



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



Financial Statements
With Independent Auditor's
Report Thereon
For the Year Ended June 30, 2011





NEW MEXICO MILITARY INSTITUTE
Roswell, NM



INTRODUCTORY SECTION





Table of Contents

June 30, 2011

INTRODUCTORY SECTION

Table of Contents	3
Official Roster	4

FINANCIAL SECTION

Independent Auditors' Report	6-7
Management's Discussion and Analysis	8-17
Basic Financial Statements:	
Statement of Net Assets	18-19
Statement of Revenues, Expenses and Changes in Net Assets	20-21
Statement of Cash Flows	22-23
Notes to Financial Statements	24-43

SUPPLEMENTAL INFORMATION

Budget Comparison	
Unrestricted and Restricted-All Operations, Schedule 1	45
Budget Comparison	
Unrestricted-Instruction and General, Schedule 2	46
Budget Comparison	
Restricted-Instruction and General, Schedule 3	47

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Pledged Collateral	49-50
Schedule of Individual Deposits	51
Schedule of Endowments	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	59
Schedule of Findings and Questioned Costs	60-61
Summary Schedule of Prior Audit Findings	62
Exit Conference	63

NEW MEXICO MILITARY INSTITUTE
Roswell, NM



Official Roster
June 30, 2011

Board of Regents

Ex Officio Members:

The Honorable Susana Martinez
Dr. Jose Z. Garcia

Governor of the State of New Mexico
Secretary of Higher Education

Appointed Members:

John M. Henderson, III
Stephen D. Paternoster
J. William Himes
Jesse F. Eckel
Fermin Rubio

President
Vice-President
Secretary/Treasurer
Member
Member

Principal Administrative Officials

MG Jerry W. Grizzle
BG Richard Geraci
COL Frank Coggins
BG Douglas Murray
COL George Brick
COL Judy Scharmer
LTC Charles C. Hendrickson
LTC Jeffrey Savage
Mr. Robert Einhorn
Mr. David West
LTC Jonathan Graff
LTC Sonya Rodriguez

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



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



FINANCIAL SECTION





HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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, 2011, 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, 2011, 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, 2011, 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.

6301 Indian School Rd. NE, Suite 660, Albuquerque, NM 87110
Tel (505) 883-4300 Fax (505) 883-4330

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, 2011, 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, 2011 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 1, 2011, 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 17 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 1, 2011



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



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, 2011 with selective comparative information for the year ending June 30, 2010. 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.



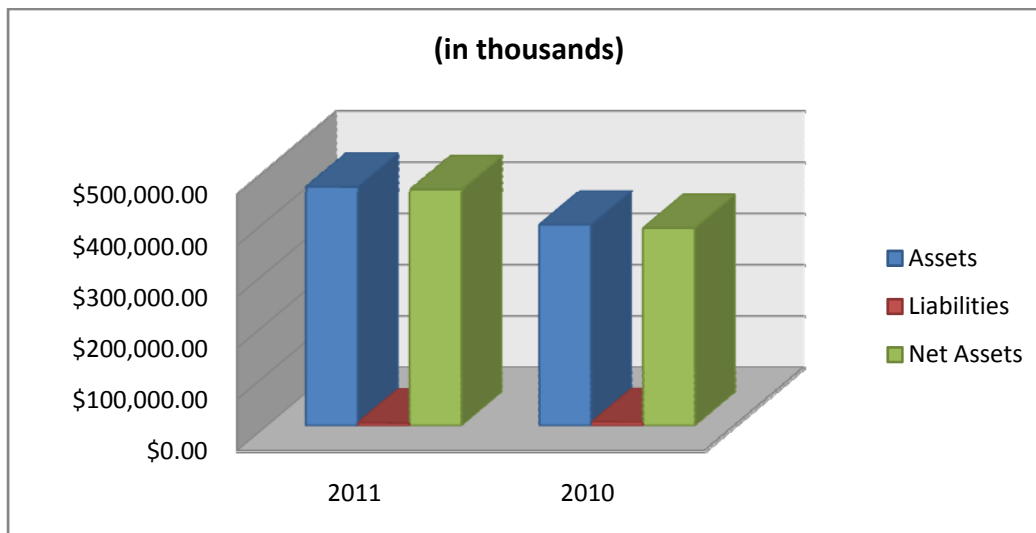
NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



SUMMARY STATEMENT OF NET ASSETS

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets	\$ 13,557,753	\$ 16,862,185
Capital assets, net	63,601,052	58,117,646
Non-current assets	<u>388,737,731</u>	<u>316,674,022</u>
Total assets	<u>\$ 465,896,536</u>	<u>\$ 391,653,853</u>
LIABILITIES		
Current liabilities	\$ 4,634,191	\$ 4,202,791
Non-current liabilities	<u>1,297,849</u>	<u>2,544,995</u>
Total liabilities	<u>\$ 5,932,040</u>	<u>\$ 6,747,786</u>
NET ASSETS		
Invested in capital assets net of related debt	\$ 61,116,639	\$ 54,420,401
Restricted	383,458,120	316,203,977
Unrestricted	<u>15,389,737</u>	<u>14,281,689</u>
Total net assets	<u>\$ 459,964,496</u>	<u>\$ 384,906,067</u>

ASSETS, LIABILITIES AND NET ASSETS





NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



Statement of Net Assets Highlights:

Assets

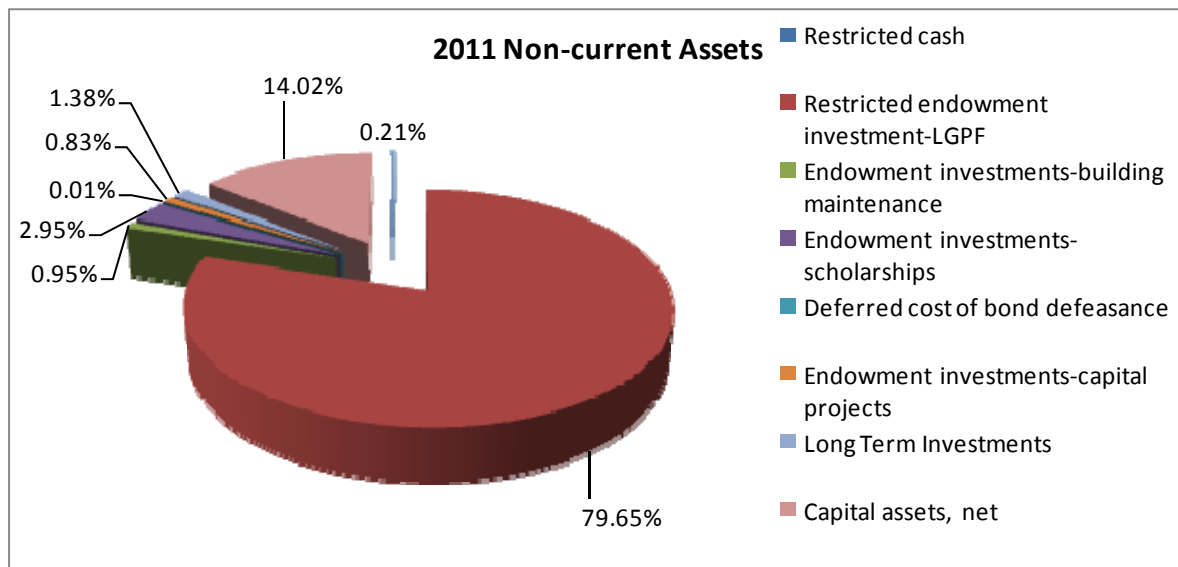
Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant unrestricted current assets of the Institute at June 30, 2011 and 2010 are cash, cash equivalents and short term investments totaling \$10,850,577 and \$13,521,490, respectively.

