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# Education Trust Board of New Mexico

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*Financial Statements  
and  
Independent Auditor's Report  
June 30, 2014*

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

# Education Trust Board of New Mexico

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# Education Trust Board of New Mexico

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# Education Trust Board of New Mexico

## Official Roster June 30, 2014

### 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>
Mark Jarmie, 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 statement for the Administrative Fund of the Education Trust Board of New Mexico (the "NMETB"), as of and for the year ended June 30, 2014, 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 misstatements, 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 qualified audit opinion on the Administrative Fund and unmodified opinion on the fiduciary funds.

### **Basis for Qualified Opinion on Governmental Activities and Administrative Fund**

We were unable to obtain sufficient appropriate audit evidence on the value of NMETB's Administrative Fund investment in the State General Fund Investment Pool (SGFIP) at June 30, 2014 through confirmation and no reconciliation is being performed on the investment in SGFIP. This investment amount is included in the assets of the NMETB's governmental activities statement of net position and the assets of the Administrative Fund. Information on this matter is described in Note 14 to the financial statements.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion on Governmental Activities and Administrative Fund paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Governmental Activities and the Administrative Fund of the NMETB as of June 30, 2014, 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.

### **Unmodified Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective fiduciary net position of each fiduciary fund (Scholar'sEdge and the Education Plan) of the NMETB as of June 30, 2014, and the respective changes in fiduciary net position 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, 2014, 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 5-15 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 and the Administrative Fund budgetary comparison. 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 11, 2014, 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 11, 2014

# **Education Trust Board of New Mexico**

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

### **June 30, 2014**

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, 2014. 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 (NMHED). NMHED was created as a state agency in 2005 and NMSA 1978 §21-21K-4 (A) (1997) administratively attaches NMETB to NMHED. Case law holds that an administratively attached entity is a "constituent agency." Constituent agencies have the same legal status as their "parent" agency.

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, 2014 by \$4,725,396 (net position). The entire amount is considered unrestricted net position and may be used to meet NMETB's ongoing obligations.

At June 30, 2014, NMETB's Administrative Fund reported total fund balance of \$4,735,572. The fund balance represents 268% of 2014 expenditures.

The fiduciary funds had an increase in net position of approximately \$238.09 million, or 11%.

#### **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.

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



**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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 \$4.7 million at June 30, 2014. The following table summarizes the NMETB's summarized assets, liabilities and net position as of June 30:

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Summarized Assets, Liabilities and Net Position**

(In thousands)	<b>2014</b>	2013 (as restated)
<b>Assets</b>		
Current and other assets	<u>\$ 6,622</u>	<u>\$ 8,787</u>
Total assets	<u>6,622</u>	<u>8,787</u>
<b>Liabilities</b>		
Due to other state agencies	500	500
Other liabilities	<u>1,397</u>	<u>4,197</u>
Total liabilities	<u>1,897</u>	<u>4,697</u>
<b>Net position</b>		
Unrestricted	<u>4,725</u>	<u>4,090</u>
Total net position	<u>\$ 4,725</u>	<u>\$ 4,090</u>

As of June 30, 2014, \$4.7 million of net position was unrestricted for future operations.

**Changes in Net Position.** Total revenues for the year ended June 30, 2014, were \$2.4 million compared with expenses of \$1.8 million. The following table summarizes the NMETB's changes in net position for the years ended June 30:

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

(In thousands)	<b>2014</b>	2013
<b>Revenues</b>		
Program revenues		
Charges for goods and services	<u>\$ 2,398</u>	<u>\$ 2,035</u>
Total program revenues	<u>2,398</u>	<u>2,035</u>
<b>General Revenues</b>		
Investment income	<u>4</u>	<u>79</u>
Total general revenues	<u>4</u>	<u>79</u>
Total revenues	<u>2,402</u>	<u>2,114</u>
<b>Expenses</b>		
Administration of educational savings plan	<u>1,767</u>	<u>5,237</u>
Total expenses	<u>1,767</u>	<u>5,237</u>
Change in net position	<b>635</b>	(3,123)
Net position—beginning of year, as restated (Note 15)	<u>4,090</u>	<u>7,213</u>
<b>Net position—end of year</b>	<u><u>\$ 4,725</u></u>	<u><u>\$ 4,090</u></u>

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

(In thousands)	<b>2014</b>	2013 (as restated)
<b>Assets</b>		
Cash and investments	\$ 6,434	\$ 8,613
Accounts receivables	<u>188</u>	<u>174</u>
Total assets	<u>\$ 6,622</u>	<u>\$ 8,787</u>
<b>Liabilities</b>		
Accounts payable	\$ 321	\$ 372
Due to other state agencies	500	500
Accrued expenses	65	3,815
Unearned scholarships revenue	<u>1,000</u>	<u>-</u>
Total liabilities	<u>1,886</u>	4,687
<b>Fund balance</b>	<u>4,736</u>	<u>4,100</u>
Total liabilities and fund balance	<u>\$ 6,622</u>	<u>\$ 8,787</u>

As of June 30, 2014, total assets and liabilities decreased due to a \$3.75 million payment during the year relating to a settlement accrued in the prior year, as disclosed in Note 13. This was partially offset by 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)	<b>2014</b>	2013
Total revenues	\$ 2,402	\$ 2,114
Total expenditures	<u>1,766</u>	<u>5,233</u>
Excess of revenues over expenditures	636	(3,119)
Fund balance, beginning of year, as restated (Note 15)	<u>4,100</u>	<u>7,219</u>
<b>Fund balance, end of year</b>	<u>\$ 4,736</u>	<u>\$ 4,100</u>

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Total expenditures decreased by \$3.5 million or (66%) to \$1.8 million for the year ended June 30, 2014, compared to \$5.2 million for the year ended June 30, 2013. The decrease was an effect of decreases in legal fees related to litigation and the \$3.75 million legal settlement accrued in fiscal year 2013, as disclosed in Note 13.

**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>2014</u>	<u>2013</u>
<b>Assets</b>		
Investments, at value	\$ 1,894,573	\$ 1,722,630
Cash	4,493	4,814
Receivables and other assets	<u>4,969</u>	<u>2,688</u>
Total assets	<u>1,904,035</u>	<u>1,730,132</u>
<b>Liabilities</b>		
Payable and other liabilities	<u>5,490</u>	<u>3,499</u>
Total liabilities	<u>5,490</u>	<u>3,499</u>
Net position	<u>\$ 1,898,545</u>	<u>\$ 1,726,633</u>

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The investments of the Portfolios increased \$171.9 million, mainly due to market appreciation offset by net participant redemptions of \$47.2 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)	2014	2013
Additions		
Subscriptions	<u>\$ 580,430</u>	<u>\$ 550,011</u>
Investment income		
Dividend income and interest	40,072	29,152
Less expenses	<u>11,427</u>	<u>10,816</u>
Net investment income	28,645	18,336
Realized investment gains (losses)	87,332	24,691
Net increase in fair value of investments	<u>103,145</u>	<u>111,335</u>
Total additions	799,552	704,373
Deductions		
Redemptions	<u>(627,640)</u>	<u>(586,098)</u>
Change in net asset	171,912	118,275
Net position, beginning of year	<u>1,726,633</u>	<u>1,608,358</u>
<b>Net position, end of year</b>	<u><b>\$ 1,898,545</b></u>	<u><b>\$ 1,726,633</b></u>

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

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**Management's Discussion and Analysis**  
**June 30, 2014**

**Financial Analysis – The Education Plan**

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

(In thousands)	2014	2013
<b>Assets</b>		
Investments, at value	\$ 463,931	\$ 398,370
Cash	2,493	1,836
Receivables and other assets	1,355	933
Total assets	467,779	401,139
<b>Liabilities</b>		
Payable and other liabilities	1,330	869
Total liabilities	1,330	869
Net position	\$ 466,449	\$ 400,270

Investments increased \$65.6 million mainly due to market appreciation and net participant contributions of \$6.8 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.

**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

(In thousands)	2014	2013
Additions		
Subscriptions	<u>\$ 139,545</u>	<u>\$ 130,436</u>
Investment income		
Dividend income and interest	4,681	2,594
Less expenses	<u>819</u>	<u>723</u>
Net investment income	<u>3,862</u>	<u>1,871</u>
Capital gains from underlying funds	18,012	13,640
Net increase in fair value of investments	<u>37,478</u>	<u>23,124</u>
Total additions	198,897	169,071
Deductions		
Redemptions	<u>(132,718)</u>	<u>(124,923)</u>
Change in net position	66,179	44,148
Net position, beginning of year	<u>400,270</u>	<u>356,122</u>
<b>Net position</b> , end of year	<u><u>\$ 466,449</u></u>	<u><u>\$ 400,270</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, 2014:

The reporting period began in the midst of a tumultuous market environment. In May 2013, market volatility picked up measurably as remarks from former Federal Reserve ("Fed") Chairman Ben Bernanke indicated a possible tapering of the Fed's asset purchase program if the economy continued to show improvement. Additionally, fears began to creep into the market about a possible slowdown in the world's emerging economies. However, market conditions generally stabilized over the summer of 2013, and when the Fed actually announced in December 2013 that it would reduce its asset purchases by \$10 billion a month, its decision to taper was met with relative calm in financial markets.



**Education Trust Board of New Mexico**  
**Management's Discussion and Analysis**  
**June 30, 2014**

Markets once again turned volatile to start 2014 amid fears that political and economic instability in the world's emerging markets might further dampen the U.S. economic recovery. However, equities recovered in February 2014 and generally resumed their upward trend through the end of the reporting period, with a slight dip in April 2014. Among the central bank actions that boosted the markets over the second half of the reporting period, the European Central Bank (the "ECB") announced numerous measures in June 2014, including a benchmark interest rate cut, the introduction of a negative deposit rate to encourage banks to lend, among various other measures to flood the system with liquidity. Beyond that, the ECB said it would prepare to purchase packages of loans from banks to allow for increased lending. In June 2014, the U.S. Fed also stated it would reduce the amount of monthly bond purchases by an additional \$10 billion and reaffirmed its intention to keep short-term interest rates near zero. U.S. economic data released in April and May 2014 was positive, as the unemployment rate fell to 6.3%, the economy finally regained all of the jobs lost during the 2008 recession, and the U.S. stock market achieved record highs. Shortly after the reporting period ended, a positive June 2014 jobs report was released, in which the official unemployment rate fell to 6.1%, its lowest level since September 2008.

Against this backdrop, sustained low interest rates continued to boost demand for higher dividend yielding stocks as investors sought alternative sources of current income. Oil prices spiked during the reporting period, reflecting increased tensions in the Middle East and concerns that output from the Iraqi oil fields would be curtailed. Not surprisingly, energy stocks responded by rallying strongly, making this sector a strong performer this period.

