



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

**Financial Statements and
Supplementary Information**

June 30, 2023 and 2022



Board of Trustees

AS OF JUNE 30, 2023

Officers

KENNETH V. BARBE, JR.

Chairman

KIM D. GREAVES

Vice-Chairman

DR. JESUS R. RAMOS GARZA

Secretary

JESUS SALAZAR

Immediate Past Chairman

SPENCER FRANK

Treasurer

JIMMY L. BARNES

President and CEO

Members

KEVIN O. BUTLER

Member

DR. EARL A "TRES" LATIMER, III

Member

CLAIRE E. CHASE

Member

GEORGE M. YATES

Member

W. PHELPS ANDERSON

Member

HAROLD A. EDMONSON, JR

Member

COL TIMOTHY S. PAUL

Member

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.**
Roswell, New Mexico

and

Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor
Santa Fe, New Mexico

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 year ended June 30, 2023, 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, 2023, and the changes in its financial position and cash flows for the year 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 opinion.

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 6 - 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 an opinion 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

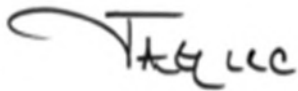
has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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.

Prior Period Financial Statements

The financial statements of the Foundation, as of the year ended June 30, 2022, were audited by other auditors whose report, dated November 1, 2022, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 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.

A handwritten signature in black ink, appearing to read 'T. G. LLC'.

Albuquerque, New Mexico
October 30, 2023

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023

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, 2023 with selective comparative information as of and for the fiscal year ended June 30, 2022. 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, 2023 and 2022. 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

	2023	2022
Current assets	\$ 5,780,344	\$ 923,849
Noncurrent assets	72,898,163	71,324,442
Total assets	\$ 78,678,507	\$ 72,248,291
Current liabilities	\$ 1,069,522	\$ 387,733
Annuity obligations	-	394,283
Total liabilities	1,069,522	782,016
Net position		
Unrestricted	22,987,591	21,913,551
Restricted - expendable	23,107,909	20,642,792
Restricted - non-expendable endowment:	31,513,485	28,909,932
Total net position	77,608,985	71,466,275
Total liabilities and net position	\$ 78,678,507	\$ 72,248,291

Total Assets Highlight

At June 30, 2023, the Foundation's total assets were \$78,678,507, which represents an increase of 9% from the June 30, 2022 balance of \$72,248,291. The increase is primarily due an increase in the market value of the investment portfolio for the fiscal year ended June 30, 2023.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022
Operating revenues		
Donations	\$ 3,054,016	\$ 1,512,980
Other	<u>14,342</u>	<u>(67,126)</u>
Total operating revenues	<u>3,068,358</u>	<u>1,445,854</u>
Non-operating revenues		
Investment income	5,285,620	(8,942,437)
Rental income	364,998	352,617
Real estate expenses	(50,145)	-
Loss on sale of real estate	<u>(20,338)</u>	<u>(31,195)</u>
Total nonoperating revenues	<u>5,580,135</u>	<u>(8,621,015)</u>
Operating expenses		
Scholarships	1,045,431	864,262
NMMI support	1,148,840	1,000,829
Management & general	305,028	288,473
Other	<u>6,484</u>	<u>5,309</u>
Total operating expenses	<u>2,505,783</u>	<u>2,158,873</u>
Change in net position	6,142,710	(9,334,034)
Net position, beginning of year	<u>71,466,275</u>	<u>80,800,309</u>
Net position, end of year	<u>\$ 77,608,985</u>	<u>\$ 71,466,275</u>

Donation Highlights

Total donations increased over \$1,500,000 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, 2023.