Over the last five years, NMMI's increase to the investment in capital assets before depreciation totaled \$27 million. NMMI is committed to continuing the quality of NMMI's mission through the development and maintenance of its property, plant and equipment.

The major capital projects in design and construction at June 30, 2011:

- 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 \$361,273,359 and \$298,567,680 at June 30, 2011 and 2010, respectively.





NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



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 \$2,460,000 and \$3,600,000 at June 30, 2011 and 2010, respectively.

	<u>2011</u>	<u>2010</u>
Bonds payable, current	\$ 1,200,000	\$ 1,140,000
Bonds payable, long-term	<u>1,260,000</u>	<u>2,460,000</u>
Total Bonds Payable	<u>\$ 2,460,000</u>	<u>\$ 3,600,000</u>

At June 30, 2011, the Institute's current ratio, the amount of current assets (\$13,557,753) available to cover current liabilities (\$4,634,191) was 2.93 to 1.

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.

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 and related debt represent the Institute's non-depreciable and depreciable assets which was \$61,116,639 as of June 30, 2011.

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 \$361,273,359, 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 \$8,104,449 as of June 30, 2011.

Unrestricted net assets increased from 2010 by \$1,108,048. 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, 2011

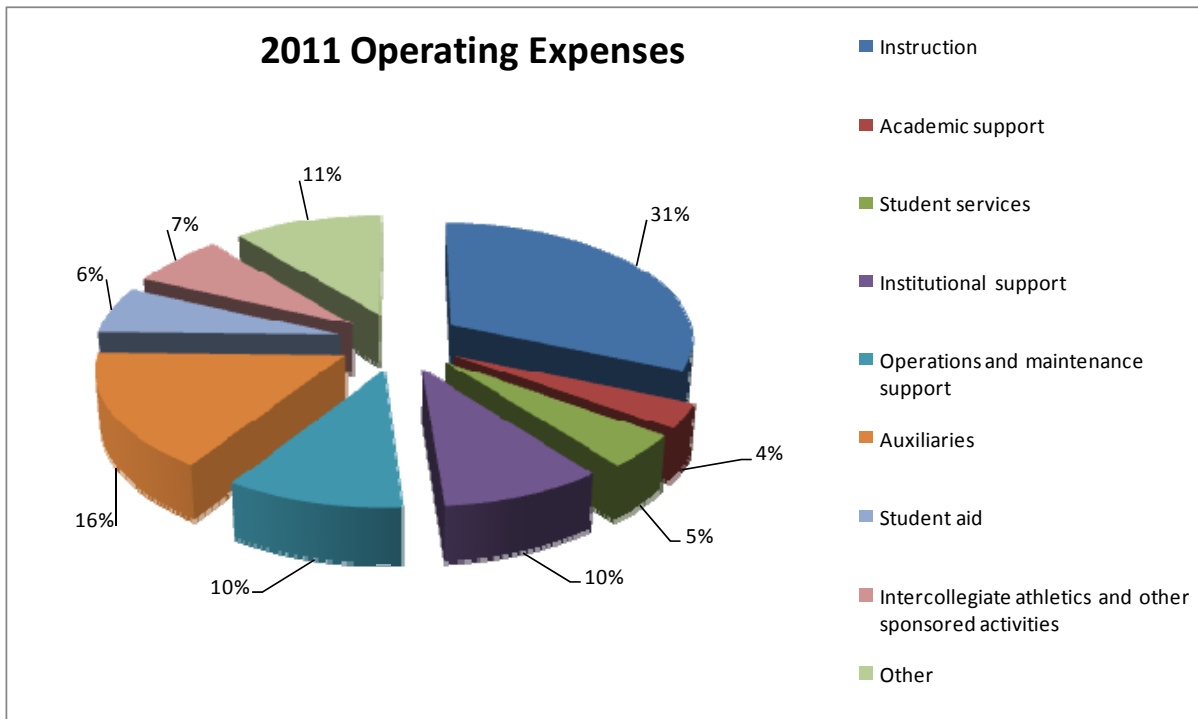
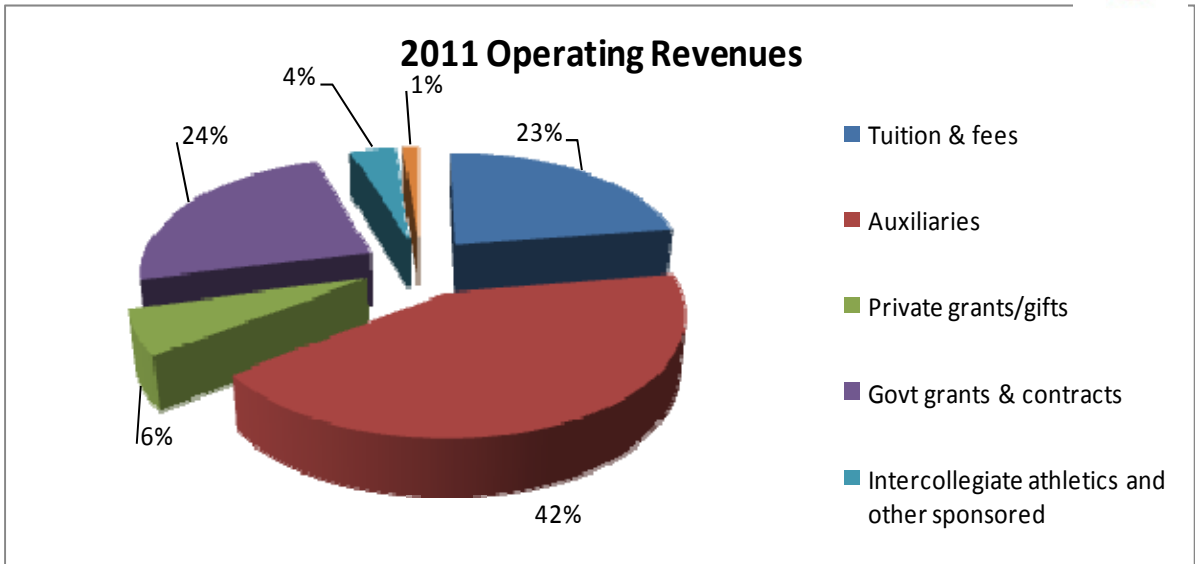


