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# Education Trust Board of New Mexico

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*Financial Statements  
and  
Independent Auditor's Report  
June 30, 2013*

**REDW**<sup>LLC</sup>  
CPAs | Business & Financial Advisors

# Education Trust Board of New Mexico

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# **Education Trust Board of New Mexico**

**Official Roster  
June 30, 2013**

## **Board of Directors**

Dr. Jose Garcia, Ph.D.	<i>Chair*/Cabinet Secretary, New Mexico Higher Education Department</i>
Robert J. Desiderio, J.D.	<i>Vice Chair, Education Trust Board</i>
Trevor Serrao	<i>Student Member, Education Trust Board</i>
Robbie Heyman, Esq.	<i>Member, Education Trust Board</i>

*\*According to state statute, the Chair of the Education Trust Board is the Cabinet Secretary of the Department of Higher Education. If the Cabinet Secretary chooses to, the Cabinet Secretary can designate an individual that is confirmed by the Governor, Senate Pro Team, and the Speaker of the House of Representatives.*

## Independent Auditor's Report

The Board of Directors  
The Education Trust Board of New Mexico  
and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the Administrative Fund, each fiduciary fund (Scholar'sEdge and the Education Plan) and the budgetary comparison for the Administrative Fund of the Education Trust Board of New Mexico (the "NMETB"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***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 each fiduciary fund (Scholar'sEdge and the Education Plan) of the NMETB as of June 30, 2013, and the respective changes in financial position and the Administrative Fund budgetary comparison, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the NMETB and do not purport to and do not, present fairly the financial position of the State of New Mexico as of June 30, 2013, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-14 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 NMETB's financial statements. The schedules listed as Supplementary Information in the table of contents including the schedule required by 2.2.2.NMAC, and the portfolio information listed in the table of contents as Other Supplementary Information 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 including the schedule required by 2.2.2 *NMAC*, 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, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules listed as Supplementary Information in the table of contents including the schedule required by 2.2.2.*NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The portfolio 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 December 5, 2013 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 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 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.

REDWLLC

Phoenix, Arizona  
December 5, 2013

# **Education Trust Board of New Mexico**

## **Management's Discussion and Analysis**

### **June 30, 2013**

The following discussion and analysis provides an overview of the financial position and activities of the Education Trust Board of New Mexico (the "NMETB") as of and for the year ended June 30, 2013. This discussion should be read in conjunction with the accompanying financial statements and notes.

#### **Education Trust Board of New Mexico**

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

The 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; 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 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 predesignation of the beneficiary; and establish a refund policy.

#### **Financial Highlights**

The assets of the NMETB exceeded its liabilities at June 30, 2013 by \$4,590,489 (net position). The entire amount is considered unrestricted net position and may be used to meet NMETB's ongoing obligations.

At June 30, 2013, NMETB's Administrative Fund reported total fund balance of \$4,599,726. The fund balance represents 87% of 2013 expenditures.

The fiduciary funds had an increase in net position of approximately \$162.42 million, or 8%.

#### **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 the 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.



**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2013**

The statement of activities reports how the 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.

The balance sheet and the statements of revenues, expenditures, and changes in fund balance report the NMETB's fund balance and how it has changed. Fund balance, the difference between assets and liabilities, is one way to measure the NMETB's financial health or position. Nonfinancial factors are also important to consider, including litigation and the vulnerability of the market in which the 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 the NMETB's basic services which includes the administration of the Scholar'sEdge and the Education Plan. These services are financed primarily through charges for services and other general revenues.

Fiduciary fund financial statements present information about the status of the Scholar'sEdge 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 \$4.6 million at June 30, 2013. The following table summarizes the NMETB's summarized assets, liabilities and net position as of June 30 (in thousands):

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**Summarized Assets, Liabilities and Net Position – For the Year Ended**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current and other assets	\$ <u>8,787</u>	\$ 8,311
Total assets	<u>8,787</u>	<u>8,311</u>
<b>Liabilities</b>		
Other liabilities	<u>4,197</u>	<u>598</u>
Total liabilities	<u>4,197</u>	<u>598</u>
<b>Net position</b>		
Unrestricted	<u>4,590</u>	<u>7,713</u>
Total net position	<u>\$ 4,590</u>	<u>\$ 7,713</u>

As of June 30, 2013, \$4.6 million of net position was unrestricted for future operations.

**Changes in Net Position.** Total revenues for the year ended June 30, 2013, were \$2.1 million compared with expenses of \$5.2 million. The following table summarizes the NMETB's changes in net position for the years ended June 30 (in thousands):

**Changes in Net Position – For the Year Ended**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program revenues		
Charges for goods and services	\$ <u>2,035</u>	\$ 2,158
Total program revenues	<u>2,035</u>	<u>2,158</u>
<b>General revenues</b>		
Investment income	79	2
Scholarship revenue	<u>-</u>	<u>500</u>
Total general revenues	<u>79</u>	<u>502</u>
Total revenues	<u>2,114</u>	<u>2,660</u>
<b>Expenses</b>		
Administration of educational savings plan	<u>5,237</u>	<u>1,684</u>
Total expenses	<u>5,237</u>	<u>1,684</u>
Change in net position	(3,123)	976
Net position—beginning of year	<u>7,713</u>	<u>6,737</u>
<b>Net position—end of year</b>	<u>\$ 4,590</u>	<u>\$ 7,713</u>

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**Management's Discussion and Analysis**  
**June 30, 2013**

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

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and investments	\$ 8,613	\$ 8,154
Accounts receivables	<u>174</u>	<u>157</u>
Total assets	<u>\$ 8,787</u>	<u>\$ 8,311</u>
<b>Liabilities</b>		
Accounts payable	\$ 372	\$ 586
Accrued expenses	<u>3,815</u>	<u>6</u>
Total liabilities	<u>4,187</u>	592
Fund balance	<u>4,600</u>	<u>7,719</u>
Total liabilities and fund balance	<u>\$ 8,787</u>	<u>\$ 8,311</u>

As of June 30, 2013, total assets and fund balance increased due to the continuing receipt of the administration fee, as outlined in the Program Management Agreement. The deposit is made automatically each month based on the value of accounts managed in the Scholar'sEdge and the Education Plan, which are fiduciary funds of the NMETB.

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

	<u>2013</u>	<u>2012</u>
Total revenues	\$ 2,114	\$ 2,660
Total expenditures	<u>5,233</u>	<u>1,678</u>
Excess of revenues over expenditures	(3,119)	982
Fund balance, beginning of year	<u>7,719</u>	<u>6,737</u>
<b>Fund balance, end of year</b>	<u>\$ 4,600</u>	<u>\$ 7,719</u>

Total expenditures increased by \$3.6 million or 212% to \$5.2 million for the year ended June 30, 2013, compared to \$1.7 million for the year ended June 30, 2012. The increase was a net effect of decreases in investment consulting fees and legal fees related to ongoing litigation and an increase of \$3.75 million for a legal settlement as disclosed in Note 14.

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
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**FIDUCIARY FUNDS BACKGROUND INFORMATION**

**Scholar'sEdge (Advisor Sold) and The Education Plan (Direct Sold)**

Scholar'sEdge and The Education Plan (the "Plans") were established by the Education Trust Board of New Mexico (the "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 (the "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. OppenheimerFunds 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.

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'sEdge**

Scholar'sEdge condensed statements of fiduciary net position as of June 30 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Assets		
Investments, at value	\$ 1,722,630	\$ 1,606,349
Cash	4,814	2,936
Cash restricted for payment to plan participants	-	10,455
Receivables and other assets	<u>2,688</u>	<u>2,000</u>
Total assets	<u>1,730,132</u>	<u>1,621,740</u>
Liabilities		
Payable and other liabilities	3,499	2,927
Payable to plan participants	-	10,455
Total liabilities	<u>3,499</u>	<u>13,382</u>
Net position	<u>\$ 1,726,633</u>	<u>\$ 1,608,358</u>

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The investments of the Portfolios increased \$116.3 million, mainly due to market appreciation offset by net participant redemptions of \$36.1 million.

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

Scholar'sEdge condensed statements of changes in fiduciary net position for years ended June 30 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Additions		
Subscriptions	<u>\$ 550,011</u>	<u>\$ 539,166</u>
Investment income		
Dividend income and interest	29,152	27,181
Less expenses	<u>10,816</u>	<u>10,615</u>
Net investment income	18,336	16,566
Realized investment gains (losses)	24,691	(13,873)
Net increase (decrease) in fair value of investments	<u>111,335</u>	<u>(4,514)</u>
Total additions	704,373	537,345
Deductions		
Redemptions	<u>(586,098)</u>	<u>(540,997)</u>
Change in net asset	118,275	(3,652)
Net position, beginning of year	<u>1,608,358</u>	<u>1,612,010</u>
<b>Net position, end of year</b>	<u><b>\$ 1,726,633</b></u>	<u><b>\$ 1,608,358</b></u>

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

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**Financial Analysis – The Education Plan**

The Education Plan condensed statements of fiduciary net position as of June 30 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Investments, at value	\$ 398,370	\$ 353,950
Cash	1,836	2,096
Cash restricted for payment to plan participants	-	1,696
Receivables and other assets	<u>933</u>	<u>328</u>
Total assets	<u>401,139</u>	<u>358,070</u>
<b>Liabilities</b>		
Payable and other liabilities	869	252
Payable to plan participants	<u>-</u>	<u>1,696</u>
Total liabilities	<u>869</u>	<u>1,948</u>
Net position	<u>\$ 400,270</u>	<u>\$ 356,122</u>

Investments increased \$44.4 million mainly due to market appreciation and net participant contributions of \$5.5 million.

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

The liability reported as Payable to plan participants off set by the cash restricted for payment to plan participants was paid off during the fiscal year ended June 30, 2013. This liability was a result of a settlement as further described in Note 14 of the notes to the financial statements.

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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

	2013	2012
Additions		
Subscriptions	<u>\$ 130,436</u>	<u>\$ 129,814</u>
Investment income		
Dividend income and interest	2,594	1,099
Less expenses	<u>723</u>	<u>710</u>
Net investment income	<u>1,871</u>	<u>389</u>
Capital gains from underlying funds	13,640	13,293
Net increase (decrease) in change in fair value of investments	<u>23,124</u>	<u>(9,238)</u>
Total additions	<u>169,071</u>	<u>134,258</u>
Deductions		
Redemptions	<u>(124,923)</u>	<u>(111,529)</u>
Change in net position	44,148	22,729
Net position, beginning of year	<u>356,122</u>	<u>333,393</u>
<b>Net position, end of year</b>	<u><u>\$ 400,270</u></u>	<u><u>\$ 356,122</u></u>

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

**Market Overview – Scholar'sEdge and The Education Plan**

*Economic and market environment during the 1-year reporting period ended June 30, 2013:*

Central banks throughout the world announced new accommodative policy measures intended to promote market liquidity and stimulate greater economic growth. In September 2012, the U.S. Federal Reserve (the "Fed") embarked on a new round of open-ended quantitative easing involving monthly purchases of mortgage-backed securities issued by U.S. government agencies, also known as "QE3." In addition to the Fed's measures, the U.S. housing market continued to improve and Gross Domestic Product maintained a moderate rate of growth. Meanwhile, outside the U.S., the head of the European Central Bank (the "ECB") had reassured investors that the

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2013**

ECB was committed to supporting the Eurozone, and the ECB signaled its conditional intention to purchase massive amounts of debt from troubled members of the European Union. Even in Japan, which had been mired in economic weakness for years, new government leadership adopted economic policies and the central bank announced a massive quantitative easing program. Investors reacted positively to these measures and markets rallied for most of the reporting period.

However, towards the end of the period, the Fed appeared to weigh the merits of backing away from its quantitative easing policy. As a result, the markets sold off sharply and made a quick reappraisal of interest rate risk in an array of credit markets and related currencies. Equities, particularly those in emerging markets and in interest rate sensitive sectors, experienced spillover effects as a result.

