



New Mexico Highlands University Foundation

REQUIRED COMMUNICATIONS

June 30, 2023



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TRANSMITTAL LETTER





Carr, Riggs & Ingram, LLC
2424 Louisiana Boulevard NE
Suite 300
Albuquerque, NM 87110

(505) 883-2727
(505) 884-6719 (fax)
CRlcpa.com

November 1, 2023

To the members of the Governing Body
New Mexico Highlands University Foundation

We are pleased to present the results of our audit of the 2023 financial statements of New Mexico Highlands University Foundation (the "Foundation").

This report to the Board of Directors and management summarizes our audit, the report issued and various analyses and observations related to the Foundation's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the Foundation's 2023 financial statements. We considered the Foundation's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Foundation's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of the Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 505-883-2727 or abowers@cricpa.com.

Very truly yours,



Alan D. "A.J." Bowers, Jr., CPA, CITP



REQUIRED COMMUNICATIONS





As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Foundation. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board and management, 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, in order to express an opinion on the Foundation's financial statements for the year ending June 30, 2023.
- 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*.
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Address other audit-related projects as they arise and upon request.

Required Communications



We have audited the financial statements of New Mexico Highlands University Foundation (the "Foundation") for the year ended June 30, 2023, and have issued our report thereon dated November 1, 2023. Professional standards require that we provide you with the following information related to our audit:

| MATTER TO BE COMMUNICATED | AUDITORS' RESPONSE |
|---|---|
| Auditors' responsibility under Generally Accepted Auditing Standards and Government Auditing Standards | <p>As stated in our engagement letter dated July 25, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Foundation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> |
| Client's responsibility | <p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating Christine Duncan, Comptroller, who has suitable skill, knowledge, or experience to evaluate the adequacy and results of those services; and accept responsibility for them.</p> |
| Planned scope and timing of the audit | <p>Our initial audit plan was not significantly altered during our fieldwork.</p> |



| MATTER TO BE COMMUNICATED | AUDITORS' RESPONSE |
|---|---|
| <p>Management judgments and accounting estimates</p> <p><i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p> | <p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p> |
| <p>Potential effect on the financial statements of any significant risks and exposures</p> <p><i>Major risks and exposures facing the Foundation and how they are disclosed.</i></p> | <p>No such risks or exposures were noted.</p> |
| <p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> | <p>The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <p>GASBS No. 91, <i>Conduit Debt Obligations</i></p> <p>GASB Statement No. 94, <i>Public-Private and Public-Public Partnership and Availability Payment Arrangements</i></p> <p>GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i></p> <p>GASB Statement No. 99, <i>Omnibus 2022</i></p> <p>The adoption of GASB Statements No. 91, 94, 96, and 99 had no impact on the financial statements.</p> <p>We noted no transactions entered into by the Foundation during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Further, the disclosures in the Foundation's financial statements are neutral, consistent, and clear.</p> |



| MATTER TO BE COMMUNICATED | AUDITORS' RESPONSE |
|--|--|
| Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i> | <p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p> |
| Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i> | <p>We are pleased to report that no such disagreements arose during the course of our audit.</p> |
| Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i> | <p>None noted.</p> |
| Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i> | <p>None noted.</p> |



| MATTER TO BE COMMUNICATED | AUDITORS' RESPONSE |
|--|--|
| <p>Corrected and uncorrected misstatements</p> <p><i>All significant audit adjustments arising from the audit, whether or not recorded by the Foundation, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board of Directors about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p> | <p>See "Summary of Audit Adjustments" section.</p> |
| <p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p> | <p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p> |
| <p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p> | <p>To our knowledge, there were no such consultations with other accountants.</p> |
| <p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p> | <p>See "Management Representation Letter" section.</p> |
| <p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p> | <p>See "Internal Control Findings" section.</p> |



| MATTER TO BE COMMUNICATED | AUDITORS' RESPONSE |
|---|--|
| <p>Fraud and illegal acts</p> <p><i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p> | <p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p> |
| <p>Other information in documents containing audited financial statements</p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p> | <p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <p>Such information is materially inconsistent with the financial statements; and</p> <p>We believe such information represents a material misstatement of fact.</p> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p> |
| <p>Significant unusual accounting transactions</p> <p><i>Auditor communication with governance to include auditors' views on policies and practices management used, as well as the auditors' understanding of the business purpose.</i></p> | <p>No significant unusual accounting transactions were noted during the year.</p> |



| MATTER TO BE COMMUNICATED | AUDITORS' RESPONSE |
|--|--|
| <p>Required Supplementary Information</p> <p><i>The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p> | <p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p> |



ACCOUNTING POLICIES, JUDGMENTS & SENSITIVE ESTIMATES & CRI COMMENTS ON QUALITY



Accounting Policies, Judgments, and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the Foundation's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Directors may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

| AREA | ACCOUNTING POLICY | CRITICAL POLICY? | JUDGMENTS & SENSITIVE ESTIMATE | AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION |
|--|--|------------------|--|--|
| Depreciation of property and equipment | The Foundation depreciates property and equipment using the straight-line method. Capital assets, which include property, plant, and equipment, are defined by the Foundation as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. | X | Capital assets have been recorded consistently with prior years, and in methods consistent with other Foundations. | The Foundation's recognition methods and disclosures appear appropriate. |