Summary Statement of Revenues, Expense and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating Revenue by Major Source		
Tuition	\$ 2,786,806	\$ 2,210,185
Auxiliaries	5,252,196	4,575,820
Private grants/gifts	773,331	548,456
Governmental grants and contracts	2,957,132	2,791,553
Intercollegiate athletics and other sponsored activities	474,260	470,617
Other	148,134	140,345
	<u>\$ 12,391,859</u>	<u>\$ 10,736,976</u>
Operating Expense by Major Function		
Instruction	\$ 9,228,189	\$ 8,970,296
Academic support	1,021,186	867,273
Student services	1,366,021	1,214,048
Institutional support	2,796,405	3,039,191
Operations and maintenance support	3,023,727	3,074,796
Auxiliaries	4,766,122	4,228,462
Student aid	1,899,653	1,460,201
Intercollegiate athletics and other sponsored activities	2,093,771	1,889,959
Other	3,272,254	3,252,319
	<u>\$ 29,467,328</u>	<u>\$ 27,996,545</u>
Non-operating Revenue (Expense)		
Investment income (loss) including income received From the State Land Office and State Land Grant Permanent Fund	\$ 86,183,538	\$ 50,581,328
Other	(180,000)	(228,385)
	<u>\$ 86,003,538</u>	<u>\$ 50,352,943</u>
Income (loss) before other revenue, expense, gains and losses	\$ 68,928,069	\$ 33,093,374
Capital grants	6,130,360	1,908
Total increase (decrease) in net assets	<u>\$ 75,058,429</u>	<u>\$ 33,095,282</u>
Net assets, beginning of year	<u>\$ 384,906,067</u>	<u>\$ 351,810,785</u>
Net assets, end of year	<u>\$ 459,964,496</u>	<u>\$ 384,906,067</u>



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011





NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



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

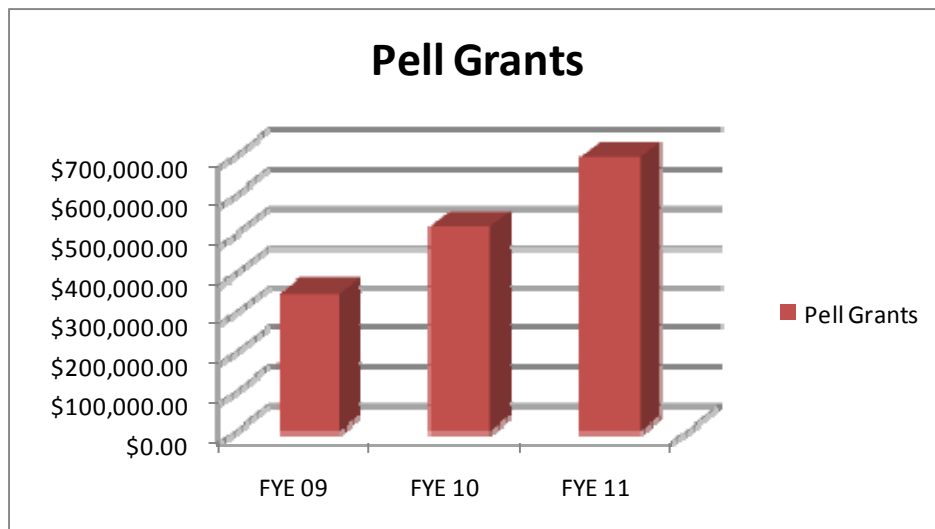
Revenues in the reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions produced in conducting the primary business operations of the Institute, including instruction, auxiliaries, federal and state grants and contracts, and intercollegiate athletics 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

Operations were significantly impacted by a double-digit increase in enrollment from 2010 coupled with a 6% increase to tuition. This is reflected in the area of tuition, auxiliaries and grants. NMMI experienced a 14% increase in enrollment which can be partially attributed to a rigorous marketing strategy and NMMI providing an affordable education, thus, increasing tuition by \$576,621. Student fees and sales to cover the auxiliary services increased \$676,376, however, was offset with the increase to contractual services directly related to the demand placed on those enterprises to meet the surge of enrollment, such as the dining hall and infirmary.

Pell grants increased \$178,553 from 2010 due to the College Affordability Act which enables more students to qualify.



Operating expenses increased \$1,470,783. The increase in 2011 was mainly attributable to an increase in student aid and contractual services in the Auxiliaries to meet the service demand due to increased enrollment. Instructional expenses paid from Foundation funds increased modestly in the amount of \$297,981 which supports the study and tutoring enhancements available to the cadets through the Toles Learning Center.



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



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. Permanent Fund distributions for 2011 increased slightly from 2010 in the amount of \$274,046. Land Income increased \$829,742 due to record amounts of revenue from drilling leases which are managed by the State Land Office and passed on to the beneficiaries. Income received from the State Land Office and the Land Grant Permanent Fund was \$1,834,383 and \$18,064,014, respectively. 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 NM 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 for 2011 and 2010 was \$66,138,927 and \$31,699,093, respectively.

Change in Net Assets

The Institute's total change in net assets showed a net increase for both 2011 and 2010. 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.

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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Net cash used by operating activities	\$ (13,526,163)	\$ (14,327,059)
Net cash provided by noncapital financing activities	125,177	105,476
Net cash provided by investing activities	17,887,294	17,417,673
Net cash used by capital and related financing activities	<u>(4,213,971)</u>	<u>(3,634,552)</u>
Net increase (decrease) in cash and cash equivalents	\$ <u>272,337</u>	\$ (438,462)

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.



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



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 \$1,376,641 higher than budgeted. The overall actual expenditures were \$2,720,513 lower than budgeted. This positive budget variance of \$4,097,154 is reserved for future scholarships, capital outlay and repairs, debt service, auxiliary expenses and athletics.

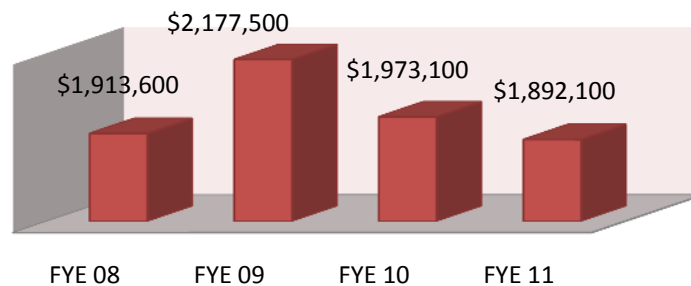
Economic Factors Impacting Future Periods

As of June 30, 2011, NMMI's continues to maintain its strong financial position. NMMI's Moody Rating is Aa2. Moody's Investment Service reported "The Institute's high level of support from the LGPF coupled with having the largest single share of the LGPF [after the public schools], signifies NMMI's importance as a state supported military school to the State of New Mexico."

Going forward, NMMI is cautiously optimistic anticipating steady 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.

NMMI's general fund appropriations received from the state of New Mexico have been declining due to the state's economy and further reduction is unknown at this time, however, the State's July 2011 General Fund Revenue Estimates forecast the FY12 and FY13 with moderate growth of 5% primarily due to gross receipts tax and oil & gas revenue.

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.



NEW MEXICO MILITARY INSTITUTE
Management's Discussion and Analysis
June 30, 2011



Other Factors Impacting Future Periods

In the United States, colleges and universities voluntarily seek accreditation from nongovernmental bodies. There are two types of educational accreditation: institutional and specialized. The Higher Learning Commission conducts institutional accreditation. An institutional accrediting agency evaluates an entire educational organization in terms of its mission and the agency's standards or criteria.

On June 24, 2011 the Higher Learning Commission notified the New Mexico Military Institute's Junior College Division that it has been once again approved for a ten year accreditation, the maximum term granted.

NMMI, first accredited in 1917 by the North Central Association of Colleges and Schools, has retained its accreditation for almost 100 years. The college was last awarded accreditation in 2001 for a ten year period.

The Higher Learning Commission publishes an overview booklet that provides brief general information about the accreditation of higher learning organizations by the Higher Learning Commission which can be located at <http://ncahlc.org>.

