



**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS  
UNIVERSITY**

**AUDIT REPORT**

**JUNE 30, 2013**



STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY

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STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY

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## From the President



Founded in 1893, New Mexico Highlands University is a multicultural university at which Hispanic, Native American, and African American students comprise nearly 75% of the enrollment. A master's level university, 40% of our students are pursuing master's degrees in the Schools of Education, Social Work, and Business as well as in several areas of strength in the arts and sciences. Highlands is widely regarded as northern New Mexico's university with centers that stretch from Raton in the northeastern corner to Farmington in the northwestern corner of the State. However, our students come from across the State, the country, and increasingly the world with 19 tribes, 42 states and 36 countries represented.

As you will see in this report, Highlands is fiscally sound and has been able to absorb cut-backs in state funding while still maintaining strong forward momentum. Highlands has been experiencing enrollment growth and is in the midst of an \$80M list of major capital improvements. This includes a 276 bed suite-style LEED Silver certified residence hall and major remodeling of the Lora Shields Science Building, Felix Martinez Building, and Natatorium, all of which have been LEED Gold certified. In addition, a new Student Union is now under construction. Numerous sustainability projects, including water catchment systems with a total capacity of 305,000 gallons, have been completed. Implementation of the Highlands's Strategic Plan and Campus Master Plan continue to move forward.

The first university in the State to achieve wireless status, Highlands remains committed to ever more effective uses of technology in the delivery of its educational programs and administrative processes. Two major software programs, Desire2Learn and DegreeWorks, were introduced in the Spring of 2012. An open admissions university, Highlands has instituted a diagnostic testing program to better evaluate each student's educational readiness for university work, and seeks to become a leader in value-added education. Students with developmental needs in both reading and mathematics complete a contract for success that provides them with a clear indication of available services and our expectations regarding their use of those services. Being admitted is relatively easy at Highlands, but degree-completion is not.

Highlands is committed to expanding its historic role as the educational leader and economic catalyst for the several school systems and communities in its primary service area, and to building stronger ties with the distinctive Hispanic and Native American traditions of the region. A "we" not "they" campus, we are creating a work and learning environment that fosters integrity, respect, tolerance, fairness, quality, equity, and accountability. Highlands is moving forward on all fronts by enhancing the educational opportunities and services available for our students.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**June 30, 2013**

**BOARD OF REGENTS AND PRINCIPAL OFFICERS**

**Board of Regents**

<i>Appointed Members:</i>	<i>Title:</i>	<i>Term Expires:</i>
Leveo V. Sanchez	Chairman	December 31, 2018
Jesus L. Lopez	Vice – Chairman	December 31, 2014
Nancy R. Long	Member	December 31, 2013
Frank Marchi	Member	December 31, 2016
Michael Martinez	Student Member	December 31, 2014

**Principal Administrative Officials**

Dr. James Fries	President
Dr. Gilbert Rivera	Vice President for Academic Affairs
Dr. Fidel Trujillo	Dean of Students
Vacant	Vice President for Finance & Administration

**Principal Financial Officials**

Jesus E. Baquera	Controller
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## REPORT OF INDEPENDENT AUDITORS

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of New Mexico Highlands University (the "University") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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.

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the University as of June 30, 2013 and the respective changes in financial position and, where applicable, 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 the management's discussion and analysis on pages 5 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Schedule of Individual Deposit Accounts and Pledged Collateral and Schedule of Joint Powers Agreements and Memorandums of Understanding, as required by the New Mexico State Audit Rule and the Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

The Schedule of Individual Deposit Accounts and Pledged Collateral and Schedule of Joint Powers Agreements and Memorandums of Understanding and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Individual Deposit Accounts and Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of the University'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 University's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 15, 2013

# STATE OF NEW MEXICO NEW MEXICO HIGHLANDS UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

The following discussion and analysis provides an overview of the financial position and analysis of New Mexico Highlands University. It is intended to make the University financial statements easier to understand and communicate our financial situation in an open and accountable manner. It provides an objective analysis of the "University's" position and results of operations as of and for the year ended June 30, 2013. University management has prepared the financial statements and the related note disclosures in addition to the discussion and analysis. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

The University has one supporting Foundation, **New Mexico Highlands University Foundation, Inc.**, a not-for-profit organization. The financial information of the Foundation is presented in the financial statements as a "discretely presented component unit".

The University has one wholly owned research corporation, **Highlands Stable Isotopes Corporation**, a New Mexico University Research Park Act not-for-profit organization. The financial information of this corporation is presented in the financial statements as a "discretely presented component unit".

## Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements which have the following five other parts.

*Report of Independent Auditors* presents an unmodified opinion by our auditors (an independent certified public accounting firm (Moss Adams LLP) on the fairness (in all material respects) of our financial statements.

*Statement of Net Position* presents the assets, liabilities, and net position of the University at a point in time (June 30, 2013). Its purpose is to present a financial snapshot of the University. It aids readers in determining the assets available to continue the University's operations, how much the University owes to vendors, and investors, and a picture of net assets and their availability for expenditures in the University.

*Statement of Revenues, Expenses, and Changes in Net Position* presents the total revenues earned and expenses incurred by the University for operating, non-operating, and other related activities during a period of time (the year ended June 30, 2013). Its purpose is to assess the University's operating results. This statement begins with a presentation of the operating revenues received by the institution. *Operating revenues* are revenues arising from exchange (earned) transactions. In a public university, such as New Mexico Highlands University, income from state government appropriations, although not earned, is heavily relied upon to pay operating expenses for almost all instruction and general programs;

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Statement of Revenues, Expenses, and Changes in Net Position (continued)***

However government accounting standards define state appropriations income as non-operating revenue, causing the presentations of a large operating loss on the first page of the Statement of Revenues, Expenses and Changes in Net Position. The operating loss is offset by *non-operating revenues* in the next section of this statement, non-operating revenues and (expenses).

***Statement of Cash Flows*** presents cash receipts and payments of the University during a period of time (year ended June 30, 2013). Its purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Note(s). Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

We suggest that you combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, number of undergraduates and graduates completing their degrees, and campus safety. Information about nonfinancial indicators is not included in this analysis, but can be obtained from the University's Office of Information (Sean Weaver – University Relations Director ([slweaver@nmhu.edu](mailto:slweaver@nmhu.edu))).

**STATE OF NEW MEXICO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Highlights**

During the fiscal year ended June 30, 2013, the University's net position increased by 1% from \$67.9 million to \$68.7 million and cash and cash equivalents decreased by 61%, from \$17.6 million to \$6.9 million, due primarily to construction of a new student center.

**CONDENSED STATEMENT OF NET POSITION**

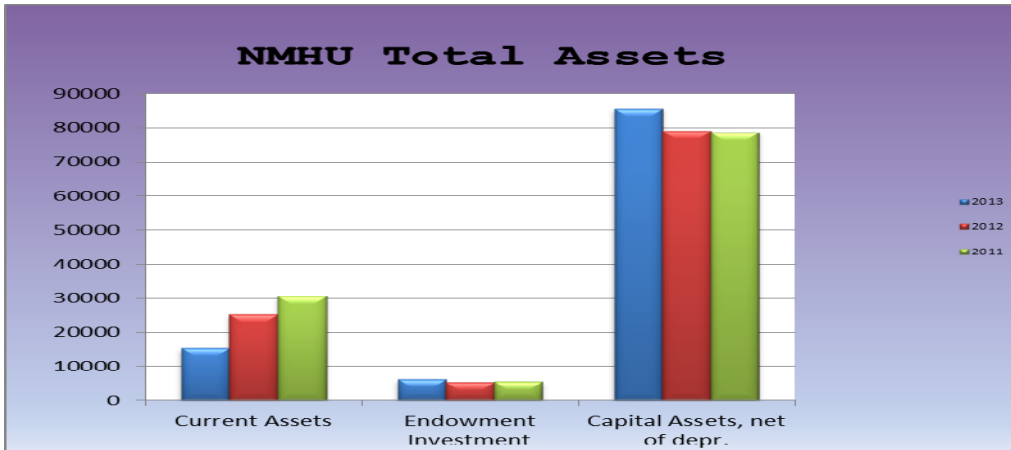
<b>Net Position as of June 30, 2013 and 2012 (thousands)</b>		
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Assets:</b>		
Current assets	\$11,560	\$20,158
Restricted cash	2,312	2,312
Assets held by others	1,521	1,350
Due from component unit	1,031	874
Endowment investments	6,199	5,510
Capital assets, net of accum. depr.	<u>85,518</u>	<u>78,987</u>
Total assets	<u>108,141</u>	<u>109,191</u>
<b>Liabilities:</b>		
Current liabilities	9,473	10,327
Non-current liabilities	<u>30,003</u>	<u>30,965</u>
Total liabilities	<u>39,476</u>	<u>41,292</u>
<b>Net Position:</b>		
Net investment in capital assets	54,572	47,125
Restricted for nonexpendable	7,592	6,742
Restricted for expendable	5,706	13,128
Unrestricted	<u>796</u>	<u>904</u>
Total net position	<u>\$ 68,666</u>	<u>\$67,899</u>

**Discussion of Statement of Net Position**

**Current assets** decreased 43% during the year. The ending balance of \$11.6 million consists primarily of cash/cash equivalents (\$6.9 million), receivables (\$4.1 million) and other (\$571 thousand). All cash and cash equivalents are essential and completely designated for ongoing operations including capital projects. The University attempts to maximize interest earnings by investing funds in the State Investment Council and with the State of New Mexico Local Government Investment Pool. The University has abided by its short term and endowment investment policies, thereby, ensuring liquidity and safety. The University has implemented procedures to collect receivables in a timely manner and is well able to meet all its current financial obligations.

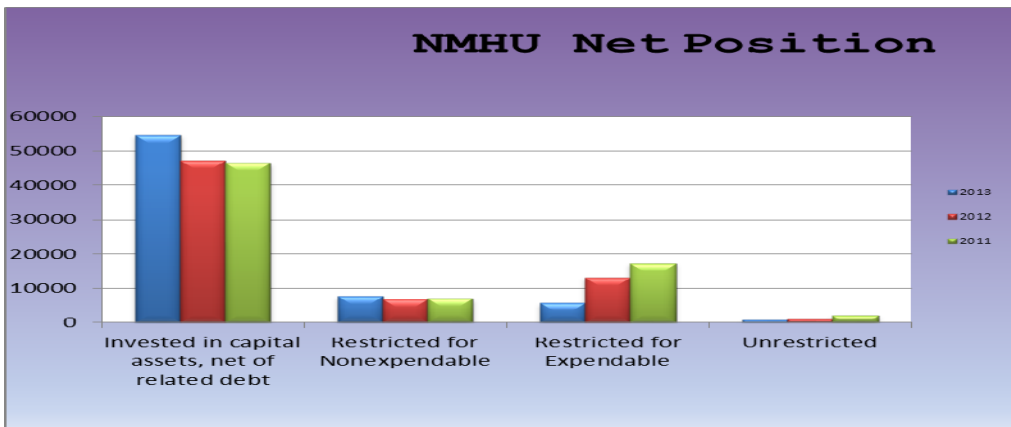
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The total cost of **Capital assets** is comprised of land, buildings and improvements, library books, equipment, vehicles, furniture and patents of \$183.4 million less accumulated depreciation of \$97.9 million. All capital assets, except land and construction-in-progress, are being **depreciated**, meaning a percentage of the assets’ cost is being charged to operating expenses each year. Consequently, capital assets are shown as a net amount of \$85.5 million (\$183.4 million cost less \$97.9 million accumulated depreciation).



**Total liabilities** of \$39.5 million constitute 37% of total assets and consist primarily of payables/accrued liabilities and accrued compensated absences (\$5.4 million), bonds/notes payable (\$30.9 million), accrued interest payable of (\$217 thousand) and deferred revenue (\$2.9 million). Deferred revenue represents amounts prepaid by students, auxiliary enterprises customers, grantors and contractors (or amounts received before the University met all of its requirements for income recognition). These amounts will be recognized as revenue in future period after all conditions have been satisfied.

**Total net position** increased by \$767 thousand or 1%, during the year. The ending balance of \$68.7 million is derived by deducting total liabilities from total assets and shows the composition of the University’s equity. Net investment in capital assets is (\$54.6 million). Restricted for nonexpendable (\$7.6 million) represents the University’s endowment corpus, whereas restricted for expendable (\$5.7 million) represents resources that must be spent according to the stipulations of external entities. Unrestricted net assets (\$796 thousand) are available to the University for any lawful purpose under the full discretion of management.





