



**NEW MEXICO HIGHLANDS  
UNIVERSITY FOUNDATION (A COMPONENT  
UNIT OF NEW MEXICO HIGHLANDS  
UNIVERSITY)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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**NEW MEXICO HIGHLANDS  
UNIVERSITY FOUNDATION**

**Official Roster**

**June 30, 2014**

**Board of Directors**

Dr. G. Doyle Daves, Jr., President/Public Director  
Dr. James Fries, Chairman of the Board/Ex-Officio  
Ms. Tina M. Cordova, First Vice President/Public Director  
Mrs. Linda Mitchell Davis, Second Vice President/Public Director  
Mr. Jay D. Moore, Second Vice President/Public Director  
Mr. Ray Litherland, Treasurer/Public Director  
Mr. Jim Franken, Public Director  
Mr. William E. Garcia, Public Director  
Dr. Melvyn Huckaby, Public Director  
Mr. John Lesselyong, Public Director  
Mr. Greg W. Levenson, Public Director  
Dr. Carlotta E. Lockmiller, Public Director  
Mr. Antonio Lopez, Public Director  
Dr. Eileen Madrid, Public Director  
Dr. Joseph McCaffrey, Public Director  
Mr. Joseph Montoya, Public Director  
Mr. Charles J. Muchmore, Public Director  
Dr. Barbara A. Perea Casey, Public Director  
Dr. D. Pauline Rindone, Public Director  
Ms. Ivy M. Romero, Public Director, Alumni Association President  
Mr. Ernesto J. Salazar, Public Director  
Mr. Ernest T. Sanchez, Public Director  
Mr. Leveo V. Sanchez, Ex-officio Director/Emeritus Director  
Mr. Pablo Sedillo, Public Director  
Mr. Joe H. Staley, Jr., Public Director  
Ms. Editha Bartley, Emeritus Director  
Mr. Carlos Lucero, Emeritus Director  
Mr. Frank A. Marchi, Emeritus Director  
Mr. Ernie Quintana, Emeritus Director  
Mr. Matias Zamora, Emeritus Director

**Administrative Personnel**

Mr. Will Wootton, Executive Director  
Mr. James Mandarino, Alumni Director  
Darlene Chavez, Development Finance Officer

## Report of Independent Auditors

Board of Directors  
New Mexico Highlands University Foundation  
And  
Mr. Hector Balderas,  
New Mexico State Auditor

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

We have audited the accompanying financial statements of the business-type activities of New Mexico Highlands University Foundation (the "Foundation") (a component unit of New Mexico Highlands University) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express an opinion 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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
New Mexico Highlands University Foundation  
And  
Mr. Hector Balderas,  
New Mexico State Auditor

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Foundation as of June 30, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and on pages 5 through 8 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.

Board of Directors  
New Mexico Highlands University Foundation  
And  
Mr. Hector Balderas,  
New Mexico State Auditor

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2014 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Foundation's internal control over financial reporting and compliance.

*Mess Adams LLP*

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Albuquerque, New Mexico  
November 3, 2014

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

New Mexico Highlands University Foundation (Foundation) has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*.

**Overview of the Financial Statements**

The Foundation's annual report consists of the Management's Discussion and Analysis (MD&A), which provides a broad narrative overview of its financial activities for the fiscal years ended June 30, 2014 and 2013, and the following, which comprise the basic financial statements:

1. Statement of Net Position
2. Statement of Revenues, Expenses and Changes in Net Position
3. Statement of Cash Flows
4. Notes to Financial Statements

The financial statements give an overall picture of the Foundation's financial situation and should be read in conjunction with the MD&A.

The statement of net position of the Foundation provides both long-term and short-term information about the Foundation's overall financial status. The statement of revenues, expenses and changes in net position provides information about the operating revenues and expenses and the non-operating revenues of the Foundation. The statement of cash flows provides information about the sources and uses of cash by the Foundation. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Condensed Financial Information**

