



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



Financial Statements
With Independent Auditor's
Report Thereon
For the Year Ended June 30, 2010





NEW MEXICO MILITARY INSTITUTE
Roswell, NM



INTRODUCTORY SECTION





NEW MEXICO MILITARY INSTITUTE
Roswell, NM



Table of Contents
June 30, 2010

INTRODUCTORY SECTION

Table of Contents	3
Official Roster	4

FINANCIAL SECTION

Independent Auditors' Report	6-7
Management's Discussion and Analysis	8-16
Basic Financial Statements:	
Statement of Net Assets	17-18
Statement of Revenues, Expenses and Changes in Net Assets	19-20
Statement of Cash Flows	21-22
Notes to Financial Statements	23-41

SUPPLEMENTAL INFORMATION

Budget Comparison	
Unrestricted and Restricted-All Operations	43
Budget Comparison	
Unrestricted-Non-Instruction & General	44
Budget Comparison	
Restricted-Non-Instruction & General	45
Budget Comparison	
Unrestricted-Instruction & General	46
Budget Comparison	
Restricted-Instruction & General	47

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Pledged Collateral	49-50
Schedule of Individual Deposits	51
Schedule of Investments	52-53

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standard	55-56
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	57-58
Schedule of Expenditures of Federal Awards	59
Notes to the Schedule of Expenditures of Federal Awards	60
Schedule of Findings and Questioned Costs	61-62
Summary Schedule of Prior Audit Findings	63
Exit Conference	64



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



Official Roster
June 30, 2010

Board of Regents

Ex Officio Members:

The Honorable Bill Richardson
Dr. Viola Flores

Governor of the State of New Mexico
Secretary of Higher Education

Appointed Members:

John M. Henderson, III
John F. Russell, II
J. William Himes
Stephen D. Paternoster
Phillip C. Ingram

President
Vice-President
Secretary/Treasurer
Member
Past President

Principal Administrative Officials

MG Jerry W. Grizzle
BG Richard Geraci
BG Douglas Murray
COL Judy A. Collins
COL George Brick
LTC Judy Scharmer
LTC Jeffrey Savage
Mr. Robert Einhorn
Mr. David West
LTC Franz Conway
MAJ David W. Gray
MAJ Sonya Rodriguez

President/Superintendent
Commandant
Academic Dean
Executive Vice President
Vice Dean/High School Principal
Vice President of Finance
Vice President for Enrollment
Vice President of Technology/CIO
Vice President of Facilities
Professor of Military Science
Comptroller
Director of Admissions and Financial Assistance



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor

Board of Regents
New Mexico Military Institute

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (New Mexico Military Institute Foundation) of the New Mexico Military Institute (Institute), as of and for the year ended June 30, 2010, which collectively comprise the Institute's basic financial statements as listed in the table of contents. We have also audited the unrestricted and restricted funds budget comparisons presented as Supplemental Information as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Institute's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Institute are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the financial reporting entity of the business-type activities information of the State of New Mexico that is attributable to the transactions of the Institute. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2010, and the changes in financial position and its cash flows, where applicable, for the year then ended in accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the New Mexico Military Institute and the discretely presented component unit, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly in all material respects, the budget comparisons of the New Mexico Military Institute for the year ended June 30, 2010 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of the New Mexico Military Institute'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 16 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.

Our audit was conducted for the purpose of forming opinions on the financial statements and budget comparisons of the New Mexico Military Institute. The accompanying Schedule of Pledged Collateral, Schedule of Individual Deposits, and Schedule of Investments, listed as Other Supplemental Information in the table of contents, are presented for the purposes of additional analysis and are not required parts of the basic financial statements. In addition, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. The Other Supplemental Information and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 10, 2010



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



The following discussion and analysis provides an overview of the financial position and activities of the New Mexico Military Institute (NMMI) as of and for the year ended June 30, 2010 with selective comparative information for the year ending June 30, 2009. Comments relate only to NMMI and do not pertain to the NMMI Foundation unless specifically designated otherwise. This discussion should be read in conjunction with the accompanying financial statements and footnotes. Management has prepared the basic financial statements and the related note disclosures along with this discussion and analysis. As such, the basic financial statements, notes and this discussion are the responsibility of NMMI's management.

Using the Basic Financial Statements

The Institute's financial report includes three financial statements:

Statement of Net Assets
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Cash Flows

The Statement of Net Assets presents the assets, liabilities and net assets of the New Mexico Military Institute (Institute) as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement, the purpose of which is to give the readers of the financial statements a fiscal snapshot of the Institute. The statement presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenue, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenue received by the Institute, both operating and non-operating, and any other revenue, expenses, gains and losses received or incurred by the Institute.

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The statement is prepared using the direct method of cash flows, and as such, presents gross, rather than net amounts for the year's activities.

Reporting Entity

For financial reporting purposes, the Institute is considered a special-purpose government engaged only in business-type activities. Accordingly, the Institute'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.



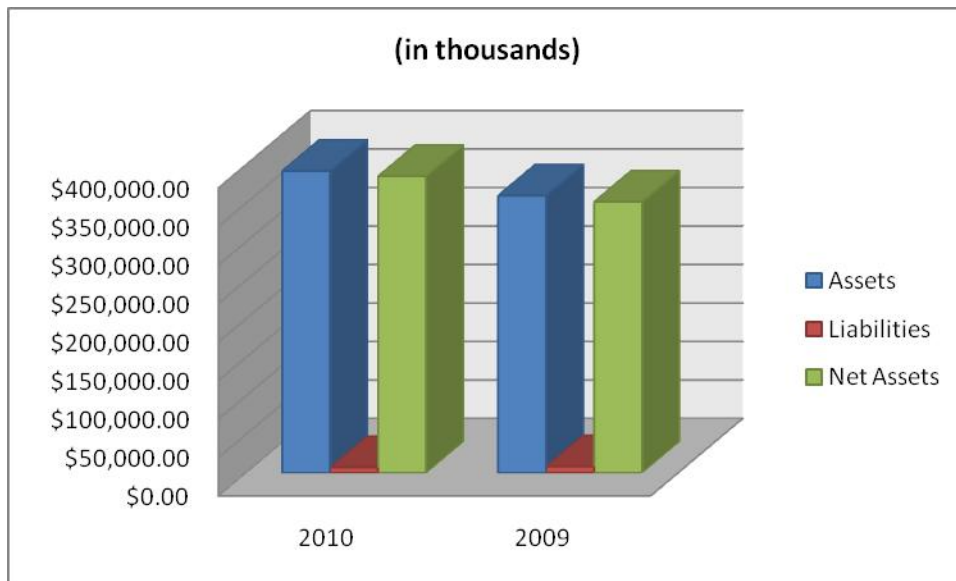
NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



SUMMARY STATEMENT OF NET ASSETS

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets	\$ 16,862,185	\$ 16,643,152
Capital assets, net	58,117,646	59,115,043
Non-current assets	<u>316,674,022</u>	<u>283,983,781</u>
Total assets	<u>\$ 391,653,853</u>	<u>\$ 359,741,976</u>
LIABILITIES		
Current liabilities	\$ 4,202,791	\$ 4,273,673
Non-current liabilities	<u>2,544,995</u>	<u>3,657,518</u>
Total liabilities	<u>\$ 6,747,786</u>	<u>\$ 7,931,191</u>
NET ASSETS		
Invested in capital assets net of related debt	\$ 54,420,401	\$ 54,423,625
Restricted	316,203,977	283,459,775
Unrestricted	<u>14,281,689</u>	<u>13,927,385</u>
Total net assets	<u>\$ 384,906,067</u>	<u>\$ 351,810,785</u>

ASSETS, LIABILITIES AND NET ASSETS





NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



Statement of Net Assets Highlights:

Assets

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant unrestricted current assets of the Institute at June 30, 2010 and 2009 are cash, cash equivalents and short term investments totaling \$13,521,490 and \$13,533,532, respectively.

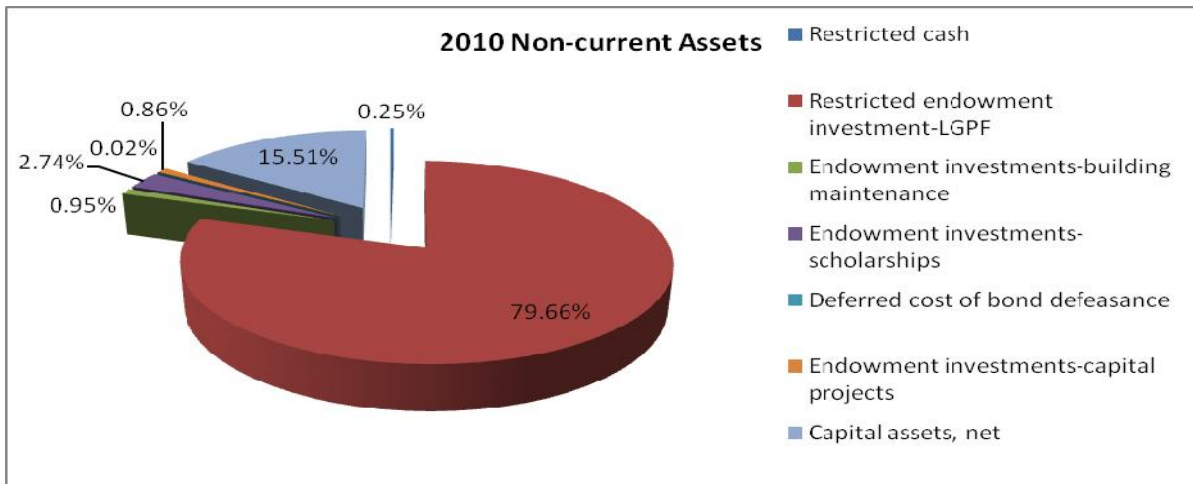
Over the last five years, NMMI's increase to the investment in capital assets before depreciation totaled \$30 million. NMMI is committed to continuing the quality of NMMI's mission through the development and maintenance of its property, plant and equipment.

