

FISCAL YEAR

2023

Financial Audit



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INTRODUCTORY SECTION



New Mexico Highlands University
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June 30, 2023

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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, 2023

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF REGENTS		
Mr. William E. "Bill" Garcia	Chairman	December 2024
Ms. Danelle J. Smith	Vice-Chairman	December 2024
Dr. Frank Sanchez	Regent	December 2026
Mr. Robert Lucero	Regent	December 2028
Mr. Cody Rivera	Student Regent/Secretary	December 2024

PRINCIPAL ADMINISTRATIVE OFFICIALS

Dr. Sam Minner	President
Dr. Roxanne Gonzales	Provost/Vice President for Academic Affairs
Mr. Max Baca	Vice President for Finance, Administration and Government Relations
Mrs. Theresa M. Law, JD, CFRE	Vice President, Student and Donor Engagement
Mr. 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	Purchasing Director
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



INDEPENDENT AUDITORS' REPORT

Joseph M. Maestas, P.E., 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 accompanying 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, 2023, 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, 2023, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2023, 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, 2023, 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

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2022 the University adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 21, 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), supplementary information 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, supplementary information 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.

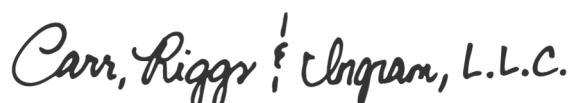
Other Information

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, 2023, 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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 1, 2023

**NEW MEXICO HIGHLANDS UNIVERSITY
STATE OF NEW MEXICO
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 (the "University"). It is intended to make the University's 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, 2023. 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 unmodified 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, 2023). 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, 2023). 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 many instruction and general programs.

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

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

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

Statement of Cash Flows presents cash receipts and payments of the University during a period of time (year ended June 30, 2023). 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

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.

The Sininger Hall Renovation project received additional funding of \$4.5M. That brought the project cost up to \$11.5M. Additional funding was needed because of the increase in construction costs.

The Facilities abatement and construction project is underfunded due to the rising construction and materials costs. Additional funding requirements will be revisited and additional funding will be requested from HED.

Factors Impacting Future Periods

In FY24, the University may continue to experience uncertainty from a financial perspective due to fluctuations of student enrollment, rural workforce conditions, talent shortages, and increases in benefits, technology, and other operating costs. The University recognizes the need to broaden its recruitment strategy.

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

Financial Highlights

CONDENSED STATEMENT OF NET POSITION

Net Position as of June 30, 2023 and 2022 (thousands)		
	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$14,283	\$13,631
Restricted cash	23,004	2,460
Assets held by others	3,031	2,773
Due from component unit	-	-
Endowment investments	6,803	5,955
Other	9,181	-
Capital assets, net	<u>86,601</u>	<u>93,276</u>
Total assets	<u>142,903</u>	<u>118,095</u>
Deferred outflows	<u>29,722</u>	<u>53,748</u>
Liabilities:		
Current liabilities	13,722	10,429
Non-current liabilities	22,905	19,924
Net pension & OPEB liabilities	<u>77,991</u>	<u>70,139</u>
Total liabilities	<u>114,618</u>	<u>100,492</u>
Deferred inflows	<u>52,017</u>	<u>86,452</u>
Net Position:		
Invested in capital assets, net of debt	70,206	72,139
Restricted for nonexpendable	33,005	11,514
Restricted for expendable	195	6,450
Unrestricted	<u>(97,416)</u>	<u>(105,204)</u>
Total net position	<u>\$5,990</u>	<u>\$(15,101)</u>

Discussion of Statement of Net Position

Current assets increased 5% during the year. The current asset ending balance of \$14.3 million consists primarily of cash/cash equivalents (\$3.2 million), receivables (\$10.6 million) and other (\$273K). 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.

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

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

Activities for the years ended June 30, 2023 and 2022 (thousands)		
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Tuition and fees, net	\$17,962	\$ 16,374
Grants & contracts	38,077	27,911
Sales and services / other revenue	<u>27,016</u>	<u>5,094</u>
Total operating revenues	<u>83,055</u>	<u>49,379</u>
Operating expenses:		
Instruction and general	39,744	36,738
Other operating expenses	59,246	44,794
Depreciation	<u>5,412</u>	<u>5,313</u>
Total operating expenses	<u>104,402</u>	<u>86,845</u>
Operating loss	<u>(21,347)</u>	<u>(37,466)</u>
Non-operating revenue:		
State general fund appropriations	40,520	33,216
Interest and investment income	2,065	(731)
Other	<u>-</u>	<u>-</u>
Total Non-operating revenue:	<u>42,585</u>	<u>32,485</u>
Income/(loss) before other revenue, expenses, gains, losses	<u>21,238</u>	<u>(4,981)</u>
Capital appropriations	1,033	1,123
Interest on indebtedness	(1,142)	(1,031)
Other	<u>(38)</u>	<u>372</u>
Total other	<u>(147)</u>	<u>464</u>
Decrease/increase in net position	<u>21,091</u>	<u>(4,517)</u>
Net position, beginning	(15,101)	(9,352)
Restatement	<u>-</u>	<u>-</u>
Net position, ending	<u>\$5,990</u>	<u>\$(15,101)</u>

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

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

The University's net position increased by \$21 million during the year. Operating expenses (\$104 million) are subtracted from operating revenues (\$83 million), resulting in an "operating loss" (\$21 million). State general fund appropriations (\$40.5 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 \$21 million. \$1 million in capital appropriations revenues (federal and state funds designated for construction projects) resulted in an increase in net position of \$21 million.

The state appropriation for general funds for year ended June 30, 2023 was \$40.5 million as compared to state appropriation for year ended June 30, 2022 at \$33.2 million.

Analysis of Tuition and Fees Revenue (thousands)				
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	
Tuition	\$14,829	\$13,491	\$1,338	9%
Fees	<u>5,797</u>	<u>5,128</u>	<u>669</u>	13%
Subtotal	20,626	18,619	2,007	11%
Wiley Revenue Share	(890)	(261)	629	241%
Tuition discounts/allowance	<u>(1,774)</u>	<u>(1,984)</u>	<u>(210)</u>	-11%
Net	<u>\$17,962</u>	<u>\$16,374</u>	<u>\$ 1,588</u>	10%

Tuition and fees, net of discounts and allowances, increased by 9%. Tuition discounts and allowances are tracked individually by student and the annual expense decreased by 13%. 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.

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

CONDENSED STATEMENT OF CASH FLOWS

Statement of Cash Flows for the years ended June 30, 2023 and 2022 (thousands)		
	2023	2022
Cash flows from operating activities:		
Net cash used by operating activities	\$(17,402)	\$(32,289)
Net cash provided by noncapital financing activities	41,284	33,822
Net cash flow provided by investment activities	1,288	(1,759)
Net cash used by capital & related financial activity	<u>(5,444)</u>	<u>(3,859)</u>
Net increase/(decrease) in cash and cash equivalents	19,726	(4,085)
Restricted cash, beginning of year	2,460	2,428
Cash and cash equivalents, beginning of year	<u>4,006</u>	<u>8,123</u>
	<u>6,466</u>	<u>10,551</u>
Restricted cash, end of year	23,004	2,460
Unrestricted cash and cash equivalents, end of year	<u>3,188</u>	<u>4,006</u>
Cash and cash equivalents, end of year	<u>\$ 26,192</u>	<u>\$ 6,466</u>

Discussion of Statement of Cash Flows

This statement shows the sources and uses of cash and cash equivalents in four standard categories. The University had a \$19.7 million net increase during the year, resulting in an ending cash balance of \$26 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, 2023, 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.

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BASIC FINANCIAL STATEMENTS



New Mexico Highlands University
Statement of Net Position

June 30, 2023	Primary Government	NMHU Foundation
Assets		
Current assets		
Cash and cash equivalents	\$ 3,187,915	\$ 1,141,777
Short-term investments	253,060	-
Receivables, net of allowances for uncollectibles		
Student receivable, net	1,531,289	-
Grants receivable	7,538,342	-
Other receivables	1,499,287	4,237
Note receivable, short-term	-	490,316
Interest receivable	476	-
Prepaid expenses	273,158	4,606
Total current assets	14,283,527	1,640,936
Noncurrent assets		
Restricted cash and cash equivalents	23,004,272	1,014,395
Certificates of deposit	-	1,000,000
Note receivable, net of current portion	-	2,663,890
Lease receivable	180,444	-
Assets held by others	3,031,410	-
Investments	6,802,742	-
Endowment, including assets held for others of \$3,031,410	-	10,239,121
Subscription assets, net	2,897,091	-
Non-depreciable capital assets	6,102,783	914,289
Depreciable capital assets, net	86,600,867	5,071,594
Total noncurrent assets	128,619,609	20,903,289
Total assets	142,903,136	22,544,225
Deferred outflows of resources		
Deferred outflows - pension	24,015,703	-
Deferred outflows - OPEB	5,705,901	-
Total deferred outflows of resources	29,721,604	-
Total assets and deferred outflows of resources	\$ 172,624,740	\$ 22,544,225

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

June 30, 2023	Primary Government	NMHU Foundation
Liabilities		
Current liabilities		
Accounts payable	\$ 1,591,313	\$ 33,654
Accrued expenses	4,352,812	-
Accrued interest payable	228,788	-
Compensated absences, short-term	1,440,316	-
IRS payable	1,008,036	-
Unearned revenues	2,307,017	100
Current portion of lease liability	275,016	-
Current portion of subscription liabilities	673,260	-
Bonds payable, current	1,355,000	-
Notes payable, current	490,316	91,696
Total current liabilities	13,721,874	125,450
Noncurrent liabilities		
Compensated absences	304,119	-
Assets held for others	-	3,031,410
Lease liabilities, less current maturities	144,989	-
Subscription liabilities, less current maturities	2,136,926	-
Bonds payable, long-term portion	17,655,000	-
Note payable, net of current portion	2,663,890	464,858
Net pension liability	65,270,790	-
Net OPEB liability	12,720,064	-
Total noncurrent liabilities	100,895,778	3,496,268
Total liabilities	114,617,652	3,621,718
Deferred inflows of resources		
Deferred inflows - lease	183,447	-
Deferred inflows - pension	39,187,507	-
Deferred inflows - OPEB	12,646,019	-
Total deferred inflows of resources	52,016,973	-
Net position		
Net investment in capital assets	70,206,344	5,429,329
Restricted for		
Nonexpendable		
Nonexpendable scholarships and grants	33,004,606	5,745,482
Expendable		
Expendable scholarships and grants	721,939	3,463,769
Expendable loans	270,700	-
Expendable capital projects	(1,234,209)	-
Expendable debt service	436,639	-
Unrestricted (deficit)	(97,415,904)	4,283,927
Total net position	5,990,115	18,922,507
Total liabilities and net position	\$ 172,624,740	\$ 22,544,225