	2014	2013
<b>Statement of Net Position</b>		
Current Assets	\$ 450,208	1,349,940
Noncurrent Assets	<u>12,853,188</u>	<u>11,002,656</u>
<b>Total assets</b>	<u>13,303,396</u>	<u>12,352,596</u>
Current Liabilities	180,231	177,407
Noncurrent Liabilities	<u>2,780,048</u>	<u>2,649,971</u>
<b>Total liabilities</b>	<u>2,960,279</u>	<u>2,827,378</u>
Net Position		
Net investment in capital assets	5,220,511	4,434,943
Unrestricted	698,901	127,060
Restricted, expendable	565,136	2,496,090
Restricted, unexpendable	<u>3,858,569</u>	<u>2,467,125</u>
	<u>\$ 10,343,117</u>	<u>9,525,218</u>
<b>Statements of Revenue, Expenses, and Changes in Net Position</b>		
Operating revenue		
Contributions	\$ 885,657	1,679,500
Lease income from the University	<u>372,385</u>	<u>378,994</u>
<b>Total operating revenue</b>	<u>1,258,042</u>	<u>2,058,494</u>
Operating expenses		
Student aid grants and stipends	250,509	384,476
Operating expenses	328,862	356,039
Other expenditures	<u>689,453</u>	<u>888,386</u>
<b>Total operating expenses</b>	<u>1,268,824</u>	<u>1,628,901</u>
<b>Operating (loss) income</b>	(10,782)	429,593
Investment income and contributions to endowment	<u>828,681</u>	<u>682,580</u>
<b>Change in net position</b>	817,899	1,112,173
Net position, beginning of year	<u>9,525,218</u>	<u>8,413,045</u>
Restatement	-	-
Net position, as restated	<u>9,525,218</u>	<u>8,413,045</u>
<b>Net position, end of year</b>	<u>\$ 10,343,117</u>	<u>9,525,218</u>



**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Financial Analysis**

The statement of net position discloses information on assets, liabilities, and net position. The Foundation's total assets at June 30, 2014 of \$13,303,396 exceeded total liabilities of \$2,960,279, yielding total net position of \$10,343,117. The total net position showed an increase of approximately 8.6% for the 2014 fiscal year. The primary factor contributing to this net increase is an increase in contributions to certain endowments and additions to artwork. The Foundation's total assets at June 30, 2013 of \$12,352,596 exceeded total liabilities of \$2,827,378, yielding total net position of \$9,525,218. Total net position showed an increase of approximately 13% for the 2013 fiscal year. The primary factor contributing to this increase is an increase in contributions to certain endowments. Liabilities increased from \$2,827,378 at June 30, 2013 to \$2,960,279 at June 30, 2014 primarily due to increases on its note payable for its Rio Rancho building.

At June 30, 2014, the major portion of the Foundation's assets is its investments (49%) followed by building held for lease to the University at (28%) and cash (20%). The net increase in fair value of investments for fiscal year 2014 amounted to \$667,126.

Total operating revenues of \$1,258,042 were recorded at June 30, 2014. Nonoperating revenues were \$667,126. Total revenues decreased 16% from the prior year, largely due to the increase in donations and investment income.

Total operating expenses for fiscal year 2014 were \$1,268,824, which represented a 22% decrease in spending from the prior year. These increases were primarily due to an increase in awarded scholarships.

**Budgetary Highlights**

None. The Foundation does not have a legally adopted budget and therefore does not include budget information herein.

**Capital Assets and Debt Administration**

Capital assets are composed of land and a building held for lease to the University and artwork. Capital assets, net of accumulated depreciation were \$6,374,666 and \$5,715,067 at June 30, 2014 and 2013, respectively.

Debt consisted of a note payable on the above land and building. Debt of \$1,154,156 and \$1,280,124 was recorded at June 30, 2014 and 2013, respectively.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Factors Impacting Future Periods**

None

**Contacting New Mexico Highland University Foundation's Financial Management**

If you have questions about this report or need additional information, contact New Mexico Highlands University Foundation at Box 9000, Las Vegas, New Mexico 87701.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
STATEMENT OF NET POSITION  
June 30, 2014**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 310,219
Receivables	136,886
Prepaid assets	3,103
	<hr/>
<b>Total current assets</b>	<b>450,208</b>
Noncurrent Assets	
Investments	6,478,521
Capital Assets	
Artwork	2,637,765
Building and Land	3,736,902
	<hr/>
<b>Total noncurrent assets</b>	<b>12,853,188</b>
<b>Total assets</b>	<b>\$ 13,303,396</b>

**LIABILITIES AND NET POSITION**

Current Liabilities	
Accounts payable and accrued liabilities	\$ 21,301
Notes payable - current portion	157,590
Accrued interest payable	1,340
	<hr/>
<b>Total current liabilities</b>	<b>180,231</b>
Noncurrent Liabilities	
Assets held for others	1,783,482
Notes payable - long term portion	996,566
	<hr/>
<b>Total noncurrent liabilities</b>	<b>2,780,048</b>
<b>Total liabilities</b>	<b>2,960,279</b>
Net Position	
Net investment in capital assets	5,220,511
Unrestricted	698,901
Restricted, expendable	565,136
Restricted, unexpendable	3,858,569
	<hr/>
<b>Total net position</b>	<b>10,343,117</b>
<b>Total liabilities and net position</b>	<b>\$ 13,303,396</b>

