

EDUCATION TRUST BOARD OF NEW MEXICO

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017



**EDUCATION TRUST BOARD OF NEW MEXICO
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YEAR ENDED JUNE 30, 2017**

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**EDUCATION TRUST BOARD OF NEW MEXICO
OFFICIAL ROSTER
JUNE 30, 2017**

Board of Directors

| | |
|---------------------------|---|
| Dr. Barbara Damron, Ph.D. | Chair*/Cabinet Secretary, New Mexico Higher Education Department |
| Robert J. Desiderio, J.D. | Vice Chair, Education Trust Board |
| Dr. Jose Z. Garcia, Ph.D. | Member, Education Trust Board |
| David Jansen | Member, Education Trust Board |
| Mark Jarmie | Member, Education Trust Board |
| Theodore Miller | Executive Director |

* According to state statute, the Chair of the Education Trust Board is the Cabinet Secretary of the Department of Higher Education or the Secretary's designee.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Education Trust Board of New Mexico
and Mr. Mr. Timothy Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the Administrative Fund, the budgetary comparison statement of the Administrative Fund, and the aggregate remaining fund information of the Education Trust Board of New Mexico (NMETB), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise NMETB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Board of Directors
Education Trust Board of New Mexico
and Mr. Mr. Timothy Keller
New Mexico State Auditor

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Administrative Fund, and the aggregate remaining fund information of the NMETB as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the Administrative Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15, the Board recorded a restatement to the Board's fund balance to Correct a previously reported balance. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the NMETB are intended to present the financial position and changes in financial position of the NMETB. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2017, and the changes in its financial position, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NMETB's basic financial statements. The schedules listed as Supplementary Information and information listed as Other Supplementary Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed as supplementary information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves,

Board of Directors
Education Trust Board of New Mexico
and Mr. Mr. Timothy Keller
New Mexico State Auditor

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed as supplementary information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information listed in the table of contents as other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of NMETB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to solely 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 NMETB'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 NMETB's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2017

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following discussion and analysis provides an overview of the financial position and activities of the Education Trust Board of New Mexico (NMETB) as of and for the year ended June 30, 2017. This discussion should be read in conjunction with the accompanying financial statements and notes.

Education Trust Board of New Mexico

NMETB operates as a self-sustaining state entity which is administratively connected to the New Mexico Department of Higher Education (NMHED). NMHED was created as a state agency in 2005 and NMSA 1978 §21-21K-4 (A) (1997) administratively attaches NMETB to NMHED. Case law holds that an administratively attached entity is a "constituent agency." Constituent agencies have the same legal status as their "parent" agency.

NMETB was established by New Mexico statute 21-21K-4 NMSA 1978 (Education Trust Act), which gives NMETB the authority to promulgate rules to carry out the Act, protect the financial integrity of the IRS 529 college savings plans, and to establish and maintain the program in compliance with Section 529 of the Internal Revenue Code. NMSA 1978 sections 21-21K-3 and 21-21K-5 give authority to enter into contracts with investors, review fund investments, pay institutions of higher education on behalf of beneficiaries, be a party to college investment agreements and approve circumstances for pre-designation of the beneficiary, and establish a refund policy.

Financial Highlights

The assets of NMETB exceeded its liabilities at June 30, 2017 by \$8.6 million (net position). The entire amount is considered restricted net position and may be used to meet NMETB's ongoing obligations.

At June 30, 2017, NMETB's Administrative Fund reported total fund balance of \$8.6 million. The fund balance represents 441% of 2017 expenditures.

The fiduciary funds had an increase in net position of approximately \$144.6 million, or 6.3%.

Overview of the Financial Statements

This financial report is comprised of four components: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) notes to the financial statements, and 4) supplementary information.

The statement of net position presents information on all of NMETB's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Administrative Fund is improving or deteriorating.

The statement of activities reports how NMETB's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The focus of the statement of activities is on both the gross and net cost of activities.

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The balance sheet and the statements of revenues, expenditures, and changes in fund balance report NMETB's fund balance and how it has changed. Fund balance, the difference between assets and liabilities, is one way to measure NMETB's financial health or position. Nonfinancial factors are also important to consider, including litigation and the vulnerability of the market in which NMETB's assets are held.

The fund financial statements include all assets and liabilities using the modified accrual basis of accounting, which is consistent with the accounting method used by state and local government entities. Under this method revenues are recognized when susceptible to accrual and expenses are recorded when the liability is incurred.

The governmental activities reflect NMETB's basic services, which include the administration of the Scholar's Edge and The Education Plan. These services are financed primarily through program fees and other general revenues (Investment Income).

Fiduciary fund financial statements present information about the status of the Scholar's Edge and The Education Plan fiduciary activities of NMETB. The financial statements are accompanied by notes that are essential to a full understanding of the financial information in this report.

Financial Analysis — Governmental Activities

Net Position: Assets of governmental activities exceeded governmental activities liabilities by \$8.6 million at June 30, 2017. The following table summarizes NMETB's summarized assets, liabilities, and net position as of June 30:

Summarized Assets, Liabilities, and Net Position

| (In Thousands) | 2017 | 2016 |
|--------------------------|----------|----------|
| ASSETS | | |
| Current and Other Assets | \$ 8,740 | \$ 7,737 |
| Total Assets | 8,740 | 7,737 |
| LIABILITIES | | |
| Cash Overdraft | - | 52 |
| Other Liabilities | 95 | 48 |
| Total Liabilities | 95 | 100 |
| NET POSITION | | |
| Restricted | 8,644 | 7,637 |
| Total Net Position | \$ 8,644 | \$ 7,637 |

As of June 30, 2017, \$8.6 million of net position was restricted for administrative purposes.

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Changes in Net Position: Total revenues for the year ended June 30, 2017 were \$3.0 million compared with expenses of \$2.0 million. The following table summarizes NMETB's changes in net position for the years ended June 30:

Changes in Net Position — For the Year Ended

| (In Thousands) | 2017 | 2016 |
|---|----------|----------|
| REVENUES | | |
| Program Revenues: | | |
| Charges for Goods and Services | \$ 2,929 | \$ 2,917 |
| Total Program Revenues | 2,929 | 2,917 |
| GENERAL REVENUES | | |
| Investment Income | 42 | 19 |
| Total General Revenues | 42 | 19 |
| Total Revenues | 2,971 | 2,936 |
| EXPENSES | | |
| Administration of Educational Savings Plan | 1,964 | 1,877 |
| Total Expenses | 1,964 | 1,877 |
| CHANGE IN NET POSITION | 1,007 | 1,059 |
| Net Position - Beginning of Year, Restated | 7,637 | 6,578 |
| NET POSITION - END OF YEAR, Restated | \$ 8,644 | \$ 7,637 |

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following table summarizes the assets, liabilities, and fund balance of the Administrative Fund as of June 30:

| (In Thousands) | 2017 | 2016 |
|--------------------------|----------|----------|
| ASSETS | | |
| Cash and Investments | \$ 8,341 | \$ 7,345 |
| Current and Other Assets | 399 | 392 |
| Total Assets | \$ 8,740 | \$ 7,737 |
| LIABILITIES | | |
| Liabilities: | | |
| Cash Overdraft | \$ - | \$ 52 |
| Other Liabilities | 86 | 39 |
| Total Liabilities | 86 | 91 |
| FUND BALANCE | | |
| Total Fund Balance | \$ 8,740 | \$ 7,737 |

As of June 30, 2017, total liabilities decreased as there was a cash overdraft in 2016 of \$52 thousand that did not remain in 2017 and other liabilities increased by \$47 thousand in 2017 due to the timing of invoices received at year-end.

The following table summarizes the revenues, expenditures, and changes in fund balance of the Administrative Fund for the years ended June 30:

| (In Thousands) | 2017 | 2016 |
|---|----------|----------|
| Total Revenues | \$ 2,971 | \$ 2,936 |
| Total Expenditures | 1,963 | 1,881 |
| Excess of Revenues over Expenditures | 1,008 | 1,055 |
| Fund Balance - Beginning of Year, As Restated | 7,646 | 6,591 |
| Fund Balance - End of Year | \$ 8,654 | \$ 7,646 |

Total expenditures increased by \$82 thousand or 4.3% to \$2.0 million for the year ended June 30, 2017 compared to \$1.9 million for the year ended June 30, 2016. The increase was primarily related to an increase in contractual services.

Fiduciary Funds Background Information

Scholar's Edge (Advisor Sold) and The Education Plan (Direct Sold)

Scholar's Edge and The Education Plan (Plans) were established by NMETB. The Plans are maintained by the State of New Mexico and are administered by NMETB, which serves as trustee of the Education Trust of New Mexico (Trust). NMETB has the authority to appoint a Program Manager, adopt rules and regulations to implement and administer the Plans and Trust, and establish investment policies for the Trust. OFI Private Investments Inc. (OFIPI) is the Program Manager of the Plans. Oppenheimer Funds Distributor, Inc. (OFDI) is the sole distributor of the Plans. Brown Brothers Harriman (BBH) accounts for the Plans. Both the Plans are accounted for as fiduciary private trust funds.

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The Plans are a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plans are comprised of a variety of different investment portfolios. These portfolios offer different asset allocation mixes to investors based on their needs, time frames, and risk tolerances. In previous years, each portfolio was presented separately in the basic financial statements. Management has elected to present each portfolio as supplementary information following the basic financial statements and related notes.

Financial Analysis – Scholar's Edge

Scholar's Edge condensed statements of fiduciary net position as of June 30 are as follows:

| (In Thousands) | 2017 | 2016 |
|-------------------------------|--------------|--------------|
| ASSETS | | |
| Investments, at Fair Value | \$ 1,895,149 | \$ 1,798,705 |
| Cash | 5,869 | 4,978 |
| Receivables and Other Assets | 4,099 | 3,701 |
| Total Assets | 1,905,117 | 1,807,384 |
| LIABILITIES | | |
| Payable and Other Liabilities | 3,812 | 3,465 |
| Total Liabilities | 3,812 | 3,465 |
| Net Position | \$ 1,901,305 | \$ 1,803,919 |

The investments of the Portfolios increased \$96.4 million from 2016 to 2017 mainly due to market appreciation. 2016 had net shareholder redemptions of \$65 million; and 2017 had net shareholder redemptions of \$76 million.

The majority of the receivables consist of shareholder contributions purchased but not received as of June 30. The majority of the liabilities consisted of shareholder redemptions processed but not yet delivered as of June 30 and payment for securities purchased June 30, but not yet cleared.

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Scholar's Edge condensed statements of changes in fiduciary net position for the years ended June 30 are as follows:

| (In Thousands) | 2017 | 2016 |
|--|--------------|--------------|
| ADDITIONS | | |
| Subscriptions | \$ 558,412 | \$ 562,887 |
| Investment Income: | | |
| Dividend Income and Interest | 35,123 | 28,862 |
| Less: Expenses | 10,912 | 10,869 |
| Net Investment Income | 24,211 | 17,993 |
| Realized Investment Gains | 14,910 | 83,523 |
| Net Increase (Decrease) in Fair Value of Investments | 133,935 | (112,394) |
| Total Additions | 731,468 | 552,009 |
| DEDUCTIONS | | |
| Redemptions | (634,082) | (628,056) |
| CHANGE IN NET POSITION | 97,386 | (76,047) |
| Net Position - Beginning of Year | 1,803,919 | 1,879,966 |
| NET POSITION - END OF YEAR | \$ 1,901,305 | \$ 1,803,919 |

Investment income is comprised of dividend and interest income; expenses are primarily management, distribution, and administrative fees.

Financial Analysis – The Education Plan

The Education Plan condensed statements of fiduciary net position as of June 30 are as follows:

| (In Thousands) | 2017 | 2016 |
|-------------------------------|------------|------------|
| ASSETS | | |
| Investments, at Value | \$ 532,150 | \$ 485,511 |
| Cash | 2,870 | 2,480 |
| Receivables and Other Assets | 1,073 | 800 |
| Total Assets | 536,093 | 488,791 |
| LIABILITIES | | |
| Payable and Other Liabilities | 766 | 684 |
| Total Liabilities | 766 | 684 |
| Net Position | \$ 535,327 | \$ 488,107 |

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The investments of the Portfolios increased \$46.6 million from 2016 to 2017 mainly due to market appreciation. 2016 had net shareholder contributions of \$1 million; and 2017 had net shareholder redemptions of \$307 thousand.

The majority of the receivables consist of shareholder contributions purchased but not received as of June 30. The majority of the liabilities consisted of shareholder redemptions processed but not yet delivered as of June 30 and payment for securities purchased June 30, but not yet cleared.

The Education Plan condensed statements of changes in fiduciary net position for the years ended June 30 are as follows:

| (In Thousands) | 2017 | 2016 |
|--|------------|------------|
| ADDITIONS | | |
| Subscriptions | \$ 164,782 | \$ 154,608 |
| Investment Income: | | |
| Dividend Income and Interest | 5,095 | 4,080 |
| Less: Expenses | 958 | 898 |
| Net Investment Income | 4,137 | 3,182 |
| Realized Investment Gains | 8,471 | 13,036 |
| Net Increase (Decrease) in Fair Value of Investments | 34,919 | (15,806) |
| Total Additions | 212,309 | 155,020 |
| DEDUCTIONS | | |
| Redemptions | (165,089) | (153,476) |
| CHANGE IN NET POSITION | 47,220 | 1,544 |
| Net Position - Beginning of Year | 488,107 | 486,563 |
| NET POSITION - END OF YEAR | \$ 535,327 | \$ 488,107 |

Investment income is comprised of dividend and interest income; expenses are primarily management and administrative fees.

Budget

NMETB adopts an annual budget for the Administrative Fund based upon the recommendation of program staff. NMETB's budget is established through an annual budget adjustment request, subject to the review of the New Mexico Department of Finance and Administration (DFA) and the New Mexico Legislative Finance Committee (LFC). NMETB is not included in the General Appropriations Act (GAA) and does not receive state general fund appropriations, therefore, cash balances remaining at the end of the year do not revert to the New Mexico State General Fund.

Administrative Fund revenues of \$3.0 million were not included in the budget. Actual expenditures of \$2.0 million were less than budgeted expenditures of \$2.9 million.

**EDUCATION TRUST BOARD OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Economic Outlook

NMETB's economic outlook is closely related to the activities and status of the public investment markets. NMETB's Administrative Fund is dependent upon the automatic fee deposit that is made every month, as a percentage of the net position that resides in the two 529 savings plans: the Scholar's Edge and The Education Plan.

NMETB operates as a self-sustaining state entity and has two full-time equivalent employees. The State of New Mexico does not appropriate to NMETB any budgeted amounts.

Contacting Management

This financial report is designed to provide members of NMETB and others with a general overview of NMETB's Administrative and fiduciary funds. If you have questions about this report or need additional financial information, contact the Executive Director at the following address:

Education Trust Board of New Mexico
1516 Paseo de Peralta
Santa Fe, NM 87501

**EDUCATION TRUST BOARD OF NEW MEXICO
BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2017**

| | Administrative Fund - Balance Sheet | Adjustments (Note 12) | Governmental Activities - Statement of Net Position |
|---|---|--------------------------|--|
| ASSETS | | | |
| Current Assets: | | | |
| Local Government Investment Pool | \$ 7,768,231 | \$ - | \$ 7,768,231 |
| State General Fund Investment Pool | 572,551 | - | 572,551 |
| Prepays | 96,630 | - | 96,630 |
| Accounts Receivable | 302,260 | - | 302,260 |
| Total Current Assets | \$ 8,739,672 | \$ - | \$ 8,739,672 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 77,936 | \$ - | \$ 77,936 |
| Accrued Expenses and Compensated Absences | 7,675 | 9,868 | 17,543 |
| Total Current Liabilities | 85,611 | 9,868 | 95,479 |
| FUND BALANCE/NET POSITION | | | |
| Nonspendable | 96,630 | (96,630) | - |
| Restricted for Administrative Purposes | 8,557,431 | 86,762 | 8,644,193 |
| Total Fund Balance/Net Position | 8,654,061 | (9,868) | 8,644,193 |
| Total Liabilities and Fund Balance/Net Position | \$ 8,739,672 | \$ - | \$ 8,739,672 |

See accompanying Notes to Financial Statements.

**EDUCATION TRUST BOARD OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

| | Administrative Fund - Changes In Fund Balance | Adjustments (Note 12) | Governmental Activities - Statement of Activities |
|---|---|--------------------------|--|
| REVENUES | | | |
| Program - Fees | \$ 2,929,182 | \$ - | \$ 2,929,182 |
| General Revenues: | | | |
| Investment Income | 42,296 | - | 42,296 |
| Total Revenues | <u>2,971,478</u> | <u>-</u> | <u>2,971,478</u> |
| EXPENDITURES/EXPENSES | | | |
| Personnel Services and Employee Benefits | 200,217 | 582 | 200,799 |
| Contractual Services | 1,306,395 | - | 1,306,395 |
| Other Costs | 456,982 | - | 456,982 |
| Total Expenditures/Expenses | <u>1,963,594</u> | <u>582</u> | <u>1,964,176</u> |
| NET CHANGE IN FUND BALANCE/NET POSITION | 1,007,884 | (582) | 1,007,302 |
| Fund Balance/Net Position - Beginning of Year | 6,946,177 | 690,714 | 7,636,891 |
| Restatement | 700,000 | (700,000) | - |
| Fund Balance/Net Position - Beginning of Year, Restated | <u>7,646,177</u> | <u>(9,286)</u> | <u>7,636,891</u> |
| FUND BALANCE/NET POSITION - END OF YEAR | <u>\$ 8,654,061</u> | <u>\$ (9,868)</u> | <u>\$ 8,644,193</u> |

See accompanying Notes to Financial Statements.