Finally, there was a pick-up in mergers and acquisitions (M&A). A driving force that has garnered considerable headline attention was Corporate America's aim to put the cash that has built-up on overseas balance sheets to productive use. This, combined with an opportunity to lower overall corporate tax rates, resulted in a plethora of proposed acquisitions targeted at companies domiciled in desirable geographic tax havens. This was especially evident in the health care sector with Pfizer attempting to merge with Astra-Zeneca and, more recently, Medtronic communicating its intention to acquire Covidien. Regardless of the motivation, the pick-up in M&A activity generally benefited the stock price of both acquiree and acquirer.

## **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.

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**Management's Discussion and Analysis**  
**June 30, 2014**

Administrative Fund revenues of \$2.4 million were not included in the budget. Actual expenditures of \$1.8 million were less than budgeted expenditures of \$2.1 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.

**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, 2014**

	Administrative Fund - Balance Sheet	Adjustments (Note 12)	Governmental Activities - Statement of Net Position
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 5,569,720	\$ -	\$ 5,569,720
Investment in State General Fund Investment Pool	863,762	-	863,762
Accounts receivables	188,490	-	188,490
Total assets	<u>\$ 6,621,972</u>	<u>\$ -</u>	<u>\$ 6,621,972</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 321,207	\$ -	\$ 321,207
Accrued expenses and compensated absences	65,193	10,176	75,369
Due to other state agencies	500,000	-	500,000
Unearned scholarships revenue	1,000,000	-	1,000,000
Total liabilities	1,886,400	10,176	1,896,576
<b>Fund Balance/Net Position</b>			
Unassigned/unrestricted	4,735,572	(10,176)	4,725,396
Total liabilities and fund balance/net position	<u>\$ 6,621,972</u>	<u>\$ -</u>	<u>\$ 6,621,972</u>

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, 2014**

	Administrative Fund - Changes in Fund Balance	Adjustments (Note 12)	Governmental Activities - Statement of Activities
<b>Revenues</b>			
Program - fees	\$ 2,398,458	\$ -	\$ 2,398,458
General revenues			
Investment income	<u>3,504</u>	<u>-</u>	<u>3,504</u>
Total revenues	<u>2,401,962</u>	<u>-</u>	<u>2,401,962</u>
 <b>Expenditures/Expenses</b>			
Personnel services and employee benefits	114,323	939	115,262
Contractual services	1,029,487	-	1,029,487
Other costs	<u>622,306</u>	<u>-</u>	<u>622,306</u>
Total expenditures/expenses	<u>1,766,116</u>	<u>939</u>	<u>1,767,055</u>
Excess of revenues over expenditures/expenses	<u>635,846</u>	<u>(939)</u>	<u>634,907</u>
Net change in fund balance/net position	635,846	(939)	634,907
Fund balance/net position, beginning of year	<u>4,599,726</u>	<u>(9,237)</u>	<u>4,590,489</u>
Restatement (Note 15)	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Fund balance/net position, beginning of year (as restated)	<u>4,099,726</u>	<u>(9,237)</u>	<u>4,090,489</u>
<b>Fund balance/net position, end of year</b>	<u><u>\$ 4,735,572</u></u>	<u><u>\$ (10,176)</u></u>	<u><u>\$ 4,725,396</u></u>

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

**Education Trust Board of New Mexico**  
**Administrative Fund**  
**Statement of Revenue and Expenditures—**  
**Budget to Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fee revenue	\$ -	\$ -	\$ 2,398,458	\$ 2,398,458
Investment income	-	-	<u>3,504</u>	<u>3,504</u>
Total revenues	<u>-</u>	<u>-</u>	<u>2,401,962</u>	<u>2,401,962</u>
<b>Expenditures</b>				
Personnel services and employee benefits	140,000	140,000	<b>114,323</b>	25,677
Contractual services	635,903	1,865,903	<b>1,029,487</b>	836,416
Other costs	<u>50,000</u>	<u>50,000</u>	<u><b>622,306</b></u>	<u>(572,306)</u>
Total expenditures	<u>\$ 825,903</u>	<u>\$ 2,055,903</u>	<u><b>1,766,116</b></u>	<u>\$ 289,787</u>
Net change in fund balance			<b>635,846</b>	
Fund balance, beginning of year, as restated (Note 15)			<u><b>4,099,726</b></u>	
<b>Fund balance, end of year</b>			<u><b>\$ 4,735,572</b></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, 2014**

	Scholar's Edge	The Education Plan	Total (Memorandum only)
<b>Assets</b>			
Investments, at fair value (Scholar'sEdge cost \$1,548,333,084; The Education Plan cost \$363,572,562)	\$ 1,894,573,279	\$ 463,930,781	\$ 2,358,504,060
Cash	4,492,892	2,492,525	6,985,417
Receivables and other assets			
Receivable for participant shares issued	3,446,772	1,012,675	4,459,447
Receivable for securities sold	597,677	215,597	813,274
Accrued income	924,884	127,866	1,052,750
Total assets	1,904,035,504	467,779,444	2,371,814,948
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Payable for capital shares redeemed	3,273,327	1,015,987	4,289,314
Payable for securities purchased	1,252,452	314,266	1,566,718
Accrued expenses	964,334	-	964,334
Total liabilities	5,490,113	1,330,253	6,820,366
Net position	\$ 1,898,545,391	\$ 466,449,191	\$ 2,364,994,582

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, 2014**

	Scholar's Edge	The Education Plan	Total (Memorandum only)
<b>Additions</b>			
Subscriptions	\$ 580,429,548	\$ 139,544,632	\$ 719,974,180
Investment income			
Dividends and interest	40,072,436	4,681,030	44,753,466
Less expenses			
Distribution fees	7,849,056	-	7,849,056
Management fees	1,808,487	434,385	2,242,872
State administrative fees	1,808,542	403,517	2,212,059
Expense reimbursement	(39,288)	(19,158)	(58,446)
Net investment income	28,645,639	3,862,286	32,507,925
Realized investment gains	87,331,964	18,012,299	105,344,263
Net increase in fair value of investments	103,144,982	37,478,380	140,623,362
Total additions	799,552,133	198,897,597	998,449,730
<b>Deductions</b>			
Redemptions	(627,640,084)	(132,718,096)	(760,358,180)
Change in net position	171,912,049	66,179,501	238,091,550
<b>Net Position</b>			
Net position, beginning of year	1,726,633,342	400,269,690	2,126,903,032
<b>Net position, end of year</b>	<u>\$ 1,898,545,391</u>	<u>\$ 466,449,191</u>	<u>\$ 2,364,994,582</u>

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

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Organization and Background**

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

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

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

NMETB’s financial statements include statements of financial position and changes in financial position of the Administrative Fund 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.

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 61 different investment portfolios (the “Portfolios”). The Portfolios offer different



**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

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, International Equity, Intermediate Term Bond, Diversified Income, Short-Term Yield, Capital Preservation, and Gold & Special Minerals.

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®2, Oppenheimer Main Street Small and Mid-Cap Fund®2, 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®, 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.

Additionally, Scholar'sEdge invests in the nonregistered investments including various fixed income products and contracts with New York Life. Both the registered and

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

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.

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

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

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.

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).

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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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, 2014 was approximately \$33,999,393 and the fair value was \$35,309,050. Contract value of GIC’s at June 30, 2013 was approximately \$39,502,537 and the fair value was \$39,738,011. 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.

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.

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

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, 2014, include a balance of \$5,569,720 invested with New Mexico Local Government Investment Pool (LGIP). LGIP deposits are not guaranteed or insured by the State of New Mexico, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, or any other agency or bank. These deposits involve certain investment risks and returns are not guaranteed.

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 \$863,762 at June 30, 2014. 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 as of June 30, 2014, 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

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2014.

A supplemental schedule of cash that the Administrative Fund held as of June 30, 2014, is presented as supplemental information to these financial statements.

Cash reported in the Scholar’sEdge and the Education Plan is non-public participant deposits. Funds are managed by the program manager of the Plans, OFIPI, and are held by a custodian, Citi Bank, a reputable financial institution. Cash balances for each portfolio constituting the Plans are deposited in separate custody accounts and insured by the FDIC up to \$250,000. Cash amounts deposited to these accounts are for re-investment purposes and occasionally may exceed \$250,000. However, cash is typically transferred out of the account to be re-invested and allocated to the underlying investments on a trade date plus one business day basis. As of June 30, 2014, the cash balances reported for the Scholar’sEdge and the Education Plan were \$4,492,892 and \$2,492,525, respectively.

**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

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

practices in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information investment and policies objectives, as well as information on the company structure and operations. In addition, Program Disclosure Statement and the Participation Agreements provide greater detail about the credit risk, if any, associated with nonregistered Underlying Investments.

Interest Rate Risk

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

Foreign Currency Risk

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

As of June 30, 2014, credit ratings for the fixed-income Underlying Investments are as follows:

**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
**June 30, 2014**

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	10.60%	89.40%	12.70%	57.52%	-
AA	0.90%	0.60%	20.20%	7.34%	-
A	6.40%	1.80%	6.80%	9.82%	0.20%
BBB	26.10%	5.80%	38.90%	17.06%	3.70%
BB and lower	50.00%	0.50%	12.00%	8.26%	93.60%
NRSRO-rated total	94.00%	98.10%	90.60%	100.00%	97.50%
Not rated	6.00%	1.90%	9.40%	0.00%	2.50%
Cash and cash equivalents - not rated	0.00%	0.00%	0.00%	0.00%	0.00%
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	Oppenheimer Limited-Term Government Fund
AAA	72.88%	53.90%	89.90%
AA	5.53%	5.10%	0.06%
A	12.99%	17.60%	1.80%
Baa	0.00%	23.40%	0.00%
BBB	8.60%	0.00%	6.30%
NRSRO-rated total	100.00%	100.00%	98.06%
Not rated	0.00%	0.00%	1.94%
Total	100.00%	100.00%	100.00%

As of June 30, 2014, the duration for the fixed-income Underlying Investments of the Scholar'sEdge Plan are as follows:



**Education Trust Board of New Mexico**  
**Notes to Financial Statements**  
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<u>Investment Global</u>	2014 (in years)
Oppenheimer Global Strategic Income Fund®	4.10
Oppenheimer Limited-Term Government Fund	2.10
Oppenheimer International Bond Fund	5.00
American Century Diversified Bond Fund	4.94
Mainstay High Yield Corporate Bond Fund	3.20

As of June 30, 2014, the duration for the fixed-income Underlying Investments of The Education Plan are as follows:

<u>Investment</u>	2014 (in years)
Dreyfus Bond Market Index Fund	5.56
Vanguard Intermediate Term Bond Index Fund	6.50
Oppenheimer Limited-Term Government Fund	2.10

**5) Accounts Receivable**

Accounts receivable reported in the Administrative fund in the amount of \$188,490 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.* Plan members are required to contribute 10.67% (ranges from 6.28% to 18.15% depending upon the plan - i.e., state general, state police and adult correctional officers, State Plan 3 – Peace Officer, Juvenile Correctional Officer Plan 2, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The NMETB is required to contribute 13.34% (ranges from 7.0% to 25.72% depending upon the plan) 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, 2014, 2013, and 2012 were \$14,992, \$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 New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are

**Education Trust Board of New Mexico**  
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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, 2014, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, 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, 2014, 2013, and 2012 were \$1,810, \$1,780, and \$299, respectively, which equal the required contributions for each year.

