

AUDIT REPORT 2020
Year ending June 30, 2020

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New Mexico Institute of Mining and Technology
Official Roster
June 30, 2020

Board of Regents

Ex Officio Members

The Honorable Michelle Lujan Grisham	Governor of the State of New Mexico
Dr. Kate O'Neill	Cabinet Secretary, Higher Education Department

Appointed Members

Deborah Peacock	President
Jerry A. Armijo	Secretary-Treasurer
David Gonzales	Member
Dr. Yolanda King	Member
Veronica Espinoza	Member

Principal Administrative Officials

Dr. Stephen G. Wells	President
Dr. Cleve McDaniel	Vice President for Administration and Finance
Dr. Douglas Wells	Vice President for Academic Affairs
Peter Phaiah	Acting Vice President for Office of Student Life
Dr. Van Romero	Vice President for Research
Shaojie (Jenny) Ma	Associate Vice President for Administration and Finance/Budget Director
Nelia Dunbar	Director, New Mexico Bureau of Geology and Mineral Resources
Robert Balch	Director, New Mexico Petroleum Recovery Research Center
Mike Stanley	Acting Director, Energetic Materials Research and Testing Center
Gayle Bailey	Director of Sponsored Projects
Melissa Tull	Controller
JoAnn Salome	Director of Human Resources
Emma Aafloy	Associate Director for Budget and Analysis

Report of Independent Auditors

The Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component unit of New Mexico Institute of Mining and Technology (the “Institute”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Institute’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component unit, of the New Mexico Institute of Mining and Technology as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements if the Institute are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the Institute. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2020, the change in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability, Schedule of Contributions, Notes to Defined Benefit Retirement Plan RSI, Schedule of Employer Contributions – Other Postemployment Benefits (OPEB), Schedule of Changes in Net OPEB Liability and Related Rations, and Schedule of OPEB Investment Returns as referenced in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements. The accompanying budgetary comparisons, schedule of pledged collateral, schedule of individual deposit and investment accounts, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations from the state required by 2.2.2 NMAC, schedule of joint powers agreements, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons, schedule of pledge collateral, schedule of individual deposit and investment accounts, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations, schedule of joint power agreements and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are 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. Such 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 budgetary comparisons, schedule of pledge collateral, schedule of individual deposit and investment accounts, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations, schedule of joint power agreements and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparisons, schedule of pledge collateral, schedule of individual deposit and investment accounts, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations, schedule of joint power agreements and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020 on our consideration of Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Institute'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 Institute's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 2, 2020

New Mexico Institute of Mining and Technology Management's Discussion and Analysis Year Ended June 30, 2020

The New Mexico Institute of Mining and Technology (New Mexico Tech, NMIMT, NMT, or the Institute) Management's Discussion and Analysis (MDA) of annual financial statements provides an overview of New Mexico Tech's financial activities for the fiscal year ending June 30, 2020. Included for comparison purposes is the 2019 financial summary. This annual report is presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. New Mexico Tech, as does all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

The purpose of the MDA is to provide users of this report with a brief overview of the year's activities as they relate to the funds and assets administered by New Mexico Tech. The MDA is a written discussion of the primary financial statements included in the annual report. It also provides the reader with a discussion of the major activities that occurred during the year and the effect of the activities to New Mexico Tech.

A brief summary is provided for the following financial reports:

The MDA gives New Mexico Tech's management a forum to analyze the activities for the fiscal year; including, but not limited to, a comparison of current fiscal year to last year's financial summary, enrollment data, research activities and capital projects. The report gives the reader a written assessment of the impact of the decisions made during the year that support the mission of New Mexico Tech. Therefore, the MDA begins with a brief description of the primary financial statements.

Statement of Net Position (SNP)

The Statement of Net Position is a report of the financial and capital resources managed by New Mexico Tech. The SNP is a summary of New Mexico Tech's assets and liabilities, and it is a *snapshot* of New Mexico Tech at the close of business at the date of the statement, in this case, June 30, 2020.

The statement format used by New Mexico Tech is Assets plus Deferred Outflows minus Liabilities minus Deferred Inflows equals Net Position. GASB 68 requires New Mexico Tech financial statements to report its pro rata share of pension liability even though the New Mexico Educational Retirement Board manages and oversees the retirement assets and administration of the funds dedicated to New Mexico Tech.

New Mexico Tech adopted Governmental Accounting Standards Board (GASB) Statement No. 80, Blending Requirements for Certain Component Units. New Mexico Tech also adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

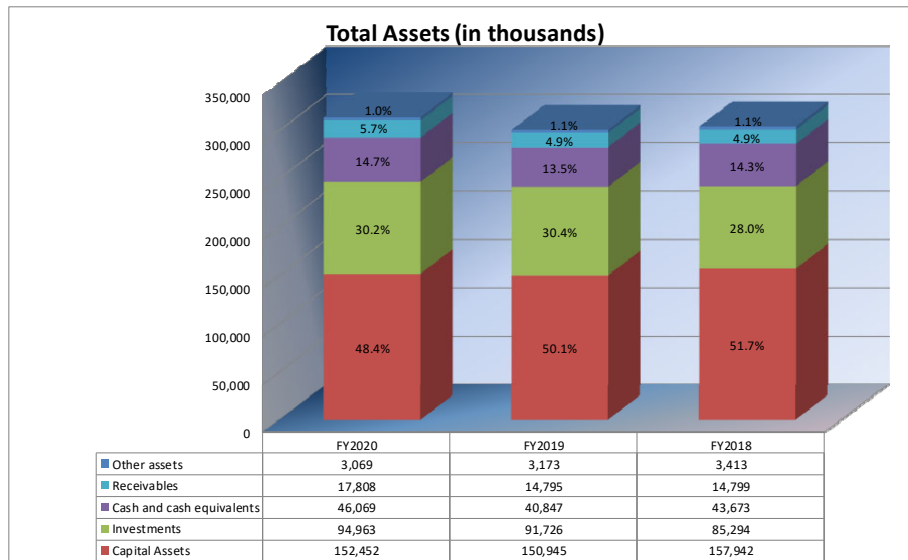
The following table summarizes the Institute's assets, deferred outflows, liabilities, deferred inflows, and net position as of:

	Balance June 30, 2020 (In Thousands)	Balance June 30, 2019 (In Thousands)	Difference	Percentage Change
Current assets	\$ 86,250	\$ 77,485	\$ 8,765	11.3%
Capital assets, net	152,452	150,945	1,507	1.0%
Other noncurrent assets	75,659	73,056	2,603	3.6%
Total assets	<u>314,361</u>	<u>301,486</u>	<u>12,875</u>	<u>4.3%</u>
Deferred outflows	<u>26,365</u>	<u>44,677</u>	<u>(18,312)</u>	<u>-41.0%</u>
Total assets and deferred outflows	<u>\$ 340,726</u>	<u>\$ 346,163</u>	<u>\$ (5,437)</u>	<u>-1.6%</u>
Current liabilities	\$ 14,106	\$ 11,746	\$ 2,360	20.1%
Non-current liabilities	159,093	207,883	(48,790)	-23.5%
Total liabilities	<u>173,199</u>	<u>219,629</u>	<u>(46,430)</u>	<u>-21.1%</u>
Deferred inflows	11,984	7,701	4,283	55.6%
Net position				
Capital assets, net of related debt	133,340	141,306	(7,966)	-5.6%
Restricted net position	45,554	45,584	(30)	-0.1%
Unrestricted net position	(23,351)	(68,057)	44,706	-65.7%
Total net position	<u>155,543</u>	<u>118,833</u>	<u>36,710</u>	<u>30.9%</u>
Total assets, liabilities, deferred inflows, and net position	<u>\$ 340,726</u>	<u>\$ 346,163</u>	<u>\$ (5,437)</u>	<u>-1.6%</u>

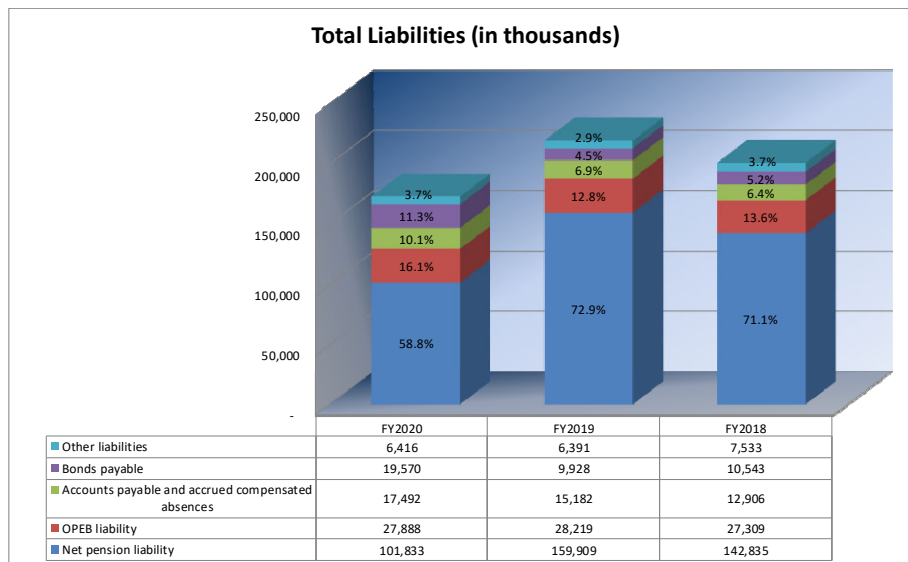
Total assets increased \$12.9 million or 4.3 percent. Several categories in the asset classification changed during the fiscal year.

- Current assets increased \$8.8 million, or 11.3 percent, due to a normal operating activities and a 9.5 million Revenue Bond for the energy saving project.
- Capital assets increased \$1.5 million or 1.0 percent. This is primarily due to the net of capital assets acquired throughout the fiscal year and the recording of depreciation.

**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**



Total liabilities decreased \$46.4 million or -21.1 percent. The net pension liability decreased by \$58.1 million and liabilities related to OPEB decreased by \$331 thousand due to the changes in actuarial reporting related to GASB Statement No. 68 and 75.



**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

Net position is divided into three categories:

- Investment in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net decrease is \$8.0 million, including removal of outdated publications from the library collection. Increases in assets were investments in equipment during the year.
- Restricted net position: This category is subdivided into non-expendable and expendable. Non-expendable are restricted assets earmarked for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. The restricted net position category decreased by \$30 thousand.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds increased by \$44.7 million, which includes the reduction in the pension liability of \$58.1 million.

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) is a report of New Mexico Tech's economic activity for the twelve-month period or fiscal year ending June 30, 2020. The SRECNP reports the revenues and expenses for one-year's activity, unlike the Statement of Net Position (SNP), which is a snapshot of New Mexico Tech's financial position as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

Comparative Statement of Revenues and Expenses (in thousands) for the two years ending:

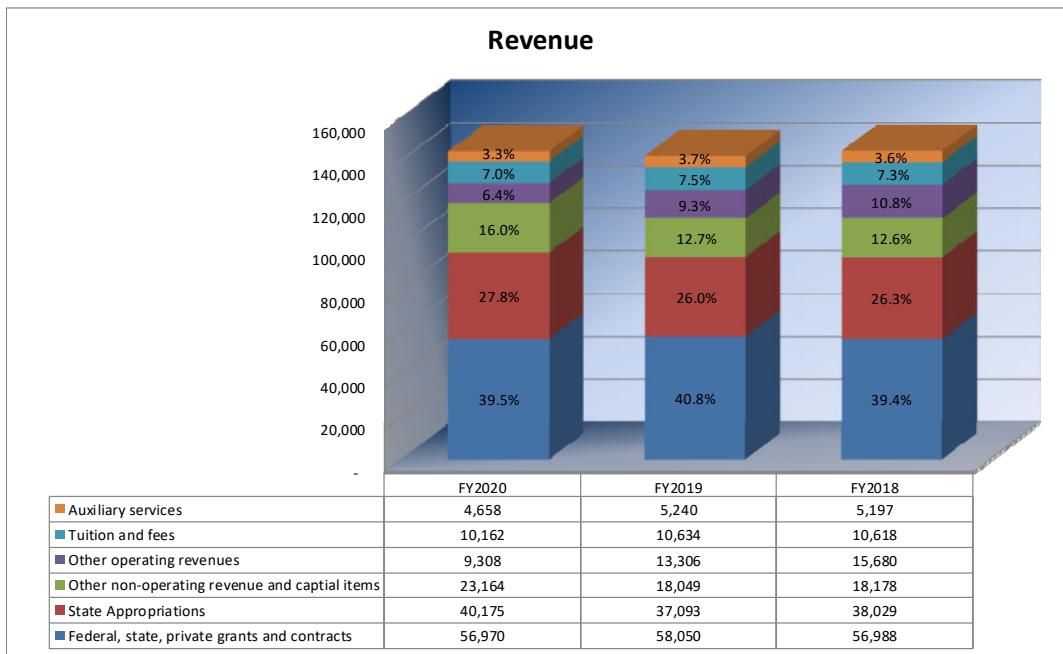
	June 30, 2020 (In Thousands)	June 30, 2019 (In Thousands)	Difference	Percentage
Operating revenue	\$ 81,098	\$ 87,230	\$ (6,132)	-7.0%
Operating expense	107,728	173,338	(65,610)	-37.9%
Operating loss	(26,630)	(86,108)	59,478	-69.1%
Non-operating revenue	42,186	39,654	2,532	6.4%
Loss before other revenues and expenses	15,556	(46,454)	62,010	-133.5%
Other revenues and capital items	21,154	15,488	5,666	36.6%
Increase (decrease) in net position	<u>\$ 36,710</u>	<u>\$ (30,966)</u>	<u>\$ 67,676</u>	<u>-96.9%</u>

Operating revenues are received in order to provide goods and services to the constituencies of New Mexico Tech. Operating revenue includes tuition, federal, state and private grants and contracts and auxiliary service fees.

New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2020

Compared to fiscal year 2019, total operating revenue decreased \$6.1 million. The decrease of revenue is partly due to COVID-19 pandemic travel restrictions and cancellation of service requests. Year to year changes of the individual components included within the total operating revenue are:

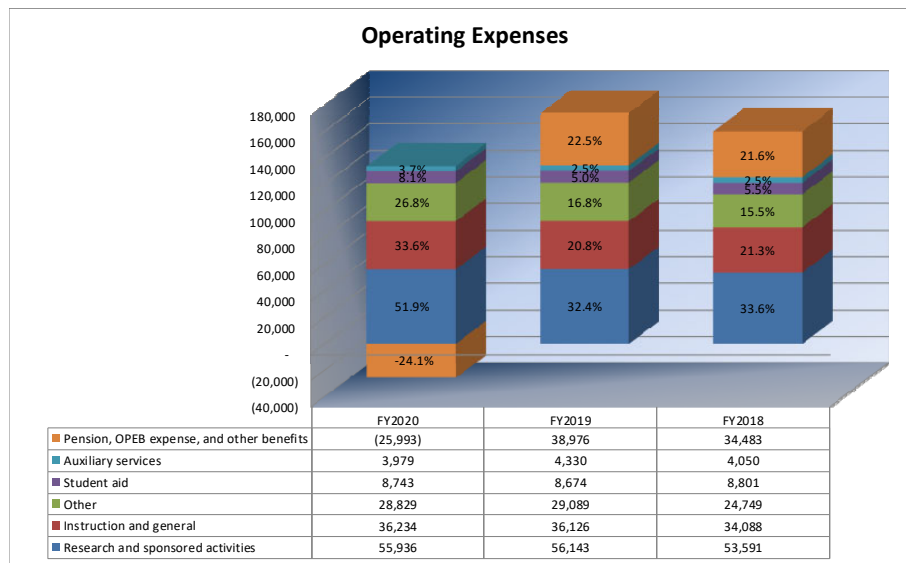
- Net tuition and fee revenue decreased \$472 thousand.
- Net sale of auxiliary service decreased \$582 thousand.
- Grants and contracts revenue decreased \$1.1 million.
- Other operating income primarily related to service center sales decreased \$4.0 million.



New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2020

Operating expenses are the cost of providing the goods and services for the operating revenue received.

- Total operating expenses decreased \$65.6 million which includes the reduction in the pension expense of \$58.6 million and OPEB expense decrease of \$1.9 million.
- Research and other sponsored expenditures decreased \$207 thousand (included in total operating expenses).



State appropriations, including Instruction and General (I&G) and Research and Public Service Projects (RPSP), were \$40.1 million compared to last year's \$36.8 million.

The net operating loss for this fiscal year is \$26.6 million compared to last year's net operating loss of \$86.1 million. The GASB-required reporting format is mandated to exclude state support as operating revenue. New Mexico Tech and all state universities do report an operating loss from operations.

Non-operating revenues are funds or commitments received in support of the Institute, but which do not provide for the operation of the Institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the Institute. Instruction and general expenses are reported as operating expenses; therefore, because of this anomaly, an operating loss is reported each year. Non-operating expenses are the expenditure or investment of the funds received from non-operating sources.

Non-operating revenues increased \$2.5 million compared to last year. Other revenues and capital items increased \$5.7 million compared to last year. Capital appropriations increased \$8.1 million mainly due to state funds received for Jones Hall renovation, electronic door lock system, and repairing buildings roofs. State land grant and permanent fund distributions and income decreased slightly: \$96 thousand in the current year.

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis (continued)

Year Ended June 30, 2020

Statement of Cash Flows

The Statement of Cash Flows is a summary of the sources and uses of funds received by New Mexico Tech. The statement is presented in four sections within the accompanying reconciliations. Each section is a summary of the funds received correlated to that particular activity and the funds used for the activity. The Statement of Cash Flows includes:

- Cash flows from operating activities;
- Cash flows from noncapital financing activities;
- Cash flows from capital and related financing activities;
- Cash flows from investment activities; and
- Reconciliation of operating income (loss) to net cash provided by (used in) operating activities.

Note: The New Mexico Tech Research Foundation is included as a component unit, but its operations are not managed or controlled by New Mexico Tech.

Comparison of Budget to Actual

Included in this audit report is a Budget Comparison Summary of the original budget to the final budget to actual revenue and expenses for current unrestricted funds and current restricted funds. This report is written in a format required by the New Mexico State Auditor called 'fund accounting format,' which is used for accounting and budgeting by the State of New Mexico.

The Original Budget and the Final Budget are compared to Actual Revenues and Expenditures to reflect the changes in the original budget at New Mexico Tech as compared to the final outcome.

A reconciliation of the budget to actual revenues and expenditures is added to ensure that the budgeted and actual numbers agree with the financial statements in accordance with US GAAP. The budget is adjusted at least twice a year with a Budget Adjustment Request (BAR) that is submitted to, and approved by, the Higher Education Department (HED) and the New Mexico Department of Finance (DFA).

The restricted current funds revenues and expenditures budget comparisons are presented in accordance with state auditor standards. Unlike the unrestricted current fund, the activity for restricted current funds does not coincide with the New Mexico Tech fiscal year.

Capital Assets

The construction of Jones Hall renovation is ongoing. The project is on schedule to be completed by May 2021. This project is being funded by several sources including a 2016 General Obligation Bond (\$5.5 million), 2015 Severance Tax Bond (\$190 thousand), 2016 Severance Tax Bond (\$90 thousand) and NMT internal reserves (\$6.0 million). The estimated cost of this renovation is \$11.7 million.

The planning and/or design construction phase of the renovation of the President's Residence that will also include a new University house is complete. The project is beginning of construction of the University House with anticipated completion in August 2021. The President's Residence is being put on hold for the time being.

**New Mexico Institute of Mining and Technology
Management’s Discussion and Analysis (continued)
Year Ended June 30, 2020**

The Brown Hall renovation project is moving forward on design work. This project involves modifications to West Hall to allow it to house the Brown Hall occupants during renovation. Due to COVID-19 pandemic, this project is being postponed for a year due to the need for West Hall to function as a single occupancy dorm. The construction phase for Brown Hall is estimated to start in Spring 2022.

The campus wide space utilization survey is being compiled. After data analyzing, findings and recommendations will be provided for better utilizing the existing space.

A campus wide energy audit is conducted. The projects with the greatest utility savings payback are selected. Bonds, series 2019, have been sold and the projects are ongoing. Completion is expected in March 2021.

Debt Administration

The Board of Regents approved a Revenue Bond, Series 2019, for the construction of energy saving project.

The bond term is 20 years with an effective interest rate of 4.0 percent. The annual principal and interest payments average \$674 thousand. The debt is serviced with unrestricted funding sources including savings from energy budget and overhead income.

Total proceeds deposited from the bond sale, including the premium and after-cost of issuance, was \$9.6 million. The semi-annual payment of principle and interest is paid on January 1 and July 1. The outstanding long-term bond debt, including bond premium net of accumulated amortization, at June 30, 2020, was \$9.6 million.

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech has shown a decline over the past five years.

The Fall 2020 new student and transfer enrollment is 337 compared to revised 308 last year. Additionally, total enrollment has increased slightly from Fall 2019 to Fall 2020 for New Mexico Tech.