**EDUCATION TRUST BOARD OF NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES —
BUDGET TO ACTUAL (BUDGETARY BASIS)
ADMINISTRATIVE FUND
YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance From Final Budget Positive (Negative) |
|--|---------------------|---------------------|--|--|
| | Original | Final | | |
| REVENUES | | | | |
| Program - Fees | \$ - | \$ - | \$ 2,929,182 | \$ 2,929,182 |
| Investment Income | - | - | 42,296 | 42,296 |
| Total Revenues | - | - | 2,971,478 | 2,971,478 |
| Budgeted Fund Balance | 2,895,398 | 2,895,398 | - | (2,895,398) |
| Total Revenues & Budgeted Fund Balance | 2,895,398 | 2,895,398 | 2,971,478 | 76,080 |
| EXPENDITURES | | | | |
| Personnel Services and Employee Benefits | 359,398 | 359,398 | 200,217 | 159,181 |
| Contractual Services | 1,855,500 | 1,855,500 | 1,306,395 | 549,105 |
| Other Costs | 680,500 | 680,500 | 456,982 | 223,518 |
| Total Expenditures | <u>\$ 2,895,398</u> | <u>\$ 2,895,398</u> | <u>1,963,594</u> | <u>\$ 931,804</u> |
| NET CHANGE IN FUND BALANCES | | | 1,007,884 | |
| Fund Balance - Beginning of Year, Restated | | | <u>7,646,177</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 8,654,061</u> | |

*P785 Education Trust is the only P-Code NMETB had for the fiscal year ended June 30, 2017.

**EDUCATION TRUST BOARD OF NEW MEXICO
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

| | <u>Scholar's Edge</u> | <u>The Education Plan</u> | <u>Total (Memorandum Only)</u> |
|--|-------------------------------|------------------------------|------------------------------------|
| ASSETS | | | |
| Investments, at Fair Value (Scholar'sEdge Cost \$1,579,240,443; The Education Plan Cost \$415,263,322) | \$1,895,149,211 | \$ 532,149,622 | \$2,427,298,833 |
| Cash | 5,869,091 | 2,869,737 | 8,738,828 |
| Receivables and Other Assets: | | | |
| Receivable for Capital Shares Issued | 2,032,678 | 567,009 | 2,599,687 |
| Receivable for Securities Sold | 581,928 | 297,452 | 879,380 |
| Accrued Income | 1,484,035 | 209,131 | 1,693,166 |
| Total Assets | <u>1,905,116,943</u> | <u>536,092,951</u> | <u>2,441,209,894</u> |
| LIABILITIES AND NET POSITION | | | |
| Liabilities: | | | |
| Payable for Capital Shares Redeemed | 2,066,916 | 442,126 | 2,509,042 |
| Payable for Securities Purchased | 1,745,434 | 323,894 | 2,069,328 |
| Total Liabilities | <u>3,812,350</u> | <u>766,020</u> | <u>4,578,370</u> |
| FIDUCIARY NET POSITION | <u><u>\$1,901,304,593</u></u> | <u><u>\$ 535,326,931</u></u> | <u><u>\$2,436,631,524</u></u> |

See accompanying Notes to Financial Statements.

**EDUCATION TRUST BOARD OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

| | <u>Scholar's Edge</u> | <u>The Education Plan</u> | <u>Total (Memorandum Only)</u> |
|--|-------------------------------|------------------------------|------------------------------------|
| ADDITIONS | | | |
| Subscriptions | \$ 558,412,299 | \$ 164,781,617 | \$ 723,193,916 |
| Investment Income: | | | |
| Dividends Income from Underlying Investments | 35,104,955 | 5,089,812 | 40,194,767 |
| Interest | 17,467 | 4,795 | 22,262 |
| Less: Expenses: | | | |
| Distribution Fees | 7,241,598 | - | 7,241,598 |
| Management Fees | 1,839,230 | 509,461 | 2,348,691 |
| State Administrative Fees | 1,830,851 | 447,929 | 2,278,780 |
| Other Reimbursement | (170) | 262 | 92 |
| Net Investment Income | <u>24,210,913</u> | <u>4,136,955</u> | <u>28,347,868</u> |
| Capital Gains from Underlying Investments | 14,909,647 | 8,472,045 | 23,381,692 |
| Net Increase in Fair Value of Investments | <u>133,935,254</u> | <u>34,918,665</u> | <u>168,853,919</u> |
| Total Additions | <u>731,468,113</u> | <u>212,309,282</u> | <u>943,777,395</u> |
| DEDUCTIONS | | | |
| Redemptions | <u>(634,082,006)</u> | <u>(165,089,104)</u> | <u>(799,171,110)</u> |
| CHANGE IN NET POSITION | 97,386,107 | 47,220,178 | 144,606,285 |
| Fiduciary Net Position - Beginning of Year | <u>1,803,918,486</u> | <u>488,106,753</u> | <u>2,292,025,239</u> |
| FIDUCIARY NET POSITION - END OF YEAR | <u><u>\$1,901,304,593</u></u> | <u><u>\$ 535,326,931</u></u> | <u><u>\$2,436,631,524</u></u> |

See accompanying Notes to Financial Statements.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 ORGANIZATION AND BACKGROUND

The Education Trust Board of New Mexico (NMETB) operates as a self-sustaining state entity which is administratively connected to the New Mexico Department of Higher Education (NMHED). NMHED was created as a state agency in 2005 and NMSA 1978 §21-21K-4 (A) (1997) administratively attaches NMETB to NMHED. Case law holds that an administratively attached entity is a “constituent agency.” Constituent agencies have the same legal status as their “parent” agency. NMETB does not have any component units.

NMETB was established by New Mexico statute 21-21K-4 NMSA 1978 (Education Trust Act) gives NMETB the authority to promulgate rules to carry out the Act; protect the financial integrity of the IRS 529 college savings plans; and preserve program benefits and ensure appropriate use of tax benefits. NMSA 1978 sections 21-21K-3 and 21-21K-5 gives authority to enter into contract with investors, review investments, and pay institutions of higher education on behalf of beneficiaries, be a party to college investment agreements and approve circumstances for predesignation of the beneficiary, and establish a refund policy.

NMETB is the governing body for New Mexico’s IRS section 529 college savings plans and their administration. Members are appointed by the Governor, Senate Pro Tem, and Speaker of the House of Representatives. The NMETB is responsible for making rules and regulations for the development and implementation of the Education Trust Act.

NMETB’s financial statements include statements of financial position and changes in financial position of the Administrative Fund, the budgetary comparison of the Administrative Fund and the fiduciary funds statements of financial position and change in financial position. They are not intended to present the financial position, changes in financial position, and budgetary comparison of the State of New Mexico.

NMETB’s Administrative Fund is a governmental fund used to account for the administrative operations of the NMETB. Scholar’s Edge and The Education Plan College Savings Program (Plans) are NMETB’s fiduciary funds used to account for New Mexico’s IRS section 529 college savings plans. The Plans are maintained and administered by the Board, which serves as trustee of the Education Trust of New Mexico (Trust). The Board has the authority to appoint a program manager, adopt rules and regulations to implement and administer the Plans, and establish investment policies. OFI Private Investments Inc. (OFIPI) is the program manager of the Plans. OppenheimerFunds Distributor, Inc. (OFDI) is the sole distributor of the Plans.

The Plans are a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plans are comprised of 81 different investment portfolios (Portfolios). The Portfolios offer different asset allocation mixes to provide for investors that have different needs, time frames, and risk tolerances. Each portfolio within Scholar’s Edge is offered in retail Class A units, Class B units (which are no longer offered), and Class C units. All classes of units have identical rights to earnings and assets, except for class-specific expenses.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 ORGANIZATION AND BACKGROUND (CONTINUED)

College Savings Plans' assets can be used for qualified educational expenses including tuition and fees, certain room and board expenses, books, and required supplies and equipment at any accredited post-secondary school that is eligible to participate in federal student financial aid programs. This includes most public or private universities, graduate schools, community colleges, and vocational schools. Assets in the plans are subject to investment risk and are not guaranteed by the state.

Investment Portfolios

Scholar's Edge and The Education Plan offer various investment portfolios to accommodate the needs of participants. Investment portfolios of each plan are as follows:

Scholar's Edge Portfolios: Age Based Portfolio 100, Age Based Portfolio 80, Age Based Portfolio 60, Age Based Portfolio 40, Age Based Portfolio 20, Age Based Portfolio 10, Portfolio 100, Portfolio 80, Portfolio 60, Portfolio 40, Portfolio 20, Portfolio 10, Dreyfus Research Growth Portfolio, Value Portfolio, Main Street Mid Cap Portfolio, International Growth Portfolio, American Century Diversified Bond Portfolio, Global Strategic Income Portfolio, Institutional Money Market Portfolio, Capital Preservation Portfolio, Global Portfolio, Discovery Portfolio, Equity Income Portfolio², Global Opportunities Portfolio, Gold & Special Minerals Portfolio, International Bond Portfolio, International Diversified Portfolio, Limited Term Government Portfolio, Main Street Portfolio, Real Estate Portfolio, Rising Dividends Portfolio³, Senior Floating Rate Portfolio, Developing Markets Portfolio, Fixed Income Portfolio, Low Duration Fixed Income Portfolio, Capital Income Portfolio, Main Street Small Cap Portfolio, Monetta Young Investor Portfolio, International Small-Mid Company Portfolio, Global Value Portfolio, MainStay High Yield Corporate Bond Portfolio, Limited-Term Bond Portfolio, Age Based Fixed Income Portfolio and Age Based Low Duration Fixed Income Portfolio.

1 Class B units are no longer offered.

2 Effective February 10, 2017, Equity Income Portfolio merged into Dividend Opportunity Portfolio.

3 Effective October 21, 2016, Rising Dividends Portfolio merged into Main Street Portfolio.

The Plan invests primarily in Underlying Investments managed by OFI Global Asset Management, Inc. (OFI Global) and sub-advised by OppenheimerFunds, Inc. (OFI), Mainstay, American Century, Dreyfus, and Thornburg. The equity, fixed income, and money market mutual funds are registered under the Investment Company Act of 1940, as amended. The registered mutual funds include: Oppenheimer Value Fund, Mainstay MAP Fund, Dreyfus Research Growth Fund, Oppenheimer Main Street Fund, Oppenheimer Main Street Mid Cap Fund, Oppenheimer International Growth Fund, Thornburg International Value Fund, American Century Diversified Bond Fund, Oppenheimer International Bond Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer Global Strategic Income Fund, Mainstay High Yield Corporate Bond Fund, Oppenheimer Senior Floating Rate Fund, Oppenheimer Institutional Government Money Market Fund¹, Oppenheimer Global Fund, Oppenheimer Global Opportunities Fund, Oppenheimer Developing Markets Fund, Oppenheimer International Diversified Fund, Oppenheimer Rising Dividends Fund², Oppenheimer Equity Income Fund, Oppenheimer Discovery Fund, Oppenheimer Commodity Strategy Total Return Fund, Oppenheimer Gold & Special Minerals Fund, and Oppenheimer Real Estate Fund.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 ORGANIZATION AND BACKGROUND (CONTINUED)

Investment Portfolios (Continued)

Scholar's Edge Portfolios (Continued)

Additionally, Scholar's Edge invests in nonregistered investments, including various fixed income products and contracts with New York Life. Both the registered and nonregistered funds are individually or collectively referred to as the Underlying Investments.

1 Effective September 28, 2016, the fund changed its name to Oppenheimer Institutional Government Money Market Fund.

2 Effective October 21, 2016 Oppenheimer Rising Dividends Fund will no longer be offered.

The Education Plan Portfolios: Age Based Portfolio 100, Age Based Portfolio 80, Age Based Portfolio 60, Age Based Portfolio 40, Age Based Portfolio 20, Age Based Portfolio 10, Index Age Based Portfolio 100, Index Age Based Portfolio 80, Index Age Based Portfolio 60, Index Age Based Portfolio 40, Index Age Based Portfolio 20, Index Age Based Portfolio 10, Portfolio 100, Portfolio 80, Portfolio 60, Portfolio 40, Portfolio 20, Portfolio 10, Short Term Yield Portfolio, Index Portfolio 100, Index Portfolio 80, Index Portfolio 60, Index Portfolio 40, Index Portfolio 20, Index Portfolio 10, Age Based Fixed Income Portfolio, Age Based Low Duration Fixed Income Portfolio, Index Age Based Fixed Income Portfolio, Index Age Based Low Duration Fixed Income Portfolio, Fixed Income Portfolio, Low Duration Fixed Income Portfolio, Index Fixed Income Portfolio and Index Low Duration Fixed Income Portfolio.

The Plan invests its assets in partnerships and a combination of mutual funds managed by OFI Global Asset Management, Inc. (OFI Global) and sub-advised by OppenheimerFunds, Inc. (OFI), Dreyfus Corporation, TIAA-CREF, and The Vanguard Group. The Underlying Investments include: Oppenheimer Value Fund, Oppenheimer International Growth Fund, Oppenheimer Main Street Fund, TIAA-CREF International Equity Fund, Dreyfus Bond Market Index Fund, Oppenheimer Institutional Money Market Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer Senior Floating Rate Fund, Oppenheimer Global Fund, Oppenheimer Main Street Mid Cap Fund, Vanguard Extended Market Index Fund, Vanguard Total Stock Market Index Fund, Vanguard Intermediate-Term Bond Index Fund and Dreyfus Institutional S&P 500 Stock Index Fund¹. These mutual funds are diversified management investment companies registered under the Investment Company Act of 1940, as amended.

1 Formerly known as Dreyfus BASIC S&P Stock Index Fund.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements

The statement of net position and statement of activities provide operational accountability information for NMETB as an economic unit. They report the entity's ability to maintain service levels and continue to meet its obligations as they come due.

The accounts of NMETB are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses.

Funds include the Administrative Fund, a governmental fund, and the Scholar's Edge Fund and The Education Plan, both fiduciary funds.

Basis of Accounting

The statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place. Revenue from grants, entitlements, and contributions is recognized in the fiscal year in which eligibility requirements have been satisfied.

NMETB's Administrative Fund is reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available if collected within sixty days after year-end. Program fee revenue set aside for marketing purposes recognized in the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are recorded when the related liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. For this purpose, NMETB considers program fee revenue set aside for marketing purposes to be available if it is collected within 120 days of the end of the current fiscal period.

As fiduciary funds, the Scholar's Edge and The Education Plan financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles in the United States as defined by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows.

Dividends of equity securities are recognized as they are earned and become measurable and available to pay liabilities of the current period.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Nonspendable represents those portions of fund balance that cannot be spent because they are either not in spendable form, inventories and prepaid items, or are legally or contractually required to be maintained intact. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

The total amount of restricted fund balance is \$8,557,431.

Net Position

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Net position is categorized as net investment in capital assets (net of related debt), restricted, and unrestricted, based on the following:

Restricted net position has third-party statutory limitations on their use. When there is an option, NMETB spends restricted resources first.

Restricting statute for both fund balance and net position is 21-21K-4 NMSA 1978 – Education Trust Act. The total amount of the restriction is \$8,644,193.

Unrestricted net position reflects net position of the NMETB not restricted for any project or other purpose.

Cash, Cash Equivalents and Investments

Cash equivalents are defined as highly liquid investments with original maturities of three months or less. NMETB Administrative Fund's cash and cash equivalents consist of cash held at the New Mexico State Treasurer's Office invested in the General Fund Investment Pool.

Security Valuation

Each Portfolio calculates the net asset value of its units as of the close of The New York Stock Exchange (Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Investments are determined as of the close of the Exchange, on each day the Exchange is open for trading. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value); "money market type" debt securities with no contractual maturities or redemption amounts are valued at fair market value.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Security Valuation (Continued)

Each investment asset or liability of the Portfolio is assigned a level at measurement date based on the significance and source of the inputs to its valuation. Various data inputs are used in determining the value of each of the Portfolios' investments as of the reporting period end. These data inputs are categorized in the following hierarchy:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date
- Level 2 Inputs other than unadjusted quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 Significant unobservable inputs

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Security Valuation (Continued)

These investments are classified as follows:

| | Valuation | | | |
|--|-------------------------------|------------------------|-------------|-------------|
| | Fair Value Measurements Using | | | |
| | June 30, 2017 | Level 1 | Level 2 | Level 3 |
| <u>Scholar'sEdge</u> | | | | |
| Investments: | | | | |
| Domestic Equity | \$ 740,707,199 | \$ 740,707,199 | \$ - | \$ - |
| Global & International Equity | 290,013,185 | 290,013,185 | - | - |
| Domestic Fixed Income | 715,964,811 | 715,964,811 | - | - |
| Global Fixed Income | 121,118,382 | 121,118,382 | - | - |
| Balanced Funds | 800,010 | 800,010 | - | - |
| Total Investments by Fair Value Level | <u>1,868,603,587</u> | <u>\$1,868,603,587</u> | <u>\$ -</u> | <u>\$ -</u> |
| Guarantee Investment Contracts | 26,545,624 | | | |
| Total Investments | <u>\$1,895,149,211</u> | | | |

| | Valuation | | | |
|--|-------------------------------|-----------------------|-------------|-------------|
| | Fair Value Measurements Using | | | |
| | June 30, 2017 | Level 1 | Level 2 | Level 3 |
| <u>The Education Plan</u> | | | | |
| Investments: | | | | |
| Domestic Equity | \$ 277,642,910 | \$ 277,642,910 | \$ - | \$ - |
| Global & International Equity | 70,682,340 | 70,682,340 | - | - |
| Domestic Fixed Income | 183,824,372 | 183,824,372 | - | - |
| Total Investments by Fair Value Level | <u>\$ 532,149,622</u> | <u>\$ 532,149,622</u> | <u>\$ -</u> | <u>\$ -</u> |

The Guaranteed Investment contract is measured at contract value.

Guaranteed Investment Contract (GIC) – Scholar's Edge

GIC's are contractual arrangements, not securities and are therefore not subject to custodial credit risk. However, there is a risk that an insurance company could fail to perform its contractual obligations for financial or other reasons.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Security Transactions

Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the high cost method.

