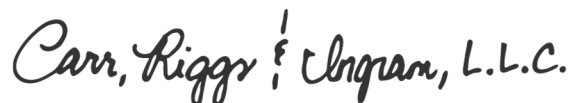
We noted certain matters that are required to be reported pursuant to Section 12-6-55 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs under Section 12-6-5 NMSA 1978 as items 2024-007, 2024-008, 2024-009 and 2024-010.

University's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Carr, Riggs & Ingram, LLC
Albuquerque, NM
January 10, 2025

THIS PAGE INTENTIONALLY LEFT BLANK



CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

505.883.2727
505.884.6719 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Joseph M. Maestas, P.E., CFE, New Mexico State Auditor
The Office of Management and Budget and
The Board of Regents
New Mexico Highlands University
Las Vegas, New Mexico

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited New Mexico Highlands University's (the "University") compliance with the types of compliance requirements identified as subject to audit 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, 2024. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinions on the Research & Development Cluster and Southwest Forest Health and Wildfire Prevention

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Research & Development Cluster and Southwest Forest Health and Wildfire Prevention for the year ended June 30, 2024.

Unmodified Opinion on each of the Other Major Federal Programs

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for Qualified and Unmodified Opinions

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).

Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on the Research & Development Cluster and Southwest Forest Health and Wildfire Prevention

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the Research & Development Cluster and Assistance Listing No. 10.694 Southwest Forest Health and Wildfire Prevention as described in finding number 2024-003 for Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance finding identified in our compliance audit described as item 2024-003 in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-005 and 2024-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
January 10, 2025

THIS PAGE INTENTIONALLY LEFT BLANK

New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
Research and Development Cluster		
National Science Foundation		
<i>Direct programs</i>		
Office of International Science and Engineering	2245854	47.079
STEM Education	2150103	47.076
STEM Education	1742599	47.076
STEM Education	1914463	47.076
STEM Education	1953487	47.076
Mathematical and Physical Sciences	2122108	47.049
Geosciences	2139062	47.050
Integrative Activities	2320830	47.083
NSF Technology, Innovation, and Partnerships	2323548	47.084
<i>Passed through New Mexico State University</i>		
STEM Education	Q02004	47.076
<hr/>		
Total National Science Foundation		
<hr/>		
National Institute of Health		
<i>Direct programs</i>		
Biomedical Research and Research Training	1R16GM146669-01	93.859
Biomedical Research and Research Training	Q02067J	93.859
<i>Passed through New Mexico State University</i>		
Biomedical Research and Research Training	Q02589	93.859
Biomedical Research and Research Training	Q02067K	93.859
<hr/>		
Total National Institute of Health		
<hr/>		
U.S. Department of Agriculture		
Agriculture and Food Research Initiative (AFRI)	112022-67019-36395	10.310
<hr/>		
Total U.S. Department of Agriculture		
<hr/>		
U.S. Department of Commerce		
Connecting Minority Communities Pilot Program	35-09-C13037	11.028
<hr/>		
Total U.S. Department of Commerce		
<hr/>		
U.S. Department of Interior		
<i>Direct programs</i>		
Cooperative Research and Training Programs - Resources of the National Park System	P20AC01055	15.945
<hr/>		
Total U.S. Department of Interior		
<hr/>		
U.S. Department of Education		
<i>Direct programs</i>		
Higher Education Institutional Aid	P031C160248	84.031C
Higher Education Institutional Aid	P031S200173	84.031S
<hr/>		
Total U.S. Department of Education		
<hr/>		
Total Research and Development Cluster		
<hr/>		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
\$ 90,821	\$ -	\$ -
248,310	-	-
188,197	-	-
1,006,749	-	-
428,263	-	-
651,148	-	-
27,098	-	-
285,316	-	-
19,592	-	-
36,675	-	-
<hr/> 2,982,169	<hr/> -	<hr/> -
224,817	-	-
59,457	-	-
35,209	-	-
23,546	-	-
<hr/> 343,029	<hr/> -	<hr/> -
6,094	-	-
<hr/> 6,094	<hr/> -	<hr/> -
1,140,056	-	-
<hr/> 1,140,056	<hr/> -	<hr/> -
12,585	-	-
<hr/> 12,585	<hr/> -	<hr/> -
169,420	-	-
565,357	-	-
<hr/> 734,777	<hr/> -	<hr/> -
<hr/> 5,218,710	<hr/> -	<hr/> -