In 2009, NMMI completed the renovation of Dow Hall for \$4.3 million. NMMI became the first school in the state of New Mexico to be gold certified for the Dow Hall renovation using the Leadership in Energy & Environmental Design (LEED) for schools rating system. The rating system for schools is unique among other LEEDs programs as it addresses core learning areas and acquires high learning performance standards for air quality, acoustics, day lighting and thermo comfort.

The major capital projects in design and construction at June 30, 2010:

- Pearson Hall - \$7.9 million project to renovate and address all code items (ADA, compliance, fire protection, electric, etc) for a 22,565 GSF 1000-seat auditorium built in 1941. \$5,000,000 in General Obligation Bonds were approved in the November 2008 election for the Pearson renovation project.
- Potable Water Supply - \$2.2 million project rehabilitating approximately 7,600 linear feet of water lines. NMMI was approved for \$2.2 million from the State Severance Tax Bonds in April 2009.

The largest category of non-current assets is the Institute's undivided interest in the State Land Grant Permanent Fund (SLGPF) of \$298,567,680 and \$268,859,666 at June 30, 2010 and 2009, respectively.





NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



Liabilities

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, accrued compensated absences and deferred revenue. Bonds payable is the largest liability of the Institute, totaling \$3,600,000 and \$4,665,000 at June 30, 2010 and 2009, respectively.

	<u>2010</u>	<u>2009</u>
Bonds payable, current	\$ 1,140,000	\$ 1,065,000
Bonds payable, long-term	<u>2,460,000</u>	<u>3,600,000</u>
Total Bonds Payable	<u>\$ 3,600,000</u>	<u>\$ 4,665,000</u>

At June 30, 2010, the Institute's current ratio, the amount of current assets (\$16,862,185) available to cover current liabilities (\$4,202,791) was 4.01 to 1.

At June 30, 2009, the Institute's current ratio, the amount of current assets (\$16,643,152) available to cover current liabilities (\$4,273,673) was 3.89 to 1.

Net Assets

Total net assets (assets minus liabilities) are classified by the Institute's ability to use these assets to meet operating needs. Net assets that are restricted as to their use by sponsoring agencies, donor or other non-Institute entities are classified as "nonexpendable", such as permanent endowments, and "expendable", such as contract or grant net assets. The restricted net assets are further classified in general terms as to the function for which they must be used. Unrestricted net assets may be used to meet all operating needs of the Institute.

Capital assets, net of depreciation represent the Institute's non-depreciable and depreciable assets which was \$54,420,401 as of June 30, 2010.

Restricted nonexpendable net assets represent the Institute's permanently invested endowment funds. The primary component is NMMI's undivided interest in the State Land Grant Permanent Fund of \$298,567,680, which is under the governance and management of the New Mexico State Investment Council. The Land Grant Permanent Fund is New Mexico's largest endowment and permanent fund and was established primarily for the purpose of funding education. The New Mexico Military Institute is one of 21 other identified state institutions that are beneficiaries of the Land Grant Permanent Fund.

Restricted expendable net assets are subject to externally imposed provisions governing their use. This category of net assets mainly includes restricted endowments of \$4,585,121 as of June 30, 2010.

Unrestricted net assets increased slightly from 2009 by \$354,304. The Institute has been strategically managing the operating revenues and expenditures to adequately maintain its unrestricted net assets to meet the operating needs of the Institute.

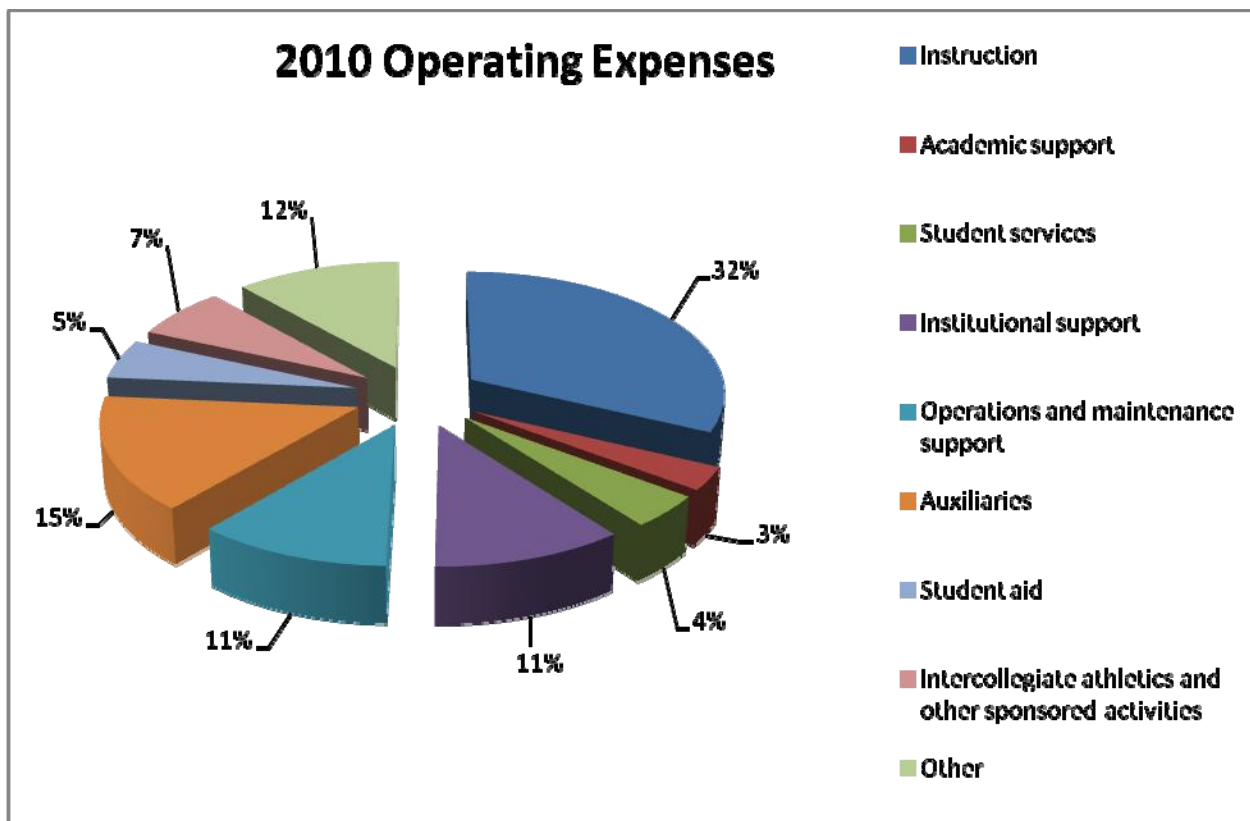
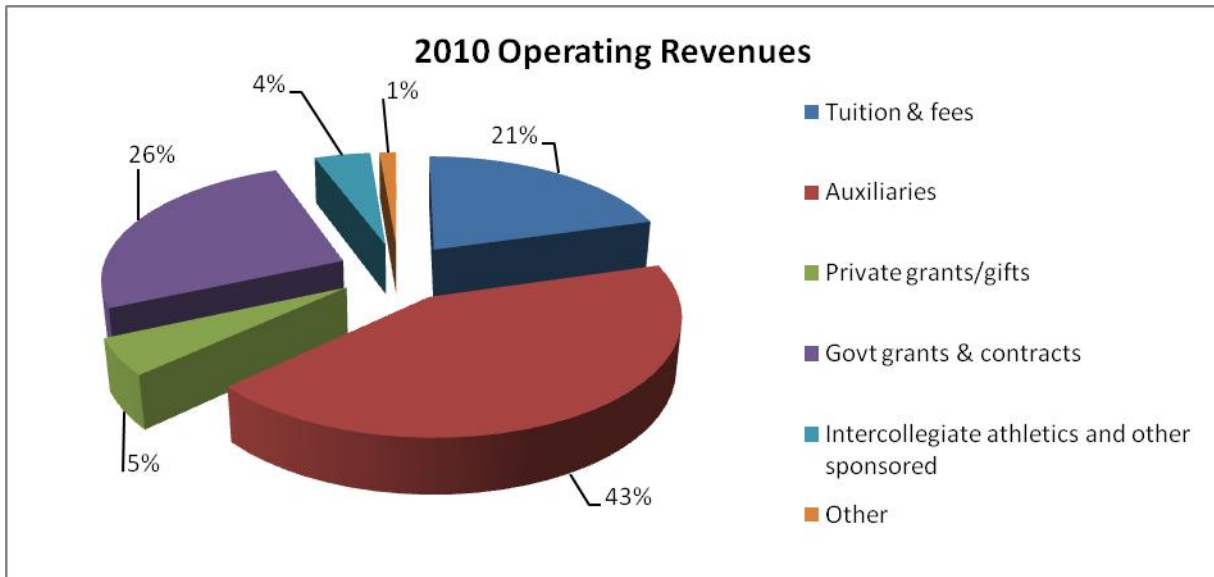


NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



Summary Statement of Revenues, Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Operating Revenue by Major Source		
Tuition	\$ 2,210,185	\$ 2,178,566
Auxiliaries	4,575,820	4,710,236
Private grants/gifts	548,456	630,078
Governmental grants and contracts	2,791,553	2,762,429
Intercollegiate athletics and other sponsored activities	470,617	438,990
Other	140,345	184,963
	<u>\$ 10,736,976</u>	<u>\$ 10,905,262</u>
Operating Expense by Major Function		
Instruction	\$ 8,970,296	\$ 8,912,586
Academic support	867,273	908,808
Student services	1,214,048	1,223,781
Institutional support	3,039,191	3,163,028
Operations and maintenance support	3,074,796	3,052,951
Auxiliaries	4,228,462	4,291,138
Student aid	1,460,201	1,205,521
Intercollegiate athletics and other sponsored activities	1,889,959	1,866,443
Other	3,252,319	3,022,584
	<u>\$ 27,996,545</u>	<u>\$ 27,646,840</u>
Non-operating Revenue (Expense)		
Investment income (loss) including income received From the State Land Office and State Land Grant Permanent Fund	\$ 50,581,328	\$ (68,540,272)
Other	(228,385)	(276,909)
	<u>\$ 50,352,943</u>	<u>\$ (68,817,181)</u>
Income (loss) before other revenue, expense, gains and losses	\$ 33,093,374	\$ (85,558,759)
Capital grants	1,908	3,194,108
Total increase (decrease) in net assets	<u>\$ 33,095,282</u>	<u>\$ (82,364,651)</u>
Net assets, beginning of year	<u>\$ 351,810,785</u>	<u>\$ 434,175,436</u>
Net assets, end of year	<u>\$ 384,906,067</u>	<u>\$ 351,810,785</u>





NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



Statement of Revenues, Expenses and Changes in Net Assets Highlights:

Revenues in the reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions produced in conducting the primary business operations of the Institute, including instruction, auxiliaries, federal and state grants and contracts, and intercollegiate athletics and other sponsored activities. Non-operating revenues are generally defined as non-exchange transactions, and include appropriations, gifts and investment income.

