



FISCAL YEAR 2025 FINANCIAL AUDIT

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INTRODUCTORY SECTION



New Mexico Highlands University
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**New Mexico Highlands University
Official Roster
June 30, 2025**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF REGENTS		
Dr. Frank Sanchez	Chairman	December 2026
Mr. Robert Lucero	Vice-Chairman	December 2028
Mr. Gary Tripp	Secretary/Treasurer	December 2030
Mrs. Elaine Luna	Regent	December 2025

PRINCIPAL ADMINISTRATIVE OFFICIALS

Mr. Michael Woolf	President
Dr. Roxanne Gonzales-Walker	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

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FINANCIAL SECTION



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, 2025, 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, 2025, 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, 2025, 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, 2025, 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, 2025, 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 13 through 21, the GASB required pension schedules on pages 71 through 74, the GASB required other post-employment benefit schedules on pages 75 through 78, and the notes to the required supplementary information on page 79 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 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 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 December 1, 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, L.L.C.
Albuquerque, New Mexico
December 1, 2025

New Mexico Highlands University 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, 2025. 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, L.L.C.) 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, 2025). 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 position 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, 2025). 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 Management's Discussion and Analysis

UNDERSTANDING THE FINANCIAL STATEMENTS (Continued)

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, 2025). 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 University Relations. <https://www.nmhu.edu/university-relations/>.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During fiscal year 2025, the University invested significantly in capital improvements to support its academic and athletic infrastructure. The institution completed a major renovation of Slinger Hall totaling more than \$10 million and installed a new gym floor in the Wilson Complex at a cost of nearly \$500,000. Additional capital activity included building improvements exceeding \$1.1 million, land improvements of more than \$130,000, and approximately \$850,000 in purchases of furniture, fixtures, and equipment.

The University did not incur any new long-term debt during the fiscal year. Scheduled principal payments on existing bond obligations totaled \$1.405 million.

New Mexico Highlands University Management's Discussion and Analysis

FACTORS IMPACTING FUTURE PERIODS

Destination Highlands is both a vision and a call to action – to make the Las Vegas campus and its surrounding community the beating heart of a revitalized, forward-looking NMHU. The plan operationalizes in part the 2035 NMHU Vision, Mission, and Strategic Plan.

It will embody the following pillars:

Pillar 1 – Growth with Purpose (Expansion through mission driven growth) through enrollment growth on Las Vegas campus; strategic outreach via regional centers; engagement and leadership in the NM Hub for online and collaborative learning; improve systems, processes, policy, procedures, and organizational structure.

Pillar 2 – Modern Campus, Sustainable Future (Invest in assets to be modern, connected, safe, and environmentally responsible) through facility modernization; energy independence; upgraded library and classroom technologies; improvements to campus safety, security, and campus beautification.

Pillar 3 – Academic Excellence and Innovation (Align with workforce demand and elevate academic reputation) through market relevant academic programs (MS in Anesthesiology Assistant, DSW, DNP, Hospitality Mgmt, etc.); applied learning and innovation labs such as the Sandbox; align with New Mexico's workforce needs; promote and expand upon recently achieved Research College and University (R3) designation.

Pillar 4 – Community, Culture and Connection (Strengthen partnership to fuel economic and cultural vitality) through land and housing development; deepened Pueblo and Tribal relations; the Forest Economy Hub and Reforestation Center; community-based initiatives linking Highlands to the region.

Pillar 5 – Excellence Through Athletics (Momentum and belonging) through investment in athletic facilities and program; drive recruitment, retention, and alumni connection.

Destination Highlands encompasses positivity and growth for the university, the NMHU Foundation, NMHU alumni, and our regional locations.

NMHU continues to monitor federal administration and regulation. Federal grants/contracts have been negatively impacted by federal cuts and the reduction of indirect cost rates. The university continues to communicate these changes to the State of New Mexico.

**New Mexico Highlands University
Management's Discussion and Analysis**

FINANCIAL HIGHLIGHTS

Condensed Statement of Net Position

<i>Net Position as of June 30, 2025 and 2024</i>	2025	2024
Assets		
Current assets	\$ 20,102,843	\$ 24,393,038
Restricted cash	2,477,518	2,568,889
Assets held by others	12,780,237	3,897,214
Investments	31,327,962	30,342,111
Other	44,052	77,273
Capital assets, net of accum. Depreciation	101,901,301	99,274,561
Total assets	168,633,913	160,553,086
Deferred outflows		
	17,966,007	14,418,318
Current liabilities		
	24,575,719	24,926,402
Liabilities		
Non-current liabilities	17,736,366	20,496,585
Net pension & OPEB liabilities	76,334,544	73,447,505
Total liabilities		
	118,646,629	118,870,492
Deferred inflows		
	14,176,128	24,969,619
Net position		
Net investment in capital assets	81,793,820	76,284,184
Restricted for nonexpendable	48,340,480	37,143,887
Restricted for expendable	768,752	(989,706)
Unrestricted (deficit)	(77,125,889)	(81,307,072)
Total net position	\$ 53,777,163	\$ 31,131,293

New Mexico Highlands University Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

Discussion of Statement of Net Position

Current assets decreased 18% during the year. The current asset ending balance of \$20.1 million consists primarily of cash/cash equivalents (\$6.5 million), receivables (\$13.0 million) and other (\$376K). 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
Management's Discussion and Analysis**

FINANCIAL HIGHLIGHTS (Continued)

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

<i>Activities for the years ended June 30, 2025 and 2024</i>	2025	2024
Operating revenues		
Tuition and fees, net	\$ 16,358,126	\$ 16,942,581
Grants & contracts	43,587,001	35,321,055
Sales and services / other revenue	6,988,526	6,805,857
Total operating revenue	66,933,653	59,069,493
Operating expenses		
Instruction and general	46,583,283	40,112,245
Other operating expenses	46,196,705	42,231,952
Depreciation and amortization	6,001,291	6,420,710
Total operating expenses	98,781,279	88,764,907
Operating loss	(31,847,626)	(29,695,414)
Non-operating revenue		
State general fund appropriations	44,435,600	42,324,100
Interest and investment income	4,756,902	4,025,742
Other	574,569	913,668
Total non-operating revenue	49,767,071	47,263,510
Income before other revenue, expenses, gain, losses	17,919,445	17,568,096
Capital appropriations	7,820,482	8,811,753
Interest	(1,052,487)	(1,151,743)
Other	(86,267)	(86,928)
Civil penalty expense	(1,955,303)	-
Total other	4,726,425	7,573,082
Change in net position	22,645,870	25,141,178
Net position, beginning of year	31,131,293	5,990,115
Net position, end of year	\$ 53,777,163	\$ 31,131,293

New Mexico Highlands University Management’s Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

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

The University’s net position increased by \$22.6 million during the year. Operating expenses (\$99 million) are subtracted from operating revenues (\$67 million), resulting in an “operating loss” (\$32 million). State general fund appropriations (\$44.4 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 \$18 million. \$7.8 million in capital appropriations revenues (federal and state funds designated for construction projects) resulted in an increase in net position of \$22.6 million.

The state appropriation for general funds for year ended June 30, 2025 was \$44.4 million as compared to state appropriation for year ended June 30, 2024 at \$42.3 million.

<i>Analysis of Tuition and Fees Revenue</i>	(Thousands) 2025	(Thousands) 2024	Increase (Decrease)	
Tuition	\$ 15,522	\$ 15,388	\$ 134	1%
Fees	4,736	5,103	(367)	-7%
Subtotal	20,258	20,491	\$ (233)	-1%
Wiley Revenue Share	(2,091)	(1,776)	(315)	18%
Tuition discounts/allowance	(1,809)	(1,773)	(36)	2%
Net	\$ 16,358	\$ 16,942	\$ (584)	-3%

Tuition and fees, net of discounts and allowances, decreased by 3%. 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 Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

Condensed Statement of Cash Flows

<i>Statements of Cash Flows for the years ended June 30, 2025 and 2024</i>	2025	2024
Cash flows from operating activities		
Net cash used by operating activities	\$ (32,009,285)	\$ (38,142,557)
Net cash provided by noncapital financing activities	45,010,169	42,737,768
Net cash flow provided by investment activities	(5,365,409)	(20,267,100)
Net cash used by capital & related financial activity	(4,344,539)	(4,857,347)
Net change in cash and cash equivalents	3,290,936	(20,529,236)
Cash and cash equivalents, beginning of year	3,094,062	3,094,062
Restricted cash and cash equivalents, beginning of year	2,568,889	2,568,889
Cash and cash equivalents, beginning of year	5,662,951	5,662,951
Cash and cash equivalents, end of year	6,476,369	3,094,062
Restricted cash and cash equivalents, end of year	2,477,518	2,568,889
Cash and cash equivalents, end of year	\$ 8,953,887	\$ 5,662,951

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 \$3.3 million net increase during the year, resulting in an ending cash balance of \$8.9 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, 2025, and the results of its operations, cash flows, and variances from the budgets for the years then ended for New Mexico Highlands University.