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

**New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Education		
<i>Direct programs</i>		
Student Financial Assistance Cluster		
Federal Pell Grant Program	N/A	84.063
Federal Supplemental Educational Opportunity Grants	N/A	84.007
Federal Work Study Program	N/A	84.033
TEACH Grant Programs	N/A	84.379
Federal Direct Student Loans	N/A	84.268
<hr/>		
Total Student Financial Assistance Cluster		
<hr/>		
Total U.S. Department of Education		
<hr/>		
U.S. Department of Agriculture		
<i>Direct Programs</i>		
Southwest Forest Health and Wildfire Prevention:		
New Mexico Forest and Watershed Restoration Institute	22-DG-11030000-013	10.694
Southwest Forest Health and Wildfire Prevention:		
New Mexico Forest and Watershed Restoration Institute	23-DG-11030000-014	10.694
Hispanic Serving Institutions Education Grants	2020-38422-32242	10.223
Hispanic Serving Institutions Education Grants	2019-38422-30210	10.223
Research Joint Venture and Cost Reimbursable	19-JV-11221633-210	10.707
FY 2020 Distance Learning and Telemedicine Grant)	NM0721-B16	10.751
Southwest Forest Health and Wildfire Prevention Capacity Building for Non-land Grant Colleges of Agriculture	21-DG-11030000-020	10.694
FOR FORESTRY AND CONSERVATION NURSERY	2021-70001-34772	10.326
Conservation Science Center at HU ASAP	22-CA-11062765-714	10.664
Conservation Science Center at HU ASAP	20227704037644	10.223
Conservation Science Center at HU ASAP	22-DG-110300000-005	10.723
SFNF Jemez Project	23-PA-1103-1000-017	10.694
<i>Passed through Northern Arizona University</i>		
Southwest Forest Health and Wildfire Prevention	22-DG-11132543-089	10.694
<hr/>		
Total Southwest Forest Health and Wildfire		
<hr/>		
Total Hispanic Serving Institutions Education Grants		
<hr/>		
Total U.S. Department of Agriculture		
<hr/>		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
\$ 4,039,370	\$ -	\$ -
186,633	-	-
375,286	-	-
4,480	-	-
8,008,177	-	-
<hr/>		
12,613,946	-	-
<hr/>		
12,613,946	-	-
<hr/>		
1,102,213	-	-
402,363	-	-
20,227	-	-
70,850	-	-
682	-	-
274,462	-	-
334,503	-	-
112,356	-	-
23,050	-	-
85,726	-	-
370,207	-	-
30,009	-	-
1,152,820	-	-
<hr/>		
3,021,908	-	-
<hr/>		
176,803	-	-
<hr/>		
3,979,468	-	-
<hr/>		

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

**New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Energy <i>Passed through the State of NMC Los Alamos</i> Legally-directed Academic Programs, Workforce Development and Community Support	NA0004103 893-006	81.252
Total U.S. Department of Energy		
U.S. Department of Health and Human Services <i>Passed through New Mexico Children's Youth and Families Department</i> Foster Care Title IV-E	23-690-500-25581	93.658
<i>Passed through the University of Texas</i> Substance Abuse and Mental Health Services	UTA12-001073	93.243
Total U.S. Department of Health and Human Services		
Department of the Treasury COVID-19: Coronavirus State and Local Fiscal Recovery Fund	SLFRF0126	21.027
Total Department of the Treasury		
Total federal financial assistance		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
90,680	-	-
90,680	-	-
1,687,591	-	-
23,673	-	-
1,711,264	-	-
1,109,905	-	-
1,109,905	-	-
\$ 24,723,973	\$ -	\$ -

See accompanying notes to schedule of expenditures of federal awards.

THIS PAGE INTENTIONALLY LEFT BLANK

**New Mexico Highlands University
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of New Mexico Highlands University (the "University") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

2. **Loans**

The University did not expend federal awards related to loans or loan guarantees during the year. Federal Direct Loans advanced to students in fiscal year 2024 totaled \$8,008,177.

3. **10% de minimus Indirect Cost Rate**

The University did not elect to use the allowed 10% indirect cost rate.

4. **Federally Funded Insurance**

The University has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per schedule of expenditures of federal awards	\$	24,723,973
Total expenditures funded by other sources		64,040,934
<hr/>		
Total operating expenditures	\$	88,764,907
<hr/>		

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements? | Yes |

Federal Awards:

- | | |
|---|----------------------|
| 1. Type of auditor's report issued on compliance for major programs | Unmodified/Qualified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes |

4. Identification of major programs

Assistance Listing Numbers	Federal Program
10.310, 11.028, 15.945, 47.049, 47.050, 47.076, 47.079, 47.083, 47.084, 84.031, 93.859	Research & Development Cluster
93.658	Foster Care-Title IV-E
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
10.694	Southwest Forest Health and Wildfire Prevention

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION I: SUMMARY OF AUDITOR'S RESULTS (Continued)

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II: FINANCIAL STATEMENT FINDINGS

2024-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated)

Condition: During our testwork over payroll we noted the following:

- As part of gaining an understanding of internal controls surrounding reconciliation of payroll related liabilities, it was noted that the University has not properly designed processes or controls to provide a timely reconciliation of amounts recorded in payroll liability accounts to amounts paid to payroll vendors. This resulted in adjustments totaling \$406,019 related to overstated payroll related accruals and adjustments totaling \$1,076,094 related to understated payroll related accruals.
- Per inquiry of management and employees it was noted that payments to payroll vendors have often not been made timely. Auditors obtained vendor history reports for a sample of six payroll vendors which included payments made for ERB, RHCA, health care related premiums, elective contributions to 457(b) plans, and contributions to alternative retirement plans. We noted one payment made to an alternative retirement plan sponsor was made 34 days after the end of the month in which they were collected. We noted three 457(b) contributions were remitted to the 3rd party vendor more than 31 days and up to 62 days after the end of the month in which they were collected.
- CRI noted the University was unable to reconcile Educational Retirement Board employer contributions as reported on monthly contribution forms to the contribution expense per the trial balance by \$59,199. The University also did not provide a reconciliation for the difference between reported wages per the Educational Retirement Board confirmation and total wages as reported on monthly contribution forms in the amount of \$76,634.
- We performed a personnel file audit and recalculated a sample of twenty-five paychecks and noted the following:
 - In 6 of 25 transactions tested, the personnel file did not contain documentation to support the rate of pay.
 - In 4 of 25 transactions tested, an ERB enrollment form was not provided to auditors.
 - In 1 of 25 transactions tested, an ACH authorization form was not provided to auditors.
 - In 1 of 25 transactions tested, a W-4 was not provided to auditors.
 - In 1 of 25 transactions tested, elective benefit enrollment forms were not provided to match the withholdings from the paycheck or were not provided to auditors.
 - In 1 of 25 transactions, an I-9 form was not provided to auditors.
 - In 1 of 25 transactions tested, retiree health care was not withheld, despite the employee being eligible for educational retirement benefits

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2024-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

- We requested employee contracts and recalculated paychecks for an additional sample of eighty paychecks and noted the following:
 - In 18 of 80 transactions tested, the personnel file did not contain documentation to support the rate of pay.
 - In 1 of 80 transactions tested, the employee was paid more than the payrate authorized per contract. This error was identified by management in July 2024 and calculated the overpayment as \$5,842 in the year ended June 30, 2024.
 - In 1 of 80 transactions tested, the employer contribution to the alternative retirement plan was 7.25% less than required.
 - In 3 of 80 transactions tested, retiree health care was not withheld, despite the employee being eligible for educational retirement benefits.
 - In 1 of 80 transactions tested, a non-exempt employee worked 82 hours, however did not receive overtime compensation.

- It was noted that retiree health care contributions were treated as taxable through December 2023, and as non-taxable as of January 1, 2024. Per inquiry of management, the non-taxable treatment is appropriate and was being incorrectly calculated prior to January 1, 2024.

- It was noted that payroll reconciliations were not completed timely. The payroll bank reconciliation for June 30, 2024 was not finalized until October 14, 2024.

- As part of a historical payroll audit initiated by management, significant employee under and over payments were identified. The historical payroll audit was not complete at the time of the audit report, however potential underpayments totaling \$21,062 in potential overpayments totaling \$276,652 were identified. Of those amounts only \$13,696 in underpayments and \$127,996 in overpayments were confirmed and recorded as of June 30, 2024. The remaining identified over and under payments continue to be researched and reviewed for validity.

- The original report provided to auditors for compensated absences was discovered to be incorrect, and required multiple adjustments netting to \$297,675.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2024-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

Progress on resolution of prior year finding: Progress has been made to resolve, not complete. Transition to Paycom has experienced a lack of training and incomplete and insufficient implementation work from Paycom. Though some improvements have been made by transitioning from Banner to Paycom. Historical HR audit results indicate overpayments, underpayments, incorrect benefit reporting, and missing personnel file documentation. HR staff are trying to correct this, but there is a lot of documentation that is missing. The VPFA office will review internal audit results and begin meetings with employees impacted by the overpayment/underpayment errors in the next month.

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. *The Codification of Statements on Auditing Standards (SAS AU)* paragraph 110.03 states that the financial statements are management's responsibility.

Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Cause: While the payroll department has documented policies and procedures, it appears there is a lack of understanding of system capabilities as it relates to producing accurate reporting and timely reconciliations. Additionally, there has been significant turnover in the payroll and HR departments.

Effect: Personnel files are incomplete. Without maintaining current payroll documentation, including those related to current pay rates, there is an increased risk that University employees could be paid the incorrect amount.

Auditor's Recommendation: Management should ensure that payroll employees receive relevant and adequate trainings in order to perform assigned functions in a timely manner. Management should also evaluate the payroll department to determine if it has adequate staffing to meet the needs of the University.