The GASB reporting model allows public universities and colleges to present operating expenses in either a functional or natural format. The Institute chose to present expenses on the Statement of Revenue, Expenses and Changes in Net Assets (SRECNA) by the major functions of the Institute.

Operating

Operating revenues suffered only minimal decline from 2009 of \$168,286. The decline is primarily attributable to a decrease in Private Gifts and Contracts revenue, which includes contributions from the NMMI Foundation. For the years ending June 30, 2010 and 2009, the amounts received from the Foundation were \$548,456 and \$630,078 respectively.

Tuition revenue remained relatively steady from 2009. In a proactive manner, NMMI took steps to preserve fund balances prior to the inception of the current economic crisis, which gave NMMI the flexibility to maintain tuition and fees at a level rate for the 2009-2010 school year. The goal for the 2009-2010 school year was to relieve NMMI parents and families from facing additional financial burdens and to maintain enrollment numbers.

Operating expenses were contained to an increase of \$349,705. The increase in 2010 was mainly attributable to an increase in student aid and depreciation.

Non-Operating Revenues

The primary source of revenue for the New Mexico Military Institute are the distributions from the Land Grant Permanent Funds, which are held for investment by the State Investment Council. Distributions for 2010 remained relatively unchanged from 2009. The income received from the State Land Office for 2009 was \$1,004,641, and the income received from the Land Grant Permanent Fund for 2009 was \$17,789,968. All trust land beneficiaries receive a fixed distribution of 5.8 percent of the five-year average market value of the Land Grant Permanent Fund at December 31 annually. The distribution percentage is determined through the New Mexico Constitution.

The fair value of the investments, primarily the State Land Grant Permanent Funds, bounced back from their significant losses occurring in 2009 due to the volatile financial market conditions. The unrealized investment income (loss) for 2010 and 2009 was \$31,699,093 and \$(87,555,272), respectively.

Change in Net Assets

The Institute's total change in net assets showed a net increase for 2010 and decrease in 2009. Both years' results are primarily the result of volatile fluctuations in the market value of investments held in trust for the State Land Grant Permanent Fund as noted above.



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



Statement of Cash Flows Highlights

The Statement of Cash Flows provides additional information about the Institute's financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Net cash used by operating activities	\$ (14,327,059)	\$ (13,684,624)
Net cash provided (used) by noncapital financing activities	105,476	(18,312)
Net cash provided by investing activities	17,417,673	18,856,255
Net cash used by capital and related financing activities	<u>(3,634,552)</u>	<u>(3,915,076)</u>
Net increase (decrease) in cash and cash equivalents	\$ <u>(438,462)</u>	\$ <u>1,238,243</u>

GASB Statement 35 requires that the Land Grant and Permanent Fund distributions, although primarily used for operating expenses at NMMI, be reported as non-operating revenue in the cash provided by investing activities.

Budgetary Highlights

Management continues to take a conservative approach to the budgetary process due to the current global, national and state wide economic climate.

Overall revenues were \$7,192,884 lower than budgeted. The negative variance is primarily due to the Institute budgeting for capital projects funding in the year awarded for multi-year projects which results in mismatches of budget to actual revenues and associated expenses in any one year. NMMI had budgeted \$5,000,000 for the General Obligation Bonds and the \$2,200,000 severance tax bond for the construction of Pearson Hall and the water rehabilitation project, respectively. The overall actual expenditures were \$5,980,605 lower than budgeted. This positive budget variance of \$4,917,720 is reserved for future scholarships, capital outlay and repairs, debt service, auxiliary expenses and athletics.

Economic Factors Impacting Future Periods

As of June 30, 2010, NMMI's overall financial position is solid, in spite of the decline of the economy of the United States and the rest of the world. Going forward, NMMI anticipates flat funding through the Land Grant Permanent Fund distributions barring any significant market decline on the endowment. However, the current distribution percentage of 5.8 percent will scale down to 5.5 percent in 2013 in accordance with the 2003 New Mexico Constitutional Amendment 2.

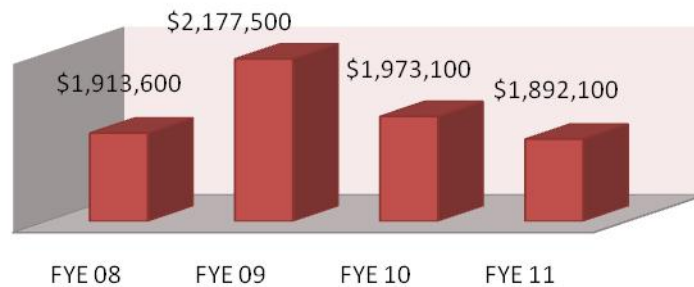


NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2010



NMMI's general fund appropriations received from the state of New Mexico are declining due to the state's economy and further reduction is unknown at this time.

State Appropriations



In the upcoming fiscal years, NMMI is planning to launch a new capital campaign, hoping to enhance existing revenue sources as well as generate new private gifts.

NMMI is committed to continuing its strategic vision while continuing to monitor and proactively address financial and other challenges by operating with prudent budgeting and careful decision-making.

CONTACTING THE NEW MEXICO MILITARY INSTITUTE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Institute's finances and to demonstrate the Institute's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Vice President of Finance at:

New Mexico Military Institute
101 West College Boulevard
Roswell, New Mexico 88201

DISCRETELY PRESENTED COMPONENT UNIT

The New Mexico Military Institute Foundation's primary purpose is for the benefit of the Institute, however, this does not imply that NMMI has control over that organization or its resources, but rather the Institute is entitled to receive resources due to donor restrictions on those resources. The New Mexico Military Institute Foundation has been discretely presented in the financial statements. A complete financial statement can be obtained from:

New Mexico Military Institute Foundation
101 West College Boulevard
Roswell, New Mexico 88201



NEW MEXICO MILITARY INSTITUTE

Statement of Net Assets For the Year Ended June 30, 2010



	Primary Government	Component Unit
	<u>NMMI</u>	<u>NMMI Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,550,080	\$ 364,102
Restricted cash and cash equivalents	784,844	-
Short-term investments	8,971,410	-
Prepaid expenses	-	3,040
Contract and grant receivables	-	-
Pledges receivable, net of allowance	-	65,317
Student accounts receivable, net of allowance for doubtful receivables of \$845,000	187,224	-
Receivable from NMMI Foundation	209,991	-
Other accounts receivable	2,078,217	6,040
Inventories	<u>80,419</u>	<u>-</u>
Total current assets	<u>16,862,185</u>	<u>438,499</u>
Non-current Assets:		
Restricted cash and cash equivalents	943,868	-
Deferred cost of bond defeasance	86,250	-
Land and buildings held for investment	-	6,764,856
Pledges receivable, net of allowance	-	494,060
Surrender value of life insurance policies	-	548,751
Endowment investments, Land Grant Permanent Fund	298,567,680	-
Endowment investments, scholarships	10,280,498	-
Endowment investments, capital projects	3,221,935	-
Endowment investments, building maintenance	3,573,791	-
Investments	-	26,327,398
Beneficial interest in perpetual trust	-	633,829
Other assets	-	50,000
Capital assets, net of accumulated depreciation	<u>58,117,646</u>	<u>2,340</u>
Total non-current assets	<u>374,791,668</u>	<u>34,821,234</u>
Total Assets	<u>\$ 391,653,853</u>	<u>\$35,259,733</u>

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

**NEW MEXICO MILITARY INSTITUTE****Statement of Net Assets
For the Year Ended June 30, 2010**

(Continued)

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,354,324	\$ 9,468
Accrued compensated absences	442,560	15,775
Payable to NMMI	-	209,991
Deferred support	-	323,368
Other credits	697,306	-
Funds held for others	470,101	-
Capital lease payable-current portion	98,500	-
Bonds payable-current portion	<u>1,140,000</u>	<u>-</u>
Total current liabilities	<u>4,202,791</u>	<u>558,602</u>
Non-current Liabilities:		
Capital lease payable-long term portion	84,995	-
Bonds payable-long term portion	<u>2,460,000</u>	<u>-</u>
Total non-current liabilities	<u>2,544,995</u>	<u>-</u>
Total Liabilities	<u>6,747,786</u>	<u>558,602</u>
NET ASSETS		
Invested in capital assets, net of debt	54,420,401	-
Restricted for		
Nonexpendable:		
Restricted, Land Grant Permanent Fund at State Investment Council	298,567,680	-
Restricted, Scholarships at State Investment Council	7,477,385	-
Restricted, Building Maintenance	3,573,791	-
Restricted, Capital Projects	2,000,000	-
Permanently Restricted, NMMI Foundation	-	17,705,241
Expendable:		
Term endowments, scholarships	2,909,024	-
Capital Projects	1,226,663	-
Debt Service	449,434	-
Temporarily Restricted, NMMI Foundation	-	3,491,901
Unrestricted	<u>14,281,689</u>	<u>13,503,989</u>
Total net assets	<u>384,906,067</u>	<u>34,701,131</u>
Total Liabilities and Net Assets	<u>\$ 391,653,853</u>	<u>\$35,259,733</u>

