HIGHLANDS UNIVERSITY

Financial Audit For Fiscal Year

2022

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Introductory Section

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STATE OF NEW MEXICO
NEW MEXICO HIGHLANDS UNIVERSITY
PRESIDENT'S MESSAGE (UNAUDITED)

Founded in 1893, New Mexico Highlands University is a multicultural university. We are an open admission university and serve all students who honor us by attending.

After completing my first several years at Highlands University, we were able to address several major initiatives established by the board of regents. In addition to those, I also focused on campus life (via the Division of Student Affairs), Strategic Enrollment Management (the newest division here at HU), and a reengineer of Advancement. These three areas were not chosen randomly nor were they chosen because I thought they would be easy to improve. Quite the contrary. I chose them because, in my view, they held the most promise to address what I considered (and still consider) our most daunting challenge—moving from a historical reliance on state funding to a situation where we rely more on our own efforts to accrue revenue and remain vibrant and strong. That means—getting more students recruited and retained and improving our performance in private giving. New Mexico remains one of the states where state funding continues to support a large percentage of higher education funding, but the national trend is quite clear. For example, several states now receive less than 20% of their higher education funding from state government. Even though New Mexico devotes more than that (percentage-wise), the state trend is also clear—state funding is diminishing over time. Hence, my concerns.

I am rarely satisfied with performance (at least my own), but I am generally pleased with progress in the three areas of campus life, enrollment management, and advancement. All are trending in the right direction.

We accomplished additional and important initiatives, including,

- the final development and implementation of a new Alternative Teacher Certification Program designed to fast track teacher licensure,
- a major renovation of the historic Rodgers Building, and many other positive and other important programs and initiatives,
- additional programs in criminal justice, anthropology, and more.

American higher education has always done a great job educating students who come to university well prepared and able to meet the academic and other demands of university work. Students not among those groups have not fared as well…and that is still true today. For that reason, HU is at the very center of both the contemporary challenges and opportunities in the American academy and I am proud to lead and manage such an institution. At HU, we change lives every day and prepare our students for great jobs and careers and lives of deep meaning and purpose. The future at HU is challenging, no doubt, but it is also so fulfilling and important to our students and the maintenance of a free society.

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New Mexico Highlands University
Official Roster
June 30, 2022

Name	Title	Term Expires
	BOARD OF REGENTS	
Frank Marchi	Chairman	December 2022
William E. "Bill" Garcia	Vice Chairman	December 2024
Danelle Smith	Secretary/Treasurer	December 2025
Dr. Frank Sanchez	Regent	December 2026
Christopher Ulibarri	Student Regent	March 2023
	PRINCIPAL ADMINISTRATIVE OFFICIALS	
Dr. Sam Minner	President	
Dr. Roxanne Gonzales	Provost/Vice President for Academic Affairs	
Mr. Max Baca	Vice President of Finance, Administration, and Government Relations	
Mrs. Theresa M. Law, JD, CFRE	Vice President, Student and Donor Engagement	
David Lepre	Vice President of Marketing and Communications	
Dr. Kimberly Blea	Dean of Students	
	PRINCIPAL FINANCIAL OFFICIALS	
Stephanie Gonzales, CPA	Director of Finance & Budget / Comptroller	
Aaron Flure	Director of Purchasing	
Jill Diamond	Director of Human Resources/Payroll	
Gian "Joe" Gieri	Director of Information Technology Services	
Ryan Aragon	Student Accounts Receivable Manager	

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Financial Section

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CPAs and Advisors

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INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., New Mexico State Auditor
The Office of Management and Budget and
New Mexico Highlands University Regents
New Mexico Highlands University
Las Vegas, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of New Mexico Highlands University (the "University"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We also have audited the budgetary schedules presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2022, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying budgetary schedules referred to above present fairly, in all material respects, the respective budgetary position of the University, as of June 30, 2022, and the respective changes for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and the changes in financial position of only that portion of the business-type activities that are attributable to the transactions of the University. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restatement of Fund Balance and Net Position

As discussed in Note 2 to the basic financial statements, the prior year statements have been restated in the amount of $1,232,013 in the business-type activities related to a student aid clearing asset account that does not exist. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2022 the University adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 22, the GASB required pension schedules on pages 72 through 75, the GASB required other post-employment benefit schedules on pages 76 through 79, and the notes to the required supplementary information on page 80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and supporting schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and supporting schedules, as identified in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other disclosures but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 1, 2022

NEW MEXICO HIGHLANDS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and analysis of New Mexico Highlands University. It is intended to make the University financial statements easier to understand and communicate our financial situation in an open and accountable manner. It provides an objective analysis of the "University's" position and results of operations as of and for the year ended June 30, 2022. University management has prepared the financial statements and the related note disclosures in addition to the discussion and analysis. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

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

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

Understanding the Financial Statements

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

Report of Independent Auditors presents an unqualified opinion by our auditors from an independent certified public accounting firm (Carr, Riggs & Ingram, LLC) on the fairness (in all material respects) of our financial statements.

Statement of Net Position presents the assets, liabilities, and net position of the University at a point in time (June 30, 2022). Its purpose is to present a financial snapshot of the University. It aids readers in determining the assets available to continue the University's operations, how much the University owes to vendors, and investors, and a picture of net assets and their availability for expenditures in the University.

Statement of Revenues, Expenses, and Changes in Net Position presents the total revenues earned and expenses incurred by the University for operating, non-operating, and other related activities during a period of time (the year ended June 30, 2022). Its purpose is to assess the University's operating results. This statement begins with a presentation of the operating revenues received by the institution. Operating revenues are revenues arising from exchange (earned) transactions. In a public university, such as New Mexico Highlands University, income from state government appropriations, although not earned, are heavily relied upon to pay operating expenses for almost all instruction and general programs.

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

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

Statement of Cash Flows presents cash receipts and payments of the University during a period of time (year ended June 30, 2022). Its purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

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

We suggest that readers combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, number of undergraduates and graduates completing their degrees, and campus safety. Information about nonfinancial indicators is not included in this analysis but can be obtained from the University's Office of Information, University Relations Director.

Capital Asset and Long-Term Debt Activity

During the fiscal year, the University made some significant improvements in campus-wide infrastructure, to include but not limited to, improvements at Connor Hall A & B, National Avenue repaving project, and the completion of the NMHU Cultural Park. Total additions to capital and land improvements were $1.9 million. The University did not acquire any new long-term debt obligations and made fulfilled debt obligations in a timely manner. There no changes in credit ratings or debt limitations.

The University was awarded $7 million in General Obligation Bonds to plan, design, construct, renovate, furnish and equip Sininger Hall. The university advertised an RFP to hire a general contractor in September 2022; however, the respondents' cost proposals exceeded 10% of the construction budget, so the Board of Regents has elected for the university to seek additional funds from the State during the 2023 legislative process to continue with the project. If additional funds are received from the State, the university will re-advertise its RFP in the spring of 2023 to hire a general contractor and begin construction.

Factors Impacting Future Periods

In FY23, the University may continue to experience uncertainty from a financial perspective due to decreasing student enrollment, post pandemic workforce conditions, talent shortages, and increases in benefits, technology, and other operating costs. The population loss in northern New Mexico, which are traditional feeder schools, is declining. The University recognizes the need to broaden its recruitment strategy into new markets such as online graduate programs. The University is doing everything possible to mitigate the uncertain conditions to include working with an outside vendor, Wiley edu, LLC, to increase online student enrollment.

Financial Highlights

CONDENSED STATEMENT OF NET POSITION

Net Position as of June 30, 2022 and 2021 (thousands)

	2022	2021
Assets:		
Current assets	$13,631	$16,663
Restricted cash	2,460	2,428
Assets held by others	2,773	3,094
Due from component unit	-	-
Endowment investments	5,955	6,984
Capital assets, net of accum. depr.	93,276	95,094
Total assets	118,095	124,263
Deferred outflows	53,748	69,285
Liabilities:		
Current liabilities	10,429	8,374
Non-current liabilities	19,924	21,005
Net pension & OPEB liabilities	70,139	159,490
Total liabilities	100,492	188,869
Deferred inflows	86,452	14,032
Net Position:		
Invested in capital assets, net of debt	72,139	73,509
Restricted for nonexpendable	11,514	12,865
Restricted for expendable	6,450	9,449
Unrestricted	(105,204)	(105,175)
Total net position	$(15,101)	$(9,352)

Discussion of Statement of Net Position

Current assets decreased 18% during the year. The current asset ending balance of $13.6 million consists primarily of cash/cash equivalents ($4 million), receivables ($9.2 million) and other ($381K). All cash and cash equivalents are essential and completely designated for ongoing operations including capital projects. The University attempts to maximize interest earnings by investing funds in the State Investment Council and with the State of New Mexico Local Government Investment Pool. The University has abided by its short term and endowment investment policies, thereby, ensuring liquidity and safety. The University has implemented procedures to collect receivables in a timely manner and is well able to meet all its current financial obligations.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Activities for the years ended June 30, 2022 and 2021 (thousands)

	2022	2021
Operating revenues:		
Tuition and fees, net	$16,374	$ 16,071
Grants & contracts	27,911	14,661
Sales and services / other revenue	5,094	3,405
Total operating revenues	49,379	34,136
Operating expenses:		
Instruction and general	36,738	36,878
Other operating expenses	44,794	53,719
Depreciation	5,313	5,026
Total operating expenses	86,845	95,623
Operating loss	(37,466)	(61,487)
Non-operating revenue:		
State general fund appropriations	33,216	32,132
Interest and investment income	(731)	3,118
Other	-	-
Total Non-operating revenue:	32,485	35,250
Income (loss) before other revenue, expenses, gains, losses	(4,981)	(26,237)
Capital appropriations	1,123	2,448
Interest on indebtedness	(1,031)	(1,076)
Other	372	(49)
Total other	464	1,323
Change in net position	(4,517)	(24,914)
Net position, beginning	(9,352)	(15,562)
Restatement	(1,232)	-
Net position, ending	$(15,101)	$(9,352)

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

The University's net position decreased by $4.5 million during the year, including a prior period restatement of ($1.2 million). Operating expenses ($87million) are subtracted from operating revenues ($49 million), resulting in an "operating loss" ($37million). State general fund appropriations ($33.2 million), are not included as operating revenue; however, it is reflected as non-operating revenue, because they are provided to the University without the state receiving commensurate goods and services in exchange. State general fund appropriations are essential for the University to carry out its instructional and public service mission. "Income (loss) before other revenue, expenses, gains and losses" was ($4.9 million). $1.1 million in capital appropriations revenues (federal and state funds designated for construction projects) resulted in a decrease in net position of ($4.5 million). Net position decreased an additional ($1.2 million) due to a restatement of ($1.2 million).

The state appropriation for general funds for year ended June 30, 2022 was $33.2 million as compared to state appropriation for year ended June 30, 2021 at $32.1 million.

Analysis of Tuition and Fees Revenue (thousands)

	2022	2021	Increase (Decrease)	
Tuition	$13,491	$12,723	768	6%
Fees	5,128	4,908	220	4%
Subtotal	18,619	17,631	988	5%
Wiley Revenue Share	(261)	-	(261)	100%
Tuition discounts/allowance	(1,984)	(1,560)	(424)	21%
Net	$16,374	$16,071	303	2 %

Tuition and fees, net of discounts and allowances, increased by 2%. Tuition discounts and allowances are tracked individually by student and the annual expense increased by 21%. The University has contracted with Wiley, in a revenue share agreement, to launch 10 academic programs, including a Bachelor of Science in Nursing (RN-BSN), business programs, MBA, MSW and others. NMHU will take advantage of Wiley's full suite of offerings including market research, marketing, enrollment, and retention, including clinical placement support.