<u>School Year</u>	<u>Head Count</u>	<u>Credit Hours (CH)</u>	<u>End of Course</u>	<u>(EOCCH)</u>
2019-20	2,123	44,159	43,200	97.80%
2018-19	2,099	46,853	45,930	98.00%
2017-18	2,262	48,049	46,887	97.60%
2016-17	2,471	52,232	51,268	98.20%
2015-16	2,459	53,319	51,230	96.10%

As the chart above demonstrates, head count and credit hours have decreased from the 2018-19 school year. The end-of-course completion rates continue to hover 96-98%. The End of Course is a measure used to calculate the higher education funding formula. The percentage of EOCCH to CH indicates increased performance is directly related to the quality of the student, faculty and staff at New Mexico Tech.

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis (continued)

Year Ended June 30, 2020

Funding from the State continues to be an issue, but appropriations have increased slightly for the fiscal year ending June 30, 2020.

The New Mexico Tech faculty and administration have continued to deliver quality education to the students. Additional faculty have been hired for the current school year replacing many vacant positions that were on hold because of past budget reductions.

New Mexico Tech graduates with bachelor's degrees continue to obtain entry-level employment in the \$60,000 and above pay range. This level is a testament to the quality of the education received by New Mexico Tech graduates and the increasing demand for highly qualified students with science, technology, engineering and math (STEM) degrees.

Higher Education Funding Formula

The funding formula for higher education in New Mexico was updated in fiscal year 2013. Instead of funding universities for student credit hours at the census date, third week of classes, the new formula now funds universities on outcomes, end-of-course completion, awards (diplomas and certificates), work force incentives (STEM), at-risk student enrollment (Pell eligible) and sector-specific measures, which for the research universities is calculated as research expenditures. Despite the University's increased productivity in the formula metrics described above, due to declines in State revenue, the formula funding is unlikely to produce increased appropriations to the University. Tuition increases have helped offset some of the Institute's increased costs such as health insurance, risk management insurance, utilities, etc. The NMT administration is addressing faculty salaries in order to be comparable to New Mexico peer institutions over a three-year period.

Concern for future enrollment is based on the same circumstances that existed for several years; i.e., the forecast for high school graduation rates in New Mexico continues to be discouraging because of smaller graduating classes and low high school graduation rates. Smaller high school graduating classes means fewer students are in the pipeline to attend New Mexico colleges and universities. New Mexico Tech has been successful in recruiting and enrolling New Mexico high school graduates. The Fall 2020 undergraduate enrollment of New Mexico students is 65.5 percent.

Research

Research expenditures are not affected by the state budget, but they are highly dependent on the federal budget.

Research continues to provide a public service to the community and enhances the educational experience for students. By the time they graduate, most students have practical hands-on experience in their major field of study because of the research programs at New Mexico Tech. This is an important discriminator for employers that seek students with valuable research experience, and it is provided by only a select few universities in the world. Our students have an advantage when they go into the workforce. The effort pays off with the overwhelming majority of students finding employment in their chosen field of study.

**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

New Mexico Tech's Incurred Cost report demonstrates externally funded research and other sponsored activity has increased since FY 2016 with a slight decrease in FY20. However, funding remains stable from FY19 to FY20. External funding award amounts are indicated below (in thousands):

FY20	\$ 55,842
FY19	56,398
FY18	56,565
FY17	53,356
FY16	48,789

The Bureau of Geology and Mineral Resources (NMBGMR, the Bureau), Geophysical Research Center (GRC) and Institute of Complex Additive Systems Analysis (ICASA) are mainly funded by the State of New Mexico through the Research and Public Service Projects (RPSP) line item in the higher education budget. In addition to funding by the state, the Bureau receives between \$1 and \$2 million per year in grant, contract and gift funding. In FY20 funding sources included the National Science Foundation, Department of Energy, United States Geological Survey, National Park Service, State agencies and philanthropic organizations, among others.

The Petroleum Research and Recovery Center is also funded via the RPSP budget. However, a Department of Energy carbon sequestration project has been in place for several years bringing in approximately \$90 million dollars. Additional awards with DOE and the Bureau of Reclamation brought in funding of over \$2 million dollars.

The Energetic Materials Research and Testing Center (EMRTC) continues to work with the Department of Homeland Security training program. External funding has decreased slightly due to completion of several projects.

The Magdalena Ridge Observatory (MRO) 2.4 meter telescope continues to be NASA's flagship telescope for near-Earth object observations. In the past year, the telescope conducted numerous campaigns to track and characterize close approaching asteroids. Funding for the 2.4-meter telescope comes from NASA (80%) and Department of Defense (20%).

The construction of the Interferometer at MRO continues. The first telescope was recently installed on the array and the Air Force Research Lab (AFRL) continues to fund this project. AFRL recently executed Option 2 of the four Options under the current Cooperative Agreement, which enables the purchase of the second unit telescope for the 10-element interferometric array.

The IRIS/PASSCAL seismic center continues to support National Science Foundation and other projects around the world. IRIS was awarded funding to continue supporting US seismology for the next five years, with a \$22.3 million sub award to NMT.

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis (continued)

Year Ended June 30, 2020

COVID-19 Impact

There is considerable impact of the COVID-19 pandemic. Due to the travel restriction and cancellation of services, our revenue streams are affected. We anticipate an impact on the State appropriation support, including a potential state budget reduction for FY21. Meanwhile, we have to increase expenditures relative to provide instruction and minimize the risk of the spread of COVID-19 to our campus community. NMT has spent more than \$500 thousand to refund students for unused campus services such as dining and housing as a direct result of the pandemic. It is estimated only 50% of the costs can be recovered from Federal stimulus funds due to the limitation of the available funding source. NMT has also spent more than \$340 thousand to support technological costs for switching to online instruction and providing students with necessary resources. It is expected that this costs will increase while the lockdown persists.

It is prudent to anticipate that financial challenges will likely persist into the next fiscal year.

Economic Outlook

The economic outlook for New Mexico Tech continues to be closely monitored by administration. Decisions by the NMT administration are dependent on actions taken by the state and federal government. Proactive financial and budget actions were taken early in the global economic downturn to reduce budgets. Overall appropriations from the state for FY 2020 increased by 9.0%. An increase for compensation from the state has not been included in the funding formula for many years. Funding for higher education will be offset by continued increased operational costs and unfunded mandates placed on higher education by all levels of government, students and those served by colleges and universities. New Mexico Tech staff has been very cooperative in managing their departmental budgets, and have picked up additional duties in order to continue to provide a quality educational experience for our students through ongoing student support services and facilities.

New Mexico Tech's national and international reputation as an outstanding research university has made it a go-to organization for many federal, state and private companies to address their needs. The research programs enhance the teaching, research and economic development missions of New Mexico Tech, the local community, the State of New Mexico, and the United States of America.

The longevity and the success of the established programs at New Mexico Tech have helped solidify their funding; however, their budgets for future funding continue to be scrutinized by both the state and federal grantors.

The New Mexico Tech Admissions Office shall continue to increase its recruitment efforts in states such as Texas, California and Arizona. These states are excellent opportunities for recruitment because their universities are at or near full capacity, and they have a large Hispanic population. New Mexico Tech continues to reach its goal of being recognized as a Hispanic Serving Institution. By qualifying as a Hispanic Serving Institution, additional research and grants, plus other funding opportunities, are available to New Mexico Tech.

Total entering first-time full-time freshmen for the school year 2019-20 was 284 compared to 250 in the prior year.

**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

Requests for Information

Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to Dr. Cleve McDaniel, Vice President for Administration and Finance, New Mexico Institute of Mining and Technology, 801 Leroy Place, Socorro, New Mexico 87801-4796. There are separately issued financial statements available for the New Mexico Tech Research Foundation and New Mexico Tech University Research Park Corporation, the component units of the Institute. These are available at the same location.

New Mexico Institute of Mining and Technology
Statement of Net Position
As of June 30, 2020

	Institute	Component Unit Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 45,844,175	\$ 251,171
Short-term investments	19,528,726	21,848,143
Contract and grant billed and unbilled receivables	9,319,223	-
Student accounts receivable, net of allowance for doubtful accounts	423,513	-
Due from state agencies and other accounts receivables	8,044,877	-
Inventories	1,634,283	-
Other assets	1,455,044	15,636
Total current assets	<u>86,249,841</u>	<u>22,114,950</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	224,753	-
Endowment investments	53,516,584	-
Other long-term investments	21,458,895	5,495,125
Capital assets, net of accumulated depreciation	152,451,777	1,388,601
Other non-current assets	458,825	31,165
Total noncurrent assets	<u>228,110,834</u>	<u>6,914,891</u>
Total assets	<u>314,360,675</u>	<u>29,029,841</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	22,303,812	-
Related to other post employment benefits	4,061,351	-
Total deferred outflows of resources	<u>\$ 26,365,163</u>	<u>\$ -</u>

New Mexico Institute of Mining and Technology
Statement of Net Position (continued)
As of June 30, 2020

	Institute	Component Unit Foundation
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,306,945	\$ 29,339
Bonds payable, current portion	590,000	-
Accrued compensated absences, current portion	4,257,196	-
Due to primary government	-	623,948
Deposits	162,025	-
Unearned revenue	790,270	-
Total current liabilities	14,106,436	653,287
NONCURRENT LIABILITIES		
Accrued compensated absences, net of current portion	4,956,804	-
Bonds payable, net	18,980,343	-
Net pension liability	101,832,884	-
Net OPEB liability	27,888,293	-
Other noncurrent liabilities	5,434,223	5,669
Total noncurrent liabilities	159,092,547	5,669
Total liabilities	173,198,983	658,956
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	5,177,594	-
Related to other post employment benefits	6,806,851	-
Total deferred inflows of resources	11,984,445	-
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	133,340,259	1,388,601
RESTRICTED FOR		
Nonexpendable		
Endowments and all other nonexpendable	60,297,548	5,499,898
Inventory	1,634,283	-
Expendable		
Scholarships, research, instruction and other	8,686,918	2,093,412
Other postemployment benefits	(30,633,793)	-
Employee benefit trust	4,328,340	-
Loans	1,240,298	-
UNRESTRICTED NET (DEFICIT) POSITION	(23,351,443)	19,388,974
Total net position	\$ 155,542,410	\$ 28,370,885

New Mexico Institute of Mining and Technology
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	Institute	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of discounts and allowances of \$3,918,618	\$ 10,162,173	\$ -
Federal grants and contracts	41,037,644	-
State and local grants and contracts	1,649,834	-
Private grants and contracts	10,277,244	-
Other grants and contracts	4,005,667	-
Sales and services of auxiliary enterprises, net of scholarship allowances of \$1,158,687	4,657,337	-
Other	8,881,223	1,179,685
Benefit trust contributions	426,428	-
Total operating revenues	<u>81,097,550</u>	<u>1,179,685</u>
EXPENSES		
Instruction and general		
Instruction	16,676,731	-
Institutional support	7,742,821	-
Operations and maintenance support	5,913,174	-
Student services	2,285,226	-
Academic support	3,616,192	-
Other sponsored activities	35,767,369	-
Research	20,168,703	-
Student aid grants and stipends, net of tuition discounts and allowances of \$3,918,618	8,742,592	1,160,506
Depreciation and amortization	10,999,112	59,932
Auxiliary enterprises, net of discounts and allowances of \$1,158,687	3,978,907	-
Change in value of pension liability	(30,689,060)	-
Other postemployment benefits expense	4,695,380	-
Other operating expenses	17,404,653	940,253
Benefit trust expenses	426,306	-
Total operating expenses	<u>107,728,106</u>	<u>2,160,691</u>
Operating loss	(26,630,556)	(981,006)

New Mexico Institute of Mining and Technology
Statement of Revenues, Expenses, and Changes in Net Position (continued)
For the Year Ended June 30, 2020

	Institute	Component Unit Foundation
NONOPERATING REVENUES		
State appropriations	\$ 40,175,216	\$ -
Gifts	1,621,123	-
Interest and investment income, net	389,430	1,516,194
Net nonoperating revenues	42,185,769	1,516,194
 Gain before other revenues and expenses	 15,555,213	 535,188
OTHER REVENUES AND EXPENSES		
Other revenues	7,620,040	-
Additions to permanent endowments	3,410,388	-
State land grant permanent fund income	1,693,560	-
Capital project appropriations from state issued bonds and other	8,429,602	-
Net other revenues	21,153,590	-
 Change in net position	 36,708,803	 535,188
NET POSITION, beginning of year	118,833,607	27,835,697
 Net position, end of year	 \$ 155,542,410	 \$ 28,370,885

New Mexico Institute of Mining and Technology
Statement of Cash Flows
For the Year Ended June 30, 2020

	Institute	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 10,378,566	\$ -
Grants and contracts	61,351,828	-
Sales and services of auxiliary enterprises	4,657,337	-
Other receipts	10,736,578	1,356,407
Payments to employees	(102,958,063)	-
Payments to suppliers	(37,242,923)	-
Other payments	-	(1,595,671)
Net cash used in operating activities	<u>(53,076,677)</u>	<u>(239,264)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	40,175,216	-
Gifts for other than capital purposes	1,621,123	-
Other nonoperating receipts	7,620,040	-
Net cash provided by noncapital financing activities	<u>49,416,379</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(12,529,290)	-
Proceeds from bond issuance	9,742,770	-
Payments of bond premium	(100,076)	-
Capital project appropriations from state issued bonds and other	8,429,602	-
Net cash provided by capital and relating financing activities	<u>5,543,006</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, net	1,775,417	190,461
Investment purchases	(3,782,572)	(926,131)
Additions to endowments	3,410,388	-
Distributions received from land grant permanent fund	1,693,560	-
Cash received for notes receivable, net	-	122,412
Other	(97,073)	-
Interest, dividend, and realized investment income	338,845	697,873
Net cash provided by investing activities	<u>3,338,565</u>	<u>84,615</u>
NET INCREASE, in cash and cash equivalents	5,221,273	(154,649)
CASH AND CASH EQUIVALENTS, beginning of year	<u>40,847,655</u>	<u>405,820</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 46,068,928</u>	<u>\$ 251,171</u>
CASH AND CASH EQUIVALENTS		
Unrestricted	\$ 45,844,175	\$ 251,171
Restricted	<u>224,753</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 46,068,928</u>	<u>\$ 251,171</u>

New Mexico Institute of Mining and Technology
Statement of Cash Flows (continued)
For the Year Ended June 30, 2020

	Institute	Component Unit Foundation
RECONCILIATION OF OPERATING LOSS TO NET CASH USED		
BY OPERATING ACTIVITIES		
Operating loss	\$ (26,630,556)	\$ (981,006)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	10,999,112	59,932
Loss on sale of assets and patents	104,563	-
Donated stock	-	(377,566)
Provision for doubtful collections	1,338,991	-
Net change in unrealized gain and losses on investments	(2,180,501)	-
 Changes in assets and liabilities		
Student accounts receivable	24,834	-
Contract and grant billed and unbilled receivables	4,378,014	-
Other accounts receivable	(7,394,559)	-
Inventories	(267,519)	-
Other assets	27,843	441,389
Deferred outflows of resources	18,312,094	-
Accounts payable and accrued expenses	1,856,146	29,339
Student and other deposits	(8,855)	-
Unearned revenue	3,425	-
Compensated absences	483,199	-
Deferred inflows of resources	4,283,634	-
Net pension liability	(58,075,789)	-
Net OPEB liability	(330,753)	-
Other payables	-	588,648
	<u>\$ (53,076,677)</u>	<u>\$ (239,264)</u>
Net cash used in operating activities	<u>\$ (53,076,677)</u>	<u>\$ (239,264)</u>

Supplemental Disclosure of Cash Flow Information

During 2020, investments held by the Institute increased in value in the amount of \$5,083,080.

During 2020, investments held by the Foundation increased in value in the amount of \$1,931,561.

New Mexico Institute of Mining and Technology
Statement of Fiduciary Net Position
As of June 30, 2020

ASSETS

Cash and cash equivalents	\$ 1,539,476
Other receivables	10,980
Short-term investments	967,883
Other long-term investments	<u>1,839,477</u>
Total assets	<u>4,357,816</u>

LIABILITIES

Accounts payable and accrued liabilities	<u>29,476</u>
Total liabilities	<u>29,476</u>

NET POSITION

Fiduciary net position	<u><u>\$ 4,328,340</u></u>
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New Mexico Institute of Mining and Technology
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

ADDITIONS

Employer contributions	\$ 275,718
Employee contributions	150,710
Investment income	84,850
Other revenue	18,150
Total additions	<u>529,428</u>

DEDUCTIONS

Insurance premiums	409,011
General and administrative	<u>35,444</u>
Total deductions	<u>444,455</u>

Net increase in fiduciary net position 84,973

FIDUCIARY NET POSITION

Net position at beginning of year	<u>4,243,367</u>
Net position at end of year	<u><u>\$ 4,328,340</u></u>

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 1 – Description of Business

Organization

The New Mexico Institute of Mining and Technology (the Institute, NMIMT, or NMT) is declared to be and is confirmed as a state educational institution by Section 11 of Article XII of the Constitution of the State of New Mexico, as amended. The Institute was founded in 1889 under the New Mexico Territorial Laws of 1889.

According to the Constitution of the State of New Mexico, the legislature shall provide for the control and management by a Board of Regents consisting of five members appointed by the Governor and confirmed by the State Senate for overlapping terms of six years. Section 21-11-4 of the New Mexico Statutes Annotated, 1978 Compilation (NMSA 1978), also vests this control and management in the Board of Regents.

The Institute offers both graduate and undergraduate degree programs in many fields. Major programs offered include earth sciences, physical and biological sciences, mineral engineering disciplines, mathematics, and computer science. The Institute is also involved in numerous research projects, many of which are performed under government or private contracts.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

(A) Basis of Presentation

The Institute and its component units present their financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB Statement 35, *Basic Financial Statements – and Management’s Discussion and Analysis – an amendment of GASB Statement No. 34*, provides a comprehensive entity-wide perspective of the Institute’s assets, liabilities, and net position, revenues, expenses and changes in net position, and cash flows.

GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement 80, *Blending Requirements for Certain Component Units*, provides guidance in determining whether certain organizations are component units and the presentation of these component units in the financial statements. Criteria for determining whether related organizations are component units include the following circumstances:

- Appointment of a voting majority of an organization’s governing authority and the ability of the Institute to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Institute, or;
- An organization is fiscally dependent on the Institute and provides specific financial benefits to, or imposes specific financial burdens on, the Institute, or;
- It is determined that it would be misleading to exclude the related organization from the Institute’s financial statements because of the nature of the entity or because the entity is closely related to or financially integrated with the Institute.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

In evaluating how to define the Institute for financial reporting purposes, management has evaluated the Institute's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the Institute. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing or fiduciary relationships, regardless of whether the Institute is able to exercise oversight responsibilities and Institute being the sole corporate member of the component unit.

The following entities are presented in the financial statements as component units:

Discretely Presented Component Unit

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Institute. Based on the application of these criteria, the New Mexico Tech Research Foundation is included in these financial statements as discretely presented component unit.

The New Mexico Tech Foundation (the Foundation) is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Foundation is organized to solicit, receive, hold, invest, and transfer funds to the New Mexico Institute of Mining and Technology by making available funds for institutional support, scholarships, and other benefits. The Foundation has no component units.

The inclusion of the assets, liabilities, and net income of the Foundation as a discretely presented component unit of the Institute, for accounting purposes only, has been directed by generally accepted accounting principles as applied to governmental units. The Foundation has no obligation to provide resources and earnings to the Institute, except by action of the Foundation's Board of Trustees. The Foundation's Board of Trustees is appointed by the Institute and is made up of five members with no employment relationship with the Institute and only one member with an employment relationship.

Blended Component Unit

New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust) is a single-employer benefit plan organized as a legally formed trust that is tax exempt under section 501(c)(9) of the Internal Revenue Code. The Trust was established to provide a funding vehicle to which participants and the Institute contribute to prefund, in part, the cost of other postemployment benefits for eligible retirees of the Institute. The Trust is the fiduciary fund presented in the financial statements.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Trust has been informed by legal opinion and accepted by management that the Plan is a legally formed independent trust and is therefore recognized as a blended component unit in the Institute's financial statements. The Trust accounts are separately audited as required under GASB 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*.

The New Mexico Tech University Research Park Corporation (the Corporation) is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Corporation is organized to assist the Institute by making available funds to pursue technology research and other programs being carried out by the Institute. The Corporation has no component units. The Institute is the sole member of the Corporation and appoints the board of the Corporation, as a result determined to be a blended component unit of the Institution.

The financial statements of the Foundation, Corporation, and Trust can be obtained directly at the Institute's office at the following address: New Mexico Institute of Mining and Technology, 801 Leroy Place, Socorro, New Mexico 87801.

(B) Basis of Accounting

For financial reporting purposes, the Institute is considered a special-purpose government engaged only in business-type activities in conformity with accounting principles generally accepted in the United States of America. Accordingly, the Institute's primary institution financial statements have been presented in a single column using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-entity transactions have been eliminated.