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



NEW MEXICO MILITARY INSTITUTE

**Statement of Revenues, Expenses and
Changes in Net Assets
For Year Ended June 30, 2010**



	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
Operating revenues:		
Tuition and fees	\$ 2,210,185	\$ -
Contributions	-	714,747
	<u>2,210,185</u>	<u>714,747</u>
Federal grants and contracts	776,477	-
State grants and contracts	2,015,076	-
Private grants and contracts	548,456	-
Other sponsored activities	375,299	-
Auxiliary enterprises	4,575,820	-
Intercollegiate athletics	95,318	-
Other	140,345	893,372
Rental income	-	323,223
Total operating revenues	<u>10,736,976</u>	<u>1,931,342</u>
Expenses:		
Instruction and general:		
Instruction	8,970,296	-
Academic support	867,273	-
Student services	1,214,048	-
Institutional support	3,039,191	-
Operations and maintenance support	<u>3,074,796</u>	-
Total instruction and general expenses	17,165,604	-
Other sponsored activities	353,663	-
Student aid grants and stipends	1,460,201	-
Auxiliary enterprises	4,228,462	-
Intercollegiate athletics	1,536,296	-
Internal service department	28,921	-
Supporting services	-	345,565
Minor capital outlay operations	26,533	-
Program services	-	999,426
Real estate expenses	-	39,122
Depreciation	<u>3,196,865</u>	-
Total expenses	<u>27,996,545</u>	<u>1,384,113</u>
Operating income (loss)	<u>\$ (17,259,569)</u>	<u>\$ 547,229</u>

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



NEW MEXICO MILITARY INSTITUTE

**Statement of Revenues, Expenses and
Changes in Net Assets
For Year Ended June 30, 2010**



(Continued)

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
Non-operating revenues (expenses):		
Investment income	\$ 31,699,093	\$ 2,954,703
Decrease in cash value of life insurance	-	(1,761)
Income from State Land Office	1,004,641	-
Income from State Land Grant Permanent Fund	17,789,968	-
Endowment contributions	27,075	-
Other income (loss)	89,301	(104)
Interest on capital asset related to debt	(228,385)	-
Bond defeasance amortization	<u>(28,750)</u>	<u>-</u>
Net non operating revenues (expenses)	<u>50,352,943</u>	<u>2,952,838</u>
Income before other revenues, expenses, gains and losses	<u>33,093,374</u>	<u>3,500,067</u>
Other:		
Capital grants, net	<u>1,908</u>	<u>-</u>
Net other revenues (expenses)	<u>1,908</u>	<u>-</u>
Change in net assets	33,095,282	3,500,067
Net assets, beginning of year	<u>351,810,785</u>	<u>31,201,064</u>
Net assets, end of year	<u>\$ 384,906,067</u>	<u>\$34,701,131</u>

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



NEW MEXICO MILITARY INSTITUTE

**Statement of Revenues, Expenses and
Changes in Net Assets
For Year Ended June 30, 2010**



	<u>Primary Government</u>	<u>NMMI</u>
Cash flows from operating activities:		
Tuition and fees	\$ 2,109,137	
Grants and contracts	2,614,522	
Sales and services of educational activities	4,541,613	
Other operating receipts	475,197	
Payments to employees for salaries and benefits	(15,258,118)	
Payments to suppliers	(8,042,496)	
Grants issued to students	<u>(766,914)</u>	
Net cash used by operating activities	<u>(14,327,059)</u>	
Cash flows from noncapital financing activities:		
Agency receipts	1,333,946	
Agency payments	<u>(1,228,470)</u>	
Net cash provided by noncapital financing activities	<u>105,476</u>	
Cash flows from investment activities:		
Cash distribution from State Land Grant Permanent Fund	17,785,721	
Cash distribution from State Land Office	744,087	
Cash received from scholarship gifts	27,075	
Other investment income	48,840	
Cash transferred to investment accounts	(1,099,025)	
Cash payment of trust expenses	<u>(89,025)</u>	
Net cash provided by investing activities	<u>17,417,673</u>	
Cash flows from capital and related financing activities:		
Cash paid for capital assets	(1,556,960)	
Cash received on capital grants	107,650	
Cash paid for renewal and replacement of assets	(837,972)	
Other receipts/payments	89,301	
Repayments of capital debt	(1,203,922)	
Interest paid on capital debt	<u>(232,649)</u>	
Net cash used by capital and related financing activities	<u>(3,634,552)</u>	
Net decrease in cash and cash equivalents	(438,462)	
Cash and cash equivalents, beginning of year	<u>6,717,254</u>	
Cash and cash equivalents, end of year	<u>\$ 6,278,792</u>	

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



NEW MEXICO MILITARY INSTITUTE

**Statement of Cash Flows
For Year Ended June 30, 2010**



(Continued)

	<u>Primary Government</u>	<u>NMMI</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (17,259,569)	
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		3,196,865
Changes in assets and liabilities:		
Short term investments		(97,254)
Accounts receivable		(48,001)
Inventories		(1,350)
Other current assets		6,452
Accounts payable and accrued expenses		(53,410)
Deferred income		(98,639)
Accrued benefits		27,847
Net cash used by operating activities	<u>\$ (14,327,059)</u>	

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



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The New Mexico Military Institute is declared to be and is confirmed as a state educational institution by Section 11 of Article XII of the Constitution of the State of New Mexico, as amended. The Institute was founded in 1891 under the New Mexico Territorial Laws of 1889.

According to the Constitution of the State of New Mexico, the legislature shall provide for the control and management by a Board of Regents consisting of five members appointed by the Governor and confirmed by the State Senate for overlapping terms of six years. The State of New Mexico Constitution, Article XII, Section 13, also vests this control and management in the Board of Regents.

The Institute provides a four-year college preparatory high school program and a two-year junior college program to students interested in obtaining an education in a military type environment.

The New Mexico State Auditor has determined the New Mexico Military Institute is included as part of the primary government of the State of New Mexico.

Basis of Accounting

For financial reporting purposes, the Institute is considered a special-purpose government engaged only in business-type activities. Accordingly, the Institute'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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Institute has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Institute has elected to not apply FASB pronouncements after the applicable date.

Reporting Entity

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, requires an evaluation of the reporting entity and certain related parties, defined as potential component units. Depending on the results of the GASB 39 evaluation, financial information of related parties determined to be component units could be required to be included in the financial statements of the reporting entity.

In evaluating how to define the Institute for financial reporting purposes, management has evaluated the Institute's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is responsibility to include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the Institute.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Institute is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Institute's reporting entity.

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Institute. The New Mexico State Auditor through Rule 2 of the NMAC 2.2 12E (5), requires the inclusion of this component unit in the reporting entity. Audit materiality for component units is at the component unit level. The decision to include a potential component unit in the Institute'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 unit is included in these financial statements:

New Mexico Military Institute Foundation, Inc.

The New Mexico Military Institute Foundation, Inc. (Foundation) is a legally separate, tax exempt entity. The Foundation acts primarily to create and administer assets for the benefit of the Institute in support of its programs. The Institute does not control the timing or amount of receipts from the Foundation; however, the majority of resources, or income thereon, that the Foundation holds are restricted to the activities of the Institute by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Institute, the Foundation is considered a component unit of the Institute and is discretely presented in the Institute's financial statements. A complete financial statement can be obtained from:

New Mexico Military Institute Foundation

101 West College Blvd.

Roswell, New Mexico 88201

The purpose of the Foundation is to create, maintain and administer assets for the benefit of the New Mexico Military Institute, a state educational institution, located in Roswell, New Mexico. The earnings from these assets are to be used for research, scientific and literacy purposes; for increasing the buildings, equipment and other facilities of the Institute; to provide for scholarships for Institute cadets and to promote general growth, welfare and maintenance of the Institute.

For the year ended June 30, 2004, the Foundation was selected for inclusion as a component unit based on criteria as set forth in GASB 39. Previous year's financial statements did not include the Foundation as GASB 39 was not effective until July 1, 2003. The Board of Regents are members of the Board of Trustees of the Foundation and supervise all Foundation activities. Beginning in July 2005, the bylaws of the Foundation were amended to provide that three continuing members be appointed by the Board of Regents, with no more than two of such Regents appointed be currently serving on the Board of Regents. The Institute's President/Superintendent serves as an ex-officio member of the Board of Trustees of the Foundation.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Affiliated Organization – New Mexico Military Institute Alumni Association

This affiliated organization has a separately elected board and provides support to the Institute. This organization is excluded from the reporting entity as a component unit because the Institute does not have the ability to exercise influence over its daily operations, approve budgets or provide funding. A separate audited financial statement is prepared for this entity.

Other Affiliated Organization – New Mexico Military Institute Parents' Club, Inc.

This affiliated organization has a separately elected board and provides support to the Institute. This organization is excluded from the reporting entity as a component unit because the Institute does not have the ability to exercise influence over its daily operations, approve budgets or provide funding. A separate audited financial statement is prepared for this entity.

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.

Budget

The Institute 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 Institute, its Board of Regents can, in general, adopt an operating budget within the limits of available income on the modified accrual basis, including capital outlay and retirement of indebtedness.

Procedures for Approval of Operating Budgets

1. The institution will submit an original typed copy that has been 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 appropriation by the Institute in subsequent years.

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



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, minor capital outlay, renewals and replacements, and debt service.

Budget revisions must be approved by the HED and then by the Budget Division of the Department of Finance and Administration.

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 6 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*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of 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.

Income Taxes

The Institute, 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 Institute are deductible by donors as provided under Section 170 of the Internal Revenue Code, and consistent with the provisions under Section 501(c)(3) of the Internal Revenue Code.

Student Accounts Receivable

The Institute 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 Institute's grants and contracts. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. The provision for uncollectible student accounts for fiscal year 2010 is \$845,000.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the Statement of Net Assets.

Accrued Liabilities

Accrued liabilities primarily consist of amounts for payroll withholding liabilities.

