



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

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2015

atkinson

PRECISE. PERSONAL. PROACTIVE.

CONTENTS

	Page
OFFICIAL ROSTER	1
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	2-3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	5
STATEMENT OF CASH FLOWS	6-7
NOTES TO FINANCIAL STATEMENTS.....	8-17
SUPPLEMENTARY INFORMATION	
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED)	18
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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.....	19-20
SCHEDULE OF FINDINGS AND RESPONSES	21-25
EXIT CONFERENCE	26

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

OFFICIAL ROSTER

June 30, 2015

Board of Directors

Mr. William E. Garcia	President/Public Director
Dr. James Fries	Chairman of the Board/Ex-Officio
Ms. Tina M. Cordova	First Vice President/Public Director
Mr. Jay D. Moore	Second Vice President/Public Director
Mr. Ray Litherland	Treasurer/Public Director
Dr. G. Doyle Daves, Jr.	Public Director
Mr. Jim Franken	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 Assoc. President
Mr. Ernesto J. Salazar	Public Director
Mr. Pablo Sedillo	Public Director
Mr. Joe H. Staley, Jr.	Public Director
Mrs. Linda Mitchell Davis	Public Director
Dr. Dewayne Matthews	Public Director
Mr. Leveo V. Sanchez	Ex-officio Director, Emeritus 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
Ms. Lenore Lopez-Bockbraider	Emeritus Director
Dr. Sharon Caballero	Emeritus Director

Administrative Personnel

Mr. Will Wootton	Executive Director/Vice President of Advancement
Vacant	Alumni Director
Ms. Darlene Chavez	Development Finance Officer



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
New Mexico Highlands University Foundation, Inc.
And
Mr. Timothy Keller, 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, Inc. (the "Foundation") (a component unit of New Mexico Highlands University) as of and for the year ended June 30, 2015, 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.

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, 2015, 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

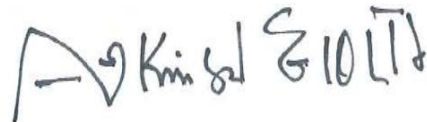
For the year ended June 30, 2015, Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The schedule of vendor information, required by 2.2.2 NMAC, has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2015, 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 the Foundation's internal control over financial reporting and compliance.



Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 2, 2015

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 233,780
Pledges receivable	10,000
Prepaid assets	<u>3,103</u>

Total current assets 246,883

Noncurrent assets:

Investments, including assets held for others of \$1,763,990	6,673,077
Capital assets, net	6,646,569
Life insurance contract	78,559
Pledges receivable	<u>35,000</u>

Total noncurrent assets 13,433,205

Total assets \$ 13,680,088

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued liabilities	\$ 6,936
Accrued interest payable	1,265
Note payable	<u>1,086,208</u>

Total current liabilities 1,094,409

Long-term liabilities:

Assets held for others	<u>1,763,990</u>
------------------------	------------------

Total long-term liabilities 1,763,990

Total liabilities 2,858,399

NET POSITION

Net investment in capital assets	5,560,361
Restricted, non-expendable	4,180,940
Restricted, expendable	582,253
Unrestricted	<u>498,135</u>

Total net position 10,821,689

Total liabilities and net position \$ 13,680,088

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

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2015

OPERATING REVENUES	
Contributions	\$ 581,938
Contributed facilities and services	226,278
In-kind contributions	337,806
Lease income	<u>417,584</u>
Total operating revenues	1,563,606
OPERATING EXPENSES	
University support	411,533
Student aid grants and stipends	318,317
Operating expenses	289,854
Contributed facilities and services	226,278
Depreciation	<u>57,698</u>
Total operating expenses	<u>1,303,680</u>
Operating income	259,926
NONOPERATING ACTIVITIES	
Investment income, net	<u>143,357</u>
Net non-operating activities	<u>143,357</u>
Income before additions to permanent endowments	403,283
Additions to permanent endowments	<u>75,289</u>
CHANGE IN NET POSITION	478,572
Net position, beginning of year	<u>10,343,117</u>
Net position, end of year	<u>\$ 10,821,689</u>