New Mexico Highlands University Management's Discussion and Analysis

Requests for Additional Financial Information (Continued)

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.



BASIC FINANCIAL STATEMENTS



New Mexico Highlands University
Statement of Net Position

June 30, 2025	Primary Government	NMHU Foundation
Assets		
Current assets		
Cash and cash equivalents	\$ 6,476,369	\$ 798,712
Short-term investments	279,719	-
Receivables, net of allowances for uncollectibles		
Student receivable, net	4,628,238	-
Grants receivable	6,633,374	-
Other receivables	1,709,314	-
Note receivable, short-term	-	552,664
Interest receivable	78	-
Prepaid expenses	375,751	39,225
Total current assets	20,102,843	1,390,601
Noncurrent assets		
Restricted cash and cash equivalents	2,477,518	1,127,724
Certificates of deposit	-	1,250,000
Note receivable, net of current portion	-	1,590,669
Lease receivable	44,052	-
Assets held by others	12,780,237	-
Investments	31,327,962	-
Endowment, including assets held for others of \$12,780,237	-	22,764,706
Subscription assets, net	1,417,960	-
Right-to-use-assets, net	272,430	-
Non-depreciable capital assets	9,630,805	6,531,823
Depreciable capital assets, net	90,580,106	-
Total noncurrent assets	148,531,070	33,264,922
Total assets	168,633,913	34,655,523
Deferred outflows of resources		
Deferred outflows - pension	14,255,179	-
Deferred outflows - OPEB	3,710,828	-
Total deferred outflows of resources	17,966,007	-
Total assets and deferred outflows of resources	\$ 186,599,920	\$ 34,655,523

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

**New Mexico Highlands University
Statement of Net Position (Continued)**

June 30, 2025	Primary Government	NMHU Foundation
Liabilities		
Current liabilities		
Accounts payable	\$ 4,015,508	\$ 279,050
Accrued expenses	4,895,705	-
Accrued interest payable	167,410	-
Compensated absences, short-term	1,357,752	-
IRS payable	1,370,880	-
Civil penalties and fines payable	1,955,303	-
Unearned revenues	7,860,153	-
Current portion of lease liability	218,936	-
Current portion of subscription liabilities	726,408	-
Bonds payable, current	1,455,000	-
Notes payable, current	552,664	368,729
Total current liabilities	24,575,719	647,779
Noncurrent liabilities		
Compensated absences	581,893	-
Assets held for others	-	12,780,237
Lease liabilities, less current maturities	42,534	-
Subscription liabilities, less current maturities	726,270	-
Bonds payable, long-term portion	14,795,000	-
Note payable, net of current portion	1,590,669	-
Net pension liability	67,489,169	-
Net OPEB liability	8,845,375	-
Total noncurrent liabilities	94,070,910	12,780,237
Total liabilities	118,646,629	13,428,016
Deferred inflows of resources		
Deferred inflows - lease	44,424	-
Deferred inflows - pension	5,711,264	-
Deferred inflows - OPEB	8,420,440	-
Total deferred inflows of resources	14,176,128	-
Net position		
Net investment in capital assets	81,793,820	6,163,094
Restricted for		
Nonexpendable		
Nonexpendable scholarships and grants	48,340,480	7,100,879
Expendable		
Expendable scholarships and grants	228,162	4,863,982
Expendable debt service	540,590	-
Unrestricted (deficit)	(77,125,889)	3,099,552
Total net position	53,777,163	21,227,507
Total liabilities, deferred inflows of resources, and net position	\$ 186,599,920	\$ 34,655,523

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

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

<i>For the Year Ended June 30, 2025</i>	Primary Government	NMHU Foundation
Operating revenues		
Student tuition and fees, net	\$ 16,358,126	\$ -
Federal awards and contracts	22,792,367	-
State and local grants and contracts	18,638,387	-
Private grants and contracts	2,156,247	-
Sales and services of auxiliary enterprises	4,782,361	-
Contributions	-	85,318
Lease income	42,303	-
Other	2,163,862	1,232,768
Total operating revenues	66,933,653	1,318,086
Operating expenses		
Instruction	20,667,833	-
Academic support	3,253,570	-
Student services	5,703,854	-
Institutional support	10,496,281	-
Operations and maintenance	6,461,745	-
Student social and cultural development	1,148,828	-
Research	3,818,784	-
Public service	17,427,104	-
Internal services	2,855,191	-
Student aid grants and stipends	20,135,317	-
Auxiliary enterprises	3,237,241	-
Athletics	4,813,279	-
Renewals and replacements	2,607,691	-
Other expenditures	1,370,880	1,737,566
Pension (benefit)	(8,681,689)	-
Other post employment (benefit)	(2,739,280)	-
Lease expense	203,359	-
Amortization	1,001,758	-
Depreciation	4,999,533	-
Total operating expenses	98,781,279	1,737,566
Operating (loss)	(31,847,626)	(419,480)
Non-operating revenues (expenses)		
State appropriations	44,435,600	-
State land, permanent fund and investment income	574,569	-
Investment gain	3,340,979	863,807
Interest income	1,415,923	148,036
Other	-	410,257
Net non-operating revenues (expenses)	49,767,071	1,422,100

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

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

<i>For the Year Ended June 30, 2025</i>	Primary Government	NMHU Foundation
Income before other revenues, expenses, gains and losses	\$ 17,919,445	\$ 1,002,620
Other revenue (expenses) and capital items		
State appropriations, capital	7,820,482	-
Interest expense on SBITA	(43,395)	-
Interest expense on leases	(3,127)	-
Interest on indebtedness	(1,005,965)	(17,852)
Endowment expense	(86,267)	-
Civil penalty expense	(1,955,303)	-
Total other revenue (expenses) and capital items	4,726,425	(17,852)
Change in net position	22,645,870	984,768
Net position, beginning of year	31,131,293	20,242,739
Net position, end of year	\$ 53,777,163	\$ 21,227,507

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

New Mexico Highlands University
Statement of Cash Flows

<i>For the Year Ended June 30, 2025</i>	Primary Government
Cash flows from operating activities	
Tuition, fees and trainings	\$ 15,032,287
Federal, state, private grants and contracts	42,232,615
Auxiliary enterprise charges	4,782,361
Contributions and other operating revenues	7,775,600
Payments to employees and for employee benefits	(40,427,032)
Disbursement of net aid to students	(20,135,317)
Payments to suppliers	(41,269,799)
<hr/>	
Net cash (used in) operating activities	(32,009,285)
<hr/>	
Cash flows from noncapital financing activities	
State appropriations	44,435,600
Land and permanent fund	574,569
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Net cash provided by noncapital financing activities	45,010,169
<hr/>	
Cash flows from capital financing activities	
Capital appropriations	7,820,482
Purchase of capital assets	(8,343,433)
Payment on leases	(284,510)
Payments on SBITA	(684,247)
Payment on bonds	(1,405,000)
Payments on notes	(520,557)
Interest payment on leases	(3,127)
Interest payment on SBITA	(43,395)
Interest payment on bonds	(887,404)
Interest payments on notes payable	(145,673)
Interest received from bond interest payment credits	152,325
<hr/>	
Net cash (used in) capital financing activities	(4,344,539)
<hr/>	
Cash flows from investing activities	
Interest and dividends received from investments	127,036
Purchase of investments	(9,914,123)
Proceeds from sale of investments	4,421,678
<hr/>	
Net cash (used in) investing activities	(5,365,409)
<hr/>	
Net change in cash and cash equivalents	3,290,936
<hr/>	
Cash and cash equivalents - beginning of year	5,662,951
<hr/>	
Cash and cash equivalents - end of year	\$ 8,953,887
<hr/>	
Cash and cash equivalents, unrestricted	\$ 6,476,369
Restricted cash and cash equivalents	2,477,518
<hr/>	
Cash and cash equivalents - end of year	\$ 8,953,887
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The accompanying notes are an integral part of these financial statements.