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. For equipment, the Institute's capitalization policy includes all items with a unit cost of \$1,000 or more, and an estimated useful life of greater than one year. Artwork is capitalized but not depreciated because management believes it is an inexhaustible capital asset. Software is included in furniture, fixtures and equipment for capitalization and depreciation purposes. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest expense incurred during the construction period of self-constructed assets is capitalized. To account for its infrastructure assets, the Institute elected to use the depreciation method. This method requires the Institute to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 25 to 30 years for infrastructure, 20 to 25 years for land improvements, 10 years for library books, 5 years for vehicles and golf carts, and 3 to 12 years for equipment.

Compensated Absences

The Institute accounts for the accumulated vacation leave on the accrual basis. Accrued vacation up to 20 days or 160 hours is recorded at 100% of the employee's daily or hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA).

Non-current Liabilities

Non-current liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, (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 non-current assets.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets – The Institute’s net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents the Institute’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 Assets – Nonexpendable

Nonexpendable restricted net assets 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 the principal.

Restricted Net Assets – Expendable

Restricted expendable net assets are resources that the Institute is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Donor-restricted Endowments

Net appreciation of the Institute’s donor-restricted endowments that are available for expenditures by the Board of Regents is \$902,348. This amount is reported in expendable scholarships, building maintenance and capital projects in the net assets of the primary government. New Mexico state law allows the Board of Regents to spend the net appreciation. The Institute uses the total-return policy for authorizing and spending investment income.

Net appreciation of the Foundation’s donor-restricted endowments that are available for expenditures by the Board of Trustees is \$1,355,911. This amount is reported in restricted scholarships at NMMI Foundation in the net assets of the component unit. New Mexico state law allows the Board of Trustees to spend net appreciation. The Foundation uses the total-return policy for authorizing and spending investment income.

Unrestricted Net Assets

Unrestricted net assets 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 Institute, 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 student, faculty and staff.

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



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

The Institute 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.

Reversions

In accordance with the General Appropriation Act of 2009, the Institute did not revert any funds for the year ended June 30, 2010.

NOTE 2: CASH AND INVESTMENTS

Cash

The Institute is required to comply with Section 6-10-16 and 6-10-17 NMSA 1978, which requires that 50% of the uninsured balance of public deposits be secured by pledges of qualifying securities of the depository.

At June 30, 2010, the Institute’s cash deposits (which differ from recorded balances due to reconciling items) and short-term investments with financial institutions as classified by “credit risk” were as follows:

	<u>Wells Fargo</u>	<u>Wells Fargo (Repurchase)</u>
Total Deposits in Bank	\$ 4,371,189	\$ 2,041,991
Less: FDIC Insurance	<u>(250,000)</u>	<u>-</u>
Uninsured Public Funds	4,121,189	2,041,991
Collateral Requirement 50%	2,060,595	-
Collateral Requirement 102%	-	2,082,830
Pledged Collateral Held by the Pledging Bank’s trust department not in the agency’s name	<u>5,632,000</u>	<u>2,083,655</u>
Uninsured & Uncollateralized	<u>\$ -</u>	<u>\$ -</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the Institute’s deposits may not be returned to it. The Institute has a policy to invest operating funds in financial instruments that are relatively safe based on the level of collateralization provided by the financial institutions and have the highest rating from the national rating agencies. As of June 30, 2010, \$6,163,180 of the Institute’s bank balance of \$6,413,180 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateral held by Wells Fargo’s trust department not in the Institute’s name		<u>6,163,180</u>
Total	\$	<u>6,163,180</u>

Investments

The Institute invests some unrestricted operating funds with Wells Fargo Bank’s Brokerage Services. The short-term investments of \$8,971,410 include investments in money market funds, and brokered certificates of deposit maturing within one year. All the certificates of deposit are 100% insured by the FDIC. The following is a detailed listing of the short-term investments:

Brokered certificates of deposit		
MB Finl BK NA Chicago IL	\$	100,034
Firstbank Puerto Rico		200,000
Discover Bank DE		99,968
New Century Bank		250,005
Bank of China		249,847
Bank of Baroda New York		249,718
GE Money Bank		249,810
Alliance Bank		249,710
Bank of America		249,753
Meridian Bank		244,794
Wright Express		249,735
Enerbank USA		174,761
Goldman Sachs Bank		<u>249,750</u>
Total		2,817,885
Money market account		<u>6,153,525</u>
Total short-term investments		<u>\$8,971,410</u>

The Institute participates under a joint powers agreement in an External Investment Pool (Pool) with the New Mexico State Investment Council (Council). Monies of Institute funds are pooled and invested by the Council in various debt and equity securities. The Pool is recorded as investments on the Institute’s balance sheets at market value. Since the Institute’s investments are recorded at market value, there is a potential risk that due to the volatility of quoted market values the Institute’s recorded investments in the Pool could be significantly affected.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Pooled investments of the Institute consist of the following at June 30, 2010:

<u>Description</u>	<u>Market Value</u>	<u>Maturities</u>	<u>Percentage</u>	<u>NMMI Investment Policy %</u>
Investment Pool with the State Investment Council:				
Large Cap Active	\$ 257		0.00%	0.00%
Large Cap Index	6,137,706		35.94%	38.00%
Mid-Small	1,740,478		10.19%	11.00%
Non U.S. Developed Equity	1,748,314		10.25%	12.00%
Non U.S. Emerging Markets	<u>473,777</u>		<u>2.77%</u>	<u>3.00%</u>
Total Equity	\$ 10,100,532		59.15%	64.00%
Core Bonds	<u>6,975,692</u>	1-5 years	<u>40.85%</u>	<u>36.00%</u>
Total Investment Pool	<u>\$ 17,076,224</u>		<u>100.00%</u>	<u>100.00%</u>

Interest Rate Risk

The Institute has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Institute’s policy is to ensure that NMMI has sufficient liquidity to pay all obligations as they become due without the requirement for unplanned liquidation of securities or certificates of deposit.

Credit Risk

State law limits the State Investment Council for investments in excess of one year be invested in:

1. Bonds, notes or other obligations of the United States government, its agencies, government sponsored enterprises, corporations or instrumentalities.
2. Bonds, notes, debentures and other obligations issued by the State of New Mexico or a municipality or other political subdivision of the state that are secured by an investment grade bond rating from a national rating service, pledged revenue or other collateral or insurance necessary to satisfy the standard of prudence set forth in Section 6-8-10 NMSA 1978.
3. Bonds, notes, debentures, instruments, conditional sales agreements, securities or other evidences of indebtedness of any corporation, partnership or trust organized and operating within the United States rated not less than Baa or BBB or the equivalent by a national rating service.
4. Bonds, notes, debentures, instruments, conditional sales agreements, securities or other evidences of indebtedness rated not less than BB or B or the national association of insurance commissioners’ equivalent by a national rating service.
5. Notes or obligations securing loans or participation in loans to business concerns or other organizations that are obligated to use the loan proceeds within New Mexico, to the extent that loans are secured by first mortgages on real estate located in New Mexico.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The Institute has an investment policy that states that investments shall be made in accordance with New Mexico constitutional and statutory laws as defined in NMSA 1978, Sections 6-8 and 6-10, and that the investments may only be invested in money market funds, U.S. Treasuries, U.S. government agency securities, certificates of deposit or repurchase agreements. The Core Bonds Pool uses the Lehman Aggregate Index as its benchmark. The Core Pool is unrated.

State Investment Council Assets

The Institute has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund. At June 30, 2010 the fair value of such interest was \$298,567,680. These investments are not categorized by custodial risk.

Investment Income (Loss)

Investment income (loss) consists of the following for the year ended June 30, 2010:

	Land Grant Permanent Fund	Daniels Leadership Center Bldg Maintenance	Patterson Construction Endowment	Scholarship Trust Funds	Unrestricted Funds	Total
Investment income (loss)	\$ 640,291	\$ -	\$ 12	\$ 1,227	\$ -	\$ 641,530
Realized gains (losses)	(4,181,803)	107,027	96,504	238,221	-	(3,740,051)
Unrealized gains (losses)	33,249,526	375,230	338,289	856,014	(21,445)	34,797,614
	<u>\$ 29,708,014</u>	<u>\$ 482,257</u>	<u>\$ 434,805</u>	<u>\$ 1,095,462</u>	<u>\$ (21,445)</u>	<u>\$31,699,093</u>

During the year ended June 30, 2010, \$17,789,968 in cash was distributed to NMMI from the State Land Grant Permanent Fund. During the year ended June 30, 2010, \$1,099,025 was transferred to the Scholarship Trust Funds at the State Investment Council.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 3: CAPITAL ASSETS

The following are the changes in capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 710,537	\$ -	\$ -	\$ 710,537
Construction in progress	423,542	342,666	-	766,208
Artwork	<u>808,296</u>	<u>-</u>	<u>-</u>	<u>808,296</u>
Total Capital Assets Not Being Depreciated	<u>1,942,375</u>	<u>342,666</u>	<u>-</u>	<u>2,285,041</u>
Capital Assets Being Depreciated:				
Buildings	83,016,218	346,734	-	83,362,952
Furniture, fixtures and equipment	9,204,781	1,052,830	(1,023,988)	9,233,623
Leased equipment	309,263	170,040	(203,306)	275,997
Library books	590,336	4,867	-	595,203
Infrastructure	2,944,293	262,283	-	3,206,576
Land improvements	1,347,219	32,490	-	1,379,709
Vehicles and golf carts	<u>777,855</u>	<u>-</u>	<u>(78,469)</u>	<u>699,386</u>
Total at Historical Cost	<u>98,189,965</u>	<u>1,869,244</u>	<u>(1,305,763)</u>	<u>98,753,446</u>
Less Accumulated Depreciation:				
Buildings	31,909,471	2,059,466	-	33,968,937
Furniture, fixtures and equipment	6,838,376	902,472	(1,011,546)	6,729,302
Leased equipment	243,397	72,870	(203,306)	112,961
Library books	406,046	31,267	-	437,313
Infrastructure	669,688	82,650	-	752,338
Land improvements	321,944	6,134	-	328,078
Vehicles and golf carts	<u>628,375</u>	<u>42,006</u>	<u>(78,469)</u>	<u>591,912</u>
Total Accumulated Depreciation	<u>41,017,297</u>	<u>3,196,865</u>	<u>(1,293,321)</u>	<u>42,920,841</u>
Total Capital Assets, Net	<u>\$ 59,115,043</u>	<u>\$ (984,955)</u>	<u>\$ (12,442)</u>	<u>\$ 58,117,646</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 4: LEASE COMMITMENTS AND CONTINGENCIES

The Institute is committed under various operating leases which expire through 2014. These leases are primarily for copy machines. Rental expense under these leases amounted to \$8,269 in 2010.