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 Chief Financial Officer 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, 2011**



	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,765,620	\$ 218,044
Restricted cash and cash equivalents	841,641	-
Short-term investments	5,243,316	-
Prepaid expenses	-	3,315
Contract and grant receivables	-	-
Pledges receivable, net of allowance	-	63,727
Student accounts receivable, net of allowance for doubtful receivables of \$935,000	151,041	-
Receivable from NMMI Foundation	266,258	-
Other accounts receivable	2,216,741	40,539
Inventories	73,136	-
Total current assets	<u>13,557,753</u>	<u>325,625</u>
Non-current Assets:		
Restricted cash and cash equivalents	943,868	-
Deferred cost of bond defeasance	57,500	-
Land and buildings held for investment	-	6,647,636
Pledges receivable, net of allowance	-	477,365
Surrender value of life insurance policies	-	589,716
Endowment investments, Land Grant Permanent Fund	361,273,359	-
Endowment investments, scholarships	13,385,604	-
Endowment investments, capital projects	3,746,870	-
Endowment investments, building maintenance	4,298,722	-
Long-term investments	5,031,808	30,881,217
Beneficial interest in perpetual trust	-	729,510
Other assets	-	50,000
Capital assets, net of accumulated depreciation	<u>63,601,052</u>	<u>2,684</u>
Total non-current assets	<u>452,338,783</u>	<u>39,378,128</u>
Total Assets	<u>\$ 465,896,536</u>	<u>\$39,703,753</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, 2011**

(continued)

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,691,185	\$ 780
Accrued compensated absences	452,267	16,865
Payable to NMMI	-	266,258
Deferred support	-	376,188
Other credits	651,429	-
Funds held for others	595,246	-
Capital lease payable-current portion	44,064	-
Bonds payable-current portion	<u>1,200,000</u>	<u>-</u>
Total current liabilities	<u>4,634,191</u>	<u>660,091</u>
Non-current Liabilities:		
Capital lease payable-long term portion	37,849	-
Bonds payable-long term portion	<u>1,260,000</u>	<u>-</u>
Total non-current liabilities	<u>1,297,849</u>	<u>-</u>
Total Liabilities	<u>5,932,040</u>	<u>660,091</u>
NET ASSETS		
Invested in capital assets, net of debt	61,116,639	-
Restricted for		
Nonexpendable:		
Restricted, Land Grant Permanent Fund at State Investment Council	361,273,359	-
Restricted, Scholarships at State Investment Council	8,380,312	-
Restricted, Building Maintenance	3,700,000	-
Restricted, Capital Projects	2,000,000	-
Permanently Restricted, NMMI Foundation	-	17,876,989
Expendable:		
Term endowments, scholarships	5,041,964	-
Capital Projects	1,751,598	-
Building Maintenance	598,722	-
Debt Service	712,165	-
Temporarily Restricted, NMMI Foundation	-	6,538,088
Unrestricted	<u>15,389,737</u>	<u>14,628,585</u>
Total net assets	<u>459,964,496</u>	<u>39,043,662</u>
Total Liabilities and Net Assets	<u>\$ 465,896,536</u>	<u>\$39,703,753</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, 2011**



	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
Operating revenues:		
Tuition and fees	\$ 2,786,806	\$ -
Contributions	<u>-</u>	<u>546,740</u>
	2,786,806	546,740
Federal grants and contracts	1,003,387	-
State grants and contracts	1,953,745	-
Private grants and contracts	773,331	-
Other sponsored activities	408,169	-
Auxiliary enterprises	5,252,196	-
Intercollegiate athletics	66,091	-
Other	148,134	6,310
Rental income	<u>-</u>	<u>330,852</u>
Total operating revenues	<u>12,391,859</u>	<u>883,902</u>
Expenses:		
Instruction and general:		
Instruction	9,228,189	-
Academic support	1,021,186	-
Student services	1,366,021	-
Institutional support	2,796,405	-
Operations and maintenance support	<u>3,023,727</u>	<u>-</u>
Total instruction and general expenses	17,435,528	-
Other sponsored activities	389,228	-
Student aid grants and stipends	1,899,653	-
Auxiliary enterprises	4,766,122	-
Intercollegiate athletics	1,704,543	-
Internal service department	26,327	-
Supporting services	-	380,132
Minor capital outlay operations	4,409	-
Program services	-	1,401,234
Real estate expenses	-	42,798
Depreciation	<u>3,241,518</u>	<u>-</u>
Total expenses	<u>29,467,328</u>	<u>1,824,164</u>
Operating income (loss)	<u>\$ (17,075,469)</u>	<u>\$ (940,262)</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, 2011**



(Continued)

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>NMMI</u>	<u>NMMI Foundation</u>
Non-operating revenues (expenses):		
Investment income	\$ 66,138,927	\$ 5,210,042
Decrease in cash value of life insurance	-	40,965
Income from State Land Office	1,834,383	-
Income from State Land Grant Permanent Fund	18,064,014	-
Endowment contributions	6,430	-
Other income (loss)	168,534	31,786
Interest on capital asset related to debt	(180,000)	-
Bond defeasance amortization	<u>(28,750)</u>	<u>-</u>
Net non operating revenues (expenses)	<u>86,003,538</u>	<u>5,282,793</u>
Income before other revenues, expenses, gains and losses	<u>68,928,069</u>	<u>4,342,531</u>
Other:		
Capital grants, net	<u>6,130,360</u>	<u>-</u>
Net other revenues (expenses)	<u>6,130,360</u>	<u>-</u>
Change in net assets	75,058,429	4,342,531
Net assets, beginning of year	<u>384,906,067</u>	<u>34,701,131</u>
Net assets, end of year	<u>\$ 459,964,496</u>	<u>\$39,043,662</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, 2011**



	<u>Primary Government</u>	<u>NMMI</u>
Cash flows from operating activities:		
Tuition and fees	\$ 2,789,558	
Grants and contracts	2,654,787	
Sales and services of educational activities	5,267,551	
Other operating receipts	605,085	
Payments to employees for salaries and benefits	(15,662,533)	
Payments to suppliers	(8,227,194)	
Grants issued to students	(953,417)	
Net cash used by operating activities	<u>(13,526,163)</u>	
Cash flows from noncapital financing activities:		
Agency receipts	2,816,324	
Agency payments	<u>(2,691,147)</u>	
Net cash provided by noncapital financing activities	<u>125,177</u>	
Cash flows from investment activities:		
Cash distribution from State Land Grant Permanent Fund	18,254,750	
Cash distribution from State Land Office	1,834,383	
Cash received from scholarship gifts	6,430	
Other investment income	32,235	
Cash transferred to investment accounts	(2,132,738)	
Cash payment of trust expenses	<u>(107,766)</u>	
Net cash provided by investing activities	<u>17,887,294</u>	
Cash flows from capital and related financing activities:		
Cash paid for capital assets	(8,813,710)	
Cash received on capital grants	6,325,512	
Cash paid for renewal and replacement of assets	(461,498)	
Other receipts (payments)	168,540	
Repayments of capital debt	(1,252,815)	
Interest paid on capital debt	<u>(180,000)</u>	
Net cash used by capital and related financing activities	<u>(4,213,971)</u>	
Net increase in cash and cash equivalents	272,337	
Cash and cash equivalents, beginning of year	<u>6,278,792</u>	
Cash and cash equivalents, end of year	<u>\$ 6,551,129</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, 2011**