CONDENSED STATEMENT OF CASH FLOWS

Statement of Cash Flows for the years ended June 30, 2022 and 2021 (thousands)		
	2022	2021
Cash flows from operating activities:		
Net cash used by operating activities	$(32,289)	$(32,394)
Net cash provided by noncapital financing activities	33,822	32,436
Net cash flow provided by investment activities	(1,759)	887
Net cash used by capital & related financial activity	(3,859)	(4,571)
Net increase (decrease) in cash and cash equivalents	(4,085)	(3,642)
Restricted cash, beginning of year	2,428	2,398
Unrestricted cash and cash equivalents, beginning of year	8,123	11,795
	10,551	14,193
Restricted cash, end of year	2,460	2,428
Unrestricted cash and cash equivalents, end of year	4,006	10,551
Cash and cash equivalents, end of year	$ 6,466	$ 12,979

Discussion of Statement of Cash Flows

This statement shows the sources and uses of cash and cash equivalents in four standard categories. The University had a $4 million net decrease during the year, resulting in an ending cash balance of $6.5 million.

Discussion of Budget Comparisons

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

Requests for Additional Financial Information

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's retailers and vendors, and other interested parties with a general overview of the financial position as of June 30, 2022, and the results of its operations, cash flows, and variances from the budgets for the years then ended for New Mexico Highlands University.

If you have any questions about this report or need additional financial information, contact New Mexico Highlands University, University Relations, Box 9000, Las Vegas, New Mexico 87701-9000.

The New Mexico Highlands University Foundation, Inc. is a separately audited, component unit of New Mexico Highlands University. Management of the Foundation can be contacted at New Mexico Highlands University Foundation, Box 9000, Las Vegas, New Mexico 87701-9000.

Basic Financial Statements

New Mexico Highlands University
Statement of Net Position

June 30, 2022	Primary Government	NMHU Foundation
Assets		
Current assets		
Cash and cash equivalents	$ 4,006,063	$ 931,938
Short-term investments	244,788	-
Receivables, net of allowances for uncollectibles		
Student receivable, net	3,845,619	-
Grants receivable	3,358,369	-
Other receivables	2,040,247	-
Pledges receivable	-	106,095
Lease receivable	-	213,708
Interest receivable	-	89
Inventory	27,811	-
Prepaid expenses	108,309	7,306
Total current assets	13,631,206	1,259,136
Noncurrent assets		
Restricted cash and cash equivalents	2,460,213	1,413,142
Certificates of deposit	-	1,000,000
Pledges receivable, net of current portion	-	-
Assets held by others	2,773,031	-
Investments	5,955,425	-
Endowment, including assets held for others of $2,773,032	-	9,111,345
Non-depreciable capital assets	5,072,527	6,615,033
Depreciable capital assets, net	88,202,411	865,476
Total noncurrent assets	104,463,607	19,004,996
Total assets	118,094,813	20,264,132
Deferred outflows of resources		
Deferred outflows - pension	47,928,157	-
Deferred outflows - OPEB	5,819,793	-
Total deferred outflows of resources	53,747,950	-
Total assets and deferred outflows of resources	$ 171,842,763	$ 20,264,132

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

June 30, 2022	Primary Government	NMHU Foundation
Liabilities		
Current liabilities		
Accounts payable	$ 1,397,106	$ 6,764
Accrued expenses	3,470,778	-
Accrued interest payable	164,033	-
Compensated absences, short-term	929,266	-
Unearned revenues	2,670,150	-
Lease liability, short-term portion	487,809	-
Bonds payable, current	1,310,000	-
Notes payable, current	-	598,910
Total current liabilities	10,429,142	605,674
Noncurrent liabilities		
Compensated absences	586,320	-
Assets held for others	-	2,773,032
Lease liability, long-term portion	328,487	-
Bonds payable, long-term portion	19,010,000	-
Net pension liability	52,715,160	-
Net OPEB liability	17,423,389	-
Total noncurrent liabilities	90,063,356	2,773,032
Total liabilities	100,492,498	3,378,706
Deferred inflows of resources		
Deferred inflows - lease	-	213,264
Deferred inflows - pension	74,817,437	-
Deferred inflows - OPEB	11,634,094	-
Total deferred inflows of resources	86,451,531	213,264
Net position		
Net investment in capital assets	72,138,642	6,881,599
Restricted for		
Nonexpendable		
Nonexpendable scholarships and grants	11,514,511	5,443,245
Expendable		
Expendable scholarships and grants	899,260	3,407,541
Expendable loans	86,234	-
Expendable capital projects	2,677,669	-
Expendable debt service	2,786,434	-
Unrestricted (deficit)	(105,204,016)	939,777
Total net position	(15,101,266)	16,672,162
Total liabilities and net position	$ 171,842,763	$ 20,264,132

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

New Mexico Highlands University
Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2022	Primary Government	NMHU Foundation
Operating revenues		
Student tuition and fees, net	$ 16,374,314	$ -
Federal awards and contracts	22,336,338	-
State and local grants and contracts	3,274,411	-
Private grants and contracts	2,300,455	-
Sales and services of auxiliary enterprises	3,273,023	-
Contributions	225,000	27,393
Other	1,595,404	1,019,647
Total operating revenues	49,378,945	1,047,040
Operating expenses		
Instruction	17,741,373	-
Academic support	2,408,589	-
Student services	4,200,537	-
Institutional support	6,812,783	-
Operations and maintenance	5,573,762	-
Student social and cultural development	831,313	-
Research	2,560,969	-
Public service	6,273,273	-
Internal services	2,435,789	-
Student aid grants and stipends	19,915,023	214,264
Auxiliary enterprises	2,409,520	-
Athletics	3,983,151	-
Renewals and replacements	1,935,292	-
Other expenditures	-	798,166
Pension expense	5,829,261	-
Other post employment benefits (income)	(2,269,601)	-
Lease expense	253,334	-
Amortization	637,529	-
Depreciation	5,313,485	57,698
Total operating expenses	86,845,382	1,070,128
Operating (loss)	(37,466,437)	(23,088)
Non-operating revenues (expenses)		
State appropriations	33,215,700	-
State land, permanent fund and investment income	606,672	-
Investment (loss)	(1,706,216)	(1,146,011)
Interest income	368,388	1,905
Other	-	(61,243)
Net non-operating revenues (expenses)	32,484,544	(1,205,349)

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

For the Year Ended June 30, 2022	Primary Government	NMHU Foundation
Income (loss) before other revenues, expenses, gains and losses	$ (4,981,893)	$ (1,228,437)
Other revenue (expenses) and capital items		
State appropriations, capital	1,123,261	-
Severance tax bond appropriations	432,077	-
Interest expense on leases	(5,567)	-
Interest on indebtedness	(1,031,298)	(30,965)
Endowment expense	(53,383)	-
Total other revenue (expenses) and capital items	465,090	(30,965)
Change in net position	(4,516,803)	(1,259,402)
Net position, beginning of year, as originally stated	(9,352,450)	17,931,564
Net position, restatement (Note 2)	(1,232,013)	-
Net position, beginning of year, as restated	(10,584,463)	-
Net position, end of year	$ (15,101,266)	$ 16,672,162

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

New Mexico Highlands University
Statement of Cash Flows

For the Year Ended June 30, 2022	Primary Government
Cash flows from operating activities	
Tuition, fees and trainings	$ 16,290,606
Federal, state, private grants and contracts	27,649,689
Auxiliary enterprise charges	3,273,023
Contributions and other operating revenues	1,820,404
Payments to employees and for employee benefits	(42,722,665)
Disbursement of net aid to students	(19,915,023)
Payments to suppliers	(18,684,643)
Net cash (used in) operating activities	(32,288,609)
Cash flows from noncapital financing activities	
State appropriations	33,215,700
Land and permanent fund	606,672
Net cash provided by noncapital financing activities	33,822,372
Cash flows from capital financing activities	
Capital appropriations	1,123,261
Purchase of capital assets	(2,680,070)
Payment on long-term debt	(1,265,000)
Interest payment on leases	(5,567)
Interest payments on bonds	(1,031,298)
Net cash (used in) capital financing activities	(3,858,674)
Cash flows from investing activities	
Endowment expense	(53,383)
Investment loss on investments	(1,706,216)
Net cash provided by investing activities	(1,759,599)
Net decrease in cash and cash equivalents	(4,084,510)
Cash and cash equivalents - beginning of year	10,550,786
Cash and cash equivalents - end of year	$ 6,466,276
Cash and cash equivalents, unrestricted	$ 4,006,063
Restricted cash and cash equivalents	2,460,213
	$ 6,466,276

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

For the Year Ended June 30, 2022		Primary Government
Operating (loss)	$	(37,466,437)
Reconciliation of operating loss to net cash (used in) operating activities		
Depreciation expense		5,313,485
Amortization expense		637,529
Noncash pension expense		2,005,276
Noncash OPEB benefit		(2,808,515)
Assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable, net		(1,069,614)
Prepaid expenses		(15,419)
Assets held for others		321,461
Accounts payable		196,853
Accrued expenses		1,587,600
Accrued interest payable		(5,978)
Deferred outflows - subsequent contributions - pension		(605,523)
Deferred outflows - subsequent contributions - OPEB		(24,317)
Unearned revenues		(405,169)
Compensated absences		50,159
Net cash (used in) operating activities	$	(32,288,609)

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

This summary of significant accounting policies of the University is presented to assist in the understanding of the University's financial statements. The financial statements and notes are the representation of University's management who is responsible for their integrity and objectivity. The financial statements of the University have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of the University and the statement of net position, statement of revenues, expenses, and changes in net position of its discretely presented component unit.

In evaluating how to define the University, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90.

Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The basic, but not the only-criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

The University has two component units required to be reported under GASB Statements No. 14, No. 39, No. 61, No. 80, and No. 90 as there is one discretely presented component unit and one blended component unit. Both component units have a separately issued financial statement. The University does not have any related organizations, joint ventures or jointly governed organizations.

Discretely Presented Component Unit

The New Mexico Highlands University Foundation (the "Foundation") was organized as legally separate not-for-profit New Mexico corporation under Section 501(c) (3) of the Internal Revenue Code. The Foundation receives support from contributions, earnings on investments and rental of real estate. The Foundation is a private nonprofit organization that reports under FASB standards, including Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the university's financial reporting entity for these differences. The Foundation's financial statements are separately audited.

Blended Presented Component Unit

Highlands Stable Isotopes Corporation ("HSI") was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University – Research Park and Economic Development Act. The new corporation was filed under the New Mexico Non-profit Corporation Act and was granted Section 501 (c) (3) of the Internal Revenue Code of 1986 statutes in September of 2018. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University. HSI's financial statements are separately audited.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Financial Statement Presentation

The accounting and reporting policies of the University reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a public institution, the University is considered a special purpose government under the provisions of GASB Statement No. 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by the financial information for the Foundation. The effect of internal activity between funds or groups has been eliminated from these financial statements.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated. The Fiduciary Funds are used to account for assets held by the University in a capacity as an agent for various student organizations and outside parties. Fiduciary Funds are custodial in nature (assets equal liabilities and net position) and do not involve measurement of results of operations. The University does not have any fiduciary funds as of June 30, 2022.

Budgetary Information

Budgetary basis of accounting

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appointed in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year.