**STATE OF NEW MEXICO  
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**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

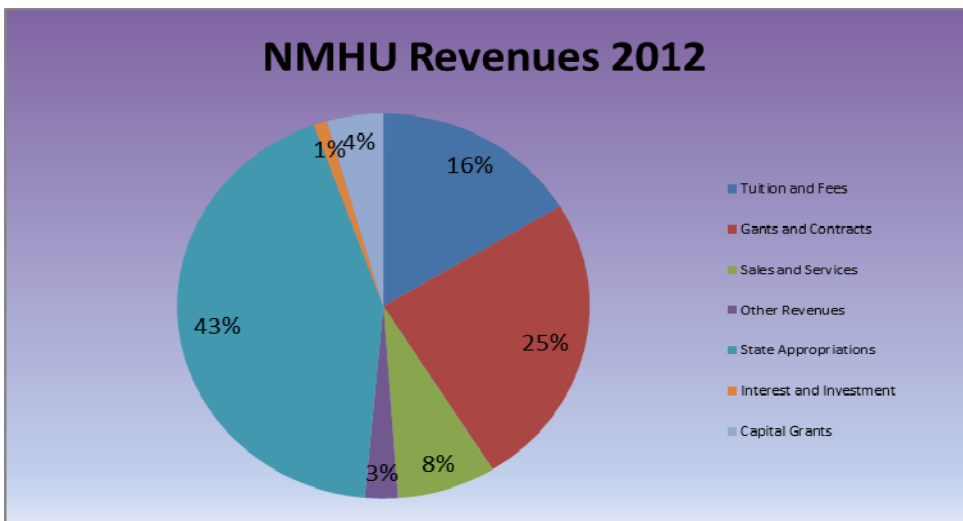
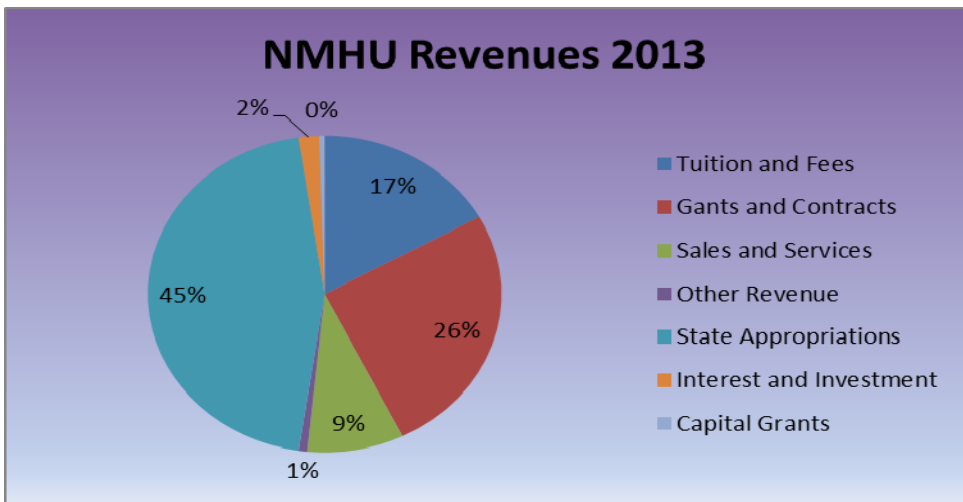
<b>Activities for the years ended June 30, 2013 and 2012 (thousands)</b>		
	<b><u>2013</u></b>	<b><u>2012</u></b>
Operating Revenues:		
Tuition and fees, net	\$10,915	\$ 10,470
Grants & contracts	16,685	15,886
Sales and services / other revenue	<u>6,388</u>	<u>6,630</u>
Total operating revenues	<u>33,988</u>	<u>32,986</u>
Operating expenses:		
Instruction and general	35,353	33,398
Other operating expenses	24,228	27,672
Depreciation	<u>3,669</u>	<u>6,177</u>
Total operating expenses	<u>63,250</u>	<u>67,247</u>
Operating loss	<u>(29,262)</u>	<u>(34,261)</u>
Non-operating revenue:		
State general fund appropriations	29,218	27,606
Interest and investment income	<u>1,201</u>	<u>676</u>
Total Non-operating revenue:	<u>30,419</u>	<u>28,282</u>
Income/(loss) before other revenue, expenses, gains, losses	<u>1,157</u>	<u>(5,979)</u>
Interest on indebtedness	(1,288)	(1,625)
Capital appropriations	329	2,840
Other	<u>569</u>	<u>-</u>
Decrease/Increase in net position	<u>767</u>	<u>(4,764)</u>
Net position, beginning	<u>67,899</u>	<u>72,663</u>
Net position, ending	<u>\$68,666</u>	<u>\$67,899</u>

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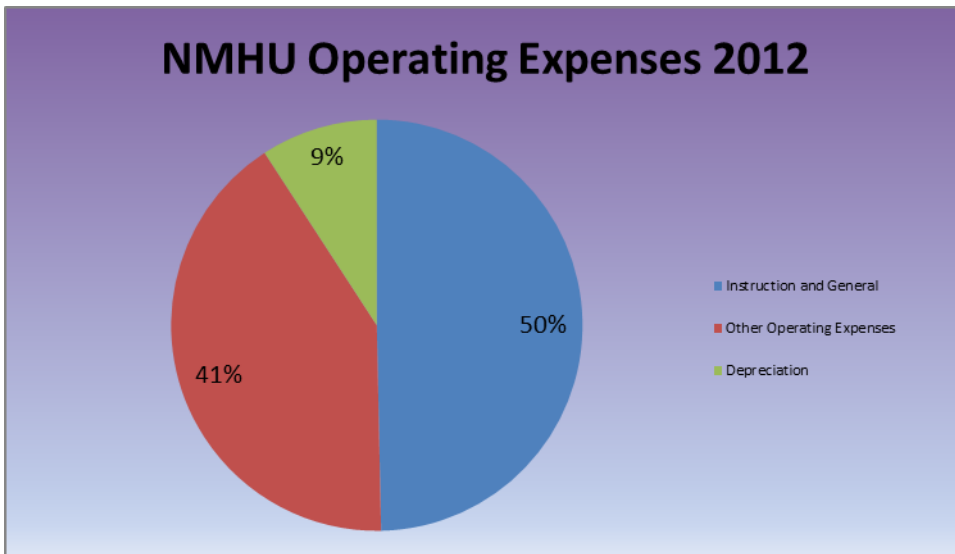
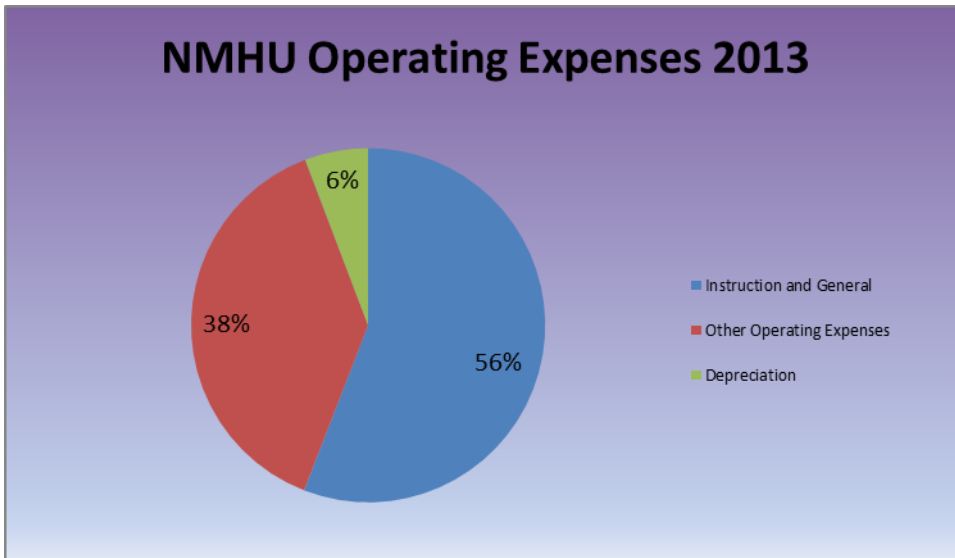
**Discussion of Statement of Revenues, Expenses and Changes in Net Position**

This statement shows the components that increased, in the aggregate. The University’s net position increased by \$767 thousand during the year. Operating expenses (\$63.2 million) are subtracted from operating revenues (\$34 million), resulting in an “operating loss” (\$29.3 million). State general fund appropriations (\$29.2 million), are not included as operating revenue; however, it is reflected as non operating revenue, because they are provided to the University without the state receiving commensurate goods and services in exchange. State general fund appropriations are essential for the University to carry out its instructional and public service mission. **“Income/ (loss) before other revenue, expenses, gains and losses”** was (\$1.2 million). Added to this income is \$1.3 million of interest of indebtedness offset by \$329K in capital appropriations revenues (federal and state funds designated for construction projects) and other income of \$569 thousand.

State general fund appropriations increased by \$1.6 million (6%). The state general fund appropriation for the year ended June 30, 2013 was \$29.2 million as compared to state appropriation for year ended June 30, 2012 at \$27.6 million.



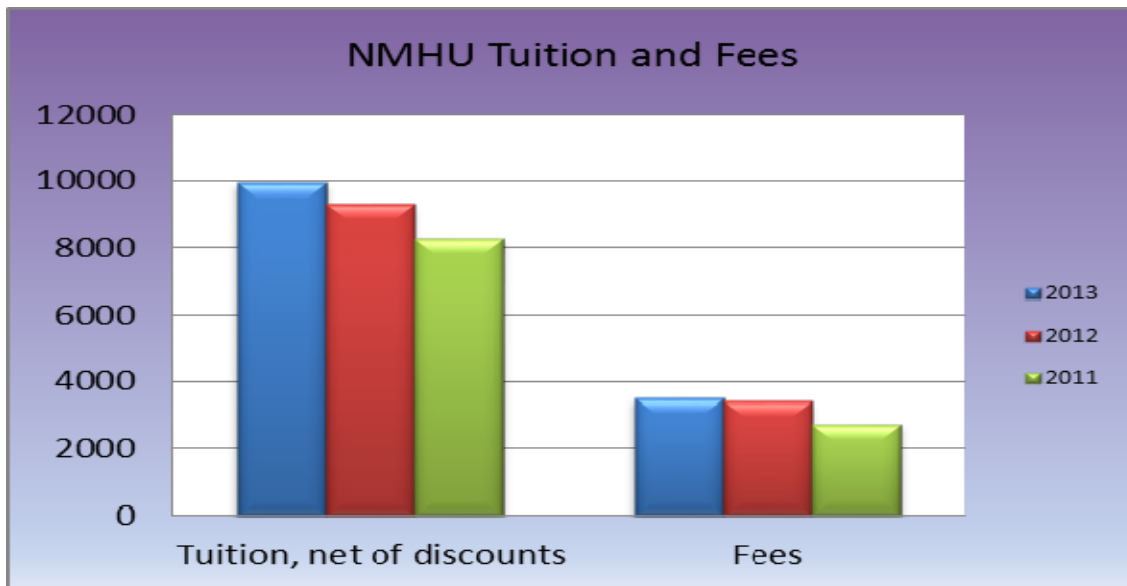
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MANAGEMENT'S DISCUSSION AND ANALYSIS**



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<b>Analysis of Tuition and Fees Revenue (thousands)</b>				
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	
Tuition	\$9,947	\$9,318	\$ 629	6.7%
Fees	<u>3,525</u>	<u>3,397</u>	<u>128</u>	3.8%
Subtotal	13,472	12,715	757	6.0%
Tuition discounts/allowance	<u>(2,558)</u>	<u>(2,246)</u>	<u>(312)</u>	12.0%
Net	<u>\$10,914</u>	<u>\$10,469</u>	<u>\$ 445</u>	4 %

Tuition and fees, net of discounts and allowances, increased by 4%; however, excluding discounts and allowances, which are calculated using a multi-step formula and subtracted from tuition and fees, they increased by \$750 thousand, or 6%.



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**CONDENSED STATEMENT OF CASH FLOWS**

Statement of Cash Flows for the years ended June 30, 2013 and 2012 (thousands)		
	2013	2012
Cash flows from operating activities:		
Net cash used by operating activities	\$( 26,436)	\$(27,916)
Net cash provided by noncapital financing activities	29,413	27,869
Net cash flow provided by investment activities	1,540	1,924
Net cash used by capital & related financial activity	<u>(15,290)</u>	<u>(6,602)</u>
Net decrease in cash and cash equivalents	(10,772)	(4,727)
Cash and cash equivalents, beginning of year	<u>17,631</u>	<u>22,358</u>
Cash and cash equivalents, end of year	<u>\$ 6,859</u>	<u>\$ 17,631</u>

**Discussion of Statement of Cash Flows**

This statement shows the sources and uses of cash and cash equivalents in four standard categories. The University had a \$10.8 million net decrease during the year, resulting in an ending cash balance of \$6.9 million. This decrease resulted primarily from the overrun of expenditures on the construction on the new student center.

**Discussion of Budget Comparisons**

Included in this audit report are summary schedules of original budget, final budget, actual results and variances from the final budget. Schedules are prepared on the budgetary basis versus the accrual basis of accounting in a fund accounting format as required by the New Mexico State Audit Rule.

On the **Restricted Current Funds** and **Restricted Instruction & General** schedules, significant variances between the original budget and final budget are due to the fact that at the time of submission of the original budget (end of April), the amount of grant and contract awards for the following year is difficult to project accurately, because it is often not known which grants and contracts will be funded. Significant variances between actual results and the final budget are primarily due to the fact that most federal grants have a budget period different from the University's fiscal year. The entire grant budgets are typically included in the final budget column, whereas actual results only reflect part of the grants' budget period.



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**Discussion of Significant Capital Projects**

Highlands University continues to invest heavily in improvements to its campus, including the development of the University Master Plan, and effort that began in 2009. In the summer of 2010 the Master Plan was completed and approved by the NMHU Board of Regents. Capital projects completed and planned range from the construction of large scale buildings, such as our new residence hall and our new student center currently in construction, to small enhancements upgrading the look and feel of the campus, such as improved signage and lighting. Together, these projects have helped revitalize the campus, allowing us to better meet the needs of the Highlands' community.