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

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donors	\$ 605,144
Cash received from leasing activities	417,584
Cash paid to beneficiaries and vendors	<u>(991,336)</u>
Net cash provided by operating activities	31,392
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Purchases of investments	<u>(115,172)</u>
Net cash used by investing activities	(115,172)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from donors for permanent endowments	<u>75,289</u>
Net cash provided by noncapital financing activities	75,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from note payable	94,552
Principal payments on note payable	<u>(162,500)</u>
Net cash used by capital and related financing activities	(67,948)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(76,439)</u>
Cash and cash equivalents, beginning of year	<u>310,219</u>
Cash and cash equivalents, end of year	<u><u>\$ 233,780</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 259,926
Adjustments to reconcile operating income and net cash provided by operating activities	
Depreciation expense	57,698
Investment fees	62,300
Donated artwork	(329,600)
Changes in assets and liabilities	
Pledges receivable	15,000
Accounts payable	(14,365)
Accrued interest	(75)
Assets held for others	<u>(19,492)</u>
Net cash provided by operating activities	<u><u>\$ 31,392</u></u>

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

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

STATEMENT OF CASH FLOWS – CONTINUED

Year Ended June 30, 2015

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash contributions	\$	337,806
Unrealized loss on investments	\$	(12,475)
Interest paid	\$	46,036

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

New Mexico Highlands University Foundation, Inc. (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.

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) Statements 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.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Foundation has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America for governmental entities. 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.

3. 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.

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. 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.

5. Investments

The Investment Committee of the full Board has the sole authority and responsibility over the investment assets of the Foundation. There were no significant changes to investment policy during the year.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Mutual funds are based on the Foundation's pro-rata share of unit value of the mutual funds. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in unrestricted net position.

Fair value is defined as the amount that the Foundation can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported. The determination of fair values includes, among other things, published market prices, prices obtained from pricing services, and prices quoted by independent brokers at current exchange rates.

The Foundation has no limitations on the types of investments or deposits it can make within the scope of its investment policy. The following are the target allocations for the investments:

Asset Class	Minimum	Maximum	Preferred
U.S. Equities - Large Cap	25%	40%	35%
U.S. Equities - Mid Cap	5%	15%	10%
U.S. Equities - Small Cap	5%	15%	10%
International Developed Countries	5%	25%	15%
Emerging Markets	0%	15%	10%
U.S. Core Bonds	10%	40%	25%
High Yield Bonds	0%	0%	0%
International Bonds	0%	15%	0%
Alternative Investments	0%	0%	0%
Cash and Cash Equivalents	5%	20%	5%
Other	0%	0%	0%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. 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 not 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 and land 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.

7. 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 lease income on Foundation capital assets. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred. Unrestricted donations are operating items, as they are not financing or investing activities.

Nonoperating Revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as restricted gifts and contributions including additions to endowment 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Contributed Facilities and Services

Contributed Facilities and Services represent the estimated fair rental value of office space and general corporate services provided by the University. 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 financial statements.

9. 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 the earnings 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 unrestricted net position and are available for expenditure in accordance with donor specifications and in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act. (46-9A 1-10 NMSA 1978)

10. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include estimated useful lives of capital assets and valuation of artwork.

11. 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.

The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2015. The Foundation's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. There were no income tax penalties or interest for the year ended June 30, 2015. Under the statute of limitations, the Foundation's tax returns are no longer subject to examination by tax authorities for years prior to 2012.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. 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 consists 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 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.

13. Procurements

There were no procurements requiring disclosure during FY 2015.

14. Subsequent Events

Subsequent events have been evaluated through November 2, 2015, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2015. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – CASH AND CASH EQUIVALENTS

As of June 30, 2015, cash and cash equivalents recorded in the Foundation's financial statements were as follows:

	<u>1st Community Bank</u>
Cash and cash equivalents	
Cash and cash equivalents at bank	\$ 244,421
Reconciling items	<u>(10,641)</u>
Cash and cash equivalents recorded in financial statements	<u>\$ 233,780</u>
Cash and cash equivalents balance	\$ 233,780
FDIC insurance	<u>(250,000)</u>
Uninsured amount	<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. As of June 30, 2015, none of the Foundation's bank balance was exposed to uninsured amounts. All of the Foundation's bank balances are held by Community 1st Bank in Las Vegas, New Mexico.