Views of Responsible Officials and Planned Corrective Action: Management agrees that we have made some progress during FY24 and have implemented the following changes during FY24 and going forward: Personnel file management has been implemented. Yearly increase letters have been issued to employees. On boarding is being utilized in Paycom which allows for the automatic saving and retrieving the following documents I-9s, W4, direct deposit, retirement and benefits. HR has created and implemented a checks and balancing system. Profiles are not to be changed without having an approved document directing the change. All changes are documented and reviewed prior to transitioning to payroll by a higher level HR employee.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2024-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

Views of Responsible Officials and Planned Corrective Action (Continued):

PR has created and implemented a checks and balancing system to verify the payroll. HR is conducting monthly benefits audits. HR has reorganized to create tech positions for staff, faculty and students to reduce any duplication entries or error. HR and payroll are meeting every other week to discuss payroll issues and build solutions. Our main focus is communicating and building processes and procedures to ensure contracts are properly signed, documents are retained, and internal controls are in place.

Timeline and Estimated Completion Date: This is on going as we establish processes and procedures in 2025.

Responsible Party: Vice President of Finance and Administration, Director of Human Resources and Comptroller

2024-002 (2021-001) Account Reconciliations (Material Weakness) – Modified and Repeated

Condition: Account reconciliations for multiple accounts were not performed in a timely manner and required material adjustments. The following adjustments were required: 2 of 9 unearned revenue account balances totaling \$11,175 were outstanding balances at least four years old. Amounts are determined by management to represent funds received on closed grants that have not yet been returned to grantors. Additionally one unearned revenue account balance totaling \$2,568 was determined by management to be invalid. Balances were not investigated prior to the audit. A receivable for \$330,410 has been outstanding since June 2023 and was determined to have been overlooked in error by the grantor but collection was not attempted or investigated prior to the audit. Amounts owed to the IRS were overstated by \$147,354 prior to audit adjustment. Additionally multiple journal entries were still being proposed as late as December 2024 Furthermore, detail of amounts due from employees are not maintained in a manner sufficient to reconcile amounts owed by each employee.

Progress on resolution of prior year finding: Progress was made towards some of the reconciliations errors noted in the prior year finding, however account reconciliations continued to not be performed timely.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2024-002 (2021-001) Account Reconciliations (Material Weakness) – Modified and Repeated

Criteria: The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Monthly maintenance of the trial balance and preparation of annual financial statements and related note disclosures in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate and useful information is available to management and those charged with governance.

Cause: Management has not developed appropriate policies and procedures to allow for the timely reconciliation of all statement accounts.

Effect: Discrepancies were noted over auditor testwork of the above mentioned accounts. This resulted in auditing delays, extended audit procedures, and adjustments to the trial balance.

Auditor's Recommendation: The University should develop policies and procedures for the reconciliation of all statement accounts. The University should maintain sub ledgers or other reports to substantiate these accounts.

Views of Responsible Officials and Planned Corrective Action: A month-end soft close process will be established commencing in January of 2025 and followed to ensure proper recording and reconciliation of the general ledger accounts.

Timeline and Estimated Completion Date: Commencing in Jan 2025 and completed monthly as part of our soft close.

Responsible Party: Vice President of Finance and Administration and Comptroller

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION III: FEDERAL AWARD FINDINGS

2024-003 Controls over Payroll (Material Weakness in Internal Controls over Compliance and Material Noncompliance)

Funding Agency	Federal Award Agreement Number	Award Year	Assistance Listing Number
National Science Foundation	2122108	2024	47.049
National Science Foundation	1953487	2024	47.076
United States Department of Education	P031C160248	2024	84.031C
United States Department of Health and Human Services	1R16GM146669-01, Q02067J	2024	93.859

Title: Research and Development Cluster
 Pass-Through Agency: Not Applicable
 Pass-Through Identification Number: Not Applicable

Funding Agency: United States Department of Agriculture
 Federal Award Agreement Number: 21-DG-11030000-020, 22-DG-11030000-013,
 23-DG-11030000-014

Award Year: 2024
 Title: Southwest Forest Health and Wildfire Prevention
 Assistance Listing Number: 10.694
 Pass-Through Agency: Not Applicable
 Pass-Through Identification Number: Not Applicable

Funding Agency: United States Department of Health and Human Services
 Federal Award Agreement Number: N/A
 Award Year: 2024
 Title: Foster Care-Title IV-E
 Assistance Listing Number: 93.658
 Pass-Through Agency: CYFD
 Pass-Through Identification Number: 23-690-500-25581

Condition: In testing 25 payroll items from each program listed above, CRI noted exceptions as described in the following table. No exceptions were noted in the items tested for the Foster Care program.