This focus on infrastructure improvements began in FY06, when the New Mexico Higher Education Department undertook a statewide assessment of facility needs. As a result, the 2008 legislative session provided for an additional \$40.0 million distributed through the Building Renewal and Replacement (BR&R) formula to all higher education entities.

Highlands University was the recipient of approximately \$1.7 million from this fund, plus additional appropriations for infrastructure, deferred maintenance, master planning, renovation, equipment, and \$1 million toward a new student center. Ultimately, the University received capital grant appropriations of \$5.7 million designated for physical plant improvements at the main campus. In the spring of 2008, an additional \$1.8 million was requested from the legislature to complete specific infrastructure improvements. The University received an additional \$1.8 million to finish renovation of the Lora Mangum Shields building and \$9.0 million to address infrastructure within the University through General Obligation Bonds.

The total projected cost for recently completed and currently planned capital outlay projects is approximately \$80 million. Major highlights include:

- \$19.4 million for a new 276 bed residence hall (project completed)
- \$5.6 million for renovation of the Science Annex (project completed)
- \$3.0 million for roof replacement and a new HVAC system at Burriss Hall (project completed)
- \$4.0 million for renovation of the Golf Course (project completed)
- \$1.8 million toward remodeling the Lora Mangum Shields Science Building (project completed)
- \$3.5 million for creation of a one-stop shop for student services at the Felix Martinez building (project completed)
- \$20.5 million toward a new student center (project completed)
- \$8.3 million for renovation of the Trolley Building for media arts (in planning stage)
- \$5.3 million in deferred maintenance capital projects (completed)
- \$9.0 million to address infrastructure within the University (completed)
- \$4.7 million for renovation of Rodgers Hall (in planning stage)
- \$1.8 million for renovation of the Natatorium (project completed)
- \$2.7 million for boiler renovation (project completed)
- \$2.5 million for housing improvements (project completed)

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Four of these projects plus the campus master plan are discussed below. The remodels at Felix Martinez, Lora Shields and the Natatorium have all been LEED Gold certified.

***New Student Center***

The University began construction of a new student center in July 2010. The building is designed to meet the needs and expectations of current and future students. Together with the previously constructed residence hall and other improvements, large and small, it will help create an environment that serves to help the University recruit and retain students.

The new student center opened in April 2013 and is approximately 70,000 square feet. Located at the corner of 8<sup>th</sup> Street and National Avenue, it will serve as the home for numerous student services. Some of the services housed in the building include: study areas, computer labs, offices for Native American Services, International Student Services, Student Activities, and student clubs; a board room for student and public meetings, a student art gallery, theatre, ballroom, coffee shop, game room, a copy center, post office, bookstore, and dining facilities adequate to serve 300 students (compared to the prior capacity of 250 students). As with the previously constructed residence hall, it is designed to meet LEED Silver Certification.

***Trolley Building Renovation***

During the 2012 legislative session, the University's Board of Regents and Administration made the renovation of the "Trolley Building" their top capital priority and Laws 2012 provided \$6,000,000 to be included in the 2012 General Obligation Bonds to be presented in the November 2012 general election for voter approval, which passed. In the summer of 2012, the Board of Regents reaffirmed the Trolley Building as its top priority and directed staff to move forward to secure additional funding during the 2013 legislative session. An additional, \$2.3 million in severance tax bonds was approved bringing the available balance to \$8.3 million.

This historic building is envisioned as the new home for the University's successful media arts program. The Las Vegas Railroad and Power Company Building, or Trolley Building, was erected in 1905. The building is listed in the State Register of Cultural Properties and the National Register of Historic Places. The Office of Cultural affairs has indicated it is pleased to support New Mexico Highlands University's efforts to repair and reuse this structure. The idea of using a historic building to house a cutting-edge technology program is one way that Highlands honors its history and culture while at the same time immersing its students in 21<sup>st</sup> century educational opportunities.

Media Arts is one of the most successful departments at NMHU, now newly housed in the School of Business, Media & Technology. With over 100 declared majors, and minors in Marketing, Computer Science, and Fine Arts, students come to media arts with a diverse set of interests, ranging from photographic imaging to 3D video production. Student opportunities include our AmeriCorps program in Cultural Technology (with 22 students participating in our first year), an internship program with the NM Department

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of Cultural Affairs, and the annual Seabury Fellowship program. Last year saw the permanent installation of the student designed exhibit "Emergence" at the NM Museum of Natural History and Science, students working at seventeen cultural institutions around New Mexico, presentations at regional and national conferences, and winning design awards in juried shows.

However, the facilities currently used by Media Arts are in poor condition and have never been optimally functional as academic housing for this program. Classroom and studio space is inadequate and the program is desperately short of office space for new faculty. The current facility does not support the technological character of the program adequately. Additionally, program expansion is impossible due to space constraints. NMHU anticipates significant growth in this area, once the building is renovated to provide adequate studio and classroom space.

**Rodgers Hall Renovation**

The Board of Regents included the renovation of Rodgers Hall as the number 2 priority for the 2013 Legislative session. Rodgers Hall is a historic two story building that was constructed in 1936 as the University library. It currently houses administrative functions, including the Offices of the President, the Vice President for Finance and Administration, the Vice President for Academic Affairs, the Business Office, the Graduate office, and the Human Resources Office.

The building is in need of improvements to its major systems. Renovation of Rodgers Hall will address issues such as ADA compliance, heating and cooling, upgrading of facilities, and overall improvements to space utilization; however, no funding has yet been appropriated.

***Infrastructure***

Significant funding has been secured and invested in major infrastructure improvements. However, an additional \$14 million is being requested during the 2014 Legislative session. Once approved, funds will be used to continue a program of upgrades to the University's electrical, mechanical and other systems.

***Campus Master Plan***

The University has completed a comprehensive, forward-looking campus master plan. The projects described above form the center piece of the NMHU Campus Master plan. During the spring 2009 semester, a series of meetings were held with university stakeholders and the Las Vegas community to discuss the results of the firm's review and several potential plans for campus development.

The Master plan found that Highlands has adequate classroom space for an additional one thousand students. It also reported on the condition of each building and the estimated cost of bringing each building to acceptable building standards.

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One of the most interesting aspects of the campus master plan is that it addresses the physical points of entry between the Highlands campus and the rest of the Las Vegas community. The plan identifies several major points of entry (such as 8<sup>th</sup> Street and National Avenue, and 9<sup>th</sup> Street and Washington Avenue) which introduce travelers to the university. The plan discusses the placement of buildings, signage, lighting, and landscaping that will highlight these areas as distinctive and welcoming introductions to the campus.

The plan also addresses the issue of the University's main campus as a pedestrian space with easy and safe access between heavily used areas. The necessary contrast to a pedestrian space, of course, is that adequate and convenient parking must be a part of the finalized plan.

**Factors Impacting Future Periods**

During the period from FY09-FY12, State funding for the University was reduced by 19% or \$6.5M, including reductions for 21.6% for athletics and 62.1% for Research and Public Service Projects. However, FY13 saw a 6% increase in State funding as the national and State economies improved. A more modest increase, including 1% for compensation, was provided for FY14. Current revenue projections and meetings with key State officials suggest that State funding will continue to recover and should increase again for FY15. The Funding Formula has also been undergoing significant change to more of an outcomes focus. Additional changes are anticipated for FY15, but are not expected to interfere with an increase in appropriations.

Organizational changes and the planned retirement of the Vice President for Academic Affairs and the Executive Director for Development, are moving forward. The Development position will be raised to the Vice President level and will incorporate responsibility for University Relations as well as a much more organized fund and friend raising effort. Both the University and the Foundation are positioned to support an expanded effort to secure external donations. Other organizational changes are designed to create a stronger Enrollment Management structure with a goal of improving student success and improved retention and graduation rates.

The University holds several patents for compounds labeled with stable isotopes of carbon and hydrogen as well as other patents that address the remediation of hydrazine spills. Highlands Stable Isotopes Corporation (HSI), a component unit of the University, has been pursuing commercialization of the various patents. Orders for isotopically labeled compounds have recently begun to come in at levels (i.e. \$38 and 57 thousand) that suggest HSI is beginning to establish a market with substantial growth potential.

At the same time, the commercialization of the hydrazine related patents has included a successful application at a nuclear power plant in Missouri, papers accepted for presentation at national meetings with the DOD and NASA officials, and a licensing agreement with a firm in Atlanta, Georgia to produce and market spill pads, wipes, and

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solutions for the several industries that use the 260,000 tons of hydrazine produced annually in the U.S..

All of this activity around the University's various patents suggests the potential for a significant new revenue source, which will need to be carefully monitored and nurtured during FY14.

**Request for additional Financial Information**

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's vendors and other interested parties with a general overview of the financial position as of June 30, 2013 and the results of operations, cash flows, and budget variances for the year for New Mexico Highlands University.

If you have any questions about this report or need additional financial information contact the following:

New Mexico Highlands University  
Office of University Relations  
PO Box 9000  
Las Vegas, NM 87701  
www.nmhu.edu  
Phone: (505) 454-3387  
Fax: (505)454-338



**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF NET POSITION  
Year Ended June 30, 2013**

	Component Units		
	University	Stable Isotopes Corporation	Highlands Foundation
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 6,858,561	\$ -	\$ 1,200,211
Student accounts receivable, net of allowance of \$3,889,596	905,295	-	-
Grants receivable, net of allowance of \$411,630	1,789,603	-	-
Other receivables	1,436,010	-	146,626
Inventories	529,195	-	-
Prepaid assets	41,507	-	3,103
<b>Total current assets</b>	<u>11,560,171</u>	<u>-</u>	<u>1,349,940</u>
Noncurrent Assets			
Restricted cash	2,312,413	-	-
Assets held by others	1,521,184	-	-
Due from component unit	1,030,730	-	-
Investments	6,198,967	-	5,287,589
Capital assets, net of accumulated depreciation	85,517,960	-	5,715,067
<b>Total noncurrent assets</b>	<u>96,581,254</u>	<u>-</u>	<u>11,002,656</u>
<b>Total assets</b>	<u>\$ 108,141,425</u>	<u>\$ -</u>	<u>\$ 12,352,596</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 4,392,433	\$ -	\$ 24,585
Accrued compensated absences	844,992	-	-
Unearned revenue	2,928,545	-	-
Accrued interest payable	217,021	-	1,485
Bonds payable-current	1,015,000	-	-
Notes payable-current	75,000	-	151,337
<b>Total current liabilities</b>	<u>9,472,991</u>	<u>-</u>	<u>177,407</u>
Noncurrent Liabilities			
Accrued compensated absences	146,404	-	-
Due to University	-	1,030,730	-
Assets held for others	-	-	1,521,184
Bonds payable-long-term	29,400,000	-	-
Notes payable-long term	456,250	-	1,128,787
<b>Total noncurrent liabilities</b>	<u>30,002,654</u>	<u>1,030,730</u>	<u>2,649,971</u>
<b>Total liabilities</b>	<u>\$ 39,475,645</u>	<u>\$ 1,030,730</u>	<u>\$ 2,827,378</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 54,571,710	\$ -	\$ 4,434,943
Restricted for			
Nonexpendable			
Endowments	7,591,506	-	2,467,125
Expendable			
Restricted for scholarships	-	-	2,496,090
Federal student loans	1,320,839	-	-
Capital projects	1,374,450	-	-
Debt service	3,010,906	-	-
Unrestricted (deficit)	796,369	(1,030,730)	127,060
<b>Total Net Position</b>	<u>68,665,780</u>	<u>(1,030,730)</u>	<u>9,525,218</u>
<b>Total Net Position and Liabilities</b>	<u>\$ 108,141,425</u>	<u>\$ -</u>	<u>\$ 12,352,596</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2013**

	University	Component Units	
		Stable Isotopes Corporation	Highlands Foundation
Operating revenues			
Tuition and fees	\$ 13,472,423	-	\$ -
Tuition discounts and allowances	(2,557,537)	-	-
Net tuition and fees	10,914,886	-	-
Federal grants and contracts	10,698,794	-	-
State and local grants and contracts	3,839,392	-	-
Private grants and contracts	2,146,459	-	-
State land, permanent fund and investment income	194,714	-	-
Sales and services of auxiliary enterprises	5,689,468	-	-
Contributions	-	-	1,679,500
Other	504,551	-	378,994
<b>Total operating revenues</b>	<b>33,988,264</b>	<b>-</b>	<b>2,058,494</b>
Expenses			
Instruction and general			
Instruction	18,119,616	-	-
Academic support	2,624,338	-	-
Student services	3,530,835	-	-
Institutional support	6,148,274	-	-
Operations and maintenance support	4,930,380	-	-
Net instruction and general	35,353,443	-	-
Student social/cultural development	934,137	-	-
Research	1,704,044	-	-
Public service	7,534,942	-	-
Student aid grants and stipends	8,925,027	-	384,476
Tuition discounts and allowances	(2,557,537)	-	-
Auxiliary enterprises	5,067,000	-	-
Athletics	2,483,898	-	-
Other expenditures	136,339	157,225	1,186,727
Depreciation	3,668,880	-	57,698
<b>Total operating expenses</b>	<b>63,250,173</b>	<b>157,225</b>	<b>1,628,901</b>
Operating (loss) income	<b>(29,261,909)</b>	<b>(157,225)</b>	<b>429,593</b>
Non operating revenues (expenses)			
State appropriations	29,218,262	-	-
Interest and investment income	1,200,612	-	396,588
<b>Net non-operating revenues</b>	<b>30,418,874</b>	<b>-</b>	<b>396,588</b>
<b>Income before other revenues, expenses, gains and losses</b>	<b>1,156,965</b>	<b>(157,225)</b>	<b>826,181</b>
Other			
Capital appropriations	329,508	-	-
Interest on indebtedness	(1,288,933)	-	-
Additions to permanent endowments	-	-	285,992
Other	569,204	-	-
<b>Total other</b>	<b>(390,221)</b>	<b>-</b>	<b>285,992</b>
<b>Change in net position</b>	<b>766,744</b>	<b>(157,225)</b>	<b>1,112,173</b>
Net position, beginning of year	67,899,036	(873,505)	6,352,730
Restatement	-	-	2,060,315
Net position, beginning of year, as restated	67,899,036	(873,505)	8,413,045
<b>Net position</b>	<b>\$ 68,665,780</b>	<b>(1,030,730)</b>	<b>\$ 9,525,218</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013**