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, 2023	Primary Government	NMHU Foundation
Operating revenues		
Student tuition and fees, net	\$ 17,962,424	\$ -
Federal awards and contracts	31,429,135	-
State and local grants and contracts	4,455,970	-
Private grants and contracts	2,191,858	-
NMHED contributions	20,500,000	-
Sales and services of auxiliary enterprises	4,007,357	-
Contributions	-	40,631
Lease income	24,950	233,123
Other	2,483,861	1,021,548
Total operating revenues	83,055,555	1,295,302
Operating expenses		
Instruction	19,366,562	-
Academic support	2,392,417	-
Student services	4,114,726	-
Institutional support	7,526,628	-
Operations and maintenance	6,343,695	-
Student social and cultural development	1,104,576	-
Research	3,704,733	-
Public service	18,029,666	-
Internal services	2,928,639	-
Student aid grants and stipends	20,399,255	200,527
Auxiliary enterprises	2,731,912	-
Athletics	3,877,613	-
Renewals and replacements	1,343,893	-
Other expenditures	1,008,036	933,725
Pension expense	6,028,848	-
Other post employment benefits (income)	(2,954,196)	-
Lease expense	66,054	-
Amortization	976,898	-
Depreciation	5,412,749	33,657
Total operating expenses	104,402,704	1,167,909
Operating (loss) income	(21,347,149)	127,393
Non-operating revenues (expenses)		
State appropriations	40,519,910	-
State land, permanent fund and investment income	763,932	-
Investment (loss)	932,778	633,051
Interest income	368,376	81,802
Gain on sale of building to the University	-	1,522,181
Other	-	(84,245)
Net non-operating revenues (expenses)	42,584,996	2,152,789

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

For the Year Ended June 30, 2023	Primary Government	NMHU Foundation
Income before other revenues, expenses, gains and losses	\$ 21,237,847	\$ 2,280,182
Other revenue (expenses) and capital items		
State appropriations, capital	132,759	-
Severance tax bond appropriations	900,372	-
Interest expense on SBITA	(81,134)	-
Interest expense on leases	(83,923)	-
Interest on indebtedness	(976,813)	(29,837)
Endowment expense	(37,727)	-
Total other revenue (expenses) and capital items	(146,466)	(29,837)
Change in net position	21,091,381	2,250,345
Net position, beginning of year	(15,101,266)	16,672,162
Net position, end of year	\$ 5,990,115	\$ 18,922,507

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, 2023	Primary Government
Cash flows from operating activities	
Tuition, fees and trainings	\$ 17,340,912
Federal, state, private grants and contracts	38,076,963
Auxiliary enterprise charges	4,007,357
Contributions and other operating revenues	22,983,861
Payments to employees and for employee benefits	(58,812,487)
Disbursement of net aid to students	(20,399,255)
Payments to suppliers	(20,599,559)
Net cash (used in) operating activities	(17,402,208)
Cash flows from noncapital financing activities	
State appropriations	40,519,910
Land and permanent fund	763,932
Net cash provided by noncapital financing activities	41,283,842
Cash flows from capital financing activities	
Capital appropriations	132,759
Purchase of capital assets	(2,532,904)
Payment on long-term debt	(1,310,000)
Payment on leases	(396,291)
Payments on note payable with the Foundation	(195,794)
Interest payment on leases	(83,923)
Interest on payment on SBITA	(81,134)
Interest payments on bonds	(976,813)
Net cash (used in) capital financing activities	(5,444,100)
Cash flows from investing activities	
Lease income	24,950
Endowment expense	(37,727)
Interest income	368,376
Investment loss on investments	932,778
Net cash provided by investing activities	1,288,377
Net increase in cash and cash equivalents	19,725,911
Cash and cash equivalents - beginning of year	6,466,276
Cash and cash equivalents - end of year	\$ 26,192,187
Cash and cash equivalents, unrestricted	\$ 3,187,915
Restricted cash and cash equivalents	23,004,272
Cash and cash equivalents - end of year	\$ 26,192,187

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

For the Year Ended June 30, 2023	Primary Government
Operating (loss)	\$ (21,347,149)
Reconciliation of operating loss to net cash (used in) operating activities	
Depreciation expense	5,412,749
Amortization expense for leases	203,950
Amortization expense for SBITA	772,948
Noncash pension expense	2,246,890
Noncash OPEB benefit	(3,500,968)
Assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable, net	(1,324,683)
Prepaid expenses	(164,849)
Inventory	27,811
Assets held for others	(258,379)
Accounts payable	194,207
Accrued expenses	882,034
Accrued interest payable	64,755
Compensated absences	228,849
IRS payable	1,008,036
Deferred outflows - subsequent contributions - pension	(1,408,736)
Deferred outflows - subsequent contributions - OPEB	(76,540)
Unearned revenues	(363,133)
Net cash (used in) operating activities	\$ (17,402,208)
Supplemental cash flow information	
Purchase of building and land through note payable	\$ 3,350,000

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

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New Mexico Highlands University

Notes to Financial Statements

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.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

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.

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.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, which include property, plant, equipment and right-to-use subscription 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.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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.

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 \$5,000 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.

Subscription-Based Information Technology Arrangements (SBITAs)

New Mexico Highlands University (NMHU) recognizes SBITAs that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of an other than short-term SBITA. The NMHU 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 NMHU's incremental borrowing rate at start of the arrangement for a similar asset type and term length to the contract. Short-term subscription payments are expensed when incurred.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 five types that relate to reporting under GASB 75, which total \$24,015,703 and \$5,705,901, respectively, in the statement of net position. The amounts are further detailed in Note 13 and Note 14. 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 four 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 \$39,187,507 and \$12,646,019, respectively, in the statement of net position, and are further detailed in Note 13 and Note 14. The University also had \$183,447 of deferred inflows of resources from leases. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Unearned Revenues

Unearned revenue relates to student tuition and fees for each academic session within the fiscal year during which the session is completed. 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).

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and estimates used in accounting for subscription-based information technology arrangements leases in accordance with GASB Statement No. 96.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 1, 2023 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.

Recently Issued and Implemented Accounting Pronouncements

During the fiscal year ended June 30, 2023, the University adopted GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* and GASB Statement No. 99, *Omnibus 2022*.

The implementation of these statements, besides GASB Statement No. 96, (SBITAs), did not have a significant impact on the University because the activities of the University were not affected by the statement in a material manner. GASB Statement No. 96, (SBITAs) did have a significant impact on the University. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

New Mexico Highlands University

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

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

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: CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2023, the University adopted GASB No. 96 SBITAs (GASB 96) as of July 1, 2022. NMHU evaluated subscription-based information technology contracts that were formerly expensed as incurred. NMHU determined whether these contracts meet the definition of a SBITA as defined in GASB 96. Management evaluated and noted an adjustment as of July 1, 2022 to right of use SBITA assets of \$3,670,039 and SBITAs payable of \$3,670,039. There were no impacts to the beginning net position related to the adoption of GASB 96.

Note 3: 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, 2023.

New Mexico Highlands University

Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2023, \$23,950,821 of the University's bank balances of \$24,468,069 was exposed to custodial credit risk. \$23,950,821 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, 2023.

	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank	Total
Total amount of deposits	\$ 17,248	\$ 284,922	\$24,165,899	\$24,468,069
Deposit accounts covered by the FDIC coverage	(17,248)	(250,000)	(250,000)	(517,248)
Total uninsured public funds	-	34,922	23,915,899	23,950,821
Collateralized by securities held by the pledging institution or by its trust department or agent other than the University's name	-	34,922	23,915,899	23,950,821
Uninsured and uncollateralized	\$ -	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 17,461	\$11,957,950	\$11,975,411
Pledged security	-	100,000	24,663,877	24,763,877
Over collateralization	\$ -	\$ 82,539	\$12,705,927	\$12,788,466

New Mexico Highlands University

Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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.

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 MexiGROW 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.

New Mexico Highlands University Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2023, the University had the following investments and maturity:

Investment Type	Weighted Average Maturity	Fair Value	Rating*
<i>New MexiGROW</i> LGIP	22 day WAM (R); 86 day WAM (F)	\$ 253,060	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, 2023, the University investments are summarized as follows:

For the year ending June 30, 2023	New Mexico Highlands University
Investment with NMSIC	
Domestic Equities	
US Large Cap Index Pool	\$ 4,351,760
US Small/Mid Cap Pool	765,666
US Corporate Bonds	
US Core Bonds Pool	1,220,486
International Equities	
Non-US Emerging Markets Pool	148,523
Non-US Developed Markets Index Pool	316,307
Total investments	\$ 6,802,742

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.

New Mexico Highlands University

Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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	\$ 24,468,069
New Mexico Finance Authority	2,504,272
New Mexico State Investment Council	6,802,742
<i>New MexiGROW</i> LGIP	253,060
<hr/>	
Total deposits and investments	34,028,143
Petty cash	2,580
Less reconciling items	(782,734)
<hr/>	
Total cash and cash equivalents and investments	<u>\$ 33,247,989</u>
<hr/>	
Statement of net position	
Cash and cash equivalents	\$ 3,187,915
Short-term investments	253,060
Restricted cash and cash equivalents	23,004,272
Investments	6,802,742
<hr/>	
Net deposits and investments	<u>\$ 33,247,989</u>

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.