**New Mexico Highlands University
Statement of Cash Flows (Continued)**

<i>For the Year Ended June 30, 2025</i>	Primary Government
Operating (loss)	\$ (31,847,626)
Reconciliation of operating loss to net cash (used in) operating activities	
Depreciation expense	4,999,533
Amortization expense for leases	284,703
Amortization expense for SBITA	717,055
Loss on asset disposal	677
Bad debt expense	263,639
Pension (benefit)	(8,681,689)
Other post employment (benefit)	(2,739,280)
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable, net	7,415,693
Prepaid expenses	6,065
Accounts payable	421,082
Accrued expenses	514,643
Compensated absences	337,434
IRS payable	825,269
Unearned revenues	(4,526,483)
Net cash (used in) operating activities	\$ (32,009,285)
Supplemental cash flow information	
Addition of leases	\$ 285,275

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

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, 2025.

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 position.

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 (Continued)

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.

Lease Receivable

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

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)

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 \$14,255,179 and \$3,710,828, 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 \$5,711,264 and \$8,420,440, respectively, in the statement of net position, and are further detailed in Note 12 and Note 13. The University also had \$44,424 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

The University accounts for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. This standard requires recognition of a liability for leave that has been earned but not yet used or paid. The University has elected to use the Last-In, First-Out (LIFO) method to estimate the liability for compensated absences. Under this method, it is assumed that the most recently earned leave is used first. This approach reflects the University's historical leave usage patterns and internal policies, which indicate that employees typically utilize newer leave balances before older accruals.

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)

Compensated Absences (Continued)

As a result of applying the LIFO method, the liability for compensated absences includes only those leave balances that are expected to be paid or settled. Leave types such as sick leave, which are not paid out upon separation and are typically used in a LIFO manner, are excluded from the liability to the extent they are not expected to be paid.

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).

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.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 and OPEB liability and related deferred inflows and outflows of resources, the current portion of accrued compensated absences and estimates used in accounting for subscription-based information technology arrangements 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, December 1, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

New Mexico Highlands University Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

During the fiscal year ended June 30, 2025, the University adopted GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. The implementation of these statements did not have a significant impact on the University because the activities of the University were not affected by the statement in a material manner.

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

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.

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.

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

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, 2025.

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.

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

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2025, \$7,170,801 of the University's bank balances of \$7,438,038 was exposed to custodial credit risk. \$7,170,801 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, 2025.

	Community 1st Bank	Wells Fargo Bank	Total
Total amount of deposits	\$ 17,237	\$ 7,420,801	\$ 7,438,038
Deposit accounts covered by the FDIC coverage	(17,237)	(250,000)	(267,237)
Total uninsured public funds	-	7,170,801	7,170,801
Collateralized by securities held by the pledging institution or by its trust department or agent other than the University's name	-	7,170,801	7,170,801
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 3,585,401	\$ 3,585,401
Pledged security	-	19,000,000	19,000,000
Over collateralization	\$ -	\$ 15,414,599	\$ 15,414,599

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.

New Mexico Highlands University
Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

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.

As of June 30, 2025, 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)	\$ 279,719	AAAm

*Based off Standard & Poor’s rating

The University invests surplus cash in the investment pools listed below. The investment pools are managed by the New Mexico State Investment Council (“NMSIC”), as authorized under state statute and the Foundation has no control or authority over the securities that each pool acquires. The Constitution and Statutes of the State of New Mexico place various restrictions on investments which may be held by the State. The investment pools are predominantly composed of equity securities and debt securities. The fair value of the University’s position in each pool is equal to the value of the pooled shares or net asset value.

New Mexico Highlands University
Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The following sets forth the, by investment pool, the University's assets at net asset value as of June 30, 2025.

For the year ending June 30, 2025	New Mexico Highlands University
Investment with NMSIC	
Domestic Equities	
US Large Cap Index Pool	\$ 10,314,011
US Small/Mid Cap Pool	2,606,585
US Corporate Bonds	
US Core Bonds Pool	12,189,067
International Equities	
Non-US Emerging Markets Pool	2,483,342
Non-US Developed Markets Index Pool	3,734,957
Total investments	\$ 31,327,962

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.

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.

New Mexico Highlands University
Notes to Financial Statements

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Deposits and Investments to the Statement of Net Position

Deposits	\$ 7,438,038
New Mexico Finance Authority	2,477,518
New Mexico State Investment Council	31,327,962
<i>New MexiGROW</i> LGIP	279,719
<hr/>	
Total deposits and investments	41,523,237
Petty cash	3,300
Less reconciling items	(964,969)
<hr/>	
Total cash and cash equivalents and investments	\$ 40,561,568
<hr/>	
Statement of net position	
Cash and cash equivalents	\$ 6,476,369
Short-term investments	279,719
Restricted cash and cash equivalents	2,477,518
Investments	31,327,962
<hr/>	
Net deposits and investments	\$ 40,561,568
<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.
- 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.

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

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

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 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.

Fair Value of Investments in Entities that Use Net Asset Value (NAV) – The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2025:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
US Large Cap Index Pool	\$ 10,314,011	N/A	Monthly	30 days
US Small/Mid Cap Pool	2,606,585	N/A	Monthly	30 days
US Core Bonds Pool	12,189,067	N/A	Monthly	30 days
Non-US Emerging Markets Pool	2,483,342	N/A	Monthly	30 days
Non-US Developed Markets Index Pool	3,734,957	N/A	Monthly	30 days
Total	\$ 31,327,962			

Purchases and Sales - written notice of intent to purchase or sell units must be received by the New Mexico State Investment Council (SIC) on or before the fifth business day preceding the valuation date. All notices must be signed by an authorized representative as specified in the applicable joint power agreements. SIC reserves the right to limit a participant's sale to the participant's proportional interest in the current net cash position of the respective pooled investment fund, unless the SIC receives a written notice of intent thirty (30) days prior to the effective date of the sale. All purchases or sales of units are effective as of the first day following the valuation date.

Cash payment for all additions must be received by the SIC in the form of a wire transfer or by interagency cash transfer through the DFA, on or before the third business day following the valuation date. The Office reserves the right to return funds received after this date and cancel that participant's Notice of Intent to purchase units.

New Mexico Highlands University
Notes to Financial Statements

Note 3: ASSETS HELD BY OTHERS

As of June 30, 2025, the University's investments assets include the following assets held by others in the Foundation:

Assets held by others in the Foundation endowment	\$ 9,636,457
Restricted cash held at the Wells Fargo Bank for scholarships	666,262
Restricted cash held at the New Mexico Finance Authority for debt service reserve	2,477,518
	<hr/>
Total assets held by others	\$ 12,780,237
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Note 4: ACCOUNTS RECEIVABLE

The University's accounts receivable at June 30, 2025, 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 as of June 30, 2025 is as follows:

Receivables, net of allowances for uncollectibles		
Student accounts receivable	\$ 13,595,842	
Less allowance for doubtful accounts	<u>(8,967,604)</u>	
Student receivable, net		\$ 4,628,238
Federal grant receivable	3,388,843	
State grant receivable	930,119	
Private grant receivable	369,182	
Unbilled grant receivable	<u>1,945,230</u>	
Grant receivable		6,633,374
Other receivables		1,709,314
		<hr/>
Total receivables, net of allowances for uncollectibles		\$ 12,970,926
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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, 2025. Land, artwork, patent, and construction in progress are not subject to depreciation.