### **Budget**

NMETB adopts an annual budget for the Administrative Fund based upon the recommendation of program staff and the New Mexico Higher Education Department's Administrative Services Division. The budget of the Administrative Fund is subject to the approval of the New Mexico Department of Finance and Administration (DFA) and the New Mexico Legislative Finance Committee (LFC). Expenditures may not legally exceed appropriations at the object expenditure classification (code) level. Amendments to the budget require DFA and LFC approval. All appropriations lapse at fiscal year-end, although cash balances at the end of the fiscal year do not revert back to the New Mexico State General Fund.

Administrative Fund revenues of \$2.1 million were not included in the budget. Expenditures included \$1.5 million in budgeted expenditures which were less than budgeted expenditures of \$1.9 million. The legal settlement expense was a non-budgeted expense in the amount of \$3.75 million.

### **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 reside in the two 529 savings plans: the Scholar'sEdge and The Education Plan. For the economic outlook for the Scholar'sEdge and the Education Plan see the market overview on pages 13-14.

The Education Trust Board of New Mexico operates as a self-sustaining state entity and has one and half full-time equivalent employees. The State of New Mexico does not appropriate to NMETB any budgeted amounts, however, NMETB is administratively connected to the New Mexico Department of Higher Education.



**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**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 and to show NMETB's accountability for the money it receives. 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  
2048 Galisteo  
Santa Fe, NM 87505

**Education Trust Board of New Mexico**  
**Balance Sheet/Statement of Net Position**  
**June 30, 2013**

	Administrative Fund - Balance Sheet	Adjustments (Note 12)	Governmental Activities - Statement of Net Position
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 8,088,645	\$ -	\$ 8,088,645
Investment in State General Fund Investment Pool	523,857	-	523,857
Accounts receivables	174,226	-	174,226
Total assets	\$ 8,786,728	\$ -	\$ 8,786,728
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 372,295	\$ -	\$ 372,295
Accrued expenses and compensated absences	64,707	9,237	73,944
Legal settlement payable	3,750,000	-	3,750,000
Total liabilities	4,187,002	9,237	4,196,239
<b>Fund Balance/Net Position</b>			
Unassigned/unrestricted	4,599,726	(9,237)	4,590,489
Total liabilities and fund balance/net position	\$ 8,786,728	\$ -	\$ 8,786,728

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

**Education Trust Board of New Mexico**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance/Statement of Activities**  
**For the Year Ended June 30, 2013**

	Administrative Fund - Changes in Fund Balance	Adjustments (Note 12)	Governmental Activities - Statement of Activities
<b>Revenues</b>			
Program - fees	\$ 2,035,034	\$ -	\$ 2,035,034
General revenues			
Investment income	78,740	-	78,740
Total revenues	<u>2,113,774</u>	<u>-</u>	<u>2,113,774</u>
<b>Expenditures/Expenses</b>			
Personnel services and employee benefits	135,025	3,926	138,951
Contractual services	1,165,421	-	1,165,421
Other costs	182,384	-	182,384
Legal settlement expense	<u>3,750,000</u>	<u>-</u>	<u>3,750,000</u>
Total expenditures/expenses	<u>5,232,830</u>	<u>3,926</u>	<u>5,236,756</u>
Excess of revenues over expenditures/expenses	<u>(3,119,056)</u>	<u>(3,926)</u>	<u>(3,122,982)</u>
Net change in fund balance/net position	(3,119,056)	(3,926)	(3,122,982)
Fund balance/net position, beginning of year	<u>7,718,782</u>	<u>(5,311)</u>	<u>7,713,471</u>
<b>Fund balance/net position, end of year</b>	<u><u>\$ 4,599,726</u></u>	<u><u>\$ (9,237)</u></u>	<u><u>\$ 4,590,489</u></u>

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

**Education Trust Board of New Mexico**  
**Administrative Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fee revenue	\$ -	\$ -	\$ 2,035,034	\$ 2,035,034
Investment income	-	-	<u>78,740</u>	<u>78,740</u>
Total revenues	<u>-</u>	<u>-</u>	<u>2,113,774</u>	<u>2,113,774</u>
<b>Expenditures</b>				
Personnel services and employee benefits	140,000	140,000	135,025	4,975
Contractual services	1,450,000	1,280,484	1,165,421	115,063
Other costs	110,000	279,516	182,384	97,132
Scholarships	<u>178,091</u>	<u>178,091</u>	<u>-</u>	<u>178,091</u>
Total expenditures before legal settlement expense	<u>\$ 1,878,091</u>	<u>\$ 1,878,091</u>	<u>1,482,830</u>	<u>\$ 395,261</u>
Legal settlement expense (not budgeted)			<u>3,750,000</u>	
Total expenditures			<u>5,232,830</u>	
Net change in fund balance			(3,119,056)	
Fund balance, beginning of year			<u>7,718,782</u>	
<b>Fund balance, end of year</b>			<u>\$ 4,599,726</u>	

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

**Education Trust Board of New Mexico**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

	Scholar's Edge	The Education Plan	Total (Memorandum only)
<b>Assets</b>			
Investments, at fair value (Scholar'sEdge cost \$1,484,343,235; The Education Plan cost \$337,326,148)	\$ 1,722,629,548	\$ 398,370,108	\$ 2,120,999,656
Cash	4,813,558	1,835,908	6,649,466
Receivables and other assets			
Receivable for participant shares issued	1,464,622	664,770	2,129,392
Receivable for securities sold	391,075	159,293	550,368
Accrued income	833,363	108,785	942,148
Total assets	<u>1,730,132,166</u>	<u>401,138,864</u>	<u>2,131,271,030</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Payable for capital shares redeemed	1,673,289	593,088	2,266,377
Payable for securities purchased	934,603	276,086	1,210,689
Accrued expenses	890,911	-	890,911
Total liabilities	<u>3,498,824</u>	<u>869,174</u>	<u>4,367,998</u>
Net position	<u>\$ 1,726,633,342</u>	<u>\$ 400,269,690</u>	<u>\$ 2,126,903,032</u>

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

**Education Trust Board of New Mexico**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2013**

	Scholar's Edge	The Education Plan	Total (Memorandum only)
<b>Additions</b>			
Subscriptions	<u>\$ 550,010,939</u>	<u>\$ 130,435,745</u>	<u>\$ 680,446,684</u>
Investment income			
Dividends and interest	29,151,522	2,594,220	31,745,742
Less expenses			
Distribution fees	7,495,833	-	7,495,833
Management fees	1,673,144	378,688	2,051,832
State administrative fees	1,673,093	356,610	2,029,703
Expense reimbursement	<u>(26,449)</u>	<u>(12,007)</u>	<u>(38,456)</u>
Net investment income	18,335,901	1,870,929	20,206,830
Realized investment gains	24,690,998	13,640,108	38,331,106
Net increase in fair value of investments	<u>111,335,124</u>	<u>23,124,430</u>	<u>134,459,554</u>
Total additions	704,372,962	169,071,212	873,444,174
<b>Deductions</b>			
Redemptions	<u>(586,098,072)</u>	<u>(124,923,468)</u>	<u>(711,021,540)</u>
Change in net position	118,274,890	44,147,744	162,422,634
<b>Net Position</b>			
Net position, beginning of year	<u>1,608,358,452</u>	<u>356,121,946</u>	<u>1,964,480,398</u>
<b>Net position, end of year</b>	<u><u>\$ 1,726,633,342</u></u>	<u><u>\$ 400,269,690</u></u>	<u><u>\$ 2,126,903,032</u></u>

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

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2013**

**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 (HED). HED was created as a state agency in 2005 and NMSA 1978 §21-21K-4 (A) (1997) administratively attaches NMETB to HED. 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 I.R.S. section 529 college savings plans and their administration. The Board is administratively attached to the New Mexico Higher Education Department (NMHED). 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 and the fiduciary activities, and the budgetary comparison of the Administrative Fund. 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’sEdge and the Education Plan College Savings Program (the “Plans”) are NMETB’s fiduciary funds used to account for New Mexico’s I.R.S. 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 (the “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.

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2013**

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 60 different investment portfolios (the “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’sEdge is offered in retail Class A units, Class B units, and Class C units. All classes of units have identical rights to earnings and assets, except for class-specific expenses.

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’sEdge and the Education Plan offer various investment portfolios to accommodate the needs of participants. Investment portfolios of each plan are as follows:

Scholar’sEdge Portfolios

The Scholar’sEdge plan includes the following portfolios: Global, Discovery, Income Equity, Commodity Strategy Total Return, Global Opportunity, International Bond, International Diversified, International Growth, Limited Term Government, Main Street, Real Estate, Rising Dividends, Senior Floating Rate, Developing Markets, Newborn to Age 5 Years, Ages 6 – 8 Years, Ages 9 – 11 Years, Ages 12 – 14 Years, Ages 15 – 17 Years, Ages 18 Years and Over, Aggressive, Moderately Aggressive, Moderate, Conservative, Ultra Conservative, School Years, Large Cap Growth, Large Cap Core, Large Cap Value, Small- & Mid- Cap Core<sup>1</sup>, International Equity, Intermediate Term Bond, Diversified Income, Short-Term Yield, and Capital Preservation.

The Scholar’sEdge plan invests primarily in a combination of mutual funds managed by OppenheimerFunds, Inc. (OFI), OFI Institutional Inc., Mainstay, American Century, and Thornburg. The major mutual funds include: Oppenheimer Limited Term Government Fund, Oppenheimer Value Fund, Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund<sup>®2</sup>, Oppenheimer Main Street Small and Mid-Cap Fund<sup>®2</sup>, Oppenheimer Institutional Money Market Fund, Oppenheimer Senior Floating Rate Fund, Oppenheimer International Bond Fund, Oppenheimer International Bond Fund, Oppenheimer International Growth Fund, Oppenheimer Global Strategic Income Fund<sup>®</sup>, American Century Diversified Bond Fund, Thornburg International Value Fund, Mainstay MAP Fund, and Mainstay High Yield Corporate Bond Fund. These mutual funds are management investment companies registered under the Investment Company Act of 1940, as amended.



**Education Trust Board of New Mexico**  
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Additionally, Scholar'sEdge invests in the 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.

*The Education Plan Portfolios*

The Education Plan includes the followings portfolios: Newborn to Age 5 Years, Ages 6 – 8 Years, Ages 9 – 11 Years, Ages 12 – 14 Years, Ages 15 – 17 Years, Ages 18 Years and Over, Newborn to Age 5 Years Index, Ages 6 – 8 Years Index, Ages 9 – 11 Years Index, Ages 12 – 14 Years Index, Ages 15 – 17 Years Index, Ages 18 Years and Over Index, Aggressive, Moderately Aggressive, Moderate, Conservative, Ultra Conservative, School Years, Short-Term Yield, Aggressive Index, Moderately Aggressive Index, Moderate Index, Conservative Index, Ultra Conservative Index, and School Years Index.

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

**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.

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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Funds include the Administrative Fund, a governmental fund, and the Scholar'sEdge 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. Nonexchange transactions, in which the government gives (or receives) value without directly receiving (or giving) equal value in exchange, include business taxes, grants, entitlements, and contributions. 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 ninety days after year-end. Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the Administrative Fund. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

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

As fiduciary funds, the Scholar'sEdge 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.

In 2013 the NMETB implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Accordingly, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Previously, this difference was referred to as net assets. The NMETB has elected to continue to present its financial position using a balance sheet format.

**Education Trust Board of New Mexico**  
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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 money market accounts maintained at Oppenheimer by the program manager, and 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 (the "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).

Guaranteed Investment Contract (GIC) – Scholar'sEdge

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. Contract value of GIC's at June 30, 2013 was approximately \$39,502,537 and the fair value was \$39,738,011. Contract value of GIC's at June 30, 2012 was approximately \$43,815,474 and the fair value was \$45,195,828. Fair values were confirmed by New York Life.

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.

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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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.

The 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.

Budget

NMETB adopts an annual budget for the Administrative Fund based upon the recommendation of program staff and the New Mexico Higher Education Department's Administrative Services Division. NMETB's budget is subject to the approval of the New Mexico Department of Finance and Administration (DFA) and the New Mexico Legislative Finance Committee (LFC). Expenditures may not legally exceed appropriations at the object expenditure classification (code) level. Amendments to the budget require DFA and LFC approval. All appropriations lapse at fiscal year-end, although cash balances at the end of the fiscal year do not revert back to the New Mexico State General Fund.