New Mexico Highlands University

Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

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	\$ -	\$ 4,351,760	\$ -	\$ 4,351,760
US Small/Mid Cap Pool	-	765,666	-	765,666
US Core Bonds Pool	-	1,220,486	-	1,220,486
Non-US Emerging Markets Pool	-	148,523	-	148,523
Non-US Developed Markets Index Pool	-	316,307	-	316,307
Total	\$ -	\$ 6,802,742	\$ -	\$ 6,802,742

New Mexico Highlands University

Notes to Financial Statements

Note 4: ASSETS HELD BY OTHERS

As of June 30, 2023, the University's investments assets include the following assets held by others in the Foundation:

Assets held by others in the Foundation endowment	\$ 3,031,410
Restricted cash held at the Wells Fargo Bank for scholarships	20,500,000
Restricted cash held at the New Mexico Finance Authority for debt service reserve	2,504,272
<u>Total assets held by others</u>	<u>\$ 26,035,682</u>

Note 5: ACCOUNTS RECEIVABLE

The University's accounts receivable at June 30, 2023 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	\$ 10,127,791	
Less allowance for doubtful accounts	<u>(8,596,502)</u>	
Student receivable, net		\$ 1,531,289
Federal grant receivable	3,521,745	
State grant receivable	1,196,950	
Private grant receivable	226,142	
Unbilled grant receivable	<u>2,593,505</u>	
Grant receivable		7,538,342
Other receivables		<u>1,499,287</u>
<u>Total receivables, net of allowances for uncollectibles</u>		<u>\$ 10,568,918</u>

New Mexico Highlands University

Notes to Financial Statements

Note 6: CAPITAL ASSETS

The following table summarizes the changes in the University's capital assets during the fiscal year ended June 30, 2023. Land and construction in progress are not subject to depreciation.

	June 30, 2022	Additions	Deletions	June 30, 2023
Assets not being depreciated				
Land	\$ 3,279,414	\$ 996,000	\$ -	\$ 4,275,414
Artwork	969,023	-	-	969,023
Patent	73,686	-	-	73,686
Construction in progress	750,404	173,676	(139,420)	784,660
Total assets not being depreciated	5,072,527	1,169,676	(139,420)	6,102,783
Assets being depreciated				
Land improvements	42,363,843	1,309,013	-	43,672,856
Buildings	137,845,381	2,354,000	-	140,199,381
Furniture and equipment	12,522,186	1,204,009	(2,884,177)	10,842,018
Library materials	10,230,164	-	(627,764)	9,602,400
Intangible right-to-use lease asset	1,451,616	-	(578,860)	872,756
Total assets being depreciated	204,413,190	4,867,022	(4,090,801)	205,189,411
Less accumulated depreciation				
Land improvements	(27,855,160)	(2,451,875)	-	(30,307,035)
Buildings	(67,993,282)	(2,129,415)	-	(70,122,697)
Furniture and equipment	(10,376,793)	(622,954)	2,873,338	(8,126,409)
Library books	(9,348,015)	(208,505)	-	(9,556,520)
Intangible right-to-use lease asset	(637,529)	(203,950)	365,596	(475,883)
Total accumulated depreciation	(116,210,779)	(5,616,699)	3,238,934	(118,588,544)
Total assets being depreciated, net	88,202,411	(749,677)	(851,867)	86,600,867
Net capital assets	\$ 93,274,938	\$ 419,999	\$ (991,287)	\$ 92,703,650

Depreciation is \$5,412,749 and amortization expense for right-to-use assets of is \$203,950 for a combined \$5,616,699 as of June 30, 2023.

New Mexico Highlands University

Notes to Financial Statements

Note 6: CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets during the year ended June 30, 2023:

		June 30, 2022				
	June 30, 2022	Restated	Additions	Deletions	June 30, 2023	
Subscription assets, being amortized	\$ -	\$ 3,594,344	\$ 75,695	\$ -	\$ 3,670,039	
Less accumulated amortization for subscription-based information technology arrangements	-	-	772,948	-	772,948	
Total accumulated amortization	-	-	772,948	-	772,948	
Subscription assets being amortized, net	\$ -	\$ 3,594,344	\$ (697,253)	\$ -	\$ 2,897,091	

Amortization expense as of June 30, 2023 was \$772,948.

Note 7: 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, 2023. 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.

The following summarizes the University's leased assets:

Lease Assets	July 1, 2022	Additions	Deletions	June 30, 2023
Office Space	\$ 594,100	\$ -	\$ -	\$ 594,100
Building	578,860	-	(578,860)	-
Equipment	278,656	-	-	278,656
Total leased assets	1,451,616	-	(578,860)	872,756
Less: Accumulated Amortization				
Office Space	(203,691)	(135,708)	-	(339,399)
Building	(365,596)	-	365,596	-
Equipment	(68,242)	(68,242)	-	(136,484)
Total accumulated amortization	(637,529)	(203,950)	365,596	(475,883)
Total lease assets, net	\$ 814,087	\$ (203,950)	\$ (213,264)	\$ 396,873

New Mexico Highlands University

Notes to Financial Statements

Note 7: LEASES (Continued)

The University evaluated the right-to-use assets for impairment and determined there was no impairment for the year ended June 30, 2023. The University recognized the following as lease expense for the year ending June 30, 2023 in the statement of revenues, expenses, and changes in the net position:

Lease expense	Year Ending June 30, 2023
Amortization expense by class of underlying asset	
Office Space	\$ 135,708
Equipment	68,242
Total	\$ 203,950

The following summarizes the University's lease liability as of June 30, 2023:

July 1, 2022	Additions	Deletions	June 30, 2023	Amounts Due Within One Year
\$ 816,296	\$ -	(396,291)	\$ 420,005	\$ 275,016

Lease liabilities totaled \$420,005 including \$258,299 that is due within one year. The future principal and interest lease payments as of June 30, 2023, were as follows:

Maturity Analysis	Principal	Interest	Total Payments
Year Ending 2024-06	\$ 275,016	\$ 1,012	\$ 259,311
Year Ending 2025-06	144,989	633	70,378
Total Future Payments	\$ 420,005	\$ 1,645	\$ 329,688

Note 8: ACCRUED EXPENSES

The University's accrued expenses at June 30, 2023 are as follows:

Payroll	\$ 1,256,576
Payroll taxes and related liabilities	1,207,517
Medical insurance liabilities	1,271,278
Other accruals	617,441
Total accrued expenses	\$ 4,352,812

New Mexico Highlands University

Notes to Financial Statements

Note 9: COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. The University had a liability for accrued vacations as of June 30, 2023 as follows:

Accrued vacation – beginning of year	\$ 1,515,586
Additions	1,607,136
Deletions	(1,378,287)
	<hr/>
Accrued vacation – end of year	\$ 1,744,435

The University estimates that \$1,440,316 of the compensated absences will be due within one year.

Note 10: LONG-TERM LIABILITIES

The University has five software arrangements that require recognition under GASBS No. 96. The arrangements are for accounting, course planning, and enterprise resource planning with contracts terms through 2027. NMHU does not have any commitments that were incurred at the commencement of the SBITAs. No termination penalties were incurred during the fiscal year. The University now recognizes a subscription-based information technology arrangements (SBITA) liability and an intangible right-to-use subscription asset for various software. The NMHU 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 NMHU's incremental borrowing rate at start of the arrangement for a similar asset type and term length to the contract which was a rate of 2.86% and 2.21% depending on when the agreement started. Short-term subscription payments are expensed when incurred.

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

		June 30, 2022				Due within
	June 30, 2022	Restated	Additions	Deletions	June 30, 2023	one year
Subscription liabilities	\$ -	\$ 3,594,344	\$ 81,148	\$(865,306)	\$ 2,810,186	\$ 673,260

New Mexico Highlands University

Notes to Financial Statements

Note 10: LONG-TERM LIABILITIES (Continued)

The following is a schedule of minimum future payments from subscription agreements as of June 30th:

<i>For the years ending</i>	Principal	Interest	Total
2024	\$ 673,260	\$ 61,431	\$ 734,691
2025	684,247	43,395	727,642
2026	726,408	22,721	749,129
2027	726,271	1,776	728,047
Total	\$ 2,810,186	\$ 129,323	\$ 2,939,509

On February 1, 2023, a note payable was formed in the amount of \$3,350,000 between the University and the Foundation for the University to purchase a building and its land that the Foundation had been leasing to the University. The note carries a 6% interest rate with monthly payments of \$55,519 and matures on January 1, 2029. The note payable activity for the year ending June 30, 2023 was as follows:

June 30, 2022	Additions	Retirements	June 30, 2023	Current Portion
\$ -	\$ 3,350,000	\$ (195,794)	\$ 3,154,206	\$ 490,316

The scheduled maturity of note payable for the University is as follows at June 30:

Fiscal Years Ending	Principal		Interest		Total
June 30,					Debt Service
2024	\$ 490,316	\$ 175,914	\$ 666,230		
2025	520,557	145,673	666,230		
2026	552,664	113,566	666,230		
2027	586,751	79,479	666,230		
2028	622,941	43,289	666,230		
2029	380,977	7,658	388,635		
	\$ 3,154,206	\$ 565,579	\$ 3,719,785		

New Mexico Highlands University

Notes to Financial Statements

Note 10: LONG-TERM LIABILITIES (Continued)

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, 2023 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, 2023, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
General Obligation Bonds	\$ 20,320,000	\$ -	\$ (1,310,000)	\$ 19,010,000	\$ 1,355,000
Note payable	-	3,350,000	(195,794)	3,154,206	490,316
Compensated absences	1,515,586	1,607,136	(1,378,287)	1,744,435	1,440,316
Total long-term debt	\$ 21,835,586	\$ 4,957,136	\$ (2,884,081)	\$ 23,908,641	\$ 3,285,632

New Mexico Highlands University

Notes to Financial Statements

Note 10: LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2023, including interest payments, are as follows:

GO Bond Series 2009B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	640,000	353,752	993,752
2029-2033	3,580,000	1,165,361	4,745,361
2034-2035	1,640,000	150,233	1,790,233
	\$ 8,185,000	\$ 3,431,518	\$ 11,616,518

GO Bond Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	935,000	307,873	1,242,873
2029-2033	5,290,000	934,336	6,224,336
2034	1,195,000	50,907	1,245,907
	\$ 10,825,000	\$ 2,861,417	\$ 13,686,417

Note 11: 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.

New Mexico Highlands University

Notes to Financial Statements

Note 12: 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 student aid expenditures exceeded budgeted amounts by \$282,872.
- 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 13: 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.

New Mexico Highlands University

Notes to Financial Statements

Note 13: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (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 of 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.

New Mexico Highlands University

Notes to Financial Statements

Note 13: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (Continued)

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. 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, 2022 plan members are required to contribute 9.92% of their gross salary. NMERB is required to contribute 18.24% 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 15.15% of the gross covered salary for employees whose annual salary was \$24,000 or less, and 15.15% of the gross covered salary for employees whose salary exceeded \$24,000. Contributions to the pension plan from the University was \$5,388,256 for the year ended June 30, 2023.