	June 30, 2024	Additions	Deletions	June 30, 2025
Assets not being depreciated				
Land	\$ 4,275,414	\$ -	\$ -	\$ 4,275,414
Artwork	969,023	-	-	969,023
Patent	73,686	-	-	73,686
Construction in progress	8,695,615	3,833,796	(8,216,729)	4,312,682
Total assets not being depreciated	14,013,738	3,833,796	(8,216,729)	9,630,805
Assets being depreciated				
Land improvements	44,449,006	130,395	-	44,579,401
Buildings	140,199,381	11,645,506	-	151,844,887
Furniture and equipment	11,832,212	849,765	(55,098)	12,626,879
Library materials	9,663,587	100,700	-	9,764,287
Intangible right-to-use lease asset	495,849	285,275	(210,205)	570,919
Total assets being depreciated	206,640,035	13,011,641	(265,303)	219,386,373
Less accumulated depreciation				
Land improvements	(32,569,487)	(1,892,806)	-	(34,462,293)
Buildings	(72,216,587)	(2,170,330)	-	(74,386,917)
Furniture and equipment	(8,826,705)	(893,994)	54,421	(9,666,278)
Library books	(9,677,457)	(42,403)	-	(9,719,860)
Intangible right-to-use lease asset	(223,991)	(284,703)	210,205	(298,489)
Total accumulated depreciation	(123,514,227)	(5,284,236)	264,626	(128,533,837)
Total assets being depreciated, net	83,125,808	7,727,405	(677)	90,852,536
Net capital assets	\$ 97,139,546	\$ 11,561,201	\$ (8,217,406)	\$ 100,483,341

Depreciation is \$4,999,533 and amortization expense for right-to-use assets of is \$284,703 for a combined \$5,284,236 as of June 30, 2025.

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, 2025:

	June 30, 2024	Additions	Deletions	June 30, 2025
Subscription assets, being amortized	\$ 3,670,039	\$ -	\$ (226,871)	\$ 3,443,168
Less accumulated amortization for subscription-based information technology arrangements	(1,535,024)	(717,055)	226,871	(2,025,208)
Total accumulated amortization	(1,535,024)	(717,055)	226,871	(2,025,208)
Subscription assets being amortized, net	\$ 2,135,015	\$ (717,055)	\$ -	\$ 1,417,960

Amortization expense for the year ended June 30, 2025 was \$717,055.

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, 2025. 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, 2024	Additions	Deletions	June 30, 2025
Office Space - Tech Commons	\$ 210,205	\$ 215,000	\$ (210,205)	\$ 215,000
Office Space - ThinkNMRE, LLC	-	70,275	-	70,275
Equipment - De Lage Landen	285,644	-	-	285,644
Total leased assets	495,849	285,275	(210,205)	570,919
Less: Accumulated Amortization				
Office Space - Tech Commons	(17,518)	(210,605)	210,205	(17,918)
Office Space - ThinkNMRE, LLC	-	(5,856)	-	(5,856)
Equipment - De Lage Landen	(206,473)	(68,242)	-	(274,715)
Total accumulated amortization	(223,991)	(284,703)	210,205	(298,489)
Total lease assets, net	\$ 271,858	\$ 572	\$ -	\$ 272,430

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, 2025. The University recognized the following as lease expense for the year ending June 30, 2025 in the statement of revenues, expenses, and changes in the net position:

Lease expense	Year Ending June 30, 2025
Amortization expense by class of underlying asset	
Office Space	\$ 210,605
Office Space	5,856
Equipment	68,242
Total	\$ 284,703

The following summarizes the University's lease liability as of June 30, 2025:

June 30, 2024	Additions	Deletions	June 30, 2025	Amounts Due Within One Year
\$ 262,704	\$ 283,276	\$ (284,510)	\$ 261,470	\$ 218,936

Lease liabilities totaled \$261,470 and \$218,936 is due within one year. The future principal and interest lease payments as of June 30, 2025, were as follows:

Maturity Analysis	Principal	Interest	Total
2026	\$ 218,936	\$ 5,006	\$ 223,942
2027	23,729	1,103	24,832
2028	18,805	233	19,038
Total future payments	\$ 261,470	\$ 6,342	\$ 267,812

The University is the lessor for various noncancellable leases for buildings and office space with lease terms through 2027. For the year ended June 30, 2025, the University recognized \$33,172 in lease revenue released from deferred inflows of resources and interest revenue of \$1,253, 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, 2025 was \$44,052, and is measured at the present value of future payments. The University is not party to any lease agreements as the lessor, which would affect deferred inflow of resources, such as variable payments, early termination payments or residual value guarantees.

New Mexico Highlands University
Notes to Financial Statements

Note 7: ACCRUED EXPENSES

The University's accrued expenses at June 30, 2025 are as follows:

Payroll	\$	3,089,313
Payroll taxes and related liabilities		1,222,406
Other accruals		583,986
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Total accrued expenses	\$	4,895,705
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Note 8: COMPENSATED ABSENCES

The University had a liability for compensated absences as of June 30, 2025 as follows:

Compensated absences – beginning of year	\$	1,602,211
Net change		337,434
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Compensated absences – end of year	\$	1,939,645
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The University estimates that \$1,357,752 of the compensated absences will be due within one year.

Note 9: LONG-TERM LIABILITIES

The University has three 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, 2025, was as follows:

	June 30, 2024	Additions	Deletions	June 30, 2025	Due within one year
Subscription liabilities	\$ 2,136,925	\$ -	\$ (684,247)	\$ 1,452,678	\$ 726,408

Subscription liabilities, right of use assets, and terms are as follows at June 30, 2025:

	Effective Date	Payments	Monthly, Annual or Quarterly Payments	Borrowing Rate	Subscription Liability	Right-to-Use Subscription Asset, net Amortization
Chome River	7/1/2022	61	\$ 65,379	2.86%	\$ (127,138)	\$ 122,555
Ellucian Company LP	7/1/2022	61	660,171	2.86%	(1,283,796)	1,257,557
BlackBaud	7/1/2022	24	6,853	2.21%	(41,744)	37,848
Total					\$ (1,452,678)	\$ 1,417,960

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

<i>For the years ending June 30,</i>	Principal	Interest	Total
2026	\$ 726,408	\$ 22,721	\$ 749,129
2027	726,270	1,776	728,046
Total	\$ 1,452,678	\$ 24,497	\$ 1,477,175

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, 2025 was as follows:

June 30, 2024	Additions	Retirements	June 30, 2025	Current Portion
\$ 2,663,890	\$ -	\$ (520,557)	\$ 2,143,333	\$ 552,664

**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
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	\$ 2,143,333	\$ 243,992	\$ 2,387,325

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, 2025 are comprised of the following:

Original issue	\$ 9,230,000	\$ 13,085,000
Principal	1-May	1-May
Interest	1-May	1-May
	1-Nov	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, 2025, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
General Obligation Bonds	\$ 17,655,000	\$ -	\$ (1,405,000)	\$ 16,250,000	\$ 1,455,000
Note payable	2,663,890	-	(520,557)	2,143,333	552,664
Total long-term debt	\$ 20,318,890	\$ -	\$ (1,925,557)	\$ 18,393,333	\$ 2,007,664

**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, 2025, including interest payments, are as follows:

GO Bond Series 2009B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	\$ 7,065,000	\$ 2,484,594	\$ 9,549,594

GO Bond Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	\$ 9,185,000	\$ 2,013,972	\$ 11,198,972

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.

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 does not maintain 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 22-11-55, 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.

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.

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.

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

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

General Information about the Pension Plan (Continued)

Contributions - The contribution requirements of plan members and the University 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, 2025 plan members are required to contribute 10.70% of their gross salary. 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 \$6,252,724 for the year ended June 30, 2025.

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, 2023. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2024, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2024. At June 30, 2025, the University reported a liability of \$67,489,169 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, 2024. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2025, the University's proportion was 0.76797 percent, which was an increase of 0.03102 percent from its proportion measured as of June 30, 2024. For the fiscal year ended June 30, 2025, the University recognized a pension benefit of (\$8,681,689).

