

**NEW MEXICO MILITARY
INSTITUTE FOUNDATION, INC.**

Financial Statements

Years Ended June 30, 2022 and 2021



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

**NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)**

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June 30, 2022 and 2021

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**NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)**

Board of Trustees

June 30, 2022

Executive Committee		Term Expires
Kenneth V. Barbe, Jr.	Chairman	2023
Kim D. Greaves	Vice-Chairman	2022
Dr. Jesus R. Ramos Garza	Secretary	2024
Jesus Salazar	Immediate Past Chairman	2023
Spencer Frank	Treasurer	2022
Jimmy L. Barnes	President and CEO	
Trustees		
Kevin O. Butler	Member	2023
Dr. Earl A "Tres" Latimer, III	Member	2022
Claire E. Chase	Member	2024
George M. Yates	Member	2024
John Garcia	Member	N/A
Harold A. Edmonson, JR	Member	N/A
COL Timothy S. Paul	Member	N/A
Ex-Officio Member		
MG Jerry W. Grizzle	Superintendent	

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
New Mexico Military Institute Foundation, Inc.
and
Mr. Brian Colón, New Mexico State Auditor

Opinions

We have audited the accompanying financial statements of the New Mexico Military Institute Foundation, Inc. (the "Foundation") (a non-profit organization and component unit of the New Mexico Military Institute) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The Supplementary Information identified in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 on our consideration of the Foundation'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 result of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Albuquerque, New Mexico
November 1, 2022

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Management’s Discussion and Analysis
June 30, 2022

As a component unit of the New Mexico Military Institute (NMMI), the New Mexico Military Institute Foundation, Inc. (Foundation) applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

Management’s discussion and analysis (MD&A) provides a broad overview of the Foundation’s financial position and activities as of and for the fiscal year ended June 30, 2022 with selective comparative information as of and for the fiscal year ended June 30, 2021. Management has prepared the MD&A and it should be read in conjunction with the audited financial statements and related notes of the Foundation, which directly follow the MD&A. The basic financial statements, notes and this MD&A are the responsibility of the Foundation’s management.

Overview of the Basic Financial Statements

The Foundation’s MD&A provides a broad narrative overview of its financial statements for the fiscal years ended June 30, 2022 and 2021. The basic financial statements include the following:

1. Statements of Financial Position, which present information of the Foundation’s assets, liabilities and net position.
2. Statements of Revenues, Expenses and Changes in Net Position, which present information on the results of operations for the fiscal years.
3. Statements of Cash Flows, which presents information on changes in cash balances and identify the source of cash flows resulting in those changes.
4. Notes to Financial Statements, which provide additional information that is essential to a full understanding of the information provided in the financial statements.

Condensed Financial Information

	2022	2021
Current assets	\$923,849	\$937,187
Noncurrent assets	71,324,442	80,560,178
Total assets	<u>\$72,248,291</u>	<u>\$81,497,365</u>
Current liabilities	\$387,733	\$221,440
Annuity obligations	394,283	475,616
Total liabilities	<u>782,016</u>	<u>697,056</u>
Net position		
Unrestricted	21,913,551	24,414,403
Temporarily restricted	20,642,792	28,456,997
Permanently restricted	28,909,932	27,928,909
Total net position	<u>71,466,275</u>	<u>80,800,309</u>
Total liabilities and net position	<u>\$72,248,291</u>	<u>\$81,497,365</u>

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Management's Discussion and Analysis
June 30, 2022

Total Assets Highlight

At June 30, 2022, the Foundation's total assets were \$72,248,291, which represents a decrease of 11% from the June 30, 2021 balance of \$81,497,365. The decrease is primarily due a decline in the market value of the investment portfolio for the fiscal year ended June 30, 2022.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Donations	\$1,512,980	\$577,570
Other	(67,126)	(1,975)
Total operating revenues	<u>1,445,854</u>	<u>575,595</u>
Operating expenses:		
Scholarships	864,262	1,094,309
NMMI support	1,000,829	734,586
Management & general	288,473	264,869
Other	5,309	5,393
Total operating expenses	<u>2,158,873</u>	<u>2,099,157</u>
Nonoperating revenues:		
Investment income	(8,942,437)	17,143,440
Rental income	352,617	333,483
Real estate expenses	(31,195)	(30,909)
Total nonoperating revenues	<u>(8,621,015)</u>	<u>17,446,014</u>
Change in net position	(9,334,034)	15,922,449
Net position, beginning of year	<u>80,800,309</u>	<u>64,877,860</u>
Net position, end of year	<u>\$71,466,275</u>	<u>\$80,800,309</u>