New Mexico Highlands University

Notes to Financial Statements

Note 13: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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, 2021. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2022, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2022. At June 30, 2023, the University reported a liability of \$65,270,790 for its proportionate share of the net pension liability.

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, 2022. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2022, the University's proportion was 0.77503 percent, which was an increase of 0.03125 percent from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of \$6,028,848.

At the June 30, 2023, 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	\$ 2,342,430	\$ 1,066,137
Net difference between projected and actual earnings on pension plan investments	-	1,490,753
Changes in assumptions	10,994,835	36,272,272
Changes in proportion	5,290,182	358,345
Contributions subsequent to the measurement date	5,388,256	-
Total	\$ 24,015,703	\$ 39,187,507

\$5,388,256 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2022, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

New Mexico Highlands University

Notes to Financial Statements

Note 13: 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 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,	
2023	\$ (12,100,546)
2024	(8,653,901)
2025	(2,076,268)
2026	2,270,655
<hr/>	
Total	\$ (20,560,060)

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, 2021. The total pension liability was rolled forward from the valuation date to June 30, 2022 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, 2022. 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, 2022 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 fiscal year, resulting in a 16.15% employer contribution rate in fiscal year 2023. As a result of these changes and the excellent performance of the fund for the fiscal year, the discount rate was 7.00%.

New Mexico Highlands University

Notes to Financial Statements

Note 13: 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 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.

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.

New Mexico Highlands University
Notes to Financial Statements

Note 13: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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

Comparative Schedule of Target Investment Allocation		
Asset Class	After Allocation	Policy Target
Equities		
<i>Domestic Equities</i>		
Large cap equities	11.5%	14.0%
Small- mid cap equities	2.0%	3.0%
Total domestic	13.5%	17.0%
<i>International Equities</i>		
Developed	4.3%	5.0%
Emerging markets	6.4%	9.0%
Total international	10.7%	14.0%
Total equities	24.2%	31.0%
Fixed Income		
Core fixed income	4.5%	6.0%
Opportunistic credit	17.0%	16.0%
Emerging markets debt	1.4%	2.0%
Total fixed income	22.9%	24.0%
Alternatives		
Global asset allocation	2.5%	2.0%
Risk parity	4.1%	3.0%
Other diversifying assets	4.6%	7.0%
REITs	2.1%	2.0%
Private real estate	6.5%	6.0%
Private equity	22.5%	15.0%
Inflation-linked assets	9.5%	9.0%
Total alternatives	51.8%	44.0%
Cash	1.1%	1.0%
Total	100.0%	100.0%

New Mexico Highlands University

Notes to Financial Statements

Note 13: 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, 2022. 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, 2022. 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	\$ 88,501,740	\$ 65,270,790	\$ 46,070,743

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, 2022, 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.

New Mexico Highlands University

Notes to Financial Statements

Note 14: 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.

New Mexico Highlands University

Notes to Financial Statements

Note 14: 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, 2022, 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
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Total NMRHCA plan members	157,330
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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
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Total NMRHCA active members	92,484
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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, 2022, 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.

New Mexico Highlands University

Notes to Financial Statements

Note 14: 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, 2022 totaled \$635,534, which equals the required contributions for the year.

At June 30, 2023, the University reported a liability of \$12,720,064 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the University's proportion was 0.55027 percent which was an increase of .02074 percent from June 30, 2021.

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

For the year ended June 30, 2023, the recognized OPEB benefit of (\$2,954,388). At June 30, 2023, 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	\$ 211,572	\$ 1,885,384
Net difference between projected and actual earnings on OPEB plan investments	175,398	-
Changes in proportion	1,969,237	1,331,395
Changes in assumptions	2,714,160	9,429,240
Contributions subsequent to the measurement date	635,534	-
Total	\$ 5,705,901	\$ 12,646,019

\$635,534 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, 2023. 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:	
2023	\$ (2,749,150)
2024	(1,792,369)
2025	(963,910)
2026	(1,242,059)
2027	(828,164)
Total	\$ (7,575,652)

New Mexico Highlands University

Notes to Financial Statements

Note 14: 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, 2022 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.

New Mexico Highlands University

Notes to Financial Statements

Note 14: 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 5.42% as of June 30, 2022. 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, 2059. 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 2059, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 5.42% 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, 2022.

New Mexico Highlands University

Notes to Financial Statements

Note 14: 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 5.42% 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 (4.42 percent) or 1-percentage-point higher (6.42 percent) than the current discount rate:

1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
\$ 15,829,337	\$ 12,720,064	\$ 10,241,044

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2022, 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
\$ 10,192,083	\$ 12,720,064	\$ 14,874,566

OPEB plan fiduciary net position - The discount rate used to measure the total OPEB liability is 5.42% as of June 30, 2022. 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, 2059. 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 (3.54%) was applied. Thus, 5.42% 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, 2023, the University recorded a payable to NMRHCA in the amount of \$123,695 for the contributions withheld in the month of June 2023, which is included in the Accrued Payroll on the Statement of Net Position.

New Mexico Highlands University

Notes to Financial Statements

Note 15: 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, 2023 for the following:

Current funds	\$ 1,779,605
Plant funds	6,622,226
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Total	\$ 8,401,831

Note 16: 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 HSI on its books for \$73,686 as of June 30, 2023. Due to the patent generating income, no impairment on the patent was necessary.

New Mexico Highlands University

Notes to Financial Statements

Note 17: 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 18: 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.



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	2023	2022	2021
Measurement Date	2022	2021	2020
Proportion of the net pension liability (asset)	0.77503%	0.74378%	0.68507%
Proportionate share of the net pension liability (asset) \$	65,270,790	\$ 52,715,160	\$ 138,835,531
Covered payroll	29,246,310	26,937,163	21,248,140
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	223.18%	195.70%	653.40%
Plan fiduciary net position as a percentage of the total pension liability	64.87%	69.77%	39.11%

* 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,					
2020	2019	2018	2017	2016	2015
2019	2018	2017	2016	2015	2014
0.72688%	0.75029%	0.77877%	0.74889%	0.77310%	0.81023%
\$ 55,062,742	\$ 89,219,467	\$ 86,548,356	\$ 53,893,871	\$ 50,075,746	\$ 46,229,335
20,491,671	20,254,346	20,870,492	21,108,107	24,563,545	24,563,545
268.71%	440.50%	414.69%	255.32%	203.86%	188.20%
64.13%	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,	2023	2022	2021
Contractually required contribution	\$ 5,388,256	\$ 3,979,520	\$ 3,373,997
Contributions in relation to the contractually required contribution	5,388,256	3,979,520	3,373,997
Contribution deficiency (excess)	-	-	-
Covered payroll	30,929,541	29,246,310	26,937,163
Contributions as a percentage of covered payroll	17.42%	13.61%	12.53%

* 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.

2020	2019	2018	2017	2016	2015
\$ 3,077,651	\$ 2,960,097	\$ 2,914,653	\$ 3,085,048	\$ 3,486,299	\$ 2,973,025
3,077,651	2,960,097	2,914,653	2,973,025	3,054,737	2,973,025
-	-	-	112,023	431,562	-
21,248,140	20,491,671	20,254,346	20,870,492	21,108,107	24,563,545
14.48%	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	2023	2022	2021
Measurement Date	2022	2021	2020
The University's proportion of the net OPEB liability	0.55027%	0.52953%	0.49190%
The University's proportionate share of the net OPEB liability	\$ 12,720,064	\$ 17,423,389	\$ 20,654,429
The University's covered payroll	\$ 29,246,310	\$ 26,937,163	\$ 21,248,140
The University's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.49%	64.68%	97.21%
Plan fiduciary net position as a percentage of the total	33.33%	25.39%	16.50%

* 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,		
2020	2019	2018
2019	2018	2017
0.52741%	0.54085%	0.57068%
\$ 17,100,682	\$ 23,518,077	\$ 25,861,352
\$ 20,491,671	\$ 20,254,346	\$ 20,870,492
83.45%	116.11%	123.91%
18.92%	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,	2023	2022	2021
Contractually required contributions	\$ 635,534	\$ 558,994	\$ 534,677
Contributions in relation to the contractually required contribution	(635,534)	(558,994)	(534,677)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered payroll	30,929,541	29,246,310	26,937,163
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.

2020	2019	2018
\$ 465,264	\$ 470,722	\$ 462,681
(465,264)	(470,722)	(462,681)
\$ -	\$ -	\$ -
21,248,140	20,491,671	20,254,346
2.00%	2.00%	2.00%

See notes to required supplementary information.

New Mexico Highlands University 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 FY22 audit available at <https://www.nmrhca.org/wp-content/uploads/2023/>

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2022 report is available at <https://www.nmrhca.org/wp-content/uploads/2022/12/343-Retiree-Health-Care-Authority-FY22-Final-Report.pdf>. See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2022 valuation.



SUPPLEMENTARY INFORMATION



New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Combined Revenues and Expenditures Budgetary Comparisons
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Beginning Fund Balance	13,680,039	17,193,880	6,344,129	\$ (10,849,751)
Unrestricted and Restricted Revenues				
State general fund appropriations	40,469,910	40,467,000	40,519,910	52,910
Federal grants/contracts	18,190,732	31,581,629	23,264,576	(8,317,053)
Tuition and fees	16,529,000	16,461,830	16,702,943	241,113
Land and permanent fund	258,000	584,773	763,932	179,159
Private grants/contracts	4,128,751	3,980,535	2,057,325	(1,923,210)
Sales and service	3,435,000	3,937,096	4,096,536	159,440
Government grants - state, local	5,164,362	8,890,180	4,403,072	(4,487,108)
Other	1,245,000	1,906,207	4,737,281	2,831,074
Capital outlay	-	-	1,033,130	1,033,130
Retirement of indebtedness	-	-	1,411,748	1,411,748
Total revenues	89,420,755	107,809,250	98,990,453	(8,818,797)
Total Unrestricted and Restricted Revenues	103,100,794	125,003,130	105,334,582	(19,668,548)
Unrestricted and Restricted Expenditures				
Instruction and general	49,312,286	51,048,977	48,031,331	3,017,646
Student social and cultural	1,508,596	1,575,377	1,190,068	385,309
Research	5,774,266	6,617,483	3,841,175	2,776,308
Public service	12,617,404	26,098,261	19,074,124	7,024,137
Internal service departments	3,624,419	4,260,110	3,136,640	1,123,470
Student aid	11,957,129	11,854,640	12,136,242	(281,602)
Auxiliary enterprises	2,256,791	3,146,514	2,675,700	470,814
Intercollegiate athletics	3,995,318	4,211,962	4,160,941	51,021
Capital outlay	6,433,392	7,457,867	2,437,897	5,019,970
Renewal and replacements	1,626,432	1,851,198	1,105,413	745,785
Retirement of indebtedness	2,296,681	2,296,681	976,813	1,319,868
Total unrestricted and restricted expenditures	101,402,715	120,419,070	98,766,344	21,652,726
Net transfers	-	-	9,400	9,400
Change in net assets-budgetary basis	(11,981,960)	(12,609,820)	214,709	
Ending Fund Balance	\$ 1,698,079	\$ 4,584,060	\$ 6,558,838	\$ 1,974,778
Change in net position per statement of revenues, expenses and changes in net position			\$ 21,091,380	
Perkins loan activity			77,050	
Endowment activity			(21,490,095)	
Agency activity			4,899	
Depreciation expense			5,412,749	
Amortization			976,898	
Payment on leases			(396,291)	
Interest payment on leases			(83,923)	
Interest on payment on SBITA			(81,134)	
Other GASB 87 lease and GASB 96 SBITA activity			(8,191)	
Purchase of capital assets			(2,547,277)	
Pension expense			838,154	
OPEB income			(3,577,508)	
Other			(2,002)	
Financial statements change in net position reconciled			\$ 214,709	