**Accounting Policies, Judgments, and Sensitive Estimates
& CRI Comments on Quality**



| AREA | ACCOUNTING POLICY | CRITICAL POLICY? | JUDGMENTS & SENSITIVE ESTIMATE | AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION |
|-------------|--|------------------|--|---|
| Investments | The Foundation has marketable securities carried at fair value based on quoted market prices and money market mutual funds carried at amortized cost, which approximates fair value. | X | Investment fair values have been recorded consistently with prior years, and in methods consistent with the Foundation's industry. | The Foundation's policies are in accordance with all applicable accounting guidelines and GASB. |



SUMMARY OF AUDIT ADJUSTMENTS



Summary of Audit Adjustments



During the course of our audit, we accumulate differences between amounts recorded by the Foundation and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Foundation or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditors' judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Recorded (corrected) by the Foundation at June 30, 2023

| Account | Description | Debit | Credit |
|---|--------------------------------|---------------------|---------------------|
| Adjusting Journal Entries | | | |
| Adjusting Journal Entries JE # 1 | | | |
| To reclass expense out of operating and into university support | | | |
| 10-5050 | Dues & Subscriptions | 17,330.00 | |
| 10-5040 | Contracts/Services Rendered | | 17,330.00 |
| Total | | 17,330.00 | 17,330.00 |
| Adjusting Journal Entries JE # 2 | | | |
| To transfer the building to the University and set up a note receivable to the University at June 30, 2023. | | | |
| 10-1600 | Note Receivable - Building | 3,350,000.00 | |
| 10-2045 | Deferred Lease Revenue | 213,264.00 | |
| 10-4060 | Rio Rancho Lease Revenue | 277,596.00 | |
| 10-5120 | Other/Misc. Expense | 533.00 | |
| 40-1330 | Accumulated Depreciation | 1,418,418.00 | |
| 10-1220 | Short Term Lease Receivable | | 213,708.00 |
| 10-1225 | Lease Interest Receivable | | 89.00 |
| 10-1600 | Note Receivable - Building | | 195,794.00 |
| 10-4026 | Interest Revenue - Building | | 81,802.00 |
| 40-1305 | Land | | 996,000.00 |
| 40-1315 | Building & Equipment | | 2,250,237.00 |
| 40-6000 | Loss on sale of capital assets | | 1,522,181.00 |
| Total | | 5,259,811.00 | 5,259,811.00 |
| Adjusting Journal Entries JE # 3 | | | |
| CAJE 23-2020 - To transfer \$100k mathc to Forestry. | | | |
| 10-6020 | Interfund Transfer | 100,000.00 | |
| 20-6020 | Interfund Transfer | | 100,000.00 |
| Total | | 100,000.00 | 100,000.00 |

Summary of Audit Adjustments



| Account | Description | Debit | Credit |
|---|--------------------------|------------------|------------------|
| Adjusting Journal Entries JE # 4 | | | |
| To remove depreciation once the building was sold | | | |
| 40-1330 | Accumulated Depreciation | 24,041.00 | |
| 40-5045 | Depreciation Expense | | 24,041.00 |
| Total | | 24,041.00 | 24,041.00 |

There was an **unrecorded (uncorrected) adjustment resulting from the audit** of the financial statements of the Foundation as of June 30, 2023 and for the year then ended.

| Account | Description | Debit | Credit |
|--|-----------------------|------------------|------------------|
| Proposed Journal Entries | | | |
| Proposed Journal Entries JE # 5 | | | |
| To adjust cash to match the GL | | | |
| 10-1005 | Unrestricted Checking | 19,535.00 | |
| 10-5120 | Other/Misc. Expense | | 19,535.00 |
| Total | | 19,535.00 | 19,535.00 |



QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Foundation's operating environment that has been identified as playing a significant role in the Foundation's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



MANAGEMENT REPRESENTATION LETTER



Management Representation Letter



Management representation letter was provided by the Foundation on November 1, 2023.



INTERNAL CONTROL FINDINGS





Carr, Riggs & Ingram, LLC
2403 82nd Street
Lubbock, TX 79423

806.745.6789
806.748.3888 (fax)
CRIcpa.com

November 1, 2023

To the members of the Governing Body
New Mexico Highlands University Foundation

In planning and performing our audit of the financial statements of the business-type activities of New Mexico Highlands University Foundation (the "Foundation"), a component unit of New Mexico Highlands University (the "University"), as of and for the year ended June 30, 2023, 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, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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



We noted a certain other matter that is required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying Internal Control Findings.

Foundation's Responses to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation'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 response.

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico



The following legend should be used in conjunction with reviewing the "Rating" of each of the identified internal control items:

| | | | | |
|---------------------------------------|---------------------------------------|--|---------------------------------------|------------------------------|
| IP = Improvement Point | D = Control Deficiency | SD = Significant Deficiency | MW = Material Weakness | OM = Other Matter |
|---------------------------------------|---------------------------------------|--|---------------------------------------|------------------------------|

| CONTROL NUMBER | RATING | AREA | ITEM NOTED | SUGGESTION | MANAGEMENT ACTION |
|---------------------------|---------------|---------------------|--|--|--|
| 2023-01 | OM | Bank Reconciliation | 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. | 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. | 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. |