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

As of June 30, 2014, net position of both plans are summarized by class and capital units outstanding as follows:

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	Net Position	Capital Units Outstanding	Net Asset Value Per Unit
Scholar'sEdge			
Class A	\$ 1,428,716,649	52,895,819	\$ 27.01
Class B	84,156,919	3,255,375	\$ 25.85
Class C	<u>385,671,823</u>	15,698,875	\$ 24.57
	<u>\$ 1,898,545,391</u>		
The Education Plan			
Direct Sold Class	<u>\$ 466,449,191</u>	30,733,501	\$ 15.18

**9) Fee Revenues**

During fiscal year 2014, 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.

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.

**Education Trust Board of New Mexico**  
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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 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

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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.

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

Balance at June 30, 2013	\$ 9,237
Additions and deletions	<u>939</u>
Balance at June 30, 2014	<u><u>\$ 10,176</u></u>

Of the balance outstanding at June 30, 2014, the full amount of \$10,176 is estimated to be due within one year.

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**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.

As of June 30, 2013, the NMETB was named as defendant in one pending legal matter. During the year ended June 30, 2014, the Court certified the matter as a class action. NMETB entered into a proposed settlement with the plaintiffs and the class for a payment by NMETB of \$3.75 million. During the fiscal year this settlement was approved by the Court and on December 3, 2013, NMETB funded the settlement for \$3.75 million, as required by the settlement agreement. On March 18, 2014, the Court approved the final settlement. The settlement amount was reported previously in NMETB's fiscal year 2013 financial statements as a liability and an expenditure.

Pending Litigation—OppenheimerFunds

In 2009, seven class action lawsuits were filed in the U.S. District Court for the District of Colorado against OppenheimerFunds, Inc. (OFI), an affiliate of the Program Manager, OppenheimerFunds Distributor, Inc. (OFDI) and certain Oppenheimer mutual funds formerly advised and currently sub-advised by OFI and distributed by OFDI (the "Defendant Funds"). The lawsuits also named as defendants certain officers and current and former trustees of the respective Defendant Funds. The lawsuits raised claims under federal securities law and alleged, among other things, that the disclosure documents of the respective Defendant Funds contained misrepresentations and omissions and that the respective Defendant Funds' investment policies were not followed. The plaintiffs in these actions sought unspecified damages, equitable relief and awards of attorneys' fees and litigation expenses. The Defendant Funds' Boards of Trustees also engaged counsel to represent the Funds and the present and former Independent Trustees named in those suits. On March 5, 2014, the parties in six of these lawsuits executed stipulations and agreements of settlement resolving those actions. On July 31, 2014, the court entered an order and final judgment approving the settlements as fair, reasonable and adequate. The settlements do not resolve a seventh outstanding lawsuit relating to Oppenheimer Rochester California Municipal Fund.

Other class action and individual lawsuits have been filed since 2008 in various state and federal courts against OFI and certain of its affiliates by investors seeking to recover investments they allegedly lost as a result of the "Ponzi" scheme run by Bernard L.

**Education Trust Board of New Mexico**  
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Madoff and his firm, Bernard L. Madoff Investment Securities, LLC (BLMIS). Plaintiffs in these suits allege that they suffered losses as a result of their investments in several funds managed by an affiliate of OFI and assert a variety of claims, including breach of fiduciary duty, fraud, negligent misrepresentation, unjust enrichment, and violation of federal and state securities laws and regulations, among others. They seek unspecified damages, equitable relief and awards of attorneys' fees and litigation expenses. Neither OFDI nor any of the Oppenheimer mutual funds, their independent trustees or directors are named as defendants in these lawsuits. None of the Oppenheimer mutual funds invested in any funds or accounts managed by Madoff or BLMIS. On February 28, 2011, a stipulation of partial settlement of three groups of consolidated putative class action lawsuits relating to these matters was filed in the U.S. District Court for the Southern District of New York. On August 19, 2011, the court entered an order and final judgment approving the settlement as fair, reasonable and adequate. In September 2011, certain parties filed notices of appeal from the court's order approving the settlement. In June 2014, the appellate court affirmed the lower court's order approving the settlement. Certain parties subsequently filed a petition for certiorari before the U.S. Supreme Court further challenging the settlement approval order. The settlement does not resolve other outstanding lawsuits against OFI and its affiliates relating to BLMIS.

In May 2014, certain current and/or former Plan participants filed a lawsuit in New Mexico state court against OFI, the Program Manager and OFDI. Plaintiffs in this suit allege that they are assignees of indemnification claims The Education Trust Board of New Mexico, The Education Plan Trust of New Mexico, and the State of New Mexico (collectively, the "State") have or may have against defendants for losses the State incurred in connection with a class action lawsuit plaintiffs previously brought against the State. On the basis of the alleged assignment of the State's indemnification claims, plaintiffs seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses.

NMETB's management and the Plan management believe that these suits and appeals described above are without legal merit and, with the exception of actions it has settled, is defending against them vigorously. While it is premature to render any opinion as to the outcome in these lawsuits, or whether any costs that the Defendant Funds may bear in defending the suits might not be reimbursed by insurance, OFI believes that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the Underlying Investments managed by OFI or the Program Manager or OFDI to perform their respective duties to the Plan, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer Underlying Investments or the Plan.



**Education Trust Board of New Mexico**  
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**14) State General Fund Investment Pool**

**Reconciliation**

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 State Treasurer. The Pool is not a part of the accompanying financial statements, but is reported as fiduciary fund in the financial statements of the Treasurer's Office. Claims on the Pool are reported as assets by the various agencies investing in the Pool. By statute, the Department of Finance and Administration (DFA) is responsible for reconciling the Pool balances.

As of June 30, 2014, NMETB has \$863,762 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.

The statewide cash balance in the SHARE general ledger accounts have not been reconciled to the Pool since the implementation of SHARE in July 2006. In prior years it was reported the Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE System configurations. As a result of the changes and corrections, the Department of Finance & Administration's Financial Control Division began reconciling activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013.

The Historical Cash Reconciliation Project in partnership with an external accounting firm commenced on July 11, 2014. The scope of this project was the period of July 1, 2006 to January 31, 2013. The final report from the historical reconciliation has not been released as of December 11, 2014. However, based on the Historical Cash Reconciliation Project draft report, the State was unable to complete a reconciliation of all transactional data for the entire period. Specifically, complete data sets from agency external systems (third-party and payment load) could not be provided in a number of cases.

Given these facts regarding incomplete population data sets, as well as the magnitude and complexity of the State's transactions during the period of July 1, 2006 – January 31, 2013, it is not possible to perform a 100%, complete and accurate historical reconciliation of all general ledger and bank activity for this period. Determining a reliable amount of any adjustments to the State General Fund Investment Pool's SHARE balances at the business unit level as a result of the Historical Cash Reconciliation Project will not be possible at this time.

DFA/FCD has determined that as information becomes available to allow for corrections of the AGENCY's cash balances within the State General Ledger for the period from July 1, 2006 through January 31, 2013, the associated accounting adjustments will be

**Education Trust Board of New Mexico**  
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made against the State's Operating Reserve Fund within the State's General Fund. No accounting adjustments will be applied to any prior period of any specific business unit of the State.

DFA's management in FY 2014 recorded a loss contingency of \$100 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that DFA management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

**15) Restatement**

A past accounting error was discovered during the audit of the fiscal year 2014. The accounting error dates back to fiscal year 2011. During that fiscal year Oppenheimer Finds (Oppenheimer) was invoiced and paid NMHED for scholarships distributed by NMHED at NMETB's direction. The payment from Oppenheimer on the behalf of NMETB to NMHED was incorrectly deposited into NMETB's State General Fund Investment Pool account.

The restatement corrects the accounting error by recording a due to NMHED from NMETB and reducing the beginning fund balance/net position by the amount of the payment.

	Fund Balance	Net Position
Previous balance at June 30, 2013	\$ 4,599,726	\$ 4,590,489
Restatement	(500,000)	(500,000)
Restated balance at June 30, 2013	\$ 4,099,726	\$ 4,090,489

## Supplementary Information

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2014**

	Global Portfolio	Discovery Portfolio	Income Equity Portfolio	Commodity Strategy Total Return Portfolio
<b>Assets</b>				
Investments, at value	\$ 203,137	\$ 301,169	\$ 1,608,995	\$ 115,953
Cash	933	469	3,140	242
Receivables and other assets				
Receivable for capital shares issued	233	229	-	19
Receivable for securities sold	-	-	-	-
Accrued income	-	-	-	-
Total assets	<u>204,303</u>	<u>301,867</u>	<u>1,612,135</u>	<u>116,214</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Payables and other liabilities				
Payable for capital shares as redeemed	-	-	-	-
Payable for securities purchased	-	-	-	-
Accrued expenses	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>				
Held in trust for qualified state tuition plans and other purposes	<u>\$ 204,303</u>	<u>\$ 301,867</u>	<u>\$ 1,612,135</u>	<u>\$ 116,214</u>

Global Opportunity Portfolio	Gold & Special Minerals Portfolio	International Bond Portfolio	International Diversified Portfolio	International Growth Portfolio	Limited Term Government Portfolio
\$ 349,196	250,873	\$ 249,200	\$ 395,144	\$ 494,063	\$ 186,082
1,009	248	335	1,645	651	388
136	31,520	129	128	3,968	-
-	-	-	-	-	-
-	-	678	-	-	212
<u>350,341</u>	<u>282,641</u>	<u>250,342</u>	<u>396,917</u>	<u>498,682</u>	<u>186,682</u>
-	-	-	-	-	-
-	-	678	2,000	-	212
-	-	-	-	-	-
-	-	678	2,000	-	212
<u>\$ 350,341</u>	<u>\$ 282,641</u>	<u>\$ 249,664</u>	<u>\$ 394,917</u>	<u>\$ 498,682</u>	<u>\$ 186,470</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2014**