Condensed Statements of Cash Flows

	2023	2022
Cash flows from operating activities		
Cash received from donors and grantors	\$ 1,079,159	\$ 1,573,781
Cash paid to NMMI for support	(2,049,636)	(1,700,587)
Cash paid to beneficiaries and vendors	(325,910)	(290,618)
Net cash used in operating activities	(1,296,387)	(417,424)
Cash flows from investing activities		
Rental income	368,213	352,612
Purchase of investments	(8,375,197)	(6,080,067)
Proceeds from sale of investments	12,652,710	6,169,713
Other	(50,145)	(31,195)
Net cash provided by investing activities	4,595,581	411,063
Net increase (decrease) in cash and cash equivalents	3,299,194	(6,361)
Cash and cash equivalents, beginning of year	855,493	861,854
Cash and cash equivalents, end of year	\$ 4,154,687	\$ 855,493

Investment Portfolio Performance Highlights

During the fiscal year ended June 30, 2023, the Foundation's investment portfolio had a gain of 8.44%. The 10-year annualized universal rank was 29, 1 being the best and 100 the worst.

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

Fiscal Year	Annual Return	Investment		
		Return (Loss)	Book Value	Market Value
6/30/2019	5.46%	\$ 2,764,383	\$42,111,193	\$58,474,315
6/30/2020	2.90%	1,661,395	42,904,167	59,835,134
6/30/2021	28.63%	17,143,439	43,277,217	75,669,657
6/30/2022	-11.82%	(8,942,431)	46,335,635	66,653,785
6/30/2023	8.44%	5,285,622	46,782,689	67,562,663

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, 2022, the Foundation made a commitment to provide support of \$10,000 annually for the subsequent four fiscal years to help offset the costs of having the Wool Bowl game in Roswell, New Mexico.

On August 1, 2023, at the request of NMMI, the Foundation entered into an agreement with Community Counselling Service Co., LLC, to provide a feasibility study for a capital campaign. The fees for the study are \$85,000 plus reimbursable expenses.

In August 2023, NMMI began enrollment for 6th grade classes in the New Mexico Military Institute Intermediate Preparatory Academy (IPA). The IPA middle school will serve as a feeder school to the NMMI high school when fully operational through the 8th grade. During the fiscal year ended June 30, 2023, the Foundation purchased property at a cost of \$3.35 million, located at 402 W. Country Club Road, for the IPA. The Foundation also committed up to \$2.5 million for renovation of the building. As of June 30, 2023 the Foundation had expended \$589,761 towards its commitment.

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, New Mexico 88201
(575) 624-8035



Financial Statements

STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 98,281	\$ 41,524
Cash and cash equivalents, restricted	4,056,406	813,969
Accounts receivable	5,659	8,873
Pledges receivable, net of allowance	57,483	57,483
Prepaid expenses	12,132	2,000
Due from New Mexico Military Institute	1,946	-
Assets held in trust	1,548,437	-
Total current assets	5,780,344	923,849
Noncurrent assets		
Investments	63,609,814	65,868,021
Land and buildings held for investment	7,676,209	3,813,602
Pledges receivable, net of allowance	54,539	104,244
Surrender value of life insurance policies	661,084	656,445
Beneficial interest in perpetual trust, restricted	811,377	796,886
Other assets, restricted	85,140	85,140
Property and equipment	-	104
Total noncurrent assets	72,898,163	71,324,442
Total assets	\$ 78,678,507	\$ 72,248,291
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 525,365	\$ 3,233
Due to New Mexico Military Institute	516,826	363,761
Accrued employee leave	20,871	20,740
Annuity obligations	-	394,282
Unearned revenue	6,460	-
Total liabilities	1,069,522	782,016
Net Position		
Unrestricted	22,987,591	21,913,551
Restricted - expendable	23,107,909	20,642,792
Restricted - non-expendable endowments	31,513,485	28,909,932
Total net position	77,608,985	71,466,275
Total liabilities and net position	\$ 78,678,507	\$ 72,248,291

See Accompanying Notes.