New Mexico Highlands University
Schedule of Budgetary Comparisons - Budgetary Basis
Summary of Instruction and General Revenues and Expenditures
Budget Comparisons
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 6,404,869	\$ 7,899,253	\$ 7,899,253	\$ -
Revenues				
Tuition	14,473,300	14,641,884	14,685,141	43,257
Miscellaneous fees	-	-	-	-
Government appropriations-federal	-	-	-	-
Government appropriations-state	35,733,684	32,908,684	32,958,684	50,000
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private grants and contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	258,000	584,773	763,932	179,159
Private gifts	-	-	-	-
Sales and service	-	-	7,283	7,283
Other sources	905,000	1,479,392	1,978,823	499,431
Total revenues	51,369,984	49,614,733	50,393,863	779,130
Total Unrestricted Revenues and Beginning Balance	57,774,853	57,513,986	58,293,116	779,130
Expenditures				
Instruction	26,872,434	28,429,796	24,423,164	4,006,632
Academic support	2,937,195	2,406,682	2,621,193	(214,511)
Student services	4,651,485	4,696,055	4,481,771	214,284
Institutional support	7,685,507	8,376,007	9,312,010	(936,003)
Operation and maintenance of plant	6,706,122	6,477,971	6,810,775	(332,804)
Total expenditures	48,852,743	50,386,511	47,648,913	2,737,598
Net transfers	6,948,607	2,424,425	9,759,882	-
Change in net assets-budgetary basis	(4,431,366)	(3,196,203)	(7,014,932)	(1,958,468)
Ending Fund Balance	\$ 1,973,503	\$ 4,703,050	\$ 884,321	\$ (1,958,468)

New Mexico Highlands University
Restricted Current Funds
Summary of Instruction and General Revenues and Expenditures
Budget Comparisons
Year Ended June 30, 2023

	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	208,157	(91,722)
Government grants - state	288,815	159,663	174,262	14,599
Contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and services	-	-	-	-
Other sources	-	-	-	-
Total revenues	802,871	459,542	382,419	(77,123)
Expenditures				
Instruction	486,386	243,109	83,264	159,845
Academic support	39,583	43,852	48,028	(4,176)
Student services	113,871	76,552	114,199	(37,647)
Institutional support	132,573	86,809	90,408	(3,599)
Operations and maint. of plant	30,458	9,220	46,520	(37,300)
Total expenditures	802,871	459,542	382,419	77,123
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, 2023

Account Name	Type	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank
CFB Golf Course	Checking Non-interest-bearing	\$ 5,754	\$ -	\$ -
CFB Checking	Checking Interest-bearing	7,279	-	-
CFB Savings	Savings	4,215	-	-
WF Payroll	Checking Non-interest-bearing	-	-	429,375
WF Accounts Payable	Checking Non-interest-bearing	-	-	2,728,872
WF NMHU Savings	Savings	-	-	20,775,026
WF Athletics	Checking Non-interest-bearing	-	-	106,963
Wells Fargo Savings	Savings	-	-	9,191
WF Online Payments	Checking Non-interest-bearing	-	-	93,558
WF Golf Course	Checking Non-interest-bearing	-	-	22,914
SWCB Cash Receipts	Checking Interest-bearing	-	11,203	-
SWCB Credit Cards	Checking Interest-bearing	-	273,719	-
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		17,248	284,922	24,165,899
Outstanding items		-	3,006	(785,740)
Reconciled balance		\$ 17,248	\$ 287,928	\$ 23,380,159

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
\$ -	\$ -	\$ -	\$ 5,754
-	-	-	7,279
-	-	-	4,215
-	-	-	429,375
-	-	-	2,728,872
-	-	-	20,775,026
-	-	-	106,963
-	-	-	9,191
-	-	-	93,558
-	-	-	22,914
-	-	-	11,203
-	-	-	273,719
160,976	-	-	160,976
92,084	-	-	92,084
-	6,802,742	-	6,802,742
-	-	1,150,914	1,150,914
-	-	1,353,358	1,353,358
253,060	6,802,742	2,504,272	34,028,143
-	-	-	(782,734)
<u>\$ 253,060</u>	<u>\$ 6,802,742</u>	<u>\$ 2,504,272</u>	33,245,409
			2,580
			<u>\$ 33,247,989</u>
			\$ 3,187,915
			253,060
			23,004,272
			6,802,742
			<u>\$ 33,247,989</u>

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New Mexico Highlands University
Schedule of Collateral Pledged by Depository
June 30, 2023

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2023	Name and Location of Safekeeper
Southwest Capital Bank			
	New Mexico Highlands LOC due 1/30/2024	\$ 100,000	FHL Bank, Dallas, TX
Total Southwest Capital Bank		100,000	
Wells Fargo Bank			
	FMAC FEPC 3.000% CUSIP 3133KHLN4, due 2/1/2050	12,119,464	Bank of New York Mellon New York, NY
	GNMA G2SF 4.000% CUSIP 36179UD90, due 10/20/2048	936,521	Bank of New York Mellon New York, NY
	GNMA G2SF 4.500% CUSIP 36179XAA4, due 6/20/2052	5,102,648	Bank of New York Mellon New York, NY
	GNMA G2SF 2.500% CUSIP 3617NXZZ6, due 8/20/2050	31,570	Bank of New York Mellon New York, NY
	GNMA G2SF 2.000% CUSIP 3617UB7G9, due 12/20/2050	1,267,353	Bank of New York Mellon New York, NY
	GNMA G2SF 2.500% CUSIP 3617XBDA2, due 1/20/2052	1,811,251	Bank of New York Mellon New York, NY
	GNMA G2SF 3.000% CUSIP 3622AALL6, due 1/20/2052	936,525	Bank of New York Mellon New York, NY
	GNMA G2SP 3.000% CUSIP 3622ABRB0, due 2/20/2052	2,458,545	Bank of New York Mellon New York, NY
Total Wells Fargo Bank		24,663,877	
Total pledged collateral		\$ 24,763,877	

New Mexico Highlands University
Multiple-Year Capital Projects Funded by Special and
Severance Tax Capital Outlay Appropriations
June 30, 2023

Type of Appropriation	Project Description	Authority Chapter
General Obligation Revenue Bonds		
General Obligation C5076	Library	Ch 67 Sec 10/B/2
General Obligation E5319	NMHU Sinninger Hall Renov	Ch 84 Sec 10
General Obligation E5298	Library	Ch 84 Sec 10
General Obligation G5387	NMHU Fclty Bldg Demo Abate & Construct	Ch 55 Sec 10/C/4
Total general obligation revenue bonds		
Severance Tax Bond Proceeds		
Severance Tax 20SA E2857	NMHU Athletics Fclty Improve	Ch 81 Sec 41
Severance Tax Bond 21A F3109	NMHU Athletics Fclty Improve	Ch 138 Sec 36/1
Severance Tax Bond 21A F3110	NMHU Health and Safety Infra Improve	Ch 138 Sec 36/2
Severance Tax Bond 21A F3111	NMHU Legislative Fellows Info Tech & Study Area	Ch 138 Sec 36/3
Severance Tax 22A G3215	NMHU Parking Lot Campuswide Equip	Ch 53 Sec 38
Total severance tax bonds		
General Fund Appropriations		
General Fund AG5127	Building Renewal and Replacement	Passed through HED
General Fund D3461	Rodgers Hall Renovate	Ch 277 Sec 43/5
General Fund H3387	HU Cares Construct	Ch 199
General Fund H3388	Police Veh Prchs	Ch 199
General Fund H3389	Security Sys Improve	Ch 199
General Fund H3390	Sininger Hall Ren	Ch 199
General Fund H3391	Student Wellness Ctr Construct	Ch 199
Total general fund appropriations		
Total Capital Appropriations		

Laws	Expiration	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Unencumbered Balance
2018	6/30/2023	\$ 143,074	\$ 125,214	\$ 17,860	\$ -	\$ -
2020	6/30/2024	7,000,000	517,049	83,215	70,000	6,329,736
2020	6/30/2024	93,428	-	31,684	-	61,744
2022	6/30/2026	4,500,000	-	-	45,000	4,455,000
		11,736,502	642,263	132,759	115,000	10,846,480
2020	6/30/2024	190,000	190,000	-	-	-
2021	6/30/2025	105,000	65,671	38,279	1,050	-
2021	6/30/2025	750,000	337,907	412,093	-	-
2021	6/30/2025	75,000	-	75,000	-	-
2022	6/30/2026	375,000	-	375,000	-	-
		1,495,000	593,578	900,372	1,050	-
2022	6/30/2023	330,410	-	330,410	-	-
2019	6/30/2023	1,000,000	-	-	-	1,000,000
2023	6/30/2027	100,000	-	-	-	100,000
2023	6/30/2025	100,000	-	-	-	100,000
2023	6/30/2027	50,000	-	-	-	50,000
2023	6/30/2027	4,500,000	-	-	-	4,500,000
2023	6/30/2027	1,025,000	-	-	-	1,025,000
		7,105,410	-	330,410	-	6,775,000
		\$ 20,336,912	\$ 1,235,841	\$ 1,363,541	\$ 116,050	\$ 17,621,480

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COMPLIANCE SECTION



**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***

Joseph M. Maestas, P.E., 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, 2023, 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, 2023. 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, 2023, 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 2023-001 and 2023-003 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 2023-002, 2023-004, 2023-005 and 2023-006 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-007, 2023-008 and 2023-013.