	Main Street Portfolio	Real Estate Portfolio	Rising Dividends Portfolio
<b>Assets</b>			
Investments, at value	\$ 318,303	\$ 351,314	\$ 1,184,879
Cash	512	280	5,726
Receivables and other assets			
Receivable for capital shares issued	4,057	2	250
Receivable for securities sold	-	-	-
Accrued income	-	-	-
Total assets	322,872	351,596	1,190,855
<b>Liabilities and Net Position</b>			
Liabilities			
Payables and other liabilities			
Payable for capital shares as redeemed	-	-	-
Payable for securities purchased	-	-	-
Accrued expenses	-	-	-
Total liabilities	-	-	-
Net position			
Held in trust for qualified state tuition plans and other purposes	\$ 322,872	\$ 351,596	\$ 1,190,855

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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
\$ 2,483,822	\$ 469,070	\$ 58,103,350	\$ 115,118,331	\$ 270,478,972	\$ 307,505,897
5,364	848	389,801	538,848	360,788	341,103
142	10	140,352	300,738	620,842	597,934
-	-	84,928	140,551	181,084	-
8,544	-	10	28,635	130,210	195,351
<u>2,497,872</u>	<u>469,928</u>	<u>58,718,441</u>	<u>116,127,103</u>	<u>271,771,896</u>	<u>308,640,285</u>
-	-	262,644	548,710	606,301	779,635
8,544	-	9	28,635	130,211	468,745
-	-	28,616	55,215	132,003	143,427
<u>8,544</u>	<u>-</u>	<u>291,269</u>	<u>632,560</u>	<u>868,515</u>	<u>1,391,807</u>
<u>\$ 2,489,328</u>	<u>\$ 469,928</u>	<u>\$ 58,427,172</u>	<u>\$ 115,494,543</u>	<u>\$ 270,903,381</u>	<u>\$ 307,248,478</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar'sEdge**  
**June 30, 2014**

	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio
<b>Assets</b>			
Investments, at value	\$ 259,035,416	\$ 236,024,059	\$ 174,426,033
Cash	306,992	520,345	137,430
Receivables and other assets			
Receivable for capital shares issued	754,212	561,889	13,813
Receivable for securities sold	142,749	13,936	27,052
Accrued income	214,371	201,141	5
Total assets	260,453,740	237,321,370	174,604,333
 <b>Liabilities and Net Position</b>			
Liabilities			
Payables and other liabilities			
Payable for capital shares as redeemed	549,266	346,794	14,584
Payable for securities purchased	214,360	201,124	4
Accrued expenses	121,279	102,310	105,545
Total liabilities	884,905	650,228	120,133
 Net position			
Held in trust for qualified state tuition plans and other purposes	\$ 259,568,835	\$ 236,671,142	\$ 174,484,200



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Moderately Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio	Large Cap Growth Portfolio
\$ 132,722,952	\$ 100,231,949	\$ 46,081,129	\$ 10,411,552	\$ 13,830,735	\$ 16,320,959
130,037	304,940	140,141	36,464	86,560	56,386
306,429	12,712	3,951	1,912	60,854	7,028
-	-	-	-	-	5,969
32,491	47,910	29,481	8,668	11,882	1
<u>133,191,909</u>	<u>100,597,511</u>	<u>46,254,702</u>	<u>10,458,596</u>	<u>13,990,031</u>	<u>16,390,343</u>
67,416	13,632	8,521	19,875	1,124	1,626
34,102	48,567	89,244	8,822	13,280	1
81,496	61,669	27,747	7,018	9,617	10,909
<u>183,014</u>	<u>123,868</u>	<u>125,512</u>	<u>35,715</u>	<u>24,021</u>	<u>12,536</u>
<u>\$ 133,008,895</u>	<u>\$ 100,473,643</u>	<u>\$ 46,129,190</u>	<u>\$ 10,422,881</u>	<u>\$ 13,966,010</u>	<u>\$ 16,377,807</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2014**

	Large Cap Core Portfolio	Large Cap Value Portfolio	Small - & Mid-Cap Core Portfolio
<b>Assets</b>			
Investments, at value	\$ 10,436,643	\$ 11,794,815	\$ 20,162,783
Cash	41,852	22,741	52,271
Receivables and other assets			
Receivable for capital shares issued	1,333	1,271	9,467
Receivable for securities sold	1,112	-	-
Accrued income	1	1	1
Total assets	10,480,941	11,818,828	20,224,522
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Payables and other liabilities			
Payable for capital shares as redeemed	5,265	980	1,369
Payable for securities purchased	1	56	719
Accrued expenses	7,076	8,013	12,812
Total liabilities	12,342	9,049	14,900
<b>Net position</b>			
Held in trust for qualified state tuition plans and other purposes	\$ 10,468,599	\$ 11,809,779	\$ 20,209,622

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International Equity Portfolio	Intermediate Term Bond Portfolio	Diversified Income Portfolio	Short-Term Yield Portfolio	Capital Preservation Portfolio	Total
\$ 17,791,512	\$ 4,449,640	\$ 20,450,470	\$ 24,382,296	\$ 35,852,586	\$ 1,894,573,279
26,944	46,611	66,934	88,991	774,923	4,492,892
7,369	406	1,408	999	1,030	3,446,772
-	-	296	-	-	597,677
<u>1</u>	<u>1</u>	<u>14,603</u>	<u>672</u>	<u>14</u>	<u>924,884</u>
<u>17,825,826</u>	<u>4,496,658</u>	<u>20,533,711</u>	<u>24,472,958</u>	<u>36,628,553</u>	<u>1,904,035,504</u>
270	-	4,461	12,338	28,516	3,273,327
2,423	37	2	663	13	1,252,452
<u>12,840</u>	<u>3,837</u>	<u>16,314</u>	<u>-</u>	<u>16,591</u>	<u>964,334</u>
<u>15,533</u>	<u>3,874</u>	<u>20,777</u>	<u>13,001</u>	<u>45,120</u>	<u>5,490,113</u>
<u>\$ 17,810,293</u>	<u>\$ 4,492,784</u>	<u>\$ 20,512,934</u>	<u>\$ 24,459,957</u>	<u>\$ 36,583,433</u>	<u>\$ 1,898,545,391</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—The Education Plan**  
**June 30, 2014**

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
<hr/>			
<b>Assets</b>			
Investments, at value	\$ 9,635,530	\$ 22,832,261	\$ 49,972,950
Cash	64,143	165,777	427,988
Receivables and other assets			
Receivable for capital shares issued	6,762	8,612	278,134
Receivable for securities sold	54,225	-	97,924
Accrued income	<u>2</u>	<u>3,890</u>	<u>13,759</u>
Total assets	<u>9,760,662</u>	<u>23,010,540</u>	<u>50,790,755</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Payables and other liabilities			
Payable for capital shares as redeemed	63	260,664	227,793
Payable for securities purchased	<u>2</u>	<u>6,717</u>	<u>13,758</u>
Total liabilities	<u>65</u>	<u>267,381</u>	<u>241,551</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 9,760,597</u>	<u>\$ 22,743,159</u>	<u>\$ 50,549,204</u>

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio
\$ 69,657,253	\$ 43,856,585	\$ 32,655,331	\$ 81,057,604	\$ 30,721,287	\$ 17,229,015
281,333	144,351	170,262	127,773	84,303	72,477
234,560	314,501	14,344	11,325	3,538	2,506
-	-	4,290	207	521	-
25,580	21,761	13,322	3	5,218	4,709
<u>70,198,726</u>	<u>44,337,198</u>	<u>32,857,549</u>	<u>81,196,912</u>	<u>30,814,867</u>	<u>17,308,707</u>
305,852	8,846	36,036	40,219	29,539	2,009
148,711	23,470	13,317	2	5,218	7,455
<u>454,563</u>	<u>32,316</u>	<u>49,353</u>	<u>40,221</u>	<u>34,757</u>	<u>9,464</u>
<u>\$ 69,744,163</u>	<u>\$ 44,304,882</u>	<u>\$ 32,808,196</u>	<u>\$ 81,156,691</u>	<u>\$ 30,780,110</u>	<u>\$ 17,299,243</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—The Education Plan**  
**June 30, 2014**

	<u>Conservative Portfolio</u>	<u>Ultra Conservative Portfolio</u>	<u>School Years Portfolio</u>
<b>Assets</b>			
Investments, at value	\$ 10,431,507	\$ 5,994,455	\$ 6,992,169
Cash	37,973	60,642	63,435
Receivables and other assets			
Receivable for capital shares issued	7,036	549	147
Receivable for securities sold	-	-	-
Accrued income	<u>3,950</u>	<u>2,982</u>	<u>2,897</u>
Total assets	<u>10,480,466</u>	<u>6,058,628</u>	<u>7,058,648</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Payables and other liabilities			
Payable for capital shares as redeemed	50	-	33,756
Payable for securities purchased	<u>4,435</u>	<u>2,997</u>	<u>3,810</u>
Total liabilities	<u>4,485</u>	<u>2,997</u>	<u>37,566</u>
Net position			
Held in trust for qualified state tuition plans and other purposes	<u>\$ 10,475,981</u>	<u>\$ 6,055,631</u>	<u>\$ 7,021,082</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
\$ 12,484,145	\$ 5,915,961	\$ 4,255,020	\$ 6,528,393	\$ 5,530,984	\$ 5,337,452
116,482	63,761	46,380	29,253	87,097	53,812
23,631	7,395	60,250	975	1,954	675
-	-	37,828	9,068	-	41
344	2	973	2,845	3,889	4,684
<u>12,624,602</u>	<u>5,987,119</u>	<u>4,400,451</u>	<u>6,570,534</u>	<u>5,623,924</u>	<u>5,396,664</u>
10,870	58,004	-	1,090	-	-
339	701	1,005	2,943	47,164	4,840
<u>11,209</u>	<u>58,705</u>	<u>1,005</u>	<u>4,033</u>	<u>47,164</u>	<u>4,840</u>
<u>\$ 12,613,393</u>	<u>\$ 5,928,414</u>	<u>\$ 4,399,446</u>	<u>\$ 6,566,501</u>	<u>\$ 5,576,760</u>	<u>\$ 5,391,824</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Fiduciary Net Position—The Education Plan**  
**June 30, 2014**