At the June 30, 2025, 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	\$ 5,503,365	\$ 149,622
Net difference between projected and actual earnings on pension plan investments	-	2,044,373
Changes in assumptions	-	1,768,714
Changes in proportion	2,499,090	1,748,555
Contributions subsequent to the measurement date	6,252,724	-
Total	\$ 14,255,179	\$ 5,711,264

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)

\$6,252,724 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2024, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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>Years ended June 30,</u>	
2025	\$ (1,118,349)
2026	3,745,536
2027	217,542
2028	(553,538)
<hr/>	
Total	\$ 2,291,191

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, 2023. The total pension liability was rolled forward from the valuation date to June 30, 2024 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, 2024. 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, 2024 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 February 2022.

Asset Class	After Allocation	Policy Target
Equities		
<i>Domestic Equities</i>		
Large cap equities	13.6%	15.0%
Small- mid cap equities	3.2%	4.0%
Total domestic	16.8%	19.0%
<i>International Equities</i>		
Developed	4.4%	5.0%
Emerging markets	4.5%	4.0%
Total international	8.9%	9.0%
Total equities	25.7%	28.0%
Fixed Income		
Core fixed income	4.8%	6.0%
Opportunistic credit	16.9%	18.0%
Emerging markets debt	0.0%	0.0%
Total fixed income	21.7%	24.0%
Alternatives		
Global asset allocation	1.7%	2.0%
Other diversifying assets	6.3%	8.0%
REITs	0.9%	0.0%
Private real estate	8.3%	8.0%
Private equity	22.4%	17.0%
Inflation-linked assets	11.3%	12.0%
Total alternatives	50.9%	47.0%
Cash	1.7%	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, 2024. This is the same rate used for June 30, 2023. 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 University'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, 2024. 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	\$ 92,801,396	\$ 67,489,169	\$ 46,540,242

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, 2024, 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 University'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, 2024, 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
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Total NMRHCA plan members	159,125
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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
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Total NMRHCA active members	93,595
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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, 2025 totaled \$716,618, which equals the required contributions for the year.

At June 30, 2025, the University reported a liability of \$8,845,375 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the University's proportion was 0.49559 percent which was a decrease of 0.05926 percent from June 30, 2023.

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

For the year ended June 30, 2025, the recognized an OPEB benefit of (\$2,739,280). At June 30, 2025, 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	\$ 94,796	\$ 923,938
Net difference between projected and actual earnings on OPEB plan investments	79,069	-
Changes in proportion	1,165,154	1,887,323
Changes in assumptions	1,655,191	5,609,179
Contributions subsequent to the measurement date	716,618	-
Total	\$ 3,710,828	\$ 8,420,440

\$716,618 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, 2025.

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)

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

Years ended June 30:	
2025	\$ (1,515,972)
2026	(1,737,398)
2027	(1,395,995)
2028	(613,862)
2029	(163,003)
Total	\$ (5,426,230)

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 June 30, 2022, 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:

Actuarial 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
Actuarial assumptions:	
Inflation	2.30% for ERB members; 2.50% for PERA members
Projected payroll increases	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 16 years for Medicare medical plan costs.
Mortality	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. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

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 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. The target allocation and projected arithmetic real rates of return for each major asset class, net of assumed inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

Asset Class	Target Allocation	Long-Term Rate of Return
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%

**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)

Discount rate - The discount rate used to measure the total OPEB liability is 7.00% as of June 30, 2024. 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, 2024.

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 7.00% 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

1% Decrease	Current	1% Increase
(6.00%)	Discount Rate	(8.00%)
(7.00%)	(7.00%)	(8.00%)
\$ 11,154,600	\$ 8,845,375	\$ 6,952,405
\$ 11,154,600	\$ 8,845,375	\$ 6,952,405

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2024, 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	1% Increase
(6.00%)	Rates	(8.00%)
\$ 6,835,610	\$ 8,845,375	\$ 14,006,702
\$ 6,835,610	\$ 8,845,375	\$ 14,006,702

**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)

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, 2024. 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, 2025, the University recorded a payable to NMRHCA in the amount of \$91,898 for the contributions withheld in the month of June 2025, which is included in the Accrued Payroll on the Statement of Net Position.

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, 2025 for the following:

Current funds	\$ 3,069,197
Plant funds	4,138,714
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Total	\$ 7,207,911
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Civil penalties and fines payable

The University has implemented extensive corrective actions and has provided the New Mexico Environment Department (NMED) with documentation of those actions, as well as a detailed financial hardship memorandum explaining the significant impact such a penalty would have on NMHU's financial condition and operations. NMHU and NMED are currently engaged in active settlement negotiations, including discussions between NMHU General Counsel and NMED's General Counsel regarding the terms of a comprehensive settlement agreement that would resolve the Administrative Compliance Order (ACO), memorialize corrective actions and oversight commitments, and address the assessed penalty. The assessed penalty from NMED is \$1,955,303 as of June 30, 2025.

New Mexico Highlands University Notes to Financial Statements

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, 2025. Due to the patent generating income, no impairment on the patent was necessary.

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.

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REQUIRED SUPPLEMENTARY INFORMATION



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

Fiscal Year	June 30,			
	2025	2024	2023	2022
Measurement Date	2024	2023	2022	2021
Proportion of the net pension liability (asset)	0.76797%	0.73695%	0.77503%	0.74378%
Proportionate share of the net pension liability (asset)	\$ 67,489,169	\$ 63,998,838	\$ 65,270,790	\$ 52,715,160
Covered payroll	34,934,066	30,929,541	29,246,310	26,937,163
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	193.19%	206.92%	223.18%	195.70%
Plan fiduciary net position as a percentage of the total pension liability	66.57%	65.19%	64.87%	69.77%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years.

See notes to required supplementary information.

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

June 30,					
2021	2020	2019	2018	2017	2016
2020	2019	2018	2017	2016	2015
0.68507%	0.72688%	0.75029%	0.77877%	0.74889%	0.77310%
\$ 138,835,531	\$ 55,062,742	\$ 89,219,467	\$ 86,548,356	\$ 53,893,871	\$ 50,075,746
21,248,140	20,491,671	20,254,346	20,870,492	21,108,107	24,563,545
653.40%	268.71%	440.50%	414.69%	255.32%	203.86%
39.11%	64.13%	52.17%	52.95%	61.58%	63.97%

See notes to required supplementary information.

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

As of and for the Years Ended June 30,	2025	2024	2023	2022
Contractually required contribution	\$ 6,252,724	\$ 5,927,083	\$ 5,388,256	\$ 3,979,520
Contributions in relation to the contractually required contribution	6,252,724	5,927,083	5,388,256	3,979,520
Contribution deficiency (excess)	-	-	-	-
Covered payroll	36,376,379	34,934,066	30,929,541	29,246,310
Contributions as a percentage of covered payroll	17.19%	16.97%	17.42%	13.61%

* This schedule is presented to illustrate the requirement to show information for ten (10) years.

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

2021	2020	2019	2018	2017	2016
\$ 3,373,997	\$ 3,077,651	\$ 2,960,097	\$ 2,914,653	\$ 3,085,048	\$ 3,486,299
3,373,997	3,077,651	2,960,097	2,914,653	2,973,025	3,054,737
-	-	-	-	112,023	431,562
26,937,163	21,248,140	20,491,671	20,254,346	20,870,492	21,108,107
12.53%	14.48%	14.45%	14.39%	14.25%	14.47%

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***

Fiscal Year	June 30,		
	2025	2024	2023
Measurement Date	2024	2023	2022
The University's proportion of the net OPEB liability	0.49559%	0.55485%	0.55027%
The University's proportionate share of the net OPEB liability	\$ 8,845,375	\$ 9,448,667	\$ 12,720,064
The University's covered payroll	34,934,066	30,929,541	29,246,310
The University's proportionate share of the net OPEB liability as a percentage of its covered payroll	25.32%	30.55%	43.49%
Plan fiduciary net position as a percentage of the total	46.99%	44.16%	33.33%

* 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.

**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* (Continued)**

June 30,				
2022	2021	2020	2019	2018
2021	2020	2019	2018	2017
0.52953%	0.49190%	0.52741%	0.54085%	0.57068%
\$ 17,423,389	\$ 20,654,429	\$ 17,100,682	\$ 23,518,077	\$ 25,861,352
26,937,163	21,248,140	20,491,671	20,254,346	20,870,492
64.68%	97.21%	83.45%	116.11%	123.91%
25.39%	16.50%	18.92%	13.14%	11.34%

See notes to required supplementary information.