	<u>University</u>
Cash Flows From Operating Activities	
Tuition and fees	\$ 10,686,954
Grants and contracts	16,785,660
Sales and services of educational activities	5,689,468
Other operating receipts	699,265
Payments to employees for salaries and benefits	(35,819,041)
Payments to suppliers	(24,478,160)
<b>Net cash used by operating activities</b>	<u>(26,435,854)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	29,218,262
Land and permanent fund	194,714
<b>Net cash provided by noncapital financing activities</b>	<u>29,412,976</u>
Cash Flows From Investment Activities	
Purchases of investments	
Investment Income	1,540,431
<b>Net cash provided by investment activities</b>	<u>1,540,431</u>
Cash Flows From Capital and Related Financing Activities	
State Appropriations for Capital	329,508
Cash paid for capital assets	(13,318,642)
Repayments of bonds payable	(995,000)
Interest payment on bonds	(1,305,603)
<b>Net cash used by capital and related financing activities</b>	<u>(15,289,737)</u>
<b>Net decrease in cash and cash equivalents</b>	(10,772,184)
Cash and cash equivalents, beginning of year	<u>17,630,745</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 6,858,561</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (29,261,909)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	3,668,880
Changes in assets and liabilities	
Receivables	(92,238)
Inventories	60,971
Other assets	12,357
Accounts payable and accrued expenses	(819,233)
Deferred revenue	(34,679)
Compensated absences	29,997
<b>Net cash (used) provided by operating activities</b>	<u><u>\$ (26,435,854)</u></u>

*See Notes to Financial Statements.*

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Creation and Purposed Entity.*** New Mexico Highlands University (University) formerly known as New Mexico Normal University, was established in 1893 when New Mexico was still a territory. The institution began operations in October 1898 and in 1917, the institution became a four-year teacher training college awarding the Bachelor of Arts degree. Graduate work in certain departments, leading to the degrees of Master of Arts and Master of Science, were added in the late 1920's and the mid-1950's, respectively. In 1941, the New Mexico Legislature changed the name of the institution to the University. The University's campus, including its golf course, encompasses approximately 176 acres in Las Vegas, in the northeastern portion of New Mexico.

***Governance.*** The University is controlled and managed by a Board of Regents consisting of five members appointed by the Governor, with the advice and consent of the New Mexico Senate, for a term of six years, except for the Student Representative, who serves for a term of two years. Not more than three of the Regents shall belong to the same political party at the time of their appointment. Four of the five members of the Board must be qualified electors of the State, and the fifth member shall be a member of the student body of the institution. The Board of Regents constitutes a body politic and corporate, and has the power to sue and be sued, to contract and be contracted with, and the title to all property belonging to the University is vested in this corporate body and successors.

***Basis of Accounting.*** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

***Basis of Presentation and Financial Reporting Entity.*** The University and its component units present their financial statements in accordance with Governmental Accounting Standards Board (GASB) 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB 35 – Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities; GASB 37 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; and GASB 38 – Certain Financial Statement Note Disclosures. This financial report provides an entity-wide perspective of the University's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows.

The University has adopted Governmental Accounting Standards Board Statement No. 39 and No. 61, determining whether certain organizations are component units, an amendment of GASB Statement 14. GASB 39 and 61 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the University. As required by GASB 14, 39 and 61, these basic financial statements present the University and its component units for which the University is considered to be financially accountable. These were selected for inclusion based on criteria as set forth in GASB 14, 39 and 61. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

from the financial data of the University. The decision to include a potential component unit in the University's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following discretely presented component units are included in these financial statements.

- **New Mexico Highlands Foundation, Inc. (Foundation)**  
The Foundation was organized as a not-for-profit New Mexico corporation under Section 501(c) (3) of the Internal Revenue Code. The Foundation receives support from contributions, earnings on investments and rental of real estate. The Foundation does issue separate financial statements.
- **Highlands Stable Isotopes (HSI)**  
Highlands Stable Isotopes Corporation was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University – Research Park and Economic Development Act. The new corporation was filed under the New Mexico Non-profit Corporation Act and is seeking Section 501(c) (3) of the Internal Revenue Code of 1986 statutes. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University. Highlands Stable Isotopes Corporation does issue separate financial statements.

The University adopted GASB 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement 3. The GASB 40 statement addresses common deposit and investment risk related to custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. It also requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates as well as identification of deposit and investment policies related to the risks.

*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.

*Cash and Cash Equivalents.* For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less.

*Investments.* Certain investments such as debt and equity securities and pooled investment funds are recorded at market value in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gain or (loss) on the carrying value of investments are reported as investment income in the statements of revenues, expenses and changes in net assets. The carrying value of investments is based on quoted market prices. Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents.

*Inventory.* Inventories of supplies and materials held for sale or use are stated substantially at the lower of cost (first-in, first-out) or market value.



**NEW MEXICO HIGHLANDS UNIVERSITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

***Income Taxes.*** The University, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

***Accounts Receivable.*** The University records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses.

***Unearned Revenue.*** Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2013 are shown as unearned income in the accompanying financial statements since the session was not completed at June 30, 2013. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

***Noncurrent Investments.*** Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

***Capital Assets.*** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment (including software), the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. 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 University does not capitalize historical treasures or works of art. The Foundation began capitalizing its historical treasures and works of art as of July 1, 2012. Accordingly, the Foundation has restated its beginning balance to account for the adoption of a new accounting principle. The Foundation accounts for its historical treasures and works of art at historical cost or fair market value at date of donation. Fair market value is determined through an independent appraisal.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for infrastructure, 10 years for library books, 5 to 12 years for furniture, fixtures and equipment and 5 years for autos. Effective July 1, 2012, the University revised its policy for depreciating buildings by increasing the estimated useful life from 25 years to 50 years.

***Compensated Absences.*** The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. The current portion of the accumulated vacation leave is based on the previous year's data. Accrued vacation up to 240 hours is recorded at 100% of the employee's hourly wage.

***Noncurrent Liabilities.*** Noncurrent liabilities include (1) principal amounts of revenue bonds payable and notes payable; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

*Net Position.* The University's net positions are classified as follows:

*Net Investment in Capital Assets.* This represents the University'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 invested in capital assets, net of related debt.

*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 positions are resources that the University 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 student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted, and then toward unrestricted resources.

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

*Operating Revenues.* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most Federal, state and local grants and contracts and Federal appropriations, and (3) interest on institutional student loans.

*Non-operating Revenues.* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

*Classification of Expenses.* The University classifies its expenses as either operating or non-operating expenses according to the following criteria:

*Operating expenses:* Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expenses related to property, plant, and equipment.

*Non-operating expenses:* Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34.

*Special Appropriation.* The University receives special appropriations during the year. When an expense is incurred that can be paid using either unrestricted or special appropriation resources, the University's policy is first apply the expense toward the special appropriation. The special appropriation funds are non-reverting and were spent during the year.

**NOTE 2. CASH AND CASH EQUIVALENTS**

*Cash and Cash Equivalents* - Cash and cash equivalents include cash on hand; cash in banks, certificates of deposit with various financial institutions, and an investment in the New Mexico State Treasurer Local Government Investment Pool.

	New Mexico Highlands University	NMHU Foundation
Cashier's Cash	\$ 15,865	\$ -
Bank Deposits	6,596,559	1,200,211
State Treasurer Local Government Investment Pool	246,137	-
	<u>\$ 6,858,561</u>	<u>1,200,211</u>

*Restricted Cash* – Restricted cash is cash on deposit with the New Mexico Finance Authority that is restricted for debt service payments.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 6-10-17, New Mexico Statutes requires that all depositories of the University provide collateral equal to at least one-half of the amount of uninsured public monies on deposit. Per State Auditor's Rule 2.2.2.10 N. Public Monies: Cash on deposit with the State Treasurer does not require disclosure of specific pledged collateral for amounts held by the State Treasurer.

As of June 30, 2013, none of the University's bank balance of \$6,858,561 was exposed to custodial credit risk.

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**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

*Credit Risk.* The University has money market funds and investments in the local government investment pool that are considered cash. As of June 30, 2013, the University's money market accounts are backed by commercial paper and other debt instruments that are rated AAA by Moody's Investor Service.

*Interest Rate Risk.* The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*New Mexico State Treasurer Local Government Investment Pool.* As of June 30, 2013, the State Treasurer Investment Pool was paying the University .1077 percent per annum. The interest rate is determined by the State Treasurer. The following applies to the State Treasurer Investment Pool:

- The investments are valued at fair value based on quoted market prices as of the valuation date;

The New Mexico State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The reader should examine the State Treasurer's separately issued financial statements for such disclosures.

The pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the perspective amounts deposited in the fund and the length of time the amounts fund were invested; and participation is voluntary. The rating of the investments is AAAM by Standard & Poor's and the weighted average maturity is 59 days at reset and 90 days at final.

**NOTE 3. GRANTS RECEIVABLE**

Grants receivable as of June 30, 2013 consisted of the following:

Federal grants	\$ 362,108
State grants	968,931
Private grants	456,368
Other grants	<u>413,826</u>
<b>Total grants receivables</b>	<b>2,201,233</b>
Allowance for uncollectible grant receivable	<u>(411,630)</u>
Grants receivable, net	<u><u>\$ 1,789,603</u></u>

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**NOTE 4. OTHER RECEIVABLES**

Other receivables as of June 30, 2013, consisted of the following:

Perkins loan receivable	\$ 873,272
Due from State of New Mexico	16,020
Other	<u>546,718</u>
<b>Other receivables</b>	<b><u>\$ 1,436,010</u></b>

**NOTE 5. INVENTORIES**

Inventories as of June 30, 2013, consisted of the following:

Facilities services	\$ 307,342
Athletics	194,074
Golf course	<u>27,779</u>
<b>Total inventory</b>	<b><u>\$ 529,195</u></b>

**NOTE 6. INVESTMENTS**

At June 30, 2013, investments of the University and its component unit are summarized as follows:

	New Mexico Highlands University	New Mexico Highlands Foundation
State Investment Council	\$2,949,430	\$ -
State Investment Council (land grant)	3,249,537	-
Cash & money market funds		187,764
Mutual funds	-	506,146
Certificates of deposit	-	200,000
Common stocks	-	3,111,574
Preferred stock	-	29,685
Unsettled transactions	-	(735)
U.S. obligations	-	490,542
U.S. agency obligations	-	112,008
U.S. corporate bonds	<u>-</u>	<u>650,605</u>
<b>Total investments</b>	<b><u>\$6,198,967</u></b>	<b><u>\$5,287,589</u></b>

**Interest Rate Risk.** The University 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.** The University 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

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**NOTE 6. INVESTMENTS (CONTINUED)**

*Foundation Investment Risk.* As of June 30, 2013, the Foundation had the following investments subject to investment rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
Cash & Money Market Funds	\$ 187,764	N/A
Mutual Funds	506,146	N/A
Certificates of deposit	200,000	N/A
Common Stocks	3,141,259	N/A
U.S. obligations	490,542	2.53
U.S. agency obligations	112,008	3.71
U.S. corporate bonds	<u>649,870</u>	<u>3.65</u>
	<u>\$ 5,287,589</u>	
Portfolio weighted average maturity		<u>3.30</u>

The Foundation is not required to follow State Statutes requiring pledged collateral and therefore no collateralization is required. As of June 30, 2013, \$760,138 of the Foundation's bank balance was exposed to uncollateralized and uninsured amounts.

*Foundation Credit Risk.* As of June 30, 2013, the Foundation had the following investments subject to investment rate risk:

U.S. Corporate Bonds:

<u>Rating</u>	<u>Fair Value</u>
A...	458,302
B...	<u>192,307</u>
	<u>\$650,609</u>

U.S. Agency Obligations:

<u>Rating</u>	<u>Fair Value</u>
BAA1/BBB	<u>\$112,008</u>

The endowment spending policy is in concert with the long term endowment management philosophy of the University, which is to preserve the permanent viability of the endowment. The University 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 temporarily restricted net assets 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, NMSA1978). During the current year, donor-restricted endowments had net appreciation of \$287,442 and investment income of \$113,364.