For the Trust, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB) and the Higher Education Department's Financial Reporting for Public Institutions in New Mexico.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

(C) Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the following:

- a) Net pension liability
- b) Net other postemployment benefits (OPEB) obligation
- c) Unfunded accrued actuarial liability (UAAL) for postemployment benefits
- d) Depreciation
- e) Tuition discounts and allowances
- f) Environmental cleanup liability reserves
- g) Incurred cost rate audit adjustments
- h) Fair value measurements on investments

Budgetary Basis and Control

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

- a) The institution will submit an original copy that has been approved by the Institution's regents to the HED's office by May 1st.
- b) The HED meets in June and acts on approval of the budgets.
- c) The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for use by the Institute in subsequent years, per the General Appropriation Act.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Under Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10 – *Items of Budgetary Control*: total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary basis 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; (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; and (5) each individual item of transfer between funds and/or functions.

Budget revisions must be approved by the executive secretary of the New Mexico Department of Higher Education and then by the Budget Division of the Department of Finance and Administration.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to cash or reach their original maturity date within three months. Cash restricted by grants and collected for auxiliary projects is included in cash and cash equivalents. The Institute accounts for its investments at fair value in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* and GASB No. 72, *Fair Value Measurement and Application*.

Restricted Cash and Cash Equivalents

This cash constitutes resources that the Institute is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Investments

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents. The investment policy has incorporated the provisions of the State of New Mexico Uniform Prudent Management of Institutional Funds Act (Chapter 46, Article 9A NMSA 1978) in accounting for net appreciation/depreciation of endowments. The Institute accounts for its investment portfolio at fair value on June 30 of each fiscal year.

Stocks, bonds, real estate held for sale or investment, and similar investments are generally reported at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. The income from the Institute's interest in the Land Grant Permanent Fund, which interests are managed by the New Mexico State Investment Council, is distributed monthly to the Institute.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Endowments

The Institute accounts for its endowed investment portfolio at fair value on June 30 of each fiscal year. Additions to endowments are reported each year based on the fair value of the investments. The investments are managed on a total return basis with 4.5% of the average five-year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. State statute 46-9-6 NMSA 1978 provides the Institution with the authority to use the net appreciation of restricted endowments as established by the donor. An institution may appropriate for expenditures or accumulate as much as it determines prudent for the uses, benefits, purposes, and duration of the endowment. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan. In the case of reserve, allocated, and agency funds, the total returns will remain with the funds until these funds are authorized to be expended for the purposes for which they were established.

Accounts Receivable

The Institute records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institute's grants and contracts. A provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables. There were no accounts receivable due from the Federal, state and local governments or private sources deemed to be uncollectible.

Other Receivables

Other receivables consist of amounts due under various agreements not related to grants or contracts and amounts due from component units. Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are their primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. In the opinion of management, there was no allowance necessary at year-end.

Inventories

Inventories of supplies and materials held for sale or use are stated substantially at average weighted cost. Golf course inventory is stated at cost.

Income Taxes

The Institute, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the Institute are deductible by donors as provided under Section 170 of the Internal Revenue Code. The Foundation and Research Park Corporation are both exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and the Employee Benefit Trust is exempt from taxes under Section 501(c)(9) of the Internal Revenue Code for normal activities not unrelated to their exempt purpose.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Other Assets

Other assets primarily consist of student loans outstanding under the federal Perkins loan program.

Noncurrent Cash and Investments

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

Capital Assets

Capital assets purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. All capital assets are valued at historical cost or estimated historical cost if actual history is not available. Donated assets, or those contributed by other governmental entities, are valued at their estimated fair value on the date donated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized in the year in which the project was considered completed. The Institute does not capitalize historical treasures or works of art as they are immaterial. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is calculated on the straight-line basis over estimated useful lives with no salvage value. Estimated useful lives and capitalization thresholds of capital assets are as follows:

	<u>Life (in years)</u>	<u>Threshold</u>
Land improvements	30	\$ 100,000
Building	30	\$ 100,000
Infrastructure	30	\$ 100,000
Computers	3	\$ 5,000
Equipment	5	\$ 5,000
Vehicles	7	\$ 5,000
Heavy equipment	12	\$ 5,000
Library books	10	All
Software - minor	5	\$ 5,000
Software - major	10	\$ 50,000

Compensated Absences

The Institute accounts for the accumulated vacation leave on the accrual basis. Accrued vacation up to 240 hours for employees with 10 years of service and 336 hours thereafter 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). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Unearned Revenue

Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2020 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2020.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Institute in one period that is applicable to future periods.

Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets in one period that is applicable to future periods.

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 Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP, 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and addition to/deduction from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets – Net investment in capital assets represents the Institute's capital assets, less related accumulated depreciation and debt attributable to the acquisition, construction, or improvement of these assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Institute has outstanding bond obligations of \$17,990,000 for purposes of constructing a dormitory, an educational building and energy efficient improvements on the facilities.

Restricted Net Position-Nonexpendable – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Position-Expendable – Expendable restricted net position includes resources which the Institute is obligated to spend in accordance with restrictions imposed by external parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation, which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for purposes specified by the legislation. The amount of net position restricted by enabling legislation and the amount of restricted net position from state sources was \$0 at June 30, 2020.

Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, auxiliary enterprises, other exchange transactions and unrestricted grants. These resources are used for transactions relating to the educational and general operations of the Institute, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

Deferred outflows of resources consumed and deferred inflows of resources received and available are included in the statement of net position.

There were deferred outflows and inflows of resources to separately report at June 30, 2020.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Revenues and Revenue Recognition

The Institute has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state and local grants and contracts, and Federal appropriations, and (3) interest on institutional student loans.

Non-Operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, bond proceeds appropriations and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Gifts are recognized when all eligibility requirements have been met. Interest and investment income is recognized in the period when it is earned.

The Institute engages in federal grant, contract, and cooperative agreement programs commonly referred to as *reimbursement type* programs. These programs require that the recipient (the Institute) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Contract and grant revenues are recognized when the underlying exchange transaction has occurred, that is when all eligibility requirements have been met. Upon incurring an allowable cost, the Institute simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

The Institute received an annual state General Fund appropriation of \$40,175,216 for fiscal year 2020, under the General Appropriation Act of 2016 as amended by subsequent bills. In general, unexpended state appropriations to the Institute do not revert at the end of each fiscal year (NMSA 1978 6-4-2).

The Institute periodically receives severance tax and general obligation bond appropriations for capital asset projects on the campus. 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. See Supplementary Schedule 7 for details of current year bond activity and amounts remaining.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Institute is a beneficiary of the Ferguson legislation (1898) whereby lands of the State of New Mexico were allocated to the benefit of state educational institutions including income derived therefrom. NMSA 1978 19-1-17 is the enabling legislation to allocate specific lands to educational institutions including the Institute. Currently oil and gas royalties, coal royalties, and grazing fees produce investment income which is distributed monthly to beneficiaries based on their allocated lands and is shown as State Land Grant Permanent Fund Income in the Statement of Revenues Expenses and Changes in Net Position.

Classification of Expenses

The Institute has classified its expenses as either operating or non-operating expenses according to the following criteria:

Operating Expenses – Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; (4) depreciation expenses related to Institute property, plant, and equipment, (5) pension and other postemployment benefit costs, and (6) all other cash flows from transactions that do not result from transactions defined as capital and related financing, noncapital financing.

Non-Operating Expenses – Non-operating expenses include activities that have the characteristics of non-exchange transactions that are consistently applied as non- operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Fiduciary Fund

Fiduciary funds are used to account for resources the Institute holds for others. It uses a trust to hold medical insurance premiums collected from the employees until the premiums are remitted to the insurance carriers. The Institute is responsible for seeing that the assets in these funds are spent for their intended purpose. The finances of these funds are reported in separate statements of fiduciary net position and changes in fiduciary net position. See Note 1 for additional information on the presentation of the Institute’s only fiduciary fund (Employee Benefit Trust).

Recently Issued Accounting Standards

GASB Statement No. 84 – *Fiduciary Activities*. This Statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It describes four fiduciary funds that should be reported, if applicable: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB Statement No. 84 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement No. 84 will have on its financial statements.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

GASB Statement No. 87 – Leases. This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This Statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. GASB Statement No. 87 is effective for periods beginning after June 15, 2021 (fiscal year 2022), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement No. 87 will have on its financial statements.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for periods beginning after December 15, 2020 (fiscal year 2022), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement 89 will have on its financial statements.

GASB Statement No. 90 – Majority Equity Interest – an Amendment of GASB Statements No. 14 and No. 61. This statements defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB 90 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement 90 will have on its financial statements.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

GASB Statement 91 – *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuer and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objective by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement is effective for periods beginning after December 15, 2021 (fiscal year 2023), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement 91 will have on its financial statements.

GASB Statement 93 – *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, promoting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (fiscal year 2022). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (fiscal year 2021). Earlier application is encouraged. In light of the COVID-19 pandemic, GASB issued Statement 95, which postpones the effective date of paragraphs 13 and 14, related to lease modifications, of GASB Statement 93 to fiscal year beginning after June 15, 2021 (fiscal year 2022).

Subsequent Events

Subsequent events have been evaluated through November 2, 2020, the date which the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2020. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

Note 3 – Cash and Investments

Cash

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

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 3 – Cash and Investments (continued)

A detail of the cash accounts at June 30, 2020, is included below:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Reconciled Balance
First State Bank	Comptroller Cash on Deposit	Checking	\$ 46,929,094	\$ (2,710,515)	\$ 44,218,579
First State Bank	Payroll Cash on Deposit	Checking	174,337	(164,463)	9,874
First State Bank	NMEAF Cash on Deposit	Checking	330,684	(105,931)	224,753
Wells Fargo	Vender Cash on Deposit	Checking	1,429,206	(1,411,885)	17,321
Wells Fargo	Employee Benefits Trust Operating	Checking	1,286,447	(5,535)	1,280,912
Wells Fargo	Employee Benefits Trust Claims	Checking	277,033	(18,469)	258,564
First State Bank	Research Park Corp Checking	Checking	33,155	-	33,155
			<u>50,459,956</u>	<u>(4,416,798)</u>	<u>46,043,158</u>
	Petty Cash	Cash	-	-	25,770
	Total cash accounts		<u>\$ 50,459,956</u>	<u>\$ (4,416,798)</u>	<u>\$ 46,068,928</u>

Custodial Credit Risk – Cash

Custodial credit risk is the risk that in the event of a bank failure, the Institution's deposits may not be returned to it. The Institution does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Institute's custodial credit risk was as follows:

Bank balance uninsured and uncollateralized	\$ 12,261,286
Bank balance insured and collateral held (not in Institute's name)	<u>37,665,515</u>
Total custodial credit risk - cash	<u>\$ 49,926,801</u>

The Institute's pledged collateral as of June 30, 2020 was as follows:

Total deposits all banks	\$ 50,459,956
Less: FDIC coverage	<u>(533,155)</u>
Uninsured public funds	49,926,801
50% collateral required	24,963,401
Pledged collateral held by pledging banks' agent in the name of the Institute	<u>37,665,515</u>
Excess of pledge collateral over the required amount	<u>\$ 12,702,114</u>

The Institute, under the terms of its automated clearinghouse (ACH) origination agreement with its primary financial institution, has a requirement to maintain a minimum balance in its accounts with that financial institution of \$30 million. The Institute may access all deposits with this institution at any time.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 3 – Cash and Investments (continued)

Investments

Investments of the Institute consist of the following at June 30, 2020:

	<u>Market Value</u>
Short-term LGIP	\$ 19,528,726
Endowments	53,516,584
Other long-term	<u>21,458,895</u>
Total investments	<u>\$ 94,504,205</u>

There are no other restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) to disclose in accordance with GASB 79 – *Certain External Investment Pools and Pool Participants*.

As the Institute's investment in LGIP is under \$30 million, the Trust's only restriction on withdrawals is 24 hours of notice to the New Mexico State Treasurer's Office (NMSTO).

	<u>Reconciled Balance per Books</u>	<u>Balance per Custodial Statement</u>
Investment accounts		
Morgan Stanley		
Langmuir endowment		
Money market funds	\$ 68,851	\$ 68,851
Mutual funds	424,726	424,726
U.S. government and corporate debt securities	168,298	168,298
Common stocks	2,233,050	2,233,050
NMT Capital Campaign		
Money market funds	85,953	85,953
Mutual funds	260,373	260,373
Corporate debt securities	60,565	60,565
Common stocks	369,827	369,827
TD Ameritrade		
Student Investment Club		
Cash	12,293	12,293
Common stocks	222,323	222,323
State Investment Council Pooled Fund	71,069,220	72,844,637
State Treasurer - LGIP	<u>19,528,726</u>	<u>19,528,726</u>
Total investments	<u>\$ 94,504,205</u>	<u>\$ 96,279,622</u>

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 3 – Cash and Investments (continued)

External Investment Pool

The New Mexico Local Government Investment Pool (LGIP) is an investment pool established by the State Treasurer for the purpose of investing funds of municipal, county, tribal, and quasi-governmental bodies. There are no requirements for governments to participate in the LGIP. Participating governments may withdraw up to \$30 million within one business day, and withdrawals in various ranges between \$30 million and over \$100 million require notice from 2-10 business days.

The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with GASB 79, *Certain External Investment Pools and Pool Participants*. LGIP has met the criteria outlined in GASB Statement No. 79 to permit the election to report its investments at amortized cost which approximates fair value. The pool does not have unit shares. Per Section 6-10-10.1F, 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 amounts were invested.

Section 6-10-10, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Institute does not have custodial credit risk policies for investments and does not have investments subject to custodial credit risk.

An acceptable method of reporting interest rate risk is the weighted average maturity (WAM).

The Institute has no control over the State Treasurer's Investment pools and provides the following disclosure provided by the State Treasurer's Office concerning the Institute's investment in the New Mexico LGIP:

New Mexico LGIP	AAAm Rated	\$19,528,726	25 day WAM (R); 77 day WAM (F)
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New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 3 – Cash and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The Institute is required to disclose credit ratings of their debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. Currently, the Institute does have a policy that restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations. The policy states that cash equivalent reserves shall consist of interest bearing or discount instruments of the U.S. Government or agencies thereof; money market funds, corporate discounted instruments, corporate issued commercial paper rated at least A-1 by Moody's, time deposits in U.S. banks. Exclusive of the U.S. government and agency issues, all other fixed income portfolio will be "A" or better rated as established by a recognized rating service and further reinforced by independent in-house credit analyses.

A summary of the Institute's investments at June 30, 2020, and its exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
<i>Items subject to credit risk</i>			
Money market funds	-	not rated	\$ 154,804
Cash	-	not rated	12,293
Corporate debt securities	1.32	A-AAA	228,605
Government debt securities	8.40	AA+	258
State Treasurer - LGIP	0.07	AAAm	19,528,726
Investments not subject to categorization			
State Investment Council Pooled Funds	-	not rated	<u>71,069,220</u>
Total items subject to credit risk			<u>90,993,906</u>
<i>Items not subject to credit risk</i>			
Mutual funds			685,099
Common stocks			<u>2,825,200</u>
Total items not subject to credit risk			<u>3,510,299</u>
Total investments			<u>\$ 94,504,205</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Institute does not have a formal policy to limit its exposure to interest rate risk.

New Mexico Institute of Mining and Technology Notes to Financial Statements

Note 3 – Cash and Investments (continued)

A summary of the investments and their respective maturities at June 30, 2020, and their exposure to interest rate risk are as follows:

	Investment Maturities				Fair Value
	Less than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years	
<i>Items subject to interest rate risk</i>					
Money market funds	\$ 154,804	\$ -	\$ -	\$ -	\$ 154,804
U.S. Government and corporate debt securities	111,272	117,333	258	-	228,863
State Treasurer LGIP	19,528,726	-	-	-	19,528,726
	<u>\$ 19,794,802</u>	<u>\$ 117,333</u>	<u>\$ 258</u>	<u>\$ -</u>	19,912,393
<i>Investments not subject to categorization</i>					
State Investment Council Pooled fund					71,069,220
Total items subject to interest rate risk					<u>90,981,613</u>
<i>Items not subject to interest rate risk</i>					
Cash					12,293
Common stocks					2,825,200
Mutual funds					685,099
Total items not subject to interest rate risk					3,522,592
Total investments					<u>\$ 94,504,205</u>

Fair Value Measurements

US GAAP requires certain assets and liabilities to be measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. The fair value hierarchy prioritizes the inputs to 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 3 – Cash and Investments (continued)

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.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

The investment portfolio is comprised of equity securities (common stock), mutual funds, debt securities, and pooled investments and is recorded in the financial statements at fair value. The corresponding unrealized gain or loss in the fair value in relation to cost is accounted for as investment income in the statement of revenues, expenses, and changes in net position.

During 2020, the Institute used quoted market prices in an active market to determine the fair value of debt and equity securities and mutual funds. These measurements are classified within Level 1 of the fair value hierarchy. The Institute uses the classifications of investment pools provided by the SIC. These measurements are classified within levels of the fair value hierarchy as follows:

- Investments in the Large Cap Index Pool – Level 1
- Investments in Small/Mid Cap Active Pool – Level 1
- Investments in Non-US Developed Markets Index Pool – Level 1
- Investments in Core Plus Bonds Pool – Level 2

The State Treasurer LGIP is excluded from fair value accounting and is recorded in the financial statements at amortized cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 3 – Cash and Investments (continued)

The following table presents the fair value measurements of assets and liabilities at June 30, 2020.

	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Held at Morgan Stanley and TD Ameritrade				
Common stocks	\$ 2,825,200	\$ 2,825,200	\$ -	\$ -
Money market funds	154,804	154,804	-	-
Corporate debt securities	228,605	228,605	-	-
Government debt securities	258	258	-	-
Mutual funds	685,099	685,099	-	-
Investments held with the New Mexico State Investment Council (SIC) pooled funds:				
Core Plus Bonds Pool	37,754,344	-	37,754,344	-
Large Cap Index Pool	33,032,930	33,032,930	-	-
Non-US Developed Market Index Pool	112,596	112,596	-	-
Small/Mid Cap Active Pool	169,350	169,350	-	-
State Treasurer Office (STO) LGIP	19,528,726	-	19,528,726	-
Total	94,491,912	\$ 37,208,842	\$ 57,283,070	\$ -
Cash	12,293			
Total Investments	\$ 94,504,205			

GASB 72 requires additional disclosure for certain types of investments that calculate net asset value per share but are not publicly traded to assist in understanding the nature and risk of these investments by major category. The table below summarizes the fair value and other pertinent liquidity information of investments at June 30:

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
SIC Non-US Developing	\$ 112,596	Daily	5 Business Days
SIC Mid/Small Cap	169,350	Daily	5 Business Days
SIC Large Cap Index Fund	33,032,930	Daily	5 Business Days
SIC Core Plus Bond Fund	37,754,344	Daily	5 Business Days
STO LGIP	19,528,726	Daily	1 Business Day

Note 4 – Receivable

Receivable consists of the following at June 30, 2020:

Grant and contracts billed and unbilled	\$ 9,319,223
Student accounts	1,029,945
Due from state agencies	5,078,002
Other receivables	2,966,875
Total receivables	18,394,045
Allowance for doubtful accounts	<u>(606,432)</u>
Total receivables billed and unbilled, net	\$ 17,787,613

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 5 – Capital Assets

Following are the changes in capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 4,334,219	\$ -	\$ -	\$ 4,334,219
Construction in progress	2,418,390	9,621,910	-	12,040,300
Total assets not depreciating	<u>\$ 6,752,609</u>	<u>\$ 9,621,910</u>	<u>\$ -</u>	<u>\$ 16,374,519</u>
Depreciable capital assets				
Non-major infrastructure networks	\$ 30,482,618	\$ -	\$ -	\$ 30,482,618
Land improvements	7,128,045	-	-	7,128,045
Buildings	212,263,365	-	-	212,263,365
Furniture, fixtures, and equipment	50,431,130	2,819,014	(648,356)	52,601,788
Software	1,780,118	-	-	1,780,118
Library materials	21,723,585	88,366	(9,714,673)	12,097,278
Total depreciating capital assets	<u>\$ 323,808,861</u>	<u>\$ 2,907,380</u>	<u>\$ (10,363,029)</u>	<u>\$ 316,353,212</u>
Accumulated depreciation				
Non-major infrastructure networks	\$ (16,615,331)	\$ (1,002,518)	\$ -	\$ (17,617,849)
Land improvements	(3,861,655)	(230,255)	-	(4,091,910)
Buildings	(99,070,357)	(6,179,244)	-	(105,249,601)
Furniture, fixtures, and equipment	(43,239,752)	(2,540,954)	604,366	(45,176,340)
Software	(1,632,466)	(107,945)	-	(1,740,411)
Library materials	(15,196,780)	(917,736)	9,714,673	(6,399,843)
Total accumulated depreciation	<u>\$ (179,616,341)</u>	<u>\$ (10,978,652)</u>	<u>\$ 10,319,039</u>	<u>\$ (180,275,954)</u>
Capital assets summary				
Capital assets not depreciating	\$ 6,752,609	\$ 9,621,910	\$ -	\$ 16,374,519
Depreciating capital assets, at cost	323,808,861	2,907,380	(10,363,029)	316,353,212
Total cost capital assets	330,561,470	12,529,290	(10,363,029)	332,727,731
Accumulated depreciation	(179,616,341)	(10,978,652)	10,319,039	(180,275,954)
Capital assets, net	<u>\$ 150,945,129</u>	<u>\$ 1,550,638</u>	<u>\$ (43,990)</u>	<u>\$ 152,451,777</u>

Note 6 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 is as follows:

Noncurrent Liabilities	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion (Due in 2020)
Accrued compensated absences	\$ 8,730,801	\$ 4,837,212	\$ (4,354,013)	\$ 9,214,000	\$ 4,257,196
Environmental remediation	5,434,223	-	-	5,434,223	-
Bonds payable	9,927,649	9,742,770	(100,076)	19,570,343	590,000
Net pension liability	159,908,673	-	(58,075,789)	101,832,884	-
Net OPEB obligation	28,219,046	1,908,624	(2,239,377)	27,888,293	-
Total noncurrent liabilities	<u>\$ 212,220,392</u>	<u>\$ 16,488,606</u>	<u>\$ (64,769,255)</u>	<u>\$ 163,939,743</u>	<u>\$ 4,847,196</u>

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 6 – Long-Term Liabilities

Environmental Remediation

As part of the Government's weapons and munitions research and development during the years 1972 to 1992, munitions containing depleted uranium (DU), which is a heavy metal and has very low level radioactivity, were tested at the Energetic Materials Research and Testing Center (EMRTC). The Institute's Radioactive Material License issued by the State of New Mexico for possession of the DU requires decommissioning of sites and facilities. The Institute had submitted its claim for breach of express contracts, pursuant to the Contract Disputes Act (CDA) breach of implied contracts, and negligence requiring restoration of property, to the contracting officers of various US government and military related organizations in May 2011. The claim under the CDA was denied on April 13, 2012. A claim was also submitted to Government contracting officers for cleanup of DU at the Institute under the Federal Tort Claims Act. The Government's agency handling the claim did not respond to the claim within the prescribed time which may be deemed by the Institute a final denial of the claim.