	Ages 18 Years and Over Index Portfolio	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio
<b>Assets</b>			
Investments, at value	\$ 2,405,798	\$ 14,273,761	\$ 8,481,859
Cash	24,374	97,314	87,398
Receivables and other assets			
Receivable for capital shares issued	2,500	9,580	3,003
Receivable for securities sold	11,493	-	-
Accrued income	2,517	3	1,890
Total assets	2,446,682	14,380,658	8,574,150
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Payables and other liabilities			
Payable for capital shares as redeemed	75	42	-
Payable for securities purchased	2,600	825	6,969
Total liabilities	2,675	867	6,969
<b>Net position</b>			
Held in trust for qualified state tuition plans and other purposes	\$ 2,444,007	\$ 14,379,791	\$ 8,567,181



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Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio	Total
\$ 6,013,525	\$ 3,847,911	\$ 5,304,700	\$ 2,515,325	\$ 463,930,781
75,444	50,576	44,213	15,964	2,492,525
3,168	698	3,634	13,198	1,012,675
-	-	-	-	215,597
<u>2,709</u>	<u>2,537</u>	<u>4,862</u>	<u>2,538</u>	<u>127,866</u>
<u>6,094,846</u>	<u>3,901,722</u>	<u>5,357,409</u>	<u>2,547,025</u>	<u>467,779,444</u>
679	400	-	-	1,015,987
<u>2,925</u>	<u>2,712</u>	<u>8,702</u>	<u>2,649</u>	<u>314,266</u>
<u>3,604</u>	<u>3,112</u>	<u>8,702</u>	<u>2,649</u>	<u>1,330,253</u>
<u>\$ 6,091,242</u>	<u>\$ 3,898,610</u>	<u>\$ 5,348,707</u>	<u>\$ 2,544,376</u>	<u>\$ 466,449,191</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar'sEdge**  
**June 30, 2014**

	Global Portfolio	Discovery Portfolio	Income Equity Portfolio	Commodity Strategy Total Return Portfolio
<b>Additions</b>				
Subscriptions	\$ 188,056	\$ 308,724	\$ 1,466,122	\$ 110,042
Investment income				
Dividend income from underlying investments	4,051	5,643	32,110	-
Interest	-	-	-	-
Less expenses				
Distribution fees	402	520	4,277	217
Management fees	117	144	700	44
State administrative fees	119	144	700	45
Expense reimbursement	10	(6)	3	-
Net investment income	3,403	4,841	26,430	(306)
Capital gains (losses) from underlying investment	(44)	(614)	(319)	(67)
Net increase (decrease) in fair value of investments	13,017	(9,343)	117,318	3,683
Total additions	204,432	303,608	1,609,551	113,352
<b>Deductions</b>				
Redemptions	(950)	(4,909)	(14,984)	-
Change in net position held in trust for individuals	203,482	298,699	1,594,567	113,352
<b>Net Position</b>				
Net position, beginning of year	821	3,168	17,568	2,862
<b>Net position, end of year</b>	<u>\$ 204,303</u>	<u>\$ 301,867</u>	<u>\$ 1,612,135</u>	<u>\$ 116,214</u>

Global Opportunity Portfolio	Gold & Special Minerals Portfolio	International Bond Portfolio	International Diversified Portfolio	International Growth Portfolio	Limited Term Government Portfolio
\$ 343,491	\$ 254,427	\$ 248,840	\$ 346,098	\$ 457,770	\$ 194,639
1	-	4,348	2,507	1,884	2,136
-	-	-	-	-	-
561	361	426	916	886	491
156	70	121	212	221	87
157	70	120	213	221	87
<u>2</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>8</u>	<u>2</u>
(875)	(501)	3,676	1,166	548	1,469
(134)	(155)	(1,340)	(34)	(89)	(31)
<u>8,060</u>	<u>29,717</u>	<u>5,203</u>	<u>25,126</u>	<u>22,118</u>	<u>(373)</u>
350,542	283,488	256,379	372,356	480,347	195,704
<u>(451)</u>	<u>(847)</u>	<u>(32,930)</u>	<u>(268)</u>	<u>(7,361)</u>	<u>(9,330)</u>
350,091	282,641	223,449	372,088	472,986	186,374
<u>250</u>	<u>-</u>	<u>26,215</u>	<u>22,829</u>	<u>25,696</u>	<u>96</u>
<u>\$ 350,341</u>	<u>\$ 282,641</u>	<u>\$ 249,664</u>	<u>\$ 394,917</u>	<u>\$ 498,682</u>	<u>\$ 186,470</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2014**

	Main Street Portfolio	Real Estate Portfolio	Rising Dividends Portfolio
<b>Additions</b>			
Subscriptions	\$ 304,589	\$ 313,531	\$ 1,185,837
Investment income			
Dividend income from underlying investments	1,408	3,003	31,337
Interest	-	-	-
Less expenses			
Distribution fees	703	440	2,100
Management fees	140	140	513
State administrative fees	139	140	513
Expense reimbursement	4	2	4
Net investment income	422	2,281	28,207
Capital gains (losses) from underlying investment	(374)	(2,580)	(6,399)
Net increase (decrease) in fair value of investments	26,647	25,202	59,496
Total additions	331,284	338,434	1,267,141
<b>Deductions</b>			
Redemptions	(18,558)	(38,038)	(102,127)
Change in net position held in trust for individuals	312,726	300,396	1,165,014
<b>Net Position</b>			
Net position, beginning of year	10,146	51,200	25,841
<b>Net position, end of year</b>	<u>\$ 322,872</u>	<u>\$ 351,596</u>	<u>\$ 1,190,855</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>\$ 2,553,072</u>	<u>\$ 414,626</u>	<u>\$ 15,805,180</u>	<u>\$ 41,289,482</u>	<u>\$ 90,261,693</u>	<u>\$ 134,275,128</u>
65,408	1,559	1,389,411	2,861,895	6,535,885	5,994,027
1	-	58	120	268	259
8,997	578	248,580	533,601	1,157,375	1,177,563
1,412	210	59,119	121,909	275,888	277,665
1,412	210	59,119	121,930	275,897	277,628
<u>3</u>	<u>3</u>	<u>(26)</u>	<u>-</u>	<u>-</u>	<u>-</u>
53,585	558	1,022,677	2,084,575	4,826,993	4,261,430
(275)	(290)	6,301,324	14,402,696	16,598,023	8,676,251
<u>7,716</u>	<u>36,699</u>	<u>4,919,354</u>	<u>5,009,765</u>	<u>18,548,402</u>	<u>16,268,210</u>
2,614,098	451,593	28,048,535	62,786,518	130,235,111	163,481,019
<u>(178,261)</u>	<u>(5,553)</u>	<u>(27,060,213)</u>	<u>(72,217,386)</u>	<u>(129,009,295)</u>	<u>(106,346,167)</u>
2,435,837	446,040	988,322	(9,430,868)	1,225,816	57,134,852
<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>
<u>\$ 2,489,328</u>	<u>\$ 469,928</u>	<u>\$ 58,427,172</u>	<u>\$ 115,494,543</u>	<u>\$ 270,903,381</u>	<u>\$ 307,248,478</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar'sEdge**  
**June 30, 2014**

	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio
<b>Additions</b>			
Subscriptions	\$ 109,744,967	\$ 100,325,076	\$ 14,027,418
Investment income			
Dividend income from underlying investments	5,305,247	4,210,874	3,873,852
Interest	236	204	154
Less expenses			
Distribution fees	1,074,410	1,001,561	723,783
Management fees	246,977	215,073	163,316
State administrative fees	246,997	215,073	163,323
Expense reimbursement	-	(18)	-
Net investment income	3,737,099	2,779,389	2,823,584
Capital gains (losses) from underlying investment	8,803,798	4,739,645	10,093,152
Net increase (decrease) in fair value of investments	3,638,615	1,816,676	20,682,946
Total additions	125,924,479	109,660,786	47,627,100
<b>Deductions</b>			
Redemptions	(103,517,654)	(84,767,932)	(21,437,099)
Change in net position held in trust for individuals	22,406,825	24,892,854	26,190,001
<b>Net Position</b>			
Net position, beginning of year	237,162,010	211,778,288	148,294,199
<b>Net position, end of year</b>	<b>\$ 259,568,835</b>	<b>\$ 236,671,142</b>	<b>\$ 174,484,200</b>

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Moderately Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio	Large Cap Growth Portfolio
<u>\$ 15,440,484</u>	<u>\$ 14,266,214</u>	<u>\$ 9,266,744</u>	<u>\$ 1,740,715</u>	<u>\$ 1,531,087</u>	<u>\$ 1,729,075</u>
2,909,111	2,224,363	940,161	216,441	272,943	647,869
116	89	43	10	14	14
554,777	441,504	204,460	51,233	68,846	65,596
123,230	94,122	43,898	10,088	13,917	15,285
123,232	94,123	43,907	10,101	13,928	15,282
(6)	9	-	-	-	-
<u>2,107,994</u>	<u>1,594,694</u>	<u>647,939</u>	<u>145,029</u>	<u>176,266</u>	<u>551,720</u>
6,886,337	4,250,926	2,061,796	431,743	452,011	3,411,968
<u>12,469,080</u>	<u>7,656,720</u>	<u>1,944,436</u>	<u>81,314</u>	<u>(33,290)</u>	<u>(837,025)</u>
36,903,895	27,768,554	13,920,915	2,398,801	2,126,074	4,855,738
<u>(16,235,222)</u>	<u>(14,912,512)</u>	<u>(11,430,596)</u>	<u>(2,180,233)</u>	<u>(3,046,222)</u>	<u>(2,352,537)</u>
20,668,673	12,856,042	2,490,319	218,568	(920,148)	2,503,201
<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>
<u>\$ 133,008,895</u>	<u>\$ 100,473,643</u>	<u>\$ 46,129,190</u>	<u>\$ 10,422,881</u>	<u>\$ 13,966,010</u>	<u>\$ 16,377,807</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—Scholar’sEdge**  
**June 30, 2014**

	Large Cap Core Portfolio	Large Cap Value Portfolio	Small Cap Core Portfolio
<b>Additions</b>			
Subscriptions	\$ 995,594	\$ 1,457,213	\$ 2,367,924
Investment income			
Dividend income from underlying investments	308,001	260,841	89,729
Interest	9	10	17
Less expenses			
Distribution fees	38,964	45,958	78,704
Management fees	9,644	10,607	18,158
State administrative fees	9,643	10,607	18,158
Expense reimbursement	2	1	(1)
Net investment income	249,757	193,678	(25,273)
Capital gains (losses) from underlying investment	7,600	31,236	26,187
Net increase (decrease) in fair value of investments	1,542,288	1,949,997	4,262,077
Total additions	2,795,239	3,632,124	6,630,915
<b>Deductions</b>			
Redemptions	(1,120,421)	(1,458,955)	(2,437,960)
Change in net position held in trust for individuals	1,674,818	2,173,169	4,192,955
<b>Net Position</b>			
Net position, beginning of year	8,793,781	9,636,610	16,016,667
<b>Net position, end of year</b>	<u>\$ 10,468,599</u>	<u>\$ 11,809,779</u>	<u>\$ 20,209,622</u>