Donation Highlights

Total donations increased nearly \$936,000 during the current fiscal year compared to the prior fiscal year. This is primarily due to large nonrecurring donations that were received from trusts, estates and other sources during the fiscal year ended June 30, 2022.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Management's Discussion and Analysis
June 30, 2022

Condensed Statements of Cash Flows

	2022	2021
Cash flows from operating activities:		
Cash received from donors and grantors	\$1,566,698	\$615,112
Cash paid to NMMI for support	(1,705,895)	(1,904,129)
Cash paid to beneficiaries and vendors	(285,310)	(268,930)
	<u>(424,507)</u>	<u>(1,557,947)</u>
Net cash provided from (used in) operating activities		
Cash flows from investing activities:		
Rental income	359,694	333,483
Purchase of investments	(6,080,067)	(3,129,025)
Proceeds from sale of investments	6,169,713	3,652,805
	<u>(31,194)</u>	<u>(30,909)</u>
Other		
Net cash provided from investing activities	<u>418,416</u>	<u>826,354</u>
Net increase (decrease) in cash and cash equivalents	(6,361)	(731,593)
Cash and cash equivalents, beginning of year	<u>861,864</u>	<u>1,593,447</u>
Cash and cash equivalents, end of year	<u>\$855,493</u>	<u>\$861,854</u>

Investment Portfolio Performance Highlights

During the fiscal year ended June 30, 2022, the Foundation's investment portfolio had a loss of -11.82%. The 10-year annualized universal rank was 19, 1 being the best and 100 the worst.

Below is a five-year performance history of the total Foundation portfolio.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Management's Discussion and Analysis
June 30, 2022

Fiscal Year	Annual Return	Investment Return (Loss)	Book Value	Market Value
6/30/18	9.24%	\$4,120,174	\$33,184,649	\$48,837,896
6/30/19	5.46%	\$2,764,383	\$42,111,193	\$58,474,315
6/30/20	2.90%	\$1,661,395	\$42,904,167	\$59,835,134
6/30/21	28.63%	\$17,143,439	\$43,277,217	\$75,669,657
6/30/22	-11.82%	-\$8,942,431	\$46,335,635	\$66,653,785

Foundation Operations

The purpose of the Foundation is to create, maintain and administer assets for the benefit of NMMI. The Foundation provides financial support to NMMI for cadet scholarships, leadership operations, academic programs, cadet activities, athletic programs, institutional advancement and staff and faculty support. Support funds are provided from donations, earnings on invested funds and Foundation unrestricted operations.

Foundation operating activities include the following:

- Rental income – five ground leases for three restaurants, one strip center and a home healthcare agency
- Investment income – earnings from the unrestricted operating endowment
- Real estate sales – since October 1999 the Foundation has had real estate sales of nearly \$10.4 million
- Columbarium operations

Factors Impacting Future Periods

Beginning July 1, 2021, the Foundation extended its commitment for financial support of up to \$200,000 per fiscal year for a two-year period to expand the Institutional Advancement effort. NMMI agreed to provide the Foundation Trustees with quarterly reports from the Institutional Advancement Office detailing the fund raising activities.

Beginning July 1, 2022, the Foundation made a commitment to provide support of \$10,000 annually for the next four years to help offset the costs of having the Wool Bowl game in Roswell, NM.

NMMI plans to open a middle school that would serve as a feeder school to the NMMI high school. This initiative would begin with purchasing land adjacent to NMMI. In support of this initiative the Foundation made a commitment during the fiscal year ended June 30, 2022, to spend up to \$175,000 to purchase certain adjacent properties west of NMMI. There were no property purchases during that period.

Beginning July 1, 2022, the Foundation made a commitment to spend up to \$210,000 to purchase two adjacent properties west of NMMI.

**NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Management's Discussion and Analysis
June 30, 2022**

Contacting the Foundation's Financial Management

This financial report is designed to provide a general overview of the Foundation's finances and other related information. If you have questions about this report or need additional information, please contact the Foundation at:

New Mexico Military Institute Foundation, Inc.