NMT/EMRTC elected not to pursue the Tort Claim filed in accordance with the Contract Disputes Act of 1978 for breach of contract, breach of implied contract, negligence, violation of Federal Tort Claims Act (FTCA), equitable claims, and damages. EMRTC determined that costs involved in this activity have little or no probability of being recovered.

The Institute may be liable for all or part of the cleanup cost. The cleanup cost has not been definitely estimated, but preliminary estimates range from approximately \$5,000,000 to \$19,000,000. It is uncertain at the date of these financial statements as to the outcome of the Institute's recovery actions against the United States or the potential cleanup amount that might be ultimately required. The Institute has accrued \$5,434,223 as a non-current liability as of June 30, 2020.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 7 – Bonds Payable

Long-term debt of the Institute at June 30, 2020, consists of revenue bonds. On August 5, 2011, the Institute issued the NMIMT System Revenue Bonds, Series 2011, in the par amount of \$13,395,000, maturing July 2031, and carrying interest rates from 3.00% to 5.00%. These bonds were Board approved in 2011 to fund the acquisition, construction, and equipping of a student housing facility, the construction of facilities to house a telescope and related improvements including the purchase of equipment and furnishings at the Magdalena Ridge Observatory, and other improvements to the facilities of the Institute.

On December 18, 2019, the Institute issued System Revenue Bonds, Series 2019, in the par amount of \$8,555,000, maturing December 2040, and carrying interest of 4%. These bonds were issued in accordance with the provisions of resolution adopted by the Board of Regents on October 2019, for the purpose of acquiring, installing, constructing and equipping energy efficiency improvements on the facilities of NMIMT.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Capital improvements	3.00-5.00%	\$ 17,990,000

Annual debt service requirements for the institute's revenue bonds to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 745,000	\$ 799,200
2022	775,000	765,600
2023	815,000	727,600
2024	875,000	688,025
2025	940,000	645,675
2026-2030	5,690,000	2,493,225
2031-2035	4,435,000	1,200,350
2036-2040	3,715,000	554,700
Total	<u>\$ 17,990,000</u>	<u>\$ 7,874,375</u>

The Institute has pledged future net income and net revenues received from Institute-owned Auxiliary Enterprises and from the System; all gross proceeds of student tuition and fees except student social and cultural activities fees; the gross amount received by the Institute from the income from the Permanent fund and Income fund; and all income or revenues received by the Institute as indirect cost recovery and fixed fee reimbursement from restricted grants and contracts to repay the bond debt. Annual principal and interest payments on the bond are expected to require about 6% of pledged revenues. Principal due for 2020 was paid in advance in 2019. Interest paid during the current year totaled \$386,063. Pledged revenues received during 2020 were \$10,387,993.

A bond premium of \$1,580,343 remains unamortized as of June 30, 2020, with \$100,076 being amortized during the year. Amortization of the bond premium in future years is approximately \$100,000 per year.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 8 – Other Postemployment Benefits Plan

The Board of Regents authorized the creation of the New Mexico Tech Employee Benefit Trust (Trust or Plan), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan. The Plan is considered a postemployment benefit plan as defined by GASB 74, *Financial Reporting for Postemployment Benefit Other than Pension Plans*. The Trust is recorded as a fiduciary fund in the accompanying financial statements and as a blended component unit. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute. The Trustees and Institute management have designated a third-party administrator to process the claims submitted by covered participants.

Effective January 1, 2019, the Institute is no longer using the Trust, a contributory benefit plan, to operate, control and maintain a program to provide the health insurance benefits to the employees of the Institute and their families. The Board of Regents made a resolution approving an agreement for participating with New Mexico Public School Insurance Authority (NMPSIA), for employee health benefits for its employees, retirees and their families. The Trust will continue to operate, control and maintain the life insurance and flexible benefits to the employees of the Institute and their families.

The Trust issues standalone audited financial statements that can be obtained by request or via the Office of the State Auditor's website at www.saonm.org.

Plan Description

Benefits provided: Eligible retirees of the Institute are offered \$10,000 of retiree basic life insurance.

In addition, the Trust is used to pay premiums for life insurance coverage on eligible participants and to administer the Flexible Benefits Plan (the Flex Plan). The Flex Plan, which is fully funded by employees, provides reimbursement of certain employee health and dependent care expenses.

The Trust also holds Employee Assistance Plan (EAP) and Commuter Benefits Holding funds.

Contributions: The Trust is funded by contributions from both the Institute and employees of the Institute. Flex Plan contributions consist of employee-only contributions and are based on amounts elected by the employees up to specified limits, and are withheld from employee pay. All other contributions, including employee and employer contributions, are based on amounts determined by the Trust Committee as necessary to cover the expenses of the Trust. Contributions are funded on a monthly basis.

Net Other Postemployment Benefits Liability

The Institute's net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

The components of the Institute's net OPEB liability at June 30, were as follows:

<u>Component of the Institute's net OPEB Liability</u>	<u>June 30, 2020</u>
Total OPEB liability	\$ 32,131,660
Plan fiduciary net position	<u>4,243,367</u>
The Institute's net OPEB liability	<u>\$ 27,888,293</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>13%</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement, unless otherwise specified:

Salary increases	3.0%
Investment rate of return	6.0%
Healthcare cost trend rates	Medical Pre-Medicare: 5.75% initially, reduced by decrements to a rate of 5.00% after seven years Medical Post-Medicare: 5.00% consistent for next seven years Pharmacy: 7.00% initially, reduced by decrement to a rate of 5.00% after eight years Dental and Vision: 3.00%

Mortality rate were based on the PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.12%, which is a blended rate of the Institute's 6.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.5% on the last Friday prior to the measurement date of June 30, 2019. A blended discount rate was calculated based on separating the projected future payments between those paid from the Trust and those paid from general assets. The Trust assets were projected using the expected long-term rate of return. Payments from the Trust were assumed to begin when the projected assets value is fully-funded and all future projected benefit payments will be paid from the Trust.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019 (based on July 1, 2018 measurement date)	\$ 32,523,701	\$ 4,304,655	\$ 28,219,046
Changes for the year:			
Service cost	1,999,196	N/A	1,999,196
Interest on the total OPEB liability	1,517,674	N/A	1,517,674
Changes of benefit terms	-	N/A	-
Differences between expected and actual experience	(5,897,909)	N/A	(5,897,909)
Changes of assumptions*	2,050,285	N/A	2,050,285
Gross benefit payments	(61,287)	(61,287)	-
Contributions from the employer	N/A	2,239,377	(2,239,377)
Contributions from the employee	N/A	1,631,735	(1,631,735)
Net investment income	N/A	148,836	(148,836)
Administrative expense	N/A	(306,363)	306,363
Other changes	N/A	(3,713,586)	3,713,586
Net Changes	(392,041)	(61,288)	(330,753)
Balance at June 30, 2019 (based on July 1, 2018 measurement date)	\$ 32,131,660	\$ 4,243,367	\$ 27,888,293

* The assumed discount rate increase from 4.40% at June 30, 2019 to 4.12% at June 30, 2020.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Institute's net OPEB liability at June 30, 2020, which was measured using the discount rate of 4.12 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.12 percent) or 1-percentage-point higher (5.12 percent) than the current rate:

Changes in Discount Rate	1% Decrease (3.12%)	Discount Rate (4.12%)	1% Increase (5.12%)
Net OPEB liability	\$ 33,856,988	\$ 27,888,293	\$ 23,068,668

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Institute's net OPEB liability at June 30, 2020, which was measured using the current healthcare cost trend rate of (Pre-Medicare: 5.75% decreasing to 5.00%, Post-Medicare: 5.00%, Pharmacy: 7.00% decreasing to 5.00%, and Dental and Vision: 3%), as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Pre-Medicare: 4.75% decreasing to 4.00%, Post-Medicare: 4.00%, Pharmacy: 6.00% decreasing to 4.00%, and Dental and Vision: 2%), or 1-percentage-point higher (Pre-Medicare: 6.75% decreasing to 6.00%, Post-Medicare: 6.00%, Pharmacy: 8.00% decreasing to 6.00%, and Dental and Vision: 4%) than the current rate:

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

	1% Decrease (Pre-Medicare: 4.75% decreasing to 4.00%, Post-Medicare: 4.00% Pharmacy: 6.00% decreasing to 4.00%, Dental & Vision: 2.00%)	Current Discount Rate (Pre-Medicare: 5.75% decreasing to 5.00%, Post-Medicare: 5.00% Pharmacy: 7.00% decreasing to 5.00%, Dental & Vision: 3.00%)	1% Increase (Pre-Medicare: 6.75% decreasing to 6.00%, Post-Medicare: 6.00% Pharmacy: 8.00% decreasing to 6.00%, Dental & Vision: 4.00%)
<u>Changes in the Healthcare Cost Trend Rates</u>			
Net OPEB liability	\$ 22,649,195	\$ 27,888,293	\$ 34,567,495

OPEB Plan Fiduciary Net Position

The Institute is the fiduciary of the Trust, and detailed information about the Trust's fiduciary net position is included in this financial report.

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

For the year ended June 30, 2020, the Institute recognized OPEB expense of \$4,695,380. At June 30, 2020, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year Ended June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 5,199,105
Net difference between projected and actual earnings on OPEB plan investments	109,106	-
Changes in assumptions	-	1,607,746
Institute contribution subsequent to the measurement date	3,952,245	-
Total	<u>\$ 4,061,351</u>	<u>\$ 6,806,851</u>

New Mexico Institute of Mining and Technology Notes to Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

The \$3,952,245 reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2019 will be recognize as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>		
2021	\$	(957,637)
2022		(957,635)
2023		(953,040)
2024		(964,942)
2025		(985,590)
Thereafter		(1,878,901)
Total	\$	<u>(6,697,745)</u>

Note 9 – Defined Benefit Retirement 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, junior and community colleges, public technical and vocational institutions, state special schools, charter schools, regional education cooperatives, the New Mexico Activities Association, and certain employees at state agencies that provide 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.

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.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

For members hired on or before June 30, 2019 (Tiers 1-3 members) the multiplier is 2.35%. For members hired after June 30, 2019 the multiplier accrues as follows:

<u>Years of Service</u>	<u>Benefit Percentage Earned</u>
1-10	1.35%
11-20	2.35%
21-30	3.35%
31 Plus	2.40%

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.

Summary of Plan Provisions for Retirement Eligibility by Tier

Tier 1: Membership prior to July 1, 2020

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 earned service credit add up to the sum of 75 or more,
- 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.

Tier 2: Membership on or after July 1, 2010, but prior to July 1, 2013

Chapter 288, Laws of 2009 changed the eligibility requirements for new members who were first employed on or after July 1, 2010, but before July 1, 2013 — or before July 1, 2010, terminated employment, subsequently withdrew all contributions, and then becomes re-employed after July 1, 2010. These members must meet one of the following requirements:

- 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.

Tier 3: Membership beginning on or after July 1, 2013

Section 22-11-23.2, 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 ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

New Mexico Institute of Mining and Technology Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

- The member's minimum age is 55, and has earned 30 or more years of service credit. (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 minimum age and earned service credit add up to the sum of 80 or more. (Those who retire under the age of 65, and who have fewer than 30 years of earned service credit receive reduced retirement benefits.)
- Or, the member's age is 67, and has earned 5 or more years of service credit.

Tier 4: Membership beginning on or after July 1, 2019

Section 2-11-23.3, NMSA 1978, added eligibility requirements for new members who were first employed on or after July 1, 2019 — and had, before that date, been refunded all member contributions and had not restored all refunded contributions and interest before July 1, 2019. A member in this tier must meet one of the following requirements.

- The member's minimum age must be 58, and the member has earned 30 or more years of service credit. (A member who retires earlier than age 58, receives a reduction in benefits equal to the actuarial equivalent of retiring at age 58.)
- The member's minimum age and earned service credit add up to the sum of 80 or more. (Those who retire under the age of 65, and who have fewer than 30 years of earned service credit, receive reduced retirement benefits.)
- Or, the member's age is 67, and the member has earned 5 or more years of service credit.

Forms of Payments – 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.

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

- Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Disability Benefit – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits may receive an adjustment in their benefit on July 1 following the year a member retires or July 1 following the year a member reaches the age below, whichever is later.

Membership	Age Eligible for COLA
Tier 1	65
Tier 2	65
Tier 3	67
Tier 4	67

If a member is eligible for a COLA, the amount depends on the annual change in the Consumer Price Index (CPI) and whether the fund is fully funded (that is, the fund's funded ratio is 100%). Accordingly, if there is no increase in the CPI, or the CPI is negative, the amount of the COLA will be zero (if the CPI is negative, retirement benefits will not be decreased).

When CPI has increased and the fund is fully funded, the COLA will be the same amount as the increase in the CPI except as follows: If the increase in the CPI is 2% or greater, the COLA will be one-half of the CPI increase, not to exceed 4% or to be less than 2%.

However, while the fund is not fully funded, the COLA for retirees will be reduced based on the median annual retirement benefit, calculated after the end of each fiscal year:

- When the funded ratio is 90% or less, the COLA for retirees whose annuity is at or below the median and who have 25 or more years of service credit at retirement will be reduced by 10%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 20%.
- When the funded ratio exceeds 90% but is less than 100%, the COLA for retirees whose annuity is at or below the median adjusted annuity and who had 25 or more years of service credit at retirement and will be reduced by 5%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 10%.

New Mexico Institute of Mining and Technology Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

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.

Refund of Contributions – Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Contributions – For the fiscal years ended June 30, 2020 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Over Prior Year
2020	7-1-19 to 6-30-2020	Over \$24K	10.70%	14.15%	24.85%	0.25%
2020	7-1-19 to 6-30-2020	\$24K or Less	7.90%	14.15%	22.05%	0.25%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For fiscal year ended June 30, 2020, the Institute paid employee and employer contributions of \$5,864,890 which equal the amount of the required contribution for fiscal year.

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

At June 30, 2020, the Institute reported a liability of \$101,832,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019, using generally accepted actuarial principles.

House Bill 360 made several changes to benefit provisions, which were effective July 1, 2019. These included:

- Increasing the employer contribution rate by 0.25%, from 13.9% to 14.15%;
- Increasing from \$20,000 to \$24,000 the member salary range subject to the lower 7.90% contribution rate (higher rate is 10.70%);
- Increasing the employer contribution to ERP on behalf of ARP members from 3.0% to 3.25%;
- Implementing anti-spiking measures to prevent artificially increasing benefits;
- Requiring all working retirees and their employers to contribute to ERP; and
- For members hired after June 30, 2019, using a tiered multiplier instead of a single multiplier to calculate retirement benefits upon retirement.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

These changes have been reflected in the roll-forward and in the projection used to determine the single discount rate. The Institute's proportion of the net pension liability was based on a projection of the Institute's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2019, actuarially determined. At June 30, 2019, the Institute's proportion was 1.34%, which was the same proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Institute recognized a change in valuation of the Pension liability that resulted in \$30,689,060 being recorded as an offset to operating expense. At June 30, 2020, the Institute reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Resources Reported	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ -	\$ 2,668,903
Changes of assumptions	14,348,498	-
Net difference between projected and actual earnings on pension plan investments	-	2,168,699
Changes in proportion and differences between Institute contributions and proportionate share of contributions	2,090,424	339,992
Institute contributions subsequent to the measurement date	5,864,890	-
	\$ 22,303,812	\$ 5,177,594
Total	\$ 22,303,812	\$ 5,177,594

The \$5,864,890 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date - will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For Year Ended June 30,	Pension Expense
2021	\$ 12,270,940
2022	(201,530)
2023	(525,379)
2024	(282,703)
Total	\$ 11,261,328

New Mexico Institute of Mining and Technology Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's based year of 2012.</p> <p>Disabled males: Based on RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: Based on RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: Based on RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3 and Tier 4), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll growth	3.00% per year (with no allowance for membership growth).

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

Actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

The target allocation for each major asset class and the long-term expected rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	31%	
Fixed Income	26	
Alternatives	42	
Cash	1	
Total	<u>100%</u>	<u>7.25%</u>

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 9 – Defined Benefit Retirement Plan (continued)

Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This is a 1.56% increase over the rate of 5.69% rate used in the prior measurement year. The 7.25% was based on a long-term expected rate of return on pension plan investments of 7.25%. 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 the benefit 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.

The projections of cash flows used to determine the single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Additionally, contributions received through Alternative Retirement Plan (APR) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

Sensitivity of the Institute’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following table presents the Institute’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Institute’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.25 percent) or 1-percentage-point higher (7.25 Percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Institute's proportionate share of the net pension liability	\$ 137,466,594	\$ 101,832,884	\$ 72,360,418

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in separately issued NMERB’S financial reports. The reports can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

Funding Policy

The contribution requirements of plan members and the Institute are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Institute’s contributions to NMERB (which include contributions related to the Alternative Retirement Plan) for fiscal years ending June 30, 2020, 2019, and 2018 were \$5,864,890, \$5,461,995, and \$5,230,496, respectively, which is equal to the amount of the required contributions for each fiscal year.

At June 30, 2020, the Institute had an outstanding payable to the Plan of \$1,005,860 which consisted of statutory employee and employer contributions for the month of June 2020.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 10 – Defined Contribution Retirement Plan

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The two administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the ARP trustee, NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Eligibility – Certain eligible employees of the Institute are eligible to make an election to participate within ninety days of employment. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan.

Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

Form of Payment – Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Code. Retirement benefits shall, at the option of the employee, be paid in the form of:

- A lifetime income, if held in an annuity contract,
- Payments for a term of years, or
- A single-sum cash payment

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the funds administered by NMERB.

ARP Contributions – For the year ended June 30, 2020, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3.25% of the employees' gross salary to NMERB, for a total of 14.15%. Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 3.25% contributions to NMERB.

The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors and NMERB.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 10 – Defined Contribution Retirement Plan (continued)

Employer contributions reported in the Institute financial statements include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The Institute's 3.25% contribution remitted for fiscal year ended June 30, 2020, 2019, and 2018 were \$936,398, \$921,763, and \$887,805, respectively.

Note 11 – Commitments and Contingencies

Operating Leases

The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Total rent expense for the year ended June 30, 2020 was \$421,813.

Future minimum rental payments required under operating leases are as follows for the years ending June 30:

For Years Ending June 30,	Minimum Rental Payments
2021	\$ 343,729
2022	222,520
2023	185,008
2024	139,970
2025	129,531
2026-2030	360,300
2031-2035	24,000
Total	<u>\$ 1,405,058</u>

Contingencies

The Institute is liable or contingently liable in connection with certain claims that arise in the normal course of its activities. It is the opinion of management that uninsured losses resulting from these claims would not be material to the Institute's financial position or operations.

The Institute receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Institute administration believes that the liability, if any, for reimbursement that may arise as the results of audits, would not be material to the financial position or operations of the Institute.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 11 – Commitments and Contingencies (continued)

State Risk Management Pool

The Institute, as a state institute 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 coverage provided in the following areas:

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

The Institute participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability and physical damage insurance. The Institute pays premiums for its participation. From time-to-time the Institute is subject to lawsuits including personnel and student liability matters in the ordinary course of business. Currently, no lawsuit settlements or outcomes have exceeded insurance coverage for the last three years.