Minimum future lease payments under operating leases as of June 30, 2010 for each of the next five years and in the aggregate are:

2011	\$ 10,500
2012	8,511
2013	7,848
2014	<u>7,848</u>
	<u>\$ 34,707</u>

The Institute is committed under various capital leases which expire in fiscal year 2013. Equipment under these capital leases, primarily computer related, is valued at \$475,493. Minimum future lease payments under the capital leases as of June 30, 2010 for each of the remaining years are:

2011	\$ 108,575
2012	47,883
2013	<u>47,883</u>
Total minimum lease payments	204,341
Amount representing interest and taxes	<u>(20,846)</u>
Present value of minimum lease payments	<u>\$ 183,495</u>

Contingencies

Reimbursements for amounts expended by the Institute under the terms of federal and state grants and contracts are subject to audit and possible adjustments by the granting agency. Grants and contracts for the year ended June 30, 2010 are subject to audits by federal and state agencies. It is the opinion of Institute management that adjustments, if any, will not have a material effect on the Institute’s financial position or results of operations.

State Risk Management Pool

The Institute as a state institution defined in the New Mexico Tort Claims Act is insured through Risk Management for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the Institute.
2. Coverage to protect the Institute’s property and assets.

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



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 5: BONDS PAYABLE

Long-term bonds payable of the Institute at June 30, 2010, is comprised of the following individual issues:

2001 System Revenue Bonds

\$9,550,000, 2001 System Revenue Bonds due in semi-annual interest payments and annual principal installments through June 1, 2013, interest from 3.25% to 5.0%	\$3,600,000
---	-------------

The scheduled maturities of the revenue bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$1,140,000	\$180,000	\$1,320,000
2012	1,200,000	123,000	1,323,000
2013	<u>1,260,000</u>	<u>63,000</u>	<u>1,323,000</u>
Totals	<u>\$3,600,000</u>	<u>\$366,000</u>	<u>\$3,966,000</u>

Interest expense incurred during the year ended June 30, 2010 was \$222,955 and is recorded as interest on capital assets related to debt.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 6: LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Long term bond payable	\$ 3,600,000	\$ -	\$ 1,140,000	\$ 2,460,000
Current portion of bonds payable	<u>1,065,000</u>	<u>1,140,000</u>	<u>1,065,000</u>	<u>1,140,000</u>
	<u>\$ 4,665,000</u>	<u>\$ 1,140,000</u>	<u>\$ 2,205,000</u>	<u>\$ 3,600,000</u>
Long term lease payable	\$ 57,518	\$ 27,477	\$ -	\$ 84,995
Current portion of lease payment	<u>83,901</u>	<u>170,040</u>	<u>155,441</u>	<u>98,500</u>
	<u>\$ 141,419</u>	<u>\$ 197,517</u>	<u>\$ 155,441</u>	<u>\$ 183,495</u>
Current portion of compensated absences	<u>\$ 414,713</u>	<u>\$ 378,211</u>	<u>\$ 350,364</u>	<u>\$ 442,560</u>

NOTE 7: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description. Substantially all of the Institute’s full-time employees participate in a public employee retirement plan authorized under the Education 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, and other employees of State public school districts, colleges and universities) 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, PO Box 26129, Santa Fe, New Mexico 87502-0129. The report is also available on ERB’s website at www.nmerb.org.

Funding Policy. The contribution requirements of plan members and the Institute are established in Chapter 22, Article 11 NMSA 1978. The requirement may be amended by acts of the legislature. For the year ending June 30, 2010, plan members with gross earnings less than \$20,000 annually were required to contribute 7.90% of their gross salary. The Institute was required to contribute 12.40% of the gross covered salary. The employee contribution rate for employees with a gross salary of \$20,000 or more was 9.40% while the employer contribution was 10.90%. The contribution rates and effective dates are:

	<u>Retirement Contributions</u>	
	<u>Employee</u>	<u>Employer</u>
For employees earning less than \$20,000 gross annual salary		
2010-2011	7.90%	12.40%
2011-2012	7.90%	13.15%
2012-2013	7.90%	13.90%
Future	7.90%	13.90%



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 7: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

	<u>Retirement Contributions</u>	
	<u>Employee</u>	<u>Employer</u>
For employees earning \$20,000 or more gross annual salary		
2010-2011	9.40%	10.90%
2011-2012	7.90%	13.15%
2012-2013	7.90%	13.90%
Future	7.90%	13.90%

The Institute’s contributions to the plan for the years ending June 30, 2010, 2009 and 2008 were \$1,385,250, \$1,338,576 and \$1,211,149, respectively, equal to the amount of the required contributions for each year.

NOTE 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Institute 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 the event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee is required to contribute 0.65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2011	1.666%	0.833%
2012	1.834	0.917
2013	2.000	1.000

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Institute's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$150,500, \$148,126 and \$144,307 in employer contributions, and \$75,228, \$74,061 and \$72,155 in employee contributions, respectively, to the RHCA.

NOTE 9: INSURANCE COVERAGE

New Mexico Statutes (Section 15-7-2 NMSA 1978) require the Risk Management Division (RMD) to be responsible “for the acquisition and administration of all insurance purchased by the State”. Various statutes allow RMD to insure, self-insure and use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of New Mexico, General Services Department.

The Institute is exposed to various risks of loss related to: general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above subject to limits of coverage set by Risk Management Division, General Services Department of the State of New Mexico. All employees of the Institute are covered by a blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2009 to June 30, 2010.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 10: RECONCILIATION OF BUDGETARY BASIS TO GAAP

Budget comparisons revenues	\$ 29,817,165
Investment gain	31,809,565
Contributions to endowments	880,575
Change in Federal Programs	<u>6,641</u>
SRECNA Total Revenues	<u>62,513,946</u>
Budget comparisons expenditures	29,326,415
Capital expenditures	(3,234,834)
Current year depreciation and amortization	3,238,058
Trust expenses	<u>89,025</u>
SRECNA Total Expenditures	<u>29,418,664</u>
Change in Net Assets	<u>\$ 33,095,282</u>

NOTE 11: NEW MEXICO MILITARY INSTITUTE FOUNDATION CASH AND INVESTMENTS

At June 30, 2010, the Foundation's deposits were \$364,102, and the bank balance was \$373,476. The balances were insured by the Federal Deposit Insurance Corporation.

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value. Fair value for investments are determined by reference to quoted market prices or other relevant information generated by market transactions which represent level 1 inputs. Investments at June 30, 2010 were comprised of the following:

<u>Managed Funds/Bonds</u>	<u>2010</u>
Cambrian Capital Resources Offshore	\$ 447,254
Capital Guardian Emerging Markets	484,819
Dodge & Cox International Stock	3,766,764
Fortress Partners Offshore Fund	1,487,928
Longleaf Partners Fund	888,418
Newport Asia Institutional	485,509
Pine Grove Offshore	3,072,920
Pimco Short Term Bond Fund	1,971,334
Pimco Total Return Fund	2,228,793
Private Advisors Hedged Equity	2,682,059
Wellington Management Micro Cap Equity	1,453,287
Wellington Management Research Equity	6,202,875
Vanguard Inflation-Protected Securities	<u>1,155,438</u>
	26,327,398
Less:	
Deferred support	<u>(323,368)</u>
Foundation Investments	<u>\$26,004,030</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



**NOTE 11: NEW MEXICO MILITARY INSTITUTE FOUNDATION CASH AND INVESTMENTS
(CONTINUED)**

Investment income (loss) consisted of the following for the year ended June 30, 2010.

	<u>2010</u>
Interest and dividends	\$ 406,522
Net unrealized gains	2,521,629
Net realized gains	138,995
Investment expenses	<u>(112,443)</u>
Total investment income	<u>\$ 2,954,703</u>

NOTE 12: NEW MEXICO MILITARY INSTITUTE FOUNDATION – LAND HELD FOR INVESTMENT

Land held for investment consists of various developed and undeveloped lots, primarily in the area of Roswell, New Mexico. All land held for investment is reported at market value using recent comparative sales, inquiries of appraisers, and actual appraisals to estimate the fair market value which represents level 3 inputs. Within this level, fair value is estimated using a valuation technique. Land is sold at the direction of the Board of Trustees. During the current fiscal year the Foundation sold land on Mulberry Street for \$2,000, incurring a realized loss of \$104.

NOTE 13: NEW MEXICO MILITARY INSTITUTE FOUNDATION – LEASES

Lease agreements between the Foundation and tenants of its property are for terms up to sixty years and generally include provisions for escalation based upon the Consumer Price Index, as well as renewal options at the end of the primary term.

Minimum future rental income on non-cancelable leases as of June 30, 2010 is as follows:

2011	\$ 287,017
2012	287,017
2013	287,017
2014	290,017
2015	282,617
Thereafter	<u>6,370,296</u>
Total minimum lease payments	<u>\$ 7,803,981</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2010



NOTE 14: RELATED PARTY TRANSACTION

The New Mexico Military Institute provides office space (including building maintenance, utilities, and janitorial services) to the Foundation at no charge. For the years ended June 30, 2010, \$4,000 was recorded as a contribution for the use of office space with a corresponding amount recorded as rent expense.

For the year ended June 30, 2010, various expenses were paid by the New Mexico Military Institute on behalf of the Foundation, which have been reimbursed. At June 30, 2010, \$209,991 was due to the Institute for operating expenses and support. For the year ended June 30, 2010, the Foundation provided \$999,426 in scholarships and awards for the benefit of institute cadets and faculty.