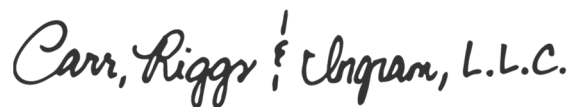
We noted certain matters that are required to be reported pursuant to Section 12-6-55 NMSA 1978, which are described in the accompanying schedule of findings and responses under Section 12-6-5 NMSA 1978 as items 2023-011 and 2023-012.

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, LLC
Albuquerque, NM
November 1, 2023

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

Joseph M. Maestas, P.E., 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, 2023. 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, 2023.

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 2023-009. 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-009 and 2023-010 to be significant deficiencies.

We noted a certain matter that is required to be reported pursuant to Section 12-6-55 NMSA 1978, which are described in the accompanying schedule of findings and responses under Section 12-6-5 NMSA 1978 as item 2023-013.

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.

University's Response to Findings

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

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, 2023

New Mexico Highlands University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
Research and Development Cluster		
National Science Foundation		
<i>Direct programs</i>		
Office of International Science and Engineering (2)	1658085	47.079
Mathematical and Physical Sciences (2)	DMR-1523611	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
Collaborative Research:Microbiome Meditation etc. (2)	2044468	47.074
Mathematical and Physical Sciences (2)	2122108	47.049
Geosciences (2)	2139062	47.050
Cultivating Access to Manifest Intentional Outcomes in STEM (2)	2150103	47.076
<i>Passed through New Mexico State University</i>		
Trans-NSF Recovery Act Research Support (2)	Q02004	47.076
Total National Science Foundation		
National Institute of Health		
<i>Direct programs</i>		
Biomedical Research and Research Training (2)	1R16GM146669-01	93.859
Biomedical Research and Research Training (2)	Q02067H	93.859
Biomedical Research and Research Training (2)	Q02067G	93.859
Biomedical Research and Research Training (2)	Q02067I	93.859
Biomedical Research and Research Training (2)	Q02067J	93.859
<i>Passed through New Mexico State University</i>		
Biomedical Research and Research Training (2)	Q02067K	93.859
Total National Institute of Health		
U.S. Department of Commerce		
Building Sustainable Technology and Equity Connected Communities (2)	35-09-C13037	11.028
Total U.S. Department of Commerce		
U.S. Department of Interior		
<i>Direct programs</i>		
Cooperative Research and Training Programs (2)	P20AC01055	15.945
<i>Passed through New Mexico State University</i>		
Cooperative Research and Training Programs (2)	Q01958	15.945
Total U.S. Department of Interior		
U.S. Department of Education		
<i>Direct programs</i>		
Higher Education Institutional Aid (2)	P031C160248	84.031C
Higher Education Institutional Aid (2)	P031S200173	84.031S
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
\$ 34,481	\$ -	\$ -
12,352	-	-
150,244	-	-
1,198,082	-	-
282,768	-	-
1,994	-	-
1,094,727	-	-
116,189		
91,288		
22,743	-	-
3,004,868	-	-
129,391		
31,130		
128,319		
285		
22,817		
12,587	-	-
324,529	-	-
526,021	-	-
526,021	-	-
12,123	-	-
10,582	-	-
22,705	-	-
211,621	-	-
470,930		
682,551	-	-
4,560,674	-	-

(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, 2023

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Education		
<i>Direct programs</i>		
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 (HEERF)	P425F201880-20A	84.425F
COVID-19: Education Stabilization Fund (HEERF)	P425F201880-20A	84.425F
COVID-19: Education Stabilization Fund (GEER)		84.425C
Total Education Stabilization Fund		
<i>Passed through University of New Mexico - Taos</i>		
English Language Acquisition State Grants	T365Z160008	84.365Z
Total U.S. Department of Education		
Department of Homeland Security and Emergency Management		
FEMA-4529-DR--NM	Fema-4529-DR-NM	97.036
Total U.S. Department of Defense		
U.S. Department of Agriculture		
<i>Direct Programs</i>		
Southwest Forest Health and Wildfire Prevention	20-DG-11030000-004	10.694
Southwest Forest Health and Wildfire Prevention: New Mexico Forest and Watershed Restoration Institute	22-DG-11030000-013	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
Research Joint Venture and Cost Reimbursable FY 2020 Distance Learning and Telemedicine Grant)	19-JV-11221633-210	10.707
Southwest Forest Health and Wildfire Prevention	NM0721-B16	10.751
Capacity Building for Non-land Grant Colleges of Agriculture and Food Research Initiative (AFRI)	21-DG-11030000-020	10.694
Using CEA to Quantify C&N content	2021-70001-34772	10.326
FOR FORESTRY AND CONSERVATION NURSERY	112022-67019-36395	10.310
Conservation Science Center at HU ASAP	22027041038457	10.519
Conservation Science Center at HU ASAP	22-CA-11062765-714	10.664
Conservation Science Center at HU ASAP	20227704037644	10.223
SFNF Jemez Project	22-DG-110300000-005	10.723
	23-PA-1103-1000-017	10.694
<i>Passed through Northern Arizona University</i>		
Southwest Forest Health and Wildfire Prevention	EQ01997	10.694
Total Southwest Forest Health and Wildfire		
Total U.S. Department of Agriculture		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
\$ 3,719,382	\$ -	\$ -
162,046	-	-
316,564	-	-
5,658	-	-
8,151,926	-	-
12,355,576	-	-
825,513		
4,388,805		
10,098		
5,224,416		
79,876		
17,659,868	-	-
44,012	-	-
44,012	-	-
244,299	-	-
550,317	-	-
36,238	-	-
48,391	-	-
8,640	-	-
30,661	-	-
86,627	-	-
912,128	-	-
39,448	-	-
14,186	-	-
34,000	-	-
11,235	-	-
21,825	-	-
122,230	-	-
16,928	-	-
141,558	-	-
936,174		
2,318,711	-	-

(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, 2023

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
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 <i>Passed through the State of New Mexico Early Childhood Education and Care Department</i> Early Childhood	2102NMCCC5	93.575
<i>Passed through New Mexico Children's Youth and Families Department</i> Foster Care Title IV-E	23-690-500-25581	93.658
<i>Passed through the University of Texas</i> Substance Abuse and Mental Health Services	UTA12-001073	93.243
Total U.S. Department of Health and Human Services		
Department of the Treasury COVID-19: Coronavirus State and Local Fiscal Recovery Fund	FA-5923 OPP NMHU	21.027
Total Department of the Treasury		
Total federal financial assistance		

() Denotes Cluster

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
\$ 9,590	\$ -	\$ -
9,590	-	-
354,375	-	-
1,687,591	-	-
37,740	-	-
2,089,296	-	-
4,760,437	-	-
4,760,437	-	-
\$ 31,432,998	\$ -	\$ -

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, 2023

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 2023 totaled \$8,151,926.

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	\$	31,432,998
Total expenditures funded by other sources		72,969,706
		<hr/>
Total operating expenditures	\$	104,402,704
		<hr/>

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

ISECTION 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? | Yes |

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

Student Financial Assistance Cluster

84.063	Federal Pell Grant program
84.007	Federal SEOG program
84.033	Federal Work Study Program
84.268	Federal Direct Student Loans
84.379	Teach Grant Programs

21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds
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COVID-19: Education Stabilization Fund

84.425C	GEER
84.425F	HEERF: Institutional Aid Portion

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023**

SECTION I: SUMMARY OF AUDITORS' RESULTS (continued)

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$942,990 |
| 6. Auditee qualified as low-risk auditee? | No |

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS

2023-001 (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. This resulted in adjustments totaling \$517,500 related to overstated payroll related accruals and adjustments totaling \$1,290,475 related to understated payroll related accruals.
- 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 one payment to ERB and one payment to NMRHCA was made 40 days after the end of the month in which they were due. We noted five payments made to GSD for healthcare related premiums made more than 31 days and up to 83 days after the end of the month in which they are due. We noted four payments made to alternative retirement plan sponsors were made more than 31 days and up to 68 days after the end of the month in which they were collected. We noted ten 457(b) contributions were remitted to the 3rd party vendor more than 31 days and up to 89 days after the end of the month in which they were collected.
- 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 \$296,962. The University also did not provide a reconciliation for the difference between reported wages per the Educational Retirement Board confirmation and total wages as reported on monthly contribution forms in the amount of \$290,078
- We performed a personnel file audit and recalculated a sample of forty paychecks and noted the following:
 - In 5 of 40 transactions tested, an ERB enrollment form was not provided to auditors.
 - In 7 of 40 transactions tested, an ACH authorization form was not provided to auditors.
 - In 9 of 40 transactions tested, a W-4 was not provided to auditors.
 - In 10 of 40 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 6 of 40 transactions tested, elective benefit enrollment forms did not match the withholdings from the paycheck or were not provided to auditors.
 - In 8 of 40 transactions, an I-9 form was not provided to auditors.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-001 (2021-002, 2021-013 and 2021-14) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

- In 2 of 40 transactions, the employee received a raise effective March 13, 2023, however the increase was reflected as of March 11, 2023. The resulting overpayment is estimated to be \$297.
 - In 1 of 40 transactions a terminated employee was paid for 80 hours subsequent to the termination date. The University was unable to provide a letter or resignation or termination for the employee. The estimated overpayment is \$5,642.
 - In 1 of 40 transactions, the FICA tax rate was incorrectly applied to per diem reimbursement.
- We requested employee contracts and recalculated paychecks for an additional sample of fifty-nine paychecks and noted for 23 of 59 transactions tested, the personnel file did not contain documentation to support the rate of pay. One of the 59 transactions tested withheld FICA on a student work-study that is not subject to FICA taxes, and one of the 59 transactions tested did not withhold retirement for a full time employee.
- We noted the April 2023 RHCA remittance advice totaling \$72,463 was sent via wire on May 11, 2023 prior to approval which was obtained on June 19, 2023.
- During inquiry of management, it was noted that a duplicate EFTPS tax payment was made on November 10, 2022 for payroll #23 which had to be rejected through the banking ACH system.
- During a review of the employee A/R general ledger and interviews with employees, it was noted overpayments and underpayments to employees occurred throughout FY23. Overpayments to employees were reclassified as other receivables and collection efforts will need to be done.
- It was noted that payroll reconciliations were not completed timely. The payroll bank reconciliation for June 2023 was not finalized until September 12, 2023.
- During interview of University employees, it was reported that throughout FY23 incorrect journal entries were submitted to the Business Office for posting. Sufficient review of the journal entries was not done. The incorrect postings resulted in delays in drawing down grant awards until corrections were made.
- The use of the University's vehicles is not being reflected as taxable income on employee's W-2 forms. There are three employees who have these vehicles.