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

Other Commitments

At June 30, 2020, the Institute had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying basic financial statements. The amount of such commitments is \$39,770,496.

Total construction commitments of \$14,890,003 are not presented in the financial statements. These commitments represent unfinished contracts with various entities at June 30, 2020.

Note 12 – Endowments

The Institute has donor-restricted and unrestricted endowments with the authority to use interest, income, dividends, or profits of endowments for specified purposes for the benefit of the Institute and its students. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Nonexpendable funds are those required to be retained in perpetuity.

Endowment income is reported each year based on investment activity for the year as *additions to endowments* on the statement of revenues, expenses and changes in net position. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan. Endowment income made available for distribution for the established purpose was \$1,783,791.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 13 – State Bond Appropriation Accounting

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

Note 14 – Uncertainty of COVID-19 Pandemic

During the year, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally resulting in a variety of negative economic consequences, the scope of which are currently known or quantifiable. The duration and intensity of the impact of the pandemic and resulting impact to the Institute is unknown.

Note 15 – Reconciliation of Budget Basis to GAAP

Total Unrestricted and Restricted Revenues:

Budgetary Basis	<u>\$ 149,976,543</u>
Reconciling items:	
Tuition discounts and allowances	(5,077,305)
Indirect cost recovery	(6,236,876)
Receivable adjustment	1,837,981
Deposits held for other	27,569
Restricted internal service adjustment	(5,335,157)
Internal service cost recovery adjustment	3,302,285
Unbudgeted exhibits	5,810,507
Benefit Trust revenue	511,278
Blended component unit (amount not in budgetary basis)	70,585
Other adjustments	(450,501)
Total reconciling items	<u>(5,539,634)</u>
Total reconciled unrestricted and restricted revenues per budgetary basis	<u><u>\$ 144,436,909</u></u>
Basic Financial Statements	
Operating revenue	\$ 81,097,550
Nonoperating revenue	42,185,769
Capital contributions and other	21,153,590
Total unrestricted and restricted revenue per financial statements	<u><u>\$ 144,436,909</u></u>
Difference	<u><u>\$ -</u></u>

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 15 – Reconciliation of Budget Basis to GAAP (continued)

Total Unrestricted and Restricted Expenditures:	
Budgetary Basis	<u>\$ 150,733,180</u>
Reconciling items:	
Tuition discounts and allowances	(5,077,305)
Indirect costs	(6,236,876)
Capital expenditures	(12,473,827)
Depreciation expense	10,978,654
Deposit held for others	(54,617)
Restricted internal service adjustment	(5,335,157)
Pension expense	(36,553,949)
OPEB expense	743,135
Internal service cost recovery adjustment	3,302,285
Payable and other adjustments	1,065,722
Benefit Trust expenses	426,305
Unbudgeted exhibits	4,755,615
Blended component unit (amount not in budgetary basis)	1,454,941
Total reconciling items	<u>\$ (43,005,074)</u>
Total reconciled unrestricted and restricted expenditures per budgetary basis	<u>\$ 107,728,106</u>
Basic Financial Statements	
Operating expenditures	<u>\$ 107,728,106</u>
Total unrestricted and restricted expenditures per financial statements	<u>\$ 107,728,106</u>
Difference	<u>\$ -</u>

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation

Summary of Significant Accounting Policies

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Foundation considers cash on hand, cash held in banks and highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

Notes Receivable – Notes receivable are stated at net realizable value. Management reviews the collectability of its notes receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There is no allowance for doubtful accounts deemed necessary at June 30, 2020.

Revenue and Cost Recognition – The Foundation's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Operating revenues and contributions are those received by the Foundation for events and activities that relate directly to the Foundation and operating expenses are those incurred for events and activities that relate to administration, scholarships and awards for students. Revenues, expenses, gains, and losses from investments are considered non-operating.

Net Position – Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has arisen from exchange transactions, receipt of unrestricted contributions, and expirations of existing restrictions. Restricted expendable contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period.

Restricted expendable net position represents resources whose use is limited by donors for the support of the academic activities of the Institute faculty and/or students. Such restrictions are legally enforceable or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted expendable net position is released from restriction as the purpose restrictions are met.

Restricted nonexpendable assets represent those that cannot be expended based on donor restriction. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. When both restricted and unrestricted funds are available, restricted funds are expended first.

Net investment in capital assets is intended to reflect the portion of net position which is associated with nonliquid, capital assets. There is no related debt.

Deferred outflows of resources consumed and deferred inflows of resources received and available are elements of the Statement of Net Position for reporting the residual balances. There were no deferred outflows or inflows of resources to separately report at June 30, 2020.

Investments – The Board of Trustees has the sole authority and responsibility to make changes to the Foundation's investment policies. There were no significant changes to its investment policy during the year. In conformity with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Chapter 46, Article 9A 1-10 NMSA 1978), the Foundation primarily invests through The New Mexico State Investment Council's (SIC) investment funds or in various mutual funds held and managed by a national brokerage firm.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet in accordance with GASB 72. Mutual funds are based on the Foundation's pro-rata share of unit value of the mutual funds. Investment transactions are recorded on the trade date basis. Dividends are recognized as income when declared. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in net position on the statement of revenues, expenses and changes in net position.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

The Foundation has no limitations on the types of investments or deposits it can make within the scope of its investment policy. The following are the target allocations for the investments:

<u>Asset Class</u>	<u>Long-Term Target</u>	<u>Allowable Range</u>
Fixed Income	30%	25 - 50%
Equity	70%	50 - 70%

Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported. The determination of fair values includes, among other things, published market prices, prices obtained from pricing services, and prices quoted by independent brokers at current exchange rates.

The Foundation has an agreement with the Institute for investment of the majority of the Foundation's funds. The majority of investments of the Foundation are held by the New Mexico State Investment Council (SIC). The Foundation's funds are combined with those of several other funds of the SIC. Income is allocated based on the proportionate market value of the investment of each participating fund.

Information relating to SIC's use of derivatives is not made available to the Foundation. For additional GASB 40 disclosure information related to the investments held at SIC, the reader should refer to the separate audit report and required supplementary information of SIC for the fiscal year ended June 30, 2020. That report may be obtained by writing to State Investment Council, 41 Plaza la Prensa, Santa Fe, New Mexico 87507. The report is also available on the SIC website at www.sic.state.nm.us.

Net appreciation/depreciation on donor restricted endowments and related investment income are recorded as an increase or decrease in restricted, expendable net position until the amount is expended in accordance with donor specifications.

Private Equity Investments – The private equity investments represent ownership in a closely held business, which is not publicly traded. This investment is recorded under the equity method of accounting in accordance with GASB 62 as the Foundation owns between 20% and 50% of the business and is able to exercise some level of control.

The Foundation's investment strategy for private equity investments is to directly invest in select technology as well as research and development companies that support incubation to commercialization for such business activities associated with the Institute, which in turn operate with the objective of obtaining long term growth and return on investment to the Foundation.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Private equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. The only private equity investment that is owned by the Foundation had previously been fully impaired and continues to have a recorded fair value of \$0 at June 30, 2020.

Capital Assets – The Foundation records tangible and intangible capital assets purchased at cost and donations at their estimated fair value on the date of donation. The building, which is the only depreciable asset, is being depreciated using a straight-line method over a twenty-seven and a half year estimated useful life. The Foundation capitalizes property and equipment purchases with a cost over \$5,000.

Long-Lived Assets – The Foundation reviews its long-lived assets (property) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment of such assets as of June 30, 2020.

Classification of Revenues – The Foundation has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions such as lease income on Foundations capital assets and nonexchange transactions such as gifts and contributions. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including other revenue sources that are consistently applied as nonoperating revenue, such as investment income.

Gifts and contributions are recognized when all applicable eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use the restricted resources first.

Contributions of donated noncash assets are recorded at their fair values in the period received.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Endowments – The endowment spending policy is in alignment with the long term endowment management philosophy of the Foundation, which is to preserve the permanent viability of the endowment. The Foundation supports vital scholarship and other programs from the earnings of its endowment. These programs are in concert with provisions established by the donors of the endowment. Net appreciation/depreciation on donor-restricted endowments and related investment income are recorded as an increase in restricted, expendable net position and are available for expenditure in accordance with donor specifications and in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act. (46-9A 1-10 NMSA 1978).

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the estimated useful life of capital and intangible assets, and valuation of investments.

Income Taxes – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as a public charity. The Foundation is exempt from income taxation on its normal activities. The Foundation is classified as a supporting organization of the Institute and not a private foundation. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2020.

Cash and Bank Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The Foundation has a deposit policy for custodial credit risk and collateral requirements. As of June 30, 2020, the Foundation's deposits were exposed to custodial credit risk as follows:

	<u>First State Bank</u>	<u>Wells Fargo</u>	<u>Total</u>
Total of deposits in the bank	\$ 195,783	\$ 68,519	\$ 264,302
FDIC Coverage	<u>(195,783)</u>	<u>(68,519)</u>	<u>(264,302)</u>
Total uninsured funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Custodial credit risk-deposits			
Account balance			\$ 264,302
FDIC insured			<u>(264,302)</u>
Total uninsured and uncollateralized			<u>\$ -</u>

The Foundation infrequently has uninsured and uncollateralized deposits not in compliance with collateral requirements. This is generally due to year-end outstanding checks that generally clear the bank account in a short period of time.

New Mexico Institute of Mining and Technology Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Deposit classification in the financial statements at June 30, 2020 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 152,720	\$ (13,127)	\$ 139,593
First State Bank	Savings	Cash	43,063	-	43,063
Wells Fargo	Checking	Cash	68,519	(4)	68,515
Total cash and cash equivalents			<u>\$ 264,302</u>	<u>\$ (13,131)</u>	<u>\$ 251,171</u>

Investments

A summary of the investments at June 30, 2020 are as follows:

Investments	Ratings	Fair Value
Investments held with the New Mexico State Investment Council (SIC) pooled funds		
Large Cap Index Fund	Not Rated	\$ 17,163,650
Core Plus Bonds Pool	Not Rated	<u>10,179,618</u>
Total investments		<u>\$ 27,343,268</u>

The SIC provides investment services in accordance with its policies and statutory requirements NMSA Section 6-8-9.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2020, the Foundation had fixed income and bond type investments subject to interest rate risk.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2020, none of the above investments were subject to credit risk.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Fair Value – U.S. generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

The investment portfolio is comprised of pooled investments with the SIC and is recorded in the financial statements at fair value. The corresponding unrealized gain or loss in the fair value in relation to cost is accounted for as a separate item in the statement of revenues, expenses, and changes in net position.

During 2020, the Foundation used the net asset value provided by the SIC as an approximation of the fair value of SIC investments. These investments are classified within Level 2 of the fair value hierarchy. This approach has not changed from previous periods.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

The following table presents the fair value measurements of assets and liabilities at June 30, 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held with the New Mexico State Investment Council (SIC) pooled funds				
Large Cap Index Fund	\$ 17,163,650	\$ -	\$ 17,163,650	\$ -
Core Plus Bonds Pool	<u>10,179,618</u>	<u>-</u>	<u>10,179,618</u>	<u>-</u>
Total investments	<u><u>\$ 27,343,268</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,343,268</u></u>	<u><u>\$ -</u></u>

Promise to Give

Promise to give consist of the following at June 30, 2020:

Amounts receivable in less than one year	\$ 5,000
Amount receivable in more than one year	<u>40,000</u>
Total promise to give	<u>45,000</u>
Discount to net present value	(9,062)
Promise to give, net	35,938
Less current portion	<u>(4,773)</u>
Noncurrent portion	<u><u>\$ 31,165</u></u>

Notes Receivable

The Foundation received a \$50,000 unsecured note receivable from RiskSense, a related party, as part of the purchase of certain patent rights. The note has a balance of \$10,863, which is reported as a current asset. The note is dated August 31, 2015, and has a variable rate of interest based on Wall Street Journal Prime (3.3% at June 30, 2020) plus one percent. The note has two remaining installments due on or before September 6, 2020. Notes receivables are included in other assets in the statement of net position.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciating				
Land and building held for investment	\$ 645,164	\$ -	\$ -	\$ 645,164
Artwork	130,500	-	-	130,500
Total assets not depreciating	<u>775,664</u>	<u>-</u>	<u>-</u>	<u>775,664</u>
Capital assets depreciating				
Building	1,648,127	-	-	1,648,127
Accumulated depreciation				
Building	<u>(975,258)</u>	<u>(59,932)</u>	<u>-</u>	<u>(1,035,190)</u>
Capital assets, net	<u>\$ 1,448,533</u>	<u>\$ (59,932)</u>	<u>\$ -</u>	<u>\$ 1,388,601</u>

The Foundation will not obtain the benefits of ownership of the land and building held for investment until after the grantors' passing, in accordance with the life estate agreement. The agreement stipulates that the grantors maintain the benefits of the property and incur costs related to maintenance of the property. The Foundation does not have right of use of the property during the grantors' lifetime. As a result, the house, land, and parking lot are all real estate held for investment not subject to depreciation.

Related Party Transactions and Donated Services

The Institute provides the Foundation's office space in exchange for property management services provided to the Institute by the Foundation. These transactions are not recorded in the Foundation's financial statements, as they are not significant and the value is not subject to reasonable estimation. The Institute did not charge the Foundation for accounting and management services during the year ended June 30, 2020.

Several of the Foundation's board members are also officers of the Institute. One of the Foundation's board member is also a board member of RiskSense.

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease on a month-to-month basis. Lease revenues were \$75,125 for 2020.

The Foundation funded \$1,160,506 in scholarships and awards which were provided through the Institute during the year ended June 30, 2020. The funding for these scholarships comes primarily from assets held by the Foundation from which the Institute is entitled to 4.5% of the income, but has no title to the assets themselves. However, income earned on such assets upon which the Institute has claim is recorded in the accompanying basic financial statements.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Risk Management

The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Foundation is insured under the Institute's Risk Management for liability and casualty insurance, and through a private carrier for director and officer liability insurance. There have been no significant reductions in coverage from the prior years.

Donor Restricted Endowments

The Foundation solicits contributions to support the activities of the Institute. Contributions received may be unrestricted, restricted for a certain time or for a certain purpose, or restricted in perpetuity. Amounts which are restricted in perpetuity are classified as restricted, nonexpendable on the statement of net position, and were \$5,499,898 at June 30, 2020.

Net appreciation/depreciation on donor restricted endowments and related investment income are recorded as an increase or decrease in restricted, expendable net position until the amount is expended in accordance with donor specifications. The investment policy is in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Chapter 46, Article 9A 1-10 NMSA 1978). The investment income, including realized gains, from the restricted, nonexpendable net position as well as balance of the unrestricted net position is generally available for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. During the current year, donor-restricted endowments had investment gains of \$398,180.

The Board of Trustees of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original contribution as of the contribution date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as restricted, nonexpendable net position (a) the original value of contribution to the endowment, (b) the original value of subsequent contribution to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor agreement at the time the contribution is added to the fund. There were no donor endowments, whose fair value was less than the original value (under water) during 2020.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate income from the restricted, non-expendable endowment funds:

- The duration and preservation of the various funds,
- The purpose of the donor-restricted funds,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Foundation,
- The Foundation's investment policies.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Spending Policy – The Foundation has available for distribution in any given year, all amounts in the unrestricted net position. However, the actual number of scholarships given out may be limited by the number of qualified applicants for the various scholarships. The decisions to award scholarships depends on the scholarship, with some being decided by the Board of Trustees, and others being decided by the Institute. The Foundation also may provide general support to the Institute by way of supporting fundraising and promotional activities.

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a consistent stream of funding for scholarships and related activities, while seeking to maintain the purchasing power of the endowment assets and minimizing their exposure to significant market fluctuations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

Endowment Composition by Type of Fund – All funds in the Endowment are donor-restricted for the use of providing scholarships and support activities for the Institute.

Strategies Employed for Achieving Objectives – To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation investments are either held by the New Mexico State Investment Council, or in a variety of mutual funds to achieve its long term return objectives within prudent risk constraints.

Restricted Endowments	Beginning Balance	Increases	Decreases	Ending Balance
Restricted, non-expendable	\$ 5,307,107	\$ 192,791	\$ -	\$ 5,499,898
Restricted, expendable	1,792,488	441,385	(140,461)	2,093,412
Total restricted endowments	<u>\$ 7,099,595</u>	<u>\$ 634,176</u>	<u>\$ (140,461)</u>	<u>\$ 7,593,310</u>

Required Supplementary Information

New Mexico Institute of Mining and Technology
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
June 30, 2020

Fiscal Year-June 30, Measurement Date-June 30,	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Institute's proportion of the net pension liability (asset)	1.34392%	1.34475%	1.28524%	1.30892%	1.30317%	1.30317%
Institute's proportionate share of the net pension liability	\$ 101,832,884	\$ 159,908,673	\$142,834,689	\$ 94,195,558	\$ 84,363,804	\$ 74,355,364
Institute's covered payroll	\$ 35,849,654	\$ 34,954,101	\$ 34,954,101	\$ 35,561,330	\$ 41,456,404	\$ 35,272,861
Institute's proportionate share of the net pension liability as a percentage of its covered-employee payroll	284.06%	457.48%	408.63%	264.88%	203.50%	210.80%
Plan fiduciary net position as a percentage of the total pension liability	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%

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

New Mexico Institute of Mining and Technology
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,864,890	\$ 5,461,995	\$ 5,230,496	\$ 5,010,002	\$ 5,146,388	\$ 5,135,439
Contribution in relation to the statutorily required contributions	\$ 5,864,890	\$ 5,461,995	\$ 5,230,496	\$ 5,010,002	\$ 5,146,388	\$ 5,135,439
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institute covered payroll	\$ 37,509,750	\$ 35,849,654	\$ 34,954,101	\$ 35,751,781	\$ 35,561,330	\$ 41,456,404
Contributions as a percentage of covered payroll	15.64%	15.24%	14.96%	14.01%	14.47%	12.39%

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

New Mexico Institute of Mining and Technology

Notes to Defined Benefit Retirement Plan RSI

For Year Ended June 30, 2020

Changes in Benefit Provisions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2019.

Changes in Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

New Mexico Institute of Mining and Technology
Schedule of Employer Contributions –
Other Postemployment Benefits (OPEB)
For Year Ended June 30, 2020

The schedule of the Institute's contributions presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore only four years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be present.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,997,035	\$ 2,239,377	\$ 3,997,035	\$ 4,998,780
Contributions in relation to the actuarially determined contribution	<u>3,997,035</u>	<u>2,239,377</u>	<u>3,997,035</u>	<u>4,998,780</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 30,618,535	\$ 29,915,918	\$ 28,337,003	\$ 28,142,927
Contributions as a percentage of payroll	13.1%	7.5%	14.1%	17.8%

Notes to Schedule:

Valuation date January 1, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal – level % of salary
Asset valuation method	Market value of assets
Inflation	3.0%
Healthcare cost trend rates	Medical Pre-Medicare: 5.75% initially, reduced by decrements to a rate of 5.00% after seven years Medical Post-Medicare: 5.00% consistent for next seven years Pharmacy: 7.00% initially, reduced by decrement to a rate of 5.00% after eight years Dental and Vision: 3.00%
Salary increases	3.0%
Investment rate of return	6.0%
Retirement age	64
Mortality	PUB-2010 "General" classification headcount-weighted mortality table with fully generation mortality improvement projections from the central year using Scale MP-2019

New Mexico Institute of Mining and Technology
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

The schedule of changes in the Institute's net OPEB liability and related ratios presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only four years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 1,999,196	\$ 2,317,188	\$ 2,697,731	\$ 2,149,935
Interest cost	1,517,674	1,377,760	1,225,228	1,194,327
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(5,897,910)	-	-	-
Changes of assumptions	2,050,286	(1,486,903)	(3,354,656)	3,706,743
Benefit payments	(61,287)	(649,187)	(1,490,341)	(930,054)
Net change in total OPEB liability	(392,041)	1,558,858	(922,038)	6,120,951
Total OPEB liability, beginning	32,523,702	30,964,844	31,886,882	25,765,931
Total OPEB liability, ending ^(a)	32,131,661	32,523,702	30,964,844	31,886,882
Plan fiduciary net position				
Contributions: employer	2,239,377	3,997,035	4,998,780	4,936,193
Contributions: member	1,631,735	3,386,902	3,706,201	3,628,635
Net investment income	148,836	173,859	208,410	29,580
Benefit payments	(61,287)	(649,187)	(1,490,341)	(930,054)
Administrative expenses	(306,363)	(359,518)	(378,843)	(388,416)
Other	(3,713,586)	(5,899,903)	(6,132,822)	(5,963,176)
Net change in plan fiduciary position	(61,288)	649,188	911,385	1,312,762
Plan fiduciary net position, beginning	4,304,656	3,655,468	2,744,083	1,431,321
Plan fiduciary net position, ending ^(b)	4,243,368	4,304,656	3,655,468	2,744,083
Net OPEB liability, ending ^{(a) - (b)}	\$ 27,888,293	\$ 28,219,046	\$ 27,309,376	\$ 29,142,799
Plan fiduciary net position as a percentage of the total OPEB liability	13.2%	13.2%	11.8%	8.6%
Covered-employee payroll	\$ 29,915,918	\$ 28,337,003	\$ 28,142,927	\$ 27,958,526
Institute's net OPEB liability as a percentage of covered-employee payroll	93%	100%	97%	104%

Notes to Schedule:

Benefit changes: None

Changes in assumptions: The \$2,050,286 increase in liability from the fiscal year ending June 30, 2019 to the fiscal year ending June 30, 2020 is due to the decrease in the assumed discount rate, changes to the mortality table and trend rates. The \$1,486,903 decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date.