Contributions, Withdrawals, and Distributions

The portfolios have authorized an unlimited number of no par values of capital unit transactions. Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Plan Description and Participation Agreement. The portfolios' unit values (net asset values) are determined daily. Net investment income for all portfolios is retained and reflected in the net asset value of each.

Investment Income and Dividends

Dividend income is recorded on the ex-dividend date. Noncash dividends included in dividend income, if any, are recorded at the fair market value of the securities received.

Interest income, which includes accretion of discount and amortization of premium, is accrued as earned. Income and capital gain distributions from the Underlying Investments are recorded on the ex-dividend date. Dividends from income are included in investment income and capital gain distributions are included in net realized gain/loss.

Allocation of Income and Dividends

Income, expenses (other than those attributable to a specific class), gains, and losses are allocated on a daily basis to each class of units based upon the relative proportion of net position represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

The statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position and the balance sheet will also sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. NMETB reported no deferred outflows or inflows of resources as of June 30, 2017.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

NMETB adopts an annual budget for the Administrative Fund based upon the recommendation of program staff. NMETB's budget is established through an annual budget adjustment request, subject to the review of the New Mexico Department of Finance and Administration (DFA) and the New Mexico Legislative Finance Committee (LFC). NMETB is not included in the General Appropriations Act (GAA) and does not receive state general fund appropriations, therefore, cash balances remaining at the end of the year do not revert to the New Mexico State General Fund.

NOTE 3 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents reported in the Administrative Fund at June 30, 2017 include a balance of \$7,768,231 invested with New Mexico State Treasurer's Office (STO) Local Government Investment Pool (LGIP). LGIP deposits are not guaranteed or insured by the State of New Mexico, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, or any other agency or bank. These deposits involve certain investment risks and returns are not guaranteed. As of June 30, 2017, STP provides the following disclosure regarding the LGIP holdings:

New Mexico LGIP AAAM Rated \$7,768,231 [58] day WAM (R); [106] day WAM (F)

Limitations or restrictions on withdrawals:

- Amounts less than \$30 million may be withdrawn within 24 hours of notice to the STO;
- Amounts of \$30 million to \$60 million require notice of 2 business days to the STO;
- Amounts of \$60 million to \$100 million require notice of 5 business days to the STO;
- Amounts in excess of \$100 million require notification of 10 business days to the STO.

Funds are withdrawn from the Pool one business day prior to transfer to maintain the liquidity of the Pool for all participants. With prior approval by the LGIP Bureau Chief or a designee, participant withdrawals made within the 24-hour limitation will be treated as an emergency withdrawal. Participants will be charged an emergency withdrawal fee to cover the cost of the emergency wire. Emergency withdrawal requests must follow the withdrawal procedure outlined above and must include a letter explaining the emergency. The LGIP Bureau reserves the right to decline any emergency withdrawals.

Stability Protection—Notwithstanding the withdrawal guidelines, the STO reserves the right to limit participant withdrawals if the State Treasurer determines that doing so is required to ensure the stability of the LGIP.

The State General Fund Investment Pool balance held by the New Mexico State Treasurer was \$572,551 at June 30, 2017. Funds can be withdrawn from the New Mexico State Treasurer as needed. However, 2.2.2.12(A)(14) NMAC requires NMETB to report this cash balance as an investment. All earnings on deposits are retained by the New Mexico State Treasurer's Office General Fund investment pool; therefore, from the NMETB's perspective,

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

the balances are noninterest bearing and stated at cost. The New Mexico State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 insurance coverage provided by federal agencies.

Accordingly, the New Mexico State Treasurer requires the depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institutions operating results and capital. Collateral is required in amounts equal to 50% of the average investment balance. To obtain pledged collateral, investment risk, custodial credit risk, and insurance coverage information for the NMETB's investment in the New Mexico State Treasurer's General Fund investment pool, a copy of separately issued financial statements as of June 30, 2017 can be obtained from the New Mexico State Treasurer's Office. All collateral is held in third-party safekeeping.

Interest Rate Risk—The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk—The New Mexico State Treasurer's pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2017.

The schedule of individual deposit accounts that the Administrative Fund held as of June 30, 2017 is presented as supplemental information to these financial statements.

Cash reported in the Scholar's Edge and The Education Plan is nonpublic participant deposits. Funds are managed by the program manager of the Plans, OFIPI, and are held by a custodian, CitiBank, a reputable financial institution. Cash balances for each portfolio constituting the Plans are deposited in separate custody accounts and insured by the FDIC up to \$250,000. Cash amounts deposited to these accounts are for re-investment purposes and occasionally may exceed \$250,000. However, cash is typically transferred out of the account to be re-invested and allocated to the underlying investments on a trade date plus one business day basis. As of June 30, 2017, the cash balances reported for the Scholar's Edge and The Education Plan were \$5,869,091 and \$2,869,737, respectively.

NOTE 4 INVESTMENT RISK

Certain investments are subject to investment risk based on the amount of risk in the underlying investments. The NMETB has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires disclosure of essential risk information about deposits and investments. Investments of the NMETB are uninsured and are held in the NMETB's name.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 INVESTMENT RISK (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure, the NMETB's deposits and investments may not be returned promptly. Because investments of the NMETB are generally in mutual funds and other Underlying Investments, this risk is significantly mitigated.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The NMETB invests directly in Underlying Investments. For registered Underlying Investments, prospectuses provide greater detail about the investment strategies and practices in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information investment and policies objectives, as well as information on the company structure and operations. In addition, Program Disclosure Statement and the Participation Agreements provide greater detail about the credit risk, if any, associated with nonregistered Underlying Investments.

Interest Rate Risk

Interest rate risk refers to value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities already held will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect net asset values.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign security. NMETB's Underlying Investments invest in assets denominated in various foreign currencies in pooled vehicles. For registered Underlying Investments, prospectuses provide greater detail about the investment strategies and practices, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Investment and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the risks of investing in foreign currencies by certain nonregistered Underlying Investments.

Concentration of Credit Risk

NMETB's investment policy requires diversification of the portfolio, but does not specify maximum amounts that can be invested in any one investment vehicle, maturity, issuer, or class of securities.

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 INVESTMENT RISK (CONTINUED)

Concentration of Credit Risk (Continued)

Scholar's Edge

| Issue Name | % of Investment |
|------------------------------|-----------------|
| NM 529 AMER CENT DIVERS | 16% |
| OPPENHEIMER MAIN STREET FD-I | 9 |
| OPPENHEIMER VALUE FUND-I | 8 |
| OPPENHEIMER INST MONEY MK L | 8 |
| OPPENHEIMER SR FLOAT RATE-I | 6 |
| OPPENHEIMER INTL GROWTH FD-I | 6 |
| OPPENHEIMER MAIN ST S/C-I | 6 |
| OPPENHEIMER INTL BOND FD-I | 6 |
| OPPENHEIMER LTD TERM GVT-I | 6 |
| OPPENHEIMER LTD-TERM BOND-I | 6 |
| OPPENHEIMER GLOBAL FUND-I | 6 |
| OPPENHEIMER MAIN ST MID CP-I | 5 |

The Education Plan

| Issue Name | % of Investment |
|------------------------------|-----------------|
| NM 529 DREYFUS BND MARKET | 21% |
| OPPENHEIMER INST MONEY MK L | 14 |
| NM529 DREYFUS S&P 500 | 7 |
| VANGUARD TOT STK MKT-INST | 7 |
| OPPENHEIMER MAIN STREET FD-I | 6 |
| OPPENHEIMER VALUE FUND-I | 5 |
| VANGUARD ST BOND INST | 5 |

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 INVESTMENT RISK (CONTINUED)

Credit Risk

As of June 30, 2017, credit ratings for the fixed-income Underlying Investments are as follows:

Scholar's Edge

| | Total Investments | | | | | |
|-------------------|--|---|---|---|--|------------------------------|
| | Oppenheimer Global Strategic Income Fund | Oppenheimer Limited-Term Government Fund | Oppenheimer International Bond Fund | American Century Diversified Bond Fund | Mainstay High Yield Corporate Bond Fund | Limited Term Bond Fund |
| AAA | 17.20 % | 91.25 % | 9.99 % | 57.64 % | - % | 19.10 % |
| AA | 2.17 | 1.37 | 5.58 | 4.64 | - | 5.94 |
| A | 7.02 | 0.65 | 14.39 | 11.12 | 0.20 | 19.14 |
| BBB | 21.75 | 4.39 | 27.20 | 20.96 | 6.60 | 46.31 |
| BB and Lower | 48.52 | 0.30 | 30.29 | 4.55 | 88.40 | 8.65 |
| NRSRO-Rated Total | 96.66 | 97.96 | 87.45 | 98.91 | 95.20 | 99.14 |
| Not Rated | 3.34 | 2.04 | 12.55 | 1.09 | 4.80 | 0.86 |
| Total | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> |

The Education Plan

| | Total Investments | |
|-------------------|---|---|
| | Dreyfus Bond Market Index Fund | Oppenheimer Limited-Term Government Fund |
| AAA | 72.47 % | 91.25 % |
| AA | 5.56 | 1.37 |
| A | 13.01 | 0.65 |
| BBB | 8.96 | 4.39 |
| BB and Lower | - | 0.30 |
| NRSRO-Rated Total | 100.00 | 97.96 |
| Not Rated | - | 2.04 |
| Total | <u>100.00 %</u> | <u>100.00 %</u> |

Interest Rate Risk

As of June 30, 2017, the duration for the fixed-income Underlying Investments of the Scholar's Edge Plan are as follows:

| Investment Global | 2017 (in Years) |
|---|-----------------|
| Oppenheimer Global Strategic Income Bond Fund | 4.26 |
| Oppenheimer Limited-Term Government Fund | 2.03 |
| Oppenheimer International Bond Fund | 4.23 |
| American Century Diversified Bond Fund | 5.97 |
| Mainstay High Yield Corporate Bond Fund | 3 |
| Oppenheimer Limited Term Bond Fund | 1.75 |

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 INVESTMENT RISK (CONTINUED)

Interest Rate Risk (Continued)

As of June 30, 2017, the duration for the fixed-income Underlying Investments of The Education Plan are as follows:

| Investment Global | 2017 (in Years) |
|--|-----------------|
| Dreyfus Bond Market Index Fund | 6.01 |
| Oppenheimer Limited-Term Government Fund | 2.03 |

NOTE 5 ACCOUNTS RECEIVABLE

The accounts receivable reported in the Administrative fund in the amount of \$194,963 represent the administrative fee revenues earned in June but collected in July. In addition, the remaining amount of \$107,297 relates to marketing fee revenues that have not yet been expended by NMETB.

NOTE 6 RETIREMENT BENEFITS — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

NMETB, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense and pension-related deferred inflows and outflows of resources of the primary government will be contained in the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 7 POSTEMPLOYMENT BENEFITS — STATE RETIREE HEALTH CARE PLAN (RHCA)

Plan Description

NMETB contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 7 POSTEMPLOYMENT BENEFITS — STATE RETIREE HEALTH CARE PLAN (RHCA)
(CONTINUED)**

Plan Description (Continued)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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 RHCA 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 Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA 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 if the eligible participant retired prior to the employer's RHCA 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 RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA 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 RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) 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, 2016, the statutes 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 retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 7 POSTEMPLOYMENT BENEFITS — STATE RETIREE HEALTH CARE PLAN (RHCA)
(CONTINUED)**

Funding Policy (Continued)

July 1, 2013, 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 Retiree Health Care Act.

The NMETB's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015, were \$2,993, \$3,005, and \$2,241, respectively, which equal the required contributions for each year.

NOTE 8 NET POSITION BY CAPITAL UNITS OUTSTANDING — SCHOLAR'S EDGE AND THE EDUCATION PLAN

As of June 30, 2017, net position of both plans is summarized by class and capital units outstanding as follows:

| | <u>Net Position</u> | <u>Capital Units Outstanding</u> | <u>Net Asset Value Per Unit</u> |
|---------------------|-------------------------|--------------------------------------|-------------------------------------|
| Scholar'sEdge: | | | |
| Class A | \$ 1,525,807,827 | 57,487,509 | \$ 26.54 |
| Class B | 6,537,347 | 267,163 | 24.47 |
| Class C | 368,959,419 | 15,337,153 | 24.06 |
| Total | <u>\$ 1,901,304,593</u> | | |
| The Education Plan: | | | |
| Direct Sold Class | <u>\$ 535,326,931</u> | 32,093,386 | \$ 16.68 |

NOTE 9 PROGRAM FEE REVENUES

During fiscal year 2017, NMETB received revenue from the program managers to pay its expenses. The agreement in place for fiscal year 2016 through fiscal year 2020 provided fees between 5 and 10 basis points from Oppenheimer Funds based on assets under management.

NOTE 10 RELATED PARTY INFORMATION AND FEES

Administration

NMETB is administratively connected to the New Mexico Department of Higher Education (NMHED). In accordance with the state statute, the Chair of the Education Trust Board is the Cabinet Secretary of the Department of Higher Education.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 RELATED PARTY INFORMATION AND FEES (CONTINUED)

Expenses

The Plans of the fiduciary fund bear certain ongoing fees, which are charged against the assets of the Portfolios, to provide for the cost associated with the distribution, servicing, and administration. There are also indirect fees and expenses of the Underlying Investments in which the Portfolios invest. In addition, there may be certain fees and expenses the NMETB may impose from time to time. The NMETB may change or add new fees at any time.

Program Management Fees

The Portfolios pay an annualized fee on the average daily net position of the Plans of the fiduciary fund, which is paid on a monthly basis to OFIPI for plan administration and investment management services. The Portfolios pay an annualized fee of .10%. OFI Global, an affiliate of the Program Manager, may receive compensation directly from certain of the Underlying Investments in which the Portfolios invest for serving as the investment adviser of those funds. Certain Underlying Investments charge fees at the investing partner level (i.e. Portfolio).

The Plan Manager and the NMETB have agreed to voluntarily waive the program management fee and the administrative fee respectively, (but not below zero) to the extent necessary to assist the Short-Term Yield Portfolio in attempting to maintain at least a zero percent return. There is no guarantee that the Short-Term Yield Portfolio will maintain this return. This undertaking may be amended or withdrawn at any time.

Service Plan for Class A Units—Scholar's Edge

The Portfolios adopted a service plan for Class A units which reimburse the Distributor for a portion of its costs incurred for services provided to accounts that hold Class A units. Reimbursement is made quarterly at an annual rate of up to 0.25% of the average annual net position of Class A units of the Portfolio. The Distributor currently uses those fees to pay dealers, brokers, banks, and other financial institutions quarterly for providing personal services and maintenance of accounts of their customers that hold Class A units. Any unreimbursed expenses the Distributor incurs with respect to Class A units in any fiscal year cannot be recovered in subsequent years.

Service Plan for Class B and C Units—Scholar's Edge

Distribution and service plans for Class B and Class C units compensate the Distributor for its services in connection with the distribution of those units and servicing accounts. Under the plans, the Portfolios pay the Distributor an annual asset-based sales charge of 1.00% per year on Class B and Class C units. The Distributor also receives a service fee of up to 0.25% per year for Class B units and up to 1% for Class C units. If either the Class B or Class C plan is terminated by the Portfolios or by the participants of a class, the board of trustees and its independent trustees must determine whether the Distributor shall be entitled to pay from the Portfolios on all or a portion of the service fee and/or asset-based sales charge in respect to units sold prior to the effective date of such termination.

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 RELATED PARTY INFORMATION AND FEES (CONTINUED)

Sales Charges—Scholar’s Edge

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Portfolios. They are deducted from the proceeds of sales of Portfolio units prior to investment or from redemption proceeds prior to remittance, as applicable. Class A units include a maximum initial sales charge of 4.75%, except the Short-Term Yield Portfolio, which Financial Advisors and the brokers who sell Units of the Short-Term Yield Portfolio do not receive any initial or ongoing compensation. Class B units include a CDSC of 5% (one year) and 4% (since inception). Class C units include the CDSC of 1% for the one-year period.

NOTE 11 INCOME TAXES

The Plans of the fiduciary fund were established under Section 529 of the Internal Revenue Code, which provides that all Portfolios within the Plans shall be exempt from income taxes. Therefore, no federal income tax provision is required. Individual account owners may be subject to federal income tax under certain conditions.

NOTE 12 ADJUSTMENTS

Compensated Absences

Certain amounts of vacation and sick pay earned and not taken are obligations of NMETB and recorded as payables. Sick leave accumulated in excess of 600 hours, not to exceed 120 hours, is payable semiannually at a rate equal to 50% of the employee’s hourly wage. Upon termination, vacation pay up to 240 hours becomes immediately payable. Vacation in excess of 240 hours and the first 600 hours of sick leave are forfeited upon termination. Upon retirement, sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. Accrued vacation and sick pay is recorded as a liability, and the net change during the current year is recorded as an expense in NMETB’s governmental activities.

A summary of changes in accrued vacation and sick pay is as follows:

| | | |
|-------------------------|-----------|--------------|
| Balance - June 30, 2016 | \$ | 9,286 |
| Increases | | - |
| Decreases | | 582 |
| Balance - June 30, 2017 | <u>\$</u> | <u>9,868</u> |

Of the balance outstanding at June 30, 2017, the full amount of \$9,868 is estimated to be due within one year.

EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 RISK MANAGEMENT

The NMETB, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the New Mexico General Services Department. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for the State of New Mexico employees.

NOTE 14 STATE GENERAL FUND INVESTMENT POOL

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process. As of June 30, 2017, the Department of Finance and Administration provides the following assertions:

- 1) Resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- 2) All claims as recorded in SHARE shall be honored at face value.