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE C – INVESTMENTS

At June 30, 2015, investments of the Foundation are summarized as follows:

Cash and money market funds	\$	421,917
Certificates of deposit		1,003,946
Mutual funds		206,617
Unsettled transactions		464
Common stock		3,698,231
U.S. obligations		683,156
U.S. corporate bonds		658,746
 Total investments	 \$	 <u>6,673,077</u>

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2015, the Foundation had the following investments subject to interest rate risk:

	Maturities		Fair Value
US Obligations			
Treasury	03/31/16 - 11/15/24	\$	486,944
Agency	09/10/15 - 01/30/17		171,802
 US Corporate Bonds	 09/15/15 - 11/01/51		 683,156

The Foundation does not have a policy that manages its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2015, the following investments are subject to credit risk:

	Rating		Fair Value
U.S. Agency Obligations	AA+	\$	171,802
U.S. Corporate Bonds	aa,b		683,156

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE C – INVESTMENTS – CONTINUED

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

NOTE D – ASSETS HELD FOR OTHERS

As of June 30, 2015, assets held for the Foundation consist of University Endowments in the amount of \$1,763,990.

NOTE E – LIFE INSURANCE CONTRACT

The Foundation owns, and is the beneficiary of, a \$100,000 Whole Life insurance policy on one of the Board Members. The Foundation pays the annual premium of \$2,873. As of June 30, 2015, the insurance policy had a cash value of \$78,559, which is recorded as an asset of the Foundation.

NOTE F – CAPITAL ASSETS

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated				
Land	\$ 2,409,841	\$ -	\$ -	\$ 2,409,841
Artwork	<u>2,637,765</u>	<u>329,600</u>	<u>-</u>	<u>2,967,365</u>
	<u>5,047,606</u>	<u>329,600</u>	<u>-</u>	<u>5,377,206</u>
Capital assets being depreciated				
Buildings held for lease to University	<u>2,250,237</u>	<u>-</u>	<u>-</u>	<u>2,250,237</u>
Accumulated depreciation				
Buildings	<u>(923,176)</u>	<u>(57,698)</u>	<u>-</u>	<u>(980,874)</u>
Capital assets, net	<u>\$ 6,374,667</u>	<u>\$ 271,902</u>	<u>\$ -</u>	<u>\$ 6,646,569</u>

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

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amount due Within one year
Note Payable	\$ 1,154,156	\$ 94,552	\$ 162,500	\$ 1,086,208	\$ 167,758

NOTE H – NOTE PAYABLE

The Foundation has a 4% note payable to a bank related to its Rio Rancho land and building. The loan is due in monthly installments of \$17,346 through October 2021, at which time the remaining balance is due. The terms of the note include a due on demand clause, and so the balance due on the note is included in current liabilities. The building is pledged as collateral on the loan; \$94,552 was added to the note during FY 2015.

Debt service requirements for future fiscal years, if no demand is made, are as follows:

	2016	\$ 167,758
	2017	174,593
	2018	181,706
	2019	189,109
	2020	196,814
	Thereafter	176,228
		\$ 1,086,208

NOTE I – 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 operating lease agreement on January 30, 1997. Lease income for the year ended June 30, 2015, was \$372,385. Rental income per month was \$31,032 for the year ended June 30, 2015.

The Foundation has entered into a second operating lease agreement with Highlands University for the 8th Street parking lot adjoining the campus. The Foundation purchased the property in 2014 and has entered into the lease on February 1, 2014, for a five-year period. Monthly rental is \$3,100 per month. Rental income for the year ended June 30, 2015, was \$45,200.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE J – RISK MANAGEMENT

The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Foundation is insured through a private carrier for business and property risk and for director and officer liability insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE K – NEW ACCOUNTING STANDARD

GASB 72

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) provides guidance for determining a fair value measurement for financial accounting and reporting purposes and requires additional disclosures related to fair value measurements. GASB 72 generally requires investments to be measured at fair value (exit price).