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

As of and for the Years Ended June 30,	2025	2024	2023
Contractually required contributions	\$ 716,618	\$ 631,193	\$ 635,534
Contributions in relation to the contractually required contribution	(716,618)	(631,193)	(635,534)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered payroll	\$ 36,376,379	\$ 34,934,066	\$ 30,929,541
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.

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

2022	2021	2020	2019
\$ 558,994	\$ 534,677	\$ 465,264	\$ 470,722
(558,994)	(534,677)	(465,264)	(470,722)
\$ -	\$ -	\$ -	\$ -
\$ 29,246,310	\$ 26,937,163	\$ 21,248,140	\$ 20,491,671
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. As of July 1, 2024, all retirees covered under the BCBS Medicare Advantage Plan II were transferred to the BCBS Medicare Advantage Plan I with a decreased premium of \$0.

Changes of assumptions. The trend rates on the valuation year per capita health costs, including drug rebates and EGWP revenue, were updated for Medicare plans. This change increased the TOL. Excise tax thresholds on benefits are no longer applied. During the June 4, 2024 meeting, the Board rescinded the 2020 Attestation of Intent. The excise tax thresholds described by the Affordable Care Act (ACA) for High Cost Health Plans are no longer applicable for assumption setting purposes. This change increased the TOL. The discount rate was updated from 6.22% to 7.00%. The cross-over test methodology was updated to reflect contributions on future employee payroll that will finance the unfunded liabilities of current members. This change decreased the TOL.

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 FY24 audit available at <https://www.nmrhca.org/wp-content/uploads/2025/01/NM-RHCA-Audited-FS-6.30.24.pdf>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2024 report is available at https://www.nmrhca.org/wpcontent/uploads/2024/12/RPTS_-05496.019_-NMRHCA-6_30_2024-Measurement-GASB-74-Report5916641.5.pdf. See the notes to the financial statements beginning on page 20, which summarizes actuarial assumptions and methods effective with the June 30, 2024 valuation.



SUPPLEMENTARY INFORMATION



New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Unrestricted and Restricted – All Operations
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	\$ 3,555,676	\$ 6,681,035	\$ 6,681,035	\$ -
Unrestricted and Restricted Revenues				
State general fund appropriations	44,435,600	44,435,600	44,560,600	125,000
Federal grants/contracts	30,861,358	32,304,094	15,113,703	(17,190,391)
Tuition and fees	16,453,120	16,474,519	15,407,639	(1,066,880)
Land and permanent fund	406,000	679,000	574,569	(104,431)
Private grants/contracts	1,070,952	2,839,173	1,553,394	(1,285,779)
Sales and service	4,524,574	4,801,831	4,322,724	(479,107)
Government grants - state, local	8,439,363	13,391,390	10,978,549	(2,412,841)
Renewals and replacements	1,119,434	1,119,434	1,119,434	-
Other	1,316,051	2,085,176	4,437,092	2,351,916
Capital outlay	21,261,231	12,157,000	6,701,048	(5,455,952)
Retirement of indebtedness	1,106,728	1,161,084	1,174,665	13,581
Total revenues	130,994,411	131,448,301	105,943,417	(25,504,884)
Total unrestricted and restricted Revenues	134,550,087	138,129,336	112,624,452	(25,504,884)
Unrestricted and Restricted Expenditures				
Instruction and general	50,226,596	50,553,883	49,205,079	1,348,804
Student social and cultural	1,894,402	1,458,579	1,161,295	297,284
Research	7,780,248	5,931,780	4,007,287	1,924,493
Public service	23,365,730	31,489,335	17,789,091	13,700,244
Internal service departments	4,113,401	4,666,825	3,619,007	1,047,818
Student aid	13,005,385	14,573,239	12,666,879	1,906,360
Auxiliary enterprises	4,029,225	2,816,062	2,714,463	101,599
Intercollegiate athletics	4,584,887	4,915,023	4,822,849	92,174
Capital outlay	21,261,231	12,657,000	7,456,273	5,200,727
Renewal and replacements	1,296,022	3,180,337	2,539,294	641,043
Retirement of indebtedness	2,276,731	2,336,731	2,929,372	(592,641)
Total unrestricted and restricted expenditures	133,833,858	134,578,794	108,910,889	25,667,905
Net transfers	(1,002,104)	-	(74,790)	(74,790)
Change in net position-budgetary basis	(1,837,343)	(3,130,493)	(2,892,682)	
Ending Fund Balance	\$ 1,718,333	\$ 3,550,542	\$ 3,788,353	\$ 237,811
Change in net position per statement of revenues, expenses and changes in net position				
			\$ 22,645,870	
IRS Penalties			1,370,880	
NMED Civil Penalties			1,955,303	
Perkins loan activity			34,110	
Endowment activity			(12,290,554)	
Depreciation expense			4,999,533	
GASB 87 activity, net			3,320	
GASB 96 activity, net			76,203	
Capital asset purchases			(8,343,433)	
Bond obligation payment			(1,405,000)	
Note payable payment			(520,557)	
Pension benefit			(8,681,689)	
OPEB benefit			(2,739,280)	
Other			2,612	
Financial statements change in net position reconciled			\$ (2,892,682)	

New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Unrestricted Instruction and General
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	\$ 1,398,990	\$ 2,868,914	\$ 2,868,914	\$ -
Revenues				
Tuition and fees	14,797,120	14,884,188	13,686,006	(1,198,182)
Miscellaneous fees	-	-	-	-
Government appropriations-federal	-	-	-	-
Government appropriations-state	38,763,200	38,763,200	38,888,200	125,000
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants and contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	406,000	679,000	574,569	(104,431)
Private gifts	-	-	-	-
Sales and service	-	100	16,457	16,357
Other sources	1,260,051	1,795,289	1,946,497	151,208
Total revenues	55,226,371	56,121,777	55,111,728	(1,010,049)
Total Unrestricted Revenues and Beginning Balance	56,625,361	58,990,691	57,980,642	(1,010,049)
Expenditures				
Instruction	23,660,725	23,339,351	23,074,814	264,537
Academic support	2,979,936	3,279,409	3,235,840	43,569
Student services	5,914,689	5,825,176	5,588,163	237,013
Institutional support	9,806,789	10,493,452	10,410,933	82,519
Operation and maintenance of plant	7,339,456	7,063,704	6,509,376	554,328
Total expenditures	49,701,595	50,001,092	48,819,127	1,181,965
Net transfers	6,680,548	7,742,960	7,364,150	-
Change in net position-budgetary basis	(1,155,772)	(1,622,275)	(1,071,548)	(2,192,014)
Ending Fund Balance	\$ 243,218	\$ 1,246,639	\$ 1,797,366	\$ (2,192,014)

New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Restricted Instruction and General
Year Ended June 30, 2025

	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	403,398	205,000	154,371	(50,629)
Government grants - state	121,602	347,790	231,582	(116,208)
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and services	-	-	-	-
Other sources	-	-	-	-
Total revenues	525,000	552,790	385,953	(166,837)
Expenditures				
Instruction	120,000	95,000	92,391	159,845
Academic support	65,000	50,000	36,379	(4,176)
Student services	155,000	155,000	127,776	(37,647)
Institutional support	155,000	190,790	84,145	(3,599)
Operations and maint. of plant	30,000	62,000	45,262	(37,300)
Total expenditures	525,000	552,790	385,953	166,837
Net transfers	-	-	-	-
Change in net position - budgetary basis	-	-	-	-
Ending fund balance	\$ -	\$ -	\$ -	\$ -



SUPPORTING SCHEDULES



New Mexico Highlands University
Schedule of Deposit and Investment Accounts
June 30, 2025