New Mexico Institute of Mining and Technology
Schedule of OPEB Investment Returns
Last 10 Fiscal Years*

The schedule of the Institute's OPEB investment returns present multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only four years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	3.70%	7.10%	9.40%	11.30%

Supplementary Information

New Mexico Institute of Mining and Technology
Budget Comparison – Unrestricted and Restricted – All Operations (Schedule 1)
For Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	Final Budget vs Actuals Over (Under) Budget
Unrestricted and restricted beginning net position	<u>\$ 40,349,375</u>	<u>\$ 60,786,460</u>	<u>\$ 60,786,460</u>	<u>\$ -</u>
Unrestricted and restricted revenues:				
State general fund appropriations	44,049,064	44,770,064	48,604,818	3,834,754
Restricted revenue sources	70,948,918	74,965,418	67,470,132	(7,495,286)
Tuition and fees	14,882,339	14,190,004	14,080,790	(109,214)
Land and permanent fund	1,175,000	1,175,000	1,693,560	518,560
Endowment earnings/private gifts	-	-	470,909	470,909
Other	17,022,439	17,022,439	17,656,334	633,895
Total unrestricted and restricted revenues	<u>148,077,760</u>	<u>152,122,925</u>	<u>149,976,543</u>	<u>(2,146,382)</u>
Total unrestricted and restricted revenues and net position budgeted	<u>188,427,135</u>	<u>212,909,385</u>	<u>210,763,003</u>	<u>(2,146,382)</u>
Unrestricted and restricted expenditures:				
Instruction and general	43,783,273	50,477,864	41,149,685	(9,328,179)
Student social and cultural	697,321	1,218,756	777,174	(441,582)
Research	65,697,021	75,992,721	63,534,586	(12,458,135)
Public service	1,714,267	2,231,573	542,356	(1,689,217)
Internal service departments	6,901,806	7,273,510	7,052,407	(221,103)
Student aid	11,769,380	11,765,801	10,467,736	(1,298,065)
Auxiliary enterprises	6,021,008	6,035,875	5,338,403	(697,472)
Intercollegiate athletics	-	-	-	-
Independent operations	6,305,568	6,860,192	5,856,826	(1,003,366)
Capital outlay	8,794,016	8,700,016	13,660,596	4,960,580
Renewal and replacements	908,900	2,108,900	1,885,438	(223,462)
Retirement of indebtedness	1,068,250	1,068,250	467,973	(600,277)
Total unrestricted and restricted expenditures	<u>153,660,810</u>	<u>173,733,458</u>	<u>150,733,180</u>	<u>(23,000,278)</u>
Net transfers	<u>(91,192)</u>	<u>(69,192)</u>	<u>(1,312,957)</u>	<u>(1,243,765)</u>
Change in net (deficit) position (Budgetary basis)	<u>(5,674,242)</u>	<u>(21,679,725)</u>	<u>(2,069,594)</u>	<u>19,610,131</u>
Ending net position	<u>\$ 34,675,133</u>	<u>\$ 39,106,735</u>	<u>\$ 58,716,866</u>	<u>\$ 19,610,131</u>

Under title 5 of the New Mexico Administrative Code, chapter 3, part 4, paragraph 10- Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as the items of budgetary control. Total expenditures or transfers in each of these items of budgetary control may not exceed the amounts shown in the approved budget: A. Unrestricted expenditures and restricted expenditures, B. Instruction and general, C. Each budget function in current funds other than instruction and general, D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements and dent service, and E. Each individual items of transfer between funds and/or functions.

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Unrestricted Revenues and Expenditures – Budget Comparisons (Schedule 2)
For Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	Final Budget vs Actuals Over (Under) Budget
Unrestricted beginning net position	<u>\$ 40,349,375</u>	<u>\$ 62,262,460</u>	<u>\$ 62,262,460</u>	<u>\$ -</u>
Unrestricted revenues:				
Tuition	11,866,905	11,225,406	11,237,561	12,155
Miscellaneous fees	3,015,434	2,964,598	2,843,228	(121,370)
Government appropriation, federal	-	-	-	-
Government appropriation, state	43,843,300	44,564,300	48,604,818	4,040,518
Government appropriation, local	-	-	-	-
Government grants, federal	-	-	-	-
Government grants, state	205,764	205,764	-	(205,764)
Contracts, local	-	-	-	-
Private contracts	-	-	-	-
Endowments	-	-	387,576	387,576
Land and permanent fund	1,175,000	1,175,000	1,693,560	518,560
Private gifts	438,900	438,900	83,333	(355,567)
Sales and service	7,356,903	7,356,903	6,530,438	(826,465)
Other sources	9,226,636	9,226,636	11,125,896	1,899,260
Total unrestricted revenues	<u>77,128,842</u>	<u>77,157,507</u>	<u>82,506,410</u>	<u>5,348,903</u>
Total unrestricted revenues and net position budgeted	<u>117,478,217</u>	<u>139,419,967</u>	<u>144,768,870</u>	<u>5,348,903</u>
Unrestricted expenditures:				
Instruction and general	43,783,273	50,477,864	41,149,685	(9,328,179)
Student social and cultural	697,321	1,218,756	777,174	(441,582)
Research	9,713,521	17,592,017	9,131,409	(8,460,608)
Public service	1,714,267	2,231,573	542,356	(1,689,217)
Internal service departments	1,121,438	1,273,510	1,685,132	411,622
Student aid	4,134,330	4,084,215	3,700,833	(383,382)
Auxiliary enterprises	6,021,008	6,035,875	5,338,403	(697,472)
Intercollegiate athletics	-	-	-	-
Independent operations	4,755,568	5,310,192	4,618,925	(691,267)
Capital outlay	8,794,016	8,700,016	13,660,596	4,960,580
Renewal and replacements	908,900	2,108,900	1,885,438	(223,462)
Retirement of indebtedness	1,068,250	1,068,250	467,973	(600,277)
Total unrestricted expenditures	<u>82,711,892</u>	<u>100,101,168</u>	<u>82,957,924</u>	<u>(17,143,244)</u>
Net transfers	<u>(91,192)</u>	<u>(69,192)</u>	<u>(905,137)</u>	<u>(835,945)</u>
Change in net (deficit) position (Budgetary basis)	<u>(5,674,242)</u>	<u>(23,012,853)</u>	<u>(1,356,651)</u>	<u>21,656,202</u>
Ending net position	<u>\$ 34,675,133</u>	<u>\$ 39,249,607</u>	<u>\$ 60,905,809</u>	<u>\$ 21,656,202</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Restricted Current Funds – Revenues and Expenditures
Budget Comparisons (Schedule 3)
For Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget</u>	<u>Final Budget vs Actuals Over (Under) Budget</u>
Restricted beginning net position	\$ -	\$ (1,476,000)	\$ (1,476,000)	\$ -
Restricted revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation, federal	277,298	277,298	321,520	44,222
Government appropriation, state	-	-	-	-
Government appropriation, local	-	-	-	-
Government grants, federal	49,907,752	52,204,620	45,357,469	(6,847,151)
Government grants, state	4,225,000	4,725,000	2,165,148	(2,559,852)
Contracts, other	-	-	4,005,671	4,005,671
Private contracts	10,646,000	11,646,000	10,277,242	(1,368,758)
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and service	5,780,368	6,000,000	5,343,081	(656,919)
Other sources	112,500	112,500	-	(112,500)
Total restricted revenues	<u>70,948,918</u>	<u>74,965,418</u>	<u>67,470,131</u>	<u>(7,495,287)</u>
Cash balance, budgeted	-	(1,476,000)	(1,476,000)	-
Total restricted revenues and net position budgeted	<u>70,948,918</u>	<u>73,489,418</u>	<u>65,994,131</u>	<u>(7,495,287)</u>
Restricted expenditures:				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	55,983,500	58,400,704	54,403,177	(3,997,527)
Public service	-	-	-	-
Internal service departments	5,780,368	6,000,000	5,367,275	(632,725)
Student aid	7,635,050	7,681,586	6,766,903	(914,683)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	1,550,000	1,550,000	1,237,901	(312,099)
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total restricted expenditures	<u>70,948,918</u>	<u>73,632,290</u>	<u>67,775,256</u>	<u>(5,857,034)</u>
Net transfers	-	-	(407,821)	(407,821)
Change in net (deficit) position (Budgetary basis)	<u>-</u>	<u>(142,872)</u>	<u>(2,188,946)</u>	<u>(2,046,074)</u>
Ending net position	<u>\$ -</u>	<u>\$ (1,618,872)</u>	<u>\$ (3,664,946)</u>	<u>\$ (2,046,074)</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Unrestricted Current Funds – Summary of Instruction and General
Budget Comparisons (Schedule 4)
For Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	Final Budget vs Actuals Over (Under) Budget
Unrestricted beginning net position	\$ 1,470,729	\$ 10,791,447	\$ 10,791,447	\$ -
Unrestricted revenues:				
Tuition	11,866,905	11,225,406	11,237,561	12,155
Miscellaneous fees	1,975,294	1,924,458	1,916,187	(8,271)
Government appropriation, federal	-	-	-	-
Government appropriation, state	28,393,335	28,656,335	28,656,334	(1)
Government appropriation, local	-	-	-	-
Government grants, federal	-	-	-	-
Government grants, state	-	-	-	-
Contracts, local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	-	-	-	-
Land and permanent fund	1,175,000	1,175,000	1,693,560	518,560
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	6,219,136	6,219,136	6,287,566	68,430
Total unrestricted revenues	<u>49,629,670</u>	<u>49,200,335</u>	<u>49,791,208</u>	<u>590,873</u>
Unrestricted expenditures:				
Instruction	20,500,817	23,645,121	18,788,894	(4,856,227)
Academic support	4,657,611	5,196,379	4,774,061	(422,318)
Student services	2,477,136	2,779,916	2,362,381	(417,535)
Institutional support	9,280,760	11,176,681	8,598,349	(2,578,332)
Operation and maintenance of plant	6,866,949	7,679,767	6,626,001	(1,053,766)
Total unrestricted expenditures	<u>43,783,273</u>	<u>50,477,864</u>	<u>41,149,686</u>	<u>(9,328,178)</u>
Net transfers	<u>(5,928,212)</u>	<u>(7,724,291)</u>	<u>(7,740,367)</u>	<u>(16,076)</u>
Change in net (deficit) position (Budgetary basis)	<u>(81,815)</u>	<u>(9,001,820)</u>	<u>901,155</u>	<u>9,902,975</u>
Ending net position	<u>\$ 1,388,914</u>	<u>\$ 1,789,627</u>	<u>\$ 11,692,602</u>	<u>\$ 9,902,975</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Schedule of Pledged Collateral (Schedule 5)
June 30, 2020

	Pledged Collateral		Maturity Date	First State Bank Socorro, NM	Wells Fargo Socorro, NM	Total
	Safekeeping Location	Type of Security				
Funds on deposit						
Deposits				\$ 47,467,270	\$ 2,992,686	\$ 50,459,956
FDIC insurance						
Demand deposits				(283,155)	(250,000)	(533,155)
Total uninsured public funds				\$ 47,184,115	\$ 2,742,686	\$ 49,926,801
Fifty percent collateral requirement per Section 6-10-17 NMSA 1978				\$ 23,592,058	\$ 1,371,343	\$ 24,963,401
Pledged collateral	Federal Reserve Bank	FFCB 2.200 CUSIP #3133ECK94	3/2/2023	5,021,108	-	5,021,108
		FFCB Non CBL CUSIP #3133X8EW8	8/15/2024	1,058,941	-	1,058,941
		FHLB 2.875 CUSIP #3130A2UW4	9/13/2024	5,065,254	-	5,065,254
		FCCB 3.62 CUSIP #31331KUD0	2/11/2025	3,674,170	-	3,674,170
		FFCB Non CBL CUSIP #3133VKU9	4/16/2025	3,050,541	-	3,050,541
		FFCB 2.630 CUSIP #3133EAG44	8/3/2026	1,948,915	-	1,948,915
		FHLB 3.00 CUSIP #3130A2VE3	9/11/2026	5,928,005	-	5,928,005
		FFCB 3.060 CUSIP #3133EJDF3	2/16/2027	8,971,192	-	8,971,192
		FFCB 4.230 CUSIP #31331KNC0	6/8/2028	1,390,223	-	1,390,223
		FMAC FEPC 3.50% CUSIP #3132A5EB7	9/1/2045	-	272,642	272,642
		FNMA FEPC 3.50% CUSIP #3132A5G25	5/1/2047	-	629,972	629,972
		FMAC FEPC 3.50% CUSIP #3132A5HB4	7/1/2047	-	200,915	200,915
		FNMA FNMS 3.50% CUSIP #3140J6GJ0	5/1/2047	-	220,106	220,106
		FNMA FNMS 4.00% CUSIP #3140J8X73	3/1/2048	-	63,225	63,225
		FNMA FNMS 3.00% CUSIP #3140K3BN1	1/1/2050	-	170,306	170,306
Total collateral				36,108,349	1,557,166	37,665,515
Excess of pledged collateral over the required amount				\$ 12,516,291	\$ 185,823	\$ 12,702,114

New Mexico Institute of Mining and Technology
Schedule of Individual Deposit and Investment Accounts – Institute (Schedule 6)
June 30, 2020

Financial Institution: Account name	Account Type	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
First State Bank				
Comptroller cash on deposit	Checking	\$ 46,929,094	\$ (2,710,515)	\$ 44,218,579
Payroll cash on deposit	Checking	174,337	(164,463)	9,874
NMEAF cash on deposit	Checking	330,684	(105,931)	224,753
Research park corp	Checking	33,155	-	33,155
		<u>47,467,270</u>	<u>(2,980,909)</u>	<u>44,486,361</u>
Wells Fargo				
Vendor cash on deposit	Checking	1,429,206	(1,411,885)	17,321
Benefit trust operating	Checking	1,286,447	(5,535)	1,280,912
Benefit trust claims	Checking	277,033	(18,469)	258,564
		<u>2,992,686</u>	<u>(1,435,889)</u>	<u>1,556,797</u>
Total deposit accounts		<u>50,459,956</u>	<u>(4,416,798)</u>	<u>46,043,158</u>
Other:				
Petty cash		-	-	25,770
Total cash		<u>50,459,956</u>	<u>(4,416,798)</u>	<u>46,068,928</u>
Investments:				
Morgan Stanley				
Langmuir endowment	Investment	2,894,925	-	2,894,925
NMT capital campaign	Investment	776,718	-	776,718
		<u>3,671,643</u>	<u>-</u>	<u>3,671,643</u>
TD Ameritrade				
New Mexico Institute of Mining and Technology	Investment	234,616	-	234,616
New Mexico State Investment Council				
New Mexico Institute of Mining and Technology	Investment	71,069,220	-	71,069,220
New Mexico State Treasurer - LGIP				
New Mexico Institute of Mining and Technology	Investment	18,560,843	-	18,560,843
New Mexico Benefit Trust	Investment	967,883	-	967,883
		<u>19,528,726</u>	<u>-</u>	<u>19,528,726</u>
Total investments		<u>94,504,205</u>	<u>-</u>	<u>94,504,205</u>
Total cash and investments		<u>\$ 144,964,161</u>	<u>\$ (4,416,798)</u>	<u>\$140,573,133</u>
Cash and investments on statement of net position				<u>\$140,573,133</u>

New Mexico Institute of Mining and Technology
Schedule of Individual Deposit and Investment Accounts – Discretely Presented Component
Unit (Schedule 7)
June 30, 2020

Financial Institution: Account name	Account Type	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
First State Bank				
Checking	Checking	\$ 152,720	\$ (13,127)	\$ 139,593
Saving	Saving	43,063	-	43,063
		195,783	(13,127)	182,656
Wells Fargo				
Checking	Checking	68,519	(4)	68,515
Total deposit accounts		264,302	(13,131)	251,171
Total cash		264,302	(13,131)	251,171
Investments:				
New Mexico State Investment Council				
New Mexico Tech Research Foundation	Investment	27,343,268	-	27,343,268
Total investments		27,343,268	-	27,343,268
Total cash and investments		\$ 27,607,570	\$ (13,131)	\$ 27,594,439
Cash and investments on statement of net position				\$ 27,594,439

New Mexico Institute of Mining and Technology
Schedule of Multiple-Year Capital Projects Funded by General Obligation Revenue Bond and Severance Tax Bond
Capital Outlay Appropriations from the State (Schedule 8)
For Year Ended June 30, 2020

<u>Project Description</u>	<u>Authority/ Chapter</u>	<u>Laws</u>	<u>Appropriation Period</u>	<u>Expiration</u>	<u>Total Appropriation</u>	<u>Bonds Sold to Date</u>	<u>Bonds Unsold</u>	<u>Amount Available</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Art in Public Places</u>	<u>Current Year Reversion Amount</u>	<u>Unencumbered Balance</u>
General Obligation Revenue Bond													
General Fund													
General Obligation	Ch82, Sec10C	2016	2017	6/30/2021	\$ 5,500,000	\$ 5,500,000	\$ -	\$ 5,500,000	\$ 161,556	\$ 4,988,002	\$ 55,000	\$ -	\$ 295,442
General Obligation	Ch80, Sec36	2018	2018	6/30/2021	90,000	90,000	-	90,000	-	90,000	-	-	-
Total General Obligation Revenue Bonds					<u>\$ 5,590,000</u>	<u>\$ 5,590,000</u>	<u>\$ -</u>	<u>\$ 5,590,000</u>	<u>\$ 161,556</u>	<u>\$ 5,078,002</u>	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 295,442</u>

New Mexico Institute of Mining and Technology
Schedule of Joint Powers Agreements (Schedule 9)
For Year Ended June 30, 2020

<u>Other Participant(s)</u>	<u>Party Responsible for Operations</u>	<u>Description</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Total Estimated Cost</u>	<u>FY 2020 Contributions</u>	<u>Audit Responsibility</u>	<u>Fiscal Responsibility</u>	<u>Equity Reporting Cost</u>
Socorro Co.	Socorro County	County to use equipment owned by NMIMT for the construction and maintenance of the landfill	4/12/1994	Ongoing	None	None	Both	Both	Both
City of Socorro	City of Socorro	County to use equipment owned by NMIMT for the construction and maintenance of the landfill	7/18/1994	Ongoing	None	None	Both	Both	Both
City of Socorro	Both	City to maintain the road from the ramp on Interstate 25 (Escondid Exit) to NMIMT property line approximately 3400 feet to the north of the current EMRTC parking lot. NMIMT will provide an ingress and egress easement to the City and maintain the portion of EMRTC roadway that lies on NMIMT property	2/7/1996	Ongoing	None	None	Both	Both	Both
Public educational institutions within State of New Mexico	Department of Finance and Administration	The participating members may cooperate on an equitable cost basis in securing services	12/18/1984	Ongoing	None	None	Both	Both	Both

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER						
U.S. Department of Defense						
Direct Awards						
Basic and Applied Scientific Research	NCNL		N00014-16-1-2897	12.300	\$ -	\$ (13,540)
Basic and Applied Scientific Research	NTBI		N00014-19-1-2677	12.300	-	151,012
Air Force Defense Research Sciences Program	FDUR		FA9550-19-1-0094	12.800	-	1,643
Air Force Defense Research Sciences Program	FDUR		FA9550-19-1-0094	12.800	-	78,454
Air Force Defense Research Sciences Program	FSDP		FA9550-19-10379	12.800	-	190,906
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	2,557,784
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	238,783
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	275,685
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	535,075
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	458,249
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	14,959
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	5,140
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	1,478
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	1,604
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	(19)
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	10,107
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	2,704
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	42,676
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	-	851
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	526,169	526,169
Basic Scientific Research	AFMD		W911NF2020032	12.431	-	25,516
Basic Scientific Research	AFMD		W911NF2020032	12.431	-	7,125
Basic Scientific Research	AFMD		W911NF2020032	12.431	-	10,453
Total Direct U.S. Department of Defense					526,169	5,122,814
Pass-through						
Scientific Research-Combating Weapons of Mass Destruction	PGEO	Applied Research Associates	NMT-1183-001	12.351	-	61,891
Scientific Research-Combating Weapons of Mass Destruction	MTME	University of New Mexico	023317-8746	12.351	-	94,219
Basic, Applied, & Advanced Research in Science & Engineering	MDMT	Johns Hopkins University	2001645111	12.630	-	-
Basic, Applied, & Advanced Research in Science & Engineering	MDMT	Johns Hopkins University	2001645111	12.630	-	49,896
Basic, Applied, & Advanced Research in Science & Engineering	MDMT	Johns Hopkins University	2001645111	12.630	-	6,509
Basic, Applied, & Advanced Research in Science & Engineering	MSME	University of Utah	10028801-NMT/PO U000045143	12.630	-	50,330
Unknown	PREA	MSI STEM Research & Development Consortium	W911SR20F0018 (#0041)	12.RD	-	19,731
Total Pass-through U.S. Department of Defense					-	282,576
Total U.S. Department of Defense					526,169	5,405,390