101 W. College Blvd.
Roswell, NM 88201
(575) 624-8035

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT UNIT OF THE NEW MEXICO MILITARY INSTITUTE)
Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 41,524	39,116
Cash and cash equivalents, restricted	813,969	822,738
Accounts receivable	8,873	15,950
Pledges receivable, net of allowance	57,483	56,009
Prepaid expenses	2,000	3,374
Total current assets	<u>923,849</u>	<u>937,187</u>
Noncurrent assets:		
Investments	17,528,964	19,913,788
Investments, restricted	48,339,057	55,003,247
Land and buildings held for investment	3,813,602	3,813,602
Pledges receivable, net of allowance	104,244	151,776
Surrender value of life insurance policies	656,445	731,237
Beneficial interest in perpetual trust, restricted	796,886	860,870
Other assets, restricted	85,140	85,140
Property and Equipment	104	518
Total noncurrent assets	<u>71,324,442</u>	<u>80,560,178</u>
Total assets	<u>\$ 72,248,291</u>	<u>81,497,365</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 3,233	4,092
Due to NMMI	363,761	199,257
Accrued employee leave	20,740	18,091
Annuity obligations	394,282	475,616
Total current liabilities	<u>782,016</u>	<u>697,056</u>
Total liabilities	<u>782,016</u>	<u>697,056</u>
Net Position:		
Unrestricted	21,913,551	24,414,403
Temporarily restricted	20,642,792	28,456,997
Permanently restricted	28,909,932	27,928,909
Total net position	<u>71,466,275</u>	<u>80,800,309</u>
Total liabilities and net position	<u>\$ 72,248,291</u>	<u>81,497,365</u>

See accompanying notes to the financial statements

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT UNIT OF THE NEW MEXICO MILITARY INSTITUTE)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Contributions	\$ 1,512,980	577,570
Change in cash value of life insurance	(74,793)	(5,676)
Miscellaneous	7,667	3,698
Total Operating Revenues	<u>1,445,854</u>	<u>575,592</u>
Operating Expenses:		
Scholarships	986,714	1,094,309
NMMI support	202,446	134,419
Activities and projects	602,846	548,778
Professorships and awards	73,085	51,389
Management and general	288,473	264,869
Fundraising	5,309	5,393
Total Operating Expenses	<u>2,158,873</u>	<u>2,099,157</u>
Operating Income (Loss)	<u>(713,019)</u>	<u>(1,523,565)</u>
Nonoperating Revenues (Expenses):		
Investment income	(8,942,437)	17,143,440
Rental income	352,617	333,483
Real estate	(31,195)	(30,909)
Total nonoperating income (loss)	<u>(8,621,015)</u>	<u>17,446,014</u>
Income before Contributions and Transfers	(9,334,034)	15,922,449
Change in net position	(9,334,034)	15,922,449
Net position, beginning of year	<u>80,800,309</u>	<u>64,877,860</u>
Net position, end of year	<u>\$ 71,466,275</u>	<u>80,800,309</u>

See accompanying notes to the financial statements

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT UNIT OF THE NEW MEXICO MILITARY INSTITUTE)
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

Cash flows from operating activities:	<u>2022</u>	<u>2021</u>
Cash received from donors and grantors	\$ 1,573,781	615,112
Cash paid to NMMI for scholarships and program support	(1,700,587)	(1,904,129)
Cash paid to beneficiaries and vendors	(290,618)	(268,930)
Net cash provided by (used in) operating activities	<u>(417,424)</u>	<u>(1,557,947)</u>
Cash flows from investing activities:		
Rental income	352,612	333,483
Purchase of investments	(6,080,067)	(3,129,025)
Proceeds from sale of investments	6,169,713	3,652,805
Payment for real estate expenses	(31,195)	(30,909)
Net cash from provided by (used in) investing activities	<u>411,063</u>	<u>826,354</u>
Net increase (decrease) in cash and cash equivalents	(6,361)	(731,593)
Cash and cash equivalents, beginning of year	<u>861,854</u>	<u>1,593,447</u>
Cash and cash equivalents, end of year	<u>\$ 855,493</u>	<u>861,854</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Cash flows from operating activities:	<u>2022</u>	<u>2021</u>
Operating income (loss)	\$ (713,019)	(1,523,565)
Adjustments to reconcile operating loss to net cash used in operating activities		
Changes in operating assets:		
Decrease in accounts and other receivables	7,077	(9,522)
Decrease in pledges receivable	46,058	43,369
Prepaid assets	1,374	(3,374)
Surrender value of life insurance	74,792	5,676
Changes in operating liabilities:		
Decrease in payables	(859)	1,583
Accrued expenses	2,649	(2,273)
Due to other governments	164,504	(69,841)
Net cash provided (used) in operating activities	<u>\$ (417,424)</u>	<u>(1,557,947)</u>
Supplemental disclosure of noncash investing, capital, and financing activities		
Unrealized gain (loss) on investments	<u>(12,064,961)</u>	<u>15,501,745</u>

See accompanying notes to the financial statements

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
A COMPONENT UNIT OF NEW MEXICO MILITARY INSTITUTE
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 1 – ORGANIZATION

The New Mexico Military Institute Foundation, Inc. (Foundation) is a not-for-profit corporation, which was incorporated in the State of New Mexico on October 9, 1945. The Foundation receives support from contributions, earnings on investments, and rental of real estate.