To amend the budget, the University requires the following order of approval: (1) University President, (2) University Regents, (3) Higher Education Department, and (4) State Department of Finance and Administration.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

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

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

Budgets are adopted on a basis of accounting that is not in accordance with accounting principles generally accepted in the United States of America. The purpose of the Budget Comparison is to reconcile the change in net position as reported on a budgetary basis to the change in net position as reported using generally accepted accounting principles. The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, securities subject to overnight sweep repurchase agreements, and certificates of deposit with various financial institutions. For purposes of the statement of cash flows, the University considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the University's bank.

Investments

Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool (LGIP). Amounts invested are readily available to the University when needed and are recorded at cost, which approximates fair value. The University considers cash deposited at the State Treasurer's Office to be investments.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Receivables and Payables

Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, and student and third-party payers for student tuition and fees. The University records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts. Other receivables includes amounts related to Perkins loans receivable, capital appropriations, and other miscellaneous sources.

Inventory

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

Prepaid Expenses

Prepaid expenses include subsequent services for software services and other items which reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction. There was no interest expense capitalized by the University during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Property, plant, and equipment of the University are depreciated using the straight line method over the following estimated useful lives:

Assets	**Years**
Land improvements	20
Buildings	39
Library materials	5
Equipment and furniture	5-7

Leases

The University recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed $25,000 that meet the definition of an other than short-term lease. The University uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the University's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Deferred Outflows of Resources

In addition to assets, the statement of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a use of fund balance or net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time. The University has four types of items that qualify for reporting in this category related to reporting under GASB 68 and four types that relate to reporting under GASB 75, which total $47,928,157 and $5,819,793, respectively, in the statement of net position. The amounts are further detailed in Note 14 and Note 15. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability and other post-employment benefit liability, respectively, in future periods.

Deferred Inflows of Resources

In addition, the University has three types of items present on the statement of net position that qualify for reporting in this category related to reporting under GASB 68 and three types that related to reporting under GASB 75. The deferred inflows of resources total $74,817,437 and $11,634,094, respectively, in the statement of net position, and are further detailed in Note 14 and Note 15. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Unearned Revenues

Unearned revenue relates to student tuition and fees for each academic session within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2022 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2022. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

Compensated Absences

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. The current portion of the accumulated vacation leave is based on the previous year's data. Accrued vacation up to 240 hours is recorded at 100% of the employee's hourly wage. 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).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and postemployment expense, information about the fiduciary net position of the Retiree Health Care Act (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Categories and Classification of Fund Equity

The University's net position is classified into the following net position categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – All other categories of net position. In addition, unrestricted net position may be designated for use by management of the University. This requirement limits the area of operations for which expenditures of net position may be made, and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses. The University has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

Revenues

Operating revenue includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; and c) contracts and grants.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

The University periodically receives severance tax and general obligation bond appropriations for capital asset projects. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Derived Tax Revenues

It is the policy of the University to recognize nonexchange revenue for which there are time requirements in the period in which those time requirements are met, regardless of whether the revenues are due or whether an enforceable legal claim exists. If no time requirements are specified in enabling legislation, revenues are recognized when the University has an enforceable legal claim (provided that the underlying exchange transaction has occurred) to the assets or when they are received, whichever occurs first.

Income Tax Status

The income generated by the University, as an instrumentality of the State of New Mexico, generally is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. However, the University is subject to taxation on income derived from business activities not substantially related to the University's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

HSI and the Foundation are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Economic Dependency

The University depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the University is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the University are management's estimate of depreciation on assets over their estimated useful lives, amortization of leases, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 1, 2022 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

The University implemented GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this Statement had a material impact on the Company's reporting in the current fiscal year.

The University also implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The implementation of this Statement had no impact on the Company's reporting in the current fiscal year

The University implemented GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The implementation of this Statement had no impact on the Company's reporting in the current fiscal year.

The University implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The implementation of this Statement had no impact on the Company's reporting in the current fiscal year

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this Statement had no impact on the Company's reporting in the current fiscal year

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In May 2022, GASB issued Statement No. 99, Omnibus 2022. The requirements of this Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

The University is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: RESTATEMENT

In prior year there was a student aid clearing asset balance of $1,232,013 that did not exist. Therefore, the University has a prior period adjustment of $1,232,013 to remove this account balance as of June 30, 2021.

NOTE 3: ADOPTION OF GASB 87 LEASES

The University adopted GASB No. 87 Leases (GASB 87) as of July 1, 2021. The University evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The contracts to lease office space and equipment met the definition of a lease and the University calculated and recognized a right-to-use assets of $1,451,616 and lease liabilities $1,451,616 as of July 1, 2021. There were no impacts to the beginning net position related to the adoption of GASB 87.

NOTE 4: DEPOSITS AND INVESTMENTS

Deposits

State statutes authorize the investment of University funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the University properly followed State investment requirements as of June 30, 2022.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the University. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. All of the University's accounts at an insured depository institution, including non-interest bearing accounts are insured by the up to the standard maximum deposit insurance amount of $250,000.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2022, $4,324,152 of the University's bank balances of $4,869,504 was exposed to custodial credit risk. $4,324,152 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the University's name and $0 of the University's deposits were uninsured and uncollateralized at June 30, 2022.

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Deposits

	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank	Total
Total amount of deposits	$ 2,666,984	$ 45,352	$ 2,157,168	$ 4,869,504
Deposit accounts covered by the FDIC coverage	(250,000)	(45,352)	(250,000)	(545,352)
Total uninsured public funds	2,416,984	-	1,907,168	4,324,152
Collateralized by securities held by the pledging institution or by its trust department or agent other than the University's name	2,416,984	-	1,907,168	4,324,152
Uninsured and uncollaterized	$ -	$ -	$ -	$ -
Collateral requirement (50% of uninsured public funds)	$ 1,208,492	$ -	$ 953,585	$ 2,162,077
Pledged security	3,576,823	100,000	2,592,440	6,269,263
Over collateralization	$ 2,368,331	$ 100,000	$ 1,638,855	$ 4,107,186

The collateral pledged is listed on Schedule of Collateral Pledged by Depository of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the state of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

Investments

State statute authorizes the University to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the United States Government. State statute also authorizes the University to invest in bonds or negotiable securities of the United States, the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The University has no investment policy that would further limit its investment choices.

The New Mexi*GROW* Local Government Investment Pool's (LGIP) investments are valued at amortized costs. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. The University's investment assets include endowments and assets held by others in the Foundation.

The University's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2022, the University had the following investments and maturity:

Investment Type	Weighted Average Maturity	Fair Value	Rating*
New MexiGROW LGIP	48 days	$ 244,788	AAAm

*Based off Standard & Poor's rating

The University and Foundation hold investments at the New Mexico State Investment Council (NMSIC). These funds are invested in accordance with 6-8-9 NMSA 1978. The State Investment Council issues a separate, publicly available financial report that includes financial statements and required supplementary information. At June 30, 2022, the University investments are summarized as follows:

For the year ending June 30, 2022	New Mexico Highlands University
Investment with NMSIC	
Domestic Equities	
US Large Cap Index Pool	$ 3,643,528
US Small/Mid Cap Pool	681,999
US Corporate Bonds	
US Core Bonds Pool	1,209,038
International Equities	
Non-US Emerging Markets Pool	276,335
Non-US Developed Markets Index Pool	144,525
Total endowment investments	$ 5,955,425

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a policy to manage the credit risk of its investments.

Interest Rate Risk Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The University and its component units do not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The University has an investment policy that requires an allocation percentage of a maximum of 75% of the funds will be invested and a minimum of 35% in both equities and fixed income securities. University bond holdings are held by the NMSIC. Please refer to the NMSIC's separately issued financial statements for complete disclosures on credit risk.

Reconciliation of Deposits and Investments to the Statement of Net Position

Deposits	$	4,869,504
New Mexico Finance Authority		2,460,213
New Mexico State Investment Council		5,955,425
New MexiGROW LGIP		244,788
Total deposits and investments		13,529,930
Petty cash		2,700
Less reconciling items		(866,141)
Total cash and cash equivalents and investments	$	12,666,489
Statement of net position		
Cash and cash equivalents	$	4,006,063
Short-term investments		244,788
Restricted cash and cash equivalents		2,460,213
Investments		5,955,425
Net deposits and investments	$	12,666,489

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

New MexiGROW LGIP is valued at the daily closing price as reported by the fund. These investments held by the University are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the University are deemed to be actively traded.

Investment	Level 1	Level 2	Level 3	Total
US Large Cap Index Pool	$ -	$ 3,643,528	$ -	$ 3,643,528
US Small/Mid Cap Pool	-	681,999	-	681,999
US Core Bonds Pool	-	1,209,038	-	1,209,038
Non-US Emerging Markets Pool	-	276,335	-	276,335
Non-US Developed Markets Index Pool	-	144,525	-	144,525
Total	$ -	$ 5,955,425	$ -	$ 5,955,425

NOTE 5: ASSETS HELD BY OTHERS

As of June 30, 2022, the University's investments assets include the following assets held by others in the Foundation:

Assets held by others in the Foundation endowment	$	2,773,031
Restriced cash held at the New Mexico Finance Authority for debt service reserve		2,460,213
	$	5,233,244

NOTE 6: ACCOUNTS RECEIVABLE

The University's accounts receivable at June 30, 2022 represent revenues earned from student tuition and fee, federal government grants and contracts, private grants, and State of New Mexico agencies that include pass through federal and state grants. All amounts are expected to be collected within sixty days after year-end and assets must be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever comes first. An allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables.

A schedule of receivables and allowance for uncollectible accounts is as follows:

Receivables, net of allowances for uncollectibles				
Student accounts receivable	$	12,592,094		
Less allowance for doubtful accounts		(8,746,475)		
Student receivable, net			$	3,845,619
Federal grant receivable		2,528,509		
State grant receivable		28,164		
Private grant receviable		120,397		
Unbilled grant receivable		681,299		
Grant receivable				3,358,369
Other receivables				2,040,247
Total receivables, net of allowances for uncollectibles			$	9,244,235

NOTE 7: CAPITAL ASSETS

The following table summarizes the changes in the University's capital assets during the fiscal year ended June 30, 2022. Land and construction in progress are not subject to depreciation.

	(As Restated) June 30, 2021	Additions	Deletions	June 30, 2022
Assets not being depreciated				
Land	$ 3,279,414	$ -	$ -	$ 3,279,414
Artwork	969,023	-	-	969,023
Patent	73,686	-	-	73,686
Construction in progress	700,198	750,404	(700,198)	750,404
Total assets not being depreciated	5,022,321	750,404	(700,198)	5,072,527
Assets being depreciated				
Land improvements	40,375,020	1,988,823	-	42,363,843
Buildings	137,845,381	-	-	137,845,381
Furniture and equipment	11,953,813	641,042	(72,669)	12,522,186
Library materials	10,230,164	-	-	10,230,164
Intangible right-to-use lease asset	1,451,616	-	-	1,451,616
Total assets being depreciated	201,855,994	2,629,865	(72,669)	204,413,190
Less accumulated depreciation				
Land improvements	(25,389,909)	(2,465,251)	-	(27,855,160)
Buildings	(65,867,789)	(2,125,493)	-	(67,993,282)
Furniture and equipment	(9,936,794)	(512,668)	72,669	(10,376,793)
Library books	(9,137,942)	(210,073)	-	(9,348,015)
Intangible right-to-use lease asset	-	(637,529)	-	(637,529)
Total accumulated depreciation	(110,332,434)	(5,951,014)	72,669	(116,210,779)
Total assets being depreciated, net	91,523,560	(3,321,149)	-	88,202,411
Net capital assets	$ 96,545,881	$ (2,570,745)	$ (700,198)	$ 93,274,938

Depreciation is $5,313,485 and amortization expense is $637,529 for a combined $5,951,014 as of June 30, 2022.