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International Equity Portfolio	Intermediate Term Bond Portfolio	Diversified Income Portfolio	Short-Term Yield Portfolio	Capital Preservation Portfolio	Total
<u>\$ 1,498,982</u>	<u>\$ 621,817</u>	<u>\$ 1,692,095</u>	<u>\$ 8,194,836</u>	<u>\$ 5,207,960</u>	<u>\$ 580,429,548</u>
199,739	16	1,003,392	9,648	661,873	40,070,713
18	5	17	24	37	1,723
74,937	20,816	88,048	-	176,465	7,849,056
17,518	4,641	20,641	24,479	38,025	1,808,487
17,518	4,641	20,641	24,479	38,025	1,808,542
2	-	(1)	(39,286)	(4)	(39,288)
<u>89,782</u>	<u>(30,077)</u>	<u>874,080</u>	<u>-</u>	<u>409,399</u>	<u>28,645,639</u>
270,996	58,595	(159,575)	-	-	87,331,964
<u>2,125,319</u>	<u>133,096</u>	<u>596,716</u>	<u>-</u>	<u>-</u>	<u>103,144,982</u>
3,985,079	783,431	3,003,316	8,194,836	5,617,359	799,552,133
<u>(2,565,153)</u>	<u>(1,887,829)</u>	<u>(4,280,191)</u>	<u>(9,240,339)</u>	<u>(9,721,601)</u>	<u>(627,640,084)</u>
1,419,926	(1,104,398)	(1,276,875)	(1,045,503)	(4,104,242)	171,912,049
<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>
<u>\$ 17,810,293</u>	<u>\$ 4,492,784</u>	<u>\$ 20,512,934</u>	<u>\$ 24,459,957</u>	<u>\$ 36,583,433</u>	<u>\$ 1,898,545,391</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—The Education Plan**  
**June 30, 2014**

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
<b>Additions</b>			
Subscriptions	\$ 2,408,729	\$ 6,750,399	\$ 17,160,650
Investment income			
Dividend income from underlying investments	120,617	294,183	566,748
Interest	10	24	50
Less expenses			
Management fees	10,253	24,922	51,358
State administrative fees	10,249	24,917	51,353
Expense reimbursement	(10)	(13)	(16)
Net investment income	100,135	244,381	464,103
Capital gains (losses) from underlying investment	1,216,225	2,722,956	3,541,131
Net increase (decrease) in fair value of investments	888,109	1,611,926	3,597,662
Total additions	4,613,198	11,329,662	24,763,546
<b>Deductions</b>			
Redemptions	(4,912,107)	(14,238,745)	(24,559,205)
Change in net position held in trust for individuals	(298,909)	(2,909,083)	204,341
<b>Net Position</b>			
Net position, beginning of year	10,059,506	25,652,242	50,344,863
<b>Net position</b> , end of year	<u>\$ 9,760,597</u>	<u>\$ 22,743,159</u>	<u>\$ 50,549,204</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>\$ 26,293,562</u>	<u>\$ 19,311,626</u>	<u>\$ 15,584,300</u>	<u>\$ 6,643,153</u>	<u>\$ 3,655,954</u>	<u>\$ 2,548,877</u>
642,824	427,693	223,371	900,685	331,087	176,641
58	40	27	71	27	14
63,014	40,772	28,676	75,604	28,387	16,112
63,012	40,771	28,676	75,594	28,384	16,111
<u>2</u>	<u>10</u>	<u>18</u>	<u>(14)</u>	<u>-</u>	<u>5</u>
516,854	346,180	166,028	749,572	274,343	144,427
1,703,611	1,021,631	514,531	4,544,576	1,451,179	679,336
<u>4,525,427</u>	<u>1,259,327</u>	<u>444,361</u>	<u>11,055,610</u>	<u>3,437,701</u>	<u>1,544,866</u>
33,039,454	21,938,764	16,709,220	22,992,911	8,819,177	4,917,506
<u>(18,949,549)</u>	<u>(15,093,106)</u>	<u>(11,532,776)</u>	<u>(9,609,866)</u>	<u>(3,974,752)</u>	<u>(2,425,915)</u>
14,089,905	6,845,658	5,176,444	13,383,045	4,844,425	2,491,591
<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>
<u>\$ 69,744,163</u>	<u>\$ 44,304,882</u>	<u>\$ 32,808,196</u>	<u>\$ 81,156,691</u>	<u>\$ 30,780,110</u>	<u>\$ 17,299,243</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—The Education Plan**  
**June 30, 2014**

	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Additions</b>			
Subscriptions	\$ 2,686,279	\$ 2,653,875	\$ 1,117,348
Investment income			
Dividend income from underlying investments	94,664	50,979	57,681
Interest	8	4	13
Less expenses			
Management fees	9,472	4,988	7,298
State administrative fees	9,470	4,988	7,298
Expense reimbursement	<u>(1)</u>	<u>2</u>	<u>(2)</u>
Net investment income	75,731	41,005	43,100
Capital gains (losses) from underlying investment	382,479	126,611	166,127
Net increase (decrease) in fair value of investments	<u>562,703</u>	<u>146,339</u>	<u>74,572</u>
Total additions	3,707,192	2,967,830	1,401,147
<b>Deductions</b>			
Redemptions	<u>(2,215,165)</u>	<u>(910,468)</u>	<u>(1,888,833)</u>
Change in net position held in trust for individuals	1,492,027	2,057,362	(487,686)
<b>Net Position</b>			
Net position, beginning of year	<u>8,983,954</u>	<u>3,998,269</u>	<u>7,508,768</u>
<b>Net position</b> , end of year	<u>\$ 10,475,981</u>	<u>\$ 6,055,631</u>	<u>\$ 7,021,082</u>

— continued

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>\$ 6,001,593</u>	<u>\$ 2,198,507</u>	<u>\$ 2,236,208</u>	<u>\$ 3,002,193</u>	<u>\$ 2,888,993</u>	<u>\$ 2,575,744</u>
4,646	49,657	45,168	73,318	74,247	76,901
11	5	4	5	5	5
11,910	5,390	4,102	5,622	4,975	4,562
11,905	2,695	2,045	2,805	2,488	2,278
(19,158)	7	-	-	7	-
-	41,570	39,025	64,896	66,782	70,066
-	24,762	77,359	(19,702)	(30,074)	(42,844)
-	1,034,990	609,729	766,339	509,647	294,906
6,001,593	3,299,829	2,962,321	3,813,726	3,435,348	2,897,872
<u>(4,903,326)</u>	<u>(1,791,707)</u>	<u>(2,474,521)</u>	<u>(2,360,806)</u>	<u>(1,823,230)</u>	<u>(1,512,736)</u>
1,098,267	1,508,122	487,800	1,452,920	1,612,118	1,385,136
11,515,126	4,420,292	3,911,646	5,113,581	3,964,642	4,006,688
<u>\$ 12,613,393</u>	<u>\$ 5,928,414</u>	<u>\$ 4,399,446</u>	<u>\$ 6,566,501</u>	<u>\$ 5,576,760</u>	<u>\$ 5,391,824</u>

**Education Trust Board of New Mexico**  
**Combining Schedule of Changes in Fiduciary Net Position—The Education Plan**  
**June 30, 2014**

	Ages 18 Years and Over Index Portfolio	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio
<b>Additions</b>			
Subscriptions	\$ 1,849,449	\$ 3,999,831	\$ 2,204,129
Investment income			
Dividend income from underlying investments	35,748	112,946	82,891
Interest	2	11	7
Less expenses			
Management fees	2,017	11,925	7,447
State administrative fees	1,009	5,959	3,724
Expense reimbursement	(4)	(1)	4
Net investment income	32,728	95,074	71,723
Capital gains (losses) from underlying investment	(42,001)	1,323	(8,482)
Net increase (decrease) in fair value of investments	99,306	2,377,234	1,245,878
Total additions	1,939,482	6,473,462	3,513,248
<b>Deductions</b>			
Redemptions	(1,229,461)	(1,372,643)	(980,674)
Change in net position held in trust for individuals	710,021	5,100,819	2,532,574
<b>Net Position</b>			
Net position, beginning of year	1,733,986	9,278,972	6,034,607
<b>Net position</b> , end of year	<u>\$ 2,444,007</u>	<u>\$ 14,379,791</u>	<u>\$ 8,567,181</u>

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Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio	Total
\$ 1,279,074	\$ 1,326,382	\$ 2,120,661	\$ 1,047,116	\$ 139,544,632
72,190	50,195	76,508	39,026	4,680,614
5	3	5	2	416
5,523	3,340	4,504	2,212	434,385
2,761	1,666	2,252	1,107	403,517
11	-	(2)	(3)	(19,158)
63,900	45,192	69,759	35,712	3,862,286
15,997	(2,168)	(10,774)	(21,490)	18,012,299
722,712	320,094	261,648	87,294	37,478,380
2,081,683	1,689,500	2,441,294	1,148,632	198,897,597
(877,668)	(721,688)	(1,237,368)	(1,121,781)	(132,718,096)
1,204,015	967,812	1,203,926	26,851	66,179,501
4,887,227	2,930,798	4,144,781	2,517,525	400,269,690
\$ 6,091,242	\$ 3,898,610	\$ 5,348,707	\$ 2,544,376	\$ 466,449,191

## Supplementary Information



**Education Trust Board of New Mexico**  
**Schedule of Individual Deposit Accounts**  
**For the Year Ended June 30, 2014**

Name of Institution	Account Name	Share Fund No.	Deposit Type	Bank Balance at June 30, 2014	Reconciled Balance at June 30, 2014
<b>Governmental Fund Types - General Fund</b>					
NM State Treasurer's Office	Education Trust Board of New Mexico — Administration Fund	11250	Interest in SGFIP	\$ 863,762	\$ 863,762
NM State Treasurer's Office	Education Trust Board of New Mexico — Administration Fund	11250	Local Government Investment Pool	<u>5,569,720</u>	<u>5,569,720</u>
Total governmental fund types - general fund				<u>\$ 6,433,482</u>	<u>\$ 6,433,482</u>
<b>Fiduciary Fund Types</b>					
CitiBank	Multiple Portfolio Custody Accounts — the Scholar'sEdge		Cash Deposits	\$ 4,492,892	\$ 4,492,892
CitiBank	Multiple Portfolio Custody Accounts — the Education Plan		Cash Deposits	<u>2,492,525</u>	<u>2,492,525</u>
Total fiduciary fund types				<u>\$ 6,985,417</u>	<u>\$ 6,985,417</u>