**3) Cash and Cash Equivalents and Investments**

Cash and cash equivalents reported in the Administrative Fund at June 30, 2013, include a money market fund balance of \$8,088,645. The money market fund is invested in short-term, high quality, dollar dominated debt instruments issued by the U.S. government, domestic and foreign corporations and financial institutions and other entities and is not covered by federal deposit insurance.

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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Amounts allotted to the NMETB by the State of New Mexico are held by the New Mexico State Treasurer's Office in a pooled account. The balance held at the New Mexico State Treasurer was \$523,857 at June 30, 2013. Funds can be withdrawn from the New Mexico State Treasurer as needed. However, 2.2.2.12 A(14) 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, 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 of December 31, 2013, 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 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 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, 2013.

A supplemental schedule of cash that the Administrative Fund held as of June 30, 2013, is presented as supplemental information to these financial statements.

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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**4) Investment Risk**

Certain investments are subject to investment risk based on the amount of risk in the underlying investments. The NMETB have 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. The NMETB does not have formal policies for limiting its exposure to the risks noted in the following page.

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

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2013**

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.

As of June 30, 2013, credit ratings for the fixed-income Underlying Investments are as follows:

Scholar'sEdge

	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
AAA	14.50%	89.70%	19.30%	66.20%	-
AA	2.60%	0.90%	14.10%	4.50%	-
A	10.30%	1.00%	14.70%	10.60%	0.20%
BBB	21.80%	3.40%	32.90%	13.90%	3.10%
BB and lower	38.90%	1.10%	11.60%	4.70%	93.50%
NRSRO-rated total	88.10%	96.10%	92.60%	99.90%	96.80%
Not rated	11.60%	3.70%	6.20%	0.10%	3.20%
Cash and cash equivalents - not rated	0.30%	0.20%	1.20%	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%

The Education Plan

	Total Investments	
	Dreyfus Bond Market Index Fund	Vanguard Intermediate Term Bond Index Fund
AAA	75.45%	54.30%
AA	5.02%	4.50%
A	11.71%	18.60%
BBB	7.82%	22.60%
NRSRO-rated total	100.00%	100.00%

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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As of June 30, 2013, the duration for the fixed-income Underlying Investments of the Scholar'sEdge Plan are as follows:

<u>Investment Global</u>	2013 (in years)
Oppenheimer Global Strategic Income Fund®	5.10
Oppenheimer Limited-Term Government Fund	2.30
Oppenheimer International Bond Fund	5.90
American Century Diversified Bond Fund	5.35
Mainstay High Yield Corporate Bond Fund	3.50

As of June 30, 2013, the duration for the fixed-income Underlying Investments of The Education Plan are as follows:

<u>Investment</u>	2013 (in years)
Dreyfus Bond Market Index Fund	7.39
Vanguard Intermediate Term Bond Index Fund	6.50

**5) Accounts Receivable**

Accounts receivable reported in the Administrative fund in the amount of \$174,226 represent the administrative fee revenues earned in June but collected in July.

**6) Pension Plan – Public Employees Retirement Associations (PERA)**

*Plan Description.* Substantially all of the NMETB's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.



**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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*Funding Policy.* PERA members are required to contribute 10.67% of their gross salary. The NMETB is required to contribute 13.34% of the gross covered salary. The contribution requirements of PERA members and the NMETB are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

Plan members are required to contribute 10.67% of their gross salary. The NMETB is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the NMETB are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

The NMETB's contributions to PERA for the fiscal years ending June 30, 2013 and 2012 were \$13,415 and \$2,172, respectively, which equal the amount of the required contributions for each fiscal year.

**7) Post-Employment Benefits – State Retiree Health Care Plan (RHCA)**

*Plan Description.* NMETB contributes to the RHCA, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the 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.

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.

**Education Trust Board of New Mexico**  
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*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](http://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, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, 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 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, 2013 and 2012 were \$1,780 and \$299, respectively, which equal the required contributions for each year.

## Education Trust Board of New Mexico

### Notes to Financial Statements

June 30, 2013

#### 8) Net Position by Capital Units Outstanding—Scholar'sEdge and The Education Plan

As of June 30, 2013, net position of both plans are summarized by class and capital units outstanding as follows:

	Net Position	Capital Units Outstanding	Net Asset Value Per Unit
Scholar'sEdge			
Class A	\$ 1,266,003,748	51,975,134	\$ 24.36
Class B	106,175,533	4,537,497	\$ 23.40
Class C	<u>354,454,061</u>	15,927,032	\$ 22.25
	<u>\$ 1,726,633,342</u>		
The Education Plan			
Direct Sold Class	<u>\$ 400,269,690</u>	29,855,495	\$ 13.41

#### 9) Fee Revenues

During fiscal year 2013, NMETB received revenue from the program managers to pay its expenses. The agreement in place for fiscal year 2008 through fiscal year 2015 provided fees between 5 and 10 basis points from Oppenheimer Funds based on assets under management.

#### 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. The Board has been dependent upon the NMHED to provide administrative support and maintain SHARE on behalf of NMETB. Currently, NMHED is reimbursed by NMETB for providing administrative support equal to one half of a full-time equivalent employee.

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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 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.

State Administrative Fees

An administrative fee at the annual rate of 0.10% of the average daily net position of the Plans of the fiduciary fund are paid to the NMETB on a monthly basis for acting as Plan Administrator on all Portfolios except the twelve Index Portfolios, which incur a 0.05% administrative fee.

Service Plan for Class A Units – Scholar'sEdge

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.

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

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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.

Sales Charges – Scholar’sEdge

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.

**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.

**12) Compensated Absences**

Certain amounts of vacation and sick pay earned and not taken are obligations of the Office 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 percent 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.

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

Balance at June 30, 2012	\$ 5,311
Additions	4,806
Deletions	(880)
Balance at June 30, 2013	<u>\$ 9,237</u>

Of the balance outstanding at June 30, 2013, the full amount of \$9,237 is estimated to be due within one year.

**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.

At June 30, 2013 the NMETB is named as defendant in three pending legal matters. Subsequent to June 30, 2013, two of the matters were dismissed. In the one remaining legal matter, NMETB has agreed to a settlement as described in Note 14.

Pending Litigation - OppenheimerFunds

Since 2009, a number of class action, derivative and individual lawsuits have been pending in federal and state courts against OFI, OFDI and certain Oppenheimer mutual funds advised by OFI and distributed by OFDI (the “Defendant Funds”). Several of these lawsuits also name as defendants certain officers and current and former trustees of the respective Defendant Funds. The lawsuits raise claims under federal and state securities laws and state common law and allege, among other things, that disclosure documents of the respective Defendant Funds contained misrepresentations and omissions and that the respective Defendant Fund’s investment policies were not followed.

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The plaintiffs in these actions seek unspecified damages, equitable relief and awards of attorneys' fees and litigation expenses.

NMETB's management and the Plan management believe that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the plans of the fiduciary funds, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer mutual funds.

**14) Settlements**

As referenced in Note 13, NMETB was sued by account holders for damages. The Court certified the matter as a class action. The NMETB entered into a proposed settlement with the plaintiffs and the class for a payment by the NMETB of \$3.75 million. Subsequent to the year end, this settlement was approved by the Court. On December 3, 2013, NMETB funded the settlement for \$3.75 million, as required by the settlement agreement.

On December 16, 2009, OFI, certain of its affiliates, and the State of New Mexico reached an agreement to resolve the state's investigation into the management of the Scholar'sEdge Plan and The Education Plan. In compliance with the terms of the settlement, \$67,310,000 was deposited into a NMETB bank account that is restricted to distribution to plan participants affected by the settlement. As of June 30, 2013, all plan participant distributions have been made and the corresponding liabilities to the plan participants and the restricted cash balance reported by the Scholar'sEdge and the Education Plan are both zero.

**15) State General Fund Investment Pool**

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

As of June 30, 2013, NMETB has \$523,857 invested in the State General Fund Investment Pool. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to this Pool.

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As described in the following paragraphs, as of June 30, 2013, the General Fund Investment Pool has not been reconciled at the business unit/fund level. As a result, independent, third-party verification/confirmation of NMETB balances is not possible. Due to the fact NMETB was not on the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system until FY 2011, NMETB has been able to track its deposits and payments made from the General Fund Investment Pool resources thus keeping a running balance of NMETB's share in the General Fund Investment Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the SHARE system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.



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A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. DFA's management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA's management in FY 2012 recorded a loss contingency of \$70 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, and that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that DFA's management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

## Supplementary Information

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2013**

	Global Portfolio	Discovery Portfolio	Income Equity Portfolio
<b>Assets</b>			
Investments, at value	\$ 821	\$ 3,149	\$ 17,559
Cash	-	210	390
Receivables and other assets			
Receivable for capital shares issued	-	-	-
Receivable for securities sold	-	-	-
Accrued income	-	-	115
Total assets	<u>821</u>	<u>3,359</u>	<u>18,064</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	-	-	-
Payable for securities purchased	-	191	496
Accrued expenses	-	-	-
Total liabilities	<u>-</u>	<u>191</u>	<u>496</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 821</u>	<u>\$ 3,168</u>	<u>\$ 17,568</u>

Commodity Strategy Total Return Portfolio	Global Opportunity Portfolio	International Bond Portfolio	International Diversified Portfolio	International Growth Portfolio	Limited Term Government Portfolio
\$ 2,864	\$ 250	\$ 26,221	\$ 22,822	\$ 25,690	\$ 96
-	-	-	388	6	-
-	-	3	-	-	-
-	-	-	-	-	-
-	-	74	-	-	-
<u>2,864</u>	<u>250</u>	<u>26,298</u>	<u>23,210</u>	<u>25,696</u>	<u>96</u>
2	-	9	-	-	-
-	-	-	-	-	-
-	-	74	381	-	-
-	-	-	-	-	-
<u>2</u>	<u>-</u>	<u>83</u>	<u>381</u>	<u>-</u>	<u>-</u>
<u>\$ 2,862</u>	<u>\$ 250</u>	<u>\$ 26,215</u>	<u>\$ 22,829</u>	<u>\$ 25,696</u>	<u>\$ 96</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2013**

	Main Street Portfolio	Real Estate Portfolio	Rising Dividends Portfolio
<b>Assets</b>			
Investments, at value	\$ 10,148	\$ 51,199	\$ 25,849
Cash	-	1	-
Receivables and other assets			
Receivable for capital shares issued	-	-	-
Receivable for securities sold	-	-	-
Accrued income	-	-	-
Total assets	10,148	51,200	25,849
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Cash overdraft	2	-	8
Payables and other liabilities			
Payable for capital shares as redeemed	-	-	-
Payable for securities purchased	-	-	-
Accrued expenses	-	-	-
Total liabilities	2	-	8
<b>Net position</b>			
Held in trust for qualified state tuition plans and other purposes	\$ 10,146	\$ 51,200	\$ 25,841

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Senior Floating Rate Portfolio	Developing Markets Portfolio	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio	Ages 12-14 Years Portfolio
\$ 53,484	\$ 23,872	\$ 57,212,553	\$ 124,669,672	\$ 269,304,892	\$ 249,869,737
195	13	118,998	372,905	444,755	304,070
2	3	163,147	81,355	249,115	292,070
-	-	42,878	17,074	71,860	2,176
129	-	7	32,821	137,885	161,875
<u>53,810</u>	<u>23,888</u>	<u>57,537,583</u>	<u>125,173,827</u>	<u>270,208,507</u>	<u>250,629,928</u>
-	-	-	-	-	-
-	-	66,862	153,757	258,541	236,504
319	-	4,289	34,628	142,958	161,891
-	-	27,582	60,031	129,443	117,907
<u>319</u>	<u>-</u>	<u>98,733</u>	<u>248,416</u>	<u>530,942</u>	<u>516,302</u>
<u>\$ 53,491</u>	<u>\$ 23,888</u>	<u>\$ 57,438,850</u>	<u>\$ 124,925,411</u>	<u>\$ 269,677,565</u>	<u>\$ 250,113,626</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar'sEdge**  
**June 30, 2013**