**EDUCATION TRUST BOARD OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 RESTATEMENT

During fiscal year 2017, the NMETB recorded a restatement to correct a previously reported balance. The fiscal year 2016 financial statements incorrectly reported a \$700,000 deferred inflow of resources, however the amount was received as of June 30, 2016 and should have been recognized as revenue as of June 30, 2016. A summary of the restatement to the beginning fund balance of the Administrative Fund is as follows:

| | Administrative Fund |
|--|------------------------|
| Beginning Fund Balance, as Previously Reported | \$ 6,946,177 |
| Deferred Inflows of Resources | 700,000 |
| Beginning Fund Balance/Net Position, Restated | <u>\$ 7,646,177</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
SCHOLAR'S EDGE
JUNE 30, 2017**

| | Global Portfolio | Discovery Portfolio | Equity Income Portfolio | Commodity Strategy Total Return Portfolio | Global Opportunities Portfolio |
|--|---------------------|------------------------|----------------------------|--|--------------------------------------|
| ASSETS | | | | | |
| Investments, at Value | \$ 1,015,405 | \$ 1,166,932 | \$ - | \$ - | \$ 2,030,330 |
| Cash | 7,139 | 11,305 | - | - | 16,245 |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | 2,675 | 62 | - | - | 2,741 |
| Receivable for Securities Sold | - | - | - | - | - |
| Accrued Income | 4 | 6 | - | - | 10 |
| Total Assets | <u>1,025,223</u> | <u>1,178,305</u> | <u>-</u> | <u>-</u> | <u>2,049,326</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | - | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | - | - | - | - | - |
| Payable for Securities Purchased | - | - | - | - | 4 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 1,025,223</u> | <u>\$ 1,178,305</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,049,322</u> |

| Gold & Special Minerals Portfolio | International Bond Portfolio | International Diversified Portfolio | International Growth Portfolio | Limited Term Government Portfolio | Main Street Portfolio | Real Estate Portfolio | Rising Dividends Portfolio |
|-----------------------------------|------------------------------|-------------------------------------|--------------------------------|-----------------------------------|-----------------------|-----------------------|----------------------------|
| \$ 959,180 | \$ 397,939 | \$ 1,053,999 | \$ 15,198,881 | \$ 876,348 | \$ 18,101,719 | \$ 1,259,905 | \$ - |
| 9,580 | 804 | 8,037 | 49,641 | 8,863 | 97,477 | 12,857 | - |
| 224 | 5 | (18,508) | 4,973 | 22 | 7,115 | 65 | - |
| - | - | - | - | 573 | - | - | - |
| 7 | 1,337 | 6 | 27 | 1,320 | 60 | 9 | - |
| <u>968,991</u> | <u>400,085</u> | <u>1,043,534</u> | <u>15,253,522</u> | <u>887,126</u> | <u>18,206,371</u> | <u>1,272,836</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| 125 | - | (22,123) | 146 | - | 232 | - | - |
| 8,219 | 9,613 | 200 | 243 | 1,354 | 524 | - | - |
| <u>8,344</u> | <u>9,613</u> | <u>(21,923)</u> | <u>389</u> | <u>1,354</u> | <u>756</u> | <u>-</u> | <u>-</u> |
| <u>\$ 960,647</u> | <u>\$ 390,472</u> | <u>\$ 1,065,457</u> | <u>\$ 15,253,133</u> | <u>\$ 885,772</u> | <u>\$ 18,205,615</u> | <u>\$ 1,272,836</u> | <u>\$ -</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
SCHOLAR'S EDGE (CONTINUED)
JUNE 30, 2017**

| | Senior Floating Rate Portfolio | Developing Markets Portfolio | Dividend Opportunity Portfolio | Age Based Portfolio 100 | Age Based Portfolio 80 |
|--|---|------------------------------------|--------------------------------------|----------------------------|---------------------------|
| ASSETS | | | | | |
| Investments, at Value | \$ 3,324,067 | \$ 1,403,936 | \$ 2,660,372 | \$ 39,116,376 | \$ 81,004,343 |
| Cash | 11,314 | 11,961 | - | 131,147 | 558,769 |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | 116 | 73 | 119 | 47,316 | 98,185 |
| Receivable for Securities Sold | - | - | - | 45,670 | 7,180 |
| Accrued Income | 10,982 | 7 | 16 | 63 | 22,255 |
| Total Assets | <u>3,346,479</u> | <u>1,415,977</u> | <u>2,660,507</u> | <u>39,340,572</u> | <u>81,690,732</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | 93 | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | - | - | - | 75,642 | 398,162 |
| Payable for Securities Purchased | 11,292 | 200 | 52 | - | 31,207 |
| Total Liabilities | <u>11,292</u> | <u>200</u> | <u>145</u> | <u>75,642</u> | <u>429,369</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 3,335,187</u> | <u>\$ 1,415,777</u> | <u>\$ 2,660,362</u> | <u>\$ 39,264,930</u> | <u>\$ 81,261,363</u> |

| Age Based Portfolio 60 | Age Based Portfolio 40 | Age Based Portfolio 20 | Age Based Portfolio 10 | Portfolio 100 | Portfolio 80 | Portfolio 60 | Portfolio 40 |
|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------|-----------------------|----------------------|----------------------|
| \$ 157,430,405 | \$ 330,435,931 | \$ 352,453,389 | \$ 288,159,019 | \$ 173,585,759 | \$ 127,312,305 | \$ 98,861,781 | \$ 38,381,022 |
| 382,479 | 976,640 | 531,202 | 589,528 | 192,894 | 283,215 | 129,500 | 197,614 |
| 406,955 | 343,909 | 234,621 | 211,976 | 12,645 | 84,576 | 491,373 | 1,350 |
| 285,840 | - | 100,919 | - | 17,023 | 62,793 | 7,204 | 2,399 |
| 120,517 | 258,624 | 471,664 | 351,709 | 105 | 47,684 | 75,161 | 39,034 |
| <u>158,626,196</u> | <u>332,015,104</u> | <u>353,791,795</u> | <u>289,312,232</u> | <u>173,808,426</u> | <u>127,790,573</u> | <u>99,565,019</u> | <u>38,621,419</u> |
| - | - | - | - | - | - | - | - |
| 265,479 | 177,648 | 200,646 | 256,058 | 113,001 | 75,516 | 93,170 | 14,565 |
| 123,451 | 396,535 | 462,043 | 472,460 | - | 48,796 | 76,988 | 38,842 |
| <u>388,930</u> | <u>574,183</u> | <u>662,689</u> | <u>728,518</u> | <u>113,001</u> | <u>124,312</u> | <u>170,158</u> | <u>53,407</u> |
| <u>\$ 158,237,266</u> | <u>\$ 331,440,921</u> | <u>\$ 353,129,106</u> | <u>\$ 288,583,714</u> | <u>\$ 173,695,425</u> | <u>\$ 127,666,261</u> | <u>\$ 99,394,861</u> | <u>\$ 38,568,012</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
SCHOLAR'S EDGE (CONTINUED)
JUNE 30, 2017**

| | Portfolio 20 | Portfolio 10 | Dreyfus Research Growth Portfolio | Mainstay Map Portfolio | Value Portfolio |
|--|----------------------|----------------------|--|---------------------------|----------------------|
| ASSETS | | | | | |
| Investments, at Value | \$ 12,998,256 | \$ 10,897,163 | \$ 16,391,473 | \$ - | \$ 12,290,215 |
| Cash | 131,668 | 35,040 | 30,055 | - | 27,258 |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | - | 971 | 4,515 | - | 856 |
| Receivable for Securities Sold | 2,247 | - | - | - | - |
| Accrued Income | 17,471 | 16,114 | 17 | - | 17 |
| Total Assets | <u>13,149,642</u> | <u>10,949,288</u> | <u>16,426,060</u> | <u>-</u> | <u>12,318,346</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | - | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | 369,630 | 191 | 1,353 | - | 144 |
| Payable for Securities Purchased | 17,104 | 15,212 | 76 | - | 71 |
| Total Liabilities | <u>386,734</u> | <u>15,403</u> | <u>1,429</u> | <u>-</u> | <u>215</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 12,762,908</u> | <u>\$ 10,933,885</u> | <u>\$ 16,424,631</u> | <u>\$ -</u> | <u>\$ 12,318,131</u> |

| Main Street Mid Cap Portfolio | International Equity Portfolio | American Century Diversified Bond Portfolio | Global Strategic Income Portfolio | Institutional Money Market Portfolio | Capital Preservation Portfolio | Age Based Fixed Income Portfolio | Age Based Low Duration Fixed Income Portfolio |
|-------------------------------------|--------------------------------------|--|--|--|--------------------------------------|--|--|
| \$ 21,061,447 26,941 | \$ - - | \$ 3,795,950 26,522 | \$ 14,428,634 30,512 | \$ 26,754,358 270,451 | \$ 26,682,584 1,073,468 | \$ 3,201,182 - | \$ 2,299,861 - |
| 4,321 | - | 376 | 516 | 21,267 | 886 | 51,234 | - |
| 35,826 | - | 5,566 | 243 | - | - | 11 | - |
| 19 | - | 13 | 10,482 | 16,625 | 168 | 5,430 | 3,736 |
| <u>21,128,554</u> | <u>-</u> | <u>3,828,427</u> | <u>14,470,387</u> | <u>27,062,701</u> | <u>27,757,106</u> | <u>3,257,857</u> | <u>2,303,597</u> |
| - | - | - | - | - | - | 7 | (1) |
| 822 | - | 146 | 854 | 11,636 | 33,873 | - | - |
| - | - | - | 1,930 | - | - | 5,365 | 3,482 |
| <u>822</u> | <u>-</u> | <u>146</u> | <u>2,784</u> | <u>11,636</u> | <u>33,873</u> | <u>5,372</u> | <u>3,481</u> |
| <u>\$ 21,127,732</u> | <u>\$ -</u> | <u>\$ 3,828,281</u> | <u>\$ 14,467,603</u> | <u>\$ 27,051,065</u> | <u>\$ 27,723,233</u> | <u>\$ 3,252,485</u> | <u>\$ 2,300,116</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
SCHOLAR'S EDGE (CONTINUED)
JUNE 30, 2017**

| | Fixed Income Portfolio | Low Duration Fixed Income Portfolio | Capital Income Portfolio | Global Value Portfolio | International Small-Mid Company Portfolio |
|--|---------------------------|---|--------------------------------|------------------------------|--|
| ASSETS | | | | | |
| Investments, at Value | \$ 1,469,068 | \$ 1,806,556 | \$ 800,027 | \$ 281,723 | \$ 570,592 |
| Cash | 352 | 1 | (1,247) | - | - |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | - | 160 | 2,000 | 3,643 | 3,548 |
| Receivable for Securities Sold | - | - | 4,316 | - | - |
| Accrued Income | 2,075 | 3,104 | 3 | 1 | 3 |
| Total Assets | <u>1,471,495</u> | <u>1,809,821</u> | <u>805,099</u> | <u>285,367</u> | <u>574,143</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | - | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | - | - | - | - | - |
| Payable for Securities Purchased | 8,413 | 2,934 | - | - | 200 |
| Total Liabilities | <u>8,413</u> | <u>2,934</u> | <u>-</u> | <u>-</u> | <u>200</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 1,463,082</u> | <u>\$ 1,806,887</u> | <u>\$ 805,099</u> | <u>\$ 285,367</u> | <u>\$ 573,943</u> |

| Limited Term Bond Portfolio | Main Street Small Cap Portfolio | Mainstay High Yield Corporate Bond Portfolio | Monetta Young Investor Portfolio | Total |
|--------------------------------|---------------------------------------|---|---|-------------------------|
| \$ 898,691 | \$ 894,229 | \$ 1,153,746 | \$ 284,113 | \$ 1,895,149,211 |
| - | (1) | - | - | 5,869,231 |
| 48 | 2,053 | 3,524 | 172 | 2,032,678 |
| 4,079 | - | 39 | - | 581,928 |
| 2,036 | 6 | 6,106 | 2 | 1,484,035 |
| 904,854 | 896,287 | 1,163,415 | 284,287 | 1,905,117,083 |
| 1 | - | 39 | 1 | 140 |
| - | - | - | - | 2,066,916 |
| 2,086 | 400 | 6,138 | - | 1,745,434 |
| 2,087 | 400 | 6,177 | 1 | 3,812,490 |
| <u>\$ 902,767</u> | <u>\$ 895,887</u> | <u>\$ 1,157,238</u> | <u>\$ 284,286</u> | <u>\$ 1,901,304,593</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
THE EDUCATION PLAN
JUNE 30, 2017**

| | Age Based Portfolio 100 | Age Based Portfolio 80 | Age Based Portfolio 60 | Age Based Portfolio 40 | Age Based Portfolio 20 |
|--|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| ASSETS | | | | | |
| Investments, at Value | \$ 4,958,482 | \$ 13,323,317 | \$ 29,925,795 | \$ 60,713,369 | \$ 78,666,322 |
| Cash | 50,651 | 135,248 | 182,535 | 450,438 | 174,187 |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | 3,965 | 21,478 | 9,925 | 268,265 | 41,765 |
| Receivable for Securities Sold | - | - | 72,755 | 119,498 | 51,757 |
| Accrued Income | 28 | 2,230 | 7,946 | 27,646 | 55,183 |
| Total Assets | <u>5,013,126</u> | <u>13,482,273</u> | <u>30,198,956</u> | <u>61,579,216</u> | <u>78,989,214</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | - | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | - | 1,197 | 238,551 | 13,371 | 26,544 |
| Payable for Securities Purchased | 2,378 | 4,117 | 8,074 | 24,497 | 46,846 |
| Total Liabilities | <u>2,378</u> | <u>5,314</u> | <u>246,625</u> | <u>37,868</u> | <u>73,390</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 5,010,748</u> | <u>\$ 13,476,959</u> | <u>\$ 29,952,331</u> | <u>\$ 61,541,348</u> | <u>\$ 78,915,824</u> |

| Age Based Portfolio 10 | Portfolio 100 | Portfolio 80 | Portfolio 60 | Portfolio 40 | Portfolio 20 | Portfolio 10 | Short-Term Yield Portfolio |
|---------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|----------------------------------|
| \$ 49,378,696 | \$ 78,031,562 | \$ 28,461,583 | \$ 16,628,067 | \$ 8,829,806 | \$ 4,826,244 | \$ 6,873,694 | \$ 16,311,056 |
| 226,748 | 157,656 | 112,430 | 47,025 | 63,405 | 48,877 | 69,565 | 164,704 |
| 40,540 | 11,829 | 7,613 | 3,315 | 2,330 | 2,510 | 381 | 4,103 |
| - | 10,473 | 26,232 | 12,867 | - | - | - | - |
| 34,232 | 91 | 4,651 | 4,334 | 3,960 | 3,406 | 4,841 | 10,174 |
| 49,680,216 | 78,211,611 | 28,612,509 | 16,695,608 | 8,899,501 | 4,881,037 | 6,948,481 | 16,490,037 |
| - | - | - | - | - | - | - | - |
| 29,216 | 1,650 | 3,349 | 42,354 | - | 339 | 3,706 | 2,793 |
| 170,962 | - | 4,717 | 4,428 | 3,677 | 2,999 | 3,292 | - |
| 200,178 | 1,650 | 8,066 | 46,782 | 3,677 | 3,338 | 6,998 | 2,793 |
| <u>\$ 49,480,038</u> | <u>\$ 78,209,961</u> | <u>\$ 28,604,443</u> | <u>\$ 16,648,826</u> | <u>\$ 8,895,824</u> | <u>\$ 4,877,699</u> | <u>\$ 6,941,483</u> | <u>\$ 16,487,244</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
THE EDUCATION PLAN (CONTINUED)
JUNE 30, 2017**

| | Index Age Based Portfolio 100 | Index Age Based Portfolio 80 | Index Age Based Portfolio 60 | Index Age Based Portfolio 40 | Index Age Based Portfolio 20 |
|--|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| ASSETS | | | | | |
| Investments, at Value | \$ 6,806,150 | \$ 9,031,575 | \$ 8,953,841 | \$ 12,148,967 | \$ 11,106,149 |
| Cash | 69,257 | 91,781 | 90,948 | 123,183 | 112,414 |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | 3,868 | 3,623 | 74,436 | 3,920 | 2,912 |
| Receivable for Securities Sold | 400 | - | 2,030 | - | - |
| Accrued Income | 39 | 1,352 | 2,656 | 5,828 | 7,912 |
| Total Assets | <u>6,879,714</u> | <u>9,128,331</u> | <u>9,123,911</u> | <u>12,281,898</u> | <u>11,229,387</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | - | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | - | 70,757 | 2,500 | - | - |
| Payable for Securities Purchased | - | 1,557 | 2,430 | 5,086 | 8,016 |
| Total Liabilities | <u>-</u> | <u>72,314</u> | <u>4,930</u> | <u>5,086</u> | <u>8,016</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 6,879,714</u> | <u>\$ 9,056,017</u> | <u>\$ 9,118,981</u> | <u>\$ 12,276,812</u> | <u>\$ 11,221,371</u> |

| Index Age Based Portfolio 10 | Index Portfolio 100 | Index Portfolio 80 | Index Portfolio 60 | Index Portfolio 40 | Index Portfolio 20 | Index Portfolio 10 | Age Based Fixed Income Portfolio |
|------------------------------------|--------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|--|
| \$ 7,816,969 79,084 | \$ 27,796,225 191,689 | \$ 13,689,312 73,392 | \$ 11,664,650 30,559 | \$ 6,651,084 62,710 | \$ 5,825,826 33,446 | \$ 3,885,873 27,809 | \$ 798,292 (1) |
| 500 | 9,175 | 2,528 | 2,345 | 192 | 1,654 | 335 | 1,750 |
| - | - | - | - | 1,440 | - | - | - |
| 6,178 | 118 | 1,983 | 3,364 | 3,343 | 4,112 | 3,224 | 869 |
| <u>7,902,731</u> | <u>27,997,207</u> | <u>13,767,215</u> | <u>11,700,918</u> | <u>6,718,769</u> | <u>5,865,038</u> | <u>3,917,241</u> | <u>800,910</u> |
| - | - | - | - | - | - | - | - |
| - | 700 | 125 | - | - | 2,500 | 376 | - |
| 4,030 | 350 | 1,830 | 5,393 | 2,748 | 5,587 | 2,121 | 797 |
| <u>4,030</u> | <u>1,050</u> | <u>1,955</u> | <u>5,393</u> | <u>2,748</u> | <u>8,087</u> | <u>2,497</u> | <u>797</u> |
| <u>\$ 7,898,701</u> | <u>\$ 27,996,157</u> | <u>\$ 13,765,260</u> | <u>\$ 11,695,525</u> | <u>\$ 6,716,021</u> | <u>\$ 5,856,951</u> | <u>\$ 3,914,744</u> | <u>\$ 800,113</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
THE EDUCATION PLAN (CONTINUED)
JUNE 30, 2017**