*See Notes to Financial Statements.*

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2014**

Operating Revenues	
Contributions	\$ 885,657
Lease income from University	372,385
<b>Total operating revenues</b>	<u>1,258,042</u>
Operating Expenses	
Student aid grants and stipends	250,509
University support	631,755
Operating expenses	328,862
Depreciation	57,698
<b>Total operating expenses</b>	<u>1,268,824</u>
<b>Operating loss</b>	<u>(10,782)</u>
Nonoperating Revenues	
Investment income, net	667,126
<b>Income before additions to permanent endowments</b>	656,344
Additions to Permanent Endowments	<u>161,555</u>
<b>Increase in net position</b>	817,899
Net position, beginning of year	<u>9,525,218</u>
<b>Net position, end of year</b>	<u><u>\$ 10,343,117</u></u>

*See Notes to Financial Statements.*

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**Years Ended June 30, 2014**

Cash Flows From Operating Activities	
Cash received from donors	\$ 876,357
Other cash receipts	372,385
Cash paid to beneficiaries and vendors	<u>(973,617)</u>
<b>Net cash provided by operating activities</b>	<u>275,125</u>
Cash Flows From Investing Activities	
Purchase of investments	\$ (1,000,877)
Proceeds from sales of investments	477,071
Purchase of property, furniture and equipment	<u>(676,898)</u>
<b>Net cash used by operating activities</b>	<u>(1,200,704)</u>
<b>Cash Flows from noncapital financing activities</b>	
Cash received from donors	<u>161,555</u>
Cash Flows From Capital and Related Financing Activities	
Principal payments on notes payable	(158,242)
Proceeds from debt	<u>32,274</u>
<b>Net cash used by financing activities</b>	<u>(125,968)</u>
<b>Net decrease in cash and cash equivalents</b>	(889,992)
Cash and cash equivalents at beginning of year	<u>1,200,211</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 310,219</u></u>
Cash Flows From Operating Activities	
Operating loss	\$ (10,782)
Adjustments to reconcile operating income to net cash used by operating activities	
Contributed artwork	(40,400)
Depreciation	57,698
Receivables	9,740
Accounts payable and accrued liabilities	(3,284)
Accrued interest payable	(145)
Assets held for other	<u>262,298</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 275,125</u></u>
Supplemental Schedule of non-cash investing and financing activities	
Increase in note payable for land acquisition	\$ 32,274
Unrealized gain on investments	667,126

*See Notes to Financial Statements.*

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Nature of Activities.* New Mexico Highlands University Foundation (Foundation) is formed to encourage, solicit, receive, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of New Mexico Highlands University and its objectives and, to that end (a) to take and to hold, either absolutely or in trust for any limitations and conditions imposed by law or the instrument under which received; (b) to sell, lease, convey, and dispose of any such property, to invest and re-invest any proceeds and other funds, and to deal with and expend the principal and income for any purpose herein authorized; (c) to act as trustee; and (d) in general, to exercise any, all, and every power, including trust powers, which a non-profit organized under the laws of New Mexico for the foregoing purposes can be authorized to exercise.

Under the Memorandum of Agreement with the University, the University will (1) assign staff to service the administrative needs of the Foundation; (2) provide liability insurance for the Foundation's officers and Board members; (3) provide suitable office and meeting space; (4) pay the cost of reasonable utilities, maintenance and repairs, property insurance, and any other reasonable physical facility support services; (5) provide certain reasonable administration support services; and (6) provide, at no cost to the Foundation, reasonable information technology processing and support, including acquisition of appropriate hardware and software.

The Foundation meets the criteria under Governmental Accounting Standards Board (GASB) No. 39 and No. 61 to qualify as a component unit of the New Mexico Highlands University. The Foundation's financial statements are discretely presented in the New Mexico Highlands University audit report. The Foundation has no component units.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation.* As a component unit of New Mexico Highlands University, the Foundation prepared its financial statements in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements, as the Foundation meets the criteria of a governmental entity. The Foundation has no component units, related organizations, joint ventures, or jointly governed organizations. The Foundation's financial statements are reported using a flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Cash and Cash Equivalents.* The Foundation considers all highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

*Allowance for Doubtful Accounts.* The Foundation uses the direct write-off method in recognizing uncollectible pledges receivable. Under this method, pledges are charged to operations when they are deemed by management to be uncollectible.

*Investments.* The investments policy allows the Foundation to invest its portfolio in equities, fixed-income, and other investment strategies to maintain sufficient liquidity to meet projected (or budgeted) distribution requirements.