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-003 Controls over Payroll (Material Weakness in Internal Controls over Compliance and Material Noncompliance) (Continued)

Condition (Continued):

Condition	R&D Cluster	Southwest Forest Health and Wildfire Prevention
Employee contract lacking any approval	6	-
Employee contract lacking second approval	-	2
Authorized pay rate not documented	2	1
Timesheets lacking supervisor approval	4	2
Indirect cost used not supported	-	2
Time and effort documentation not available	1	-
Time and effort documentation does not support allocation of personnel cost to program	11	18

Questioned Costs: Known and likely questioned costs of \$4,547 and \$506,209 are associated with the R&D Cluster related to discrepancies in time and effort documentation.

No questioned costs were noted in the Southwest Forest Health and Wildfire Prevention Program or the Foster Care program.

Criteria: Per Title 2 US Code of Federal Regulations Part 200.303a, the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR section 200.403 – Factors affecting allowability of costs – Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: paragraph (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles; paragraph (g) Be adequately documented.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-003 Controls over Payroll (Material Weakness in Internal Controls over Compliance and Material Noncompliance) (Continued)

Criteria (Continued): Per 2 CFR section 200.430 – Compensation – personal services, paragraph (i) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Cause: The University does not have sufficient controls in place to ensure the accuracy of the amounts paid to employees nor include appropriate approvals documented to be allowable to be charged to the federal grant. The University has deficiencies recording and processing payroll as described in finding 2024-001.

Effect: The University may unintentionally charge expenses to the program that do not qualify and in turn lead to questioned costs and/or repayment of funds to the Grantor agency.

Auditor's Recommendation: We recommend the University strengthen the controls in place to provide assurance that proper review occurs and retain documentation needed for an audit.

Views of Responsible Officials and Planned Corrective Action: Management agrees that there have been significant challenges with the Paycom system and the approval of the contracts. We are currently working on signature workflows to ensure proper approval for our student, staff and faculty employees. We have begun a team effort among staff in following offices : HR , ORSP, BO, AA, ITS and VPFA. We are working to ensure that all personnel in the chain of the workflow know what signatures are required on different types of contracts. We plan to train relevant staff to recognize when appropriate approvals are not in place and return contracts and timesheets for proper approval. Supervisor training is planned for January 27, 2025 to ensure that supervisors as well as employees take responsibility.

In regards to the time and effort, we need a software solution that automatically generates these reports for us and payroll information ties to the payroll system and general ledger. At this time the majority of all the reports generated out of Paycom require intensive manual work in multiple offices. The BO and ORSP will be working on IDC identifying issues and determining solutions.

Timeline and Estimated Completion Date: Changes will be implemented in January to be completed by June 30, 2025.

Responsible Party: Office of Research and Sponsored Projects, Comptroller and Director of Human Resources

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-004 Controls over Non-Payroll (Material Weakness in Internal Controls over Compliance)

Funding Agency	Federal Award Agreement Number	Award Year	Assistance Listing Number
National Science Foundation	2122108	2024	47.049
National Science Foundation	1742599, 1914463	2024	47.076
United States Department of Education	P031S200173	2024	84.031S
United States Department of Health and Human Services	1R16GM146669-01	2024	93.859

Title: Research and Development Cluster
 Pass-Through Agency: Not Applicable
 Pass-Through Identification Number: Not Applicable

Funding Agency: United States Department of Agriculture
 Federal Award Agreement Number: 21-DG-11030000-020, 22-DG-11030000-013,
 Award Year: 2024
 Title: Southwest Forest Health and Wildfire Prevention
 Assistance Listing Number: 10.694
 Pass-Through Agency: Not Applicable
 Pass-Through Identification Number: Not Applicable

Condition: During non-payroll testing, CRI noted the following:

- Out of 25 items tested in the R&D Cluster, 17 were not approved by the Grant Director or the Office of Research and Sponsored Projects.
- Out of 25 items tested in the Southwest Forest Health and Wildfire Prevention grant, 12 did not have an approved purchase requisition or pre-approval report.

Questioned Costs: None noted.

Criteria: Per Title 2 US Code of Federal Regulations Part 200.303a, the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-004 Controls over Non-Payroll (Material Weakness in Internal Controls over Compliance) (Continued)

Criteria (Continued): Per Title 2 US Code of Federal Regulations Part 200.403g, costs must be adequately documented to be allowable under Federal awards.

Cause: The University is not following procedures to ensure the appropriate approvals are being conducted on all purchases or retaining the supporting documentation to ensure purchase is allowable.

Effect: The University may unintentionally charge expenses to the program that do not qualify and in turn lead to questioned costs and/or repayment of funds to the Grantor agency.

Auditor's Recommendation: The auditor recommends the University strengthen controls in place to provide assurance that proper review occurs with someone knowledgeable with the grant and retain backup documentation to support amounts charged to grant.