NOTE 8: LEASES

The University has noncancellable leases for office space and equipment with lease terms through 2025. There are no residual value guarantees included in the measurement of the University's lease liability nor recognized as an expense for the year ended June 30, 2022. The University does not have any commitments that were incurred at the commencement of the leases. No termination penalties were incurred during the fiscal year.

NOTE 8: LEASES (Continued)

The following summarizes the University's leased assets:

Lease Assets	July 1, 2021*	Additions	Subtractions	June 30, 2022
Office Space	$ 594,100	$ -	$ -	$ 594,100
Building	578,860	-	-	578,860
Equipment	278,656	-	-	278,656
Total leased assets	1,451,616	-	-	1,451,616
Less: Accumulated Amortization				
Office Space	-	(203,691)	-	(203,691)
Building	-	(365,596)	-	(365,596)
Equipment	-	(68,242)	-	(68,242)
Total accumulated amortization	-	(637,529)	-	(637,529)
Total lease assets, net	$ 1,451,616	$ (637,529)	$ -	$ 814,087

* The beginning balance at July 1, 2021 was restated in the amount of $1,451,616 for the implementation of GASB Statement No. 87. There was no impact on net position.

The University evaluated the right-to-use assets for impairment and determined there was no impairment for the year ended June 30, 2022. The University recognized the following as lease expense for the year ending June 30, 2022 in the statement of revenues, expenses, and changes in the net position:

Amortization expense	Year Ending June 30, 2022
Amortization expense by class of underlying asset	
Office Space	$ 203,691
Building	365,596
Equipment	68,242
Total amortization expense	637,529
Interest on lease liabilities	5,567
Total	$ 643,096

NOTE 8: LEASES (Continued)

The following summarizes the University's lease liability as of June 30, 2022:

July 1, 2021*	Additions	Subtractions	June 30, 2022	Amounts Due Within One Year	Long Term
$ 1,451,616	$ -	$ (635,320)	$ 816,296	$ 487,809	$ 328,487

Lease liabilities totaled $816,296 including $487,809 that is due within one year. The future principal and interest lease payments as of June 30, 2022, were as follows:

Maturity Analysis	Principal	Interest	Total Payments
Year Ending 2023-06	$ 487,809	$ 2,742	$ 490,551
Year Ending 2024-06	258,299	1,012	259,311
Year Ending 2025-06	70,187	190	70,378
Total Future Payments	$ 816,296	$ 3,944	$ 820,239

NOTE 9: ACCRUED EXPENSES

The University's accrued expenses at June 30, 2022 are as follows:

Payroll	$ 1,096,937
Payroll taxes and related liabilities	1,797,198
Other accruals	576,643
Total accrued expenses	$ 3,470,778

NOTE 10: COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. The University had a liability for accrued vacations as of June 30, 2022 as follows:

Accrued vacation – beginning of year	$ 1,465,427
Additions	1,260,108
Deletions	(1,209,949)
Accrued vacation – end of year	$ 1,515,586

The University estimates that $929,266 of the compensated absences will be due within one year.

NOTE 11: LONG-TERM LIABILITIES

General obligation bonds are direct obligations and pledge the full faith and credit of the University. These bonds are issued with varying terms and varying amounts of principal maturing each year.

Bonds outstanding at June 30, 2022 are comprised of the following:

	Series 2009B	Series 2012
Original issue	$ 9,230,000	$ 13,085,000
Principal	1-May	1-May
Interest	1-May	1-May
	1-Nov	1-Nov
Interest rates	5.32% - 6.07%	.93% - 4.26%
Maturity date	5/1/2035	5/1/2034

During the year ended June 30, 2022, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
General Obligation Bonds	$ 21,585,000	$ -	$(1,265,000)	$ 20,320,000	$ 1,310,000
Compensated absences	1,465,427	1,260,108	(1,209,949)	1,515,586	929,266
Total long-term debt	$ 23,050,427	$ 1,260,108	$(2,474,949)	$ 21,835,586	$ 2,239,266

NOTE 11: LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2022, including interest payments, are as follows:

GO Bond Series 2009B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	$ 530,000	$ 516,288	$ 1,046,288
2024	550,000	488,092	1,038,092
2025	570,000	458,832	1,028,832
2026	590,000	425,088	1,015,088
2027	615,000	390,160	1,005,160
2028-2032	3,450,000	1,372,826	4,822,826
2033-2035	2,410,000	296,520	2,706,520
	$ 8,715,000	$ 3,947,806	$ 12,662,806

GO Bond Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	$ 780,000	$ 466,393	$ 1,246,393
2024	805,000	438,547	1,243,547
2025	835,000	408,898	1,243,898
2026	865,000	377,252	1,242,252
2027	900,000	343,604	1,243,604
2028-2032	5,080,000	1,142,983	6,222,983
2033-2034	2,340,000	150,133	2,490,133
	$ 11,605,000	$ 3,327,810	$ 14,932,810

NOTE 12: RISK MANAGEMENT

The University currently is party to various litigation and other claims in the ordinary course of business. The University as a state university defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for property and liability coverage. The University believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the University. Federal grants received by the University are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. University management estimates that such refunds, if any, will not be significant.

NOTE 13: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including

A. Deficit equity
   The University maintains a deficit equity position.

B. Excess of expenditures over appropriations.
   The University is not aware of any expenses in excess of budgetary authority.

C. Designated cash appropriation in excess of available balances.
   The University is not aware of any designated cash appropriations in excess of available balances.

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

Plan description - The New Mexico Educational Retirement Act ("ERA") was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

Benefits provided - A member's retirement benefit is determined by a formula, which includes three component parts: (1) the member's final average salary (FAS), (2) the number of years of service credit, and (3) a multiplier, which for those who began employment prior to July 1, 2019, is 0.0235. The multiplier is variable for those who began work after July 1, 2019. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and allowable service credit add up to the sum or 75 or more and those who retire under the age of 60, and who have fewer than 25 years of earned service credit will receive reduced retirement benefits; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010, and before July 1, 2013, or at any time prior to that date was refunded all member contributions and then became, or becomes, reemployed after July 1, 2010 is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions and returned to work for an NMERB employer on or after July 1, 2013. These members must meet one of the following requirements: the member's minimum age is 55 and has earned 30 or more years of service credit and those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55; the member's age and earned service credit add up to the sum of 80 or more and those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits; or the member's age is 67 and has earned five or more years of service credit.

Section 22-11-23.3, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2019, or who were employed before July 1, 2019 but terminated employment and subsequently withdrew all contributions and returned to work for an NMERB employer on or after July 1, 2019. These members must meet one of the following requirements: the member is any age and has thirty or more years of earned service credit; or the member is at least 67 years of age and has 5 or more years of earned service credit; or the sum of the member's age and years of earned service credit equals at least eighty.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10.00% COLA reduction; their average COLA will be 1.50%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5.00% COLA reduction; their average COLA will be 1.70%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied.

Contributions - The contribution requirements of plan members and the University are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2021 plan members are required to contribute 9.42% of their gross salary. NMERB is required to contribute 17.74% of the gross covered salary. Plan members whose annual salary is $24,000 or less are required to contribute 7.90% of their gross salary. Plan members whose annual salary exceeded $24,000 are required to contribute 10.70% of their gross salary. Employers contribute 14.15% of the gross covered salary for employees whose annual salary was $24,000 or less, and 14.15% of the gross covered salary for employees whose salary exceeded $24,000. Contributions to the pension plan from the University was $3,979,520 for the year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2020. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2021, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2020. At June 30, 2022, the University reported a liability of $52,715,160 for its proportionate share of the net pension liability.

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The University's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2021. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2021, the University's proportion was 0.74378 percent, which was an increase of 0.05871 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of $5,829,261.

At the June 30, 2022, the University reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,142,045	$ -
Net difference between projected and actual earnings on pension plan investments	-	13,239,004
Changes in assumptions	35,089,911	60,034,184
Changes in proportion	4,716,681	1,544,249
Contributions subsequent to the measurement date	3,979,520	-
Total	$ 47,928,157	$ 74,817,437

$3,979,520 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2021, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2022	$ (1,088,048)
2023	(14,339,637)
2024	(11,067,058)
2025	(4,374,057)
Total	$ (30,868,800)

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2020. The total pension liability was rolled forward from the valuation date to June 30, 2021 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the rollforward liabilities as of June 30, 2021. For purposes of projecting future benefits, it is assumed that the full COLA will be paid in all future years.

The total pension liability was rolled forward from the valuation date to June 30, 2021 using generally accepted actuarial principles and incorporated the following changes to the Plan's provisions: Change to the employer contribution rate, which increased the employer contribution by 1% each year for the next two fiscal years, resulting in a 15.15% employer contribution rate and a 16.15% employer contribution rate in fiscal year 2022 and fiscal year 2023, respectively. As a result of these changes and the excellent performance of the fund for the fiscal year, the discount rate increased from 3.89% to 7.00%.

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2019 to June 30, 2049
Asset Valuation Method	5 year smoothed market
Inflation	2.3%
Salary Increase	Composed of 2.30% inflation, plus 0.70% productivity increase rate, plus step rate promotional increases for members with less than 15 years of service
Investment Rate of Return	7.00%
Retirement Age	Experience based table rates based on age and service, adopted by the Board on April 17, 2020 in conjunction with the six-year experience study for the period ending June 30, 2019.
Mortality	Healthy males: 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. Healthy females: 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other Information	A new set of assumptions was adopted for the June 30, 2020, actuarial valuation and was first reflected for the ADEC determined as of June 30, 2021.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.); 2) application of key economic projections (inflation, real growth, dividends, etc.); and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted in August 2019.

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Asset Class	After Allocation	Policy Target
Equities		
Domestic Equities		
Large cap equities	15.3%	14.0%
Small- mid cap equities	3.1%	3.0%
Total domestic	18.4%	17.0%
International Equities		
Developed	5.1%	5.0%
Emerging markets	8.6%	9.0%
Total international	13.7%	14.0%
Total equities	32.1%	31.0%
Fixed Income		
Core fixed income	4.9%	6.0%
Opportunistic credit	16.3%	16.0%
Emerging markets debt	1.6%	2.0%
Total fixed income	22.8%	24.0%
Alternatives		
Global asset allocation	2.4%	2.0%
Risk parity	4.9%	3.0%
Other diversifying assets	3.9%	7.0%
REITs	2.2%	2.0%
Private real estate	3.9%	6.0%
Private equity	18.8%	15.0%
Inflation-linked assets	7.8%	9.0%
Total alternatives	43.9%	44.0%
Cash	1.2%	1.0%
Total	100.0%	100.0%

NOTE 14: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate - A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate - The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the June 30, 2021. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the single discount rate.

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Proportionate share of the net pension liability	$ 74,638,801	$ 52,715,160	$ 34,597,460

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2021, which is publicly available at www.nmerb.org.

Payables to the pension plan - The University remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld.