The purpose of the Foundation is to create, maintain and administer assets for the benefit of the New Mexico Military Institute (NMMI), a state educational institution, located in Roswell, New Mexico. The earnings from these assets are to be used for research, scientific and literacy purposes; for increasing the buildings, equipment and other facilities of the Institute; to provide for scholarships for Institute cadets and to promote general growth, welfare and maintenance of the Institute. The Foundation is considered a component unit of the Institute in accordance with government auditing standards generally accepted in the United States of America and these financial statements include all activities over which the Foundation has responsibility.

The Foundation receives, and is dependent on, contributions and on rental income from ground leases and commercial buildings located in Chaves County, New Mexico. For the years ended June 30, 2022 and 2021, the Foundation received \$1,512,980 and \$577,570, respectively, in restricted contributions. For the years ended June 30, 2022 and 2021, the Foundation received \$352,617 and \$333,483, respectively, in rental income. The Foundation has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, the net position of the Foundation and changes therein are classified and reported as follows.

- *Unrestricted net position* – net position that are not subject to donor-imposed restrictions. Unrestricted net position may be designated for specific purposes, such as quasi- endowments, by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Unless otherwise designated, unrestricted net position are used for the support of NMMI programs.
- *Temporarily restricted net position* – net position subject to donor-imposed restrictions that may or will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net position* – net position subject to donor-imposed restrictions that must be maintained permanently by the Foundation.

Temporarily restricted net position are those whose use by the Foundation have been limited by donors to a specific time period or purpose. When a donor restriction expires, either when the stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net position are reclassified to unrestricted net position and reported in the Statement of Net Position as net position released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and subsequently released from restriction in the accompanying financial statements.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
A COMPONENT UNIT OF NEW MEXICO MILITARY INSTITUTE
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises and other gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Expense Allocation

Directly identifiable expenses of the Foundation's programs are charged to program expenses. Supporting services expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all cash on hand, demand deposits, and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt and equity securities at their fair value in the Statement of Financial Position. Investment income or loss (including unrealized gains and losses on investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net positions unless the income or loss is restricted by donor or law.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
A COMPONENT UNIT OF NEW MEXICO MILITARY INSTITUTE
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses

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

Operating income include activities that relate to the primary continuing operations of the Foundation. Principal operating revenues include nonendowed donations and pledges. Principal operating expenses include distributions to NMMI, fundraising, and general and administrative expenses.

Nonoperating income includes investment income, sale on real estate, and rental income.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been provided in the financial statements. As of year-end, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation's Form 990, Return of Organization Exempt from Income Taxes, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Contributions and Pledges

The Foundation recognizes contributions as revenue when they are received or unconditionally pledged. The Foundation reports gifts of cash and other asset as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net positions are reclassified to unrestricted net positions and reported in the Statement of Activities as net positions released from donor restrictions.

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques. When estimating the fair value of unconditional promises to give, management considers the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness.

Donated Services and Facilities

Donated services are recognized in the financial statements as contributions if the services:

- Create or enhance nonfinancial assets or
- Require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased if not donated.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
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Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Office space donated by the New Mexico Military Institute (including building maintenance, utilities, and janitorial services) is valued and described in Note 9.

Life Insurance

The Foundation is the owner and beneficiary of numerous life insurance policies gifted to it by donors. The policies are presented at their aggregate cash value at June 30, 2022 and 2021. Increases in cash value during the year are recognized as earned revenue.

Annual Leave

Accumulated unpaid vacation is accrued when incurred. In the event of separation, an employee may be eligible for payment of accumulated unpaid vacation up to a maximum of 20 days. Accumulated sick leave is not paid upon separation of employment.

Furniture and Equipment

All acquisitions of furniture and equipment with a cost in excess of \$1,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is three to ten years for all assets.

Budget

The operating budget of the Foundation is prepared for unrestricted activities and is subject to the approval of the Board of Trustees, but is not legally adopted or subject to any other proceedings. The adopted budget of the Foundation is prepared on a basis consistent with accounting principles generally accepted in the United States of America except expenses from net positions released from restriction are not included in the budget; therefore, the related expenses are excluded from the actual expenses reported on the budget comparison.