*Capital Assets.* Capital assets used in the Foundation's operations are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The Foundation does capitalize historical treasures or works of art. The Foundation does not currently have any capital assets used in its operations. However, the Foundation does have a Building Held for Lease to the University. The Foundation's accounting policy over the building held for lease follows the same policy as the above capital assets policy.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 39 years for buildings and 5 to 12 years for furniture, fixtures, and equipment.

*Classification of Revenues.* The Foundation has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating Revenues.* Operating revenues include activities that have the characteristics of exchange transactions such as unrestricted donations. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Nonoperating Revenues.* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as investment income. Gifts and contributions are recognized when all applicable eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use the restricted resources first.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded as University support in the accompanying financial statements.

*Contributed Facilities and Services.* Contributed Facilities and Services represent the estimated fair rental value of office space and general corporate services provided. Contributed facilities are provided on a month-to-month basis. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded as in-kind expense, and are included with University support in the accompanying financial statements.

*Endowments.* The endowment spending policy is in alignment with the long term endowment management philosophy of the Foundation, which is to preserve the permanent viability of the endowment. The Foundation supports vital scholarship and other programs from earning of its endowment. These programs are in concert with provisions established by donors of the endowment. Net appreciation/depreciation on donor-restricted endowments and related investment income are recorded as an increase in restricted, expendable net position until the amount is expended in accordance with donor specifications and in accordance with the State of New Mexico Uniform Management of Institutional Funds Act (Chapter 46, Article 9, NMSA 1978).



**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

*Income Taxes.* The Foundation is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

***Net Position.*** The Foundation's net position is classified as follows:

*Net investment in Capital Assets.* This represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted Net Position – Nonexpendable.* Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted Net Position – Expendable.* Expendable restricted net position is resources that the Foundation's is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

*Unrestricted Net Position.* Unrestricted net position represent resources derived from unrestricted gifts and lease income from the University, net of expenses. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

Under the reporting required by the Financial Accounting Standards Board (FASB), unrestricted equity includes the amounts invested in capital assets, net of related debt. As the Foundation follows GASB, the net investment in capital assets is reported separately.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2. CASH AND CASH EQUIVALENTS**

As of June 30, 2014, cash and cash equivalents recorded in the Foundation's financial statements were as follows:

Cash and cash equivalents	\$ 310,219
Cash and cash equivalents at bank	<u>329,752</u>
Reconciling items	<u>(19,533)</u>
Cash and cash equivalents recorded in financial statements	<u><u>\$ 310,219</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a policy for custodial credit risk. The Foundation is not required to follow state statutes requiring pledged collateral, and therefore no collateralization is required. As of June 30, 2014, none of the Foundation's bank balance was exposed to uncollateralized and uninsured amounts. All of the Foundations bank balances are held by Community 1<sup>st</sup> Bank in Las Vegas, New Mexico.

**NOTE 3. INVESTMENTS**

At June 30, 2014, investments of the Foundation are summarized as follows:

Cash and money market funds	\$ 190,777
Certificates of deposit	1,003,172
Mutual funds	205,124
Unsettled transactions	46
Preferred stock	18,848
Common stock	4,118,030
U.S. obligations	328,612
U.S. agency obligations	94,064
U.S. corporate bonds	<u>519,848</u>
Total investments	<u><u>\$ 6,478,521</u></u>

**Interest Rate Risk.** As of June 30, 2014, the Foundation had the following investments subject to interest rate risk:

Investment Type	Fair Value	Weighted Average Maturity (years)
U.S. obligations	\$ 328,612	3.83
U.S. agency obligations	94,064	1.22
U.S. corporate bonds	<u>519,848</u>	7.39
	<u><u>\$ 942,524</u></u>	

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 3. INVESTMENTS (CONTINUED)**

The Foundation does not have a provision in its' formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* As of June 30, 2014, the following investments are subject to credit risk:

U.S. Corporate Bonds:

<u>Rating</u>	<u>Fair Value</u>
A	\$ 340,644
B	<u>179,204</u>
	<u>\$ 519,848</u>

U.S. Agency Obligations:

<u>Rating</u>	<u>Fair Value</u>
BAA1/BBB	<u>\$ 94,064</u>

The Foundation has an investment policy that requires an allocation percentage of a maximum of 75% of the funds, will be invested, and a minimum of 35% in both equities and fixed income securities.

All of the Foundation's investments, except its certificates of deposit, are held by Morgan Stanley. Community 1<sup>st</sup> Bank holds the Foundation's certificates of deposit.