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND

General Information about the Other Post-Employment Benefits Plan

Plan Description - Substantially all of the University's full-time employees are provided with other post-employment benefits (OPEB) through the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was created by the state's Retiree Health Care Act, Section 10-7C-1 through 10-7C-16, NMSA 1978, as amended, to administer the New Mexico Retiree Health Care Fund (Plan). The Plan is a cost-sharing, multiple employer defined benefit healthcare plan established to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

The purpose is to provide eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments of eligible retirees.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The Authority 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 New Mexico Retiree Health Care Authority at 6300 Jefferson Street NE, Suite 150, Albuquerque, NM 87109.

Benefits provided - The Act authorizes the 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 ($5) if the eligible participant retired prior to the employer's 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 Authority or viewed on their website at www.nmrhca.org.

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

General Information about the Other Post-Employment Benefits Plan (Continued)

Employees covered by benefit terms **-** At June 30, 2021, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,754
Current active members	92,484
	157,330
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal FTRE	756
Educational Retirement Board	49,188
	92,484

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

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND

General Information about the Other Post-Employment Benefits Plan (Continued)

The University's contributions to the plan for the year ended June 30, 2021 totaled $558,994, which equals the required contributions for the year.

At June 30, 2022, the University reported a liability of $17,423,389 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the University's proportion was 0.52953% percent which was an increase of .03763 percent from June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the recognized OPEB benefit of ($2,269,972). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 254,753	$ 3,278,095
Changes in proportion	1,517,722	2,056,826
Changes in assumptions	3,488,324	6,299,173
Contributions subsequent to the measurement date	558,994	-
Total	$ 5,819,793	$ 11,634,094

$558,994 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	$ (2,902,896)
2023	(1,901,517)
2024	(971,156)
2025	(170,547)
2026	(427,179)
Total	$ (6,373,295)

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial assumptions - The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2021. The mortality, retirement, disability, turnover, and salary increase assumptions for PERA members are based on the PERA actuarial valuation as of June 30, 2018 and for ERB members are based on the ERB actuarial valuation as of June 30, 2020. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2021
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB member, 2.50% for PERA members
Projected payroll increase	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20%	0.4%
U.S. equity - large cap	20%	6.6%
Non U.S. - emerging markets	15%	9.2%
Non U.S. - developed equities	12%	7.3%
Private equity	10%	10.6%
Credit and structured finance	10%	3.1%
Real estate	5%	3.7%
Absolute return	5%	2.5%
U.S. equity - small/mid cap	3%	6.6%

Discount rate - The discount rate used to measure the total OPEB liability is 3.62% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Authority's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2052. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2052, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.16%) was applied. Thus, 3.62% is the blended discount rate.

Basis for Allocation - The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of the Authority as of June 30, 2021.

NOTE 15: OTHER POST-EMPLOYMENT BENEFITS (OPEB) - RETIREE HEALTH CARE FUND (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the University's proportionate share of the net OPEB liability, calculated using the discount rate of 3.62% as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
$ 21,892,081	$ 17,423,389	$ 13,947,237

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2021, as well as what the University's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

1% Decrease	Current Trend Rates	1% Increase
$ 14,014,018	$ 17,423,389	$ 20,168,956

OPEB plan fiduciary net position - The discount rate used to measure the total OPEB liability is 3.62% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Authority's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2052. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2052, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.16%) was applied. Thus, 3.62% is the blended discount rate.

Payables to the Pension Plan - The NMRHCA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2022, the University recorded a payable to NMRHCA in the amount of $99,422 for the contributions withheld in the month of June 2022, which is included in the Accrued Payroll on the Statement of Net Position.

NOTE 16: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the University is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the University, the liabilities which may arise from such actions would not result in losses, which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the University or results of activities.

The University has commitments as of June 30, 2022 for the following:

Current funds	$ 1,824,599
Plant funds	1,008,219
	$ 2,832,818

NOTE 17: RESEARCH COMMERCIALIZATION

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

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

On May 2015, the Board of Regents required the HSI board to downsize the operation staff and implement a solvency plan to address the significant negative fund balance. The board reduce the staff to the primary researcher on a part-time basis for the sole purpose is to answer technical questions from potential buyers of our patented products. On October 26, 2018 the Board of Regents voted to replace former members of the HSI board.

From inception, the University has advanced approximately $1,488,000 to HSI to develop its patented isotopes. The advances to HSI have been forgiven by the University due to the HSI's inability to generate the expected revenue to repay the advancements. Based on this the Highland Stable Isotopes has substantial doubt to continue as a going concern. The debt is forgivable by the University and does not conflict with the Anti-donation state policy as HSI was established as a Research and Development arm of the University. The University has the patent for HIS on its books for $73,686 as of June 30, 2022. Due to the patent generating income, no impairment on the patent was necessary.

NOTE 18: JOINT POWERS AGREEMENTS

On February 2, 2017, the University appoints the New Mexico State Investment Council as the fiduciary authorized to invest long term reserves of the University and all investment income thereon (collectively the "long-term reserves"), through NMSIC Long-Term Pooled Investment Funds (the "Pooled Investment Funds"). All right, title and interest in and to the long-term reserves (including, without limitation, all interest earnings) will at all times be vested in the University.

NOTE 19: CONCENTRATIONS

The University depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the University is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

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Required Supplementary Information

New Mexico Highlands University
Schedule of the University's Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

	June 30,		
Fiscal Year	**2022**	**2021**	**2020**
Measurement Date	**2021**	**2020**	**2019**
Proportion of the net pension liability (asset)	0.74378%	0.68507%	0.72688%
Proportionate share of the net pension liability (asset)	$ 52,715,160	$ 138,835,531	$ 55,062,742
Covered payroll	26,937,163	21,248,140	20,491,671
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	195.70%	653.40%	268.71%
Plan fiduciary net position as a percentage of the total pension liability	69.77%	39.11%	64.13%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten 10-year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

June 30,				
2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
0.75029%	0.77877%	0.74889%	0.77310%	0.81023%
$89,219,467	$86,548,356	$53,893,871	$50,075,746	$46,229,335
20,254,346	20,870,492	21,108,107	24,563,545	24,563,545
440.50%	414.69%	255.32%	203.86%	188.20%
52.17%	52.95%	61.58%	63.97%	66.54%

See notes to required supplementary information.

New Mexico Highlands University
Schedule of the University's Contributions
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

As of and for the Year Ended June 30,	**2022**	**2021**	**2020**
Contractually required contribution	$ 3,979,520	$ 3,373,997	$ 3,077,651
Contributions in relation to the contractually required contribution	3,979,520	3,373,997	3,077,651
Contribution deficiency (excess)	-	-	-
Covered payroll	29,246,310	26,937,163	21,248,140
Contributions as a percentage of covered payroll	13.61%	12.53%	14.48%

* This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

2019	2018	2017	2016	2015
$ 2,960,097	$ 2,914,653	$ 3,085,048	$ 3,486,299	$ 2,973,025
2,960,097	2,914,653	2,973,025	3,054,737	2,973,025
-	-	112,023	431,562	-
20,491,671	20,254,346	20,870,492	21,108,107	24,563,545
14.45%	14.39%	14.25%	14.47%	12.10%

See notes to required supplementary information.

New Mexico Highlands University
Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

	June 30,		
Fiscal Year	**2022**	**2021**	**2020**
Measurement Date	**2021**	**2020**	**2019**
The University's proportion of the net OPEB liability	0.52953%	0.49190%	0.52741%
The University's proportionate share of the net OPEB liability	$ 17,423,389	$ 20,654,429	$ 17,100,682
The University's covered payroll	$ 26,937,163	$ 21,248,140	$ 20,491,671
The University's proportionate share of the net OPEB liability as a percentage of its covered payroll	64.68%	97.21%	83.45%
Plan fiduciary net position as a percentage of the total OPEB liability	25.39%	16.50%	18.92%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

June 30,	
2019 2018	2018 2017
0.54085%	0.57068%
$ 23,518,077	$ 25,861,352
$ 20,254,346	$ 20,870,492
116.11%	123.91%
13.14%	11.34%

See notes to required supplementary information.

New Mexico Highlands University
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

As of and for the Year Ended June 30,	**2022**	**2021**	**2020**
Contractually required contributions	$ 558,994	$ 534,677	$ 465,264
Contributions in relation to the contractually required contribution	(558,994)	(534,677)	(465,264)
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered payroll	29,246,310	26,937,163	21,248,140
Contributions as a percentage of covered payroll	2.00%	2.00%	2.00%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

See notes to required supplementary information.

2019	2018
$ 470,722	$ 462,681
(470,722)	(462,681)
$ -	$ -
20,491,671	20,254,346
2.00%	2.00%

See notes to required supplementary information.

Education Retirement Board (ERB) Plan

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan – Educational Retirement Board, General Information on the Pension Plan.

Changes of assumptions. There were not assumption changes since the last actuary valuation.

New Mexico Retiree Health Care Authority (NMRHCA) Plan

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY21 audit available at
https://www.nmrhca.org/wp-content/uploads/2022/04/NMRHCA-Audited-FS-6.30.21.pdf

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2021 report is available at
https://www.nmrhca.org/wp-content/uploads/2021/12/RPTS-05496.019-NMRHCA-6_30_2021-Measurement-GAS-74-Report-CLIENT.pdf. See the notes to the financial statements beginning on page 18 which summarizes actuarial assumptions and methods effective with the June 30, 2021 valuation.

Supplementary Information

New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Combined Revenues and Expenditures Budgetary Comparisons
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	$ 11,427,178	$ 20,714,886	$ 20,714,886	$ -
Unrestricted and Restricted Revenues				
State general fund appropriation	33,006,500	33,215,600	33,215,700	100
Federal grants/contracts	21,460,888	23,404,324	13,836,904	(9,567,420)
Tuition and fees	17,224,000	14,752,107	14,950,896	198,789
Land and permanent fund	290,000	258,056	606,673	348,617
Private grants/contracts	4,080,287	4,128,751	2,053,320	(2,075,431)
Sales & service	2,780,000	3,494,867	3,494,892	25
Government grants - state, local	3,325,965	5,164,362	3,160,915	(2,003,447)
Other	760,000	954,880	1,229,156	274,276
Capital outlay	4,598,760	8,573,272	1,756,969	(6,816,303)
Retirement of indebtedness	1,497,600	1,299,035	1,397,327	98,292
Total revenues	89,024,000	95,245,254	75,702,752	(19,542,502)
Total Unrestricted and Restricted Revenues	100,451,178	115,960,140	96,417,638	(19,542,502)
Unrestricted and Restricted Expenditures				
Instruction and general	45,721,527	48,359,377	41,357,528	7,001,849
Student social and cultural	995,716	1,320,468	866,766	453,702
Research	4,478,037	5,730,258	2,640,867	3,089,391
Public service	14,081,341	12,451,703	6,835,714	5,615,989
Internal service departments	3,201,269	3,159,594	2,624,002	535,592
Student aid	9,762,742	11,957,129	11,320,184	636,945
Auxiliary enterprises	2,067,957	2,276,273	2,143,261	133,012
Intercollegiate athletics	3,366,508	4,351,126	4,244,158	106,968
Capital outlay	2,875,612	9,073,272	3,673,693	5,399,579
Renewal and replacements	1,296,022	1,296,022	989,461	306,561
Retirement of indebtedness	2,304,879	2,304,879	1,031,298	1,273,581
Total unrestricted and restricted Expenditures	90,151,610	102,280,101	77,726,932	24,553,169
Net transfers	-	-	-	-
Change in net assets-budgetary	(1,127,610)	(7,034,847)	(2,024,180)	
Ending Fund Balance	$ 10,299,568	$ 13,680,039	$ 18,690,706	$ 5,010,667