NOTE 15: JOINT POWERS AGREEMENT

The New Mexico Military Institute entered into a Joint Powers Agreement with the State Investment Council dated May 14, 1997, and amended, August 15, 1997, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978. Under this agreement the State Investment Office invests the Trust Scholarship Endowment, LTG Richard T. Knowles Legislative Scholarship Trust Endowment, Patterson Construction Endowment and the Daniels Leadership Center Building Maintenance Endowment in accordance with guidelines established in the New Mexico Military Institute's investment policy.

Participants:	New Mexico Military Institute and State Investment Council
Party Responsible for Operations:	State Investment Office
Description:	Investment of endowment funds
Effective Date:	May 14, 1997
Total Estimated Cost:	N/A
Amount Contributed in the Current Year:	\$1,099,025 of new funds
Audit Responsibility:	N/A
Fiscal Agent:	New Mexico State Treasurer
Agency Where the Entity Reports:	N/A

NOTE 16: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2010, the Institute had an uncompleted construction contract for Pearson Hall. The remaining commitment on this construction contract was approximately \$5,452,875.

Also at June 30, 2010, the Institute had an uncompleted construction contract pertaining to the rehabilitation of potable water lines on campus. The remaining commitment on this construction contract was approximately \$2,200,000.



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



SUPPLEMENTAL INFORMATION





NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
UNRESTRICTED AND RESTRICTED – ALL OPERATIONS
SCHEDULE 1
FOR THE YEAR ENDED JUNE 30, 2010



	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Actual Positive (Negative) <u>Budget</u>
Beginning Fund Balance	\$ 10,238,170	\$ 14,199,801	\$ 14,205,697	\$ 5,896
Unrestricted and Restricted Revenues:				
State General Fund Appropriations	2,100,500	2,003,900	2,015,076	11,176
Federal Revenue Sources	611,600	798,000	769,836	(28,164)
State Revenue Sources	7,200,000	7,200,000	193,231	(7,006,769)
Tuition and Fees	2,173,756	2,205,063	2,210,185	5,122
Land and Permanent Fund	18,681,128	18,681,128	18,794,609	113,481
Endowment and Private Gifts	625,686	762,346	567,148	(195,198)
Sales and Services	4,970,566	4,970,566	4,812,427	(158,139)
Other	389,046	389,046	454,653	65,607
Total Unrestricted & Restricted Revenues	<u>36,752,282</u>	<u>37,010,049</u>	<u>29,817,165</u>	<u>(7,192,884)</u>
Unrestricted and Restricted Expenditures:				
Instruction	9,214,530	9,269,023	8,970,296	298,727
Academic Support	1,055,249	974,748	867,273	107,475
Student Services	1,415,495	1,360,495	1,214,048	146,447
Institutional Support	3,312,775	3,409,942	3,039,190	370,752
Operation and Maintenance of Plant	3,298,215	3,198,215	3,074,796	123,419
Student Social and Cultural Activities	350,936	475,471	353,663	121,808
Research	-	-	-	-
Public Service	-	-	-	-
Internal Services	-	73,741	28,921	44,820
Student Aid, Grants and Stipends	1,931,055	2,337,159	2,313,701	23,458
Auxiliary Services	4,479,374	4,873,551	4,228,462	645,089
Intercollegiate Athletics	1,493,022	1,636,417	1,536,296	100,121
Independent Operations	-	-	-	-
Capital Outlay	10,681,780	5,067,144	1,521,296	3,545,848
Renewal and Replacement	1,141,700	1,141,700	744,112	397,588
Retirement of Indebtedness	1,489,414	1,489,414	1,434,361	55,053
Total Unrestricted & Restricted Expenditures	<u>39,863,545</u>	<u>35,307,020</u>	<u>29,326,415</u>	<u>5,980,605</u>
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	(3,111,263)	1,703,029	490,750	<u>\$ (1,212,279)</u>
Ending Fund Balance	<u>\$ 7,126,907</u>	<u>\$ 15,902,830</u>	<u>\$ 14,696,447</u>	



NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
UNRESTRICTED—NON—INSTRUCTION & GENERAL
SCHEDULE 2
FOR THE YEAR ENDED JUNE 30, 2010



	Original <u>Budget</u>	Final <u>Budget</u>	Actual	Actual Positive (Negative) <u>Budget</u>
Beginning Fund Balance	\$ 5,848,069	\$ 8,572,175	\$ 8,572,175	\$ -
Unrestricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriation	-	-	20,234	20,234
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	7,200,000	7,200,000	193,231	(7,006,769)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Gifts	-	-	18,692	18,692
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	4,970,566	4,970,566	4,812,427	(158,139)
Other	<u>302,196</u>	<u>302,196</u>	<u>374,668</u>	<u>72,472</u>
Total Unrestricted Revenues	<u>12,472,762</u>	<u>12,472,762</u>	<u>5,419,252</u>	<u>(7,053,510)</u>
Unrestricted Expenditures:				
Student Social & Cultural Activities	350,887	475,422	353,663	121,759
Research	-	-	-	-
Public Service	-	-	-	-
Internal Services	-	73,741	28,921	44,820
Student Aid, Grants & Stipends	1,414,455	1,634,159	1,620,234	13,925
Auxiliary Services	4,473,467	4,867,644	4,228,462	639,182
Intercollegiate Athletics	1,492,446	1,635,841	1,536,296	99,545
Independent Operations	-	-	-	-
Capital Outlay	10,681,780	5,067,144	1,521,296	3,545,848
Renewal & Replacement	1,141,700	1,141,700	744,112	397,588
Retirement of Indebtedness	<u>1,489,414</u>	<u>1,489,414</u>	<u>1,434,361</u>	<u>55,053</u>
Total Unrestricted Expenditures	<u>21,044,149</u>	<u>16,385,065</u>	<u>11,467,345</u>	<u>4,917,720</u>
Net Transfers	<u>5,835,602</u>	<u>7,189,102</u>	<u>7,189,102</u>	-
Change in Fund Balance (Budgetary Basis)	(2,735,785)	3,276,799	1,141,009	<u>\$ (2,135,790)</u>
Ending Fund Balance	<u>\$ 3,112,284</u>	<u>\$ 11,848,974</u>	<u>\$ 9,713,184</u>	



NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
RESTRICTED – NON-INSTRUCTION & GENERAL
SCHEDULE 3
FOR THE YEAR ENDED JUNE 30, 2010



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Actual Positive (Negative) <u>Budget</u>
Beginning Fund Balance	\$ -	\$ -	\$ 3,061	\$ 3,061
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	495,132	681,532	670,454	(11,078)
State Government Appropriations	28,000	28,000	19,952	(8,048)
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	-	-	-
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>523,132</u>	<u>709,532</u>	<u>690,406</u>	<u>(19,126)</u>
Restricted Expenditures				
Student Social & Cultural Activities	49	49	-	49
Research	-	-	-	-
Public Service	-	-	-	-
Internal Services	-	-	-	-
Student Aid, Grants & Stipends	516,600	703,000	693,467	9,533
Auxiliary Services	5,907	5,907	-	5,907
Intercollegiate Athletics	576	576	-	576
Independent Operations	-	-	-	-
Capital Outlay	-	-	-	-
Renewal & Replacements	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Total Restricted Expenditures	<u>523,132</u>	<u>709,532</u>	<u>693,467</u>	<u>16,065</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	-	-	(3,061)	<u>\$ (3,061)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	



NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
UNRESTRICTED – INSTRUCTION & GENERAL
SCHEDULE 4
FOR THE YEAR ENDED JUNE 30, 2010



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Actual Positive (Negative) <u>Budget</u>
Beginning Fund Balance	\$ 4,390,101	\$ 5,627,626	\$ 5,627,626	\$ -
Unrestricted Revenues:				
Tuition	2,126,756	2,158,063	2,154,993	(3,070)
Miscellaneous Fees	47,000	47,000	55,192	8,192
Federal Government Appropriations	-	-	-	-
State Government Appropriations	2,069,700	1,973,100	1,973,100	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/.Grants	-	-	-	-
Private Contracts/Grants	-	-	-	-
Endowments	-	-	-	-
Land & Permanent Fund	18,681,128	18,681,128	18,794,609	113,481
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	<u>86,850</u>	<u>86,850</u>	<u>79,985</u>	<u>(6,865)</u>
Total Unrestricted Revenues	<u>23,011,434</u>	<u>22,946,141</u>	<u>23,057,879</u>	<u>111,738</u>
Unrestricted Expenditures:				
Instruction	8,839,621	8,839,621	8,673,577	166,044
Academic Support	1,053,804	973,303	866,621	106,682
Student Services	1,415,295	1,360,295	1,214,048	146,247
Institutional Support	2,944,375	2,959,375	2,684,098	275,277
Operations & Maintenance of Plant	<u>3,298,215</u>	<u>3,198,215</u>	<u>3,074,796</u>	<u>123,419</u>
Total Unrestricted Expenditures	<u>17,551,310</u>	<u>17,330,809</u>	<u>16,513,140</u>	<u>817,669</u>
Net Transfers	<u>(5,835,602)</u>	<u>(7,189,102)</u>	<u>(7,189,102)</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	(375,478)	(1,573,770)	(644,363)	<u>\$ 929,407</u>
Ending Fund Balance	<u>\$ 4,014,623</u>	<u>\$ 4,053,856</u>	<u>\$4,983,263</u>	



NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
RESTRICTED – INSTRUCTION & GENERAL
SCHEDULE 5
FOR THE YEAR ENDED JUNE 30, 2010



	Original Budget	Final Budget	Actual	Actual Positive (Negative) Budget
Beginning Fund Balance	\$ -	\$ -	\$ 2,835	\$ 2,835
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	116,468	116,468	99,382	(17,086)
State Government Appropriations	2,800	2,800	1,790	(1,010)
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/.Grants	-	-	-	-
Private Contracts/Grants	625,686	762,346	548,456	(213,890)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>744,954</u>	<u>881,614</u>	<u>649,628</u>	<u>(231,986)</u>
Restricted Expenditures:				
Instruction	374,909	429,402	296,719	132,683
Academic Support	1,445	1,445	652	793
Student Services	200	200	-	200
Institutional Support	368,400	450,567	355,092	95,475
Operations & Maintenance of Plant	-	-	-	-
Total Restricted Expenditures	<u>744,954</u>	<u>881,614</u>	<u>652,463</u>	<u>229,151</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	-	-	(2,835)	<u><u>\$ (2,835)</u></u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