(Continued)

	<u>Primary Government</u>	<u>NMMI</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (17,075,469)	
Adjustments to reconcile operating loss to net cash Used by operating activities:		
Depreciation expense		3,241,518
Changes in assets and liabilities:		
Short term investments		(17,306)
Accounts receivable		(112,195)
Inventories		7,284
Accounts payable and accrued expenses		466,175
Deferred income		(45,877)
Accrued benefits		<u>9,707</u>
Net cash used by operating activities		<u>\$ (13,526,163)</u>

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



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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, 2011



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 2.2.2 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, 2011



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, 2011



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 2011 is \$935,000.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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, 2011



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 governing board is \$3,256,597. 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 governing body 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 governing board is \$3,046,187. This amount is reported in restricted scholarships at NMMI Foundation in the net assets of the component unit. New Mexico state law allows the governing body 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, 2011



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, 2011.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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, 2011, 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>
Interest Bearing Deposits	\$ 1,060,727	\$ 2,332,994
Non-interest Bearing Deposits	<u>3,356,021</u>	<u>-</u>
Total Deposits in Bank	<u>4,416,748</u>	<u>2,332,994</u>
Less: FDIC Insurance on Interest Bearing Accounts	(250,000)	-
FDIC Insurance on Non- Interest Bearing Accounts	<u>(3,356,021)</u>	<u>-</u>
Uninsured Public Funds	810,727	2,332,994
Collateral Requirement 50%	405,364	-
Collateral Requirement 102%	-	2,379,654
Pledged Collateral Held by the Pledging Bank’s Trust Department Not in the Agency’s Name	<u>460,784</u>	<u>2,379,654</u>
Uninsured & Uncollateralized	<u>\$ -</u>	<u>\$ -</u>

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, 2011, \$3,143,721 of the Institute’s bank balance of \$6,749,742 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>3,143,721</u>
Total	<u>\$ 3,143,721</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments

The Institute invests some unrestricted operating funds with Wells Fargo Bank's Brokerage Services as well as with the State Investment Council. The short-term investments of \$3,994,645 include investments in cash, money market funds, and brokered certificates of deposit maturing within one year. The long-term investments of \$6,280,479 include investments in brokered certificates of deposit with maturity dates of over one year as well as funds deposited with the New Mexico State Investment Council intended for capital construction consisting of equity and fixed income investments which are to be held for a period of over one year. All the certificates of deposit are 100% insured by the FDIC and are recorded at their current market value. Par value of each of these certificates of deposit does not exceed \$250,000. The following is a detailed listing of the short-term and long-term investments:

Short-term:

Brokered certificates of deposit

Sovereign Bank	\$ 249,978
Beal Bank Nevada	249,981
Union B T NC	249,966
Bank of China	249,905
Bank of North Carolina	249,865
National Rep Bank Chicago	249,748
State Bank of India NY	249,761
Safra National Bank	249,931
Bank of India	249,860
East West BK CA	249,685
First Trust Bank	249,605
Bucks County Bank	<u>249,590</u>

Total 2,997,875

Money market account 2,245,441

Total short-term investments \$ 5,243,316

Long-term:

Brokered certificates of deposit

World Financial Cap UT	\$ 249,687
Foster Bank	249,577
First Priority BK PA	250,836
Citizens BK Arlington KY	249,790
First American BK Elk Grove Village	245,114
Wright Express Finl Svcs Corp	250,155
Everbank Jacksonville FL	250,080
GE Money Bank	249,212
BMW Bank	250,244
Alma Bank NY	250,151



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Medallion Bank Salt Lake City UT	250,254
GE Capital Financial	248,975
Republic Bank of Chicago	250,342
Tristate Capital Bank PA	250,281
First Bank NC	<u>250,702</u>
Total	3,745,400
NM State Investment Council Investments	<u>1,286,408</u>
Total long-term investments	<u>\$ 5,031,808</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.

Pooled investments of the Institute consist of the following at June 30, 2011:

<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	\$ 336		0.00%	0.00%
Large Cap Index	8,728,507		38.42%	38.00%
Mid-Small	2,526,278		11.12%	11.00%
Non U.S. Developed Equity	2,634,265		11.60%	12.00%
Emerging Markets	<u>653,545</u>		<u>2.88%</u>	<u>3.00%</u>
Total Equity	\$14,542,931		64.02%	64.00%
Core Bonds	<u>8,174,673</u>	1-5 years	<u>35.98%</u>	<u>36.00%</u>
Total Investment Pool	<u>\$22,717,604</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, and government sponsored enterprises, corporations or instrumentalities.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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, 2011 the fair value of such interest was \$361,273,359. These investments are not categorized by custodial risk.

Investment Income (Loss)

Investment income (loss) consists of the following for the year ended June 30, 2011:

	Land Grant Permanent <u>Fund</u>	Daniels Leadership Center Bldg. <u>Maintenance</u>	Patterson Construction <u>Endowment</u>	Scholarship Trust <u>Fund</u>	Capital Outlay <u>Fund</u>	Unrestricted <u>Funds</u>	<u>Total</u>
Investment Income (loss)	\$1,007,180	\$ -	\$ -	\$ 284	\$ -	\$ -	\$ 1,007,464
Realized gains (losses)	15,899,332	125,576	(12,965)	280,017	15,425	-	16,307,385
Unrealized gains (losses)	45,799,167	599,355	537,899	1,866,398	20,984	275	48,824,078
	<u>\$62,705,679</u>	<u>\$ 724,931</u>	<u>\$ 524,934</u>	<u>\$2,146,699</u>	<u>\$ 36,409</u>	<u>\$ 275</u>	<u>\$66,138,927</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 2: CASH AND INVESTMENTS (CONTINUED)

During the year ended June 30, 2011, \$18,064,014 in cash was distributed to NMMI from the State Land Grant Permanent Fund and \$125,000 in cash was distributed to NMMI from the Patterson Construction Endowment for use in construction. During the year ended June 30, 2011, \$882,738 was transferred to the Scholarship Trust Funds and \$1,250,000 was transferred to the Capital Outlay Fund at the State Investment Council.

NOTE 3: CAPITAL ASSETS

The following are the changes in capital assets:

	Beginning Balance	Additions	Retirement	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 710,537	\$ -	\$ -	\$ 710,537
Construction in progress	766,208	8,007,406	-	8,773,614
Artwork	<u>808,296</u>	<u>1,995</u>	-	<u>810,291</u>
Total Capital Assets Not Being Depreciated	<u>2,285,041</u>	<u>8,009,401</u>	-	<u>10,294,442</u>
Capital Assets Being Depreciated:				
Buildings	83,362,952	44,227	(36,784)	83,370,395
Furniture, fixtures and equipment	9,233,623	685,303	(74,720)	9,844,206
Leased equipment	275,997	-	(105,957)	170,040
Library books	595,203	7,120	-	602,323
Infrastructure	3,206,576	-	-	3,206,576
Land improvements	1,379,709	-	-	1,379,709
Vehicles and golf carts	<u>699,386</u>	<u>21,958</u>	<u>(174,542)</u>	<u>546,802</u>
Total at Historical Cost	<u>98,753,446</u>	<u>758,608</u>	<u>(392,003)</u>	<u>99,120,051</u>
Less Accumulated Depreciation:				
Buildings	33,968,937	2,031,061	(34,086)	35,965,912
Furniture, fixtures and equipment	6,729,302	991,382	(67,708)	7,652,976
Leased equipment	112,961	56,761	(105,957)	63,765
Library books	437,313	28,836	-	466,149
Infrastructure	752,338	87,022	-	839,360
Land improvements	328,078	6,828	-	334,906
Vehicles and golf carts	<u>591,912</u>	<u>39,628</u>	<u>(141,167)</u>	<u>490,373</u>
Total Accumulated Depreciation	<u>42,920,841</u>	<u>3,241,518</u>	<u>(348,918)</u>	<u>45,813,441</u>
Total Capital Assets, Net	\$ <u>58,117,646</u>	\$ <u>5,526,491</u>	\$ <u>(43,085)</u>	\$ <u>63,601,052</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 4: LEASE COMMITMENTS AND CONTINGENCIES

The Institute is committed under various operating leases which expire through 2015. These leases are primarily for copy machines. Rental expense under these leases amounted to \$14,614 in 2011.