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

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-001 (2021-002, 2021-013 and 2021-14) – Improper Recording, Document Retention and Processing of Payroll - Material Weakness (Modified and Repeated) (Continued)

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. Additionally, there has been significant turnover in the payroll and HR departments.

Effect: Personnel files are incomplete. 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. Adjustments were required to payroll related accounts through October 27, 2023.

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: Management agrees that progress was not made on this audit finding in FY23. The HR/Payroll department continued to experience high levels of turnover and ended the fiscal year with two, relatively new, employees. Payroll will be outsourced to Paycom and the first disbursement date is scheduled for November 10, 2023. Paycom will become the system of record for all HR related employee data and documents. Employees will be able to review and confirm personal HR data in Paycom to ensure future correct paychecks. Payroll banking will transition to Paycom. Paycom will be responsible for federal and state filing requirements and compliance. Paycom will track new hires and terminations and report to ERISA Administrative Services to update carrier information. Paycom will fully train staff. The HR & Payroll departments will eventually need to perform analysis of historic pay, retirement and benefit amounts for all employees. The HR department will need to be fully staffed to support the university and the analysis work that will need to be done.

Timeline and Estimated Completion Date: Outsource of payroll 11/10/2023; Analysis of pay will begin after Paycom go live date and will be ongoing to the end of FY24.

Responsible Party: VPFA, HR Director and Comptroller

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-002 (2022-002) Control of Capital Assets (Significant Deficiency)

Condition: It was noted during testwork over capital assets disposals, that although the University obtained Board of Regents approval for disposals and notified the Office of the State Auditor of the disposals, the amount approved by the Board of Regents differed from the capital asset disposals per the capital asset rollforward in the financial statements. It was noted that fully depreciated capital assets that were determined to be obsolete or otherwise approved for disposal by the Board of Regents with a combined cost of \$90,577 were not removed from the capital asset listing. Additionally, assets with a combined cost of \$192,466 were removed from the capital asset listing in FY 2023, and either did not have Board of Regents approval or were approved for disposal in a prior year but not removed from the capital asset listing until FY 2023.

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

Criteria: In accordance with the requirements of Section 13-6-1 NMSA 1978, the governing authority shall, as a prerequisite to the disposition of any items of tangible personal property, designate a committee of at least three officials of the governing authority to approve and oversee the disposition.

Cause: Per discussion with management, the discrepancies were a combination of various factors including assets not removed from the listing in error and assets removed from the listing prior to authorization by the Board of Regents.

Effect: The University's assets could be subject to improper disposal or theft and the accounting records could be misstated.

Auditors' Recommendation: The University should develop procedures to reconcile disposals approved by the Board of Regents to disposals presented in the financial statements. The reconciliation should be performed in a timely manner prior to the audit of the financial statements.

Views of Responsible Officials and Planned Corrective Action: A month-end close process will need to be established and followed to ensure proper recording and reconciliation of capital assets.

Timeline and Estimated Completion Date: January 2024

Responsible Party: Purchasing Director and Comptroller

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-003 (2021-001) Account Reconciliations (Material Weakness) – Modified and Repeated

Condition: Account reconciliations for multiple accounts were not performed in a timely manner and required material adjustments as late as October 27, 2023. The following adjustments were required: decrease to grants receivable totaling \$93,349, increase to allowance for doubtful accounts totaling \$27,546, increase to accounts payable totaling \$76,774, net increase to payroll related liabilities totaling \$929,911, and increase to IRS interest and penalties totaling \$1,008,036. Additionally, federal draws exceeded expenditures in one fund resulting in unearned revenue totaling \$228,947 for a reimbursement type grant. Furthermore, detail of amounts due from employees are not maintained in a manner sufficient to reconcile amounts owed by each employee.

Progress on resolution of prior year finding: Progress was made towards the student accounts receivable report cut-off and other invalid balances as noted in the prior year finding, however account reconciliations continued to not be performed timely.

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 has not developed appropriate policies and procedures to allow for the timely reconciliation of all statement of net position accounts.

Effect: Discrepancies were noted over auditor testwork of the above mentioned accounts. This resulted in auditing delays, extended audit procedures, and adjustments to the trial balance.

Auditors' Recommendation: The University should develop policies and procedures for the reconciliation of all statement of net position accounts. The University should maintain sub ledgers or other reports to substantiate these accounts.

Views of Responsible Officials and Planned Corrective Action: A month-end soft close process will need to be established and followed to ensure proper recording and reconciliation of general ledger accounts.

Timeline and Estimated Completion Date: January 2024

Responsible Party: VPFA and Comptroller

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-004 Fund Accounting (Significant Deficiency)

Condition: It was noted through discussions with management and through review of journal entries that transfers between funds resulted in incorrect fund balances including debt service funds, requiring material adjustments.

Criteria: (Section 21-1-33, NMSA 1978), mandated the development of an accounting, budgeting and fiscal reporting manual for New Mexico institutions of higher education. The New Mexico Commission on Higher Education Financial Reporting for Public Institutions in New Mexico manual specifies that the fund accounting system is to be used. This system accounts for the total fiscal operations of an institution in a series of self-balancing fund groups. Non-mandatory transfers not specifically discussed in the manual should be approved in the operating budget or by budget revision.

Cause: Per discussion with management, the errors in fund balance have been the accumulation of improper transfers made between funds over several years.

Effect: Without proper fund accounting, the University is subject to funds being expended in excess of budget or for unallowed items, and improper reporting of restrictions or classification of fund balance.

Auditors' Recommendation: The University should develop procedures to reconcile disposals approved by the Board of Regents to disposals presented in the financial statements. The reconciliation should be performed in a timely manner prior to the audit of the financial statements.

Views of Responsible Officials and Planned Corrective Action: The debt service funds were reconciled and now show correct balances as of 6/30/23. This information will be communicated to budget staff and the business office to ensure proper accounting in the future.

Timeline and Estimated Completion Date: Done

Responsible Party: VPFA, Comptroller and Budget Manager

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-005 Purchasing Card Program (PCard) Purchases (Significant Deficiency)

Condition: During testwork over 27 Pcard purchases, it was noted that billings to DirecTV included \$510 spent toward the "NFL Sunday Ticket", with no justification for the business rationale. Additionally, CRI reviewed 7 payments made to DirecTV and noted for 6 of them the supporting documentation showed the payment was applied to a past due balance, and thus the charges being paid were not supported by the detail making up those charges. Additionally we noted another PCard purchase made for \$5,910 that did not have a pre-approval as required by the PCard policy. The description of the charge was for "Swag" which could be in violation of anti-donation laws.

Criteria: Section 20.7 of the University's Purchasing Card Program (Policy No. 20) lists payments on past due invoices as an unallowable purchase. Additionally section 20.8 lists promotional and public relations goods and services as a purchase where pre-approval is required.

Cause: Approval and monitoring controls were not adequately deployed to timely detect these charges.

Effect: The University had expenditures totaling \$6,420 that did not contain sufficient documentation to demonstrate the appropriate business rationale for the purchases.

Auditors' Recommendation: The University should ensure that supporting documentation is thoroughly examined during review to determine that payments are not being made on past due balances and that all charges have a valid business rationale.

Views of Responsible Officials and Planned Corrective Action: Policies must be adhered to and inappropriate spending disallowed. An annual refresher training session will be scheduled for current Chrome River approvers to revisit the current policy and revisions to the policy.

Timeline and Estimated Completion Date: January 2024

Responsible Party: VPFA, Comptroller, and Purchasing Director

New Mexico Highlands University
Schedule of Findings and Questioned Costs
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SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-006 Management of Professional Consultants (Significant Deficiency)

Condition: Controls were not designed effectively to oversee the work of professional consultants and ensure the University received adequate services. During fiscal years 2022 through 2023, the University's human resources and payroll department utilized multiple consultants to assist with known deficiencies and to clear findings identified during the FY 2021 and FY 2022 audits. The services were spread across three vendors and cost approximately \$769,709 between FY 2022 and FY 2023. Additionally, per auditor review of invoices from one of the payroll consultants, it was noted that they contained the appropriate approvals from the University, however the invoices do not contain sufficient detail to recalculate or substantiate hours worked or tasks completed. Despite the contracted services, the human resources and payroll areas continue to have internal control and process deficiencies.

Criteria: The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. An integral part of well-designed control activities is incorporating adequate levels of review throughout the control processes, including those performed by service providers.

Cause: The University experienced staffing shortages. As such, it was difficult for the University to appropriately manage, oversee, and evaluate the results of services provided by the consulting parties.

Effect: The University payroll related year-end financial close was delayed resulting in several material adjustments to payroll related accounts as late as October 27, 2023 and extended audit procedures.

Auditors' Recommendation: A process should be in place to ensure that consulting services rendered are appropriately managed, overseen and evaluated by the University on a consistent basis. When possible, the University should hire full time staff into the human resources and payroll departments when qualified individuals are available in lieu of using professional consultation.

Views of Responsible Officials and Planned Corrective Action: The consultants that were hired ended engagements at the end of FY23/beginning of FY24. The university plans to fully staff the HR and Payroll departments and use consultants on special engagement projects only. Special projects must be approved by VPFA. VPFA will require biweekly status updates.

Timeline and Estimated Completion Date: Done

Responsible Party: VPFA

New Mexico Highlands University
Schedule of Findings and Questioned Costs
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SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-007 Non-Compliance with the Board of Regents Open Meetings Resolution (Other Non-Compliance)

Condition: It was noted through review of the March 31, 2023 Board meeting minutes, that the notice and agenda of the March 25th meeting was not placed on the University website in accordance with the Board's Open Meetings Resolution.