Change in net position per statement of revenues, expenses and changes ir	(4,516,803)
Perkins loan activity	(1,719)
Endowment activity	1,350,356
Agency activity	(92,747)
Depreciation expense	5,313,485
GASB 87 lease activty	2,462
Pension expense	1,438,054
OPEB income	(2,832,832)
Capital asset purchases and sale of asset	(2,684,437)
Financial statements change in net position reconciled	(2,024,180)

New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Summary of Instruction and General Revenues and Expenditures
Budget Comparisons
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	$ 3,113,354	$ 9,659,958	$ 9,659,958	$ -
Revenues				
Tuition	15,049,200	13,006,288	12,905,229	(101,059)
Miscellaneous fees	-	-	-	-
Government appropriations-federal	-	-	-	-
Government appropriations-state	29,242,789	29,438,137	29,438,237	100
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants and contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	290,000	258,056	606,673	348,617
Private gifts	-	-	-	-
Sales and service	1,500	-	-	-
Other sources	700,000	798,623	1,189,068	390,445
Total revenues	45,283,489	43,501,104	44,139,207	638,103
Total Unrestricted Revenues and Beginning Balance	48,396,843	53,161,062	53,799,165	638,103
Expenditures				
Instruction	25,498,248	26,291,472	20,448,120	5,843,352
Academic support	2,621,650	2,758,683	2,648,626	110,057
Student services	3,901,113	4,451,633	4,494,007	(42,374)
Institutional support	6,797,048	7,671,930	7,461,540	210,390
Operation and maintenance of plant	6,100,597	6,726,116	6,011,958	714,158
Total expenditures	44,918,656	47,899,834	41,064,252	6,835,582
Net transfers	1,013,934	(1,143,640)	3,854,607	-
Change in net assets-budgetary basis	(649,101)	(3,255,090)	(779,652)	(6,197,479)
Ending Fund Balance	$ 2,464,253	$ 6,404,868	$ 8,880,306	$ (6,197,479)

New Mexico Highlands University
Restricted Current Funds
Summary of Instruction and General Revenues and Expenditures
Budget Comparisons
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	$ -	$ -	$ -	$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	514,056	299,879	221,219	(78,660)
Government grants - state	288,815	159,663	72,057	(87,606)
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and services	-	-	-	-
Other sources	-	-	-	-
Total revenues	802,871	459,542	293,276	(166,266)
Expenditures				
Instruction	486,386	243,109	128,358	114,751
Academic support	39,583	43,852	42,821	1,031
Student services	113,871	76,552	67,209	9,343
Institutional support	132,573	86,809	48,550	38,259
Operations and maint. of plant	30,458	9,220	6,338	2,882
Total expenditures	802,871	459,542	293,276	166,266
Net transfers	-	-	-	-
Change in net assets - budgetary basis	-	-	-	-
Ending fund balance	$ -	$ -	$ -	$ -

Supporting Schedules

New Mexico Highlands University
Schedule of Deposit and Investment Accounts
June 30, 2022

Account Name	Type	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank
CFB Golf Course	Checking Non-interest-bearing	$ 55,745	$ -	$ -
CFB Checking	Checking Interest-bearing	1,727,173	-	-
CFB Savings	Savings	884,066	-	-
WF Payroll	Checking Non-interest-bearing	-	-	325,798
WF Accounts Payable	Checking Non-interest-bearing	-	-	1,498,188
WF NMHU Savings	Savings	-	-	234,633
WF Athletics	Checking Non-interest-bearing	-	-	23,771
Wells Fargo Savings	Savings	-	-	9,191
WF Online Payments	Checking Non-interest-bearing	-	-	52,420
WF Golf Course	Checking Non-interest-bearing	-	-	13,167
SWCB Cash Receipts	Checking Interest-bearing	-	16,775	-
SWCB Credit Cards	Checking Interest-bearing	-	28,577	-
Local Government Investments	Pooled Investment	-	-	-
Local Government Investments	Pooled Investment	-	-	-
NMHU	Pooled Investment	-	-	-
Debt service reserve escrow	Checking Interest-bearing	-	-	-
Debt service reserve escrow	Checking Interest-bearing	-	-	-
Amounts on deposit		2,666,984	45,352	2,157,168
Outstanding items		-	5,257	(871,398)
Reconciled balance		$ 2,666,984	$ 50,609	$ 1,285,770

Petty cash

Total deposits and investments

Reconciliation to the financial statements
- Cash and cash equivalents
- Short-term investment
- Restricted cash and cash equivalents
- Investments

Total deposits and investments

NM State Treasurer's Office	NM State Investment Council	NM Finance Authority	Total
$ -	$ -	$ -	$ 55,745
-	-	-	1,727,173
-	-	-	884,066
-	-	-	325,798
-	-	-	1,498,188
-	-	-	234,633
-	-	-	23,771
-	-	-	9,191
-	-	-	52,420
-	-	-	13,167
-	-	-	16,775
-	-	-	28,577
155,714	-	-	155,714
89,074	-	-	89,074
-	5,955,425	-	5,955,425
-	-	1,130,665	1,130,665
-	-	1,329,548	1,329,548
244,788	5,955,425	2,460,213	13,529,930
-	-	-	(866,141)
$ 244,788	$ 5,955,425	$ 2,460,213	12,663,789
			2,700
			$ 12,666,489
			$ 4,006,063
			244,788
			2,460,213
			5,955,425
			$ 12,666,489

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New Mexico Highlands University
Schedule of Collateral Pledged by Depository
June 30, 2022

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2022	Name and Location of Safekeeper
Community 1st Bank			
	FHLMC Zero CPN Note CUSIP #312902VN6, due 1/4/2027	$ 2,583,993	FHL Bank, Dallas, TX
	FHLB Fixed Rate Note CUSIP #3130A3GE8, due 12/13/2024	992,830	FHL Bank, Dallas, TX
	Total Community 1st Bank	3,576,823	
Southwest Capital Bank			
	New Mexico Highlands LOC due 1/29/2023	100,000	FHL Bank, Dallas, TX
	Total Southwest Capital Bank	100,000	
Wells Fargo Bank			
	FMAC FEPC 3.000% CUSIP #31329KUK8, due 7/1/2035	302,087	Bank of New York Mellon New York, NY
	FMAC FEPC 3.000% CUSIP #3133KHLN4, due 2/1/2050	549,237	Bank of New York Mellon New York, NY
	FNMA FNMS 3.500% CUSIP #3140XCF29, due 9/1/2047	498,494	Bank of New York Mellon New York, NY
	FNMS FNMS 3.000% CUSIP #3140XFSZ5, due 7/1/2043	398,190	Bank of New York Mellon New York, NY
	FNMS FNMS 3.000% CUSIP #31418B3U8, due 5/1/2036	508,564	Bank of New York Mellon New York, NY
	GNMA G2SF 4.500% CUSIP #36179UEA6, due 10/20/2048	294,346	Bank of New York Mellon New York, NY
	GNMA G2SF 4.500% CUSIP #36179W5F1, due 5/20/2052	41,522	Bank of New York Mellon New York, NY
	Total Wells Fargo Bank	2,592,440	
Total pledged collateral		$ 6,269,263	

New Mexico Highlands University
Multiple-Year Capital Projects Funded by Special and Severance Tax Capital Outlay Appropriations
June 30, 2022

Projection Description		Authority Chapter	Laws
General Obligation Revenue Bond			
General Obligation C5076	Library	Ch 67 Sec 10/B/2	2018
General Obligation C5096	Infrastructure Upgrades	Ch 67 Sec 10/D/4	2018
General Obligation E5319	NMHU Sinninger Hall Renovation	Ch 84 Sec 10	2020
	Total General Obligation Revenue Bonds		
Severance Tax Bond Proceeds			
Severance Tax 22A G3215	NMHU Parking Lot Campuswide Equip	Ch 53 Sec 38	2022
Severance Tax 20SA E2857	NMHU Athletics Faculty Improvement	Ch 81 Sec 41	2020
Severance Tax Bond 21A F3109	NMHU Athletics Faculty Improvement	Ch 138 Sec 36/1	2021
Severance Tax Bond 21A F3110	NMHU Health and Safety Infra Improve	Ch 138 Sec 36/2	2021
Severance Tax Bond 21A F3111	NMHU Legislative Fellows Info Technology and Study Area	Ch 138 Sec 36/3	2021
	Total Severance Tax Bonds		
General Fund Appropriations			
None			
	Total General Fund Appropriations		
Total Capital Appropriations			

Expiration	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Unencumbered Balance
6/30/2023	$ 143,074	$ 59,001	$ 66,214	$ -	$ 17,859
6/30/2023	4,000,000	3,500,002	499,998	-	-
6/30/2024	7,000,000	-	517,049	-	6,482,951
	11,143,074	3,559,003	1,083,261	-	6,500,810
6/30/2026	375,000	-	-	-	375,000
6/30/2024	190,000	159,601	28,499	1,900	-
6/30/2025	105,000	-	65,671	1,050	38,279
6/30/2025	750,000	-	337,907	-	412,093
6/30/2025	75,000	-	-		75,000
	1,495,000	159,601	432,077	2,950	900,372
	-	-	-	-	-
	-	-	-	-	-
	$ 12,638,074	$ 3,718,604	$ 1,515,338	$ 2,950	$ 7,401,182

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Compliance Section

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INDEPENDENT AUDITORS' 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*

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The Board of Regents
New Mexico Highlands University
Las Vegas, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the New Mexico Highlands University (the "University"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 1, 2022. We also have audited the budgetary schedules presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2022, as listed in the table of contents.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 matter that is required to be reported under *Government Auditing Standards*.

University's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Albuquerque, NM
November 1, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The Board of Regents
New Mexico Highlands University
Las Vegas, New Mexico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Mexico Highlands University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the New Mexico Highlands University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-005. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 1, 2022