NOTE 3 – CASH AND INVESTMENTS

At year end, the Foundation's deposits were \$840,767, and the book balance was \$855,493.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. Investments in any one issuer that represents 5% or more for bonds and 5% or more for all other investments are considered to be exposed to concentrated credit risks and are required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

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Notes to the Financial Statements
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NOTE 3 – CASH AND INVESTMENTS (Continued)

There were no bonds in a single issuer that represents 5% or more of the total investments and there were no other investments 5% or more of the total investments at June 30, 2022 and 2021.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a policy to limit its exposure to interest rate risk. At June 30, 2022 and 2021, Foundation’s bond mutual funds are subject to interest rate risk.

Investment Income

For the years ended June 30, 2022 and 2021, components of investment income were as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 573,873	543,925
Net unrealized gains (losses)	(12,064,962)	15,501,745
Net realized gains (losses)	2,707,895	1,250,234
Investment expenses	(159,243)	(152,464)
Total investment income (loss)	<u>\$ (8,942,437)</u>	<u>17,143,440</u>

The investments held that are valued at Net Position Valuations had the following investment strategies per the Foundation’s investment committee:

Hedge fund investments, including equity long/short are defined as private investment vehicles that utilize non-traditional investing techniques in pursuit of superior risk-adjusted returns. These are specialist investment managers with various strategies across the spectrum of event driven, opportunistic, or value driven styles. The funds may employ leverage and may employ short position in order to implement their strategy. The Fund may utilize direct investment into individual hedge funds or a fund of funds with a minimum of five different core hedge fund strategies.

Hedge funds are unregulated by the SEC, therefore, the Committee must rely on detailed third party preliminary and ongoing due diligence. Through Monticello Associates, the Committee ensures that due diligence will take place. Each fund is evaluated against peer groups and passive indices that best compare the investment manager’s value added over those bench marks. Value added is defined as the fund’s absolute performance, relative performance, standard deviation, and its correlation value to the total Fund portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy on investment credit risk. The credit risk associated with the below investments are unrated.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements. The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices (unadjusted) for the identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal to principal markets.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- Level 3 inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Foundation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Foundation has the following recurring fair value measurements as of June 30, 2022,

Managed Funds/Bonds	Category	Fair Value Measurements using			Balance as of June 30, 2022
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	
Vanguard Dividend Growth	Large Cap	\$ 11,753,994	-	-	11,753,994
Vanguard Short Term Bond Fund	Fixed Income	2,813,010	-	-	2,813,010
Spyglass Growth Fund	Small Cap Equity	1,189,286	-	-	1,189,286
		\$ 15,756,290	-	-	15,756,290

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NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments measured at the NAV as of June 30, 2022:

<u>Alternatives</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Farallon Capital Institutional Partners, LP	\$ 1,702,804	n/a	Three series of shares	60 days
Davidson Kempner Institutional Partners, LP	2,231,877	n/a	6/30 and 12/31	65 days
Maverick Stable Fund, Ltd., Class P-2	2,270,932	n/a	Rolling annually on anniversary	95 days
IR&M Core Bond Fund II LLC	1,485,915	n/a	Daily	Daily
Wellington Archipelago Holdings, Ltd.	3,494,504	n/a	Quarterly	45 days
GQG Partners International Equity Fund	2,803,225	n/a	Weekly	5 days
Indus Select Fund, Ltd	2,435,200	n/a	Monthly	30 days
Kabouter International Opportunities Offshore Fund II, Ltd	1,470,011	n/a	Monthly	30 days
Newport Asia Institutional Fund LP	2,001,758	n/a	Monthly	30 days
Rock Springs Capital Fund LP	2,829,271	n/a	After lockup, quarterly within 45 days' notice	45 days
Wellington Research Equity	10,813,156	n/a	Monthly	30 days
Nut Tree Offshore Fund, Ltd	2,486,407	n/a	After lockup, quarterly within 75 days' notice	75 days
Canyon Distressed Opportunity Fund II (Cayman)	6,555	n/a	n/a	n/a
Canyon Distressed Opportunity Fund III (Cayman)	720,144	279,856	n/a	n/a
Golub Capital Partners International 11, L.P.	883,750	116,250	n/a	n/a
Sheridan Square Offshore Fund, Ltd.	2,182,272	n/a	Monthly	30 days
Wellington Micro Cap	1,629,229	n/a	Monthly	90 days
Davidson Kempner Long-Term Distressed Opportunities International IV LP	1,163,464	n/a	n/a	n/a
Davidson Kempner Long-Term Distressed Opportunities International V LP	986,473	13,527	n/a	n/a
Renaissance Institutional Diversified Alpha Fund LLC (Series A) - RIDA	1,139,672	n/a	Monthly	45 days
StepStone VC Global X (formerly Greenspring Global Partners X, L.P.)	451,725	298,275	n/a	
Lexington Capital Partners IX, L.P.	1,773,046	n/a	n/a	n/a
Davidson Kempner Income International LP	952,973	1,047,027	n/a	n/a
Whale Rock Flagship L.P., Ltd.	535,306	n/a	n/a	45 days
Nut Tree Drawdown Offshore Fund, LP	662,062	1,337,938	n/a	n/a
Soroban Decarbonization Fund	1,000,000	n/a	n/a	n/a
Total Investments measured at NAV	<u>50,111,731</u>	<u>3,092,873</u>		
Total Investments held by the Foundation	<u>\$ 65,868,021</u>			