	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio
<b>Assets</b>			
Investments, at value	\$ 236,670,007	\$ 211,698,088	\$ 148,045,394
Cash	434,064	376,524	410,055
Receivables and other assets			
Receivable for capital shares issued	265,537	167,128	30,359
Receivable for securities sold	107,751	-	61,167
Accrued income	190,866	172,670	17
Total assets	<u>237,668,225</u>	<u>212,414,410</u>	<u>148,546,992</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	205,171	279,212	155,256
Payable for securities purchased	190,890	265,691	2,078
Accrued expenses	110,154	91,219	95,459
Total liabilities	<u>506,215</u>	<u>636,122</u>	<u>252,793</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 237,162,010</u>	<u>\$ 211,778,288</u>	<u>\$ 148,294,199</u>

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Moderately Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio	Large Cap Growth Portfolio
\$ 112,107,210	\$ 87,432,308	\$ 43,597,772	\$ 10,104,900	\$ 14,782,459	\$ 13,779,670
372,552	239,511	95,456	105,175	61,958	132,309
16,426	10,077	2,106	881	65,902	4,576
22,504	23,604	6,296	-	2,249	-
29,194	44,368	28,407	7,990	12,285	5
<u>112,547,886</u>	<u>87,749,868</u>	<u>43,730,037</u>	<u>10,218,946</u>	<u>14,924,853</u>	<u>13,916,560</u>
-	-	-	-	-	-
105,196	31,057	35,023	-	16,528	31,848
29,194	45,393	28,409	7,992	12,288	269
73,274	55,817	27,734	6,641	9,879	9,837
<u>207,664</u>	<u>132,267</u>	<u>91,166</u>	<u>14,633</u>	<u>38,695</u>	<u>41,954</u>
<u>\$ 112,340,222</u>	<u>\$ 87,617,601</u>	<u>\$ 43,638,871</u>	<u>\$ 10,204,313</u>	<u>\$ 14,886,158</u>	<u>\$ 13,874,606</u>



**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2013**

	Large Cap Core Portfolio	Large Cap Value Portfolio	Small - & Mid-Cap Core Portfolio
<b>Assets</b>			
Investments, at value	\$ 8,708,445	\$ 9,605,163	\$ 15,921,185
Cash	93,349	37,482	123,779
Receivables and other assets			
Receivable for capital shares issued	924	321	1,045
Receivable for securities sold	259	691	-
Accrued income	4	1	5
Total assets	8,802,981	9,643,658	16,046,014
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	2,968	-	12,350
Payable for securities purchased	4	1	6,025
Accrued expenses	6,228	7,047	10,972
Total liabilities	9,200	7,048	29,347
<b>Net position</b>			
Held in trust for qualified state tuition plans and other purposes	\$ 8,793,781	\$ 9,636,610	\$ 16,016,667

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International Equity Portfolio	Intermediate Term Bond Portfolio	Diversified Income Portfolio	Short-Term Yield Portfolio	Capital Preservation Portfolio	Total
\$ 16,346,898	\$ 5,551,723	\$ 21,603,948	\$ 25,179,591	\$ 40,173,909	\$ 1,722,629,548
61,300	41,881	165,928	257,612	562,692	4,813,558
6,707	284	4,191	100,272	2,191	1,464,622
5,602	7,540	19,424	-	-	391,075
<u>3</u>	<u>2</u>	<u>13,540</u>	<u>1,067</u>	<u>33</u>	<u>833,363</u>
<u>16,420,510</u>	<u>5,601,430</u>	<u>21,807,031</u>	<u>25,538,542</u>	<u>40,738,825</u>	<u>1,730,132,166</u>
-	-	-	-	-	21
17,969	-	1	31,987	33,059	1,673,289
2	2	10	1,095	33	934,603
<u>12,172</u>	<u>4,246</u>	<u>17,211</u>	<u>-</u>	<u>18,058</u>	<u>890,911</u>
<u>30,143</u>	<u>4,248</u>	<u>17,222</u>	<u>33,082</u>	<u>51,150</u>	<u>3,498,824</u>
<u>\$ 16,390,367</u>	<u>\$ 5,597,182</u>	<u>\$ 21,789,809</u>	<u>\$ 25,505,460</u>	<u>\$ 40,687,675</u>	<u>\$ 1,726,633,342</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—The Education Plan**  
**June 30, 2013**

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
<hr/>			
<b>Assets</b>			
Investments, at value	\$ 10,062,813	\$ 25,292,603	\$ 50,389,323
Cash	101,439	127,667	84,008
Receivables and other assets			
Receivable for capital shares issued	4,971	113,394	6,634
Receivable for securities sold	85	118,579	-
Accrued income	4	4,482	14,408
Total assets	<u>10,169,312</u>	<u>25,656,725</u>	<u>50,494,373</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	109,802	-	-
Payable for securities purchased	4	4,483	149,510
Accrued expenses	-	-	-
Total liabilities	<u>109,806</u>	<u>4,483</u>	<u>149,510</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 10,059,506</u>	<u>\$ 25,652,242</u>	<u>\$ 50,344,863</u>

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio
\$ 55,414,907 199,083	\$ 37,270,361 150,831	\$ 27,448,530 198,533	\$ 67,626,329 148,384	\$ 25,879,516 69,375	\$ 14,571,374 59,852
41,999	11,049	10,249	55,025	2,427	181,761
-	26,991	-	10,932	-	-
20,821	17,899	10,971	7	4,606	4,165
<u>55,676,810</u>	<u>37,477,131</u>	<u>27,668,283</u>	<u>67,840,677</u>	<u>25,955,924</u>	<u>14,817,152</u>
-	-	-	-	-	-
-	-	14,582	67,024	8,999	5,334
22,552	17,907	21,949	7	11,240	4,166
-	-	-	-	-	-
<u>22,552</u>	<u>17,907</u>	<u>36,531</u>	<u>67,031</u>	<u>20,239</u>	<u>9,500</u>
<u>\$ 55,654,258</u>	<u>\$ 37,459,224</u>	<u>\$ 27,631,752</u>	<u>\$ 67,773,646</u>	<u>\$ 25,935,685</u>	<u>\$ 14,807,652</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—The Education Plan**  
**June 30, 2013**

	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio
<b>Assets</b>			
Investments, at value	\$ 8,912,117	\$ 3,981,417	\$ 7,471,921
Cash	70,948	16,669	36,698
Receivables and other assets			
Receivable for capital shares issued	1,115	184	153
Receivable for securities sold	-	-	-
Accrued income	3,320	1,918	3,020
Total assets	<u>8,987,500</u>	<u>4,000,188</u>	<u>7,511,792</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	-	-	-
Payable for securities purchased	3,546	1,919	3,024
Accrued expenses	-	-	-
Total liabilities	<u>3,546</u>	<u>1,919</u>	<u>3,024</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 8,983,954</u>	<u>\$ 3,998,269</u>	<u>\$ 7,508,768</u>

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Short-Term Yield Portfolio	Newborn to Age 5 Years Index Portfolio	Ages 6-8 Years Index Portfolio	Ages 9-11 Years Index Portfolio	Ages 12-14 Years Index Portfolio	Ages 15-17 Years Index Portfolio
\$ 11,369,435	\$ 4,353,326	\$ 3,861,868	\$ 5,085,058	\$ 3,924,692	\$ 3,979,209
116,078	68,963	47,950	27,656	40,191	37,430
35,626	1,095	1,905	1,046	31	1,075
-	-	-	-	-	-
481	2	836	2,219	2,570	3,709
<u>11,521,620</u>	<u>4,423,386</u>	<u>3,912,559</u>	<u>5,115,979</u>	<u>3,967,484</u>	<u>4,021,423</u>
-	-	-	-	-	-
6,000	-	-	25	-	10,765
494	3,094	913	2,373	2,842	3,970
-	-	-	-	-	-
<u>6,494</u>	<u>3,094</u>	<u>913</u>	<u>2,398</u>	<u>2,842</u>	<u>14,735</u>
<u>\$ 11,515,126</u>	<u>\$ 4,420,292</u>	<u>\$ 3,911,646</u>	<u>\$ 5,113,581</u>	<u>\$ 3,964,642</u>	<u>\$ 4,006,688</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—The Education Plan**  
**June 30, 2013**

	Ages 18 Years and Over Index Portfolio	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio
<b>Assets</b>			
Investments, at value	\$ 1,720,211	\$ 9,245,470	\$ 5,999,293
Cash	18,916	30,568	42,210
Receivables and other assets			
Receivable for capital shares issued	1,000	3,335	506
Receivable for securities sold	-	-	-
Accrued income	1,622	1	1,273
Total assets	<u>1,741,749</u>	<u>9,279,374</u>	<u>6,043,282</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	6,000	-	8
Payable for securities purchased	1,763	402	8,667
Accrued expenses	-	-	-
Total liabilities	<u>7,763</u>	<u>402</u>	<u>8,675</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 1,733,986</u>	<u>\$ 9,278,972</u>	<u>\$ 6,034,607</u>

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Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio	Total
\$ 4,675,508	\$ 2,880,120	\$ 4,462,736	\$ 2,491,971	\$ 398,370,108
22,307	49,788	45,847	24,517	1,835,908
187,876	20	1,038	1,256	664,770
1,699	1,007	-	-	159,293
2,075	1,891	4,020	2,465	108,785
<u>4,889,465</u>	<u>2,932,826</u>	<u>4,513,641</u>	<u>2,520,209</u>	<u>401,138,864</u>
-	-	-	-	-
-	-	364,549	-	593,088
2,238	2,028	4,311	2,684	276,086
-	-	-	-	-
<u>2,238</u>	<u>2,028</u>	<u>368,860</u>	<u>2,684</u>	<u>869,174</u>
<u>\$ 4,887,227</u>	<u>\$ 2,930,798</u>	<u>\$ 4,144,781</u>	<u>\$ 2,517,525</u>	<u>\$ 400,269,690</u>



**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar'sEdge**  
**June 30, 2013**

	Global Portfolio	Discovery Portfolio	Income Equity Portfolio
<b>Additions</b>			
Subscriptions	\$ 836	\$ 3,150	\$ 17,934
Investment income			
Dividend income from underlying investments	-	-	115
Interest	-	-	-
Less expenses			
Distribution fees	-	1	9
Management fees	-	-	1
State administrative fees	-	-	1
Expense reimbursement	-	-	-
Net investment income	-	(1)	104
Capital gains (losses) from underlying investment	-	-	-
Net increase (decrease) in change in fair value of investments	(15)	19	(470)
Total additions	821	3,168	17,568
<b>Deductions</b>			
Redemptions	-	-	-
Change in net position held in trust for individuals	821	3,168	17,568
<b>Net Position</b>			
Net position, beginning of year	-	-	-
<b>Net position, end of year</b>	<u>\$ 821</u>	<u>\$ 3,168</u>	<u>\$ 17,568</u>

Commodity Strategy Total Return Portfolio	Global Opportunity Portfolio	International Bond Portfolio	International Diversified Portfolio	International Growth Portfolio	Limited Term Government Portfolio
\$ 3,000	\$ 247	\$ 27,248	\$ 23,936	\$ 26,635	\$ 96
-	-	74	-	-	-
-	-	-	-	-	-
2	-	5	7	8	-
-	-	2	3	3	-
-	-	2	3	3	-
-	-	-	-	-	-
(2)	-	65	(13)	(14)	-
-	-	-	(1)	-	-
(136)	3	(1,098)	(1,093)	(925)	-
2,862	250	26,215	22,829	25,696	96
-	-	-	-	-	-
2,862	250	26,215	22,829	25,696	96
-	-	-	-	-	-
\$ 2,862	\$ 250	\$ 26,215	\$ 22,829	\$ 25,696	\$ 96

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2013**

	Main Street Portfolio	Real Estate Portfolio	Rising Dividends Portfolio
<b>Additions</b>			
Subscriptions	\$ 10,177	\$ 53,266	\$ 26,175
Investment income			
Dividend income from underlying investments	-	389	55
Interest	-	-	-
Less expenses			
Distribution fees	1	11	5
Management fees	1	4	2
State administrative fees	-	4	1
Expense reimbursement	-	-	-
Net investment income	(2)	370	47
Capital gains (losses) from underlying investment	-	(2)	-
Net increase (decrease) in change in fair value of investments	(29)	(2,434)	(381)
Total additions	10,146	51,200	25,841
<b>Deductions</b>			
Redemptions	-	-	-
Change in net position held in trust for individuals	10,146	51,200	25,841
<b>Net Position</b>			
Net position, beginning of year	-	-	-
<b>Net position, end of year</b>	<u>\$ 10,146</u>	<u>\$ 51,200</u>	<u>\$ 25,841</u>