| | Aged Based Low Duration Fixed Income Portfolio | Fixed Income Portfolio | Low Duration Fixed Income Portfolio | Index Age Based Fixed Income Portfolio | Index Age Based Low Duration Fixed Income Portfolio |
|--|---|---------------------------|---|---|--|
| ASSETS | | | | | |
| Investments, at Value | \$ 323,986 | \$ 2,097,150 | \$ 1,172,282 | \$ 789,311 | \$ 412,983 |
| Cash | - | - | - | - | - |
| Receivables and Other Assets: | | | | | |
| Receivable for Capital Shares Issued | 40,000 | 153 | - | 100 | 621 |
| Receivable for Securities Sold | - | - | - | - | - |
| Accrued Income | 484 | 2,428 | 1,782 | 522 | 439 |
| Total Assets | <u>364,470</u> | <u>2,099,731</u> | <u>1,174,064</u> | <u>789,933</u> | <u>414,043</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities: | | | | | |
| Cash Overdraft | - | - | - | - | - |
| Payables and Other Liabilities: | | | | | |
| Payable for Capital Shares as Redeemed | - | 2,005 | 93 | - | - |
| Payable for Securities Purchased | 436 | 2,229 | 1,612 | 400 | 344 |
| Total Liabilities | <u>436</u> | <u>4,234</u> | <u>1,705</u> | <u>400</u> | <u>344</u> |
| Net Position: | | | | | |
| Held in Trust for Qualified State Tuition Plans and Other Purposes | <u>\$ 364,034</u> | <u>\$ 2,095,497</u> | <u>\$ 1,172,359</u> | <u>\$ 789,533</u> | <u>\$ 413,699</u> |

| Index Fixed Income Portfolio | Index Low Duration Fixed Income Portfolio | Total |
|------------------------------------|--|-----------------------|
| \$ 2,216,307 | \$ 2,034,697 | \$ 532,149,622 |
| - | - | 2,869,740 |
| 78 | 800 | 567,009 |
| - | - | 297,452 |
| 1,429 | 2,347 | 209,131 |
| <u>2,217,814</u> | <u>2,037,844</u> | <u>536,092,954</u> |
| 2 | 1 | 3 |
| - | - | 442,126 |
| 1,093 | 1,848 | 323,894 |
| <u>1,095</u> | <u>1,849</u> | <u>766,023</u> |
| <u>\$ 2,216,719</u> | <u>\$ 2,035,995</u> | <u>\$ 535,326,931</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — SCHOLAR'S EDGE
JUNE 30, 2017**

| | Global Portfolio | Discovery Portfolio | Equity Income Portfolio | Commodity Strategy Total Return Portfolio | Global Opportunities Portfolio |
|----------------------------------|---------------------|------------------------|----------------------------|--|--------------------------------------|
| ADDITIONS | | | | | |
| Subscriptions | \$ 232,475 | \$ 206,329 | \$ 402,521 | \$ - | \$ 757,788 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 9,039 | 36,424 | - | - | 112,769 |
| Interest | 24 | 13 | - | - | 14 |
| Less Expenses: | | | | | |
| Distribution Fees | 3,274 | 4,378 | - | - | 6,584 |
| Management Fees | 862 | 1,088 | - | - | 1,610 |
| State Administrative Fees | 858 | 1,083 | - | - | 1,588 |
| Other Expense | 8 | 8 | - | - | 3 |
| Net Investment Income | 4,061 | 29,880 | - | - | 102,998 |
| Capital Gains (Losses) from | | | | | |
| Underlying Investment | (16,583) | (23,842) | - | - | (3,273) |
| Net Increase (Decrease) in | | | | | |
| Fair Value of Investments | 239,081 | 176,892 | 461,033 | - | 415,853 |
| Total Additions | 459,034 | 389,259 | 863,554 | - | 1,273,366 |
| DEDUCTIONS | | | | | |
| Redemptions | (171,346) | (329,451) | (3,675,700) | - | (456,916) |
| Change in Net Position Held in | | | | | |
| Trust for Individuals | 287,688 | 59,808 | (2,812,146) | - | 816,450 |
| Net Position - Beginning of Year | 737,535 | 1,118,497 | 2,812,146 | - | 1,232,872 |
| Net Position - End of Year | \$ 1,025,223 | \$ 1,178,305 | \$ - | \$ - | \$ 2,049,322 |

| Gold & Special Minerals Portfolio | International Bond Portfolio | International Diversified Portfolio | International Growth Portfolio | Limited Term Government Portfolio | Main Street Portfolio | Real Estate Portfolio | Rising Dividends Portfolio |
|---|------------------------------------|---|--------------------------------------|---|--------------------------|--------------------------|----------------------------------|
| \$ 480,235 | \$ 71,829 | \$ 208,165 | \$ 1,053,607 | \$ 325,334 | \$ 5,126,006 | \$ 475,194 | \$ 256,328 |
| 66,880 | 17,258 | 7,278 | 209,896 | 19,288 | 520,949 | 128,200 | - |
| 12 | 5 | 9 | 135 | 9 | 147 | 13 | - |
| 4,847 | 1,578 | 3,391 | 58,658 | 4,019 | 61,583 | 5,026 | - |
| 1,120 | 356 | 905 | 14,688 | 1,089 | 15,951 | 1,230 | - |
| 1,115 | 354 | 894 | 14,628 | 1,037 | 15,889 | 1,224 | - |
| 3 | 4 | 3 | (4) | (1) | 9 | (1) | - |
| 59,807 | 14,971 | 2,094 | 122,061 | 13,153 | 427,664 | 120,734 | - |
| (50,063) | (2,120) | (3,243) | (79,745) | (9,620) | (88,198) | (18,988) | - |
| (184,721) | 6,011 | 167,046 | 2,097,630 | (8,846) | 2,147,083 | (164,540) | 3,317 |
| 305,258 | 90,691 | 374,062 | 3,193,553 | 320,021 | 7,612,555 | 412,400 | 259,645 |
| (523,723) | (68,753) | (114,564) | (2,970,398) | (659,034) | (2,385,818) | (370,350) | (2,842,029) |
| (218,465) | 21,938 | 259,498 | 223,155 | (339,013) | 5,226,737 | 42,050 | (2,582,384) |
| 1,179,112 | 368,534 | 805,959 | 15,029,978 | 1,224,785 | 12,978,878 | 1,230,786 | 2,582,384 |
| <u>\$ 960,647</u> | <u>\$ 390,472</u> | <u>\$ 1,065,457</u> | <u>\$ 15,253,133</u> | <u>\$ 885,772</u> | <u>\$ 18,205,615</u> | <u>\$ 1,272,836</u> | <u>\$ -</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — SCHOLAR'S EDGE (CONTINUED)
JUNE 30, 2017**

| | Senior Floating Rate Portfolio | Developing Markets Portfolio | Dividend Opportunity Portfolio | Age Based Portfolio 100 | Age Based Portfolio 80 |
|----------------------------------|---|------------------------------------|--------------------------------------|----------------------------|---------------------------|
| ADDITIONS | | | | | |
| Subscriptions | \$ 993,202 | \$ 444,795 | \$ 2,701,669 | \$ 9,520,305 | \$ 31,126,146 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 132,815 | 8,414 | 36,879 | 645,692 | 1,467,026 |
| Interest | 26 | 10 | 4 | 403 | 775 |
| Less Expenses: | | | | | |
| Distribution Fees | 16,415 | 3,939 | 4,374 | 151,574 | 307,123 |
| Management Fees | 2,945 | 1,250 | 1,000 | 41,485 | 81,172 |
| State Administrative Fees | 2,933 | 1,224 | 1,000 | 41,294 | 80,808 |
| Other Expense | - | 4 | - | (27) | 11 |
| Net Investment Income | 110,548 | 2,007 | 30,509 | 411,769 | 998,687 |
| Capital Gains (Losses) from | | | | | |
| Underlying Investment | (24,772) | (39,689) | 788 | 2,335,746 | 1,909,938 |
| Net Increase (Decrease) in | | | | | |
| Fair Value of Investments | 131,722 | 277,686 | 44,233 | 4,619,345 | 9,177,411 |
| Total Additions | 1,210,700 | 684,799 | 2,777,199 | 16,887,165 | 43,212,182 |
| DEDUCTIONS | | | | | |
| Redemptions | (408,329) | (312,751) | (116,837) | (20,857,182) | (40,870,619) |
| Change in Net Position Held in | | | | | |
| Trust for Individuals | 802,371 | 372,048 | 2,660,362 | (3,970,017) | 2,341,563 |
| Net Position - Beginning of Year | 2,532,816 | 1,043,729 | - | 43,234,947 | 78,919,800 |
| Net Position - End of Year | <u>\$ 3,335,187</u> | <u>\$ 1,415,777</u> | <u>\$ 2,660,362</u> | <u>\$ 39,264,930</u> | <u>\$ 81,261,363</u> |

| Age Based Portfolio 60 | Age Based Portfolio 40 | Age Based Portfolio 20 | Age Based Portfolio 10 | Portfolio 100 | Portfolio 80 | Portfolio 60 | Portfolio 40 |
|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------|-----------------------|----------------------|----------------------|
| \$ 52,773,038 | \$ 107,575,847 | \$ 152,966,383 | \$ 114,777,706 | \$ 11,255,276 | \$ 9,567,760 | \$ 10,884,018 | \$ 5,323,359 |
| 3,290,973 | 6,836,435 | 6,592,787 | 5,188,798 | 2,560,469 | 2,148,088 | 1,861,814 | 742,448 |
| 1,634 | 3,279 | 3,047 | 2,476 | 1,558 | 1,164 | 905 | 358 |
| 644,441 | 1,288,099 | 1,273,954 | 1,100,803 | 683,700 | 523,124 | 420,954 | 172,967 |
| 167,712 | 341,018 | 325,990 | 263,415 | 164,362 | 122,763 | 95,258 | 37,778 |
| 166,936 | 339,458 | 324,538 | 262,243 | 163,629 | 122,213 | 94,831 | 37,581 |
| (34) | (25) | 16 | (7) | (16) | (27) | (20) | (13) |
| <u>2,313,552</u> | <u>4,871,164</u> | <u>4,671,336</u> | <u>3,564,820</u> | <u>1,550,352</u> | <u>1,381,179</u> | <u>1,251,696</u> | <u>494,493</u> |
| 6,313,560 | 1,276,461 | (379,815) | (513,380) | 1,662,538 | 1,153,482 | 658,108 | 487,751 |
| 11,680,203 | 23,502,950 | 12,611,862 | 5,654,663 | 26,119,605 | 15,856,465 | 9,582,134 | 2,262,903 |
| <u>73,080,353</u> | <u>137,226,422</u> | <u>169,869,766</u> | <u>123,483,809</u> | <u>40,587,771</u> | <u>27,958,886</u> | <u>22,375,956</u> | <u>8,568,506</u> |
| <u>(90,799,982)</u> | <u>(147,371,363)</u> | <u>(115,677,481)</u> | <u>(97,157,551)</u> | <u>(24,239,275)</u> | <u>(19,505,547)</u> | <u>(16,704,852)</u> | <u>(8,103,067)</u> |
| (17,719,629) | (10,144,941) | 54,192,285 | 26,326,258 | 16,348,496 | 8,453,339 | 5,671,104 | 465,439 |
| <u>175,956,895</u> | <u>341,585,862</u> | <u>298,936,821</u> | <u>262,257,456</u> | <u>157,346,929</u> | <u>119,212,922</u> | <u>93,723,757</u> | <u>38,102,573</u> |
| <u>\$ 158,237,266</u> | <u>\$ 331,440,921</u> | <u>\$ 353,129,106</u> | <u>\$ 288,583,714</u> | <u>\$ 173,695,425</u> | <u>\$ 127,666,261</u> | <u>\$ 99,394,861</u> | <u>\$ 38,568,012</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — SCHOLAR'S EDGE (CONTINUED)
JUNE 30, 2017**

| | Portfolio 20 | Portfolio 10 | Dreyfus Research Growth Portfolio | Mainstay Map Portfolio | Value Portfolio |
|----------------------------------|----------------------|----------------------|--|---------------------------|----------------------|
| ADDITIONS | | | | | |
| Subscriptions | \$ 3,261,721 | \$ 1,772,966 | \$ 1,175,927 | \$ - | \$ 1,582,746 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 251,022 | 216,625 | 150 | - | 192,222 |
| Interest | 117 | 106 | 155 | - | 109 |
| Less Expenses: | | | | | |
| Distribution Fees | 52,985 | 52,007 | 61,998 | - | 45,826 |
| Management Fees | 12,492 | 11,127 | 16,086 | - | 11,423 |
| State Administrative Fees | 12,429 | 11,076 | 16,014 | - | 11,373 |
| Other Expense | (6) | (24) | (6) | - | (6) |
| Net Investment Income | 173,239 | 142,545 | (93,787) | - | 123,715 |
| Capital Gains (Losses) from | | | | | |
| Underlying Investment | (3,628) | 50,230 | 330,759 | - | 93,711 |
| Net Increase (Decrease) in | | | | | |
| Fair Value of Investments | 468,942 | 166,629 | 1,763,848 | - | 1,646,822 |
| Total Additions | 3,900,274 | 2,132,370 | 3,176,747 | - | 3,446,994 |
| DEDUCTIONS | | | | | |
| Redemptions | (3,315,315) | (2,942,847) | (2,799,857) | - | (1,605,782) |
| Change in Net Position Held in | | | | | |
| Trust for Individuals | 584,959 | (810,477) | 376,890 | - | 1,841,212 |
| Net Position - Beginning of Year | 12,177,949 | 11,744,362 | 16,047,741 | - | 10,476,919 |
| Net Position - End of Year | <u>\$ 12,762,908</u> | <u>\$ 10,933,885</u> | <u>\$ 16,424,631</u> | <u>\$ -</u> | <u>\$ 12,318,131</u> |

| Main Street Mid Cap Portfolio | International Equity Portfolio | American Century Diversified Bond Portfolio | Global Strategic Income Portfolio | Institutional Money Market Portfolio | Capital Preservation Portfolio | Age Based Fixed Income Portfolio | Age Based Low Duration Fixed Income Portfolio |
|-------------------------------------|--------------------------------------|--|--|--|--------------------------------------|--|--|
| \$ 1,979,654 | \$ - | \$ 791,404 | \$ 1,006,245 | \$ 11,341,219 | \$ 4,878,151 | \$ 3,338,288 | \$ 2,065,555 |
| 484,638 | - | 109 | 634,904 | 115,198 | 350,087 | 42,742 | 31,898 |
| 192 | - | 37 | 144 | 252 | 271 | 15 | 12 |
| 80,349 | - | 15,200 | 59,469 | - | 85,727 | 10,907 | 7,308 |
| 20,141 | - | 3,934 | 14,838 | 26,446 | 28,297 | 2,087 | 1,607 |
| 20,052 | - | 3,916 | 14,770 | 26,327 | 28,165 | 2,081 | 1,605 |
| (2) | - | 1 | (2) | (6) | 12 | (10) | (11) |
| 364,290 | - | (22,905) | 545,973 | 62,683 | 208,157 | 27,692 | 21,401 |
| 61,441 | - | 24,491 | (173,267) | (1,121) | - | (7,954) | (2,720) |
| 2,354,440 | - | (37,892) | 444,620 | - | - | 16,395 | (5,468) |
| 4,759,825 | - | 755,098 | 1,823,571 | 11,402,781 | 5,086,308 | 3,374,421 | 2,078,768 |
| (2,726,853) | - | (1,077,954) | (2,903,497) | (10,976,036) | (6,312,035) | (1,106,738) | (559,782) |
| 2,032,972 | - | (322,856) | (1,079,926) | 426,745 | (1,225,727) | 2,267,683 | 1,518,986 |
| 19,094,760 | - | 4,151,137 | 15,547,529 | 26,624,320 | 28,948,960 | 984,802 | 781,130 |
| <u>\$ 21,127,732</u> | <u>\$ -</u> | <u>\$ 3,828,281</u> | <u>\$ 14,467,603</u> | <u>\$ 27,051,065</u> | <u>\$ 27,723,233</u> | <u>\$ 3,252,485</u> | <u>\$ 2,300,116</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — SCHOLAR'S EDGE (CONTINUED)
JUNE 30, 2017**

| | Fixed Income Portfolio | Low Duration Fixed Income Portfolio | Capital Income Portfolio | Global Value Portfolio | International Small-Mid Company Portfolio |
|---|---------------------------|---|--------------------------------|------------------------------|--|
| ADDITIONS | | | | | |
| Subscriptions | \$ 847,879 | \$ 1,008,273 | \$ 671,768 | \$ 232,623 | \$ 239,901 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 25,922 | 29,639 | 13,206 | 4 | 2,465 |
| Interest | 10 | 12 | 3 | - | 2 |
| Less Expenses: | | | | | |
| Distribution Fees | 4,992 | 8,114 | 2,390 | 699 | 1,658 |
| Management Fees | 1,262 | 1,500 | 401 | 142 | 432 |
| State Administrative Fees | 1,257 | 1,494 | 400 | 143 | 430 |
| Other Expense | 4 | 1 | (3) | (1) | (1) |
| Net Investment Income | 18,417 | 18,542 | 10,021 | (979) | (52) |
| Capital Gains (Losses) from Underlying Investment | (2,593) | (3,029) | (263) | (133) | 237 |
| Net Increase (Decrease) in Fair Value of Investments | 2,891 | (4,769) | 11,821 | 33,098 | 95,179 |
| Total Additions | 866,594 | 1,019,017 | 693,347 | 264,609 | 335,265 |
| DEDUCTIONS | | | | | |
| Redemptions | (261,460) | (395,814) | (59,138) | (8,775) | (79,530) |
| Change in Net Position Held in Trust for Individuals | 605,134 | 623,203 | 634,209 | 255,834 | 255,735 |
| Net Position - Beginning of Year | 857,948 | 1,183,684 | 170,890 | 29,533 | 318,208 |
| Net Position - End of Year | <u>\$ 1,463,082</u> | <u>\$ 1,806,887</u> | <u>\$ 805,099</u> | <u>\$ 285,367</u> | <u>\$ 573,943</u> |