## Other Supplementary Information

**Education Trust Board of New Mexico**  
**Fund Performance Summary—By Portfolio**  
**For the Year Ended June 30, 2014**

**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, 2014:

	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, 2014**

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, 2014**

<b>Investment</b>	<b>Investment Return</b>	<b>Benchmark</b>	<b>Benchmark Return</b>	<b>Newborn to Age 5 Years Portfolio</b>	<b>Ages 6-8 Years Portfolio</b>	<b>Ages 9-11 Years Portfolio</b>	<b>Ages 12-14 Years Portfolio</b>	<b>Ages 15-17 Years Portfolio</b>	<b>Ages 18 Years and Over Portfolio</b>
Oppenheimer Value Fund	23.88%	Russell 1000® Value Index	23.81%	18	14%	11%	7%	4%	2%
MainStay MAP Fund	21.79%	Russell 3000® Index	25.22%	19%	16%	11%	8%	4%	2%
Oppenheimer Main Street Fund	25.99%	S&P 500® Index	24.61%	20%	16%	12%	8%	4%	2%
Oppenheimer Main Street Mid Cap Fund	27.83%	Russell® Midcap Index	25.58%	18%	14%	1 %	7%	3%	2%
Oppenheimer Global Fund	23.45%	MSCI® AC World Index	22.95%	10%	8%	6%	4%	2%	1%
Oppenheimer International Growth Fund	21.15%	MSCI® AC World ex-U.S. Index	23.57%	10%	8%	6%	4%	2%	1%
Thornburg International Value Fund	11.74%	MSCI® EAFE Index.	23.57%	5%	4%	3%	2%	1%	— %
American Century Diversified Bond Fund	4.81%	Barclays US Aggregate Bond Index	4.37%	—%	10%	20%	24%	24%	20%
Oppenheimer International Bond Fund	5.72%	Citigroup World Government Bond Index ex US	8.88%	—%	4%	7.5%	7.5%	7.5%	7.5%
Oppenheimer Limited-Term Government Fund	1.71%	Barclays U.S. Government 1-3 Year Bond Index	0.77%	—%	—%	—%	10%	25%	30%
Oppenheimer Senior Floating Rate Fund	5.78%	Credit Suisse Leveraged Loan Index	6.11%	—%	4%	8%	9%	9%	8%
MainStay High Yield Corporate Bond Fund	9.87%	Credit Suisse High Yield Index	6.11%	—%	2%	4.5%	4.5%	4.5%	4.5%
Oppenheimer Institutional Money Market Fund	0.04%	iMoneyNet First Tier Institutional Money Market Index	0.02%	—%	—%	—%	5%	10%	20%

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2014**

Investment	Investment Return	Benchmark	Benchmark Return	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio
Oppenheimer Value Fund	23.88%	Russell 1000® Value Index	23.81%	18%	14%	11%	7%	4%	2%
MainStay MAP Fund	21.79%	Russell 3000® Index	25.22%	19%	16%	11%	8%	4%	2%
Oppenheimer Main Street Fund	25.99%	S&P 500® Index	24.61%	20%	16%	12%	8%	4%	2%
Oppenheimer Main Street Mid Cap Fund	27.83%	Russell® Midcap Index	25.58%	18%	14%	11%	7%	3%	2%
Oppenheimer Global Fund	23.45%	MSCI® AC World Index	22.95%	10%	8%	6%	4%	2%	1%
Oppenheimer International Growth Fund	21.15%	MSCI® AC World ex-U.S. Index	23.57%	10%	8%	6%	4%	2%	1%
Thornburg International Value Fund	11.74%	MSCI® EAFE Index.	23.57%	5%	4%	3%	2%	1%	—%
American Century Diversified Bond Fund	4.81%	Barclays US Aggregate Bond Index	4.37%	—%	10%	20%	24%	24%	20%
Oppenheimer International Bond Fund	5.72%	Citigroup World Government Bond Index ex US	8.88%	—%	4%	7.5%	7.5%	7.5%	7.5%
Oppenheimer Limited-Term Government Fund	1.71%	Barclays U.S. Government 1-3 Year Bond Index	0.77%	—%	—%	—%	10%	25%	30%
Oppenheimer Senior Floating Rate Fund	5.78%	Credit Suisse Leveraged Loan Index	6.11%	—%	4%	8%	9%	9%	8%
MainStay High Yield Corporate Bond Fund	9.87%	Credit Suisse High Yield Index	6.11%	—%	2%	4.5%	4.5%	4.5%	4.5%
Oppenheimer Institutional Money Market Fund	0.04%	iMoneyNet First Tier Institutional Money Market Index	0.02%	—%	—%	—%	5%	10%	20%

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2014**

Investment	Investment Return	Benchmark	Benchmark Return	Dreyfus Research Growth Portfolio	MainStay MAP Portfolio	Value Portfolio	Main Street Mid Cap Portfolio	International Equity Portfolio	American Century Diversified Bond Portfolio
Dreyfus Research Growth Fund	23.55%	Russell 1000® Growth Index	26.92%	100%	—%	—%	—%	—%	—%
MainStay MAP Fund	21.79%	Russell 3000® Index	25.22%	—%	100%	—%	—%	—%	—%
Oppenheimer Value Fund	23.88%	Russell 1000® Value Index	23.81%	—%	—%	100%	—%	—%	—%
Oppenheimer Main Street Mid Cap Fund	23.88%	Russell® Midcap Index	25.58%	—%	—%	—%	100%	—%	—%
Thornburg International Value Fund	11.74%	MSCI® EAFE Index	23.57%	—%	—%	—%	—%	50%	—%
Oppenheimer International Growth Fund	21.15%	MSCI® AC World ex-U.S.	23.57%	—%	—%	—%	—%	50%	—%
American Century Diversified Bond Fund	4.81%	Barclays US Aggregate Bond Index	4.37%	—%	—%	—%	—%	—%	100%

Investment	Investment Return	Benchmark	Benchmark Return	Global Strategic Income Portfolio	Institutional Money Market Portfolio	Capital Preservation Portfolio	Global Portfolio	Discovery Portfolio	Equity Income Portfolio
Oppenheimer Global Strategic Income Portfolio	7.14%	Barclays U.S. Aggregate Bond Index	4.37%	100%	—%	—	—%	—%	—%
Oppenheimer Institutional Money Market Fund	0.04%	iMoneyNet First Tier Institutional Money Market Index	0.02%	—%	100%	50%	—%	—%	—%
NYLIM Funding Agreement	—	—	—	—%	—%	50%	—%	—%	—%
Oppenheimer Global Fund	23.45%	MSCI® AC World Index	22.95%	—%	—%	—%	100%	—%	—%
Oppenheimer Discovery Fund	20.13%	Russell 2000® Growth Index	24.73%	—%	—%	—%	—%	100%	—%
Oppenheimer Equity Income Fund	23.56%	Russell 1000® Value Index	23.81%	—%	—%	—%	—%	—%	100%

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – Scholar’sEdge (Advisor Sold)**  
**For the Year Ended June 30, 2014**

Investment	Investment Return	Benchmark	Benchmark Return	Commodity Strategy Total Return Portfolio	Global Opportunities Portfolio	Gold & Special Minerals Portfolio	International Bond Portfolio	International Diversified Portfolio	International Growth Portfolio
Oppenheimer Commodity Strategy Total Return Fund	8.78%	Dow Jones-UBS Commodity Index Total Return	8.21%	100%	—%	—%	—%	—%	—%
Oppenheimer Global Opportunities Fund	26.58%	MSCI® AC World Index	22.95%	—%	100%	—	—%	—%	—%
Oppenheimer Gold & Special Minerals Fund	21.55%	Philadelphia Gold and Silver	11.88%	—%	—%	100%	—%	—%	—%
Oppenheimer International Bond Fund	5.72%	Citigroup World Government Bond Index ex U.S.	8.88%	—%	—%	—%	100%	—%	—%
Oppenheimer International Diversified Fund	21.92%	MSCI® AC World Index ex-U.S.	21.75%	—%	—%	—%	—%	100%	—%
Oppenheimer International Growth Fund	21.15%	MSCI® AC World ex-U.S.	23.57%	—%	—%	—%	—%	—%	100%

Investment	Investment Return	Benchmark	Benchmark Return	Limited Term Government Portfolio	Main Street Portfolio	Real Estate Portfolio	Rising Dividends Portfolio	Senior Floating Rate Portfolio	Developing Markets Portfolio
Oppenheimer Limited-Term Government Fund	1.71%	Barclays U.S. Government 1-3 Year Bond Index	0.77%	100%	—%	—%	—%	—%	—%
Oppenheimer Main Street Fund	25.99%	S&P 500® Index	24.61%	—%	100%	—%	—%	—%	—%
Oppenheimer Real Estate Fund	16.28%	FTSE NAREIT Equity REITs Index	13.21%	—%	—%	100%	—%	—%	—%
Oppenheimer Rising Dividends Fund	20.85%	Russell 1000® Index Fund	25.35%	—%	—%	—%	100%	—%	—%
Oppenheimer Senior Floating Rate Fund	5.78%	Credit Suisse Leveraged Loan Index	6.11%	—%	—%	—%	—%	100%	—%
Oppenheimer Developing Markets Fund	19.92%	MSCI® Emerging Markets Index	14.31%	—%	—%	—%	—%	—%	100%



**Education Trust Board of New Mexico**  
**The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2014**

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, 2014:

	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, 2014**

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, 2014**

Investment	Investment Return	Benchmark	Benchmark Return	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	Ages 18 Years and Over Portfolio
Dreyfus BASIC S&P 500 Stock Index Fund	12.34%	S&P 500 Index	12.89%	22%	18%	13%	9%	5%	2%
Oppenheimer Value Fund	12.34%	Russell 1000 Value Index	12.89%	14%	11%	8%	6%	3%	1%
Oppenheimer Main Street Fund	12.34%	S&P 500 Index	12.89%	16%	13%	9%	6%	3%	2%
Vanguard Extended Market Index Fund	12.34%	S&P Completion Index	12.89%	12%	10%	8%	5%	2%	1%
Oppenheimer Main Street Mid Cap Fund	12.34%	Russell Midcap Index	12.89%	11%	8%	7%	4%	2%	1%
Oppenheimer Global Fund	12.34%	MSCI All Country World Index	12.89%	10%	8%	6%	4%	2%	1%
Oppenheimer International Growth	12.34%	MSCI All Country World ex-U.S. Index	12.89%	5%	4%	3%	2%	1%	1%
TIAA-CREF International Equity Index Fund	12.34%	MSCI EAFE Index	12.89%	10%	8%	6%	4%	2%	1%
Dreyfus Bond Market Index Fund	12.34%	Barclays U.S. Aggregate Bond Index	12.89%	—%	15%	32%	36%	36%	32%
Oppenheimer Limited-Term Government Fund	12.34%	Barclays U.S. Government 1-3 Year Bond Index	12.89%	—%	—%	—%	5%	15%	10%
Oppenheimer Senior Floating Rate Fund	12.34%	Credit Suisse Leveraged Loan Index	12.89%	—%	5%	8%	9%	9%	8%
Oppenheimer Institutional Money Market Fund	12.34%	iMoneyNet First Tier Institutional Money Market Index	12.89%	—%	—%	—%	10%	20%	40%

Investment	Investment Return	Benchmark	Benchmark Return	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio	Short-Term Yield Portfolio
Dreyfus BASIC S&P 500 Stock Index Fund	20.09%	S&P 500 Index	20.60%	22%	18%	13%	9%	—%	2%	—%
Oppenheimer Value Fund	(1.02%)	Russell 1000 Value Index	(0.69%)	14%	11%	8%	6%	3%	1%	—%
Oppenheimer Main Street Fund	14.73%	S&P 500 Index	17.07%	16%	13%	9%	6%	3%	2%	—%
Vanguard Extended Market Index Fund	0.10%	S&P Completion Index	0.06%	12%	10%	8%	5%	2%	1%	—%
Oppenheimer Main Street Mid Cap Fund	22.40%	Russell Midcap Index	19.14%	11%	8%	7%	4%	2%	1%	—%
Oppenheimer Global Fund	0.62%	MSCI All Country World Index	0.34%	10%	8%	6%	4%	2%	1%	—%
Oppenheimer International Growth	19.50%	MSCI All Country World ex-U.S. Index	20.60%	5%	4%	3%	2%	1%	1%	—%
TIAA-CREF International Equity Index Fund	21.74%	MSCI EAFE Index	25.61%	10%	8%	6%	4%	2%	1%	—%
Dreyfus Bond Market Index Fund	7.83%	Barclays U.S. Aggregate Bond Index	7.64%	—%	15%	32%	36%	36%	32%	—%
Oppenheimer Limited-Term Government Fund	23.69%	Barclays U.S. Government 1-3 Year Bond Index	25.32%	—%	—%	—%	5%	15%	10%	—%
Oppenheimer Senior Floating Rate Fund	18.26%	Credit Suisse Leveraged Loan Index	19.14%	—%	5%	8%	9%	9%	8%	—%
Oppenheimer Institutional Money Market Fund	12.90%	iMoneyNet First Tier Institutional Money Market Index	19.14%	—%	—%	—%	10.5%	20%	4%	100%

**Education Trust Board of New Mexico**  
**Portfolio Investment Allocations – The Education Plan (Direct Sold)**  
**For the Year Ended June 30, 2014**

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	Ages 18 Years and Over Index Portfolio
Vanguard Total Stock Market Index Fund	12.34%	CRSP U.S. Total Market Index	12.89%	50%	40%	30%	20%	10%	6%
Dreyfus BASIC S&P 500 Stock Index Fund	12.34%	S&P 500 Index	12.89%	30%	24%	18%	12.5%	5%	3%
TIAA-CREF International Equity Index Fund	12.34%	MSCI EAFE Index	12.89%	20%	16%	12%	7.5%	5%	1%
Dreyfus Bond Market Index Fund	12.34%	Barclays U.S. Aggregate Bond Index	12.89%	—%	10%	20%	20%	20%	6%
Vanguard Intermediate-Term Bond Index Fund	12.34%	Barclays US 5-10 Year Gov't/Credit Float Adjusted Index	12.89%	—%	10%	20%	30%	40%	44%
Oppenheimer Institutional Money Market Fund	12.34%	iMoneyNet First Tier Institutional Money Market Index	12.89%	—%	—%	—%	10%	20%	40%

Investment	Investment Return	Benchmark	Benchmark Return	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio	Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio
Vanguard Total Stock Market Index Fund	20.09%	CRSP U.S. Total Market Index	20.60%	50%	40%	30%	20%	10%	6%
Dreyfus BASIC S&P 500 Stock Index Fund	(1.02%)	S&P 500 Index	(0.69%)	30%	24%	18%	12.5%	%	3%
TIAA-CREF International Equity Index Fund	0.10%	MSCI EAFE Index	0.06%	20%	16%	12%	7.5%	5%	1%
Dreyfus Bond Market Index Fund	18.26%	Barclays U.S. Aggregate Bond Index	19.14%	—%	10%	20%	20%	20%	6%
Vanguard Intermediate-Term Bond Index Fund	(0.97%)	Barclays US 5-10 Year Gov't/Credit Float Adjusted Index	(0.56%)	—%	10%	20%	30%	40%	44%
Oppenheimer Institutional Money Market Fund	21.26%	iMoneyNet First Tier Institutional Money Market Index	21.45%	—%	—%	—%	10%	20%	40%

## 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 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, 2014, 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 11, 2014. We modified our report for Governmental Activities and the Administrative Fund, as more fully described in our audit opinion beginning on page 3.

**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 opinion 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 deficiency described in the accompanying schedule of findings and responses as item 2012-001 to be a material weakness.

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 accompanying schedule of findings and responses as item 2014-001 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-001 and 2014-001.

### **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 11, 2014

**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2014**

**A. Findings – Financial Statement Audit**

**2012-001 — Reliability of Financial Recording, Accounting, and Reporting- Compliance and Other Matters- (Repeat) (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 Local Government Investment Pool 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 services and reimbursements to participants were significantly adjusted to reflect unrecorded expenses.
- Payable balances were significantly adjusted to reflect unrecorded liabilities.
- June 30, 2014 balance of an investment in the State General Fund Investment Pool (the Pool) which is managed by the Office of the State Treasurer could not be determined. Determining a reliable amount of adjustments to the Pool's SHARE balances for NMETB was not possible at the time of the audit, as disclosed in Note 14.

*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, 2014**

A. Findings – Financial Statement Audit — continued

2012-001 — Reliability of Financial Recording, Accounting, and Reporting- Compliance and Other Matters- (Repeat) (Material Weakness) — continued

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*Management's Response:* NMETB does not dispute the auditor's finding that the information in SHARE system is unreliable and accepts the auditor's recommendation that it establish internal control procedures to ensure accurate, timely accounting and financial reporting of its administrative fund in the SHARE system.

Due to the complexity of the SHARE system and its limited reporting capabilities, the NMETB executive director relies upon subsidiary ledgers to record fee revenue, marketing payments, account refunds; and money market fund transactions; and Local Government Investment Pool transactions. These subsidiary ledgers include sufficient detail to identify the amounts, date and source of revenues and provided sufficient detail to serve the primary reporting needs of the NMETB. These accounts are reconciled monthly and reported to NMETB at its quarterly meetings.

The NMETB submitted prior year audit adjustments to the Department of Financial Administration upon the completion of the FY 2013 audit; however, the Department did not make the required entries into the SHARE system. The NMETB understands that it should have had a process in place to verify that the Department has accurately made these entries.

NMETB has only been a part of SHARE for four 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.

Due to complexity of the SHARE accounting system, the NMETB attempted to procure the services of a third-party contractor during FY 2014 to maintain the SHARE accounting system, however, the Department of Information Technologies would not provide SHARE security access to a third-party contractor.

The executive director will recommend to the NMETB that it adds a financial coordinator to its staff to maintain SHARE and to perform other accounting services. The executive director is currently awaiting a response from the State Personnel Office regarding the NMETB's request of October 28, 2014 seeking authority to create the Financial Coordinator position.

During FY 2015, NMETB's executive director will continue to 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, 2014**

A. Findings – Financial Statement Audit — continued

**2014-001 — Budget Overages- Compliance and Other Matters- (Significant Deficiency)**

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*Condition:* During FY14, NMETB overspent the Other Cost budget category unit in NMETB's Administrative Fund by \$572,306. Procedures were not in place to prevent expenditures in excess of budget. In addition, revenues were not budgeted.

*Criteria:* According to State Auditor Rule 2.2.2.10, any actual expenditure that exceeds the budget in any category must be reported as a finding.

*Cause:* NMETB failed to budget the payments related to the refunds to NM resident participants and other expenses, and existing procedures did not prevent payments without a budget.

*Effect:* NMETB is out of compliance with statutory requirements to obtain approval prior to making expenditures.

*Auditor's Recommendations:* We recommend that management establish controls necessary to initially establish and monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages. We also recommend that management budgets revenues either in initial or final budget.

*Management's Response:* NMETB accepts the auditor's recommendation that it establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages.

The marketing expenditures and fee refunds in question were authorized by the NMETB; however, the executive director did not understand that separate budget authority in SHARE was needed.

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

Due to complexity of the SHARE accounting system, the NMETB attempted to procure the services of a third-party contractor during FY 2014 to maintain the SHARE accounting system, however, the Department of Information Technologies would not agree to provide SHARE security access to a third-party contractor.

The executive director will recommend to the NMETB that it add a financial coordinator to its staff to maintain SHARE and to perform other accounting services. The executive director is currently awaiting a response from the State Personnel Office regarding the NMETB's request of October 28, 2014 seeking authority to create the Financial Coordinator position.

**Education Trust Board of New Mexico**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2014**

A. Findings – Financial Statement Audit — continued

2014-001 —Budget Overages— Compliance and Other Matters— (Significant Deficiency) —  
continued

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During FY 2015, NMETB’s executive director will continue to 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**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2013**

<b>Prior Year Findings</b>	<b>Current Status</b>
<b>FS 2012-001 – Reliability of Financial Recording, Accounting, and Reporting</b>	Uncorrected (Repeat). See current year finding 2012-001.
<b>FS 2012-002 — Procurement Violations</b>	Corrected
<b>FS 2013-001 —Lack of Pledged Collateral</b>	Corrected
<b>FS 2013-002 – Error in Recording a Budget Adjustment Request</b>	Corrected

**Education Trust Board of New Mexico**  
**Exit Conference**  
**For the Year Ended June 30, 2014**

**Exit Conference**

An exit conference was conducted on December 11, 2014, 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>**

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.