Views of Responsible Officials and Planned Corrective Action: In regards to the non payroll sample, the University cannot determine the accuracy of the audit without seeing the sample materials with the deficiencies. The normal process for FY24 and going forward:

Chrome River invoices and purchase requisitions is as follows: Authorized signatory on the grant (often the PI) submits the pre approval for the purchase requisition for University consideration. ORSP office reviews the purchase for compliance with the grant or contract and the code of federal regulations. Purchasing also reviews for compliance with federal regulations and other state and local guidelines. VP and Presidential signatures are required for large purchases. Certain classes of purchases (food) also require further review and high level signatures. All purchases will be send to AP for final review and processing.

Our corrective action is to examine the documentation in the sample to see where the breakdown in control is occurring and revise our process.

Timeline and Estimated Completion Date: Commencing Jan 2025 and revise process accordingly.

Responsible Party: Grant personnel, Office of Research and Sponsored Projects, Director of Purchasing, Business office, Vice President of Finance and Administration.

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-005 (2022-005) Procurement, Small Purchase (Significant Deficiency in Internal Controls over Compliance with Questioned Costs Greater than \$25,000) - Repeated

Funding Agency:	National Science Foundation
Federal Award Agreement Number:	1914463, 1953487
Award Year:	2024
Title:	Research and Development Cluster
Assistance Listing Number:	47.076
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable

Funding Agency:	United States Department of Agriculture
Federal Award Agreement Number:	21-DG-11030000-020, 22-DG-11030000-013,
Award Year:	2024
Title:	Southwest Forest Health and Wildfire Prevention
Assistance Listing Number:	10.694
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable

Condition: During our review of procurement testing in the Research and Development Cluster, the University did not follow small purchase procedures and did not have an annual self-certification election to follow micropurchase procurement for professional services.

In our procurement testing in the Southwest Forest Health and Wildfire Prevention grant, no support was provided to test the procurement methods used for small purchases.

Progress on resolution of prior year finding: No progress was made

Questioned Costs: Known and likely questioned costs of \$78,063 and \$30,975 in the R&D Cluster and the Southwest Forest Health and Wildfire Prevention program, respectively.

Criteria: Per Title 2 US Code of Federal Regulations Part 200.303a, the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-005 (2022-005) Procurement, Small Purchase (Significant Deficiency in Internal Controls over Compliance with Questioned Costs Greater than \$25,000) – Repeated (Continued)

Criteria (Continued): 2 CFR 200.320(a) sets the micro-purchase threshold at \$10,000 and requires purchases over the micro-purchase threshold to use small purchase procedures, whereby price or rate quotations must be obtained and 2 CFR 200.320(a)(1)(iv) states the recipient may self-certify a threshold up to \$50,000 on an annual basis and must maintain documentation to be made available to the auditors which includes a justification, clear identification of the threshold, and supporting documentation.

Per Title 2 US Code of Federal Regulations Part 200.403(g), costs must be adequately documented to be allowable under Federal awards.

Cause: The University was using a \$50,000 threshold for professional services to utilize micropurchase method of procurement in the Research and Development Cluster. In the Southwest Forest Health and Wildfire Prevention grant, the University was not retaining the supporting documentation to ensure purchase is allowable.

Effect: The University may unintentionally use a higher-cost vendor when failing to obtain price or rate quotations for items over the micro-purchase threshold. In addition, the University may unintentionally charge expenses to the program that do not qualify and in turn lead to questioned costs and/or repayment of funds to the Grantor agency

Auditor's Recommendation: The Auditor recommends that the procurement policy be updated to comply with all relevant federal procurement requirements and reviewed for necessary revisions regularly and retain backup documentation to support amounts charged to grant.

Views of Responsible Officials and Planned Corrective Action: Purchasing has updated policy to reflect Federal Guidelines. In addition, the determination has been made to self-certify allowing the University to more closely align requirements from the State of New Mexico with Federal purchasing. Furthermore, additional training within the Purchasing Department has and will continue to be provided for staff to have the tools to identify all circumstances that require additional compliance. The update of Policy was completed in June 2024. Self-Certification was documented in October 2024. Training is ongoing but initial will be completed January 2025.

Timeline and Estimated Completion Date: January 2025

Responsible Party: Director of Purchasing

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-006 Activities Allowed and Allowable Costs (Significant Deficiency in Internal Controls over Compliance)

Funding Agency:	United States Department of Health and Human Services
Federal Award Agreement Number:	Not Applicable
Award Year:	2024
Title:	Foster Care-Title IV-E
Assistance Listing Number:	93.658
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable
Questioned Costs:	Not Applicable

Condition: Three out of fifteen applications for stipend payments tested did not have final approval.

Questioned Costs: None noted.

Criteria: Per Title 2 US Code of Federal Regulations Part 200.303a, the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause: The University did not have sufficient controls in place to review application to ensure final approval.

Effect: The University may unintentionally charge expenses to the program that do not qualify and in turn lead to questioned costs and/or repayment of funds to the Grantor agency.

Auditor’s Recommendation: We recommend the University strengthen the controls in place to provide assurance that proper review occurs and retain documentation needed for an audit.