| Limited Term Bond Portfolio | Main Street Small Cap Portfolio | Mainstay High Yield Corporate Bond Portfolio | Monetta Young Investor Portfolio | Total |
|--------------------------------|---------------------------------------|---|---|-------------------------|
| \$ 791,953 | \$ 763,993 | \$ 936,036 | \$ 220,682 | \$ 558,412,299 |
| 14,511 | 1,817 | 55,161 | 2,016 | 35,104,955 |
| 1 | 3 | 6 | - | 17,467 |
| 1,666 | 2,241 | 2,859 | 398 | 7,241,598 |
| 537 | 478 | 838 | 115 | 1,839,230 |
| 535 | 476 | 835 | 115 | 1,830,851 |
| (1) | (1) | (3) | 1 | (170) |
| 11,775 | (1,374) | 50,638 | 1,387 | 24,210,913 |
| (376) | (997) | (64) | (118) | 14,909,647 |
| (2,800) | 73,348 | 15,999 | 15,130 | 133,935,254 |
| 800,552 | 834,970 | 1,002,609 | 237,081 | 731,468,113 |
| (50,569) | (50,838) | (151,828) | (4,440) | (634,082,006) |
| 749,983 | 784,132 | 850,781 | 232,641 | 97,386,107 |
| 152,784 | 111,755 | 306,457 | 51,645 | 1,803,918,486 |
| <u>\$ 902,767</u> | <u>\$ 895,887</u> | <u>\$ 1,157,238</u> | <u>\$ 284,286</u> | <u>\$ 1,901,304,593</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — THE EDUCATION PLAN
JUNE 30, 2017**

| | Age Based Portfolio 100 | Age Based Portfolio 80 | Age Based Portfolio 60 | Age Based Portfolio 40 | Age Based Portfolio 20 |
|----------------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| ADDITIONS | | | | | |
| Subscriptions | \$ 1,219,164 | \$ 4,339,243 | \$ 8,751,758 | \$ 20,849,152 | \$ 30,698,514 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 57,088 | 151,631 | 342,151 | 637,704 | 781,127 |
| Interest | 62 | 131 | 322 | 606 | 690 |
| Less Expenses: | | | | | |
| Management Fees | 5,305 | 13,812 | 32,833 | 62,926 | 73,624 |
| State Administrative Fees | 5,280 | 13,749 | 32,681 | 62,638 | 73,301 |
| Other Expense | 3 | 89 | (7) | (15) | 8 |
| Net Investment Income | 46,562 | 124,112 | 276,966 | 512,761 | 634,884 |
| Capital Gains (Losses) from | | | | | |
| Underlying Investment | 538,906 | 776,888 | 2,209,781 | 1,505,714 | (49,167) |
| Net Increase (Decrease) in | | | | | |
| Fair Value of Investments | 346,614 | 1,109,027 | 1,174,423 | 2,880,022 | 2,622,840 |
| Total Additions | 2,151,246 | 6,349,270 | 12,412,928 | 25,747,649 | 33,907,071 |
| DEDUCTIONS | | | | | |
| Redemptions | (2,841,335) | (6,483,312) | (17,612,877) | (28,247,815) | (22,727,340) |
| Change in Net Position Held | | | | | |
| in Trust for Individuals | (690,089) | (134,042) | (5,199,949) | (2,500,166) | 11,179,731 |
| Net Position - Beginning of Year | 5,700,837 | 13,611,001 | 35,152,280 | 64,041,514 | 67,736,093 |
| Net Position - End of Year | <u>\$ 5,010,748</u> | <u>\$ 13,476,959</u> | <u>\$ 29,952,331</u> | <u>\$ 61,541,348</u> | <u>\$ 78,915,824</u> |

| Age Based Portfolio 10 | Portfolio 100 | Portfolio 80 | Portfolio 60 | Portfolio 40 | Portfolio 20 | Portfolio 10 | Short-Term Yield Portfolio |
|---------------------------|---------------|---------------|---------------|--------------|--------------|--------------|----------------------------------|
| \$ 22,627,762 | \$ 5,936,609 | \$ 2,820,895 | \$ 2,040,647 | \$ 1,308,280 | \$ 1,330,770 | \$ 1,172,017 | \$ 6,507,255 |
| 396,289 | 794,854 | 303,523 | 168,600 | 90,662 | 50,837 | 59,990 | 70,248 |
| 415 | 690 | 261 | 151 | 88 | 45 | 63 | 155 |
| 44,398 | 73,422 | 27,629 | 16,100 | 9,031 | 4,833 | 6,782 | 16,246 |
| 44,203 | 73,117 | 27,511 | 16,031 | 8,991 | 4,808 | 6,747 | 16,178 |
| 7 | (13) | (2) | 5 | 27 | (3) | (1) | 1 |
| 308,096 | 649,018 | 248,646 | 136,615 | 72,701 | 41,244 | 46,525 | 37,978 |
| (32,941) | 1,817,641 | 753,164 | 292,462 | 293,498 | 16,817 | 13,512 | - |
| 828,580 | 10,632,643 | 3,015,639 | 1,370,876 | 329,206 | 152,713 | 107,702 | - |
| 23,731,497 | 19,035,911 | 6,838,344 | 3,840,600 | 2,003,685 | 1,541,544 | 1,339,756 | 6,545,233 |
| (16,735,894) | (11,007,011) | (5,561,340) | (2,779,488) | (2,866,317) | (1,271,082) | (1,320,729) | (5,354,524) |
| 6,995,603 | 8,028,900 | 1,277,004 | 1,061,112 | (862,632) | 270,462 | 19,027 | 1,190,709 |
| 42,484,435 | 70,181,061 | 27,327,439 | 15,587,714 | 9,758,456 | 4,607,237 | 6,922,456 | 15,296,535 |
| \$ 49,480,038 | \$ 78,209,961 | \$ 28,604,443 | \$ 16,648,826 | \$ 8,895,824 | \$ 4,877,699 | \$ 6,941,483 | \$ 16,487,244 |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — THE EDUCATION PLAN (CONTINUED)
JUNE 30, 2017**

| | Index Age Based Portfolio 100 | Index Age Based Portfolio 80 | Index Age Based Portfolio 60 | Index Age Based Portfolio 40 | Index Age Based Portfolio 20 |
|----------------------------------|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| ADDITIONS | | | | | |
| Subscriptions | \$ 2,061,682 | \$ 4,252,827 | \$ 4,978,172 | \$ 6,540,305 | \$ 5,751,419 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 69,657 | 81,630 | 78,205 | 99,084 | 94,082 |
| Interest | 67 | 79 | 81 | 101 | 93 |
| Less Expenses: | | | | | |
| Management Fees | 6,943 | 8,418 | 8,512 | 10,797 | 10,215 |
| State Administrative Fees | 3,456 | 4,191 | 4,237 | 5,375 | 5,086 |
| Other Expense | 21 | 1 | 6 | 17 | 4 |
| Net Investment Income | 59,304 | 69,099 | 65,531 | 82,996 | 78,870 |
| Capital Gains (Losses) from | | | | | |
| Underlying Investment | 177,737 | 15,897 | 46,360 | 20,306 | (6,756) |
| Net Increase (Decrease) in | | | | | |
| Fair Value of Investments | 903,221 | 1,018,903 | 719,053 | 609,932 | 268,218 |
| Total Additions | 3,201,944 | 5,356,726 | 5,809,116 | 7,253,539 | 6,091,751 |
| DEDUCTIONS | | | | | |
| Redemptions | (3,033,378) | (3,443,289) | (4,786,151) | (5,302,993) | (3,723,353) |
| Change in Net Position Held | | | | | |
| in Trust for Individuals | 168,566 | 1,913,437 | 1,022,965 | 1,950,546 | 2,368,398 |
| Net Position - Beginning of Year | 6,711,148 | 7,142,580 | 8,096,016 | 10,326,266 | 8,852,973 |
| Net Position - End of Year | \$ 6,879,714 | \$ 9,056,017 | \$ 9,118,981 | \$ 12,276,812 | \$ 11,221,371 |

| Index Age Based Portfolio 10 | Index Portfolio 100 | Index Portfolio 80 | Index Portfolio 60 | Index Portfolio 40 | Index Portfolio 20 | Index Portfolio 10 | Age Based Fixed Income Portfolio |
|------------------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| \$ 3,944,624 | \$ 7,094,814 | \$ 2,633,229 | \$ 3,389,823 | \$ 2,593,357 | \$ 1,957,249 | \$ 1,642,775 | \$ 687,112 |
| 60,627 | 244,933 | 125,625 | 93,691 | 60,311 | 51,555 | 32,945 | 7,296 |
| 63 | 225 | 120 | 93 | 61 | 52 | 33 | 1 |
| 6,723 | 24,230 | 12,921 | 10,104 | 6,553 | 5,622 | 3,680 | 532 |
| 3,344 | 12,065 | 6,433 | 5,032 | 3,263 | 2,799 | 1,818 | 532 |
| 2 | 9 | 41 | 8 | 4 | 7 | 4 | 5 |
| 50,621 | 208,854 | 106,350 | 78,640 | 50,552 | 43,179 | 27,476 | 6,228 |
| (1,389) | 45,046 | 33,669 | 3,914 | 11,101 | 18,508 | (1,439) | (271) |
| 63,752 | 3,783,687 | 1,556,184 | 922,472 | 368,719 | 123,789 | 37,685 | 1,710 |
| 4,057,608 | 11,132,401 | 4,329,432 | 4,394,849 | 3,023,729 | 2,142,725 | 1,706,497 | 694,779 |
| (2,555,378) | (4,258,613) | (2,495,573) | (1,573,394) | (2,112,953) | (1,912,342) | (1,133,461) | (286,942) |
| 1,502,230 | 6,873,788 | 1,833,859 | 2,821,455 | 910,776 | 230,383 | 573,036 | 407,837 |
| 6,396,471 | 21,122,369 | 11,931,401 | 8,874,070 | 5,805,245 | 5,626,568 | 3,341,708 | 392,276 |
| \$ 7,898,701 | \$ 27,996,157 | \$ 13,765,260 | \$ 11,695,525 | \$ 6,716,021 | \$ 5,856,951 | \$ 3,914,744 | \$ 800,113 |

**EDUCATION TRUST BOARD OF NEW MEXICO
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION — THE EDUCATION PLAN (CONTINUED)
JUNE 30, 2017**

| | Aged Based Low Duration Fixed Income Portfolio | Fixed Income Portfolio | Low Duration Fixed Income Portfolio | Index Age Based Fixed Income Portfolio | Index Age Based Low Duration Fixed Income Portfolio |
|----------------------------------|---|---------------------------|---|---|--|
| ADDITIONS | | | | | |
| Subscriptions | \$ 399,252 | \$ 1,510,963 | \$ 1,337,064 | \$ 852,742 | \$ 526,066 |
| Investment Income: | | | | | |
| Dividend Income from | | | | | |
| Underlying Investments | 3,835 | 25,193 | 15,190 | 4,248 | 3,384 |
| Interest | 1 | 12 | 3 | 2 | 1 |
| Less Expenses: | | | | | |
| Management Fees | 215 | 1,807 | 832 | 580 | 271 |
| State Administrative Fees | 215 | 1,807 | 832 | 292 | 135 |
| Other Expense | 4 | 29 | - | 3 | 3 |
| Net Investment Income | <u>3,402</u> | <u>21,562</u> | <u>13,529</u> | <u>3,375</u> | <u>2,976</u> |
| Capital Gains (Losses) from | | | | | |
| Underlying Investment | (660) | (5,599) | (1,574) | (3,137) | (1,430) |
| Net Increase (Decrease) in | | | | | |
| Fair Value of Investments | (847) | 2,854 | (3,523) | (600) | (1,420) |
| Total Additions | <u>401,147</u> | <u>1,529,780</u> | <u>1,345,496</u> | <u>852,380</u> | <u>526,192</u> |
| DEDUCTIONS | | | | | |
| Redemptions | (102,767) | (691,440) | (253,347) | (439,891) | (386,927) |
| Change in Net Position Held | | | | | |
| in Trust for Individuals | 298,380 | 838,340 | 1,092,149 | 412,489 | 139,265 |
| Net Position - Beginning of Year | <u>65,654</u> | <u>1,257,157</u> | <u>80,210</u> | <u>377,044</u> | <u>274,434</u> |
| Net Position - End of Year | <u>\$ 364,034</u> | <u>\$ 2,095,497</u> | <u>\$ 1,172,359</u> | <u>\$ 789,533</u> | <u>\$ 413,699</u> |

| Index Fixed Income Portfolio | Index Low Duration Fixed Income Portfolio | Total |
|------------------------------------|--|-----------------------|
| \$ 1,521,904 | \$ 1,504,172 | \$ 164,781,617 |
| 14,793 | 18,824 | 5,089,812 |
| 18 | 10 | 4,795 |
| 2,072 | 1,493 | 509,461 |
| 1,032 | 750 | 447,929 |
| (4) | (1) | 262 |
| <u>11,711</u> | <u>16,592</u> | <u>4,136,955</u> |
| (12,104) | (2,409) | 8,472,045 |
| (15,607) | (9,802) | 34,918,665 |
| <u>1,505,904</u> | <u>1,508,553</u> | <u>212,309,282</u> |
| <u>(1,345,697)</u> | <u>(442,151)</u> | <u>(165,089,104)</u> |
| 160,207 | 1,066,402 | 47,220,178 |
| <u>2,056,512</u> | <u>969,593</u> | <u>488,106,753</u> |
| <u>\$ 2,216,719</u> | <u>\$ 2,035,995</u> | <u>\$ 535,326,931</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
YEAR ENDED JUNE 30, 2017**

| Name of Institution | Account Name | SHARE Fund No. | Deposit Type | Bank Balance at June 30, 2017 | Reconciled Balance at June 30, 2017 |
|---|--|-------------------|-------------------------------------|-------------------------------------|---|
| <u>Governmental Fund Types - General Fund</u> | | | | | |
| NM State Treasurer's Office | Education Trust Board of New Mexico - Administration Fund | 11250 | Interest in SGFIP | \$ 572,551 | \$ 572,551 |
| NM State Treasurer's Office | Education Trust Board of New Mexico - Administration Fund | 11250 | Local Government Investment Pool | <u>7,768,231</u> | <u>7,768,231</u> |
| Total Governmental Fund Types - General Fund | | | | <u>\$ 8,340,782</u> | <u>\$ 8,340,782</u> |
| <u>Fiduciary Fund Types</u> | | | | | |
| CitiBank | Multiple Portfolio Custody Accounts - Scholar's Edge | | Cash Deposits | \$ 5,869,231 | \$ 5,869,231 |
| CitiBank | Multiple Portfolio Custody Accounts - The Education Plan | | Cash Deposits | <u>2,869,740</u> | <u>2,869,740</u> |
| Total Fiduciary Fund Types | | | | <u>\$ 8,738,971</u> | <u>\$ 8,738,971</u> |

**EDUCATION TRUST BOARD OF NEW MEXICO
FUND PERFORMANCE SUMMARY — BY PORTFOLIO —
SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017**

The table below presents the Average Annual Total Returns for each portfolio in the New Mexico Scholar's Edge Savings Program for the 12-month period ended June 30, 2017.

| | A Unit Total Returns % | B Unit Total Returns % | C Unit Total Returns % | Benchmark Return % |
|---|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|
| Age Based Portfolio 100 | 19.72% | 18.81% | 18.81% | 19.06% |
| Age Based Portfolio 80 | 16.28 | 15.41 | 15.42 | 15.38 |
| Age Based Portfolio 60 | 13.09 | 12.23 | 12.22 | 11.86 |
| Age Based Portfolio 40 | 9.28 | 8.42 | 8.43 | 8.14 |
| Age Based Portfolio 20 | 5.46 | 4.61 | 4.64 | 4.43 |
| Age Based Portfolio 10 | 3.55 | 2.76 | 2.77 | 2.57 |
| Age Based Fixed Income Portfolio | 1.77 | 0.98 | 0.99 | 0.81 |
| Age Based Low Duration Fixed Income Portfolio | 0.99 | 0.30 | 0.20 | 0.53 |
| Portfolio 100 | 19.79 | 18.91 | 18.91 | 19.06 |
| Portfolio 80 | 16.43 | 15.54 | 15.56 | 15.38 |
| Portfolio 60 | 13.09 | 12.20 | 12.22 | 11.86 |
| Portfolio 40 | 9.26 | 8.41 | 8.42 | 8.14 |
| Portfolio 20 | 5.48 | 4.62 | 4.66 | 4.43 |
| Portfolio 10 | 3.52 | 2.76 | 2.77 | 2.57 |
| Fixed Income Portfolio | 1.76 | 1.00 | 0.99 | 0.81 |
| Low Duration Fixed Income Portfolio | 0.99 | 0.40 | 0.30 | 0.53 |
| Capital Preservation Portfolio | 0.75 | 0.62 | 0.62 | N/A |
| Value Portfolio | 18.34 | 17.44 | 17.45 | 15.53 |
| Main Street Mid Cap Portfolio | 15.13 | 14.27 | 14.28 | 16.48 |
| Dreyfus Research Growth Portfolio | 13.44 | 12.59 | 12.59 | 20.42 |
| Global Strategic Income Portfolio | 5.82 | 5.01 | 5.03 | (0.31) |
| American Century Diversified Bond Portfolio | (0.76) | (1.50) | (1.49) | (0.31) |
| Institutional Government Money Market Portfolio* | 0.21 | 0.21 | 0.23 | 0.30 |
| Limited Term Bond Portfolio | 1.68 | N/A | 0.99 | 0.38 |
| Global Value Portfolio | 24.81 | N/A | 23.97 | 18.78 |
| International Small-Mid Company Portfolio | 23.75 | N/A | 22.81 | 19.88 |
| Capital Income Portfolio | 5.98 | N/A | 5.20 | 6.00 |
| Main Street Small Cap Portfolio | 22.14 | N/A | 21.26 | 24.60 |
| Global Portfolio | 30.15 | N/A | 29.19 | 18.78 |
| Discovery Portfolio | 17.99 | N/A | 17.17 | 24.40 |
| Global Opportunities Portfolio | 38.38 | N/A | 37.33 | 18.78 |
| Gold & Special Minerals Portfolio | (12.76) | N/A | (13.32) | (16.72) |
| International Bond Portfolio | 5.61 | N/A | 4.77 | (5.01) |
| International Diversified Portfolio | 19.89 | N/A | 19.01 | 20.45 |
| International Growth Portfolio | 15.70 | 14.86 | 14.97 | 20.45 |
| Limited Term Government Portfolio | (0.19) | N/A | (0.99) | (0.07) |
| Main Street Portfolio | 16.41 | 15.51 | 15.51 | 17.90 |
| Real Estate Portfolio | (4.55)% | N/A | (5.24)% | (1.70)% |

**EDUCATION TRUST BOARD OF NEW MEXICO
FUND PERFORMANCE SUMMARY — BY PORTFOLIO —
SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017**

| | A Unit Total <u>Returns %</u> | B Unit Total <u>Returns %</u> | C Unit Total <u>Returns %</u> | Benchmark <u>Return %</u> |
|---|--|--|--|--------------------------------------|
| Senior Floating Rate Portfolio | 8.61 | N/A | 7.83 | 7.19 |
| Developing Markets Portfolio | 22.17 | N/A | 21.26 | 23.75 |
| MainStay High Yield Corporate Bond Portfolio | 9.95 | N/A | 9.14 | 13.02 |
| Monetta Young Investor Portfolio | 19.63 | N/A | 18.80 | 17.90 |
| Dividend Opportunity Portfolio** | 3.70 | N/A | 2.70 | 3.70 |

* Effective September 28, 2016 Oppenheimer Institutional Money Market Fund changed its name to Oppenheimer Institutional Government Money Market Fund.