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Senior Floating Rate Portfolio	Developing Markets Portfolio	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio	Ages 12-14 Years Portfolio
<u>\$ 53,650</u>	<u>\$ 24,234</u>	<u>\$ 16,140,440</u>	<u>\$ 44,678,437</u>	<u>\$ 99,135,125</u>	<u>\$ 107,517,917</u>
129	-	761,979	2,533,993	4,429,435	4,063,479
-	-	175	411	752	675
10	4	264,101	612,809	1,143,523	1,029,476
3	1	58,639	135,091	261,540	235,313
3	2	58,681	135,114	261,551	235,276
-	-	-	-	-	-
113	(7)	380,733	1,651,390	2,763,573	2,564,089
-	(1)	1,130,888	7,262,323	3,045,828	1,598,254
(272)	(338)	8,722,903	11,409,908	22,837,033	13,261,605
<u>53,491</u>	<u>23,888</u>	<u>26,374,964</u>	<u>65,002,058</u>	<u>127,781,559</u>	<u>124,941,865</u>
-	-	(28,756,876)	(83,008,101)	(99,373,519)	(92,865,014)
<u>53,491</u>	<u>23,888</u>	<u>(2,381,912)</u>	<u>(18,006,043)</u>	<u>28,408,040</u>	<u>32,076,851</u>
-	-	59,820,762	142,931,454	241,269,525	218,036,775
<u>\$ 53,491</u>	<u>\$ 23,888</u>	<u>\$ 57,438,850</u>	<u>\$ 124,925,411</u>	<u>\$ 269,677,565</u>	<u>\$ 250,113,626</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2013**

	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio
<b>Additions</b>			
Subscriptions	\$ 102,374,145	\$ 95,914,210	\$ 12,909,484
Investment income			
Dividend income from underlying investments	4,243,282	3,419,935	1,838,633
Interest	677	554	407
Less expenses			
Distribution fees	1,058,309	924,133	635,424
Management fees	232,916	192,777	141,053
State administrative fees	232,926	192,695	141,069
Expense reimbursement	-	-	-
Net investment income	2,719,808	2,110,884	921,494
Capital gains (losses) from underlying investment	3,196,189	2,047,844	1,467,015
Net increase (decrease) in change in fair value of investments	2,894,850	(418,069)	21,920,746
Total additions	111,184,992	99,654,869	37,218,739
<b>Deductions</b>			
Redemptions	(94,520,230)	(74,446,954)	(22,305,205)
Change in net position held in trust for individuals	16,664,762	25,207,915	14,913,534
<b>Net Position</b>			
Net position, beginning of year	220,497,248	186,570,373	133,380,665
<b>Net position, end of year</b>	<b>\$ 237,162,010</b>	<b>\$ 211,778,288</b>	<b>\$ 148,294,199</b>

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Moderately Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio	Large Cap Growth Portfolio
<u>\$ 11,865,034</u>	<u>\$ 12,328,432</u>	<u>\$ 9,698,112</u>	<u>\$ 2,838,358</u>	<u>\$ 3,686,620</u>	<u>\$ 1,966,959</u>
2,002,179	1,415,048	711,446	177,342	257,378	132,964
311	243	120	28	42	40
497,716	404,736	194,360	51,553	74,910	60,688
107,795	83,750	41,486	9,782	14,578	13,617
107,803	83,754	41,481	9,786	14,572	13,618
-	-	-	-	-	-
<u>1,289,176</u>	<u>843,051</u>	<u>434,239</u>	<u>106,249</u>	<u>153,360</u>	<u>45,081</u>
2,327,813	1,086,278	604,882	220,602	340,944	45,758
<u>12,165,923</u>	<u>7,192,142</u>	<u>2,034,238</u>	<u>38,998</u>	<u>(195,853)</u>	<u>1,679,778</u>
<u>27,647,946</u>	<u>21,449,903</u>	<u>12,771,471</u>	<u>3,204,207</u>	<u>3,985,071</u>	<u>3,737,576</u>
<u>(18,228,672)</u>	<u>(14,569,689)</u>	<u>(8,218,335)</u>	<u>(2,437,333)</u>	<u>(3,789,736)</u>	<u>(3,122,462)</u>
9,419,274	6,880,214	4,553,136	766,874	195,335	615,114
<u>102,920,948</u>	<u>80,737,387</u>	<u>39,085,735</u>	<u>9,437,439</u>	<u>14,690,823</u>	<u>13,259,492</u>
<u>\$ 112,340,222</u>	<u>\$ 87,617,601</u>	<u>\$ 43,638,871</u>	<u>\$ 10,204,313</u>	<u>\$ 14,886,158</u>	<u>\$ 13,874,606</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar'sEdge**  
**June 30, 2013**

	Large Cap Core Portfolio	Large Cap Value Portfolio	Small Cap Core Portfolio
<b>Additions</b>			
Subscriptions	\$ 1,810,880	\$ 1,137,901	\$ 1,855,517
Investment income			
Dividend income from underlying investments	98,174	151,643	165,725
Interest	22	26	43
Less expenses			
Distribution fees	33,777	40,312	67,135
Management fees	7,790	8,965	14,855
State administrative fees	7,793	8,965	14,855
Expense reimbursement	-	-	-
Net investment income	48,836	93,427	68,923
Capital gains (losses) from underlying investment	15,468	(63,540)	270,734
Net increase (decrease) in change in fair value of investments	1,490,830	1,807,777	2,487,437
Total additions	3,366,014	2,975,565	4,682,611
<b>Deductions</b>			
Redemptions	(1,595,069)	(1,850,219)	(3,001,689)
Change in net position held in trust for individuals	1,770,945	1,125,346	1,680,922
<b>Net Position</b>			
Net position, beginning of year	7,022,836	8,511,264	14,335,745
<b>Net position, end of year</b>	<b>\$ 8,793,781</b>	<b>\$ 9,636,610</b>	<b>\$ 16,016,667</b>

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International Equity Portfolio	Intermediate Term Bond Portfolio	Diversified Income Portfolio	Short-Term Yield Portfolio	Capital Preservation Portfolio	Total
<u>\$ 2,265,847</u>	<u>\$ 1,027,660</u>	<u>\$ 3,226,242</u>	<u>\$ 10,718,988</u>	<u>\$ 6,644,047</u>	<u>\$ 550,010,939</u>
224,952	2	1,386,499	23,767	1,108,041	29,146,658
47	18	71	75	127	4,864
72,825	28,584	103,865	-	197,534	7,495,833
16,083	5,868	23,781	25,177	42,268	1,673,144
16,084	5,867	23,804	25,114	42,266	1,673,093
-	-	-	(26,449)	-	(26,449)
<u>120,007</u>	<u>(40,299)</u>	<u>1,235,120</u>	<u>-</u>	<u>826,100</u>	<u>18,335,901</u>
105,129	10,795	(22,202)	-	-	24,690,998
<u>2,216,555</u>	<u>(61,027)</u>	<u>(143,481)</u>	<u>-</u>	<u>-</u>	<u>111,335,124</u>
<u>4,707,538</u>	<u>937,129</u>	<u>4,295,679</u>	<u>10,718,988</u>	<u>7,470,147</u>	<u>704,372,962</u>
<u>(3,454,424)</u>	<u>(1,352,059)</u>	<u>(6,436,920)</u>	<u>(11,086,572)</u>	<u>(11,678,994)</u>	<u>(586,098,072)</u>
<u>1,253,114</u>	<u>(414,930)</u>	<u>(2,141,241)</u>	<u>(367,584)</u>	<u>(4,208,847)</u>	<u>118,274,890</u>
<u>15,137,253</u>	<u>6,012,112</u>	<u>23,931,050</u>	<u>25,873,044</u>	<u>44,896,522</u>	<u>1,608,358,452</u>
<u>\$ 16,390,367</u>	<u>\$ 5,597,182</u>	<u>\$ 21,789,809</u>	<u>\$ 25,505,460</u>	<u>\$ 40,687,675</u>	<u>\$ 1,726,633,342</u>



**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—The Education Plan**  
**June 30, 2013**

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
<b>Additions</b>			
Subscriptions	\$ 2,805,004	\$ 8,432,498	\$ 17,596,698
Investment income			
Dividend income from underlying investments	78,956	177,118	330,725
Interest	34	80	155
Less expenses			
Management fees	11,563	26,204	52,624
State administrative fees	11,569	26,210	52,629
Expense reimbursement	-	-	-
Net investment income	55,858	124,784	225,627
Capital gains (losses) from underlying investment	1,145,452	2,061,301	2,555,757
Net increase (decrease) in change in fair value of investments	908,228	1,632,944	2,999,719
Total additions	4,914,542	12,251,527	23,377,801
<b>Deductions</b>			
Redemptions	(6,795,081)	(14,913,552)	(24,506,711)
Change in net position held in trust for individuals	(1,880,539)	(2,662,025)	(1,128,910)
<b>Net Position</b>			
Net position, beginning of year	11,940,045	28,314,267	51,473,773
<b>Net position</b> , end of year	<u>\$ 10,059,506</u>	<u>\$ 25,652,242</u>	<u>\$ 50,344,863</u>

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio
<u>\$ 25,583,530</u>	<u>\$ 15,799,580</u>	<u>\$ 11,362,567</u>	<u>\$ 5,724,786</u>	<u>\$ 3,012,437</u>	<u>\$ 2,259,286</u>
289,721	219,684	120,961	439,958	173,906	89,507
137	97	75	164	66	41
49,044	34,428	25,823	64,417	25,434	14,178
49,035	34,408	25,795	64,430	25,436	14,182
-	-	-	-	-	-
<u>191,779</u>	<u>150,945</u>	<u>69,418</u>	<u>311,275</u>	<u>123,102</u>	<u>61,188</u>
428,507	726,872	601,194	2,924,047	1,216,031	500,008
<u>2,777,737</u>	<u>244,506</u>	<u>(248,808)</u>	<u>8,311,775</u>	<u>2,332,706</u>	<u>957,557</u>
<u>28,981,553</u>	<u>16,921,903</u>	<u>11,784,371</u>	<u>17,271,883</u>	<u>6,684,276</u>	<u>3,778,039</u>
<u>(15,491,462)</u>	<u>(10,058,785)</u>	<u>(10,961,061)</u>	<u>(10,544,470)</u>	<u>(5,459,017)</u>	<u>(2,640,171)</u>
13,490,091	6,863,118	823,310	6,727,413	1,225,259	1,137,868
<u>42,164,167</u>	<u>30,596,106</u>	<u>26,808,442</u>	<u>61,046,233</u>	<u>24,710,426</u>	<u>13,669,784</u>
<u>\$ 55,654,258</u>	<u>\$ 37,459,224</u>	<u>\$ 27,631,752</u>	<u>\$ 67,773,646</u>	<u>\$ 25,935,685</u>	<u>\$ 14,807,652</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—The Education Plan**  
**June 30, 2013**

	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio
<b>Additions</b>			
Subscriptions	\$ 2,659,606	\$ 1,239,849	\$ 1,303,786
Investment income			
Dividend income from underlying investments	48,198	24,318	34,147
Interest	24	12	22
Less expenses			
Management fees	8,357	4,010	7,354
State administrative fees	8,358	4,005	7,349
Expense reimbursement	-	-	-
Net investment income	31,507	16,315	19,466
Capital gains (losses) from underlying investment	314,168	216,769	256,364
Net increase (decrease) in change in fair value of investments	244,610	(97,961)	(153,982)
Total additions	3,249,891	1,374,972	1,425,634
<b>Deductions</b>			
Redemptions	(2,329,752)	(1,506,265)	(1,502,685)
Change in net position held in trust for individuals	920,139	(131,293)	(77,051)
<b>Net Position</b>			
Net position, beginning of year	8,063,815	4,129,562	7,585,819
<b>Net position</b> , end of year	<u>\$ 8,983,954</u>	<u>\$ 3,998,269</u>	<u>\$ 7,508,768</u>