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Notes to the Financial Statements
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NOTE 3 – CASH AND INVESTMENTS (Continued)

The Foundation has the following recurring fair value measurements as of June 30, 2021,

Managed Funds/Bonds	Category	Fair Value Measurements using			Balance as of June 30, 2021
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	
Vanguard Dividend Growth	Large Cap	11,755,743	-	-	11,755,743
Vanguard Short Term Bond Fund	Fixed Income	3,695,696	-	-	3,695,696
Spyglass Growth Fund	Small Cap Equity	2,438,165	-	-	2,438,165
		\$ 17,889,604	-	-	17,889,604

Investments measured at the NAV as of June 30, 2021:

Alternatives	Fair Value	Unfunded Commitments	Redemption frequency (if currently eligible)	Redemption Notice Period
Farallon Capital Institutional Partners, LP	\$ 1,716,634	n/a	Three series of shares	60 days
Davidson Kempner Institutional Partners, LP	2,294,876	n/a	6/30 and 12/31	65 days
Maverick Stable Fund, Ltd., Class P-2	2,631,598	n/a	Rolling annually on anniversary	95 days
IR&M Core Bond Fund II LLC	3,848,819	n/a	Daily	Daily
Wellington Archipelago Holdings, Ltd.	4,413,389	n/a	Quarterly	45 days
GQG Partners International Equity Fund	3,170,581	n/a	Weekly	5 days
Indus Select Fund, Ltd	3,548,380	n/a	Monthly	30 days
Kabouter International Opportunities Offshore Fund II, Ltd	2,667,642	n/a	Monthly	30 days
Newport Asia Institutional Fund LP	3,235,106	n/a	Monthly	30 days
Rock Springs Capital Fund LP	2,966,848	n/a	After lockup, quarterly within 45 days' notice	45 days
Wellington Research Equity	13,050,494	n/a	Monthly	30 days
Nut Tree Offshore Fund, Ltd	2,703,223	n/a	After lockup, quarterly within 75 days' notice	75 days
Canyon Distressed Opportunity Fund II (Cayman)	307,504	692,496	n/a	n/a
Canyon Distressed Opportunity Fund III (Cayman)	580,220	419,780	n/a	n/a
Golub Capital Partners International 11, L.P.	905,074	94,926	n/a	n/a
Sheridan Square Offshore Fund, Ltd.	2,996,714	n/a	Monthly	30 days
Wellington Micro Cap	2,256,589	n/a	Monthly	90 days

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Davidson Kempner Long-Term Distressed Opportunities International IV LP	1,103,161	n/a	n/a	n/a
Davidson Kempner Long-Term Distressed Opportunities International V LP	504,700	495,300	n/a	n/a
Renaissance Institutional Diversified Alpha Fund LLC (Series A) - RIDA	948,272	n/a	Monthly	45 days
Greenspring Global Partners X, L.P.	140,006	609,994		
Lexington Capital Partners IX, L.P.	<u>1,037,601</u>	<u>n/a</u>	n/a	n/a
Total Investments measured at NAV	<u>57,027,431</u>	<u>2,312,496</u>		
Total Investments held by the Foundation	<u>\$ 74,917,035</u>			

NOTE 4 – ENDOWMENTS

The Foundation’s endowment consists of approximately 230 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net positions associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net positions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor- restricted endowment fund that is not classified in permanently restricted net positions is classified as temporarily restricted net positions until those amounts are appropriated for expense by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the donor-restricted endowment fund
- 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 organization
- The investment policies of the organization

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
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Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 4 – ENDOWMENTS (Continued)

Endowment Net Position Composition by Type of Fund as of current fiscal year end:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 20,642,792	28,909,932	49,552,724
Total funds	<u>\$ 20,642,792</u>	<u>28,909,932</u>	<u>49,552,724</u>