STATEMENTS REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues		
Contributions	\$ 3,054,016	\$ 1,512,980
Change in cash value of life insurance	4,639	(74,793)
Miscellaneous	9,703	7,667
Total Operating Revenues	3,068,358	1,445,854
Operating Expenses		
Scholarships	1,045,431	986,714
New Mexico Military Institute - Program Support	280,235	202,446
Activities and projects	779,783	602,846
Professorships and awards	88,822	73,085
Management and general	305,028	288,473
Fundraising	6,484	5,309
Total Operating Expenses	2,505,783	2,158,873
Operating Income (Loss)	562,575	(713,019)
Non-operating Revenues (Expenses)		
Investment income (loss)	5,285,620	(8,942,437)
Rental income	364,998	352,617
Real estate expenses	(50,145)	(31,195)
Loss on sale of real estate	(20,338)	-
Total Non-operating Income (Loss)	5,580,135	(8,621,015)
Change in net position	6,142,710	(9,334,034)
Net position, beginning of year	71,466,275	80,800,309
Net position, end of year	\$ 77,608,985	\$ 71,466,275

See Accompanying Notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Cash received from donors and grantors	\$ 1,079,159	\$ 1,573,781
Cash paid to NMMI for scholarships and program support	(2,049,636)	(1,700,587)
Cash paid to beneficiaries and vendors	(325,910)	(290,618)
Net cash used in operating activities	(1,296,387)	(417,424)
Cash flows from investing activities		
Rental income	368,213	352,612
Purchase of investments	(8,375,197)	(6,080,067)
Proceeds from sale of investments	12,652,710	6,169,713
Payment for real estate expenses	(50,145)	(31,195)
Net cash provided by investing activities	4,595,581	411,063
Net increase (decrease) in cash and cash equivalents	3,299,194	(6,361)
Cash and cash equivalents, beginning of year	855,493	861,854
Cash and cash equivalents, end of year	\$ 4,154,687	\$ 855,493
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Cash flows from operating activities		
Operating income (loss)	\$ 562,575	\$ (713,019)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Non-cash donations, net of expenses	(2,046,496)	-
Changes in operating assets and liabilities		
Accounts and other receivables	3,214	7,077
Pledges receivable	49,705	46,058
Due from other governments	(1,946)	-
Prepaid assets	(10,132)	1,374
Surrender value of life insurance	(4,639)	74,792
Accounts payable	(1,864)	(859)
Accrued expenses	131	2,649
Due to other governments	153,065	164,504
Net cash used in operating activities	\$ (1,296,387)	\$ (417,424)
Supplemental disclosure of noncash investing, capital, and financing activities		
Unrealized gain (loss) on investments	\$ 414,788	\$ (12,064,961)

See Accompanying Notes.

Notes to the Financial Statements

JUNE 30, 2023 AND 2022

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, 2023 and 2022, the Foundation received \$3,024,455 and \$1,512,980, respectively, in restricted contributions. For the years ended June 30, 2023 and 2022, the Foundation received \$364,998 and \$352,617, 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.
- ***Restricted expendable 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.
- ***Restricted non-expendable net position*** – net position subject to donor-imposed restrictions that must be maintained permanently by the Foundation.

Restricted and Unrestricted Revenue. Contributions received are recorded as unrestricted or 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 no endowed 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.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2023 and 2022. Increases in cash value during the year are recognized as earned revenue.

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.

NOTE 3 – CASH AND INVESTMENTS

At year end, the Foundation's deposits were \$4,154,687, and the book balance was \$4,155,910.

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. 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, 2023 and 2022.

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, 2023 and 2022, Foundation's bond mutual funds are subject to interest rate risk.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investment Income. For the years ended June 30, 2023 and 2022, components of investment income were as follows:

	2023	2022
Interest and dividends	\$ 627,888	\$ 573,873
Net unrealized gains (losses)	414,788	(12,064,962)
Net realized gains	4,399,152	2,707,895
Investment expenses	(156,208)	(159,243)
Total investment income (loss)	\$ 5,285,620	\$ (8,942,437)

The investments held that are valued at Net Asset Valuations (NAV) 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 benchmarks. 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.