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Short-Term Yield Portfolio	Newborn to Age 5 Years Index Portfolio	Ages 6-8 Years Index Portfolio	Ages 9-11 Years Index Portfolio	Ages 12-14 Years Index Portfolio	Ages 15-17 Years Index Portfolio
<u>\$ 5,635,097</u>	<u>\$ 2,229,875</u>	<u>\$ 2,139,887</u>	<u>\$ 2,676,292</u>	<u>\$ 1,990,471</u>	<u>\$ 2,545,749</u>
10,477	35,645	40,599	49,308	48,883	46,292
33	8	9	10	10	9
11,212	3,226	3,481	3,922	3,698	3,294
11,185	1,610	1,750	1,958	1,847	1,644
(12,007)	-	-	-	-	-
<u>120</u>	<u>30,817</u>	<u>35,377</u>	<u>43,438</u>	<u>43,348</u>	<u>41,363</u>
-	(3,137)	43,336	59,240	94,802	59,213
<u>-</u>	<u>531,546</u>	<u>427,100</u>	<u>276,106</u>	<u>116,105</u>	<u>(27,984)</u>
<u>5,635,217</u>	<u>2,789,101</u>	<u>2,645,700</u>	<u>3,055,076</u>	<u>2,244,726</u>	<u>2,618,341</u>
<u>(5,143,886)</u>	<u>(745,581)</u>	<u>(1,220,871)</u>	<u>(924,182)</u>	<u>(1,431,365)</u>	<u>(1,150,142)</u>
491,331	2,043,520	1,424,829	2,130,894	813,361	1,468,199
<u>11,023,795</u>	<u>2,376,772</u>	<u>2,486,817</u>	<u>2,982,687</u>	<u>3,151,281</u>	<u>2,538,489</u>
<u>\$ 11,515,126</u>	<u>\$ 4,420,292</u>	<u>\$ 3,911,646</u>	<u>\$ 5,113,581</u>	<u>\$ 3,964,642</u>	<u>\$ 4,006,688</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—The Education Plan**  
**June 30, 2013**

	Ages 18 Years and Over Index Portfolio	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio
<b>Additions</b>			
Subscriptions	\$ 1,168,922	\$ 3,993,378	\$ 3,198,061
Investment income			
Dividend income from underlying investments	21,875	78,049	52,810
Interest	4	18	12
Less expenses			
Management fees	1,492	6,973	4,414
State administrative fees	746	3,484	2,220
Expense reimbursement	-	-	-
Net investment income	19,641	67,610	46,188
Capital gains (losses) from underlying investment	38,145	(4,316)	56,781
Net increase (decrease) in change in fair value of investments	(42,187)	1,160,040	520,172
Total additions	1,184,521	5,216,712	3,821,202
<b>Deductions</b>			
Redemptions	(671,205)	(718,150)	(1,047,149)
Change in net position held in trust for individuals	513,316	4,498,562	2,774,053
<b>Net Position</b>			
Net position, beginning of year	1,220,670	4,780,410	3,260,554
<b>Net position, end of year</b>	<u>\$ 1,733,986</u>	<u>\$ 9,278,972</u>	<u>\$ 6,034,607</u>

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Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio	Total
\$ 2,135,214	\$ 1,441,625	\$ 2,101,486	\$ 1,400,061	\$ 130,435,745
52,397	35,697	59,920	34,011	2,593,162
12	8	12	6	1,058
4,254	2,707	4,249	2,330	378,688
2,122	1,350	2,122	1,166	356,610
-	-	-	-	(12,007)
46,033	31,648	53,561	30,521	1,870,929
70,425	61,477	141,232	76,440	13,640,108
317,308	90,738	(72,220)	(81,325)	23,124,430
2,568,980	1,625,488	2,224,059	1,425,697	169,071,212
(1,303,008)	(863,212)	(2,048,078)	(947,627)	(124,923,468)
1,265,972	762,276	175,981	478,070	44,147,744
3,621,255	2,168,522	3,968,800	2,039,455	356,121,946
<u>\$ 4,887,227</u>	<u>\$ 2,930,798</u>	<u>\$ 4,144,781</u>	<u>\$ 2,517,525</u>	<u>\$ 400,269,690</u>

## Supplementary Information

**Education Trust Board of New Mexico**  
**Schedule of Individual Deposit Accounts**  
**For the Year Ended June 30, 2013**

Name of Institution	Account Name	Share Fund No.	Deposit Type	Bank Balance at June 30, 2013	Reconciled Balance at June 30, 2013
<b>Governmental Fund Types - General Fund</b>					
NM State Treasurer's Office	Education Trust Board of New Mexico — Administration Fund	11250	Interest in SGFIP	\$ 523,857	\$ 523,857
Oppenheimer Funds	Education Trust Board of New Mexico — Administration Fund	11250	Money Market	<u>8,088,645</u>	<u>8,088,645</u>
Total governmental fund types - general fund				<u>\$ 8,612,502</u>	<u>\$ 8,612,502</u>



## Other Supplementary Information

**Education Trust Board of New Mexico**  
**Fund Performance Summary—By Portfolio**  
**For the Year Ended June 30, 2013**

**Scholar’sEdge (Advisor Sold)**

The table below presents the Average Annual Total Returns for each portfolio in the New Mexico Scholar’sEdge Savings Program for the 12-month period ended June 30, 2013:

	A Unit Total Returns %	B Unit Total Returns %	C Unit Returns (%)	Benchmark Return %
Newborn to Age 5 Years Portfolio	19.12%	18.27%	18.24%	21.35 %
Ages 6-8 Years Portfolio	16.16	15.29	15.30	17.02
Ages 9-11 Years Portfolio	11.95	11.12	11.10	12.89
Ages 12-14 Years Portfolio	8.12	7.33	7.35	8.75
Ages 15-17 Years Portfolio	4.18	3.44	3.42	4.43
Ages 18 Years and Over Portfolio	2.43	1.63	1.66	2.50
Capital Appreciation Portfolio	14.21	13.37	13.34	17.07
Institutional Money Market Portfolio	-	-	-	0.06
Main Street Small- & Mid-Cap Portfolio	21.13	20.22	20.21	25.61
International Equity Portfolio	17.07	16.18	16.20	18.62
Aggressive Portfolio	19.20	18.27	18.29	21.35
Moderately Aggressive Portfolio	16.19	15.36	15.33	17.02
Moderate Portfolio	11.96	11.13	11.12	12.89
Conservative Portfolio	8.15	7.32	7.34	8.75
School Years Portfolio	2.39	1.63	1.67	2.50
MainStay MAP Portfolio	22.45	21.50	21.52	21.46
Value Portfolio	23.16	22.20	22.25	25.32
American Century Diversified Bond	(1.41)	(2.14)	(2.14)	(0.69)
Global Strategic Income Portfolio	4.34	3.56	3.56	(0.69)
Ultra Conservative Portfolio	4.20	3.48	3.44	4.43
Capital Preservation Portfolio	2.19	1.44	1.44	-

**Education Trust Board of New Mexico**  
**Fund Performance Summary—By Portfolio**  
**For the Year Ended June 30, 2013**

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

Oppenheimer Capital Appreciation Fund	Russell 1000 Growth Index
Oppenheimer Value Fund	Russell 1000 Value Index
Mainstay MAP Fund	Russell 3000 Index
Oppenheimer Main Street Fund	S&P Index
Oppenheimer Main Street Small- & Mid- Cap Fund®	Russell 2500 Index
Oppenheimer International Growth Fund	MSCI AC World ex-U.S.
Thornburg International Value Fund	MSCI EAFE Index
American Century Diversified Bond Fund	Barclays Capital US Aggregate Bond Index
Oppenheimer International Bond Fund	Citigroup World Government Bond Index ex U.S.
Oppenheimer Limited-Term Government Fund	Barclays Capital U.S. Government 1-3 Year Bond Index
Oppenheimer Global Strategic Income Fund®	Barclays Capital U.S. Aggregate Bond Index
Mainstay High Yield Corporate Bond Fund	Credit Suisse High Yield Index
Oppenheimer Senior Floating Rate Fund	Credit Suisse Leveraged Loan
Oppenheimer Institutional Money Market Fund	iMoneyNet First Tier Institutional Money Market Index
Oppenheimer Global Fund	MSCI AC World Index
Oppenheimer Global Opportunities Fund	MSCI AC World Index
Oppenheimer Developing Markets Fund	MSCI Emerging Markets
Oppenheimer International Diversified Fund	MSCI AC World Index ex-U.S.
Oppenheimer Rising Dividends Fund	Russell 1000 Index Fund
Oppenheimer Equity Income Fund	Russell 1000 Value Index
Oppenheimer Discovery Fund	Russell 2000 Growth Index
Oppenheimer Commodity Strategy Total Return Fund	Dow Jones-UBS Commodity Index Total Return
Oppenheimer Gold & Special Minerals Fund	MSCI World Index
Oppenheimer Real Estate Fund	NAREIT Equity REIT Index

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2013**

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio	Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	18 %	14 %	10.5 %	6.5 %	5 %
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	18 %	14 %	10.5 %	6.5 %	5 %
Mainstay MAP Fund	22.89%	Russell 3000 Index	21.46%	10%	8%	6%	5%	0 %
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	18%	15%	11%	7%	5%
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	16 %	13 %	10 %	7.5 %	0%
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	10	8%	6%	3.5%	2.5%
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	10%	8%	6%	4%	2.5%
American Century Diversified Bond Fund	(0.64%)	Barclays Capital US Aggregate Bond Index	(0.69%)	—	10%	20%	24%	24%
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	—	4%	7.5%	7.5%	7.5%
Oppenheimer Limited-Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	—	—	—	10%	25%
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	—	4%	8%	9%	9%
Mainstay High Yield Corporate Bond Fund	8.54%	Credit Suisse High Yield Index	9.18%	—	2%	4.5%	4.5%	4.5%
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	—	—	—	5%	10%

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Ages 18 Years and Over	Aggressive Portfolio	Moderately Aggressive	Moderate Portfolio	Conservative Portfolio
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	3 %	18 %	14 %	10.5 %	6.5 %
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	3 %	18 %	14 %	10.5 %	6.5 %
Mainstay MAP Fund	22.89%	Russell 3000 Index	21.46%	0 %	10 %	8 %	6 %	5 %
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	4 %	18 %	15 %	11 %	7 %
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	—	16 %	13 %	10 %	7.5 %
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	—	10 %	8 %	6 %	3.5 %
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	—	10%	8%	6%	4%
American Century Diversified Bond Fund	(0.64%)	Barclays Capital US Aggregate Bond Index	(0.69%)	20%	—	10%	20%	24%
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	7.5%	—	4%	7.5%	7.5%
Oppenheimer Limited-Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	30%	—	—	—	10%
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	8 %	—	4 %	8 %	9 %
Mainstay High Yield Corporate Bond Fund	8.54%	Credit Suisse High Yield Index	9.18%	4.5%	—	2%	4.5%	4.5%
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	20%	—	—	—	5%

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2013**

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Ultra Conservative	School Years Portfolio	Large Cap Growth	Large Cap Value	Large Cap Core
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	5 %	3 %	100 %	—	—
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	5 %	3 %	—	100 %	—
Mainstay MAP Fund	22.89%	Russell 3000 Index	21.46%	—	- %	—	—	100 %
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	5 %	4 %	—	—	—
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	- %	—	—	—	—
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	2.5 %	—	—	—	—
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	2.5 %	—	—	—	—
American Century Diversified Bond Fund	(0.64%)	Barclays Capital US Aggregate Bond Index	(0.69%)	24 %	20 %	—	—	—
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	7.5 %	7.5 %	—	—	—
Oppenheimer Limited-Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	25 %	30 %	—	—	—
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	9 %	8 %	—	—	—
Mainstay High Yield Corporate Bond Fund	8.54%	Credit Suisse High Yield Index	9.18%	4.5 %	4.5 %	—	—	—
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	10 %	20 %	—	—	—