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S Department of Energy						
Direct Awards						
Office of Science Financial Assistance Program	DIPR		DE-SC0019411	81.049	-	61,637
Fossil Energy Research and Development	DBRS		DE-FE0031684	81.089	-	334,835
Fossil Energy Research and Development	DCUS		DE-FE0031837	81.089	43,404	168,815
Fossil Energy Research and Development	DSWT		DE-FC26-05NT42591	81.089	952,857	1,233,390
Fossil Energy Research and Development	DSWT		DE-FC26-05NT42591	81.089	(88,343)	(90,563)
Fossil Energy Research and Development	DSWT		DE-FC26-05NT42591	81.089	53,391	1,660,938
Total Direct U.S. Department of Energy					961,309	3,369,052
Pass-through						
Fossil Energy Research and Development	MAGR	Colorado School of Mines	401183-5802	81.089	-	46,936
Fossil Energy Research and Development	MFEP	University of Alaska	UAF 19-0012	81.089	-	94,500
Advanced Research Projects Agency-Energy	MMPR	University of New Mexico	0480NI-8746	81.135	-	7,540
Total Pass-through U.S. Department of Energy					-	148,976
Total U.S Department of Energy					961,309	3,518,028
National Aeronautics & Space Administration						
Direct Awards						
Science	YGHB		80NSSC20K0619	43.001	-	13,043
Science	YCLC		NNX17AG82G	43.001	-	71,166
Science	YFEL		NNX16AO19H	43.001	-	10,056
Science	YGDA		80NSSC18K0805	43.001	-	6,640
Science	YNEO2		80NSSC19K0425	43.001	-	406,195
Space Technology	YADP		80NSSC19K1188	43.012	-	41,154
Total Direct National Aeronautics & Space Administration					-	548,254
Pass-through						
Education	MEJL	Regents of New Mexico State University	Q02021	43.008	-	4,789
Education	MEUT	Regents of New Mexico State University	Q02146	43.008	-	9,606
Education	MMSD	Regents of New Mexico State University	Q02152	43.008	-	11,230
Education	MNGU	Regents of New Mexico State University	Q01923	43.008	-	101,379
Education	MNGU	Regents of New Mexico State University	Q01923	43.008	-	26,411
Education	MNGU	Regents of New Mexico State University	Q01923	43.008	-	25,134
Education	MNGU	Regents of New Mexico State University	Q01923	43.008	-	13,370
Unknown	MSOF	Universities Space Research Association	SOFIA GRANT 08-0194	43.RD	-	3,617
Unknown	MPCC	Regents of New Mexico State University	Q02051	43.RD	-	8,731
Total Pass-through National Aeronautics & Space Administration					-	204,267
Total National Aeronautics & Space Administration					-	752,521

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
National Science Foundation						
Direct Awards						
Engineering	SIES		1757793	47.041	-	11,339
Engineering	SIES		1757793	47.041	-	42,926
Engineering	SSTW		1607711	47.047	-	27,757
Mathematical and Physical Sciences	SRIS		AST-1310800	47.049	1,159	29,568
Geosciences	SASR		EAR-1516680	47.050	-	211,589
Geosciences	SASR		EAR-1516680	47.050	-	1,706
Geosciences	SCCS		1917682	47.050	-	28,216
Geosciences	SCOR		1543454	47.050	-	10,658
Geosciences	SCPR		1644234	47.050	-	53,297
Geosciences	SCRL		1561084	47.050	-	22,616
Geosciences	SCTB		AGS-1546698	47.050	-	151,887
Geosciences	SCVD		1643952	47.050	-	22,598
Geosciences	SDHC		1551587	47.050	-	14,159
Geosciences	SFCP		1557232	47.050	26,712	111,868
Geosciences	SGMW		1745015	47.050	-	16,587
Geosciences	SGSM		PLR-1304849	47.050	-	10,792
Geosciences	SIOZ		1650355	47.050	17,253	45,817
Geosciences	SISH		1643798	47.050	-	39,147
Geosciences	SMAT		AST-1814011	47.050	-	72,279
Geosciences	SMBT		1852794	47.050	-	78,306
Geosciences	SOTR		1758513	47.050	-	187,712
Geosciences	SRED		1917069	47.050	-	8,810
Geosciences	SRES		1925974	47.050	-	124,407
Geosciences	SSTS		1720600	47.050	-	248,619
Geosciences	STEC		1824557	47.050	-	38,286
Computer and Information Science	SEIC		1757945	47.070	-	12,827
Computer and Information Science	SEIC		1757945	47.070	-	20,256
Education and Human Resources	SCYC		DGE-1303051	47.076	-	2,560
Education and Human Resources	SCYC		DGE-1303051	47.076	-	260,431
Integrative Activities	SHPE		1832813	47.083	-	27,563
Education and Human Resources	SCYC		DGE-1303051	47.076	-	83,558
Total Direct National Science Foundation					45,124	2,018,141

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
Pass-through						
Mathematical and Physical Sciences	MNTC	National Radio Astronomy Observatory	PO 362032	47.049	-	28,288
Mathematical and Physical Sciences	MNTD	National Radio Astronomy Observatory	367864	47.049	-	18,125
Geosciences	PNGE	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	932,376
Geosciences	PNGE	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	244,731
Geosciences	PNGE2	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	2,302,068
Geosciences	PNGE2	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	537,345
Geosciences	PNGE2	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	136,329
Geosciences	PNGE2	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	57,700
Geosciences	PNGE	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	54,631
Geosciences	PNGE	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	57,211
Geosciences	PSAG	Incorporated Research Institutions for Seismology	04-NMT-SAGE	47.050	-	(1,540)
Geosciences	PSAG	Incorporated Research Institutions for Seismology	04-NMT-SAGE	47.050	-	21,782
Geosciences	PSAG	Incorporated Research Institutions for Seismology	04-NMT-SAGE	47.050	-	(31)
Geosciences	MEIG	University of Wisconsin Madison	806K400	47.050	-	22,802
Geosciences	MGEM	University Of Florida	SUB00002033	47.050	-	5,801
Geosciences	MIGR	University of Utah	10050352/U000197725	47.050	-	53,929
Geosciences	MMDV	University of North Carolina at Charlotte	20170784-01-NMI	47.050	-	5,791
Geosciences	MPDM	University of Utah	10036241/U000194183	47.050	-	263
Geosciences	MSSP	The Trustees of Columbia University in the City of N	51 (GG009393)/G11717	47.050	-	1,800
Geosciences	MSSP2	The Trustees of Columbia University in the City of N	51B(GG009393)/G11717	47.050	-	13,831
Geosciences	MSSP2	The Trustees of Columbia University in the City of N	51B(GG009393)/G11717	47.050	-	17,088
Geosciences	MSSP2	The Trustees of Columbia University in the City of N	51B(GG009393)/G11717	47.050	-	1,119
Geosciences	MVAN	Vanderbilt University	UNIV60300	47.050	-	37,021
Geosciences	MWHE	The Trustees of Wheaton College	180801	47.050	-	85,676
Geosciences	MECB	UNAVCO, Inc.	S16-ICER1639709-S1	47.050	-	5,113
Unknown	PGLS2	Incorporated Research Institutions for Seismology	95-NMT-GLISN2	47.050	-	14,062
Education and Human Resources	MHQS	Regents of New Mexico State University	Q02015	47.076	3,075	30,733
Education and Human Resources	MHQS	Regents of New Mexico State University	Q02015	47.076	-	82,478
Education and Human Resources	MAMT	Regents of New Mexico State University	Q01617	47.076	-	11,385
Education and Human Resources	MAMT6	Regents of New Mexico State University	Q02003	47.076	-	2,200
Education and Human Resources	MAMT6	Regents of New Mexico State University	Q02003	47.076	-	8,527
Integrative Activities	MESC	University of New Mexico	063050-8746	47.083	-	3,150
Integrative Activities	MESG	University of New Mexico	063052-8746	47.083	-	42,597
Integrative Activities	MGRD	University of New Mexico	063049-8746	47.083	-	50,053
Integrative Activities	MGRD	University of New Mexico	063049-8746	47.083	-	91,969
Integrative Activities	MGRD	University of New Mexico	063049-8746	47.083	-	49,094
Integrative Activities	MGRD	University of New Mexico	063049-8746	47.083	-	18,159
Integrative Activities	MGRD	University of New Mexico	063049-8746	47.083	-	16,103
Unknown	PSHA	Incorporated Research Institutions for Seismology	04-NMT-SAGE REBILL ACCOUNT	47.RD	-	556
Total Pass-through National Science Foundation					3,075	5,060,315
Total National Science Foundation					48,199	7,078,456

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Interior						
Direct Awards						
Recreation and Visitor Services	RMWC		L15AC00125	15.225	-	1,051
Recreation and Visitor Services	RMWC		L15AC00125	15.225	-	3,286
Water Desalination Research and Development	RGMD		R18AC00107	15.506	-	125,934
Water Desalination Research and Development	RTPF		R19AC00108	15.506	-	16,003
Water Desalination Research and Development	RJHF		R17AC00143	15.506	-	1,426
SECURE Water Act-Research Agreements	RETS		R16AC00025	15.560	-	10
SECURE Water Act-Research Agreements	RETS		R16AC00025	15.560	-	70,930
SECURE Water Act-Research Agreements	RETS		R16AC00025	15.560	-	77,907
SECURE Water Act-Research Agreements	RSBW		R19AC00082	15.560	-	112,483
Cooperative Ecosystem Studies Unit	RTWC		F18AC00957	15.678	-	22,359
U.S. Geological Survey Research and Data Collection	UREE		G19AC00258	15.808	-	40,803
National Cooperative Geological Mapping	UGEM		G18AC00201	15.810	-	6,280
National Cooperative Geological Mapping	UGES		G19AC00226	15.810	-	176,045
National Geological & Geophysical Data Preservation	UNCG		G18AP00071	15.814	-	11,857
National Geological & Geophysical Data Preservation	UPDG		G19AP00098	15.814	-	40,227
National Geological & Geophysical Data Preservation	UPDG		G19AP00098	15.814	-	35,141
Natural Resource Stewardship	RLAS		P16AC01716	15.944	-	70,358
Natural Resource Stewardship	RPCK		P19AC01051	15.944	9,297	482,663
Natural Resource Stewardship	RPCK		P19AC01051	15.944	-	10,100
Natural Resource Stewardship	RPCK		P19AC01051	15.944	-	501
National Ground Water Monitoring Network	UNGW		G18AC00073	15.980	-	6,047
National Ground Water Monitoring Network	UNGW2		G19AC00180	15.980	-	13,633
Unknown	RGMN		140P2118P0108	15.RD	-	50,726
Total Direct U.S. Department of the Interior					9,297	1,375,770
Pass-through						
Assistance to State Water Resources Research Institutes	MCPA	Water Resources Research Institute	Q02096	15.805	-	21,150
Total Pass-through U.S. Department of the Interior					-	21,150
Total U.S. Department of the Interior					9,297	1,396,920
U.S. Department of Transportation						
Direct Awards						
Air Transportation Centers of Excellence	RCOE1		15-C-CST-NMT-01,TASK 303	20.109	-	104,910
Air Transportation Centers of Excellence	RCOE5		15-C-CST-NMT-022	20.109	-	64,516
Air Transportation Centers of Excellence	RCOE7		15-C-CST-NMT-07 TASK 377	20.109	-	38,930
Total Direct U.S. Department of Transportation					-	208,356
Total U.S. Department of Transportation					-	208,356

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services						
Direct Awards						
Biomedical Research & Research Training	RPRL		1R15GM128071-01A1	93.859	-	114,467
Biomedical Research & Research Training	RSAR		1R15GM124620-01A1	93.859	-	82,495
Total Direct U.S. Department of Health and Human Services					-	196,962
Pass-through						
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068/Q02068C	93.859	-	98,278
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068/Q02068C	93.859	-	5,880
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068/Q02068C	93.859	-	24,031
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068/Q02068C	93.859	-	18,244
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068/Q02068C	93.859	-	2,674
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068/Q02068C	93.859	-	2,553
Biomedical Research & Research Training	MRRRA	Regents of New Mexico State University	Q02068A/Q02068D	93.859	-	64,840
Biomedical Research & Research Training	MRRRA	Regents of New Mexico State University	Q02068A/Q02068D	93.859	-	4,560
Biomedical Research & Research Training	MRRRB	Regents of New Mexico State University	Q02068B/Q02068E	93.859	-	85,581
Biomedical Research & Research Training	MRRRB	Regents of New Mexico State University	Q02068B/Q02068E	93.859	-	30,331
Total Pass-through U.S. Department of Health and Human Services					-	336,972
Total U.S. Department of Health and Human Services					-	533,934
U.S. Department of Justice						
Pass-through						
National Institute of Justice Research, Evaluation, & Development Project Grants	MSCN	South Dakota School of Mines & Technology	SDSMT-NMT 19-02	16.560	-	11,973
Total Pass-through U.S. Department of Justice					-	11,973
Total U.S. Department of Justice					-	11,973
U.S. Environmental Protection Agency						
Pass-through						
Water Pollution Control State, Interstate, & Tribal Program Support	MAAR	NM Environment Dept	PO66700-0000031424	66.419	-	25,472
Total Pass-through U.S. Environmental Protection Agency					-	25,472
Total U.S. Environmental Protection Agency					-	25,472
TOTAL RESEARCH AND DEVELOPMENT CLUSTER					1,544,974	18,931,050

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Defense						
Direct Awards						
Research and Technical Assistance	FT2C		FA9453-18-3-0073	12.615	-	1,508,961
Research and Technical Assistance	FT2C		FA9453-18-3-0073	12.615	552,979	570,342
Research and Technical Assistance	FT2C		FA9453-18-3-0073	12.615	-	305,151
Research and Technical Assistance	FT2C		FA9453-18-3-0073	12.615	-	403,462
Research and Technical Assistance	FT2C		FA9453-18-3-0073	12.615	-	90,458
Subtotal, Research and Technical Assistance					<u>552,979</u>	<u>2,878,374</u>
Air Force Defense Research Sciences Program	FSDP		FA9550-19-10379	12.800	-	701
Air Force Defense Research Sciences Program	FSTO		FA9453-17-3-0072	12.800	76,513	1,551,838
Subtotal, Air Force Defense Research Sciences Program					<u>76,513</u>	<u>1,552,539</u>
Unknown	ACST		W56HZV-14-C-0143	12.U01	-	1,592
Unknown	ACST		W56HZV-14-C-0143	12.U02	-	(3,901)
Total Direct U.S. Department of Defense					<u>629,492</u>	<u>4,428,604</u>
Pass-through						
Scientific Research - Combating Weapons of Mass Destruction	MTME	University of New Mexico	023317-8746	12.351	-	11,551
Unknown	TMIL	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0033	12.U03	128,862	192,342
Unknown	TAOD	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0036	12.U04	-	166,813
Unknown	TDPD	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0034	12.U05	82,296	108,797
Unknown	TERT	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0032	12.U06	-	1,439
Unknown	TWBB	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0035	12.U07	-	128,282
Total Pass-through U.S. Department of Defense					<u>211,158</u>	<u>609,224</u>
Total U.S. Department of Defense					<u>840,650</u>	<u>5,037,828</u>
National Aeronautics & Space Administration						
Pass-through						
Education	MALP	Regents of New Mexico State University	Q01991	43.008	-	73
Office of Stem Engagement (OSTEM)	MSSG	Regents of New Mexico State University	Q01807	43.008	-	42,500
Total Pass-through National Aeronautics & Space Administration					<u>-</u>	<u>42,573</u>
Total National Aeronautics & Space Administration					<u>-</u>	<u>42,573</u>
U.S. Department of Energy						
Pass-through						
Unknown	MORS	Oak Ridge Associated Universities	APPOINTMENT LETTER 08/01/201	81.U01	-	7,620
Total Pass-through U.S. Department of Energy					<u>-</u>	<u>7,620</u>
Total U.S. Department of Energy					<u>-</u>	<u>7,620</u>
U.S. Department of the Interior						
Direct Awards						
Natural Resource Stewardship	RNCK		P18AC00792 - P14AC00029	15.944	-	430,529
Total Direct U.S. Department of the Interior					<u>-</u>	<u>430,529</u>
Total U.S. Department of the Interior					<u>-</u>	<u>430,529</u>

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor						
Direct Awards						
Occupational Safety & Health Susan Harwood Training Grants	RTEW		SH05048SH8	17.502	-	14,547
Mine Health & Safety Grant	RFMK		MS-05064-18-55-R-35	17.600	-	411
Mine Health & Safety Grant	RFMK		MS-05064-18-55-R-35	17.600	-	1,892
Mine Health & Safety Grant	RFML		MS-03501-19-55-35	17.600	-	135,267
Mine Health & Safety Grant	RFMM		BRIDGE FUNDING	17.600	-	122
Subtotal, Mine Health & Safety Grant					-	137,692
Total Direct U.S. Department of Labor					-	152,239
Total U.S. Department of Labor					-	152,239
U.S. Department of Transportation						
Direct Awards						
Air Transportation Centers of Excellence	RCOE7		15-C-CST-NMT-07 TASK 377	20.109	-	751
Total Direct U.S. Department of Transportation					-	751
Total U.S. Department of Transportation					-	751
STUDENT FINANCIAL ASSISTANCE CLUSTER						
U.S. Department of Education						
Direct Awards						
Federal Pell Grant Program				84.063	-	2,095,978
Federal Supplemental Educational Opportunity Grants				84.007	-	202,298
Federal Work Study Program				84.033	-	293,412
Perkins Loan-CFDA has been Archived 2010				84.038	-	1,596,184
Federal Direct Student Loans				84.268	-	1,324,981
Federal Direct Student Loans				84.268	-	1,741,477
Federal Direct Student Loans				84.268	-	143,155
Total Direct U.S. Department of Education					-	7,397,485
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER					-	7,397,485

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
TRIO CLUSTER						
U.S. Department of Education						
Direct Awards						
TRIO Upward Bound	RMSA		P047M180465	84.047	-	155,690
TRIO Upward Bound	RMSA		P047M180465	84.047	-	86,828
TRIO Upward Bound	RMSA		P047M180465	84.047	-	4,207
TRIO Upward Bound	RMSA		P047M180465	84.047	-	35,060
TRIO Upward Bound	RMSS		P047M170452	84.047	-	175,626
TRIO Upward Bound	RMSS		P047M170452	84.047	-	90,736
TRIO Upward Bound	RMSS		P047M170452	84.047	-	4,205
TRIO Upward Bound	RMSS		P047M170452	84.047	-	31,716
TRIO Upward Bound	RMST		P047M130504	84.047	-	(2,268)
Total Direct U.S. Department of Education					-	581,800
TOTAL TRIO CLUSTER					-	581,800
U.S. Department of Education						
Direct Awards						
Title I State Agency Program for Neglected & Delinquent Children & Youth	RTHE		P031S180079	84.031	-	446,406
COVID-19 Cares Act Higher Education Emergency Relief Fund - Institution Portion	RCAR		P425F201268	84.425F	-	314,592
COVID-19 Cares Act Higher Education Emergency Relief Fund - Student Aid Portion				84.425E	-	485,000
Subtotal, COVID-19 Cares Act Higher Education Emergency Relief Fund					-	799,592
Total Direct U.S. Department of Education					-	1,245,998
Pass-through						
Unknown	MCSA	NM Public Education Department	NM COMP SCIENCE RFA AWARD	84.U01	-	37,730
Unknown	MRRS	University of New Mexico	208089-8746	84.U02	-	4,478
Total Pass-through U.S. Department of Education					-	42,208
Total U.S. Department of Education					-	9,267,491

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2020

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CFDA Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security						
Direct Awards						
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	513,655
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	806,069
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	1,401,703
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	448,287
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	6,255,651
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	553,592
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	2,701,526
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	2,411,385
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	746,597
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	663,224
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	564,546
State and Local Homeland Security National Training Program	RT80		EMW-2016-CA-00058	97.005	-	(2,252)
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	37,897
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	22,513
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	245,515
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	74,359
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	(3,007)
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	1,422,473
Total Direct U.S. Department of Homeland Security					-	18,863,733
Pass-through						
COVID -19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	MEMA	New Mexico DHSEM	FEMA-4529-NM	97.036	-	7,501
COVID -19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	MEMA	New Mexico DHSEM	FEMA-4529-NM	97.036	-	86,125
Subtotal, COVID -19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)					-	93,626
Emergency Management Performance Grants	MEMT4	New Mexico DHSEM	79500-0000010171	97.042	-	6,627
Emergency Management Performance Grants	MEMT5	New Mexico DHSEM	AGREEMENT 6/9/2020	97.042	-	995
Subtotal, Emergency Management Performance Grants					-	7,622
Total Pass-through U.S. Department of Homeland Security					-	101,248
Total U.S. Department of Homeland Security					-	18,964,981
Total Expenditures of Federal Awards					\$ 2,385,624	\$ 52,835,062

New Mexico Institute of Mining and Technology
Note to Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2020

Note 1 – General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Institute under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute. The Institute receives annual Facilities and Administrative Forward Indirect Cost Rates approved by the Office of Naval Research before the beginning of each year.