**NOTE 7. ASSETS HELD BY OTHERS**

As of June 30, 2013, assets held by others consist of the following:

University Endowments held by Foundation	\$1,521,184
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**NOTE 8. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 is as follows:

**University:**

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 2,793,955	\$ -	\$ -	\$ 2,793,955
Artwork	71,650	-	-	71,650
Construction-in-progress	13,023,822	9,287,366	22,311,189	-
<b>Total capital assets not being depreciated</b>	<b>\$15,889,427</b>	<b>\$ 9,287,366</b>	<b>\$22,311,189</b>	<b>\$ 2,865,605</b>
Other capital assets				
Infrastructure	\$28,355,956	\$ 161,027	\$ -	\$ 28,516,983
Buildings	104,058,505	22,483,338	-	126,541,843
Furniture, fixtures and equipment	16,709,110	203,287	92,766	16,819,631
Library materials	8,414,013	376,314	170,020	8,620,307
Patents	73,686	-	-	73,686
<b>Total other capital assets</b>	<b>\$ 157,611,270</b>	<b>23,223,966</b>	<b>262,786</b>	<b>180,572,450</b>
Accumulated depreciation for				
Infrastructure	\$ (9,211,788)	\$(1,763,813)	-	(10,975,601)
Buildings	(62,045,126)	(1,522,156)	-	(63,567,282)
Furniture, fixtures and equipment	(15,464,498)	(190,638)	(92,766)	(15,562,370)
Library materials	(7,792,589)	(192,273)	(170,020)	(7,814,842)
Patents	-	-	-	-
<b>Total accumulated depreciation</b>	<b>(94,514,001)</b>	<b>(3,668,880)</b>	<b>(262,786)</b>	<b>(97,920,095)</b>
<b>Other capital assets, net</b>	<b>\$ 63,097,269</b>	<b>\$19,555,086</b>	<b>\$ -</b>	<b>\$ 82,652,355</b>
Capital assets summary:				
Capital assets not being depreciated	\$15,889,427	\$9,287,366	\$22,311,188	\$2,865,605
Other capital assets	157,611,270	23,223,966	262,786	180,572,450
Total cost of capital assets	173,500,697	32,511,332	22,573,974	183,438,055
Less accumulated depreciation	(94,514,001)	(3,668,880)	(262,786)	(97,920,095)
<b>Capital assets, net</b>	<b>\$78,986,696</b>	<b>\$28,842,452</b>	<b>\$(22,836,760)</b>	<b>\$ 85,517,960</b>

Depreciation expense for the year totaled \$3,668,880.

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**NOTE 8. CAPITAL ASSETS (CONTINUED)**

**Foundation:**

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 1,309,513	\$ 423,429	\$ -	\$ 1,732,942
Artwork, as restated*	2,060,315	537,050		2,597,365
	<u>3,369,828</u>	<u>960,479</u>	<u>-</u>	<u>4,330,307</u>
Other capital assets				
Buildings held for lease to University	<u>2,250,237</u>	-	-	<u>2,250,237</u>
Accumulated depreciation for				
Buildings	\$ (807,779)	(57,699)	-	(865,477)
Capital assets, net	<u>\$ 4,812,286</u>	<u>\$ 902,781</u>	<u>\$ -</u>	<u>\$ 5,715,067</u>
Capital assets summary				
Capital assets not being				
Depreciated	\$ 3,369,828	\$ 960,479	\$ -	\$ 4,330,307
Other capital assets, at cost	<u>2,250,237</u>	-	-	<u>2,250,237</u>
<b>Total cost of capital assets</b>	5,620,065	-	-	6,580,544
Accumulated depreciation	<u>(807,779)</u>	<u>(57,698)</u>	<u>-</u>	<u>(865,477)</u>
<b>Capital assets, net</b>	<u>\$ 4,812,286</u>	<u>\$ 902,781</u>	<u>\$ -</u>	<u>\$ 5,715,067</u>

\* Beginning balance restated, please see Footnote 22 for further detail.

**NOTE 9. ACCOUNTS PAYABLE/ACCRUED AND OTHER LIABILITIES**

**University:**

The \$4,392,433 amount consists of \$1,733,735 of accounts payables and other liabilities, and \$2,658,698 of accrued payroll and payroll tax liabilities.

**Foundation:**

Foundation's \$24,585 of accounts payables, and \$1,485 of accrued interest liabilities.



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**NOTE 10. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2013, is as follows:

**University:**

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Note payable	\$ 600,000	-	(68,750)	531,250	\$ 75,000
Bonds payable	31,338,975	-	(923,975)	30,415,000	1,015,000
Accrued compensated balances	961,399	991,396	(961,399)	991,396	844,992
Total	<u>\$ 32,900,374</u>	<u>991,396</u>	<u>(1,954,124)</u>	<u>31,937,646</u>	<u>\$1,934,992</u>

**Foundation:**

Note payable	\$ 1,015,798	423,428	(159,100)	1,280,124	\$ 151,337
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**NOTE 11. BONDS PAYABLE AND NOTES PAYABLE**

**University:**

The bonds are collateralized by substantially all unrestricted revenues, excluding state appropriations. Bonds payable consist of the following:

Systems refunding revenue bonds services, 2009A issued October 15, 2009, with interest ranging from 3.00% to 4.50% - final maturity 2021.	\$ 3,475,000
Systems refunding revenue bonds services, 2009B, issued October 15, 2009, with interest ranging from 5.32% to 6.07% - final maturity 2035.	9,230,000
Systems refunding revenue bonds services, 2012, issued November 1, 2012, with interest ranging from .93% to 4.26% - final maturity 2034.	17,710,000
Total bonds payable	30,415,000
Amounts due within one year	<u>(1,015,000)</u>
Long term bonds payable	<u>\$ 29,400,000</u>

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**NOTE 11. BONDS PAYABLE AND NOTES PAYABLE (CONTINUED)**

Future debt service requirements for the bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	1,015,000	644,213
2015	1,035,000	1,268,782
2016	1,055,000	1,244,638
2017	1,080,000	1,220,792
2018	1,105,000	1,193,487
2019-2023	6,115,000	5,381,919
2024-2028	7,305,000	3,992,098
2029-2033	8,870,000	2,099,697
2034-2035	<u>2,835,000</u>	<u>201,140</u>
Total	<u>\$ 30,415,000</u>	<u>17,246,766</u>

The note payable is to A'viands Food & Services and is payable at \$75,000 per year over the next 7 years. The interest rate on the note is 0%.

**Foundation:**

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

Due May 21, 2021 with monthly principal and interest payments of \$17,326 at a 4% fixed interest rate. The note is secured with building and land	\$ 1,280,124
Current portion	<u>(151,337)</u>
Total long-term portion	<u>\$ 1,128,787</u>

The scheduled maturity requirements for the note are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 151,337
2015	157,590
2016	163,983
2017	170,877
2018	177,937
Thereafter	<u>458,400</u>
	<u>\$ 1,280,124</u>

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**NOTE 12. UNEARNED REVENUE**

As of June 30, 2013, unearned revenue consisted of the following:

Grants and contracts	\$ 1,386,249
Tuition	735,373
Housing/meal plan	115,800
Other	<u>691,123</u>
<b>Total</b>	<u><b>\$2,928,545</b></u>

**NOTE 13. RISK MANAGEMENT**

*State Risk Management Pool.* The University as a state university defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for coverage provided in the following areas:

1. Liabilities
  - Workers Compensation
  - General Liability
  - Law Enforcement
  - Medical Malpractice
  - Auto Liability
  - Civil Rights
  - State Unemployment Insurance
  
2. Property
  - Fine Arts
  - Blanket Property
  - Boiler & Machinery
  - Auto Physical Damage
  - Crime
  - Mexican Auto

**NOTE 14. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

*Plan Description.* Substantially all of the University's full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) 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 (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB 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 ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

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**NOTE 14. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

*Funding Policy.*

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2013, the University was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the University will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The (name of employer)'s contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,323,231, \$1,954,478, and \$2,484,675, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 15. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The University 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.

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**NOTE 15. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**  
**(CONTINUED)**

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The University's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$472,833 \$433,349 and \$411,226, respectively, which equal the required contributions for each year.

**NOTE 16. ALTERNATIVE RETIREMENT PLAN**

Professors, coaches and top administrators who are eligible for the regular retirement plan may elect to go with an alternative retirement plan (ARP). With the alternative plan, the University contributes 3% of covered employee's gross salary to ERA and 7.90% to the carrier selected by the employee. The employee contributes 9.40% of his/her gross salary to the carrier they select. Contributions by the University totaled \$87,750 to the ERA for the alternative retirement plan and \$231,594 to the various carriers for the year ended June 30, 2013. Employees contributed \$275,567 to the various carriers under the alternative plan during the year ended June 30, 2013.

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**NOTE 17. WORKERS' COMPENSATION INSURANCE**

The University is insured for workers' compensation through the State of New Mexico General Services Department-Risk Management Division (RMD). RMD provides workers' compensation for all employees as required by state law. The University remits payments to RMD for this coverage based on premium statements received from RMD. Total expense for the year ended June 30, 2013, was \$129,440 which has been charged to expenditures.

**NOTE 18. LEASES**

At June 30, 2013, the University had various operating lease arrangements summarized as follows:

**Operating Leases.** Rent expense for operating leases amounted to \$945,396 for the year ended June 30, 2013. Included in current year rent expense is a lease for a building owned by the Foundation in the amount of \$378,994. The lease agreement expires during the year ended June 30, 2017. The lease with the Foundation has been included in the minimum lease payments below.

**Minimum Lease Payments.** The following is a schedule of future minimum lease payments for these leases at June 30, 2013:

<u>Year Ending</u> <u>June 30</u>	<u>Operating</u> <u>Leases</u>
2014	851,991
2015	458,312
2016	371,940
2017	371,940
2018-2022	<u>1,859,700</u>
	<u>\$ 3,913,883</u>

**NOTE 19. COMMITMENTS AND CONTINGENCIES**

**Commitments.** At June 30, 2013, the University had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying combined balance sheet. The appropriate amount of such commitments is detailed as follows:

Current/Loan Funds	\$ 539,437
Plant Funds	\$ 374,106

**Contingencies.** In February 2012, the University terminated its contract with Makwa Builders LLC ("Makwa") for construction of the client's Student Union Building (the Project), under a provision known as "termination for convenience." Under the "termination for convenience" provision, the University is responsible for compensating Makwa for work completed but not paid for through the date of termination, for reasonable overhead and profit, and for cost related to demobilization from the Project. On April 30, 2012, Makwa submitted a "termination for convenience statement for payment" which was in excess of what was due to Makwa. The University responded to Makwa's request for payment on August 10, 2012 stating that no money was owed to Makwa. On August 31, 2012, Makwa submitted a "Notice of Claim" under the contract for payments owed in an amount exceeding \$3 million, and for tort claims related to the University's alleged defamation of Makwa. On September 10, 2012, the University rejected Makwa's claim for payment and proceeded to the next step outlined in the contract for "dispute resolution."

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**NOTE 19. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

On October 3, 2012, Makwa filed Chapter 11 (reorganization) Bankruptcy. Makwa's initial filing listed between 50 and 99 creditors, \$50K in assets, and \$1M to \$10M in liabilities. On October 24, 2012, Makwa submitted an amended statement of financial affairs (SOFA) and listed NMHU as an unknown contingent.

There are thirteen lawsuits filed against Makwa. The majority of them involve violations of the "Little Miller Act of New Mexico." This Act protects subcontractors from general contractors withholding money for work completed and paid by the client. One of the initial actions taken by Makwa's attorney was to petition the Bankruptcy court to move all pending legal disputes under the Bankruptcy's court jurisdiction. To date, the majority of claims have been resolved either by mediation, arbitration, or out-of-court settlements.

As mentioned above, the dispute resolution processes outlined in the construction Agreement between Makwa and NMHU mandates participation in mediation and binding arbitration facilitated by the American Association of Arbitration (AAA). On January 31, 2013, NMHU and Makwa participated in mediation; whereby, Makwa reduced its initial claim of \$3.3M to a much lower amount; however, mediation has not formally concluded, so NMHU or Makwa are not permitted to publically state the amount.

During the mediation, it became apparent to NMHU and Makwa that all subcontractors' claims needed to be addressed by both parties in order to reach a settlement agreement based on the provisions of the "termination for convenience." NMHU has agreed to mediate with Makwa and all unresolved subcontractors so that both parties can resolve all the subcontractors' claims against Makwa, and ultimately NMHU and Makwa can reach a settlement agreement. This mediation occurred on November 6 – 8, 2013. No action was taken.

NMHU has participated in numerous other mediations with subcontractors and has successfully proven to mediatators and subcontractors both that NMHU has paid Makwa for services rendered through December 2011. NMHU and NMHU's contracted architectural firm, Studio Southwest Architects Inc. disputed the January and February 2012 pay applications submitted by Makwa.

NMHU has disputed Makwa submission for claims on "termination of convenience;" because Makwa's submission included costs that were not allowed and/or associated with the project. Secondly, NMHU is entitled to "off-sets" on items (i.e., "agreed upon deductive change orders and defective work performed by Makwa and its subcontractors.") NMHU has only agreed to pay for "**actual**" work completed (but not paid for through the date of termination), for reasonable overhead and profit, and for "**actual**" costs related to demobilization from the Project less NMHU's entitled "offsets."

No amounts have been recorded in the June 30, 2013 financial statements for this potential contingency as management does not believe any potential settlement will be material to the University.

The University is a defendant in legal actions arising from normal business activities. Management believes that those actions are without merit and the ultimate liability, if any, resulting from them will not materially affect the University's financial position or results of operations.

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 20. RESEARCH COMMERCIALIZATION**

The University Board of Regents, in its meeting of May 7, 2009, approved and created “Highlands Stable Isotopes Corporation.” The corporation was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University – Research Park and Economic Development Act. The new corporation was filed under the New Mexico Non-profit Corporation Act and is seeking Section 501 (c) (3) of the Internal Revenue Code of 1986 status. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University.