Criteria: The Board of Regents Open Meetings Resolution, which states that all agendas for special meetings of the Board must be available on the University's website seventy-two hours before the special meeting.

Cause: The noncompliance was a timing oversight.

Effect: The Board of Regents was not in compliance with their Open Meetings Resolution, however the non-compliance was identified by the Board and discussed at the next Board meeting.

Auditors' Recommendation: The Board of Regents should work together with management and obtain legal advice when necessary to ensure they are in compliance with their internal Open Meetings Resolution and the State of New Mexico Open Meetings Act.

Views of Responsible Officials and Planned Corrective Action: The University will work with the Board of Regents to ensure compliance of the open meetings act.

Timeline and Estimated Completion Date: Each board meeting. The next meeting is scheduled for 11/3/2023.

Responsible Party: NMHU Board of Regents and President's Office

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2023-008 Non-Compliance with the Inspection of Public Records Act (Other Non-Compliance)

Condition: The University was unable to demonstrate compliance with the Inspection of Public Records Act (IPRA) which requires specific rights and procedures to be posted in a conspicuous location at the administrative office. Additionally, CRI selected a sample of 5 IPRA requests in FY23 and noted for 3 of the 5 requests documentation was not provided to demonstrate that the request was either responded to in writing within 3 days, or that inspection was allowed, a denial was sent or a request for additional time was sent within 15 days.

Criteria: Per 1978 NMSA 14-2-7(E), each public body shall designate at least one custodian of public records who shall: post in a conspicuous location at the administrative office, and on the publicly available website, if any, of each public body a notice describing: 1) the right of a person to inspect a public body's records; 2) procedures for requesting inspection of public records, including the contact information for the custodian of public records; 3) procedures for requesting copies of public records; 4) reasonable fees for copying public records; and 5) the responsibility of a public body to make available public records for inspection. Per 1978 NMSA 14-2-8, inspection should be permitted or a written denial or request for additional time should be delivered within 15 days after the request for inspection.

Cause: Violations of IPRA, were caused by inadequate procedures in place for tracking the status of requests.

Effect: The University is not in compliance with IPRA under which the requestor is entitled to pursue remedies under IPRA.

Auditors' Recommendation: The University should ensure policies and procedures include proper record retention and monitoring for compliance with IPRA.

Views of Responsible Officials and Planned Corrective Action: Employees responsible for IPRA requests should be properly trained and understand the importance of timely and appropriate responses. The current Custodian of Public Records created the rights and procedures posting that will be located on the first floor of Rodgers Hall Administration Building.

Timeline and Estimated Completion Date: Done

Responsible Party: President's Office and Custodian of Public Records

New Mexico Highlands University
Schedule of Findings and Questioned Costs
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SECTION III: FEDERAL AWARD FINDINGS

2023-009 (2022-005) Procurement, Small Purchase (Significant Deficiency in Internal Controls over Compliance, Noncompliance, and Questioned Costs greater than \$25k)

Funding Agency:	United States Department of Education
Federal Award Agreement Number:	N/A
Award Year:	2023
Title:	Education Stabilization Fund, HEERF
Assistance Listing Number:	84.425C, 84.425F
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable
Questioned Costs:	\$76,109

Condition: The University did not apply the correct small purchase threshold for identifying purchases that need to obtain quotes in their policy. Population \$10k-\$20k not included in small purchase policy included transactions totaling \$76,109.

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

Criteria: Per 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: Policies are not adequate to meet federal guidelines and need to be updated.

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 Auditor recommends that the procurement policy be updated to comply with all relevant federal procurement requirements and reviewed for necessary revisions regularly.

Views of Responsible Officials and Planned Corrective Action: The HEERF award should have been setup as a restricted fund. Going forward, all grants and contracts will be classified as a restricted fund and federal compliance will be followed if it is applicable.

Timeline and Estimated Completion Date: Done

Responsible Party: VPFA, Comptroller and Office of Research and Sponsored Projects

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2023-010 Reporting Controls over Special Reporting (Significant Deficiency in Internal Controls over Compliance)

Funding Agency:	United States Department of Education
Federal Award Agreement Number:	Not Applicable
Award Year:	All
Title:	Education Stabilization Fund, HEERF
Assistance Listing Number:	84.425C, 84.425F
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable
Questioned Costs:	Not Applicable

Condition: During our review of reports, 1 out of 4 quarterly reports were not submitted timely.

Criteria: Per Title 2 US Code of Federal Regulations Part 200.303a, the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause: Due to staff turnover and no procedures in place, the last quarter report was submitted approximately 3 months late.

Effect: Late reporting can result in improper reporting which could lead to disallowed costs, however our audit disclosed no instances of unallowable costs.

Auditors’ Recommendation: The auditor recommends the University strengthen controls in place to provide assurance that reports are submitted on a timely basis.

Views of Responsible Officials and Planned Corrective Action: The HEERF award was not setup in the same manner as other federal funds. A proper Principal Investigator should have been assigned to this award and reporting should have been monitored by the Office of Research and Sponsored Projects. Going forward, all federal funds will follow the same setup procedure and reporting requirements.

Timeline and Estimated Completion Date: Done

Responsible Party: VPFA, Comptroller and Office of Research and Sponsored Projects

New Mexico Highlands University
Schedule of Findings and Questioned Costs
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SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS

2023-011 Expenditures in Excess of Budget (Other matter)

Condition: The University student aid expenditures exceeded budgeted amounts by \$282,872.

Criteria: 2.2.2.10 R (1) NMAC states that if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statement.

Cause: Necessary budget adjustments were not completed in a timely manner.

Effect: The University is not compliant with statutes regarding budgetary control.

Auditors' Recommendation: The University should compare total actual expenditures at the end of the fiscal year to the approved budget and submit budget adjustments by the established deadline.

Views of Responsible Officials and Planned Corrective Action: The Budget Director position was formerly combined with the Comptroller position. This did not allow for proper reconciliation and preparation of the budget. The current VPFA has created a Budget Manager position that reports to the Comptroller. Having a dedicated FTE for this important role will help to create more accurate budget projections.

Timeline and Estimated Completion Date: June 2024

Responsible Party: VPFA, Comptroller and Budget Manager

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2023-012 Pay Rate Controls (Other Matter)

Condition: Of the samples tested, the auditor noted:

- 2 of 6 samples tested paid employees a rate other than what was on the approved Offer Letter or Personal Action Form
- 1 of 6 samples tested, the Offer Letter did not contain a signature approving the pay rate
- 2 of 6 samples tested, the employee did not have a document showing an approved pay rate

Criteria: Per 2 CFR section 200.303 – Internal Controls of the Uniform Guidance states that the non-federal entity must: (a) Establish and maintain effective internal controls over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR section 200.430 – Compensation – personal services, paragraph (i) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Cause: The University does not have proper controls in place to verify employees are paid based off the approved pay rate in contract.

Effect: The University may unintentionally under/over compensate employees for work performed under federal awards which could lead to questioned costs and repayment of funds to Grantor Agency.

Auditors’ Recommendation: The Auditor recommends that the University strengthen payroll controls to meet the standards of 2 CFR section 200.430.

Views of Responsible Officials and Planned Corrective Action: The HR department must implement proper internal controls over the hiring process to corresponding HR data entry. A review and approval process must be implemented to ensure accuracy. Paycom will allow employees to review their personal data and paycheck information two days prior to issuance.

**New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023**

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2023-012 Pay Rate Controls (Other Matter)

Timeline and Estimated Completion Date: Commences immediately after Paycom implementation. First paycheck date 11/10/2023.

Responsible Party: VPFA and HR Director

SECTION V: COMPONENT UNIT FINDINGS

New Mexico Highlands University Foundation

2023-013 – Bank Reconciliation Did Not Reconcile to the General Ledger – Other matter

Condition: One of the Foundation's June 2023 bank reconciliations did not reconcile to the general ledger by \$19,535. This variance existed in the prior year but was not as material.

Criteria: AU-C Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies over cash, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report cash transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Effect: The absence of a proper review and approval of year end processes could allow for incorrect cash balances at year end.

Cause: For several months during fiscal year 2023, one of the Foundation's bank reconciliations did not reconcile to the general ledger.

Auditors' Recommendations: The Foundation should implement a review of bank reconciliations on a monthly basis and ensure that discrepancies in the cash accounts are noted and researched to avoid any unreconciled differences.

Foundation's response: This variance was identified and researched during the audit process. The variance is a book variance only carried over from prior year(s). A correcting entry will be made in FY24 so that beginning balances will roll forward appropriately. Foundation will process a secondary review of both Cash Account and Cash GL balances and ensure that they are both in balance at each month end.

Responsible Party: Foundation Financial Consultant.

New Mexico Highlands University
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION VI: SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

2022-001 Improper Recording, Document Retention and Processing of Payroll (Material Weakness) (Modified and Repeated as Finding 2023-001)

2022-002 Control of Capital Assets (Significant Deficiency) (Modified and Repeated as Finding 2023-002)

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

2022-004 Account Reconciliations (Material Weakness) (Modified and Repeated as Finding 2023-003)

Federal Award Findings and Questioned Costs

2022-005 Procurement Policy (Significant Deficiency and Noncompliance) (Modified and Repeated as Finding 2023-009)

Component Unit Findings

None noted.

New Mexico Highlands University
Other Disclosures
June 30, 2023

EXIT CONFERENCE

The contents of this report and its schedules related to the component units were discussed on November 1, 2023. The following individuals were in attendance:

University Officials

Dr. Sam Minner	President
William E. "Bill" Garcia	Chairman, Board of Regents
Robert Lucero	Finance Committee, Board of Regents
Stephanie Gonzales, CPA	Vice President for Finance and Administration (VPFA)
Aaron Flure	Associate Vice President for Finance and Administration
Catherine Diaz, CPA	Director of Budget & Finance/Comptroller
Robert Diaz	Executive Assistant to the VPFA & Custodian of Public Records

New Mexico Highlands University Foundation Officials

Theresa Law	Executive Vice President of Student & Donor Engagement
Vince Marchi	Board President
Felicia Ortiz	Board Treasurer
Kristine Jaramillo	Consultant

Highlands Stable Isotopes Corporation Officials

Dr. Sam Minner	President
William E. "Bill" Garcia	Chairman, Board of Regents

Carr, Riggs & Ingram, LLC

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

New Mexico Highlands University
Other Disclosures
June 30, 2023

AUDITOR PREPARED FINANCIALS

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



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