GASB 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art and historical treasures. Certain investments not valued at fair value include money market investments in life insurance contracts and common stock meeting the criteria for applying the equity method. GASB 72 is applicable for financial statements for periods beginning after June 15, 2015 (FY 16). GASB 72 defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

SUPPLEMENTARY INFORMATION

New Mexico Highlands University Foundation, Inc.
 (A Component Unit of New Mexico Highlands University)

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
 (EXCLUDING GRT)
 (UNAUDITED)**

As of June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work

There were no purchases exceeding \$60,000.



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

**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, Inc.
and
Mr. Tim Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Mexico Highlands University Foundation, Inc. (Foundation) (a component unit of New Mexico Highlands University) as of and for the year ended June 30, 2015, 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 2, 2015.

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.

Compliance and Other Matters

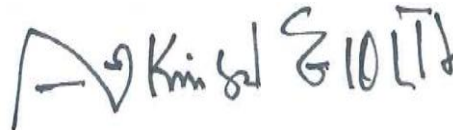
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 12-6-5 NMSA 1978, and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003.

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.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized initial "A" on the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 2, 2015

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

PRIOR YEAR FINDINGS

2014-001 - Resolved

CURRENT AUDIT FINDINGS

Financial Statement Findings Required by *Government Auditing Standards* and 12-6-5 NMSA 1978

2015-001 Investment Policy Statement (Other Noncompliance)

2015-002 Foundation Budget (Other Noncompliance)

2015-003 Bylaws (Findings That Did Not Rise to the Level of a Significant Deficiency)

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2015

2015-001 Investment Policy Statement (Other Noncompliance)

CONDITION

We reviewed the investment policy statement of the Foundation adopted in 2009, and noted the following conditions:

1. The policy incorporates through discussion the Uniform Management of Institutional Funds Act (UMIFA) as a required practice for Directors to follow in investment management. The Act provided the previous prudence guidance for Directors and set standards for spending of endowments. A new act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) has superseded the UMIFA and has been adopted by almost all states including New Mexico in July 2009. This act updated prudence standards and requires Trustees to determine how amounts of permanent gifts must be maintained in perpetuity. The investment policy statement has not been updated for UPMIFA requirements.
2. The investment policy calls for an annual meeting between the investment advisor and the Investment Committee for the purpose of updating the investment policy statement. Although we obtained documentation that meetings between the investment committee and investment advisor have been occurring at least annually, it did not appear that the investment policy statement was being updated as required in the investment policy statement. The investment policy statement has not changed since 2009.

CRITERIA

The investment policy statement is the controlling document for the investment function of the Foundation. It provides fiduciary information to directors and places full powers in the Investment Committee of the Foundation to manage investments. It specifies that the investment policy statement should be updated at least annually. It notes the purpose of an investment policy statement is in part “to provide a well thought out framework from which sound investment decisions can be made”.

EFFECT

The lack of an updated document that incorporates current developments in investment prudence and requirements for maintaining permanent gifts for the Foundation increases the possibility that fiduciary responsibilities may not be met in every instance. The lack of changes to the investment policy statement to reflect changes in investment management policy or investment profiles may increase the possibility that investment results will not be optimized in accordance with the Board objectives.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2015

2015-001 Investment Policy Statement (Other Noncompliance) – Continued

CAUSE

Although meetings between the investment advisor and the investment committee are occurring as required in the investment policy statement, the documentation of the meetings and updates to the overall guiding document are not being made as required.

RECOMMENDATION

We recommend that the investment policy statement be reviewed and adjusted to document the current investment environment and investment policies as determined between the investment advisor and investment committee. The updated document should then be approved by the full Board of Directors. We recommend this process be documented in the minutes of the Foundation or by another appropriate method.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The NMHU Foundation agrees that its Investment Policy Statement requires review and renewal. The Investment/Finance Committee has in progress, a review of the performance of its financial advisor/manager (Morgan Stanley). An integral component of this process is an assessment of the current investment policy. The intent of the committee is to complete its review, develop and adopt a new Investment Policy Statement and make appropriate changes in the advisor/manager status if indicated. We expect these changes to be accomplished with the 2015-16 fiscal year.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2015

2015-002 Foundation Budget (Other Noncompliance)

CONDITION

The Foundation is not currently preparing an annual budget by projecting revenues that it will receive and expenses it is responsible for in the coming year and submitting them to the Board for approval. Such approved budgets serves as authorization for budgeted expenses during the year.