On May 7, 2009, the Board of Regents entered into a Memorandum of Agreement with the corporation recognizing that the University has developed and patented Isotopes that have significant commercial potential. The agreement sets forth processes and structure where the patents can be licensed to other corporation(s) and other operational details.

**NOTE 21. RESTATEMENT – FOUNDATION – ADOPTION OF A NEW ACCOUNTING PRINCIPLE**

In previous financial statements, the Foundation recorded its art and historical treasures (art work) as both a donation with an offsetting expense upon donation. However, effective July 1, 2012, the Foundation elected to capitalize all of its art work. Beginning net position in the amount of \$2,060,315 was restated for art work donated to the Foundation between July 1, 2000 and June 30, 2012. An additional \$537,050 was capitalized during the year ended June 30, 2013. All art work was valued by an independent appraisal at the date of donation.



**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 NEW MEXICO HIGHLANDS UNIVERSITY  
 SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL  
 Year Ended June 30, 2013

	Pledged Collateral		Southwest	Wells Fargo	Community	State	Total
	Safekeeping Location	Type of Security	Capital Bank Las Vegas, NM	Albuquerque NM	1st Bank Las Vegas, NM	Treasurer Santa Fe, NM	
Funds on deposit							
Demand deposits			\$ 1,062,914	\$ 133,823	\$ 5,952,602	\$ 246,137	\$ 7,395,476
FDIC insurance							
Demand deposits			(250,000)	(133,823)	(250,000)	-	(633,823)
Total uninsured public funds			\$ 812,914	\$ -	\$ 5,702,602	\$ 246,137	\$ 6,761,653
Fifty percent collateral requirement per section 6-10-17 NMSA			\$ 406,457	\$ -	\$ 2,851,301	N/A	\$ 3,257,758
Pledged collateral							
	Federal Home Loan Bank of Dallas	Irrevocable Standby Letters of Credit No.3737000141	-	-	2,500,000	-	2,500,000
	Federal Reserve Bank	FNMA ARM CUSIP #31416BLS5	-	-	82,961	-	82,961
	Federal Home Loan Bank	FNMA CUSIP #31400H7K3	-	-	557,637	-	557,637
	Federal Home Loan Bank/State Street Bank	FFCB Bond CUSIP #3133ECH80	964,932	-	-	-	964,932
	Bank of New York Mellon	FNMA FNMS CUSIP #3138AAYX3	-	7,806	-	-	7,806
		FNMA FNAR CUSIP #3138ANHX4	-	11,167	-	-	11,167
		FNMA FNMS CUSIP #3138W5GJ1	-	230,417	-	-	230,417
		FNMA FNMS CUSIP #31419BCT0	-	3,156	-	-	3,156
			964,932	252,546	3,140,598	-	4,358,076
Deficiency / (Excess) of pledged collateral over the required amount			\$ (558,475)	\$ (252,546)	\$ (289,297)	N/A	\$ (1,100,318)

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL (CONTINUED)  
Year Ended June 30, 2013

Schedule 1  
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<u>Name of Bank</u>	<u>Account Type</u>	<u>Balance Per Bank Statement</u>	<u>Reconciled Balance Per Books</u>
Southwest Capital Bank - Las Vegas			
Account payable account	Interest bearing checking	\$ 787,975	\$ 141,147
Payroll account	Interest bearing checking	238,504	214,876
University wire-transfer account	Interest bearing checking	7,206	7,206
Cash receipts account	Interest bearing checking	14,061	115,498
Cashier's credit card account	Interest bearing checking	11,225	18,307
Direct lending account	Interest bearing checking	3,943	3,943
<b>Total</b>		<u>1,062,914</u>	<u>500,977</u>
Wells Fargo Bank - Albuquerque			
Rio Rancho business	Non-interest bearing checking	9,202	9,202
Rio credit card	Non-interest bearing checking	12,707	12,707
NMHU business	Non-interest bearing checking	31,814	31,814
Online payments	Non-interest bearing checking	50,764	58,756
NMHU golf course	Non-interest bearing checking	16,708	16,973
Farmington	Non-interest bearing checking	4,029	4,029
NMHU savings	Savings	8,599	8,599
<b>Total</b>		<u>133,823</u>	<u>142,080</u>
Community 1st Bank - Las Vegas			
NMHU golf course	Non-interest bearing checking	40,467	41,367
Capital outlay	Money market account	5,519,721	5,519,721
NMHU savings	Savings	392,414	392,414
<b>Total</b>		<u>5,952,602</u>	<u>5,953,502</u>
New Mexico State Treasurer's Office			
Local government investments	Pooled	28,176	28,176
Local government investments	Pooled	217,961	217,961
		<u>246,137</u>	<u>246,137</u>
Cashier's cash		-	15,865
		<u>-</u>	<u>15,865</u>
	<b>Total cash and cash equivalents</b>	<u><u>7,395,476</u></u>	<u><u>6,858,561</u></u>
<b>University Investments:</b>			
State investment council	Pooled	2,949,430	2,949,430
State investment council (Land Grant Permanent Fund)	Pooled	3,249,537	3,249,537
		<u>3,249,537</u>	<u>3,249,537</u>
	<b>Total investments</b>	<u><u>\$ 6,198,967</u></u>	<u><u>\$ 6,198,967</u></u>

STATE OF NEW MEXICO  
 NEW MEXICO HIGHLANDS UNIVERSITY  
 SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL (CONTINUED)  
 Year Ended June 30, 2013

Foundation		
Investments:		Amount
<b>Cash and Money Market Funds</b>	Pooled	<u><u>187,764</u></u>

<b>Certificates of Deposit</b>		<u><u>\$ 200,000</u></u>
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<b>Stocks</b>		Amount
Common Stocks		\$ 3,111,574
Preferred Stocks		29,685
<b>Total Stocks</b>		<u><u>\$ 3,141,259</u></u>

<b>Mutual Funds</b>		
Transamerica Short Term Bond Fund		<u><u>\$ 506,146</u></u>

**US Government Securities**

Name	Maturity Date	Amount	Interest Rate
US Treasury	9/30/2013	\$ 64,480	3.13%
US Treasury	5/31/2014	83,538	2.25%
US Treasury	5/31/2014	74,838	2.50%
US Treasury	1/31/2017	37,941	0.88%
US Treasury	5/15/2017	71,353	4.50%
US Treasury	1/31/2019	68,879	1.25%
US Treasury	2/15/2020	33,467	3.63%
US Treasury	11/15/2020	20,839	2.63%
US Treasury	2/15/2022	35,210	2.00%
<b>Total Government Securities</b>		<u><u>\$ 490,542</u></u>	<u><u>2.31%</u></u>

Name	Maturity Date	Amount	Interest Rate
U.S. Agency			
Federal Home loan	7/15/2013	\$ 40,068	4.50%
Federal Natl Mtg Assn	10/15/2014	36,948	4.63%
Federal Home loan	8/22/2016	34,992	2.00%
<b>Total U.S. Agency</b>		<u><u>\$ 112,008</u></u>	<u><u>3.71%</u></u>

EFTs & CEFs	6/30/2013	\$ 7,549
Net Unsettled Purchases/Sales	6/30/2013	(8,284)
		<u><u>\$ (735)</u></u>

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL (CONTINUED)  
Year Ended June 30, 2013

Schedule 1  
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Foundation

Investments:

**Corporate Bonds**

Name	Maturity Date	Amount	Interest Rate	Rating
Eli Lilly & Co	3/6/2009	\$ 41,006	4.20%	A2/AA-
Bank of New York Mellon	5/15/2014	20,672	4.30%	AA3/A+
Allstate Corp	5/16/2014	31,451	6.20%	A3/A-
EI Du Pon De Nmeour	1/15/2015	26,005	3.25%	A2/A
JP Morgan Chase & Co.	1/20/2015	20,773	3.70%	A2/A
American Express Credit Corp	6/12/2015	20,271	1.75%	A2/A-
Texas Instruments	5/16/2016	41,466	2.38%	A1/A+
General Electric Capital Corp	1/9/2017	25,844	2.90%	A1/AA+
John Deere Capital Corp	3/15/2017	24,739	1.40%	A2/A
Wells Fargo & Co	12/11/2017	28,417	5.63%	A2/A+
United Parcel Serv	1/15/2018	11,508	5.50%	AA3/A+
Sysco Corp	2/12/2018	17,162	5.25%	A1/A
Procter & Gamble	2/15/2019	20,301	4.70%	AA3/AA-
Coca Cola	3/15/2019	45,283	4.88%	AA3/AA-
Caterpillar Inc	5/27/2021	26,162	3.90%	A2/A
Target	1/15/2022	23,592	2.90%	A2/A+
Molson Coors Brewing Co	7/30/2013	4,040	2.50%	BBB-
Tyson Foods	10/15/2013	6,098	3.25%	BBB-
EMC Corp Global	12/1/2013	13,298	1.75%	A
Archer Daniels	2/15/2014	5,041	0.88%	A
Alcoa Inc	3/15/2014	5,075	5.25%	BA1/BBB-
International Game Technology	5/1/2014	5,331	3.25%	BAA2/BBB
Allegheny Technologies	6/1/2014	4,120	4.25%	BBB-
Priceline.com Incorporated	3/15/2015	8,192	1.25%	BBB-
Prologis	3/15/2015	4,618	3.25%	BBB
Ares Cap Corp	2/1/2016	6,555	5.75%	BBB
Gilead Sciences, Inc.	11/15/2016	18,105	1.63%	A-
Ford Motor Co	11/15/2016	9,034	4.25%	BAA3/BB+
XILINX Inc	6/15/2017	4,286	2.63%	BBB+
Newmont Mining	7/15/2017	6,446	1.63%	BBB+
Priceline.com Incorporated	3/15/2018	5,813	1.00%	BBB
LAM Research Corp	5/15/2018	5,547	1.25%	BAA1/BBB-
Danaher Corp	1/22/2021	14,720	0.00%	A2/A+
Teva Pharmaceutical	2/1/2026	8,380	0.25%	A3/A-
Nuance Communications	8/15/2027	3,463	2.75%	BB-
Jeffries Group	11/1/2029	10,656	3.88%	BAA3/BBB
Intel Corp	8/1/2039	12,744	3.25%	A2/A-
Novellus Systems Inc	5/15/2041	9,222	2.63%	BBB-
Nextera Energy Inc	10/1/2013	4,739	7.00%	BBB-
Metlife Inc	10/8/2014	14,958	5.00%	BBB-
UTD Technologies	8/1/2015	8,488	7.50%	BBB+
Nextera Energy Inc	9/1/2015	2,736	5.89%	BBB
Stanley Black & Decker	11/17/2018	8,406	4.75%	BAA3/BBB+
AMG CAP Trust	4/15/2036	4,773	5.10%	BB+
NY Community Trust	4/15/2036	11,069	6.00%	BAA3/BB
Total Corporate Bonds		<b>\$ 650,605</b>		

Total Foundation Investments **\$ 5,287,589**

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF JOINT POWERS AGREEMENTS AND  
MEMORANDUMS OF UNDERSTANDING  
Year Ended June 30, 2013