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Small- and Mid-Cap Core	International Equity	Intermediate Term Bond	Diversified Income	X
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	—	—	—	—	
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	—	—	—	—	
Mainstay MAP Fund	22.89%	Russell 3000 Index	21.46%	—	—	—	—	
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	—	—	—	—	
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	100 %	—	—	—	
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	—	50 %	—	—	
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	—	50 %	—	—	
American Century Diversified Bond Fund	(0.64%)	Barclays Capital US Aggregate Bond Index	(0.69%)	—	—	100 %	—	
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	—	—	—	—	
Oppenheimer Global Strategic Income Fund	4.75%	Barclays Capital U.S. Aggregate Bond Index	(0.69%)	—	—	—	100 %	
Oppenheimer Limited-Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	—	—	—	—	
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	—	—	—	—	
Mainstay High Yield Corporate Bond Fund	8.54%	Credit Suisse High Yield Index	9.18%	—	—	—	—	
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	—	—	—	—	

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2013**

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Small- and Mid-Cap Core	International Equity	Intermediate Term Bond	Diversified Income	X
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	—	—	—	—	
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	—	—	—	—	
Mainstay MAP Fund	22.89%	Russell 3000 Index	21.46%	—	—	—	—	
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	—	—	—	—	
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	100%	—	—	—	
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	—	50%	—	—	
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	—	50%	—	—	
American Century Diversified Bond Fund	(0.64%)	Barclays Capital US Aggregate Bond Index	(0.69%)	—	—	100%	—	
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	—	—	—	—	
Oppenheimer Global Strategic Income Fund	4.75%	Barclays Capital U.S. Aggregate Bond Index	(0.69%)	—	—	—	100%	
Oppenheimer Limited-Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	—	—	—	—	
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	—	—	—	—	
Mainstay High Yield Corporate Bond Fund	8.54%	Credit Suisse High Yield Index	9.18%	—	—	—	—	
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	—	—	—	—	

Investment	Investment Return	Benchmark	Benchmark Return	Main Street Portfolio	Rising Dividends	Equity Income Portfolio	Discovery Portfolio	International Diversified
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	100%	—	—	—	—
Oppenheimer Rising Dividends Fund	17.79%	Russell 1000 Index Fund	21.24%	—	100%	—	—	—
Oppenheimer Equity Income Fund	28.04%	Russell 1000 Value Index	25.32%	—	—	100%	—	—
Oppenheimer Discovery Fund	21.41%	Russell 2000 Growth Index	23.67%	—	—	—	100%	—
Oppenheimer International Diversified Fund	20.27%	MSCI AC World Index ex-U.S.	13.63%	—	—	—	—	100%
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	—	—	—	—	—
Oppenheimer Global Fund	24.82%	MSCI AC World Index	17.21%	—	—	—	—	—

Investment	Investment Return	Benchmark	Benchmark Return	International Growth	Global Portfolio	X	X	X
Oppenheimer Main Street Fund	19.50%	S&P Index	20.60%	—	—			
Oppenheimer Rising Dividends Fund	17.79%	Russell 1000 Index Fund	21.24%	—	—			
Oppenheimer Equity Income Fund	28.04%	Russell 1000 Value Index	25.32%	—	—			
Oppenheimer Discovery Fund	21.41%	Russell 2000 Growth Index	23.67%	—	—			
Oppenheimer International Diversified Fund	20.27%	MSCI AC World Index ex-U.S.	13.63%	—	—			
Oppenheimer International Growth Fund	22.40%	MSCI AC World ex-U.S.	13.63%	100%	—			
Oppenheimer Global Fund	24.82%	MSCI AC World Index	17.21%	—	100%			

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2013**

Portfolio Investment Allocations								
Investment	Investment Return	Benchmark	Benchmark Return	Global Opportunities	Developing Markets	Commodity Strategy Total Return	Gold and Special Minerals	Real Estate Portfolio
Oppenheimer Global Opportunities Fund	16.89%	MSCI AC World Index	17.21%	100 %	—	—	—	—
Oppenheimer Developing Markets Fund	7.87%	MSCI Emerging Markets	3.23%	—	100 %	—	—	—
Oppenheimer Commodity Strategy Total Return Fund	(3.91%)	Dow Jones-UBS Commodity Index Total Return	(8.01%)	—	—	100 %	—	—
Oppenheimer Gold and Special Minerals Fund	(43.63%)	MSCI World Index	19.27%	—	—	—	100 %	—
Oppenheimer Real Estate Fund	6.75%	NAREIT Equity REIT Index	10.21%	—	—	—	—	100 %
Oppenheimer Limited Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	—	—	—	—	—
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	—	—	—	—	—
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	—	—	—	—	—

Investment	Investment Return	Benchmark	Benchmark Return	Limited Term Government	International Bond	Senior Floating Rate Portfolio	X	X
Oppenheimer Global Opportunities Fund	16.89%	MSCI AC World Index	17.21%	—	—	—		
Oppenheimer Developing Markets Fund	7.87%	MSCI Emerging Markets	3.23%	—	—	—		
Oppenheimer Commodity Strategy Total Return Fund	(3.91%)	Dow Jones-UBS Commodity Index Total Return	(8.01%)	—	—	—		
Oppenheimer Gold and Special Minerals Fund	(43.63%)	MSCI World Index	19.27%	—	—	—		
Oppenheimer Real Estate Fund	6.75%	NAREIT Equity REIT Index	10.21%	—	—	—		
Oppenheimer Limited Term Government Fund	0.62%	Barclays Capital U.S. Government 1-3 Year Bond Index	0.34%	100 %	—	—		
Oppenheimer International Bond Fund	1.06%	Citigroup World Government Bond Index ex U.S.	(5.72%)	—	100 %	—		
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan	7.64%	—	—	100 %		

**Education Trust Board of New Mexico**  
**The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2013**

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, 2013:

	Direct Sold Total Return (%)	Benchmark Return (%)
Newborn to Age 5 Years Portfolio	19.57%	21.44%
Ages 6-8 Years Portfolio	15.60	17.19
Ages 9-11 Years Portfolio	11.46	12.88
Ages 12-14 Years Portfolio	7.50	8.64
Ages 15-17 Years Portfolio	3.50	4.34
Ages 18 Years and Over Portfolio	1.67	2.37
Aggressive Portfolio	19.72	21.44
Moderately Aggressive Portfolio	15.58	17.19
Moderate Portfolio	11.42	12.88
Conservative Portfolio	7.46	8.64
Ultra Conservative Portfolio	3.41	4.34
School Years Portfolio	1.67	2.37
Short-Term Yield Portfolio	-	.06
Newborn to Age 5 Years Index Portfolio	19.79	20.68
Ages 6-8 Years Index Portfolio	15.67	16.16
Ages 9-11 Years Index Portfolio	11.16	11.77
Ages 12-14 Years Index Portfolio	7.24	7.60
Ages 15-17 Years Index Portfolio	3.13	3.53
Ages 18 Years and Over Index Portfolio	1.42	1.71
Aggressive Index Portfolio	20.11	20.68
Moderately Aggressive Index Portfolio	15.50	16.16
Moderate Index Portfolio	10.99	11.77
Conservative Index Portfolio	7.08	7.60
Ultra Conservative Index Portfolio	3.21	3.53
School Years Index Portfolio	1.43	1.71



**Education Trust Board of New Mexico**  
**The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2013**

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

Oppenheimer Capital Appreciation Fund	Russell 1000 Growth Index
Oppenheimer Value Fund	Russell 1000 Value Index
Oppenheimer International Growth Fund	MSCI EAFE Index
Oppenheimer Main Street Fund	S&P 500 Index
TIAA-CREF International Equity Fund	MSCI EAFE Index
Thornburg International Value Fund	MSCI EAFE Index
Dreyfus Bond Market Index Fund	Barclays Capital US Aggregate Bond Index
Oppenheimer Institutional Money Market Fund	iMoneyNet First Tier Institutional Money Market Index
Oppenheimer Limited Term Government Fund	Barclays U.S Government 1-3 Year Bond Index
Oppenheimer Senior Floating Rate Fund	Credit Suisse Leveraged Loan Index
Oppenheimer Main Street Small- & Mid- Cap Fund®	Russell 2500 Index
Vanguard Extended Market Index Fund	S&P Completion Index
Vanguard Total Stock Market Index Fund	MSCI US Broad Market Index
Vanguard Intermediate Term Bond Index Fund	Barclays Capital US Government & Credit 5-10 Year Index
Dreyfus BASIC S&P 500 Stock Index Fund	S&P 500 Index

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2013**

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Newborn to Age 5 Years	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio	Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	13 %	10 %	8 %	5 %	3 %
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	13 %	10 %	8 %	5 %	3 %
Oppenheimer Main Street Fund	19.50%	S&P 500 Index	20.60%	14 %	12 %	8 %	7 %	5 %
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	20 %	16 %	12 %	8 %	4 %
Vanguard Extended Market Index Fund	25.69%	S&P Completion Index	25.90%	12 %	10 %	8 %	5 %	—
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	5 %	6 %	4 %	2.5 %	—
Oppenheimer International Growth Fund	22.40%	MSCI EAFE Index	19.14%	5 %	4 %	3 %	—	—
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	5 %	4 %	3 %	—	—
TIAA-CREF International Equity Fund	18.26%	MSCI EAFE Index	19.14%	10 %	8 %	6 %	7.5 %	5 %
Dreyfus Bond Market Index Fund	(1.02%)	Barclays Capital US Aggregate Bond Index	(0.69%)	—	15 %	32 %	36 %	36 %
Oppenheimer Limited Term Government Fund	0.62%	Barclays U.S Government 1-3 Year Bond Index	0.34%	—	—	—	5 %	15 %
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan Index	7.64%	—	5 %	8 %	9 %	9 %
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	—	—	—	10 %	20 %

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Ages 18 Years and Over	Aggressive Portfolio	Moderately Aggressive	Moderate Portfolio	Conservative Portfolio
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	2 %	13 %	10 %	8 %	5 %
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	2 %	13 %	10 %	8 %	5 %
Oppenheimer Main Street Fund	19.50%	S&P 500 Index	20.60%	2 %	14 %	12 %	8 %	7 %
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	3 %	20 %	16 %	12 %	8 %
Vanguard Extended Market Index Fund	25.69%	S&P Completion Index	25.90%	—	12 %	10 %	8 %	5 %
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	—	8 %	6 %	4 %	2.5 %
Oppenheimer International Growth Fund	22.40%	MSCI EAFE Index	19.14%	—	5 %	4 %	3 %	—
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	—	5 %	4 %	3 %	—
TIAA-CREF International Equity Fund	18.26%	MSCI EAFE Index	19.14%	1 %	10 %	8 %	6 %	7.5 %
Dreyfus Bond Market Index Fund	(1.02%)	Barclays Capital US Aggregate Bond Index	(0.69%)	32 %	—	15 %	32 %	36 %
Oppenheimer Limited Term Government Fund	0.62%	Barclays U.S Government 1-3 Year Bond Index	0.34%	10 %	—	—	—	5 %
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan Index	7.64%	8 %	—	5 %	8 %	9 %
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	40 %	—	—	—	10 %

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2013**

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Ultra Conservative	School Years Portfolio	Short-Term Yield	X	X
Oppenheimer Capital Appreciation Fund	14.73%	Russell 1000 Growth Index	17.07%	3%	2%	—	8%	5%
Oppenheimer Value Fund	23.69%	Russell 1000 Value Index	25.32%	3%	2%	—	8%	5%
Oppenheimer Main Street Fund	19.50%	S&P 500 Index	20.60%	5%	2%	—	8%	7%
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	4%	3%	—	12%	8%
Vanguard Extended Market Index Fund	25.69%	S&P Completion Index	25.90%	—	—	—	8%	5%
Oppenheimer Main Street Small- & Mid- Cap Fund	21.74%	Russell 2500 Index	25.61%	—	—	—	4%	2.5%
Oppenheimer International Growth Fund	22.40%	MSCI EAFE Index	19.14%	—	—	—	3%	—
Thornburg International Value Fund	12.90%	MSCI EAFE Index	19.14%	-	—	—	3%	—
TIAA-CREF International Equity Fund	18.26%	MSCI EAFE Index	19.14%	5%	1%	—	6%	7.5%
Dreyfus Bond Market Index Fund	(1.02%)	Barclays Capital US Aggregate Bond Index	(0.69%)	36%	32%	—	32%	36%
Oppenheimer Limited Term Government Fund	0.62%	Barclays U.S Government 1-3 Year Bond Index	0.34%	15%	10%	—	—	5%
Oppenheimer Senior Floating Rate Fund	7.83%	Credit Suisse Leveraged Loan Index	7.64%	9%	8%	—	8%	9%
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	20%	40%	100%	—	10%