New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
Research and Development Cluster		
National Science Foundation		
Direct programs		
Office of International Science and Engineering (2)	1658085	47.079
Mathematical and Physical Sciences (2)	DMR-1523611	47.049
Mathematical and Physical Sciences (2)	2031548	47.049
Education and Human Resources (2)	1742599	47.076
Education and Human Resources (2)	1914463	47.076
Education and Human Resources (2)	1953487	47.076
Biological Sciences (2)	2044468	47.074
Mathematical and Physical Sciences (2)	2117214	47.049
Mathematical and Physical Sciences (2)	2122108	47.049
Passed through New Mexico State University		
Trans-NSF Recovery Act Research Support (2)	Q02004	47.076
Passed through University of New Mexico		
Integrated Activities (2)	063052-8744	47.083
Total National Science Foundation		
National Institute of Health		
Passed through New Mexico State University		
Biomedical Research and Research Training (2)	Q02067C	93.859
Biomedical Research and Research Training (2)	Q02067D	93.859
Biomedical Research and Research Training (2)	Q02067E	93.859
Biomedical Research and Research Training (2)	Q02067F	93.859
Biomedical Research and Research Training (2)	Q02067H	93.859
Biomedical Research and Research Training (2)	Q02067G	93.859
Total National Institute of Health		
U.S. Department of Agriculture		
Research Joint Venture and Cost Reimbursable Agreements (2)	19-JV-11221633-210	10.707
Total U.S. Department of Agriculture		
U.S. Department of Interior		
Cooperative Research and Training Programs (2)	P20AC01055	15.945
Total U.S. Department of Interior		
U.S. Department of Education		
Higher Education Institutional Aid (2)	P031C160248	84.031
Higher Education Institutional Aid (2)	P031S200173	84.031
Total U.S. Department of Education		
Total Research and Development Cluster		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
$ 40,003	$ -	$ -
307,323	-	-
14,169	-	-
135,129	-	-
696,947	-	-
237,537	-	-
36,554	-	-
150,229	-	-
334,750	-	-
24,899	-	-
49,670	-	-
2,027,210	-	-
150,046	-	-
33,986	-	-
18,955	-	-
24,820	-	-
5,346	-	-
16,582	-	-
249,735	-	-
124	-	-
124	-	-
3,550	-	-
3,550	-	-
589,580	-	-
327,605	-	-
917,185	-	-
3,197,804	-	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Education		
Direct programs		
Student Financial Assistance Cluster		
Federal Pell Grant Program (1)	N/A	84.063
Federal Supplemental Educational Opportunity Grants (1)	N/A	84.007
Federal Work Study Program (1)	N/A	84.033
TEACH Grant Programs (1)	N/A	84.379
Federal Direct Student Loans (1)	N/A	84.268
Total Student Financial Assistance Cluster		
Education Stabilization Fund:		
COVID-19: Education Stabilization Fund: Higher Education Emergency Relief Fund		
COVID-19 Student Aid Portion	N/A	84.425E
COVID-19 Institutional Portion	N/A	84.425F
Total COVID-19 Education Stabilization Fund: Higher Education Emergency Relief Fund		
COVID-19: Education Stabilization Fund: Governor's Emergency Education Relief		
GEER	N/A	84.425C
Total COVID-19: Education Stabization Fund: Governor's Emergency Education Relief		
Total Education Stabilization Fund		
Passed through University of New Mexico - Taos		
English Language Acquisition State Grants	T366Z160008	84.365Z
Total U.S. Department of Education		
U.S. Department of Agriculture		
Direct Programs		
Southwest Forest Health and Wildfire Prevention	20-DG-11030000-004	10.694
Southwest Forest Health and Wildfire Prevention	21-DG-11030000-020	10.694
Hispanic Serving Institutions Education Grants	2020-38422-32242	10.223
Hispanic Serving Institutions Education Grants	2019-38422-30210	10.223
Partnership Agreements	18-JV-11221633-107	10.699
Partnership Agreements	18-CS-11330152-065	10.699
Rural Energy Savings Program	NM0721-B16	10.751
Capacity Building for Non-Land Grant Colleges of Agriculture	2021-70001-34772	10.326
Passed through New Mexico State University		
Cooperative Forestry Research	EQ01997	10.202
Total U.S. Department of Agriculture		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
$ 3,775,514	$ -	$ -
129,863	-	-
276,049	-	-
5,659	-	-
8,172,773	-	-
12,359,858	-	-
3,025,286	-	-
269,264	-	-
3,294,550	-	-
45,623	-	-
45,623	-	-
3,340,173	-	-
228,309	-	-
15,928,340	-	-
377,148	-	-
728,023	-	-
47,417	-	-
54,710	-	-
9,625	-	-
2,545	-	-
14,231	-	-
6,905	-	-
34,777	-	-
1,275,381	-	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Defense		
Passed through New Mexico State University		
Centers for Academic Excellence	688127-8744	12.598
Total U.S. Department of Defense		
National Endowments for the Humanities		
Promotion of the Humanities - Federal/State Partnership	ZSO-283159-21	45.129
Total National Endowments for the Humanities		
U.S. Department of Health and Human Services		
Passed through Behavioral Health Services Division		
Block Grants for Prevention and Treatment of Substance abuse	N/A	93.959
Passed through New Mexico Children Youth and Families Department		
Foster Care Title IV-E	15-17849	93.658
Passed through the University of Texas		
Substance Abuse and Mental Health Services	UTA12-001073	93.243
Total U.S. Department of Health and Human Services		
Total federal financial assistance		

( ) Denotes Cluster

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
6,255	-	-
6,255	-	-
8,280	-	-
8,280	-	-
114,055	-	-
1,443,034	-	-
36,809	-	-
1,593,898	-	-
$ 22,009,958	$ -	$ -

See accompanying notes to schedule of expenditures of federal awards.

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New Mexico Highlands University
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

1. **Basis of Presentation**

   The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of New Mexico Highlands University (the "University") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. **Loans**

   The University did not expend federal awards related to loans or loan guarantees during the year. Federal Direct Loans advanced to students in fiscal year 2022 totaled $8,434,288.

3. **10% de minimus Indirect Cost Rate**

   The University did not elect to use the allowed 10% indirect cost rate.

4. **Federally Funded Insurance**

   The University has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per schedule of expenditures of federal awards	$	22,009,958
Total expenditures funded by other sources		64,835,424
Total operating expenditures	$	86,845,382

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements?	No

Federal Awards:

1. Type of auditors' report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

4. Identification of major programs:

Assistance Listing Numbers	Federal Program
10.694	Southwest Forest Health and Wildfire Prevention
	COVID-19: Education Stabilization Fund
84.425C	GEER
84.425E	HEERF: Student Aid Portion
84.425F	HEERF: Institutional Aid Portion

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low-risk auditee?	Yes

SECTION II: FINANCIAL STATEMENT FINDINGS

2022-001 (2021-002, 2021-013 and 2021-14) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated)

Condition: During our testwork over payroll we noted the following:

- As part of gaining an understanding of internal controls surrounding reconciliation of payroll related liabilities, it was noted that the University has not properly designed processes or controls to provide a timely reconciliation of amounts recorded in payroll liability accounts to amounts paid to payroll vendors. In light of management's identification of this deficiency an independent 3rd party consultant was hired to reconcile payroll related liability payments for the year ended June 30, 2022. We noted the findings from the consultant's report identified $37,508 in overpayments to payroll related vendors in excess of amounts withheld from employee paychecks and employer contributions in the year ended June 30, 2022.

- Per inquiry of management and employees it was noted that payments to payroll vendors have often not been made timely. Auditors obtained vendor history reports for a sample of six payroll vendors which included payments made for ERB, RHCA, health care related premiums, elective contributions to 457(b) plans, and contributions to alternative retirement plans. We noted two payments made to GSD for healthcare related premiums made more than 30 days and up to 32 days after the end of the month in which they are due. We noted six payments made to alternative retirement plan sponsors were made more than 30 days and up to 78 days after the end of the month in which they were collected. We noted four 457(b) contributions were remitted to the 3rd party vendor more than 30 days and up to 47 days after the end of the month in which they were collected/

- The University was unable to reconcile Educational Retirement Board employer contributions to the general ledger. CRI noted the University was unable to reconcile Educational Retirement Board employer contributions as reported on monthly contribution forms to the contribution expense per the trial balance by $411,687.

- We tested a random sample of twenty-five paychecks and noted the following:
    - In 3 of 25 transactions tested, an ERB enrollment form was not provided to auditors.
    - In 3 of 25 transactions tested, an ACH authorization form was not provided to auditors.
    - In 1 of 25 transactions tested, a W-4 was not provided to auditors.
    - In 10 of 25 transactions tested, the personnel file did not contain documentation to support the rate of pay. Management states that increases can be traced to annual adjustments or increases pursuant to collective bargaining agreement, however the rate was not explicitly documented in the personnel file.
    - In 1 of 25 transactions tested, the employer portion of ERB was withheld at 17.15% instead of the required 15.15%.
    - In 2 of 25 transactions tested, elective benefit enrollment forms did not match the withholdings from the paycheck.

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 (2021-002, 2021-013 and 2021-14) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

- Auditors noted an employee that began receiving a paycheck for the period from August 16, 2021 through October 12, 2021, which was prior to starting employment. The mistake, which resulted in an overpayment of $4,948 was brought to the attention of the payroll department by the employee, however a resolution was not provided to the employee until April 2022. Additionally during a review of the employee A/R general ledger and interviews with employees, it was noted overpayments and underpayments to employees occurred throughout FY22. Overpayments to employees were reclassified as other receivables and collection efforts will need to be done.
- During a review of payroll registers, we noted one employee that had FICA taxes employee and employer portion withheld at a rate of 8.01% each instead of the required rate of 7.65%.
- It was noted that payroll reconciliations were not completed timely. The payroll bank reconciliation for June 2022 was not finalized until the week of October 24th.
- During interview of University employees, it was reported that throughout FY22 incorrect journal entries were submitted to the Business Office for posting. Sufficient review of the journal entries was not done. Auditors were provided an adjusting journal entry on October 20, 2022, which was needed to reconcile payroll accounts as of June 30, 2022.
- The use of the University's vehicles is not being reflected as taxable income on employee's W-2 forms. There are two employees who have these vehicles.

Progress on resolution of prior year finding: No progress was made.

Criteria - NMAC 2.20.5.8 requires that an internal control structure exists and is functioning properly, transactions are recorded timely and properly classified, and account balances are reconciled and reviewed regularly. *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements

Cause - While the payroll department has documented policies and procedures, it appears there is a lack of understanding of system capabilities as it relates to producing accurate reporting and timely reconciliations.

Effect - The untimely response to audit requests and providing inaccurate or incomplete reports and documents resulted in a delay in completing the audit. Without maintaining current payroll documentation, including those related to current pay rates, there is an increased risk that University employees could be paid the incorrect amount.

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 (2021-002, 2021-013 and 2021-14) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

Auditors' Recommendation - Management should ensure that payroll employees receive relevant and adequate trainings in order to perform assigned functions in a timely manner. Management should also evaluate the payroll department to determine if it has adequate staffing to meet the needs of the University.

Views of Responsible Officials and Planned Corrective Action **–** The University discovered that its Human Resources/Payroll (HR/PR) department had issues in need of immediate attention that began at the end of Fiscal Year 2021 and continued into Fiscal Year 2022. The primary driver of these issues were staff turnover and a lack of understanding of the NMHU Banner system. One of the challenges NMHU faces is recruiting and retaining HR/PR staff. Furthermore, many of the discrepancies in the audit were issues that had already occurred and were thus difficult to reconcile. Just as a new leadership team was gaining its footing, the university, much like the rest of the region, was negatively impacted by the Calf Canyon and Hermit's Peak fires. These fires occurred during the final months of the fiscal year and directly impacted the university's ability to prepare for the audit properly.

The good news is that these events allowed the university to adapt and implement a corrective action plan for HR/PR. The university's plan is a multi-faceted approach that includes the following:

a. Hire an experienced leader and augment with functional consultants or other internal staff in areas of weakness until the new staff is hired and able to fully execute the day-to-day operational tasks.
b. Stabilize the staff and fill all vacancies with qualified new hires. We are pleased to report that this was completed in October 2022.
c. Provide Banner HR/PR and People Admin training to ensure the staff is competent in these areas. While we have seen progress in this area with the staff performing the day-to-day functions, NMHU remains realistic. We have yet to achieve our goal fully and therefore will continue with this supplemental support until we do so.
d. Provide Banner training via technical consultants who can offer more specific technical assistance to address complex Banner tasks. This tier-level support will continue until it is no longer needed.
e. Outsource our third-party vendor payment functions to Moss Adams, NMHU's internal auditor. As noted in the audit finding, Moss Adams provided the university with a critical analysis of ERB and GSD vendor reconciliation. The skill sets provided by Moss Adams will assist the university in cleaning and defining our vendor-payment process and the corresponding documentation while identifying other areas of need. This will continue until this functionality has been transitioned to the outsourced payroll company.