OTHER SUPPLEMENTAL SCHEDULES





NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010



	<u>Wells Fargo (Roswell)</u>	<u>Wells Fargo (Roswell)</u>	<u>Total</u>
Bank Accounts			
Demand deposit accounts	\$ 3,617,495	\$ -	\$ 3,617,495
Certificates of deposit	753,694	-	753,694
Repurchase agreements	<u>-</u>	<u>2,041,991</u>	<u>2,041,991</u>
Total amount of deposits (bank balances)	\$ 4,371,189	\$ 2,041,991	\$ 6,413,180
FDIC coverage on interest bearing Accounts	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Total uninsured public funds	<u>4,121,189</u>	<u>2,041,991</u>	<u>6,163,180</u>
Collateral requirement @ 50%	2,060,595	-	2,060,595
Collateral requirement @ 102%	-	2,082,830	2,082,830
Pledges and securities			
FHLM Gold PL#G12319, matures 6/1/2021			
Held at Wells Fargo, Northwest			
CUSIP 3128M1PC7			
Current Face, \$21,394	22,957	-	22,957
FHLM Gold PL#G08323, matures 2/1/2039			
Held at Wells Fargo, Northwest			
CUSIP 3128MJLD0			
Current Face, \$952,028	1,008,541	-	1,008,541
FGH 00895, matures 6/1/2037			
Held at Wells Fargo, Northwest			
CUSIP 3128MS7G9			
Current Face, \$38,361	41,139	-	41,139
FNMA Pool #849021, matures 1/1/2036			
Held at Wells Fargo, Northwest			
CUSIP 31408EG63			
Current Face, \$773,136	842,888	-	842,888
FNMA Pool #885337, matures 6/1/2036			
Held at Wells Fargo, Northwest			
CUSIP 31410CS29			
Current Face, \$545,747	593,961	-	593,961



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010



(Continued)

	<u>Wells Fargo (Roswell)</u>	<u>Wells Fargo (Roswell)</u>	<u>Total</u>
FNMA Pool #888021, matures 12/1/2036 Held at Wells Fargo, Northwest CUSIP 31410FSJ6 Current Face, \$932,843	1,015,254	-	1,015,254
FNMA Pool #899178, matures 2/1/2037 Held at Wells Fargo, Northwest CUSIP 31410V6P0 Current Face, \$637,629	692,764	-	692,764
FNMA Pool #983363, matures 8/1/2038 Held at Wells Fargo, Northwest CUSIP 31415LML8 Current face, \$107,659	116,901	-	116,901
FNMA Pool #995049, matures 2/1/2038 Held at Wells Fargo, Northwest CUSIP 31416BL63 Current Face, \$1,205,944	1,297,595	-	1,297,595
FNCL 00925684, matures 1/1/2038 Held at Wells Fargo, Northwest CUSIP 31412HM97 Current Face, 1,348,654	-	1,472,597	1,472,597
FNCL 00885158, matures 6/1/2036 Held at Wells Fargo, Northwest CUSIP 31410CMF6 Current Face, \$558,663	-	611,058	611,058
Over (under) secured	<u>\$ 3,571,405</u>	<u>\$ 825</u>	<u>\$ 3,572,230</u>



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF INDIVIDUAL DEPOSITS
JUNE 30, 2010



<u>Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Unreconciled Bank Balance</u>	<u>Reconciled Balance</u>
Wells Fargo Bank New Mexico, N.A.				
	NMMI Federal Funds	Checking	\$ 68,405	\$ 68,405
	NMMI Combined Accounts	Checking	-	4,685,733
	Control Account		2,805,128	-
	Investment Account		<u>2,041,985</u>	<u>-</u>
	Total combined		<u>4,847,113</u>	<u>4,685,733</u>
	NMMI Investment Trust	Checking	178,671	178,671
	NMMI Bond Sinking Fund	Checking	457,807	457,807
	NMMI Cadet Activities	Checking	<u>107,483</u>	<u>107,483</u>
Total Wells Fargo Bank			5,659,479	5,498,099
Cash on Hand			-	<u>27,590</u>
Total			<u>\$ 5,659,479</u>	<u>\$ 5,525,689</u>



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF INVESTMENTS
JUNE 30, 2010



Scholarship Trust

At Market Value

American Legion	\$	5,461
Berger		182,424
Bondurant		1,439,680
Boyd		43,489
Camp		64,247
JG Cannon		127,529
Colfax		188,093
Carter		61,887
Coppinger		15,522
Crosby		320,018
Decker		83,886
Ellis		60,147
Evans		293,560
Fisher		66,868
General		110,069
Kelley		12,908
Lawrence		13,353
Lusk		58,323
Mechem		93,638
Morey		77,648
Patton		62,484
Rapp		412,250
Runnels		16,074
Ruppert		7,637
San Miguel & Mora		95,702
San Miguel & Mora (FEM)		147,654
Scherotter		6,688
Schmitt		49,565
Total	\$	<u>4,116,804</u>

Breakdown of Investments:

Cash-Wells Fargo Account	\$	23,832
State Investment Council		<u>4,092,972</u>
Total	\$	<u>4,116,804</u>



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF INVESTMENTS
JUNE 30, 2010



General Richard T. Knowles Legislative Scholarship Trust

At Market Value

Birnie	\$	3,900
Carter		2,168
Clark		32,050
Dickason		45,691
Domzalski		5,779
Duson		8,094
Featherstone		5,008
Gibson		17,251
Green		65,626
Hazard		1,307
Huston		158,956
Legis (General)		5,529,815
Marmaduke		12,802
Ostenberg		321,111
Robertson		14,635
Schillingburg		10,624
Sparkman		4,049
Stevens		996
Wyles		29,743
Total	\$	<u>6,269,605</u>

Breakdown of Investments

Cash – Wells Fargo Bank	\$	82,079
State Investment Council		6,187,526
Total	\$	<u>6,269,605</u>

Patterson Endowment

Cash – Wells Fargo Bank	\$	4,728
State Investment Council		3,221,935
Total	\$	<u>3,226,663</u>

Daniels Leadership Center Building Maintenance Endowment

State Investment Council	\$	3,573,791
Total	\$	<u>3,573,791</u>

Summary of Endowments

Scholarship Trust	\$	4,116,804
General Richard T. Knowles-Legislative Scholarship Trust		6,269,605
Patterson Account		3,226,663
Daniels Leadership Center-Building Maintenance Account		3,573,791
Total	\$	<u>17,186,863</u>

Cash, restricted	\$	110,639
Investments at State Investment Council		17,076,224
Total	\$	<u>17,186,863</u>



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



COMPLIANCE SECTION





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Mr. Hector H. Balderas
New Mexico State Auditor

Board of Regents
New Mexico Military Institute

We have audited the financial statements of the governmental activities, the business-type activities, and the discretely presented component unit (New Mexico Military Institute Foundation), and the unrestricted and restricted funds budget comparisons presented as Supplemental Information of New Mexico Military Institute as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Mexico Military Institute's internal control over financial reporting as a basis for designing our auditing procedures 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 New Mexico Military Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New Mexico Military Institute's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 10, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditors' Report

Mr. Hector H. Balderas
New Mexico State Auditor

Board of Regents
New Mexico Military Institute

Compliance

We have audited New Mexico Military Institute's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the New Mexico Military Institute's major federal programs for the year ended June 30, 2010. New Mexico Military Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of New Mexico Military Institute's management. Our responsibility is to express an opinion on New Mexico Military Institute's compliance based on our audit.

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 New Mexico Military Institute'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. Our audit does not provide a legal determination of New Mexico Military Institute's compliance with those requirements.

In our opinion, New Mexico Military Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of New Mexico Military Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered New Mexico Military Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 New Mexico Military Institute'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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 10, 2010



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010



	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Federal Grantor/Pass-Through Grantor/Program Title			
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster –			
Federal Supplemental Education Opportunity Grant	84.007	N/A	\$ 77,433
Federal Work-Study Program	84.033	N/A	4,643
Federal Pell Grant Program	84.063	N/A	<u>519,020</u>
Total Student Financial Assistance Cluster			601,096
Academic Competitiveness Grant	84.375	N/A	43,473
Fund for the Improvement of Post-Secondary Education	84.116	N/A	<u>4,717</u>
Total U.S. Department of Education Programs			<u>649,286</u>
U.S. Department of the Army			
ROTC	12.Unknown	DAFK 57-92-H-0422	15,406
JROTC	12.Unknown	DAFK 57-91-H-0422	<u>95,622</u>
Total U.S. Department of the Army Programs			<u>111,028</u>
Total			<u>\$ 760,314</u>



NEW MEXICO MILITARY INSTITUTE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010



NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of New Mexico Military Institute and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2010 *Catalog of Federal Domestic Assistance*.



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010



SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.375	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010



SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None reported.



NEW MEXICO MILITARY INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010



Status of Federal Award Findings and Questioned Costs

The Institute had no findings or questioned costs related to federal awards noted in prior audits that require a status.



NEW MEXICO MILITARY INSTITUTE
EXIT CONFERENCE
JUNE 30, 2010



The contents of this report were discussed at an exit conference held on November 09, 2010. The following individuals attended:

Board of Regents

John M. Henderson, III, President
Stephen D. Paternoster, Member

New Mexico Military Institute

MG Jerry W. Grizzle, President/Superintendent
LTC Judy Scharmer, Vice President of Finance
LTC Charles Hendrickson, Assistant Vice President of Finance
MAJ Karen Daubert, Comptroller
CAPT Lois Rork, Senior Accountant
LTC David Gray, Internal Auditor

Heinfeld, Meech & Co., P.C.

Corey Arvizu, Partner

*The financial statements were prepared by
New Mexico Military Institute staff
from their original books and records.*