Views of Responsible Officials and Planned Corrective Action: In regards to the Stipends sample, the University cannot determine the accuracy of the audit without seeing the sample materials with the deficiencies. Our corrective action at this time is as follows: We will evaluate our current process and look for a breakdown in the process. We will then revise the process and policy accordingly. In all cases, ORSP will review for compliance and we will monitor the processes for potential deficiencies throughout FY25.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2024-006 Activities Allowed and Allowable Costs (Significant Deficiency in Internal Controls over Compliance)

Timeline and Estimated Completion Date: June 30, 2025

Responsible Party: Office of Research and Sponsored Projects and Grant Principal Investigators.

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS

2024-007 Control of Capital Assets (Other Matter)

Condition: The University conducted an annual physical inventory of chattels and equipment in accordance with Section 12-6-10 NMSA 1978, however it was noted that the physical inventory listing did not tie to the current capital asset listing by \$1,353,342. The discrepancy is deemed to be mostly related to FY 2023 and FY 2024 assets that were not included in the physical inventory. Additionally it was noted that assets totaling \$124,267 were noted as being auctioned, however upon auditor inquiry those assets were not auctioned, but were not located. Furthermore, the physical inventory listing contained an additional \$283,772 in capital assets that were not located during the physical inventory.

Criteria: In accordance with the requirements of Section 12-6-10 NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory and provide the certification to the agency's auditors.

Cause: Per discussion with management, the discrepancies were a combination of various factors including assets not removed from the listing in error and assets removed from the listing prior to authorization by the Board of Regents.

Effect: The University's assets could be subject to improper disposal or theft and the accounting records could be misstated.

Auditor's Recommendation: The University should develop procedures to reconcile disposals approved by the Board of Regents to disposals presented in the financial statements. The reconciliation should be performed in a timely manner prior to the audit of the financial statements.

Views of Responsible Officials and Planned Corrective Action: Management plans to use one fixed asset system software listing to do the inventory throughout the year so that we using one source document.

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2024-007 Control of Capital Assets (Other Matter)(Continued)

Timeline and Estimated Completion Date: Commencing February of 2025, we will maintain the fixed asset system monthly and be in complete communication with the inventory team.

Responsible Party: Director of Purchasing and Comptroller

2024-008 Late Submission of Audit Report (Noncompliance)

Condition: The audited financial statements of the University were submitted to the New Mexico Office of the State Auditor after the statutory deadline of November 1, 2024.

Criteria: Per Section 2.2.2.9 A(1)(g) NMAC, the audited financial statements of the University for the year ended June 30, 2024 were due to the New Mexico Office of the State Auditor by November 1, 2024.

Effect: The University is not in compliance with the report due date prescribed in the New Mexico Administrative Code.

Cause: The University did not provide all audit support by the November 1, 2024 deadline.

Auditor's Recommendation: The University should set deadlines to have all support by a certain date.

Views of Responsible Officials and Planned Corrective: Per our proposed plan of the soft close, we will have set deadlines at year end to sufficiently meet the audit deadline.

Timeline and Estimated Completion Date: January 10, 2025

Responsible Party: Vice President of Finance and Administration

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION V: COMPONENT UNIT FINDINGS

New Mexico Highlands University Foundation

2024-009 (2023-013) – Bank Reconciliation Did Not Reconcile to the General Ledger (Other Matter) (Modified and Repeated)

Condition: One of the Foundation’s June 2024 bank reconciliations did not reconcile to the general ledger by \$9,042. In addition, one of the bank reconciliations contained an invalid \$5,000 outstanding deposit and the endowment bank account reconciliation contained invalid outstanding payments of \$35,518.

Progress on resolution of prior year finding: The corrections have still not been made on the back-end by the software provider so no progress has been made but the software provided has ensured this will be done in FY 2025.

Criteria: AU-C Section 200 paragraph .05 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies over cash, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report cash transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

Effect: The absence of a proper review and approval of year end processes could allow for incorrect cash balances at year end.

Cause: For several months during fiscal year 2024, one of the Foundation’s bank reconciliations did not reconcile to the general ledger. In addition, there was invalid outstanding deposits and checks.

Auditor’s Recommendations: The Foundation should implement a review of bank reconciliations on a monthly basis and ensure that discrepancies in the cash accounts are noted and researched to avoid any unreconciled differences.

Foundation’s response: Foundation staff/contractors will review the GL Balance and ending Bank Balance figures each month for accuracy. The Foundation has since opened an additional support ticket with the software provider (Blackbaud) to help correct the beginning GL balance entries that are causing this discrepancy. Foundation staff/contractors have been unable to make these correcting adjustments on the software and this balance variance has carried for two years now. The correction(s) will need to be made on the back end by the software provider and Foundation staff/contractors will ensure that this variance is adjusted in the current FY.