Note 2 – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Amounts related to pass-through grants are classified as private grants and contracts in the accompanying statement of revenues, expenses, and changes in net position.

Note 3 – Indirect Cost Rate

The Institute uses a facilities and administrative (indirect) rate that is negotiated with their cognizant agency, The Office of Naval Research and as such, the Institute has not elected to use the 10% de minimis cost rate.

Note 4 – Federal Loan Program

The Perkins Loan Program (CFDA #84.038) is administered directly by the Institute and balances and transactions relating to this program are included in the Institute's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Total outstanding loans under this U.S. Department of Education program at June 30, 2020, were \$1,288,164.

Report of Independent Auditors 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*

The Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

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, the aggregate discretely presented component unit of the New Mexico Institute of Mining and Technology (the "Institute") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Institute's basic financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Institute'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 Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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 certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and questioned costs under other matters as required by Section 12-6-5 NMSA 1978 as items 2020-004 through 2020-008.

Institute's Response to Findings

Institute's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Institute's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Mess Adams LLP

Albuquerque, New Mexico
November 2, 2020

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Institute of Mining and Technology (the “Institute”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute’s major federal programs for the year ended June 30, 2020. The Institute’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the types of 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The Institute's response to the noncompliance findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003, that we consider to be a significant deficiency.

The Institute's response to the internal control over compliance findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Mess Adams LLP

Albuquerque, New Mexico
November 2, 2020

New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs
For Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
97.005	State and Local Homeland Security National Training Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 1,585,052

Auditee qualified as low-risk auditee? Yes No

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section II – Financial Statement Findings

2020-001 – Information Technology General Controls – Security and Access (Significant Deficiency)

Condition: During our review of Information Technology (IT) general controls that are significant to financial reporting, we noted privileged access is limited to the authorized personnel. However, a periodic review of the privileged user access is performed only when one of the privileged users is terminated.

Criteria: The entities' system processes, records, and stores information that is vital to its daily operations. It is critical that access to this system is properly maintained to prevent inappropriate transactions from occurring and data from being lost.

Cause: The Entity does not have a user access review process in place.

Effect: Without periodic reviews of all privileged user accounts, users may add unauthorized accounts or elevate users' access that is inappropriate for their positions.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend management to formalize a privileged access review process and retain formal documentation of the review. The reviews should include all users with privileged/elevated access to ensure it is restricted to authorized personnel.

Views of Responsible Officials and Planned Corrective Actions: ITC is a very small department. The users with elevated privileges are an even smaller number (6 people for Banner). These users have not changed appreciably in years. All users are aware of each other and act as a defacto check on each other.

Effective January, 2021 ITC will audit all users with elevated privileges annually.

Responsible Person: Director of ITC

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section II – Financial Statement Findings

2020-002 – Information Technology General Controls – Change Management Segregation of Duties (Significant Deficiency)

Condition: During our review of Information Technology (IT) general controls that are significant to financial reporting, we noted developers are not restricted from deploying changes into production.

Criteria: In accordance with ISACA’s Control Objectives for Information and related Technology (COBIT):

Framework A16.1 (Change Standards and Procedures) require the set-up of formal change management procedures to handle in a standardized manner all requests (including maintenance and patches) for changes to applications, procedures, processes, system and service parameters, and the underlying platforms. This includes changes being reviewed and approved in a consistent and coordinated way.

Cause: The Entity does not have a process in place for a formalized controlled change management environment.

Effect: Without proper controls to restrict developers from accessing the production environment, changes may be deployed without authorization from management.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend management restrict developer update access to production. In the event management is unable to restrict the access due to necessary operational support in production, management should formalize controls to review changes to ensure only authorized changes are deployed to production.

Views of Responsible Officials and Planned Corrective Actions: Because of the small staff, large changes, e.g. moving from Banner 8 to Banner 9, changes to the 3 pass billing, are contracted out and the work is done in a test environment and validated by the ITC staff and end-users before moving to production.

Internal staff only performs patch updates, regulatory updates, supplied tax table changes and required step upgrades. These, like the large updates done by contractors, are performed in a test environment, where end-user validation is performed before being applied to the production environment using a vendor provided automated tool.

Effective January, 2021 any adjustments to the Banner ERP system (patches, updates, step upgrades, etc.) will, in addition to end-user supervisory approval will have ITC supervisory approval before they are made. A form will be developed that will record information related to the requested change, testing and authorization for deployment.

Responsible Person: Director of ITC

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

2020-003 – Other Non-Compliance - Enrollment Reporting (Previously reported as 2019-001)

Condition: Under the Pell grant and ED loan programs per Pell, 34 CFR 690.83(b)(2), institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via NSLDS. The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

For 1 of 5 students tested, the Institute did not report status changes to NSLDS when required.

Management's Progress: The report update error was completed August 2019. The process to capture the additional graduating students was implemented October 1, 2020.

Cause: The report is only being run to capture spring, fall, and summer graduations only; therefore, off cycle graduations are not being captured in the report and the status changes are not being reflected.

Effect: New Mexico Institute of Mining and Technology is not in compliance with enrollment reporting guidelines required by the Department of Education.

Questioned Costs: None

Recommendation: New Mexico Institute of Mining and Technology should ensure their established control system is operating effectively in order to ensure all enrollment reports are prepared and submitted in accordance with the federal requirements and captures all student changes regardless of graduation date.

Views of Responsible Officials and Planned Corrective Actions: Students who graduated in the semester prior to the one reported on but had a graduation date outside of that semester were not getting picked up for reporting. This caused an inaccurate enrollment status at the National Student Loan Data System (NSLDS).

Beginning October 1, 2020, the process is now updated to request a graduation report from the Registrar's Office on a monthly basis. Any off-cycle graduations will be updated manually in NSLDS.

Person Responsible: Financial Aid Director

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

2020-004 – Other Non-Compliance – Subrecipient Monitoring (Previously reported as 2019-003)

Condition: Per review of the subrecipient file for CNM (formerly ABQid) we noted there was no documentation that a risk assessment had been performed.

Management's Progress: The internal control to capture and scan all preaward documentation was implemented July 1, 2019. The additional level of preparing risk assessments when an agency merges with another agency will be implemented by January 2021.

Criteria: Under Title 2 U.S. Code of Federal Regulations Part 200.331(b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Cause: Oversight of program personnel with respect to subrecipient requirements resulted in the lack of documentation of compliance with subrecipient requirements.

Effect: The New Mexico Institute of Mining and Technology did not document compliance with Federal requirements as outlined in 2 CFR 200 Section 200.331.

Repeat Finding: This was previously reported as finding 2019-003

Recommendation: New Mexico Institute of Mining and Technology should ensure their established control system is operating effectively in order to ensure all subrecipient risk assessments performed are documented in accordance with the federal requirements. In the event of changes or updates to the subrecipient such as a merger, management should evaluate the risk of the subrecipient, not just at the time of preaward.

Views of Responsible Officials and Planned Corrective Actions: A risk assessment was completed for the original agency. When it merged with the current agency, NMT did not consider that this would require a new risk assessment.

As a corrective action, NMT will conduct a risk assessment on all potential subrecipients including subrecipient changes during the period of performance of the award and by January 2021 the formal procedures will be updated.

Responsible Person: Director of Sponsored Projects Administration

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

2020-005 – Other Non-Compliance – Procurement

Condition: For one out of seven vendors tested for procurement, we noted one purchase order that did not follow state procurement requirements. A purchase order for \$75,000 was issued without going out for competitive bid.

Criteria: An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, state and federal regulations. Section 13-1-28 et seq., NMSA 1978 “Procurement Code” governs every expenditure by state agencies and local public bodies for the procurement of items of tangible personal property, services and construction.

Cause: Oversight of New Mexico Institute of Mining and Technology’s personnel may have contributed to this finding.

Effect: The New Mexico Institute of Mining and Technology is not in compliance with state requirements and could be overpaying for goods and services.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that New Mexico Institute of Mining and Technology implement controls to prevent purchase orders from being issued without first meeting state Procurement Code requirements.

Views of Responsible Officials and Planned Corrective Actions: Each year we receive several requisitions to establish open POs for golf course purchases. Reviewing the past spending trend, rarely does the golf course spend the full amount encumbered on the purchase order and sometimes there are even no funds spent. The order in question did have more funds than was appropriate, and should have reduced the amount and revisited with the department what their average year spend rate has been before establishing the PO, rather than after. The golf course has spent less than \$54K per annum with this vendor over the last four years.

Going forward, Auxiliaries is required to review their spend rate and submit requisitions more in line with their purchases and to do so in May so we can allow time for obtaining quotes for purchases between \$20K and \$60K or issuing bids for those estimated to exceed the \$60K threshold.

Any existing open purchase orders in FY21 will be corrected by December 2020 to comply with the state procurement code.

Responsible Person: Chief Procurement Officer

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2020-006 Material Weakness (At the Individual Component Unit Level – University Research Park Corporation) – Intangible Assets Tracking and Analysis Process (Previously Reported as 2019-006)

Criteria: In order to provide an accurate accounting in compliance with U.S. generally accepted accounting principles, the intangible assets (patents) of the Corporation should be tracked throughout the year with adjustments recorded for additional capitalized patent costs, write-offs for impairment and amortization expense. The schedule of patent activity prepared by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

Condition and Context: During our fieldwork, we noted that the schedule used to track patent activity for the prior year erroneously omitted several patents. After the matter was investigated by management, adjustments totaling \$153,916 to beginning net position and a restatement of the beginning net position balance was required. There was a similar issue related to the patent schedule accuracy in the prior year and a material weakness was documented.

Management's Progress: The monthly patent activity tracking was implemented October 21, 2019. The additional multilevel review will be implemented January 2021.

Cause: The accounting policies, procedures, and controls to ensure a robust internal control structure governing the tracking of patents, amortization, and analysis of impairment are not functioning as intended.

Effect: The Corporation's net intangible assets were understated by \$153,916 and expenses understated by same amount prior to this adjustment.

Repeat Finding: This was previously reported as finding 2019-006

Recommendation: We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure patents are tracked (at least monthly) during the year, reviewed by appropriate personnel, and management's analysis of impairment be prepared within one month after the Corporation's year-end to ensure patent asset and related accounts are accurately and timely maintained and reconciled.

Management Response: A multilevel review has been implemented. Patent expenditures and assets will be tracked on a monthly basis. Patent values will be evaluated accordingly.

Responsible Person: Board Treasurer, Corporate Accountant, and Board President

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2020-007 Significant Deficiency (At the Individual Component Unit Level – University Research Park Corporation) – Accounts Payable Process (Previously Reported as 2019-009)

Criteria: In order to provide an accurate accounting, the Corporation's records should be kept open for a reasonable period of time after year-end to ensure vendor invoices and other items that represent a liability at year end, but are not received until after year-end, are recorded in the general ledger in the proper fiscal year.

Condition and Context: During our testing of expenses, we noted vendor invoices totaling \$2,669, related to the fiscal year ended June 30, 2019, were improperly recorded in the current fiscal year. There was a similar finding in the prior year with regard to expenses and the corresponding liability recorded in the improper fiscal year.

Management's Progress: The year-end procedures to properly record liabilities were implemented June 30, 2020. A qualified administrator was assigned October 2020. The positions for Executive Director and Assistant will be filled as soon as qualified applicants are hired.

Cause: The accounting policies, procedures, and controls to ensure a robust internal control structure governing the completeness of accounts payable are not functioning as intended.

Effect: The Corporation's accounts payable balance and expenses were overstated by \$2,669 at June 30, 2020.

Repeat Finding: This was previously reported as finding 2019-009

Recommendation: We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure vendor invoices received after year-end, and related expenses are recorded in the appropriate period.

Management Response: The Corporation has designed an administrative structure with both an Executive Director and an Assistant to manage daily transactions. When both positions are filled, it will result in an increase in accuracy with regard to data entry and reporting. Meanwhile, a qualified administrator has been currently assigned to manage financial obligations.

Responsible Person: Board Treasurer, Corporate Accountant, and Board President

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2020**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2020-008 Significant Deficiency (At the Individual Component Unit Level – University Research Park Corporation) – Segregation of Duties and Access to Accounting Software

Criteria: In order to have effective internal controls, the Corporation should take measures to improve the segregation of duties between management and accounting personnel. Currently the Board Treasurer has unlimited access to the accounting software and is also a check signer. In addition, he is the only person with an official login username and password to the software. Other personnel must use his login credentials to access the software and make changes.

Condition and Context: During our review of the design and implementation of internal controls, we noted policies in place that weaken internal controls related to the segregation of duties between management personnel.

Cause: The accounting policies, procedures, and controls to ensure a robust internal control structure governing the segregation of duties are not functioning as intended.

Effect: The lack of segregation of duties and single login to the accounting software makes it difficult for management to prevent and detect fraud or errors and weakens the internal controls.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure additional controls are implemented to improve the segregation of duties to include individual login usernames and passwords for each individual requiring access to the software. In addition, management should consider providing the Treasurer with read-only access to the software as long as he has check signing authority.

Management Response: The former Chief Operating Officer of the Corporation left the position in the middle of the fiscal year; the Board Treasurer of the Research Park had to carry out all duties from that point forward. The Corporation has designed an administrative structure with both an Executive Director and an Assistant to manage daily transactions. When both positions are filled, it will allow for an appropriate segregation of duties. Meanwhile, an administrator has been currently assigned to manage general administrative and financial obligations. Check signers will have limited or no access to the software

Responsible Person: Board Treasurer, Corporate Accountant, and Board President

New Mexico Institute of Mining and Technology
Summary Schedule of Prior Audit Findings
For Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001 Significant Deficiency in Internal Controls over Compliance, Non-Compliance – Special Tests and Provisions – Enrollment Reporting – Repeated and modified as finding 2020-003

SECTION IV – OTHER MATTER FINDINGS AS REQUIRED BY 12-6-5 NMSA 1978

2019-002 – Other Non-Compliance – Reporting – Resolved

2019-003 – Other Non-Compliance – Subrecipient Monitoring – Repeated and modified as 2020-004

2019-004 – Other Non-Compliance – Educational Retirement Act – Resolved

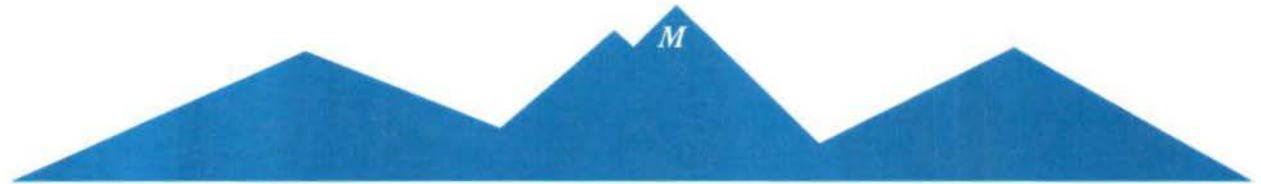
2019-005 – Other Non-Compliance – Fringe Benefits – Resolved

2019-006 – Intangible Assets – Material Weakness (At the Individual Component Unit Level – University Research Park Corporation) – Repeated and modified as 2020-006

Finding 2019-007 – Check Writing Process – Material Weakness (At the Individual Component Unit Level – University Research Park Corporation) – Resolved

Finding 2019-008 – Notes Receivable Tracking and Analysis Process – Significant Deficiency (At the Individual Component Level – University Research Park Corporation) – Resolved

Finding 2019-009 – Accounts Payable Process – Significant Deficiency (At the Individual Component Level – University Research Park Corporation) – Repeated and modified as 2020-007



NEW MEXICO TECH

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Corrective Action Plan
Year Ended June 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	<p>ITC is a very small department. The users with elevated privileges are an even smaller number (6 people for Banner). These users have not changed appreciably in years. All users are aware of each other and act as a defacto check on each other.</p> <p>Effective January, 2021 ITC will audit all users with elevated privileges annually.</p>	January 1, 2021	Director of ITC
2020-002	<p>Because of the small staff, large changes, e.g. moving from Banner 8 to Banner 9, changes to the 3 pass billing, are contracted out and the work is done in a test environment and validated by the ITC staff and end-users before moving to production.</p> <p>Internal staff only performs patch updates, regulatory updates, supplied tax table changes and required step upgrades. These, like the large updates done by contractors, are performed in a test environment, where end-user validation is performed before being applied to the production environment using a vendor provided automated tool.</p> <p>Effective January, 2021 any adjustments to the Banner ERP system (patches, updates, step upgrades, etc.) will, in addition to end-user supervisory approval will have ITC supervisory approval before they are made. A form will be developed that will record information related to the requested change, testing and authorization for deployment.</p>	January 1, 2021	Director of ITC
2020-003 (2019-001)	<p>Students who graduated in the semester prior to the one reported on but had a graduation date outside of that semester were not getting picked up for reporting. This caused an inaccurate enrollment status at the National Student Loan Data System (NSLDS).</p> <p>Beginning October 1, 2020 the process is now updated to request a graduation report from the Registrar's Office on a</p>	October 1, 2020	Financial Aid Director

	monthly basis. Any off-cycle graduations will be updated manually in NSLDS.		
2020-004 (2019-003)	<p>A risk assessment was completed for the original agency. When it merged with the current agency, NMT did not consider that this would require a new risk assessment.</p> <p>As a corrective action, NMT will conduct a risk assessment on all potential subrecipients including subrecipient changes during the period of performance of the award and by January 2021 the formal procedures will be updated.</p>	January 1, 2021	Director of Sponsored Projects Administration
2020-005	<p>Each year we receive several requisitions to establish open POs for golf course purchases. Reviewing the past spending trend, rarely does the golf course spend the full amount encumbered on the purchase order and sometimes there are even no funds spent. The order in question did have more funds than was appropriate, and should have reduced the amount and revisited with the department what their average year spend rate has been before establishing the PO, rather than after. The golf course has spent less than \$54K per annum with this vendor over the last four years.</p> <p>Going forward, Auxiliaries is required to review their spend rate and submit requisitions more in line with their purchases and to do so in May so we can allow time for obtaining quotes for purchases between \$20K and \$60K or issuing bids for those estimated to exceed the \$60K threshold.</p> <p>Any existing open purchase orders in FY21 will be corrected by December 2020 to comply with the state procurement code.</p>	December 1, 2020	Chief Procurement Officer
2020-006 (2019-006)	A multilevel review has been implemented. Patent expenditures and assets will be tracked on a monthly basis. Patent values will be evaluated accordingly.	June 30, 2021	President and Secretary/Treasurer
2020-007 (2019-009)	The Research Park has built an administrative structure which has both an Executive Director and an Assistant to manage daily transactions. When both positions are filled, it will provide accuracy for data entry and reporting. Meanwhile, a qualified administrator has been currently assigned to manage financial obligations.	June 30, 2021	President and Secretary/Treasurer
2020-008	The former Chief Operating Officer left the position in the middle of the fiscal year, the Board Treasurer has to carry out all duties. An administrator has been assigned to manage general administrative and financial obligations. Check signers will have limited or no access to the software.	June 30, 2021	President and Secretary/Treasurer

Document prepared by:



Melissa Tull

Controller

New Mexico Institute of Mining and Technology

Date 10/26/2020

New Mexico Institute of Mining and Technology
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC (L)(1))
For Year Ended June 30, 2020

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Compliance and other matters noted? Yes No

New Mexico Institute of Mining and Technology

Exit Conference For Year Ended June 30, 2020

An exit conference was held on October 27, 2020, for the New Mexico Institute of Mining and Technology and all component units with the following in attendance:

Jerry Armijo	Regent, Secretary/Treasurer
Dr. Stephen Wells	President
Dr. Cleve McDaniel	Vice President for Administration and Finance
Shaojie (Jenny) Ma	Associate Vice President for Administration and Finance/ Budget Director
Emma Aafloy	Associate Director of Budget and Analysis
Gayle Bailey	Director of Sponsored Projects
Angie Gonzales	Associate Director of Human Resources
Carrie Marsyla	Associate Director of Sponsored Projects
JoAnn Salome	Director of Human Resources
Melissa Tull	Controller
Daniel Lunceford	Network Manager and Associate Director of ITC
Joe Franklin	Director of ITC
Kenneth Aerts	Director of Financial Aid
Patricia Landavazo	Director of Finance and Business Operations
Valerie Montgomery	EMRTC Associate Director of Finance
Michael Stanley	EMRTC Director

For Moss Adams LLP

Lisa Todd, CPA	Partner
Corrine Zajac-Clarkson, CPA	Senior Manager
Chris Noyes, CPA	Senior Manager
Kevin Jankowski, CPA	Senior

The financial statements were prepared by Moss Adams LLP, with the assistance of the Institute. The Institute is responsible for the contents of these financial statements.