CRITERIA

The Bylaws of the Foundation as Amended 2008 indicate that an annual budget shall be created and shall be submitted to the Board for approval each year. The approved budget serves as authorization for the Executive Director to expend budget amounts.

EFFECT

The planning activities of the Foundation for the upcoming year are not documented through an annual budget. The Foundation may not have the full consideration of its upcoming activities that a budget plan and approval process can provide. Expenditures made by the Executive Director are not authorized through a budget process. The Foundation is not in compliance with its Bylaws.

CAUSE

The revenue and expenses that the Foundation is responsible for are not complex. The New Mexico Highlands University is responsible for operating items including administrative staff assigned to the Foundation and other needed administrative expenses. Investment returns do not readily lend themselves to a budget process except for investment expenses and dividends and interest. Due to changes in management personnel, the Foundation has operated with different individuals in most recent years.

RECOMMENDATION

We recommend that the budget process as described in the Bylaws be instituted on an annual basis or that the Bylaws be rewritten to reflect the operating needs of the Foundation in regard to the Boards authorization of expenditures.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The NMHU Foundation acknowledges that an annual budget preparation and approval process as described in the bylaws has not taken place. The Foundation accepts that for this reason and because of potential ambiguities as noted in finding 2015-003, a full review and possible bylaw revision must occur. The process will be placed before the appropriate Foundation committee at its November 14, 2015, meeting. To assist this process, the Foundation Board will also carefully assess the role of an annual budget process in Foundation business. If deemed appropriate, a budget process will be established and included in revised bylaws.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2015

2015-003 Bylaws (Findings that Do Not Rise to the Level of a Significant Deficiency)

CONDITION

We identified two actions binding the Foundation that were approved in the Finance Committee or the Executive Committee, respectively. After discussion with management, we were satisfied that these actions were also approved in accordance with the Bylaws. We note that what is required by the Bylaws as currently written may be initially interpreted differently by outside parties to the Board or new Board members.

CRITERIA

The Bylaws of the Foundation as Amended 2008 indicate the operating rules of the Foundation as a New Mexico Non Profit Corporation and specify the approvals needed for transactions by working committees and by the full Board.

EFFECT

Transactions may be entered into that could be questioned later by the Board members. Situations where the oversight of the full Board is needed may not be clear.

CAUSE

There are provisions of the Bylaws that are not initially clear as to their operation. The Bylaws have not been amended since 2008.

RECOMMENDATION

We recommend that consideration be given to amending the Bylaws in conjunction with finding 2015-002 which provides for a possible revision of the Bylaws.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The NMHU Foundation acknowledges that some provisions of the bylaws that relate to processes of making binding financial commitments can be more clearly stated. As an integral part of the planned bylaw review and revision (see 2015-002 Corrective Action Plan), any ambiguities in the bylaw language will be corrected.

New Mexico Highlands University Foundation, Inc.
(A Component Unit of New Mexico Highlands University)

EXIT CONFERENCE

June 30, 2015

The contents of this report were discussed in an exit conference held on October 28, 2015.

Representing New Mexico Highlands University Foundation, Inc.:

Jay D. Moore	Board Member
Doyle Daves	Board Member
Darlene Chavez	Finance Manager
Jesus E. Baquera	Controller, Highlands University
Dr. Linda La Grange	Associate Vice President/Academic Affairs
Max Baca	Interim Vice President Finance and Administration, Highlands University
Dr. Sam Minner	President

Representing Atkinson & Co., Ltd.:

Marty Mathisen, CPA, CGFM	Audit Shareholder/Director
Mike Reeves, CPA	Audit Manager
Sarah Brack, CPA, CGFM	Audit Manager

The financial statements were prepared with the assistance of Atkinson & Co., Ltd. from the books and records of the New Mexico Highlands University Foundation, Inc.

ATKINSON & CO. LTD.
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ALBUQUERQUE, NM
T 505 843 6492
F 505 843 6817

RIO RANCHO, NM
T 505 891 8111
F 505 891 9169

ATKINSONCPA.COM