** Returns since inception February 6, 2017.

**EDUCATION TRUST BOARD OF NEW MEXICO
FUND PERFORMANCE SUMMARY — BY PORTFOLIO
SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017**

The benchmarks for the Scholar's Edge® Portfolios are based on a blend of the benchmarks applicable to each Underlying Investment category, as follows:

| | |
|---|---|
| American Century Diversified Bond Fund | Bloomberg Barclays US Aggregate Bond Index |
| Dreyfus Research Growth Fund | Russell 1000® Growth Index |
| MainStay High Yield Corporate Bond Fund | BofA ML US HY Master II Constrained Index |
| Monetta Young Investor Fund | S&P 500 Index |
| Oppenheimer Capital Income Fund | 65% Bloomberg Barclays US Aggregate Bond Index/35% Russell 3000 Index |
| Oppenheimer Developing Markets Fund | MSCI® Emerging Markets Index |
| Oppenheimer Discovery Fund | Russell 2000® Growth Index |
| Oppenheimer Dividend Opportunity Fund | Russell 3000® Value Index |
| Oppenheimer Global Fund | MSCI® AC World Index |
| Oppenheimer Global Opportunities Fund | MSCI® AC World Index |
| Oppenheimer Global Strategic Income Fund | Bloomberg Barclays U.S. Aggregate Bond Index |
| Oppenheimer Global Value Fund | MSCI AC World Index |
| Oppenheimer Gold & Special Minerals Fund | Philadelphia Gold and Silver Index |
| Oppenheimer Institutional Government Money Market Fund* | iMoneyNet Government Institutional Index |
| Oppenheimer International Bond Fund | Citigroup World Government Bond Index ex U.S. |
| Oppenheimer International Diversified Fund | MSCI® AC World Index ex-U.S. |
| Oppenheimer International Growth Fund | MSCI® AC World ex-U.S. Index |
| Oppenheimer International Small-Mid Company Fund | MSCI ACWI Ex-US SMID Index |
| Oppenheimer Limited-Term Bond Fund | Bloomberg Barclays US Aggregate 1-3 Year Bond Index |
| Oppenheimer Limited-Term Government Fund | Bloomberg Barclays U.S. Government 1-3 Year Bond Index |
| Oppenheimer Value Fund | Russell 1000® Value Index |
| Oppenheimer Main Street Fund® | S&P 500® Index |
| Oppenheimer Main Street Mid Cap Fund® | Russell® Midcap Index |
| Oppenheimer Main Street Small Cap Fund® | Russell 2000® Index |
| Oppenheimer Senior Floating Rate Fund | J.P. Morgan Leveraged Loan Index |
| Oppenheimer Real Estate Fund | FTSE NAREIT Equity REITs Index |

* Effective September 28, 2016 Oppenheimer Institutional Money Market Fund changed its name to Oppenheimer Institutional Government Money Market Fund.

**EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — SCHOLAR'S EDGE (ADVISOR SOLD)
YEAR ENDED JUNE 30, 2017**

| Investment | Investment Return | Benchmark | Benchmark Return | Age Based Portfolio 100 | Age Based Portfolio 80 | Age Based Portfolio 60 | Age Based Portfolio 40 |
|--|--------------------------|--|-------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Oppenheimer Value Fund | 19.06% | Russell 1000® Value Index | 15.53% | 18% | 14% | 11% | 7% |
| Dreyfus Research Growth Fund | 14.05% | Russell 1000® Growth Index | 20.42% | 6% | 5% | 4% | 2% |
| Oppenheimer Main Street Fund | 17.07% | S&P 500® Index | 17.90% | 20% | 16% | 12% | 8% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell® Midcap Index | 16.48% | 9% | 7% | 5% | 4% |
| Oppenheimer Main Street Small Cap Fund | 15.72% | Russell 2000® Index | 24.60% | 14% | 11% | 8% | 6% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® AC World ex-U.S. Index | 20.45% | 13% | 10.5% | 8% | 5% |
| Oppenheimer Global Fund | 31.29% | MSCI® AC World Index | 18.78% | 13% | 10.5% | 8% | 5% |
| Oppenheimer Global Value Fund | 25.58% | MSCI® AC World Index | 18.78% | 7% | 6% | 4% | 3% |
| American Century Diversified Bond Fund | 0.06% | Bloomberg Barclays US Aggregate Bond Index | (0.31%) | —% | 10% | 20% | 24% |
| Oppenheimer International Bond Fund | 6.18% | Citigroup World Government Bond Index ex US | (5.01%) | —% | 4% | 7.5% | 7.5% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays US Aggregate 1-3 Year Bond Index | 0.38% | —% | —% | —% | 5% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | —% | —% | —% | 5% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J.P. Morgan Leveraged Loan Index | 7.19% | —% | 4% | 8% | 9% |
| MainStay High Yield Corporate Bond Fund | 10.67% | BofA ML US HY Master II Constrained Index | 12.74% | —% | 2% | 4.5% | 4.5% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.30% | —% | —% | —% | 5% |

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017

| Investment | Investment Return | Benchmark | Benchmark Return | Age Based Portfolio 20 | Age Based Portfolio 10 | Age Based Fixed Income Portfolio | Age Based Low Duration Fixed Income Portfolio |
|--|--------------------------|--|-------------------------|-------------------------------|-------------------------------|---|--|
| Oppenheimer Value Fund | 19.06% | Russell 1000® Value Index | 15.53% | 4% | 2% | —% | —% |
| Dreyfus Research Growth Fund | 14.05% | Russell 1000® Growth Index | 20.42% | 1% | 1% | —% | —% |
| Oppenheimer Main Street Fund | 17.07% | S&P 500® Index | 17.90% | 4% | 2% | —% | —% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell® Midcap Index | 16.48% | 2% | 1% | —% | —% |
| Oppenheimer Main Street Small Cap Fund | 22.80% | Russell 2000® Index | 24.60% | 3% | 1% | —% | —% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® AC World ex-U.S. Index | 20.45% | 2.5% | 1% | —% | —% |
| Oppenheimer Global Fund | 31.29% | MSCI® AC World Index | 18.78% | 2.5% | 1% | —% | —% |
| Oppenheimer Global Value Fund | 25.58% | MSCI® AC World Index | 18.78% | 1% | 1% | —% | —% |
| American Century Diversified Bond Fund | 0.06% | Bloomberg Barclays US Aggregate Bond Index | (0.31%) | 24% | 20% | 20% | —% |
| Oppenheimer International Bond Fund | 6.18% | Citigroup World Government Bond Index ex US | (5.01%) | 7.5% | 7.5% | 7.5% | —% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays US Aggregate 1-3 Year Bond Index | 0.38% | 12.5% | 15% | 20% | 35% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | 12.5% | 15% | 20% | 35% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J.P. Morgan Leveraged Loan Index | 7.19% | 9% | 8% | 8% | 5% |
| MainStay High Yield Corporate Bond Fund | 10.67% | BofA ML US HY Master II Constrained Index | 12.74% | 4.5% | 4.5% | 4.5% | —% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.30% | 10% | 20% | 20% | 25% |

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017

| Investment | Investment Return | Benchmark | Benchmark Return | Portfolio 100 | Portfolio 80 | Portfolio 60 | Portfolio 40 | Portfolio 20 |
|--|--------------------------|--|-------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Oppenheimer Value Fund | 19.06% | Russell 1000® Value Index | 15.53% | 18% | 14% | 11% | 7% | 4% |
| Dreyfus Research Growth Fund | 14.05% | Russell 1000® Growth Index | 20.42% | 6% | 5% | 4% | 2% | 1% |
| Oppenheimer Main Street Fund | 17.07% | S&P 500® Index | 17.90% | 20% | 16% | 12% | 8% | 4% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell® Midcap Index | 16.48% | 9% | 7% | 5% | 4% | 2% |
| Oppenheimer Main Street Small Cap Fund | 15.72% | Russell 2000® Index | 24.60% | 14% | 11% | 8% | 6% | 3% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® AC World ex-U.S. Index | 20.45% | 13% | 10.5% | 8% | 5% | 2.5% |
| Oppenheimer Global Fund | 31.29% | MSCI® AC World Index | 18.78% | 13% | 10.5% | 8% | 5% | 2.5% |
| Oppenheimer Global Value Fund | 25.58% | MSCI® AC World Index | 18.78% | 7% | 6% | 4% | 3% | 1% |
| American Century Diversified Bond Fund | 0.06% | Bloomberg Barclays US Aggregate Bond Index | (0.31%) | —% | 10% | 20% | 24% | 24% |
| Oppenheimer International Bond Fund | 6.18% | Citigroup World Government Bond Index ex US | (5.01%) | —% | 4% | 7.5% | 7.5% | 7.5% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays US Aggregate 1-3 Year Bond Index | 0.38% | —% | —% | —% | 5% | 12.5% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | —% | —% | —% | 5% | 12.5% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J.P. Morgan Leveraged Loan Index | 7.19% | —% | 4% | 8% | 9% | 9% |
| MainStay High Yield Corporate Bond Fund | 10.67% | BofA ML US HY Master II Constrained Index | 12.74% | —% | 2% | 4.5% | 4.5% | 4.5% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.30% | —% | —% | —% | 5% | 10% |
| NYLIM Funding Agreement | | | | —% | —% | —% | —% | —% |

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017

| Investment | Investment Return | Benchmark | Benchmark Return | Portfolio 10 | Fixed Income Portfolio | Low Duration Fixed Income Portfolio | Capital Preservation Portfolio |
|--|-------------------|--|------------------|--------------|------------------------|-------------------------------------|--------------------------------|
| Oppenheimer Value Fund | 19.06% | Russell 1000® Value Index | 15.53% | 2% | —% | —% | —% |
| Dreyfus Research Growth Fund | 14.05% | Russell 1000® Growth Index | 20.42% | 1% | —% | —% | —% |
| Oppenheimer Main Street Fund | 17.07% | S&P 500® Index | 17.90% | 2% | —% | —% | —% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell® Midcap Index | 16.48% | 1% | —% | —% | —% |
| Oppenheimer Main Street Small Cap Fund | 15.72% | Russell 2000® Index | 24.60% | 1% | —% | —% | —% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® AC World ex-U.S. Index | 20.45% | 1% | —% | —% | —% |
| Oppenheimer Global Fund | 31.29% | MSCI® AC World Index | 18.78% | 1% | —% | —% | —% |
| Oppenheimer Global Value Fund | 25.58% | MSCI® AC World Index | 18.78% | 1% | —% | —% | —% |
| American Century Diversified Bond Fund | 0.06% | Bloomberg Barclays US Aggregate Bond Index | (0.31%) | 20% | 20% | —% | —% |
| Oppenheimer International Bond Fund | 6.18% | Citigroup World Government Bond Index ex US | (5.01%) | 7.5% | 7.5% | —% | —% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays US Aggregate 1-3 Year Bond Index | 0.38% | 15% | 20% | 35% | —% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | 15% | 20% | 35% | —% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J.P. Morgan Leveraged Loan Index | 7.19% | 8% | 8% | 5% | —% |
| MainStay High Yield Corporate Bond Fund | 10.67% | BofA ML US HY Master II Constrained Index | 12.74% | 4.5% | 4.5% | —% | —% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.30% | 20% | 20% | 25% | 5% |
| NYLIM Funding Agreement | | | | —% | —% | —% | 95% |

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017

| Investment | Investment Return | Benchmark | Benchmark Return | Discovery Portfolio | Dividend Opportunity Portfolio | Dreyfus Research Growth Portfolio | Institutional Government Money Market Portfolio | Value Portfolio | Monetta Young Investor Portfolio |
|--|-------------------|--|------------------|---------------------|--------------------------------|-----------------------------------|---|-----------------|----------------------------------|
| Oppenheimer Discovery Fund | 18.96% | Russell 2000® Growth Index | 24.40% | 100% | —% | —% | —% | —% | —% |
| Oppenheimer Dividend Opportunity Fund | 13.93% | Russell 3000® Value Index | 16.21% | —% | 100% | —% | —% | —% | —% |
| Dreyfus Research Growth Fund | 14.05% | Russell 1000® Growth Index | 20.42% | —% | —% | 100% | —% | —% | —% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.30% | —% | —% | —% | 100% | —% | —% |
| Oppenheimer Value Fund | 19.06% | Russell 1000® Value Index | 15.53% | —% | —% | —% | —% | 100% | —% |
| Monetta Young Investor Fund | 19.69% | S&P 500 Index | 17.90% | —% | —% | —% | —% | —% | 100% |

| Investment | Investment Return | Benchmark | Benchmark Return | Main Street Portfolio | Main Street Mid Cap Portfolio | Main Street Small Cap Portfolio | Developing Markets Portfolio | Global Opportunities Portfolio | Global Portfolio |
|--|-------------------|------------------------------|------------------|-----------------------|-------------------------------|---------------------------------|------------------------------|--------------------------------|------------------|
| Oppenheimer Main Street Fund | 17.07% | S&P 500® Index | 17.90% | 100% | —% | —% | —% | —% | —% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell® Midcap Index | 16.48% | —% | 100% | —% | —% | —% | —% |
| Oppenheimer Main Street Small Cap Fund | 15.72% | Russell 2000® Index | 24.60% | —% | —% | 100% | —% | —% | —% |
| Oppenheimer Developing Markets Fund | 22.81% | MSCI® Emerging Markets Index | 23.75% | —% | —% | —% | 100% | —% | —% |
| Oppenheimer Global Opportunities Fund | 39.67% | MSCI® AC World Index | 18.78% | —% | —% | —% | —% | 100% | —% |
| Oppenheimer Global Fund | 31.29% | MSCI® AC World Index | 18.78% | —% | —% | —% | —% | —% | 100% |

| Investment | Investment Return | Benchmark | Benchmark Return | International Diversified Portfolio | International Growth Portfolio | Global Value Portfolio | International Small-Mid Company Portfolio | Limited-Term Government Portfolio | Limited-Term Bond Portfolio |
|--|-------------------|--|------------------|-------------------------------------|--------------------------------|------------------------|---|-----------------------------------|-----------------------------|
| Oppenheimer International Diversified Fund | 20.76% | MSCI® AC World Index ex-U.S. | 20.45% | 100% | —% | —% | —% | —% | —% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® AC World ex-U.S. Index | 20.45% | —% | 100% | —% | —% | % | % |
| Oppenheimer Global Value Fund | 25.58% | MSCI® AC World Index | 18.78% | —% | —% | 100% | —% | —% | —% |
| Oppenheimer International Small-Mid Company Fund | 24.61% | MSCI ACWI ex-US SMID Index | 19.88% | —% | —% | —% | 100% | —% | —% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | —% | —% | —% | —% | 100% | —% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays US Aggregate 1-3 Year Bond Index | 0.38% | —% | —% | —% | —% | —% | 100% |