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

2012	\$ 57,886
2013	57,223
2014	57,223
2015	<u>45,260</u>
	<u>\$ 217,592</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 \$170,040. Minimum future lease payments under the capital leases as of June 30, for each of the remaining years are:

2012	\$ 47,883
2013	<u>47,883</u>
Total minimum lease payments	95,766
Amount representing interest and taxes	<u>(13,853)</u>
Present value of minimum lease payments	<u>\$ 81,913</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, 2011 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, 2011



NOTE 5: BONDS PAYABLE

Long-term bonds payable of the Institute at June 30, 2011, 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 at 5.0%	\$2,460,000
--	-------------

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>
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>\$2,460,000</u>	<u>\$186,000</u>	<u>\$2,646,000</u>

Interest expense incurred during the year ended June 30, 2011 was \$180,000 and is recorded as interest on capital assets related to debt.

NOTE 6: LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Long term bond payable	\$ 2,460,000	\$ -	\$ 1,200,000	\$ 1,260,000
Current portion of bonds payable	<u>1,140,000</u>	<u>1,200,000</u>	<u>1,140,000</u>	<u>1,200,000</u>
	<u>\$ 3,600,000</u>	<u>\$ 1,200,000</u>	<u>\$ 2,340,000</u>	<u>\$ 2,460,000</u>
Long term lease payable	\$ 84,995	\$ -	\$ 47,146	\$ 37,849
Current portion of lease payment	<u>98,500</u>	<u>-</u>	<u>54,436</u>	<u>44,064</u>
	<u>\$ 183,495</u>	<u>\$ -</u>	<u>\$ 101,582</u>	<u>\$ 81,913</u>
Current portion of compensated absences	<u>\$ 442,560</u>	<u>\$ 302,738</u>	<u>\$ 293,031</u>	<u>\$ 452,267</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 7: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description Substantially all of the Institute’s full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. 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, 2011, 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:

Retirement Contributions

	<u>Employee</u>	<u>Employer</u>
For employees earning less than \$20,000 gross annual salary		
2011-2012	7.90%	12.40%
2012-2013	7.90%	12.40%
2013-2014	7.90%	13.15%
Future	7.90%	13.90%

Retirement Contributions

	<u>Employee</u>	<u>Employer</u>
For employees earning \$20,000 or more gross annual salary		
2011-2012	11.15%	9.15%
2012-2013	11.15%	9.15%
2013-2014	7.90%	13.15%
Future	7.90%	13.90%

The Institute’s contributions to the plan for the years ending June 30, 2011, 2010 and 2009 were \$1,288,832, \$1,385,250 and \$1,338,576 respectively, equal to the amount of the required contributions for each year.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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.

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, 2011, the statute required each participating employer to contribute 1.66% of each participating employee’s annual salary; each participating employee is required to contribute 0.833% of their salary. In the fiscal years ending June 30, 2012 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>
2012	1.834	0.917
2013	2.000	1.000



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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

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, 2011, 2010 and 2009 were \$193,911, \$150,500 and \$148,126 in employer contributions, and \$96,917, \$75,228 and \$74,061 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, 2010 to June 30, 2011.

NOTE 10: RECONCILIATION OF BUDGETARY BASIS TO GAAP

Budget comparisons revenues	\$ 39,067,325
Investment gain	66,210,148
Contributions to endowments	889,168
Change in Federal Programs	<u>(9,320)</u>
SRECNA Total Revenues	<u>106,157,321</u>
Budget comparisons expenditures	37,687,225
Capital expenditures	(9,966,505)
Current year depreciation and amortization	3,270,268
Trust expenses	<u>107,904</u>
SRECNA Total Expenditures	<u>31,098,892</u>
Change in Net Assets	<u>\$ 75,058,429</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



NOTE 11: NEW MEXICO MILITARY INSTITUTE FOUNDATION CASH AND INVESTMENTS

At June 30, 2011, the Foundation's deposits were \$218,044, and the bank balance was \$299,070. 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. The Foundation places no limits on the amount the Foundation may invest in any one issuer. Investments at June 30, 2011 were comprised of the following:

<u>Managed Funds/Bonds</u>	<u>2011</u>
Cambrian Capital Resources Offshore	\$ 816,143
Capital Guardian Emerging Markets	1,334,060
Dodge & Cox International Stock	4,421,029
Fortress Partners Offshore Fund	1,645,384
Longleaf Partners Fund	556,312
Newport Asia Institutional	554,814
Pine Grove Offshore	3,287,149
Pimco Short Term Bond Fund	1,328,129
Pimco Total Return Fund	2,175,716
Private Advisors Hedged Equity	2,962,992
Vanguard Dividend Growth Fund	2,570,810
Wellington Management Micro Cap Equity	1,418,856
Wellington Management Research Equity	6,570,280
Vanguard Inflation-Protected Securities	<u>1,239,543</u>
	30,881,217
Less:	
Deferred support	<u>(376,188)</u>
Foundation Investments	<u>\$30,505,029</u>

Investment income (loss) consisted of the following for the year ended June 30, 2011.

	<u>2011</u>
Interest and dividend	\$ 439,399
Net unrealized gains	4,325,483
Net realized gains	550,077
Investment expenses	<u>(104,917)</u>
Total investment income	<u>\$ 5,210,042</u>



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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. Land is sold at the direction of the Board of Trustees.

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, are as follows:

2012	\$	293,348
2013		293,348
2014		276,848
2015		249,948
2016		245,747
Thereafter		<u>5,810,526</u>
Total minimum lease payments	\$	<u><u>7,169,765</u></u>

NOTE 14: NEW MEXICO MILITARY FOUNDATION - 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 year ended June 30, 2011, \$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, 2011, various expenses were paid by the New Mexico Military Institute on behalf of the Foundation, which have been reimbursed. At June 30, 2011, \$266,258 was due to the Institute for operating expenses and support. For the year ended June 30, 2011, the Foundation provided \$1,396,484 in scholarships and awards for the benefit of institute cadets and faculty.



NEW MEXICO MILITARY INSTITUTE

Notes to the Financial Statements

June 30, 2011



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, Capital Outlay Funds, 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:	\$2,132,738 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, 2011, the Institute had an uncompleted construction contract for Pearson Hall. The project is partially funded by \$5,000,000 of State of New Mexico General Obligation Bonds which were issued in 2008. The reversion date for these funds is June 30, 2012, and as of June 30, 2011, \$5,000,000 of these funds had been expended. The remaining commitment on this construction contract was approximately \$947,827.