<u>Type of Agreement</u>	<u>Participants</u>	<u>Responsible Operating Party</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Total Award</u>	<u>Portion \$ applicable to New Mexico Highlands University</u>	<u>Amount Contributed (FY13)</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Agency Funded</u>	<u>Description</u>
MOU	San Juan College	NMHU	2/7/2000	ongoing	-	-	-	NMHU	Carol J. Spencer	San Juan College	To establish a unique educational partnership. It initiates the development of integrated, seamless curricula and system of student support services. The curricula will link the completion of an associate's degree from San Juan College to the completion of a bachelor's degree from New Mexico Highlands University. Secondly, it will enable the institutions to make more efficient use of their organizational structures in providing course offerings to a greater number of students. Thirdly, this agreement
MOU	Santa Fe Community College	NMHU	8/24/2008	ongoing	-	-	-	NMHU	Sheila Ortego	Santa Fe Community College	To articulate twelve hours from the New Mexico Highlands University TESOL License Program into the recently developed SFCC TESOL Endorsement Program
JPA	New Mexico Energy, Minerals, and Nat. Res. Dept.	NMHU	9/5/2008	6/30/2011	150,207	150,207	15,000	NMHU	Carmen Austin	NM Energy, Minerals and Nat. Res. Dept.	Improving the ecological integrity and long term resiliency of NM's forests and watersheds through implementing the recommendations contained in the Plan.
MOU	TRIBES	NMHU	2/19/2009	6/30/2016	164,570	164,570	37,925	NMHU	Norman Coeoyate	TRIBES	To formalize the relationship between New Mexico Highlands University and TRIBES, with goals to promote higher education opportunities leading to the retention and successful completion of degree programs by TRIBES' students. Scholarships are tuition based on current tuition price for both undergraduates and graduates; a total of
MOU	Las Vegas San Miguel County Office Emergency Management	NMHU	10/28/2009		-	-	-	NMHU	Dennis English	Las Vegas/San Miguel County Office Emergency Management	To provide proper coordination and expeditious delivery of support and assistance to the citizens of the city of Las Vegas and San Miguel County, New Mexico during an emergency or disaster response.
MOU	Region IV Narcotics Task Force	NMHU	12/15/2009		-	-	-	NMHU	Gary Gold	Region IV Narcotics Task Force	To maintain a multi-jurisdictional task force (law enforcement body) in Region IV, which will coordinate available resources to combat a problem common to their respective agencies, the illegal possession, use, manufacture, and distribution of
MOU	Department of Cultural Affairs	NMHU	8/17/2010	6/30/2013	62,600	62,600	17,719	NMHU	Stuart Ashman	Department of Cultural Affairs	To promote training of students for careers in museums, libraries, and other cultural institutions and professional settings.
MOU	The Department of Defense	NMHU	3/11/2011; updated 12/06/12	3/15/2021	-	-	-	NMHU	Clifford L.Stanley	Department of Defense	To establish new policy stating the eligibility criteria for tuition assistance (TA) and the requirement for a MOU from all educational institutions providing educational programs through the DoD TA Program, as well as, establish the Interservice
MOU	LUNA Community College	NMHU	3/24/2011		-	-	-	NMHU	Vidal Martinez	LUNA Community College	Students completing the Associates of Applied Science Degree in Sports Performance and LUNA can apply those credits and courses toward a Bachelors of Art in Human Performance and Sport with a concentration in Exercise Science or Bachelors of Art in Health with a concentration in Health Promotion and Wellness at New Mexico
MOU	Department of Cultural Affairs	NMHU	6/17/2011	6/30/2014	50,000	50,000	37,447	NMHU	Doug Patinka	Department of Cultural	To provide internship opportunities for Media Arts majors and recent graduates.
MOU	The College of the Desert	NMHU	1/18/2012	ongoing	-	-	-	NMHU	Adrian Gonzales	The College of the Desert	To establish a process by which students may complete any of the options (1) Course-by-Course Transfer, (2) Dual Degree Program Completion, (3) Dual Degree Bachelor's Degree Completion, and (4) Reverse Transfer Option at College of the Desert to
MOU	City of Las Vegas	NMHU	5/1/2012	6/30/2013	-	-	-	NMHU	Timothy P. Dodge	City of Las Vegas	New Mexico Highlands University Educational Outreach Services will assist the City of Las Vegas to televise City Council Meetings to the Las Vegas area.
MOU	New Mexico Junior College	NMHU	5/14/2012	5/10/2013	8,000	8,000	8,000	NMHU	Steve McCleery	New Mexico Junior College	To provide a distance delivery/video conferencing classroom for New Mexico Highlands University School of Social Work students for distance education.
MOU	City of Las Vegas	NMHU	7/28/2012	7/28/2012	-	-	-	NMHU	Timothy P. Dodge	City of Las Vegas	City of Las Vegas and New Mexico Highlands University agree that limited closure of University Avenue at the National Avenue intersection, and the full closure of Dimond Street would be in the best interest of public safety for the special event "Rough Rider

STATE OF NEW MEXICO  
 NEW MEXICO HIGHLANDS UNIVERSITY  
 SCHEDULE OF JOINT POWERS AGREEMENTS AND  
 MEMORANDUMS OF UNDERSTANDING  
 Year Ended June 30, 2013

<u>Type of Agreement</u>	<u>Participants</u>	<u>Responsible Operating Party</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Total Award</u>	<u>Portion \$ applicable to New Mexico Highlands University</u>	<u>Amount Contributed (FY13)</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Agency Funded</u>	<u>Description</u>
MOU	New Mexico Museum of Natural History Science, and New Mexico Department of Cultural Affairs	NMHU	8/31/2012	6/30/2018	-	-	-	NMHU	Veronica Gonzales, Charles Walter	New Mexico Museum of Natural History and Science & New Mexico Department of Cultural Affairs	To establish and administer the "Museum Classroom" and "Start Up Studio".
MOU	University Blaise Pascal in Clermont-Ferrand, France	NMHU	1/22/2013	1/22/2018	-	-	-	NMHU	Benjamin van Wyk de Vries	University of Blaise Pascal	To foster international collaboration in education and research. Which is designed to facilitate and develop a genuine and mutually beneficial student-faculty exchange
MOU	New Mexico forum for Youth in Community ENLACE-NER	NMHU	3/11/2013	6/30/2015	15,000	15,000	780	NMHU	Rosie Garibaldi	New Mexico Forum for Youth in Community	Development and implementation of a peer-to-peer youth suicide prevention program
MOU	New Mexico State Land Office	NMHU	5/16/2013		-	-	-	NMHU	Ray Powell	New Mexico State Land Office	To define, formalize, and maintain an ongoing, cooperative relationship related to the collection of biological information and the management of natural resources to promote sustainability, responsible trust stewardship, and to increase academic opportunities, including research and teaching, in a manner mutually beneficial to the parties.
MOU	New Mexico Alliance for School Based Health Care	NMHU	6/1/2013	11/30/2013	1,000	1,000	-	NMHU	Beth Hamilton	NM Alliance for School Based Health Care	To improve the health and reduce health disparities of adolescents by improving their health literacy through social media developed and guided by youth including those
JPA	City of Las Vegas Police Department	NMHU	6/28/2013		-	-	-	NMHU	Cassandra Fresquez	City of Las Vegas Police Department	New Mexico Highlands University Police Department and the City of Las Vegas Police Department are charged with the duty of enforcing the laws to protect their citizens from illegal activity. New Mexico Highlands University, New Mexico Highlands UniversityPD, the City, and the LVPD recognize that jurisdiction and authority are limited to their respective jurisdictions and such limitations are detrimental in combating crime in the City of Las Vegas and on the Campus of New Mexico Highlands University. The parties recognized that this problem can and must effectively be addressed by pooling resources and the joint exercise of their authorities. Therefore, established a JPA agreement for the prevention, investigation, control and prosecution of illegal activity and Police Training with the jurisdictions of the parties.
MOU	Pueblo of Nambe	NMHU	8/3/2013		-	-	-	NMHU	Phillip A. Perez	Pueblo of Nambe	To address retention of Native American Students enrolled at New Mexico Highlands
MOU	Department of Cultural Affairs	NMHU	10/11/2013	6/30/2015	\$ 50,000	\$ 50,000	7,137	NMHU	Doug Patinka	Department of Cultural	To support Internship Program expenses

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013**

<b>Federal Grantor/Program Title</b>	<b>CFDA#</b>	<b>Award/Sub-Award #</b>	<b>Expenditures</b>
Research and Development Cluster			
National Science Foundation			
Geosciences	47.050	EAR-1023278	\$ 49,604
Education and Human Resources	47.076	DUE-1154471	45,886
<b>Total National Science Foundation</b>			<u>95,490</u>
Passed through University of Central Florida			
Mathematical and Physical Sciences	47.049	CHE-0832622	56,271
Passed through New Mexico State University			
National Center for Research Resources	93.389	Q01348/SUB	85,952
National Center for Research Resources	93.389	Q01348	144,616
Education and Human Resources	47.076	Q01543/SUB	15,854
Passed through University of New Mexico			
Office of Cyberinfrastructure	47.080	063013-8744	159,467
Office of Cyberinfrastructure	47.080	063022-8744	25,669
Office of Cyberinfrastructure	47.080	063025-8744/SUB	45,258
Passed through University of Washington			
Mathematical and Physical Sciences	47.049	450063	13,774
<b>Total Research and Development Cluster</b>			<u>642,351</u>
US Department of Education			
Student Financial Assistance Cluster			
Federal Work-Study Program	84.033	P033A122646	355,399
Federal PELL Grant Program	84.063	P063P120275	5,823,093
Federal Supplemental Educational Opportunity Grants	84.007	P007A122646	184,439
TEACH Grant Programs	84.379	P379T130275	64,500
<b>Total Student Financial Assistance Cluster - US Department of Education</b>			<u>6,427,431</u>
TRIO Programs Cluster			
Student Support Services	84.042A	P042A100293 (P042A050620)	595,517
Upward Bound	84.047A	P047A080126-10	10,999
<b>Total TRIO Programs Cluster - US Department of Education</b>			<u>606,516</u>
US Department of Education			
Higher Education Institutional Aid	84.031C	P031C080040-09A	\$ 51,697
Higher Education Institutional Aid	84.031C	P031C110033	252,024
Rehabilitation Long-Term Training	84.129B	H129B090069	130,148
Rehabilitation Long-Term Training	84.129F	H129F080009	69,081
English Language Acquisition National Professional Development Program	84.195N	T195N070370-09	405
GEAR UP Program	84.334A	P334A070059	702,241
English Language Acquisition State Grants	84.365Z	T365Z120020	308,646
Passed through Public Education Department			
Advanced Placement Test Fee Program	84.330B	1192400022	24,707
Passed through Northern New Mexico Community College			
Developing Hispanic-Serving	84.031S	31S060059/Sub # 411544201122	2,093
<b>Total Other Programs - US Department of Education</b>			<u>1,541,042</u>
United States Department of Agriculture			
Hispanic Serving Institutions Education Grants	10.223	2009-38422-19868	23,874
Hispanic Serving Institutions Education Grants	10.223	2010-38422-21639	85,804
Hispanic Serving Institutions Education Grants	10.223	Q01512/SUB	51,959
Hispanic Serving Institutions Education Grants	10.223	2012-38422-19865	117,192
Southwest Forest Health and Wildfire Prevention	10.694	10-DG-11031600-051	113,656
<b>Total United States Department of Agriculture</b>			<u>\$ 392,485</u>



**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013**

<b>Federal Grantor/Program Title</b>	<b>CFDA#</b>	<b>Award/Sub Award #</b>	<b>Expenditures</b>
United States Department of Health and Human Services NIEHS Superfund Hazardous Substance Basic Research and Education	93.143	5U79SM058973-02	\$ 14,333
Passed Through State of New Mexico Human Services Department Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	GSA 12-630-7903-0045	1,053
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	UTA12-001073	9,242
<b>Total United States Department of Health and Human Services</b>			<u>24,628</u>
AmeriCorps Passed Through NM Department of Children Youth and Families			
AmeriCorps Recovery	94.006	13-690-15445	98,042
AmeriCorps Recovery	94.006	12-690-13802	50,385
<b>Total AmeriCorps</b>			<u>148,427</u>
United States Department of Energy Environmental Remediation and Waste Processing and Disposal	81.104	DE-EM0001367	40,149
National Endowment for the Humanities Promotion of the Humanities Division of Preservation and Access	45.149	PG-52027-13	5,492
United States Department of Interior Passed Through US Department of Interior Bureau of Land Management			
National Cooperative Geologic Mapping Program	15.810	G13AC00109	1,024
Forest and Woodlands Resource Management	15.233	L11AC20181	107,095
<b>Total US Department of Interior</b>			<u>108,119</u>
<b>Total Federal Awards Expended</b>			\$ <u>9,936,640</u>

**NEW MEXICO HIGHLANDS UNIVERSITY  
STATE OF NEW MEXICO  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
June 30, 2013**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal Awards (the schedule) includes the federal grant activity of the University under programs of the Federal Government for the year ended June 30, 2013. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of states, local governments, and non-profit organizations*. Because the schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This schedule has been prepared on the accrual basis of accounting.

**NOTE 3. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

**NOTE 4. STUDENT FINANCIAL ASSISTANCE**

The University administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2013, were \$873,272. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2013, were \$114,663. The Schedule of Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances for the year ended June 30, 2013.

During the fiscal year ended June 30, 2013, the University processed \$13,782,462 of new loans under the Federal Direct Student Loans, CFDA 84.268.

**NOTE 5. OTHER DISCLOSURES**

The University did not receive any non-cash assistance; there was no insurance in effect during the year and no federal loan guarantees outstanding at year-end.

**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***

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
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 business-type activities, and the discretely presented component units, of New Mexico Highlands University (the "University") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in the internal control, described in the schedule of findings and questioned costs as item 2003-17 that we consider to be a significant deficiency.

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University'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 certain 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 questioned costs as items 2003-17 and 2013-01.

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

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University'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 result 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 15, 2013

## **REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

### **Report on Compliance for Each Major Federal Program**

We have audited New Mexico Highlands University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

### ***Opinion on Each Major Federal Program***

In our opinion the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Regents  
State of New Mexico  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 15, 2013

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

Finding 03-17 Budget overspending

Repeated and Revised

Finding 11-04 Notification of Property Disposition

Resolved





**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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**2003-17 - Budget Overspending (Significant Deficiency/Compliance)**

**Condition**

We noted that the University overspent its approved budget in combined unrestricted and restricted expenditures budget in the following expenditure categories:

Internal Service Departments	\$	83,734
Student Aid	\$	84,993
Auxiliary Enterprises	\$	228,243
Intercollegiate Athletics	\$	35,375
Capital Outlay	\$	104,254

The University has overspent its approved budget for eleven consecutive years. This overspending has contributed to a decline from almost \$7 million in unrestricted net position in 2009 to less than \$1 million in unrestricted net position in 2013.

**Criteria**

Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

**Cause**

Expenditures were approved for payment when budgeted funds were not available. Budget adjustment requests were not completed to cover the increase in expenditures.

**Effect**

Overspending of the budget could result in a shortfall of cash funds.

**Recommendation**

We recommend that budget controls and processes at the University be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis. Additionally, we recommend the University put into place a formal medium to long range plan to strengthen its overall financial condition.