Changes in Endowment Net Position for the current fiscal year:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 28,456,997	27,928,909	56,385,906
Contributions	467,972	1,045,008	1,512,980
Net appreciation (depreciation)	(6,531,961)	(63,985)	(6,595,946)
Amounts appropriated for expenditure	<u>(1,750,216)</u>	<u>-</u>	<u>(1,750,216)</u>
Endowment net position, end of year	<u>\$ 20,642,792</u>	<u>28,909,932</u>	<u>49,552,724</u>

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4% annually.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
A COMPONENT UNIT OF NEW MEXICO MILITARY INSTITUTE
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable are unconditional and due in varying amounts and periods. Unconditional pledges receivable at June 30, 2022 and 2021, totaled \$161,727 and \$207,785, excluding a present value discount of \$15,934 and \$25,899, respectively, measured at a discount rate approximately 4 percent. When estimating the fair value of unconditional promises to give, management considers the relationship with the donor, the donor’s past history of making timely payments, and the donor’s overall creditworthiness which represent level 3 inputs.

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 57,483	56,009
Receivable in one to five years	120,178	177,675
Total pledges receivable	177,661	233,684
Less discounts to net present value	<u>(15,934)</u>	<u>(25,899)</u>
Net pledges receivable at year end	<u>\$ 161,727</u>	<u>207,785</u>

NOTE 6 – LAND AND BUILDINGS HELD FOR INVESTMENTS

Land held for investment consists of various developed and undeveloped lots, primarily in the area of Roswell, New Mexico. All land held for investment is reported at market value using recent comparative sales, inquiries of appraisers, and actual appraisals to estimate the fair market value which represent level 3 inputs. Land is sold at the direction of the Board of Trustees.

NOTE 7 – ANNUITY OBLIGATIONS

The principal amount of life gifts, charitable remainder unitrusts and accumulated earnings, which are temporarily restricted, are included in investments in the Statements of Net Position and will be reflected as support in the Statements of Revenues, Expenses, and Changes in Net Position when the term of the life income gifts have been met and the income is no longer restricted. At June 30, 2022 and 2021 the Ralph R. Connor Charitable Remainder Unitrust was recorded as annuity obligations in the amount of \$394,282 and \$475,616, respectively.

NOTE 8 – LEASE AGREEMENTS

During the fiscal year, GASB Statement No. 87 (Leases) became effective. The underlying leased assets (Note 6) meet the requirements in GASB Statement No. 72 to be reported as investment measured at fair value, hence the recognition and measurement guidance under GASB Statement No. 87 does not apply. The lease agreements did not contain existence, terms, and conditions of options by the lessees to terminate the lease or abate payments if the Foundation has issued debt for which the principal and interest payments are secured by the lease payments.

Lease agreements between the Foundation and tenants of its property are for terms up to 6 years and generally included provisions for escalation based upon the Consumer Price Index, as well as, renewal options at the end of the primary term.

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
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Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 8 – LEASE AGREEMENTS (continued)

Minimum future rental income on leases as of year end:

2023	\$	352,617
2024		323,245
2025		212,814
2026		222,620
2027		197,964
Thereafter		296,946
Total	\$	<u>1,606,206</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

The New Mexico Military Institute provides office space (including building maintenance, utilities, and janitorial services) to the Foundation at no charge. For the years ended June 30, 2022 and 2021, \$4,000 was recorded each year as a contribution for the use of office space with a corresponding amount recorded as rent expense.

For the years ended June 30, 2022 and 2021, various expenses were paid by the New Mexico Military Institute on behalf of the Foundation, which have been reimbursed. At June 30, 2022 and 2021, \$363,761 and \$199,257, respectively, were due to the NMMI for operating expenses and support. For the years ended June 30, 2022 and 2021, the Foundation provided \$1,865,091 and \$1,828,895 respectively, in scholarships and awards for the benefit of Institute cadets and faculty and Alumni relations support.

NOTE 10 – INVESTMENT VOLATILITY

The investment markets experienced fluctuations as changes in the global economy affect the U.S. market. It is expected that this volatility will continue to impact the value of investments reported in the statement of net position in the subsequent fiscal year.

NOTE 11 – RISK AND ECONOMIC UNCERTAINTIES

The COVID-19 and the ongoing war in Ukraine caused supply chain and labor issues, which resulted to a high inflation rate in the United States. To fight inflation, the Federal Reserve has raised interest rate few times and plans to do so until it reached its target inflation rate. These conditions negatively affect the stock market and created market volatility. The Foundation could not estimate impact of these uncertainties but believes it will significantly affect the Foundation’s returns on their investment portfolio.