Also at June 30, 2011, the Institute had an uncompleted construction contract pertaining to the rehabilitation of potable water lines on campus. This project is fully funded by \$2,200,000 of State of New Mexico Severance Tax Bonds which were issued in 2009. The reversion date for these funds is June 30, 2013, and as of June 30, 2011, \$1,747,681 of these funds had been expended. The remaining commitment on this construction contract was approximately \$452,319.



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



SUPPLEMENTAL INFORMATION





NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
UNRESTRICTED AND RESTRICTED – ALL OPERATION
SCHEDULE 1
FOR THE YEAR ENDED JUNE 30, 2011



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Actual Positive (Negative) <u>Budget</u>
Beginning Fund Balance	\$ 15,902,830	\$ 14,696,449	\$ 14,696,449	\$ -
Unrestricted and Restricted Revenues:				
State General Fund Appropriations	1,955,600	1,892,100	1,892,100	-
Federal Revenue Sources	988,000	1,098,000	1,012,710	(85,290)
State Revenue Sources	30,800	7,048,800	6,616,095	(432,705)
Tuition and Fees	2,294,623	2,775,660	2,786,806	11,146
Land and Permanent Fund	18,671,798	18,740,049	19,898,397	1,158,348
Endowment and Private Gifts	847,369	847,369	781,411	(65,958)
Sales and Services	4,955,319	4,955,319	5,460,835	505,516
Other	<u>366,487</u>	<u>333,387</u>	<u>618,971</u>	<u>285,584</u>
Total Unrestricted & Restricted Revenues	<u>30,109,996</u>	<u>37,690,684</u>	<u>39,067,325</u>	<u>1,376,641</u>
Unrestricted and Restricted Expenditures:				
Instruction	9,477,713	9,453,527	9,228,191	225,336
Academic Support	1,021,477	1,100,782	1,021,186	79,596
Student Services	1,518,335	1,528,335	1,366,021	162,314
Institutional Support	3,335,027	3,184,162	2,796,405	387,757
Operation and Maintenance of Plant	3,319,234	3,187,610	3,023,727	163,883
Student Social and Cultural Activities	363,971	510,092	389,228	120,864
Research	-	-	-	-
Public Service	-	-	-	-
Internal Services	-	44,820	26,327	18,493
Student Aid, Grants and Stipends	3,169,533	2,857,155	2,782,391	74,764
Auxiliary Services	4,771,055	5,163,428	4,766,122	397,306
Intercollegiate Athletics	1,608,337	1,871,261	1,704,543	166,718
Independent Operations	-	-	-	-
Capital Outlay	6,689,746	8,689,746	8,688,771	975
Renewal and Replacement	1,248,549	1,248,549	461,498	787,051
Retirement of Indebtedness	<u>1,568,271</u>	<u>1,568,271</u>	<u>1,432,815</u>	<u>135,456</u>
Total Unrestricted & Restricted Expenditures	<u>38,091,248</u>	<u>40,407,738</u>	<u>37,687,225</u>	<u>2,720,513</u>
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	(7,981,252)	(2,717,054)	1,380,100	<u>\$ 4,097,154</u>
Ending Fund Balance	<u>\$ 7,921,578</u>	<u>\$ 11,979,395</u>	<u>\$ 16,076,549</u>	



NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
UNRESTRICTED – INSTRUCTION & GENERAL
SCHEDULE 2
FOR THE YEAR ENDED JUNE 30, 2011



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Actual Positive (Negative) <u>Budget</u>
Beginning Fund Balance	\$ 4,053,856	\$ 4,983,265	\$ 4,983,265	\$ -
Unrestricted Revenues:				
Tuition	2,247,623	2,722,660	2,716,220	(6,440)
Miscellaneous Fees	47,000	53,000	70,586	17,586
Federal Government Appropriations	-	-	-	-
State Government Appropriations	795,300	769,500	769,500	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/.Grants	-	-	-	-
Private Contracts/Grants	-	-	-	-
Endowments	-	-	-	-
Land & Permanent Fund	18,671,798	18,740,049	19,898,397	1,158,348
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	<u>86,850</u>	<u>53,750</u>	<u>104,211</u>	<u>50,461</u>
Total Unrestricted Revenues	<u>21,848,571</u>	<u>22,338,959</u>	<u>23,558,914</u>	<u>1,219,955</u>
Unrestricted Expenditures:				
Instruction	8,877,855	8,847,137	8,633,489	213,648
Academic Support	1,020,032	1,099,337	1,021,186	78,151
Student Services	1,518,135	1,528,135	1,366,021	162,114
Institutional Support	2,969,893	2,819,028	2,510,807	308,221
Operations & Maintenance of Plant	<u>3,319,234</u>	<u>3,187,610</u>	<u>3,023,727</u>	<u>163,883</u>
Total Unrestricted Expenditures	<u>17,705,149</u>	<u>17,481,247</u>	<u>16,555,230</u>	<u>926,017</u>
Net Transfers	<u>(5,804,802)</u>	<u>(5,429,002)</u>	<u>(5,429,002)</u>	-
Change in Fund Balance (Budgetary Basis)	(1,661,380)	(571,290)	1,574,682	\$ <u>2,145,972</u>
Ending Fund Balance	<u>\$ 2,392,476</u>	<u>\$ 4,411,975</u>	<u>\$6,557,947</u>	



NEW MEXICO MILITARY INSTITUTE
BUDGET COMPARISON
RESTRICTED – INSTRUCTION & GENERAL
SCHEDULE 3
FOR THE YEAR ENDED JUNE 30, 2011



	Original Budget	Final Budget	Actual	Actual Positive (Negative) Budget
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	123,000	123,000	106,968	(16,032)
State Government Appropriations	2,800	2,800	-	(2,800)
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	847,369	847,369	773,331	(74,038)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>973,169</u>	<u>973,169</u>	<u>880,299</u>	<u>(92,870)</u>
Restricted Expenditures:				
Instruction	599,858	606,390	594,700	11,690
Academic Support	1,445	1,445	-	1,445
Student Services	200	200	-	200
Institutional Support	365,134	365,134	285,599	79,535
Operations & Maintenance of Plant	-	-	-	-
Total Restricted Expenditures	<u>966,637</u>	<u>973,169</u>	<u>880,299</u>	<u>92,870</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	6,532	-	-	<u>\$ -</u>
Ending Fund Balance	<u>\$ 6,532</u>	<u>\$ -</u>	<u>\$ -</u>	