Investment	Investment Return	Benchmark	Benchmark Return	Newborn to Age 5 Years Index Portfolio	Ages 6-8 Years Index Portfolio	Ages 9-11 Years Index Portfolio	Ages 12-14 Years Index Portfolio	Ages 15-17 Years Index Portfolio
Vanguard Total Stock Market Index Fund	21.26%	MSCI US Broad Market Index	21.45%	50%	40%	30%	20%	10%
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	30%	24%	18%	12.5%	5%
TIAA-CREF International Equity Fund	18.26%	MSCI EAFE Index	19.14%	20%	16%	12%	7.5%	5%
Dreyfus Bond Market Index Fund	(1.02%)	Barclays Capital US Aggregate Bond Index	(0.69%)	—	10%	20%	20%	20%
Vanguard Intermediate Term Bond Index Fund	(0.97%)	Barclays Capital US Government & Credit 5-10 Year Index	(0.56%)	—	10%	20%	30%	40%
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	—	—	—	10%	20%

Investment	Investment Return	Benchmark	Benchmark Return	Ages 18 Years and Over Index	Aggressive Index	Moderately Aggressive Index	Moderate Index	Conservative Index
Vanguard Total Stock Market Index Fund	21.26%	MSCI US Broad Market Index	21.45%	6%	50%	40%	30%	20%
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	3%	30%	24%	18%	12.5%
TIAA-CREF International Equity Fund	18.26%	MSCI EAFE Index	19.14%	1%	20%	16%	12%	7.5%
Dreyfus Bond Market Index Fund	(1.02%)	Barclays Capital US Aggregate Bond Index	(0.69%)	6%	—	10%	20%	20%
Vanguard Intermediate Term Bond Index Fund	(0.97%)	Barclays Capital US Government & Credit 5-10 Year Index	(0.56%)	44%	—	10%	20%	30%
Oppenheimer Institutional Money Market Fund	(0.10%)	iMoneyNet First Tier Institutional Money Market Index	0.06%	40%	—	—	—	10%

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2013**

Investment	Investment Return	Benchmark	Benchmark Return	Portfolio Investment Allocations				
				Ultra Conservative Index	School Years Index	X	X	X
Vanguard Total Stock Market Index Fund	21.26%	MSCI US Broad Market Index	21.45%	10 %	6 %	40 %	30 %	20 %
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	5 %	3 %	24 %	18 %	12.5 %
TIAA-CREF International Equity Fund	18.26%	MSCI EAFE Index	19.14%	5 %	1 %	16 %	12 %	7.5 %
Dreyfus Bond Market Index Fund	(1.02%)	Barclays Capital US Aggregate Bond Index	(0.69%)	20 %	6 %	10 %	20 %	20 %
Vanguard Intermediate Term Bond Index Fund	(0.97%)	Barclays Capital US Government & Credit 5-10 Year Index	(0.56%)	40 %	44 %	10 %	20 %	30 %
Oppenheimer Institutional Money Market Fund	0.10%	iMoneyNet First Tier Institutional Money Market Index	0.06%	20 %	40 %	—	—	10 %

## Government Auditing Standards Section

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

The Board of Directors  
Education Trust Board of New Mexico  
and  
Mr. Hector H. Balderas, 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 Education Trust Board of New Mexico (the "NMETB"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the NMETB's basic financial statements and have issued our report thereon dated December 5, 2013.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2012-001 and FS 2012-002, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item FS 2013-001, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 2013-002.

### **NMETB's Responses to Findings**

The NMETB's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The NMETB's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the NMETB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

REDW LLC

Phoenix, Arizona  
December 5, 2013

**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2013**

**A. Findings – Financial Statement Audit**

**FS 2012-001 — Reliability of Financial Recording, Accounting, and Reporting- (Modified)  
(Material Weakness)**

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*Condition:* As a result of the lack of internal control procedures, the financial information produced by the SHARE accounting system was not reliable. As a result, significant audit adjustments were necessary for the following:

- Management fee revenues and the related fees receivables from Oppenheimer Funds, Inc. (OFI) deposited in the Money Market account were not reconciled and corrected at year end, and, as a result, were not accurately reflected in SHARE system.
- Prior year audit adjustments were not accurately reflected in SHARE system and significant adjustments were made during the audit to adjust beginning fund balance to reflect prior year ending fund balance.
- Expenses related to the professional and reimbursements to participants were significantly adjusted to reflect unrecorded expenses.
- Payable balances were significantly adjusted to reflect unrecorded liabilities.

*Criteria:* As a state agency, NMETB must follow the existing Manual of Model Accounting Practices' (MAPS) procedures for the items above. MAPs (FIN 2.1) states that state agencies shall log all monies receiving, specifying the amount, date and source of the revenue. Additionally, MAPs (Vol. 1, Chapter 8, Section 3.2) requires monthly reconciliations of all accounts. Individual accounts should be reconciled on a monthly basis and any discrepancies or inconsistencies should be investigated as soon as they are discovered.

*Cause:* Lack of effective procedures and understanding of MAPs has created these conditions. The issues are intensified by lack of or insufficient staff resources.

*Effect:* The information produced by the system cannot be relied on for the purpose of making financial decisions. Problems reporting timely and current financial information can impact management's ability to effectively guide NMETB.

*Auditor's Recommendations:* Establish internal control procedures to ensure accurate, timely accounting and financial reporting. Consider implementing the policies and procedures as described by the New Mexico Department of Financial Administration are being followed.



**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2013**

A. Findings – Financial Statement Audit — continued

FS 2012-001 — Reliability of Financial Recording, Accounting, and Reporting- (Modified)  
(Material Weakness) — continued

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*Management's Response:* NMETB accepts the auditor's recommendation that it establish internal control procedures to ensure accurate, timely accounting and financial reporting.

NMETB has only been a part of SHARE for three years and has been dependent upon the Higher Education Department (NMHED) to maintain SHARE on behalf of NMETB. Clearly, NMETB and NMHED have not had the staffing needed to properly maintain the system.

During FY 2014, NMETB's executive director will work with the Department of Finance and Administration and NMHED's Administrative Services Division director to fully implement accounting and financial reporting in SHARE.

**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2013**

A. Findings – Financial Statement Audit — continued

**FS 2012-002 — Procurement Violations (Material Weakness)**

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*Condition:* Four professional contracts with total amount of approximately \$276,000 had not followed applicable procurement rules. In three of four cases, services by vendors were provided after the professional contracts expired and in one case, before the contract's effective date. Procedures were not in place to prevent receipt of services without contracts required by the New Mexico State Procurement Code.

In addition, NMETB erroneously paid an invoice to an approved vendor for services that were provided to an entity other than the NMETB.

*Criteria:* The New Mexico State Procurement Code prohibits receipt of services without having a valid contract in place. Payment of public funds may not be made to a vendor for service not provided to the agency.

*Cause:* NMETB failed to follow the New Mexico State Procurement Code mainly due to lack of effective procedures and understanding of the New Mexico State Procurement Code. The issues are intensified by lack of or insufficient staff resources, as NMETB did not have full time staff until January 2012.

*Effect:* The NMETB is in violation of the New Mexico State Procurement Code.

*Recommendation:* We recommend management develop and establish controls and procedures that address proper processing and reviewing professional contracts in compliance with the New Mexico State Procurement Code. In addition, the NMETB should implement procedures to perform detailed review of vendor invoices prior to payment.

*Management's Response:* NMETB is in compliance with the New Mexico State Procurement Code and has implemented internal controls to improve contract management and vendor payment approval processes.

Management acknowledges that it made a payment to an approved vendor based upon an incorrect invoice and the vendor has agreed to issue a refund. The vendor provided services to the NMETB on the date in question and management should have recognized the error in the invoice.

**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2013**

A. Findings – Financial Statement Audit — continued

**FS 2013-001 — Lack of Pledged Collateral (Significant Deficiency)**

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*Condition:* Cash equivalents with a balance of \$8,088,645 at June 30, 2013 invested in Oppenheimer Institutional Money Market Fund were not collateralized as required by New Mexico State Statute. This was in violation of the 50% pledged collateral requirement of Section 6-10-17 NMSA 1978 for this type of investments.

*Criteria:* Custodial credit risk is defined as the risk that the government’s money may not be returned to it in the event of a financial institution’s failure. According to New Mexico State Statute (NMSA 1978) 6-10-16, “Deposits of public money shall be secured by (1) securities of the United States...(2) securities of the state of New Mexico...(3) securities that are guaranteed by the United States or the State of New Mexico, (4) revenue bonds that are underwritten by a member of the national association of securities dealers (NASD) and are rated “BAA,” (5) letters of credit issued by a federal home loan bank.” In addition, according to NMAC 2.2.2.10(N)(4)(b), if the pledged collateral, in an aggregate amount, is not equal to one half of the amount of public money in each account (Section 6-10-17 NMSA 1978), there should be a finding in the audit report.

*Cause:* NMETB failed to follow the New Mexico State Statute related to the pledged collateral requirement mainly due to lack of effective procedures and understanding of the applicable Statute. The issues are intensified by lack of or insufficient staff resources, as NMETB hired a full time staff only in January 2012.

*Effect:* The assignment of securities as collateral of public money that do not meet the state statute requirements has resulted, leaving the public money inadequately guaranteed in case of the financial institution’s failure.

*Recommendation:* It is the responsibility of management to insure that adequate safekeeping of the agency’s assets is maintained. As part of its fiscal responsibility, management should work closely with the financial institution to establish and closely monitor types and amounts of collateral to meet the state requirements.

*Management Response:* Management discussed the lack of pledged collateral with the Education Trust Board and made the required arrangements to ensure proper collateralization of the public monies and compliance with the requirement of Section 6-10-16 NMSA 1978. In December 2013 NMETB transferred the above mentioned funds under management of the New Mexico State Treasurer's Local Government Investment Pool.

**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2013**

A. Findings – Financial Statement Audit — continued

**FS 2013-002 — Error in Recording a Budget Adjustment Request**

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*Condition:* During FY 13, NMETB submitted a Budget Adjustment Request (BAR) that was not accurately recorded. The amount reflected in the final budget for Other Costs was double the original BAR.

*Criteria:* According to State Auditor Rule 2.2.2.10 I(1)(b), any violation of good accounting practices found by the audit must be reported as a finding.

*Cause:* NMETB failed to adequately review the adjusted budget and identify the incorrectly recorded BAR amount.

*Effect:* NMETB's budget was incorrectly increased creating the opportunity for Management to make expenditure-related decisions that could have led to an overspent budget.

*Recommendation:* We recommend that management establish controls necessary to approve and monitor budget transactions and the budget results of those transactions, in order to correctly record BARs.

*Management's Response:* NMETB accepts the auditor's recommendation that it establish controls necessary to monitor and approve budget transactions. Management will also request NMHED management to provide additional training to its staff on the preparation of BARs.

**Education Trust Board of New Mexico**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2012**

<b>Fiscal Year Findings</b>	<b>Current Status</b>
<b>FS 2012-001 – Reliability of Financial Recording, Accounting, and Reporting</b>	Unresolved (Modified). See current year finding FS 2012-001.
<b>FS 2012-002 — Procurement Violations</b>	Unresolved. See current year finding FS 2012-002.
<b>FS 2012-003 —Budget Overages</b>	Resolved.
<b>FS 2011-001 – Oversight of the Financial Reporting and Internal Controls</b>	Resolved.
<b>FS 2010-001 – Cash Basis Accounting</b>	Resolved.
<b>FS 2010-002 – Internal Controls over Fee Revenues</b>	Resolved.

**Education Trust Board of New Mexico**  
**Exit Conference**  
**For the Year Ended June 30, 2013**

**Exit Conference**

An exit conference was conducted on November 14, 2013, in which the contents of this report were discussed with the following:

**Education Trust Board of New Mexico**

Dr. Jose Garcia	Board Chairman
Kevin Deiters	Executive Director

**REDW<sub>LLC</sub>**

Chris Tyhurst	Principal
Javier Machuca	Senior Manager
Alan Demir	Manager

Financial Statement Preparation

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