**NOTE 4. ASSETS HELD FOR OTHERS**

As of June 30, 2014, assets held for the University consist of University Endowments in the amount of \$1,783,482.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5. CAPITAL ASSETS**

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 1,732,942	676,899	-	2,409,841
Artwork	2,597,365	40,400	-	2,637,765
	<u>4,330,307</u>	<u>717,299</u>	<u>-</u>	<u>5,047,606</u>
Other capital assets				
Buildings held for lease to University	2,250,237	-	-	2,250,237
Accumulated depreciation for				
Buildings	(865,478)	(57,698)	-	(923,176)
Capital assets, net	<u>\$ 5,715,066</u>	<u>659,600</u>	<u>-</u>	<u>6,374,666</u>
Capital assets summary				
Capital assets not being				
Depreciated	\$ 4,330,307	717,299	-	5,047,606
Other capital assets, at cost	2,250,237	-	-	2,250,237
Total cost of capital assets	<u>6,580,544</u>	<u>717,299</u>	<u>-</u>	<u>7,297,843</u>
Accumulated depreciation	<u>(865,477)</u>	<u>(57,698)</u>	<u>-</u>	<u>(923,175)</u>
Capital assets, net	<u>\$ 5,715,067</u>	<u>659,600</u>	<u>-</u>	<u>6,374,667</u>

Depreciation expense for the year totaled \$57,698.

**NOTE 6. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amount Due Within One Year
Notes Payable	<u>\$ 1,280,124</u>	<u>32,274</u>	<u>(158,243)</u>	<u>1,154,156</u>	<u>157,590</u>

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 7. NOTE PAYABLE**

The Foundation has a note payable to a national bank which was used to pay off existing real property and indebtedness.

Seven year note payable	<u>Amount</u>
Due October 21, 2021, with monthly payments of \$17,326 at a 4% fixed interest rate.	
The note is secured with building and land.	\$ 1,154,156
Current portion	<u>(157,590)</u>
Total long-term portion	<u><u>\$ 996,566</u></u>

Debt service requirements for future fiscal years are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 157,590
2016	163,983
2017	170,877
2018	177,937
2019	185,289
Thereafter	<u>298,480</u>
	<u><u>\$ 1,154,156</u></u>

**NOTE 8. LEASE WITH NEW MEXICO HIGHLANDS UNIVERSITY**

The Foundation leases a building it owns in Rio Rancho, New Mexico to New Mexico Highlands University. The Foundation entered into a twenty-year lease agreement on January 30, 1997.

Lease income for the year ended June 30, 2014, was \$372,385. Rental income per month was \$31,032 for the year ended June 30, 2014.

**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors  
New Mexico Highlands University Foundation  
And  
Mr. Hector 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 New Mexico Highlands University Foundation (Foundation) (a component unit of New Mexico Highlands University) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 3, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not

Board of Directors  
New Mexico Highlands University Foundation  
And  
Mr. Hector Balderas, New Mexico State Auditor

identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2014-001 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Foundation's Responses to the Findings**

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Foundation'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 3, 2014

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
SUMMARY SCHEDULE OF PRIOR FINDINGS  
June 30, 2014**

None



**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2014**

**2014-001 Financial Close and Reporting (Significant Deficiency)**

**Condition**

During the current year, there were approximately 6 journal entries after the final trial balance was provided to the auditors, some of which were significant dollar amounts, and accumulated to over \$3 million dollars in total.

**Criteria**

For the year-end financial close and reporting process to function well, accounts need to be adjusted timely, including a process to ensure that unusual transactions are recorded properly, timely and in accordance with Generally Accepted Accounting Principles.

**Effect**

Without timely reporting of transactions, there is an increased risk of error or fraud in the financial records.

**Cause**

The Foundation has not had adequate resources to develop well-established policies and procedures over financial close and reporting. Additionally, the Foundation has limited staffing resources to complete timely journal entries.

**Recommendation**

We recommend that the Foundation continue to develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process, obtain the necessary staffing to carry this out.

**Management Response**

The journal entries that were processed after the initial Trial Balance was provided to the auditors were due to the fact that I was unsure how to handle some unusual entries and needed assistance from the auditors to assure that they were processed correctly.

**NEW MEXICO HIGHLANDS UNIVERSITY FOUNDATION  
EXIT CONFERENCE  
Year Ended June 30, 2014**

The contents of this report were discussed in an exit conference held on November 3, 2014.

**Representing New Mexico Highlands University Foundation:**

Mr. Will Wootton, Foundation Executive Director

**Representing Moss Adams LLP:**

Lisa Todd, Partner

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of the New Mexico Highlands University Foundation.