NEW MEXICO MILITARY INSTITUTE Roswell, NM



OTHER SUPPLEMENTAL SCHEDULES





NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2011



	<u>Wells Fargo (Roswell)</u>	<u>Wells Fargo (Roswell)</u>	<u>Total</u>
Bank Accounts			
Demand deposit accounts	\$ 3,562,349	\$ -	\$ 3,562,349
Certificates of deposit	854,399	-	854,399
Repurchase agreements	<u>-</u>	<u>2,332,994</u>	<u>2,332,994</u>
Total amount of deposits (bank balances)	\$ 4,416,748	\$ 2,332,994	\$ 6,749,742
FDIC coverage on non-interest Bearing accounts	(3,356,021)	-	(3,356,021)
FDIC coverage on interest bearing Accounts	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Total uninsured public funds	<u>810,727</u>	<u>2,332,994</u>	<u>3,143,721</u>
Collateral requirement @ 50%	405,364	-	405,364
Collateral requirement @ 102%	-	2,379,654	2,379,654
Pledges and securities			
FG GO 4535, matures 6/1/2038			
Held at Wells Fargo Bank, Northwest CUSIP 3128M6LQ9			
Current Face, \$17,362	18,528	-	18,528
FN 888021, matures 12/1/2036			
Held at Wells Fargo Bank, Northwest CUSIP 31410FSJ5			
Current Face, \$369,847	409,394	-	409,394
FN 981343, matures 7/1/2038			
Held at Wells Fargo Bank, Northwest CUSIP 31415AWC1			
Current Face, \$2,438	2,649	-	2,649
FN 995049, matures 2/1/2038			
Held at Wells Fargo Bank, Northwest CUSIP 31416BL63			
Current Face, \$27,673	30,213	-	30,213



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2011



(Continued)

	<u>Wells Fargo</u> <u>(Roswell)</u>	<u>Wells Fargo</u> <u>(Roswell)</u>	<u>Total</u>
FHG-3 G04691, matures 6/1/2038			
Held at Wells Fargo Bank, Northwest			
CUSIP 3128M6RL4			
Current Face, 2,229,640	-	<u>2,379,654</u>	<u>2,379,654</u>
Over (under) secured	<u>\$ 55,420</u>	<u>\$ -</u>	<u>\$ 55,420</u>



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF INDIVIDUAL DEPOSITS
JUNE 30, 2011



<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	\$ 78,117	\$ 78,117
	NMMI Combined Accounts	Checking	-	4,905,200
	Control Account		2,800,300	-
	Investment Account		<u>2,332,994</u>	<u>-</u>
	Total combined		<u>5,133,294</u>	<u>4,905,200</u>
	NMMI Investment Trust	Checking	128,211	128,211
	NMMI Bond Sinking Fund	Checking	457,807	457,807
	NMMI Cadet Activities	Checking	97,914	97,914
	NMMI Operating	CD	500,003	500,003
	NMMI DLC Bldg. Maint.	CD	204,962	204,962
	NMMI Cadet Activities	CD	100,033	100,033
	NMMI Cadet Activities	CD	<u>49,401</u>	<u>49,401</u>
Total Wells Fargo Bank			6,749,742	6,521,648
Cash on Hand			<u>-</u>	<u>29,629</u>
Total			<u>\$ 6,749,742</u>	<u>\$ 6,551,277</u>



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF ENDOWMENTS
JUNE 30, 2011



Scholarship Trust

At Market Value

American Legion	\$	6,641
Berger		221,839
Bondurant		1,743,970
Boyd		51,386
Camp		76,129
JG Cannon		155,084
Colfax		228,734
Carter		73,258
Coppinger		18,876
Crosby		378,164
Decker		99,010
Ellis		71,643
Evans		346,989
Fisher		78,916
General		138,851
Kelley		15,297
Lawrence		15,738
Lusk		69,354
Mechem		110,870
Morey		92,425
Patton		73,985
Rapp		487,325
Runnels		18,948
Ruppert		8,802
San Miguel & Mora		114,126
San Miguel & Mora (FEM)		173,558
Scherotter		7,883
Schmitt		59,275
Total	\$	<u>4,937,076</u>

Breakdown of Investments:

Outstanding Transfer at June 30, 2011		(45,405)
State Investment Council	\$	<u>4,982,481</u>
Total	\$	<u>4,937,076</u>



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF ENDOWMENTS
JUNE 30, 2011



(Continued)

General Richard T. Knowles Legislative Scholarship Trust

At Market Value

Birnie	\$	4,730
Carter		2,630
Clark		38,864
Dickason		55,406
Domzalski		7,007
Duson		9,815
Featherstone		6,073
Gibson		20,917
Green		79,578
Hazard		1,585
Huston		192,748
Legis (General)		7,588,140
Marmaduke		15,522
Ostenberg		389,376
Robertson		17,746
Schillingburg		12,883
Sparkman		4,910
Stevens		1,206
Wyles		<u>36,064</u>
Total	\$	<u><u>8,485,200</u></u>

Breakdown of Investments

Cash – Wells Fargo Bank	\$	36,672
Outstanding Transfer at June 30, 2011		45,405
State Investment Council		<u>8,403,123</u>
Total	\$	<u><u>8,485,200</u></u>

Patterson Endowment

Cash – Wells Fargo Bank	\$	4,728
State Investment Council		<u>3,746,870</u>
Total	\$	<u><u>3,751,598</u></u>

Daniels Leadership Center Building Maintenance Endowment

State Investment Council	\$	<u>4,298,722</u>
Total	\$	<u><u>4,298,722</u></u>

Summary of Endowments

Scholarship Trust	\$	4,937,076
General Richard T. Knowles-Legislative Scholarship Trust		8,485,200
Patterson Account		3,751,598
Daniels Leadership Center-Building Maintenance Account		<u>4,298,722</u>
Total	\$	<u><u>21,472,596</u></u>

Cash, restricted	\$	41,400
Investments at State Investment Council		<u>21,431,196</u>
Total Endowments	\$	<u><u>21,472,596</u></u>



NEW MEXICO MILITARY INSTITUTE
Roswell, NM



COMPLIANCE SECTION





HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



**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 aggregate 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, 2011. 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

Management of New Mexico Military Institute is responsible for establishing and maintaining effective 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 New Mexico Military Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 1, 2011



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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, 2011. 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, 2011.

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 1, 2011



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011



Federal Grantor/Pass-Through Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Direct Programs			
Student Financial Aid Cluster – Federal Supplemental Education			
Opportunity Grant (1)	84.007	N/A	\$ 76,554
Federal Work-Study Program (1)	84.033	N/A	10,486
Federal Pell Grant Program (1)	84.063	N/A	697,573
Federal Academic Competitiveness Grant Program	84.375	N/A	<u>59,978</u>
Total Student Financial Assistance Cluster			844,591
Federal Native American Criminal Justice Grant	84.116	N/A	<u>46,119</u>
Total U.S. Department of Education Programs			<u>890,710</u>
U.S. Department of the Army			
Direct Programs			
ROTC	12.Unknown	DAFK 57-92-H-0422	116,772
JROTC	12.Unknown	DAFK 57-91-H-0422	<u>96,106</u>
Total U.S. Department of the Army Programs			<u>212,878</u>
Total			<u>\$ 1,103,588</u>

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 2011 *Catalog of Federal Domestic Assistance*.



NEW MEXICO MILITARY INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011



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, 2011



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, 2011



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, 2011



The contents of this report were discussed at an exit conference held on November 1, 2011. The following individuals attended:

Board of Regents

Stephen D. Paternoster, Vice President
Jesse F. Eckel, Member

New Mexico Military Institute

MG Jerry W. Grizzle, President/Superintendent
COL Judy Scharmer, Chief Financial Officer
COL Frank Coggins, Chief of Staff
LTC Charles C. Hendrickson, Assistant Vice President of Finance
LTC Sonya Rodriguez, Director, Admissions and Financial Aid
CPT Amanda Garcia, Accountant
CPT Deborah Witt, Accountant
LTC David Gray, Internal Auditor

Heinfeld, Meech & Co., P.C.

Melissa D. Spangler, CPA, CGFM

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