Account Name	Type	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank
CFB Golf Course	Checking Non-interest-bearing	\$ 5,759	\$ -	\$ -
CFB Checking	Checking Interest-bearing	7,274	-	-
CFB Savings	Savings	4,204	-	-
WF Payroll	Checking Non-interest-bearing	-	-	1,832,853
WF Accounts Payable	Checking Non-interest-bearing	-	-	3,016,473
WF Athletics	Checking Non-interest-bearing	-	-	21,035
Wells Fargo Savings	Savings	-	-	180,857
WF Online Payments	Checking Non-interest-bearing	-	-	271,189
WF NMHU	Checking Non-interest-bearing	-	-	666,212
WF NMHU	Checking Non-interest-bearing	-	-	1,407,193
WF Golf Course	Checking Non-interest-bearing	-	-	24,989
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		17,237	-	7,420,801
Outstanding items		-	-	(964,969)
Reconciled balance		\$ 17,237	\$ -	\$ 6,455,832

Petty cash

Total deposits and investments

Reconciliation to the financial statements

Cash and cash equivalents

Restricted cash and cash equivalents

Short-term investments

Investments

Total deposits and investments

New Mexico Highlands University
Schedule of Deposit and Investment Accounts
June 30, 2025 (Continued)

NM State Treasurer's Office	NM State Investment Council	NM Finance Authority	Total
\$ -	\$ -	\$ -	\$ 5,759
-	-	-	7,274
-	-	-	4,204
-	-	-	1,832,853
-	-	-	3,016,473
-	-	-	21,035
-	-	-	180,857
-	-	-	271,189
-	-	-	666,212
-	-	-	1,407,193
-	-	-	24,989
177,934	-	-	177,934
101,785	-	-	101,785
-	31,327,962	-	31,327,962
-	-	1,094,259	1,094,259
-	-	1,383,259	1,383,259
279,719	31,327,962	2,477,518	41,523,237
-	-	-	(964,969)
<u>\$ 279,719</u>	<u>\$ 31,327,962</u>	<u>\$ 2,477,518</u>	40,558,268
			3,300
			<u>\$ 40,561,568</u>
			\$ 6,476,369
			2,477,518
			279,719
			<u>31,327,962</u>
			<u>\$ 40,561,568</u>

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**New Mexico Highlands University
Schedule of Collateral Pledged by Depository
For the Year Ended June 30, 2025**

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2025	Name and Location of Safekeeper
Wells Fargo Bank			
	WU1331 FHLB Des Moines Letter of Credit, CUSIP 1005221, due 9/26/2029	\$ 19,000,000	Bank of New York Mellon New York, NY
	Total Wells Fargo Bank	19,000,000	
Total pledged collateral		\$ 19,000,000	

**New Mexico Highlands University
Multiple-Year Capital Projects Funded by Special and
Severance Tax Capital Outlay Appropriations
June 30, 2025**

Type of Appropriation	Project Description	Authority Chapter
General Obligation Revenue Bonds		
General Obligation G5387	NMHU Facility Bldg Demo Abate & Construct	Ch 55 Sec 10/C/4
General Obligation G5374	Library	Ch 55 Sec 10/B/3
<hr/>		
Total general obligation revenue bonds		
<hr/>		
Severance Tax Bond Proceeds		
None in FY 2025		
General Fund Appropriations		
General Fund ZI5205	FY 25 Building Renewal and Replacement	C210 S5-123-24
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
General Fund I3340	NMHU Campus Security Upgrade	Ch 66 Sec 35/1
General Fund I3341	NMHU Defibrillators Prchs	Ch 66 Sec 35/2
General Fund I3342	NMHU Facility Bldg Renovation	Ch 66 Sec 35/3
General Fund I3343	NMHU Indoor/Outdoor Facility Renovation	Ch 66 Sec 35/4
<hr/>		
Total general fund appropriations		
<hr/>		
Total capital appropriations		
<hr/>		

**New Mexico Highlands University
Multiple-Year Capital Projects Funded by Special and
Severance Tax Capital Outlay Appropriations
June 30, 2025 (Continued)**

Laws	Expiration	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Reversion Amount	Unencumbered Balance
2022	6/30/2026	\$ 4,500,000	\$ 428,168	\$ 2,850,821	\$ 45,000	\$ -	\$ 1,176,011
2022	6/30/2026	203,984	22,966	78,340	-	-	102,678
		4,703,984	451,134	2,929,161	45,000	-	1,278,689
2023	6/30/2025	1,119,434	-	1,119,434	-	-	-
2023	6/30/2027	100,000	10,718	30,249	-	-	59,032
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	2,701,311	45,000	-	438,855
2023	6/30/2027	1,025,000	-	234,331	10,250	-	780,419
2024	6/30/2028	225,000	-	225,000	-	-	-
2024	6/30/2026	40,000	-	39,974	-	-	26
2024	6/30/2028	3,000,000	-	490,451	-	-	2,046,303
2024	6/30/2028	430,000	-	50,571	-	-	379,429
		10,589,434	1,475,552	4,891,321	55,250	-	3,704,065
		\$ 15,293,418	\$ 1,926,686	\$ 7,820,482	\$ 100,250	\$ -	\$ 4,982,754

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS



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, 2025, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements and have issued our report thereon dated December 1, 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, 2025, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-003 that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported pursuant to Section 12-6-55 NMSA 1978, which is described in the accompanying schedule of findings and responses under Section 12-6-5 NMSA 1978 as item 2025-004.

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 responses. 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, L.L.C.
Albuquerque, NM
December 1, 2025

New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025

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? | Yes |
| c. Noncompliance material to the financial statements? | No |

SECTION II: FINANCIAL STATEMENT FINDINGS

2025-001 (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 accrued payroll and amounts paid to payroll vendors. This resulted in an estimated understatement of payroll liabilities of \$326,678 mainly consisting of four days of payroll accruals which were not properly accrued. Account coding issues were also identified which resulted in multiple liability accounts containing total debit balances of \$390,387, which were offset by overstated credit balances in other payroll liability accounts.
- It was noted that payments to payroll vendors have often not been made timely. Auditors obtained vendor history reports for a sample of payroll vendors which included payments made for ERB, RHCA, elective contributions to 457(b) plans, and contributions to alternative retirement plans. We noted three payments made to ERB were submitted after the 15th day of the month following the month for which contributions are withheld. Each of the three payments were submitted one day after the statutory due date.
- Wages reported to the Educational Retirement Board exceed those reported to Retiree Health Care by \$545,473.

New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2025-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

- We performed a personnel file audit recalculation of twenty-five paychecks and requested employee contracts and recalculated paychecks for an additional sample of eighty paychecks and noted the following:
 - In 1 of 25 personnel files tested, a W-4 was not provided to auditors
 - In 3 of 105 transactions tested, the personnel file did not contain documentation to support the rate of pay.
 - In 2 of 105 RHC employee contributions were mistakenly withheld from a PERA retiree, who should only have employer contributions.
 - In 3 of 105 transactions tested, employer contributions were not made to RHC in error.

Progress on resolution of prior year finding: The University is steadily progressing toward resolving this finding as it becomes more familiar with Paycom. In addition, HR staff are continuing personnel file audits; however, the process has not yet been completed.

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.

NMAC 2.82.9.8 educational retirement employer reports states monthly contributions from employees and local administrative units shall be electronically transmitted no later than the 15th day of the month following the month for which contributions are withheld.

Cause: Although the payroll department has established documented policies and procedures and implemented improvements, historical personnel file audits are still in progress, and the team is continuing to adapt to the payroll software introduced in January 2024.

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.

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2025-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

Views of Responsible Officials and Planned Corrective Action: Management is committed to strengthening internal controls, improving documentation processes, and ensuring full compliance with applicable requirements. To address identified issues and prevent recurrence, we will implement the following corrective actions:

- Annual Internal Audit and Review Cycle: HR and Payroll will conduct yearly comprehensive internal audits to identify deficiencies early and implement targeted corrective measures. These audits will serve as a proactive tool to strengthen compliance and maintain consistent oversight across all personnel and payroll processes.
- Standardized Contract Management Procedures: HR will require that all employee contracts be electronically attached to the Personnel Action Form in Paycom before any pay change is processed. This ensures contracts are consistently retained in employee personnel files and reduces the risk of incomplete or missing documentation. The electronic workflow will continue to ensure that all responsible parties review, approve, and sign contracts prior to HR processing.
- Strengthened Benefits Administration Controls: The Benefits Manager will oversee all employee benefit elections and ensure that automated data feeds between Paycom and benefit carriers remain accurate and continuously monitored. Additional validation checks will be established to confirm that benefit selections are transmitted properly and without manual intervention.
- Enhanced Payroll Oversight and Collaboration: The Payroll Manager will maintain supervisory review over payroll processing to ensure all payroll changes are thoroughly verified for accuracy prior to finalization. HR and Payroll will continue developing joint procedures, including shared review checkpoints, to create strong checks and balances between departments.
- Improved Payroll Liability Reconciliation: The Business Office, in coordination with the Payroll Manager, will finalize and implement a standardized reconciliation process for payroll liabilities. This includes ensuring deduction codes in Paycom map accurately to Banner and that accruals are recorded and reviewed on a regular schedule.
- Ongoing Communication and Procedure Development: HR, Payroll, and the Business Office will work collaboratively to refine and document procedures related to contract execution, internal controls, benefit administration, payroll processing, and record retention. Updated procedures will be communicated organization-wide to ensure consistency and accountability.