SUPPLEMENTARY INFORMATION

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT UNIT OF THE NEW MEXICO MILITARY INSTITUTE)
Schedule of Deposit and Investment Accounts
June 30, 2022

<u>Institution</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and equivalents:				
Wells Fargo	Operating	Checking - noninterest	\$ 41,524	41,524
Wells Fargo	Restricted	Checking - noninterest	813,969	799,243
			<u>\$ 855,493</u>	<u>840,767</u>
Investments:				
Indus Capital	Indus Select Fund	Investment	\$ 2,435,200	2,435,200
Citco	Nut Tree Offshore Fund LTD	Investment	2,486,407	2,486,407
Citco	Maverick Stable Fund LTD	Investment	2,270,932	2,270,932
Citco	Davidson Kempner Institutional Partners LP	Investment	2,231,877	2,231,877
Citco	Davidson Kempner LT DO IV	Investment	1,163,464	1,163,464
Citco	Davidson Kempner LT DO V	Investment	986,473	986,473
Newport Asia	Newport Asia International Fund	Investment	2,001,758	2,001,758
Rock Springs	Capital Fund LP	Investment	2,829,271	2,829,271
IR&M	Core Bond Fund II LLC	Investment	1,485,915	1,485,915
Vanguard	Vanguard Dividend Growth Fund	Investment	11,753,994	11,753,994
Vanguard	Vanguard Short Term Bond Fund	Investment	2,813,010	2,813,010
Wellington Management	Archipelago Holdings LTD	Investment	3,494,504	3,494,504
Wellington Management	CTF Micro Cap Equity	Investment	1,629,229	1,629,229
Wellington Management	CTF Research Equity	Investment	10,813,156	10,813,156
Morgan Stanley Fund Services	Kabouter International Opportunities Offshore Fund II Ltd.	Investment	1,470,011	1,470,011
Northern Trust	GQG Partners International Equity Fund	Investment	2,803,225	2,803,225
Golub Capital	Golub Capital Partners International 11, L.P.	Investment	883,750	883,750
International Fund Services	Canyon Distressed Opportunity Fund II (Cayman), L.P.	Investment	6,555	6,555
International Fund Services	Canyon Distressed Opportunity Fund III (Cayman), L.P.	Investment	720,144	720,144
Renaissance	RIDA Fund LLC (Series A)	Investment	1,139,672	1,139,672
State Street Corporation	Farallon Capital Institutional Partners, LP	Investment	1,702,804	1,702,804
Spyglass Capital Management	Spyglass Growth Fund Inst	Investment	1,189,286	1,189,286
Select Equity Group	Sheridan Square Offshore Fund, LTD	Investment	2,182,272	2,182,272
Lexington Partners	Lexington Capital Partners IX, L.P.	Investment	1,773,046	1,773,046
Stepstone Partners	StepStone VC Global Partners	Investment	451,725	451,725
Morgan Stanley Fund Services	Whale Rock Flagship Fund LTD	Investment	535,306	535,306
Citco		Investment	662,062	662,062
	Nut Tree Drawdown Offshore Fund, LP			
Citco	Davidson Kempner Income International LP	Investment	952,973	952,973
Morgan Stanley Fund Services	Soroban Carbonization Fund	Investment	1,000,000	1,000,000
			<u>\$ 65,868,021</u>	<u>65,868,021</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
New Mexico Military Institute Foundation, Inc.
and
Mr. Brian Colón, 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 New Mexico Military Institute Foundation, Inc. (the “Foundation”) (a non-profit organization and component unit of the New Mexico Military Institute), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated November 1, 2022 .

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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.



Albuquerque, New Mexico

November 1, 2022

NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Summary of Audit Results
June 30, 2022

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness Identified? | No |
| b. Significant deficiency identified not considered to be a material weakness? | None noted |
| c. Noncompliance material to financial statements noted? | No |

Section II – Current Year Findings

No current year findings.

Section III – Prior Year Findings

No prior year findings.

**NEW MEXICO MILITARY INSTITUTE FOUNDATION, INC.
(A COMPONENT OF UNIT OF NEW MEXICO MILITARY INSTITUTE)
Exit Conference
June 30, 2022**

EXIT CONFERENCE

An exit conference was conducted on October 27, 2022, in which the contents of this report were discussed with the following:

For the New Mexico Military Institute Foundation, Inc.

Audit Committee Members:

MG Jerry W. Grizzle, Superintendent

Foundation Management:

Kenneth V. Barbe, Jr. – Chairman

Jimmy Barnes, CPA - President

For Axiom CPAs and Business Advisors, LLC.

Jaime Rumbaoa, CPA – Partner

Yasmeen Abdeljalil, CPA – Manager

The financial statements were prepared with the assistance of Axiom CPAs and Business Advisors LLC.