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 (2021-002, 2021-013 and 2021-14) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

Views of Responsible Officials and Planned Corrective Action (Continued)

f. Issue and execute RFP for third-party vendors to outsource payroll functions. Given the difficulty of acquiring staff, NMHU's management strategy was to outsource our payroll functions, particularly in the payroll department. The university issued an RFP and is in the process of evaluating the vendors. This change will provide the functionality and reliability we need for this critical business operation. This transition will occur during the third quarter of Fiscal Year 2023.
g. Hire a qualified professional with payroll and financial skills who is very knowledgeable and functional in Banner. This person will lead the ongoing efforts and assist in implementing effective business processes and procedures. (Completed May 2022)

As noted in the audit finding, management identified existing issues and began corrective actions before the end of Fiscal Year 2022. NMHU's action plan will place the university in the position to correct all findings identified in the fiscal year 2022 audit. NMHU also knows this action plan will need constant oversight over the next several months until all the issues have been corrected.

Timeline and Estimated Completion Date: June 2023

Responsible Party: Vice President of Finance, Administration and Government Relations (VPFAGR) and Human Resources (HR)/Payroll Director

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-002 Control of Capital Assets (Significant Deficiency)

Condition - It was noted during testwork over capital assets, that although the University performed an annual inventory of moveable assets, 297 of 618 assets from the listing with a net book value totaling $2,803 were not located during the annual inventory.

Criteria - In accordance with NMAC 2.2.1.16, the annual physical inventory checks against losses not previously revealed and brings to light errors in records of accountability.

Cause - *P*er discussion with management, the assets that had not been located, were noted during the annual inventory and it is management's intention to remove them after 2 years without being located.

Effect - The University's assets could be subject to theft and the accounting records could be misstated.

Auditors' Recommendation - The University should develop procedures to investigate capital assets that are missing and determine if safeguarding policies are adequate. Additionally management should ensure that accounting records reflect only those assets that are in-use.

Views of Responsible Officials and Planned Corrective Action **–** The University will continue to work with responsible staff to complete the annual inventory with no exceptions. Procedures will be developed to ensure this work is completed timely and accurately.

Timeline and Estimated Completion Date: December 2022

Responsible Party: Comptroller and Purchasing Director

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-003 Compensated Absences Reporting and Accounting (Significant Deficiency)

Condition - During testwork over compensated absences auditors were provided with a leave report, however, it was noted by auditors that the amounts and activity provided was for fiscal year 2023. Subsequent reports provided also contained errors and discrepancies. It was noted that management had difficulty producing a reliable report in a timely manner.

Criteria - The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Monthly maintenance of the trial balance and preparation of annual financial statements and related note disclosures in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate and useful information is available to management and those charged with governance.

Cause – Management did not test to ensure that reports used to record compensated absences as of June 30, 2022 and subsequently provided to Auditors, contained accurate ending balances and activity that related to the fiscal year under audit.

Effect – Auditors' were provided multiple compensated absences reports that contained incorrect information prior to receiving the correct report. This resulted in auditing delays, extended audit procedures, and adjustments to the trial balance.

Auditors' Recommendation - The University should gain an understanding of reporting capabilities and perform tests to determine accuracy of reports prior to using those reports as a basis for accounting entries and providing to auditors.

Views of Responsible Officials and Planned Corrective Action - An ARGOS report was developed to accurately report the annual vacation leave balances.

Timeline and Estimated Completion Date: Completed

Responsible Party: Vice President of Finance, Administration and Government Relations (VPFAGR) and Human Resources (HR)/Payroll Director

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-004 (2021-001) Account Reconciliations (Material Weakness) – Modified and Repeated

Condition - During testwork over student accounts receivable it was noted by auditors that the report provided did not have a proper cut-off of June 30, 2022, but rather the report balances were as of the date the report was processed in August 2022. Additionally the trial balance includes an account titled "Student Aid Clearing" with numbering consistent with liability accounts that had a debit balance of $1,382,454 at June 30, 2022 prior to adjustment. Management is unable to identify the nature of the balance and identified the balance as invalid. Furthermore, detail of amounts due from employees are not maintained in a manner sufficient to reconcile amounts owed by each employee. Auditors also noted a receivable balance totaling $482,616, which management estimates is receivable, however no collections have been made since 2010.

Progress on resolution of prior year finding: No progress was made.

Criteria - The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Monthly maintenance of the trial balance and preparation of annual financial statements and related note disclosures in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate and useful information is available to management and those charged with governance.

Cause – Management was not aware of the reporting limitations within the accounting system and did not take appropriate steps to produce a student accounts receivable report at June 30, 2022.

Effect – Auditors' were provided a student accounts receivable report that contained incorrect information prior to receiving the correct report. This resulted in auditing delays, extended audit procedures, and adjustments to the trial balance. Adjustment of the invalid trial balance account resulted in a prior period adjustment of $1,232,013.

Auditors' Recommendation - The University should gain an understanding of reporting capabilities and perform tests to determine accuracy of reports prior to using those reports as a basis for accounting entries and providing to auditors. The University should maintain sub ledgers or other reports to substantiate balance sheet accounts.

Views of Responsible Officials and Planned Corrective Action **-** The Comptroller and Bursar have made notes to run the Banner report TGRAGES on July 1st, and will update procedures for year-end close. They will also submit a case with Ellucian to determine which detail codes are impacting the "Student Aid Clearing" account and correct those that are not posting correctly. HR/Payroll will need to reconcile payroll related employee receivables and begin collection efforts. The VPFA and President will arrange to meet with the City of Las Vegas Mayor and City Manager to discuss the outstanding receivable owed to the University.

Timeline and Estimated Completion Date: June 2023

Responsible Party: HR/Payroll Director, Payroll Manager, President, VPFAGR, Bursar and Comptroller

SECTION III: FEDERAL AWARD FINDINGS

2022-005 Procurement Policy (Significant Deficiency and Noncompliance)

Funding Agency:	United States Department of Agriculture
Federal Award Agreement Number:	20-DG-11030000-004 & 21-DG-11030000-020
Award Year:	All
Title:	Southwest Forest Health and Wildfire Prevention
Assistance Listing Number:	10.694
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable
Questioned Costs:	$43,747

Condition - The University did not apply the correct small purchase threshold for identifying purchases that need to obtain quotes in their policy. The population between $10,000 and $20,000 not included in policy included 3 transactions totaling $43,747.

Criteria – 2 CFR 200.303(a) requires non-Federal entities to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of grant agreements. 2 CFR 200.320(a) sets the micro-purchase threshold at $10,000 and requires purchases over the micro-purchase threshold to use small purchase procedures, whereby price or rate quotations must be obtained.

Cause – The University was unaware that the policy amount had changed to a threshold of $10,000.

Effect – The University may unintentionally use a higher-cost vendor when failing to obtain price or rate quotations for items over the micro-purchase threshold.

Auditors' Recommendation – The procurement policy should be updated to comply with all relevant state and local procurement requirements and reviewed for necessary revisions regularly.

Views of Responsible Officials and Planned Corrective Action **–** The Purchasing Director will update policies and procedures to specifically address procurement for federal awards. The University will also ensure that Purchasing Department and Business Office staff participate in annual federal compliance training.

Timeline and Estimated Completion Date: December 2022

Responsible Party: Purchasing Director and Comptroller

SECTION V: COMPONENT UNIT FINDINGS

None noted

SECTION VI: SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

2021-001 Account Reconciliations (Significant Deficiency) (Modified and Repeated)

2021-002 Payroll Segregation of Duties and IT Controls (Significant Deficiency) (Modified and Repeated as Finding 2022-001)

Federal Award Findings and Questioned Costs

2021-003 Procurement and Suspension and Debarment (Significant Deficiency in Internal Control Over Compliance and Instance of Noncompliance) (Resolved)

2021-004 Equipment Tracking (Significant Deficiency in Internal Control over Compliance and Instance of Noncompliance) (Resolved)

2021-005 Cash Management (Significant Deficiency in Internal Control over Compliance) (Resolved)

2021-006 Activities Allowed or Unallowed, Period of Performance; (Significant Deficiency in Internal Control over Compliance and Instance of Noncompliance) (Resolved)

2021-007 Activities Allowed or Unallowed; (Significant Deficiency in Internal Control over Compliance and Instance of Noncompliance) (Resolved)

2021-008 Cash Management (Significant Deficiency in Internal Control over Compliance and Instance of Noncompliance (Resolved)

2021-009 Matching (Significant Deficiency in Internal Control over Compliance and Instance of Noncompliance) (Resolved)

12-6-5 NMSA 1978 Findings

2021-010 (2020-003) Procurement Card Transaction (Other Non-Compliance) (Resolved)

2021-011 (2020-004) Controls over Fuel Cards (Other Non-Compliance) (Resolved)

2021-012 Control of Capital Assets (Other Non-Compliance) (Resolved)

2021-013 Payroll Processes and Controls (Other Matter) (Modified and Repeated as Finding 2022-001)

SECTION VI: SUMMARY OF PRIOR YEAR AUDIT FINDINGS (Continued)

12-6-5 NMSA 1978 Findings (Continued)

2021-014 Allowable Costs (Other Matter) (Repeated and Modified as Finding 2022-001)

Component Unit Findings

2021-015 Endowment Investment Accounting (Significant Deficiency at the Individual Component Unit Level – New Mexico Highlands University Foundation, Inc.) (Other Matter) (Resolved)

2021-016 Controls Over Cash Disbursements (Other Noncompliance at the Individual Component Unit Level – New Mexico Highlands University Foundation, Inc.) (Other Matter) (Resolved)

2021-017 Controls Over Cash Receipts (Other Noncompliance at the Individual Component Unit Level – New Mexico Highlands Foundation) (Other Matter) (Resolved)

New Mexico Highlands University
Other Disclosures
June 30, 2022

EXIT CONFERENCE

The contents of this report and its schedules related to the component units were discussed on October 31, 2022. The following individuals were in attendance:

University Officials

Dr. Sam Minner	President
Max Baca	Vice President of Finance, Administration, and Government Relations
Frank Marchi	Chairman, Board of Regents
Danelle Smith	Secretary/Treasurer, Board of Regents
Stephanie Gonzales, CPA	Director of Finance & Budget/Comptroller
Aaron Flure	Director of Purchasing
Ryan Aragon	Bursar/Student Accounts Receivable Manager
Catherine Diaz, CPA	Accounting Manager
Gilbert "Buddy" Rivera	ORSP Assistant Director
Emily Montoya	Interim Director of Financial Aid
Gian "Joe" Gieri	Director Information Technology Services
Dr. Denise Montoya	Associate Vice President of Finance, Administration, and Government Relations
Jill Diamond	Director of Human Resources/Payroll
Keith Tucker	Director, HLC/Accreditation Liaison Officer
Leon Bustos	HU CARES, Director of Health Education & Wellness
Maria Sena	Senior Executive Administrative Assistant

New Mexico Highlands University
Other Disclosures
June 30, 2022

New Mexico Highlands University Foundation Officials

Theresa Law	Vice President of Student & Donor Engagement
Felicia Ortiz	Board Treasurer
Paul Grindstaff	Board Vice President
Leticia Griego	Foundation Development Finance Officer
Kristine Jaramillo	Consultant

Highlands Stable Isotopes Corporation Officials

Max Baca	Vice President of Finance, Administration, and Government Relations

Carr, Riggs & Ingram, LLC

Alan D. "A.J." Bowers, Jr., CPA, CITP	Partner
Paul Garcia, CPA	Senior Manager

AUDITOR PREPARED FINANCIALS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the University from the original books and records provided to them by the management of the University. The responsibility for these financial statements remains with the University.

HIGHLANDS UNIVERSITY®

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