These ongoing corrective actions are designed to strengthen internal controls, enhance documentation accuracy, and promote consistent, compliant operational processes going forward.

Timeline and Estimated Completion Date: This is ongoing as we establish processes and procedures in fiscal year 2026.

New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2025-001 (2021-002) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

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

2025-002 (2021-001) Account Reconciliations (Material Weakness) – Modified and Repeated

Condition: Account reconciliations for multiple accounts were not performed in a timely manner. Additionally several accounts required material adjustments which were being provided to auditors as late as November 2, 2025. The following was noted:

- Certain receivable accounts had been fully reserved without verifying whether the amounts were actually collectible. Consequently, the allowance for doubtful accounts required a downward adjustment of \$217,166.
- Three of nine unearned revenue account balances, totaling \$33,281, have remained outstanding for one to four years. Management determined these amounts relate to funds received in prior periods for since closed grants that were neither returned to the grantors nor reclassified as earned revenue due to untimely reconciliations.
- One unearned revenue account contained an invalid debit balance of \$480,428 which required an adjustment to reclassify the amount to accounts receivable.
- During testwork over unearned revenue, it was noted that federal revenue totaling \$417,991 was recorded as state revenue in error.
- One unbilled accounts receivable account contained an invalid balance of \$285,422 which required an adjustment to reclassify the amount to unearned revenue.
- Investment balances held with NMSIC did not reconcile to statements by \$2,290,558, and the related entry was not provided to auditors until October 20, 2025.
- Furthermore, detail of amounts due from customers and employees are not maintained in a manner sufficient to reconcile amounts owed by each customer or employee.
- Cash accounts are reconciled monthly to the bank statements, however reconciliations are reviewed and approved by someone other than the preparer only for the June 2025 reconciliations. Best practices would dictate that reconciliations are performed monthly and reviewed by a designated individual who is not involved in the reconciliation process.

New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2025-002 (2021-001) Account Reconciliations (Material Weakness) – Modified and Repeated (Continued)

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.

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 during 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: The Business office implemented a soft month-end close in January 2025. Some progress was made in FY25, and we will continue our efforts by implementing the following, in FY26, to ensure accuracy and completeness.

- Creating a month-end closing list of journal entries (JE) and firm deadlines for JE submission from other departments to ensure all JEs are recorded timely.
- Using a cost center-based accounting methodology for the allocation of certain costs.
- Establish a monthly deadline to commence grant reconciliations and subsequent billings.
- Commit to a balance sheet review each month to ensure reconciliations are completed on all asset and liability accounts.
- Create accounts receivable (AR) aging reports to properly account for other receivables.
- Provide additional account reconciliation training to the business office accountants.
- Develop university guidance and communication that will enhance collaboration between the business office and the university departments during month-end and year-end close.

Timeline and Estimated Completion Date: June 30, 2026

Responsible Party: Vice President for Finance and Administration and Comptroller

New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2025-003 Accounts Payable Not Accrued (Significant Deficiency)

Condition: During a search for unrecorded liabilities performed as part of audit procedures, it was noted that \$463,246 related to construction services provided in June 2025 were not accrued.

Criteria: Per Generally Accepted Accounting Principles (GAAP) and GASBS 35, Universities are considered special-purpose governments engaged only in business-type activities. They use the economic resources measurement focus and accrual basis of accounting, meaning, expenses are recognized when goods or services are received, not when cash is paid; and accounts payable represent obligations for goods/services received but not yet paid.

Cause: The omission occurred due to inadequate review and reconciliation procedures at year-end. The agency did not have a robust process to identify and accrue unpaid invoices for services rendered before the fiscal year-end cutoff.

Effect: Failure to record accounts payable results in understated liabilities and expenditures, which is a violation of proper financial reporting standards.

Auditor's Recommendation: The University should implement stronger year-end closing procedures, including:

- A formal review of all outstanding invoices and contracts for services performed prior to year-end.
- A reconciliation of construction project status reports with accounts payable records.
- Training for staff on accrual accounting requirements under GAAP and NMAC regulations.
- Consider implementing a checklist or automated workflow to ensure all liabilities are captured before financial statements are finalized

Views of Responsible Officials and Planned Corrective Action: Management agrees with this finding but is still unsure how the accrual will impact draw reconciliations to the State of New Mexico. The Business Office will review the invoicing status of all construction projects, with facilities, and compare to accounting records. A checklist will be created to ensure all fiscal year expenses are accounted for or accrued at fiscal year-end.

Timeline and Estimated Completion Date: The timeline will commence immediately and will be completed quarterly in fiscal year 2026 and at year-end June 30, 2026.

Responsible Party: Comptroller, Accountants and Facilities Management

New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025

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

2025-004 Capital Asset Depreciation Calculation (Other Matter)

Condition: During our testwork over capital asset additions, we noted that certain classes of asset additions did not have an associated useful life. As a result, depreciation expense totaling \$66,204 was not recorded in the financial statements.

Criteria: Per NMAC 2.2.2.10(A)(1) and GASB Statement No. 34, capital assets should be depreciated over their estimated useful lives. Proper assignment of useful life is required for accurate financial reporting under the business-type activities model.

Cause: Management did not review capital asset reports to ensure depreciation expense was calculated for all assets not fully depreciated.

Effect: Depreciation expense was understated by \$66,204.

Auditor's Recommendation: The University should implement procedures to ensure that all capital asset additions are assigned an appropriate useful life upon acquisition and that depreciation is recorded timely in accordance with GAAP and state requirements.

Views of Responsible Officials and Planned Corrective Action: The University concurs with the recommendation. We are currently implementing a more advanced fixed-asset management system that will strengthen internal controls and improve the accuracy of asset tracking. This system will also enhance our ability to assign appropriate useful lives upon acquisition and ensure depreciation is recorded in a timely manner. In addition, the University will establish a monthly internal review process to verify the completeness and accuracy of all capital asset additions and related depreciation.

Timeline and Estimated Completion Date: Changes will be implemented in January 2026 to be completed by June 30, 2026.

Responsible Party: Director of Purchasing, Comptroller, and Vice President for Finance and Administration.

**New Mexico Highlands University
Schedule of Findings and Responses
June 30, 2025**

SECTION IV: COMPONENT UNIT FINDINGS

None noted.

SECTION V: 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 2025-001)

2024-002 Account Reconciliations (Material Weakness) (Modified and Repeated as Finding 2025-002)

Section 12-6-5 NMSA 1978 Findings

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

2024-008 Late Submission of Audit Report (Noncompliance) (Resolved)

Component Units

New Mexico Highlands University Foundation

2024-009 (2023-13) - Bank Reconciliation Did Not Reconcile to the General Ledger (Other Matter) (Resolved)

Highlands Stable Isotopes Corporation

2024-010 Open Meetings Act – Other Noncompliance (Resolved)

EXIT CONFERENCE

The contents of this report were discussed on November 21, 2025. The following individuals were in attendance:

University Officials

Robert Lucero	Vice-Chair, Board of Regents
Gary Tripp	Secretary/Treasurer, 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
Victoria Lovato	Director of Human Resources
Roberta Ortiz	Executive Assistant to the VPFA/Business Office Analyst

Carr, Riggs & Ingram, LLC

Paul Garcia, CPA	Partner
Colleen Gabaldon	In-Charge

AUDITOR PREPARED FINANCIALS

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