Timeline and Estimated Completion Date: December 2024

Responsible Party: Foundation Consultant

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Highlands Stable Isotopes Corporation

2024-010 Open Meetings Act – Other Noncompliance

Condition: HSI is in violation of its bylaws and NMSA's 1978 Open Meetings Act, Sections 10-15-1(G), as the Board did not meet and did not have meeting minutes in FY 2024.

Criteria: In accordance with its bylaws and NMSA's 1978 Open Meetings act, Section 10-15-1(G), the board, commission or other policymaking body shall have meetings and keep written minutes of all its meetings. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present.

Effect: Without having meetings and without having approval of the draft minutes by the Board at the next meeting of a quorum, the minutes and the actions approved during the meeting do not become official. In addition, by virtue of not being able to provide open access to all minutes for public inspection, HSI is in violation of the NMSA's 1978 Open Meetings Act as well as the Inspection of Public Records Act, NMSA 1978, Sections 14-2-1 to 14-2-12.

Cause: HSI board did not meeting in FY 2024 and were unable to provide the official meeting minutes for the year.

Auditor's Recommendations: We recommend that the Board meet during the year as required by its bylaws and perform approval, amendment, or disapproval procedures of the draft meeting minutes regularly at the following meeting.

Views of Responsible Officials of Auditee: Management agrees with this finding and will comply with Highlands Stable Isotopes Corporation bylaws.

Timeline and Estimated Completion Date: Fiscal Year 2025

Responsible Party: Vice President of Finance and Administration

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION VI: SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

2023-001 Improper Recording, Document Retention and Processing of Payroll (Material Weakness) (Modified and Repeated as Finding 2024-001)

2023-002 Control of Capital Assets (Significant Deficiency) (Resolved)

2023-003 Account Reconciliations (Material Weakness) (Modified and Repeated as Finding 2024-002)

2023-004 Fund Accounting (Significant Deficiency) (Resolved)

2023-005 Purchasing Card Program (PCard) Purchases (Significant Deficiency) (Resolved)

2023-006 Management of Professional Consultants (Significant Deficiency) (Resolved)

2023-007 Non-Compliance with the Board of Regents Open Meetings Resolution (Other Non-Compliance) (Resolved)

2023-008 Non-Compliance with the Inspection of Public Records Act (Other Non-Compliance) (Resolved)

Federal Award Findings and Questioned Costs

2023-009 (2022-005) Procurement, Small Purchase (Significant Deficiency in Internal Controls over Compliance, Noncompliance, and Questioned Costs greater than \$25k) (Modified and Repeated as Finding 2024-005)

2023-010 Reporting Controls over Special Reporting (Significant Deficiency in Internal Controls over Compliance) (Resolved)

Section 12-6-5 NMSA 1978 Findings

2023-011 Expenditures in Excess of Budget (Other matter) (Resolved)

2023-012 Pay Rate Controls (Other Matter) (Resolved)

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION VI: SUMMARY OF PRIOR YEAR AUDIT FINDINGS (Continued)

Component Unit Findings

2023-013 Bank Reconciliation Did Not Reconcile to the General Ledger (Other matter) (Repeated as Finding 2024-009)

**New Mexico Highlands University
Other Disclosures
June 30, 2024**

EXIT CONFERENCE

The contents of this report were discussed on January 9, 2025. The schedules related to the component units were discussed on November 1, 2024 with the component unit representatives listed below. The following individuals were in attendance:

University Officials

Dr. Neil Woolf	President
Danelle Smith	Vice-Chairman, Board of Regents
Robert Lucero	Finance Committee, Board of Regents
Stephanie Gonzales, CPA	Vice President for Finance and Administration (VPFA)
Aaron Flure	Associate Vice President for Finance and Administration
Catherine Diaz, CPA	Director of Budget & Finance/Comptroller
Roberta Ortiz	Executive Assistant to the VPFA & Custodian of Public Records

New Mexico Highlands University Foundation Officials

Kristine Jaramillo	Financial/Operations Consultant
Dr. Paul Grindstaff	Interim Vice President for Advancement
Vince Marchi	Board President
Felicia Ortiz	Board Treasurer
Denice Spicer	Development Finance Officer

Highlands Stable Isotopes Corporation Officials

Stephanie Gonzales	Vice President for Finance and Administration
Dr. Neil Woolf	President
Dr. Brandon Kempner	Chief of Staff
William E. "Bill" Garcia	Chairman, Board of Regents

Carr, Riggs & Ingram, LLC

Paul Garcia, CPA	Partner
Colleen Gabaldon	In-Charge
Angelica Trujillo, CPA	Manager

**New Mexico Highlands University
Other Disclosures
June 30, 2024**

AUDITOR PREPARED FINANCIALS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the New Mexico Highlands University from the original books and records provided to them by the management of the New Mexico Highlands University. The responsibility for these financial statements remains with the New Mexico Highlands University.