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — SCHOLAR'S EDGE (ADVISOR SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017

| Investment | Investment Return | Benchmark | Benchmark Return | MainStay High Yield Corporate Bond Portfolio | Senior Floating Rate Portfolio | American Century Diversified Bond Portfolio | International Bond Portfolio | Global Strategic Income Portfolio | Gold & Special Minerals Portfolio |
|--|--------------------------|---|-------------------------|---|---------------------------------------|--|-------------------------------------|--|--|
| MainStay High Yield Corporate Bond Fund | 10.67% | BofA ML US HY Master II Constrained Index | 12.74% | 100% | —% | —% | —% | —% | —% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J.P. Morgan Leveraged Loan Index | 7.19% | —% | 100% | —% | —% | —% | —% |
| American Century Diversified Bond Fund | 0.06% | Bloomberg Barclays US Aggregate Bond Index | (0.31%) | —% | —% | 100% | —% | —% | —% |
| Oppenheimer International Bond Fund | 6.18% | Citigroup World Government Bond Index ex US | (5.01%) | —% | —% | —% | 100% | —% | —% |
| Oppenheimer Global Strategic Income Fund | 6.35% | Bloomberg Barclays U.S. Aggregate Bond Index | (0.31%) | —% | —% | —% | —% | 100% | —% |
| Oppenheimer Gold & Special Minerals Fund | (11.75%) | Philadelphia Gold and Silver Index | (16.72%) | —% | —% | —% | —% | —% | 100% |
| Investment | Investment Return | Benchmark | Benchmark Return | Real Estate Portfolio | Capital Income Portfolio | | | | |
| Oppenheimer Real Estate Fund | (4.00%) | FTSE NAREIT Equity REITs Index | (1.70%) | 100% | —% | | | | |
| Oppenheimer Capital Income Fund | 6.65% | 65% Bloomberg Barclays U.S. Aggregate Bond Index/35% Russell 3000 Index | 6.00% | —% | 100% | | | | |

**EDUCATION TRUST BOARD OF NEW MEXICO
FUND PERFORMANCE SUMMARY — BY PORTFOLIO —
THE EDUCATION PLAN (DIRECT SOLD)
YEAR ENDED JUNE 30, 2017**

The table below presents the Average Annual Total Returns for each portfolio in The Education Plan College Savings Program for the 12-month period ended June 30, 2017.

| | Direct Sold Total Return (%) | Benchmark Return (%) |
|---|------------------------------------|-------------------------|
| | <hr/> | <hr/> |
| Age Based Portfolio 100 | 19.33% | 19.02% |
| Age Based Portfolio 80 | 15.67 | 15.33 |
| Age Based Portfolio 60 | 11.85 | 11.58 |
| Age Based Portfolio 40 | 8.06 | 7.87 |
| Age Based Portfolio 20 | 4.40 | 4.23 |
| Age Based Portfolio 10 | 2.55 | 2.43 |
| Age Based Fixed Income Portfolio | 0.88 | 0.59 |
| Age Based Low Duration Fixed Income Portfolio | 0.79 | 0.20 |
| Portfolio 100 | 19.65 | 19.02 |
| Portfolio 80 | 15.76 | 15.33 |
| Portfolio 60 | 11.82 | 11.58 |
| Portfolio 40 | 8.13 | 7.87 |
| Portfolio 20 | 4.41 | 4.23 |
| Portfolio 10 | 2.46 | 2.43 |
| Short Term Yield Portfolio | 0.24 | 0.30 |
| Fixed Income Portfolio | 0.88 | 0.59 |
| Low Duration Fixed Income Portfolio | 0.99 | 0.20 |
| Index Age Based Portfolio 100 | 18.01 | 18.73 |
| Index Age Based Portfolio 80 | 13.97 | 14.75 |
| Index Age Based Portfolio 60 | 10.26 | 10.88 |
| Index Age Based Portfolio 40 | 6.86 | 7.18 |
| Index Age Based Portfolio 20 | 3.32 | 3.59 |
| Index Age Based Portfolio 10 | 1.70 | 1.90 |
| Index Age Based Fixed Income Portfolio | (0.29) | (0.01) |
| Index Age Based Low Duration Fixed Income Portfolio | 0.00 | 0.17 |
| Index Portfolio 100 | 17.97 | 18.73 |
| Index Portfolio 80 | 14.14 | 14.75 |
| Index Portfolio 60 | 10.34 | 10.88 |
| Index Portfolio 40 | 6.83 | 7.18 |
| Index Portfolio 20 | 3.31 | 3.59 |
| Index Portfolio 10 | 1.71 | 1.90 |
| Index Fixed Income Portfolio | (0.29) | (0.01) |
| Index Low Duration Fixed Income Portfolio | 0.00 | 0.17 |

**EDUCATION TRUST BOARD OF NEW MEXICO
FUND PERFORMANCE SUMMARY — BY PORTFOLIO —
THE EDUCATION PLAN (DIRECT SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017**

The benchmarks for The Education Plan® Portfolios are based on a blend of the benchmarks applicable to each Underlying Investment category, as follows:

| | |
|---|--|
| Oppenheimer Value Fund | Russell 1000® Value Index |
| Oppenheimer International Growth Fund | MSCI® All Country World ex-U.S. Index |
| Oppenheimer Main Street Fund® | S&P 500® Index |
| TIAA CREF International Equity Index Fund | MSCI® EAFE Index |
| Dreyfus Bond Market Index Fund | Bloomberg Barclays U.S. Aggregate Bond Index |
| Oppenheimer Institutional Government Money Market Fund* | iMoneyNet Government Institutional Index |
| Oppenheimer Limited-Term Government Fund | Bloomberg Barclays U.S. Government 1-3 Year Bond Index |
| Oppenheimer Senior Floating Rate Fund | J P Morgan Leveraged Loan Index |
| Oppenheimer Main Street Mid Cap Fund® | Russell Midcap® Index |
| Vanguard Extended Market Index Fund | S&P Completion® Index |
| Vanguard Total Stock Market Index Fund | CRSP U.S. Total Market Index |
| Dreyfus Institutional S&P 500 Stock Index Fund** | S&P 500® Index |
| Oppenheimer Global Fund | MSCI All Country World Index |
| Oppenheimer Limited-Term Bond Fund | Bloomberg Barclays US Aggregate 1-3 Year Bond Index |
| Oppenheimer Main Street Small Cap Fund | Russell 2000 Index |
| Vanguard Short-Term Bond Index Fund | Bloomberg Barclays US 1-5 Years Government/Credit Float Adjusted Index |

* Effective September 28, 2016, Oppenheimer Institutional Money Market Fund changed its name to Oppenheimer Institutional Government Money Market Fund

** Previously Dreyfus BASIC S&P Stock Index Fund

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — THE EDUCATION PLAN (DIRECT SOLD)
YEAR ENDED JUNE 30, 2017

| Custom Choice Portfolios | Investment Return | Benchmark | Benchmark Return | Portfolio 100 | Portfolio 80 | Portfolio 60 | Portfolio 40 | Portfolio 20 | Portfolio 10 |
|--|--------------------------|--|-------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Age Based Portfolios | | | | Age Based Portfolio 100 | Age Based Portfolio 80 | Age Based Portfolio 60 | Age Based Portfolio 40 | Age Based Portfolio 20 | Age Based Portfolio 10 |
| Dreyfus Institutional S&P 500 Stock Index Fund | 17.66% | S&P 500® Index | 17.90% | 20% | 16% | 12% | 8% | 4% | 2% |
| Oppenheimer Value Fund | 19.06% | Russell 1000 Value Index | 15.53% | 14% | 11% | 8% | 6% | 3% | 1% |
| Oppenheimer Main Street Fund | 17.07% | S&P 500 Index | 17.90% | 16% | 13% | 10% | 6% | 3% | 2% |
| Vanguard Extended Market Index Fund | 21.63% | S&P Completion Index | 21.49% | 12% | 9.5% | 7% | 5% | 2.5% | 1% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell Midcap® Index | 16.48% | 4% | 3.5% | 3% | 1.5% | 0.5% | —% |
| Oppenheimer Main Street Small Cap Fund | 15.72% | Russell 2000 Index | 24.60% | 7% | 5.5% | 4% | 2.5% | 1.5% | 1% |
| Oppenheimer Global Fund | 31.29% | MSCI® All Country World Index | 18.78% | 10% | 8% | 6% | 4% | 2% | 1% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® All Country World ex-U.S. Index | 20.45% | 7% | 5.5% | 4% | 3% | 1.5% | 1% |
| TIAA-CREF International Equity Index Fund | 20.06% | MSCI® EAFE Index | 20.27% | 10% | 8% | 6% | 4% | 2% | 1% |
| Dreyfus Bond Market Index Fund | (0.53%) | Bloomberg Barclays U.S. Aggregate Bond Index | (0.31%) | —% | 15% | 32% | 36% | 36% | 32% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays U.S. Aggregate 1-3 Year Bond Index | 0.38% | —% | —% | —% | 2.5% | 7.5% | 5% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | —% | —% | —% | 2.5% | 7.5% | 5% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J P Morgan Leveraged Loan Index | 7.19% | —% | 5% | 8% | 9% | 9% | 8% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.27% | —% | —% | —% | 10% | 20% | 40% |

EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS — THE EDUCATION PLAN (DIRECT SOLD)
YEAR ENDED JUNE 30, 2017

| Custom Choice Portfolios | Investment Return | Benchmark | Benchmark Return | Fixed Income Portfolio | Low Duration Fixed Income Portfolio | Short-Term Yield Portfolio |
|--|-------------------|--|------------------|---|--|----------------------------|
| Age Based Portfolios | | | | Age Based Fixed Income Portfolio | Age Based Low Duration Fixed Income Portfolio | |
| Dreyfus Institutional S&P 500 Stock Index Fund | 17.66% | S&P 500® Index | 17.90% | —% | —% | —% |
| Oppenheimer Value Fund | 19.06% | Russell 1000 Value Index | 15.53% | —% | —% | —% |
| Oppenheimer Main Street Fund | 17.07% | S&P 500 Index | 17.90% | —% | —% | —% |
| Vanguard Extended Market Index Fund | 21.63% | S&P Completion Index | 21.49% | —% | —% | —% |
| Oppenheimer Main Street Mid Cap Fund | 15.72% | Russell Midcap® Index | 16.48% | —% | —% | —% |
| Oppenheimer Main Street Small Cap Fund | 15.72% | Russell 2000 Index | 24.60% | —% | —% | —% |
| Oppenheimer Global Fund | 31.29% | MSCI® All Country World Index | 18.78% | —% | —% | —% |
| Oppenheimer International Growth Fund | 16.44% | MSCI® All Country World ex-U.S. Index | 20.45% | —% | —% | —% |
| TIAA-CREF International Equity Index Fund | 20.06% | MSCI® EAFE Index | 20.27% | —% | —% | —% |
| Dreyfus Bond Market Index Fund | (0.53%) | Bloomberg Barclays U.S. Aggregate Bond Index | (0.31%) | 32% | —% | —% |
| Oppenheimer Limited-Term Bond Fund | 2.22% | Bloomberg Barclays U.S. Aggregate 1-3 Year Bond Index | 0.38% | 20% | 35% | —% |
| Oppenheimer Limited-Term Government Fund | 0.40% | Bloomberg Barclays U.S. Government 1-3 Year Bond Index | (0.07%) | 20% | 35% | —% |
| Oppenheimer Senior Floating Rate Fund | 9.34% | J P Morgan Leveraged Loan Index | 7.19% | 8% | —% | —% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.27% | 20% | 30% | 100% |

**EDUCATION TRUST BOARD OF NEW MEXICO
PORTFOLIO INVESTMENT ALLOCATIONS —
THE EDUCATION PLAN (DIRECT SOLD) (CONTINUED)
YEAR ENDED JUNE 30, 2017**

| Index Custom Choice Portfolios | Investment Return | Benchmark | Benchmark Return | Index Portfolio 100 | Index Portfolio 80 | Index Portfolio 60 | Index Portfolio 40 | Index Portfolio 20 | Index Portfolio 10 |
|--|-------------------|---|------------------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Index Age Based Portfolios | | | | Index Age Based Portfolio 100 | Index Age Based Portfolio 80 | Index Age Based Portfolio 60 | Index Age Based Portfolio 40 | Index Age Based Portfolio 20 | Index Age Based Portfolio 10 |
| Vanguard Total Stock Market Index Fund | 18.50% | CRSP U.S. Total Market Index | 18.49% | 50% | 40% | 30% | 20% | 10% | 5% |
| Dreyfus Institutional S&P 500 Stock Index Fund | 17.66% | S&P 500® Index | 17.90% | 30% | 24% | 18% | 12% | 6% | 3% |
| TIAA-CREF International Equity Index Fund | 20.06% | MSCI® EAFE Index | 20.27% | 20% | 16% | 12% | 8% | 4% | 2% |
| Dreyfus Bond Market Index Fund | (0.53%) | Bloomberg Barclays U.S. Aggregate Bond Index | (0.31%) | —% | 10% | 20% | 20% | 20% | 10% |
| Vanguard Short-Term Bond Index Fund | 0.07% | Bloomberg Barclays U.S. Government 1-5 Year Floated Adjusted Credit Index | 0.11% | —% | 10% | 20% | 30% | 40% | 40% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.27% | —% | —% | —% | 10% | 20% | 40% |

| Index Custom Choice Portfolios | Investment Return | Benchmark | Benchmark Return | Index Fixed Income Portfolio | Index Low Duration Fixed Income Portfolio |
|--|-------------------|---|------------------|--|---|
| Index Age Based Portfolios | | | | Index Age Based Fixed Income Portfolio | Index Age Based Low Duration Fixed Income Portfolio |
| Vanguard Total Stock Market Index Fund | 18.50% | CRSP U.S. Total Market Index | 18.49% | — % | — % |
| Dreyfus Institutional S&P 500 Stock Index Fund | 17.66% | S&P 500® Index | 17.90% | — % | — % |
| TIAA-CREF International Equity Index Fund | 20.06% | MSCI® EAFE Index | 20.27% | — % | — % |
| Dreyfus Bond Market Index Fund | (0.53%) | Bloomberg Barclays U.S. Aggregate Bond Index | (0.31%) | 40% | — % |
| Vanguard Short-Term Bond Index Fund | 0.07% | Bloomberg Barclays U.S. Government 1-5 Year Floated Adjusted Credit Index | 0.11% | 40% | 70% |
| Oppenheimer Institutional Government Money Market Fund | 0.44% | iMoneyNet Government Institutional Index | 0.27% | 20% | 30% |



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

The Board of Directors
Education Trust Board of New Mexico
and Mr. Timothy Keller
New Mexico State Auditor

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 governmental activities, the Administrative Fund, the budgetary comparison statement of the Administrative Fund, and the aggregate remaining fund information of the Education Trust Board of New Mexico (NMETB), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise NMETB's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

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

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

Board of Directors
Education Trust Board of New Mexico
and Mr. Timothy Keller
New Mexico State Auditor

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, which we consider to be a material weakness: 2017-001.

Compliance and Other Matters

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

NMETB's Response to Finding

NMETB's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. NMETB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2017

**EDUCATION TRUST BOARD OF NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017 – 001 – Internal Control over Financial Reporting Administrative Fund (Material Weakness)

Condition: During the audit, a restatement to the beginning fund balance of the administrative fund in the amount of \$700,000 was required due to the incorrect classification of funds received prior to June 30, 2016 as deferred inflows of resources.

Criteria or specific requirement: Per GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available for government-mandated and voluntary non-exchange transactions. “Available” means that the government has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period

Effect: Fund Balance was understated, and Deferred Inflows of resources were overstated by \$700,000 at June 30, 2016.

Cause: Based on our discussion with current management, the \$700,000 was originally deferred as questions arose regarding the availability for the intended use of funding scholarships. Current management provided an interpretation of contractual terms to the auditors during the FY2015 audit, and determined that the funds did not have to be returned and therefore should not be characterized as a deferred inflow of resources, rather should be taken into fund balance. As a result, in Fiscal Year 2015, the \$700,000 deferral was properly reversed as an audit adjustment and taken into net position at the Government-Wide Financial Statement level (Full Accrual), however, this was not reflected in the Fund Level Financial Statements (Modified Accrual). The inconsistent treatment between the fund level and government wide level financial statements was not identified during management’s review of the financial statements.

Recommendation: It is recommended that management ensure adequate controls are established regarding appropriate revenue recognition in accordance with generally accepted accounting principles for all future revenue sources.

Views of responsible officials and planned corrective actions: The CFO has determined to correct this finding by preparing financial reports internally, performing a thorough analysis of balances, as well as variances to budget, and providing such reports to the board for review on a quarterly basis. This will facilitate identifying accounting adjustments throughout the year, and minimize adjustments, if any, at year end. This process has been implemented as of quarter ending September 30, 2017. Additionally, year-end adjustments to convert modified accrual financial statements to full accrual financial statements will be prepared internally, rather than by the external auditors. The Board has contracted with an external CPA to assist with this process.

**EDUCATION TRUST BOARD OF NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

The finding from the prior audit's schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2015 – 001 Lack of Reconciliation Process over SGFIP (Significant Deficiency and Noncompliance)

Condition: During the fiscal year 2016 audit, it was identified that NMETB performed reconciliations to the agency's claim of cash held by the State Treasurer's Office in the State General Fund Investment Pool (SGFIP). However, a lack of controls over the process did not allow the agency to identify an overdraft of cash in the pool as of year-end. The amount was \$51,890. This issue was isolated to the fiscal year-end.

Status: Corrective action was taken.

**EDUCATION TRUST BOARD OF NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

An exit conference was held with NMETB on October 27, 2017. The conference was held at NMETB's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

EDUCATION TRUST BOARD OF NEW MEXICO

| | |
|---------------------------------|--|
| Dr. Barbara Damron | Board Chair |
| Theodore Miller | Executive Director |
| Vera Lyons | Financial Coordinator |
| Janet Pacheco-Morton, CPA, CGFM | Board Consultant, Morton Accounting Services |

CLIFTONLARSONALLEN LLP

| | |
|----------------------------|------------------|
| Matt Bone, CPA, CGFM, CGMA | Principal |
| Elizabeth Nunez, CPA | Senior Associate |

PREPARATION OF FINANCIAL STATEMENTS

NMETB's independent public accountants assisted in the preparation of the financial statements for the Administrative Fund presented in this report. However, NMETB is responsible for the financial statement and disclosure content. NMETB's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.