**Management Response**

In compliance with Higher Education Department's institutional operating budget process for fiscal year 2013, budgeted revenues and expenditures were fine-tuned to approximate estimated actuals. All submission must be finalized and submitted by May 1 2013. Because there is 16.6% of the fiscal year remaining, it is possible a budget variance may occur. Therefore, the University recognizes this finding and will put into place a more rigorous process for estimating functional line item expenditures.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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**2013-01 - Due From Component Unit - Deficit Net Position (Non-compliance in Accordance with the New Mexico State Audit Rule)**

**Condition**

The University's component unit, Highlands Stable Isotopes Corporation (HSI) continues to incur expenses with limited offsetting revenues which has resulted in a deficit net position of approximately \$1 million at June 30, 2013. HSI's liability to the University has increased each year since HSI's inception and is approximately \$1 million at June 30, 2013.

**Criteria**

When HSI was created, it was intended that HSI would become self-sufficient.

**Cause**

Insufficient revenues to cover expenditures.

**Effect**

HSI continues to need funds from the University to support current year operations. Should HSI be unable to repay the University, the University would have to absorb the losses of HSI. For example, if this occurred at June 30, 2013, the losses that the University would have to absorb would result in a deficit net position on the University's financial statements of approximately \$200 thousand.

**Recommendation**

We recommend the University continue to monitor HSI's performance. If it appears likely that HSI is unable to pay the University, the University should reverse its due from component unit amount (approximately \$1 million at June 30, 2013.) and thus absorb the losses of HSI.

**Management Response**

The University acknowledges that there is a deficit net position with HSI; however, there have been many new developments with HSI that are being addressed in a multi-prong approach. For example, the University has very recently provided quotes totaling close to a half million dollars to various customers for different isotopically labelled compounds and is in the process of fulfilling \$54,000 in actual orders that are expected to produce additional orders.

The University has entered an agreement with Hydrazine Neutralizing Solutions Inc (HNSI) to market and produce absorbing pads, spill wipes, and solutions. These products will be produced in various sizes and will be used to absorb and neutralize hydrazine. (The US environmental Protection Agency has classified hydrazine as a Group B2, probable human carcinogen.) HNSI is just beginning to produce and market these products to major users of hydrazine. The University is expecting to be receiving revenue during fiscal year 14 on the sale of these products. The agreement with HNSI allows the University to receive royalties from the sales of the products without the financial risks associated with manufacturing and marketing such products.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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**2013-01 - Due From Component Unit - Deficit Net Position (Non-compliance in Accordance with the New Mexico State Audit Rule) (Continued)**

**Management Response (Continued)**

The University has entered a “process” licensing agreement with a nuclear power plants in Missouri, which has used the university’s process successfully. The University has begun to market this process to other power plants that use hydrazine. Because this process provides a consistent and environmentally friendly neutralization of hydrazine, the University believes that this process will be adopted by most States and hopefully the federal government for the neutralization of hydrazine. Approximately 260,000 tons of hydrazine is produced in the US each year, and it is used by numerous agencies and industries, including NASA, the Air Force, power plants, and pharmaceutical companies. With a safer and quicker means of addressing small to large spills or other decontamination requirements, the applications for hydrazine may well increase.

The University is closely monitoring expenditures and revenues for HSI and is expecting this deficit to be repaid within the next two fiscal years.

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section III - Federal Award Findings and Questioned Costs**

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None reported

**STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
EXIT CONFERENCE  
Year Ended June 30, 2013**

The contents of this report were discussed in the exit conference held on November 14, 2013 with the following in attendance:

**Representing New Mexico Highlands University:**

Dr. James Fries, President  
Dominic Chavez, Unrestricted Funds Manager  
Michael Saavedra, Director of Purchasing  
Gayle Martinez, Restricted Funds Manager  
Eileen Bentley, Budget Director  
Donna Castro, Director of Human Resources  
Eileen Sedillo, Financial Aid  
Jesus L. Lopez, Regent

**Representing State of New Mexico New Mexico Highlands University Foundation:**

Dr. Sharon S. Caballero, Executive Director

**Representing Highlands Stable Isotopes, Inc.:**

Dr. James Fries, President of University and President of Highlands Stable Isotopes Corporation

**Representing the New Mexico Higher Education Department:**

Scott Eccles, Auditor

**Representing Moss Adams LLP:**

Scott Eliason                      Partner

**BUDGETARY COMPARISONS – BUDGETARY BASIS**

## **Report of Independent Auditors on the Schedule of Budgetary Comparisons – Budgetary Basis**

To the Board of Trustees  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Report on the Financial Statement**

We have audited the accompanying schedule of budgetary comparisons – budgetary basis of New Mexico Highlands University, for the year ended June 30, 2013, and the related notes.

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

Management is responsible for the preparation and fair presentation of this schedule of budgetary comparisons – budgetary basis in accordance with the budgetary basis of accounting prescribed by the New Mexico Administrative Code as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule of budgetary comparisons – budgetary basis that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on the schedule of budgetary comparisons – budgetary basis 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 schedule of budgetary comparisons – budgetary basis is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of budgetary comparisons – budgetary basis. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of budgetary comparisons – budgetary basis, 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 schedule of budgetary comparisons – budgetary basis 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 schedule of budgetary comparisons – budgetary basis.



To the Board of Trustees  
New Mexico Highlands University  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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

***Opinion***

In our opinion, the schedule of budgetary comparisons – budgetary basis referred to above presents fairly, in all material respects, the budgetary comparison of New Mexico Highlands University for the year ended June 30, 2013, in accordance with the budgetary basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 to the schedule of budgetary comparisons – budgetary basis, which describes the basis of accounting. The schedule of budgetary comparisons – budgetary basis is prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 15, 2013

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF BUDGETARY COMPARISONS - BUDGETARY BASIS  
COMBINED REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 14,289,188	\$ 14,306,634	\$ 12,711,992	\$ (1,594,642)
<b>Unrestricted &amp; Restricted Revenues</b>				
State general fund appropriations	29,160,000	29,218,262	29,218,262	(0)
Federal revenue sources	13,051,242	13,051,242	9,766,738	(3,284,504)
Tuition and fees	11,685,094	11,682,871	13,186,190	1,503,319
Land and permanent fund	283,950	283,950	194,714	(89,236)
Private grants/contracts	3,084,199	2,924,678	1,935,204	(989,474)
Sales & service	5,710,544	3,900,202	4,751,250	851,048
Government grants - state	6,441,906	5,529,753	4,168,900	(1,360,853)
Endowments and private gifts	-	-	-	-
Other	1,602,232	1,547,727	2,479,566	931,839
<b>Total revenues</b>	<u>71,019,167</u>	<u>68,138,685</u>	<u>65,700,824</u>	<u>(2,437,861)</u>
<b>Total Unrestricted &amp; Restricted Revenues</b>	<u>85,308,355</u>	<u>82,445,319</u>	<u>78,412,816</u>	<u>(4,032,503)</u>
<b>Unrestricted &amp; Restricted Expenditures</b>				
Instruction and general	36,596,074	35,972,028	35,353,444	(618,584)
Student social and cultural	873,254	943,829	934,137	(9,692)
Research	2,233,831	2,089,437	1,704,044	(385,393)
Public service	10,760,104	9,176,563	7,534,942	(1,641,621)
Internal service departments	58,419	52,604	136,338	83,734
Student aid	8,991,100	8,721,679	8,806,672	84,993
Auxiliary enterprises	4,815,599	4,625,992	4,854,235	228,243
Intercollegiate athletics	2,380,005	2,448,523	2,483,898	35,375
Capital outlay	7,769,759	8,841,846	8,946,100	104,254
Renewal and replacements	1,271,022	1,271,022	638,026	(632,996)
Retirement of indebtedness	2,399,868	2,341,192	1,839,254	(501,938)
<b>Total Unrestricted &amp; Restricted Expenditures</b>	<u>78,149,035</u>	<u>76,484,715</u>	<u>73,231,090</u>	<u>(3,253,625)</u>
<b>Net Transfers</b>	-	-	-	-
Change in fund balance-budgetary basis	<u>(7,129,868)</u>	<u>(8,346,030)</u>	<u>(7,530,266)</u>	<u>815,764</u>
<b>Ending Fund Balance</b>	<u>\$ 7,159,320</u>	<u>\$ 5,960,604</u>	<u>\$ 5,181,726</u>	<u>\$ (778,878)</u>

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF BUDGETARY COMPARISONS - BUDGETARY BASIS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 570,772	\$ 1,606,614	\$ 782,705	\$ (823,909)
Revenues				
Tuition	9,863,755	9,863,755	9,947,381	83,626
Miscellaneous fees	442,664	470,454	513,331	42,877
Government appropriations-federal	-	-	-	-
Government appropriations-state	26,500,000	26,500,000	26,694,714	194,714
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	283,950	283,950	-	(283,950)
Private gifts	-	-	-	-
Sales & service	2,300	2,300	3,287	987
Other sources	1,391,132	1,295,733	1,057,734	(237,999)
<b>Total revenues</b>	<u>38,483,801</u>	<u>38,416,192</u>	<u>38,216,446</u>	<u>(199,746)</u>
<b>Total Unrestricted Revenues</b>	<u>39,054,573</u>	<u>40,022,806</u>	<u>38,999,151</u>	<u>(1,023,655)</u>
Expenditures				
Instruction	18,826,620	18,542,970	17,796,622	(746,348)
Academic support	2,686,250	2,596,193	2,590,644	(5,549)
Student services	3,331,924	3,271,573	3,422,568	150,995
Institutional support	5,824,332	6,274,902	6,114,271	(160,631)
Oper. & maint. of plant	4,914,585	4,772,411	4,906,928	134,517
<b>Total expenditures</b>	<u>35,583,711</u>	<u>35,458,049</u>	<u>34,831,033</u>	<u>(627,016)</u>
<b>Net Transfers</b>	2,800,087	2,870,087	3,576,180	706,093
<b>Change in fund balance-budgetary basis</b>	<u>100,003</u>	<u>88,056</u>	<u>(190,767)</u>	<u>(278,823)</u>
<b>Ending fund balance-budgetary basis</b>	<u>\$ 670,775</u>	<u>\$ 1,694,670</u>	<u>\$ 591,938</u>	<u>\$ (1,102,732)</u>

STATE OF NEW MEXICO  
NEW MEXICO HIGHLANDS UNIVERSITY  
SCHEDULE OF BUDGETARY COMPARISONS - BUDGETARY BASIS  
RESTRICTED CURRENT FUNDS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ -	\$ -	\$ -	-
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	483,253	406,711	400,279	(6,432)
Government grants - state	529,110	92,767	106,278	13,511
Contracts - local	-	-	-	-
Private grants/contracts	-	14,501	15,854	1,353
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	<b>1,012,363</b>	<b>513,979</b>	<b>522,411</b>	<b>8,432</b>
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	<b>1,012,363</b>	<b>513,979</b>	<b>522,411</b>	<b>8,432</b>
Expenditures				
Instruction	373,468	328,657	322,994	(5,663)
Academic support	41,633	32,742	33,694	952
Student services	123,119	96,495	108,267	11,772
Institutional support	49,699	26,683	34,003	7,320
Oper. & maint. of plant	424,444	29,402	23,453	(5,949)
<b>Total expenditures</b>	<b>1,012,363</b>	<b>513,979</b>	<b>522,411</b>	<b>8,432</b>
<b>Change in fund balance-budgetary basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending fund balance-budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**SCHEDULE OF BUDGETARY COMPARISONS – BUDGETARY BASIS (CONTINUED)**  
**UNRESTRICTED AND RESTRICTED – ALL OPERATIONS**  
**June 30, 2013**

Budget Basis Revenue	\$ 65,700,824
Scholarship Allowance	(2,557,537)
Loan	426,914
Endowment	1,522,885
Agency	<u>212,764</u>
Revenues per GAAP	<u>\$ 65,305,850</u>

Budget Basis Expenditures	\$ 72,231,090
Capital Expenditures	(8,946,100)
Depreciation	3,668,880
Scholarship Allowance	(2,557,537)
Endowment/agency Expenditures	1,832
Agency	212,764
Other	923,177
Bond Payments	<u>(995,000)</u>
Expenses per GAAP	<u>\$ 64,539,106</u>

**NEW MEXICO HIGHLANDS UNIVERSITY**  
**STATE OF NEW MEXICO**  
**NOTES TO SCHEDULE OF BUDGETARY COMPARISONS – BUDGETARY BASIS**  
**June 30, 2013**

**NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Budget.* The New Mexico Highlands University follows the requirements established by the New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through the HED's policy that, when the appropriation has been made to the New Mexico Highlands University, its Board of Regents can, in general, adopt an operating budget within the limits of available income.

*Procedures for Approval of Operating Budgets*

1. The institution submits an original budget approved by the institution's regents to the HED's office by May 1st.
2. The HED meets in June and acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for expenditures to the New Mexico Highlands University in subsequent years pursuant to the General Appropriation Act of 2004, Section 4, J (Higher Education).

***Budgetary Control.*** Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.

The schedule of budgetary comparisons is prepared on the budgetary basis of accounting prescribed by the State of New Mexico, HED. HED requires budgets for combined revenues and expenditures, current unrestricted instruction and general, and current restricted instruction and general, on a basis consistent with the financial reporting model used by the New Mexico Highlands University prior to implementation of Governmental Accounting Standards Board (GASB) Statements No. 34 and 35. Additions to capital assets and debt principal retirements are reported as expenditures on the budgetary basis, but not on the basis required by generally accepted accounting principles (GAAP). Depreciation expense, scholarship allowance, Perkins Loans/Endowment Scholarship and Endowment/Agency expenditures are GAAP requirements not included on the budgetary basis submitted to HED.