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.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The Foundation has the following recurring fair value measurements as of June 30, 2023:

Managed Funds/Bonds	Category	Fair Value Measurements using			Balance as of June 30, 2023
		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	\$ 8,820,809	\$ -	\$ -	\$ 8,820,809
Spyglass Growth Fund	Fixed Income	1,365,541	-	-	1,365,541
Vanguard Short Term Bond Fund	Small Cap Equity	2,354,174	-	-	2,354,174
Edward Jones (SPDR XLE)	Indexed Fund	2,309,062	-	-	2,309,062
		<u>\$ 14,849,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,540,524</u>

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments measured at the NAV as of June 30, 2023:

Alternative Investments	Fair Value	Unfunded Commitments	Redemption frequency (if currently eligible)	Redemption Notice Period
Davidson Kempner Institutional Partners, LP	\$ 2,330,965	n/a	65 days notice	June 30 and Dec 31
Maverick Stable Fund, Ltd., Class P-2	1,373,062	n/a	95 days notice	rolling annually on anniversary
IR&M Core Bond Fund II LLC	1,475,771	n/a	daily	daily
Wellington Archipelago Holdings, Ltd.	1,625,121	n/a	45 days notice	Quarterly
GQG Partners International Equity Fund	3,105,868	n/a	5 days notice	weekly
Indus Select Fund, Ltd	2,615,771	n/a	30 days notice	monthly
Newport Asia Institutional Fund LP	1,972,304	n/a	30 days notice	Monthly
Rock Springs Capital Fund LP	3,370,297	n/a	45 days notice	After lockup, quarterly within 45 days' notice
Wellington Research Equity	9,873,251	n/a	30 days notice	Monthly
Canyon Distressed Opportunity Fund III (Cayman) L.P.	1,029,432	-	n/a	n/a
Golub Capital Partners International 11, L.P.	903,063	96,937	n/a	n/a
Wellington Micro Cap	1,898,556	n/a	90 days notice	Monthly
Davidson Kempner Long-Term Distressed Opportunities International IV LP	620,407	379,593	n/a	n/a
Davidson Kempner Long-Term Distressed Opportunities International V LP	1,047,756	-	n/a	n/a
Davidson Kempner Long-Term Distressed Opportunities International VI LP	46,437	953,563	n/a	n/a
Renaissance Institutional Equities Fund LLC - RIE	1,198,534	n/a	60 days notice	Monthly
Nut Tree Offshore Fund, Ltd	2,615,364	n/a	75 days notice	After lockup, quarterly within 75 days' notice
Farallon Capital Institutional Partners, LP	1,794,199	n/a	60 days notice	Three series of shares
Sheridan Square Offshore Fund, Ltd.	2,416,680	n/a	30 days notice	monthly
Lexington Capital Partners IX, L.P.	1,907,982	92,018	n/a	n/a
Lexington Capital Partners X, L.P.	219,145	1,780,855	n/a	n/a
StepStone VC Global Partners X	493,751	256,249	n/a	n/a
StepStone VC Global Partners XI	88,035	911,965	n/a	n/a
Soroban Decarbonization Beneficiaries Cayman Fund Ltd	1,071,202	n/a	n/a	n/a
Davidson Kempner Income International LP	1,456,728	543,272	n/a	n/a
Nut Tree Drawdown Offshore Fund, L.P.	1,608,430	391,570	n/a	n/a
Whale Rock Flagship L.P., Ltd.	602,117	n/a	45 days notice	Quarterly
Total Investments measured at NAV	<u>48,760,228</u>	<u>\$ 5,406,022</u>		
Total Investments held by the Foundation	<u>\$ 63,609,814</u>			

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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
		<u>\$ 15,756,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,756,290</u>

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

Alternative Investments	Fair Value	Unfunded Commitments	Redemption frequency (if currently eligible)	Redemption Notice Period
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 Rolling annually on	65 days
Maverick Stable Fund, Ltd., Class P-2	2,270,932	n/a	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	50,111,731	3,092,873		
Total Investments held by the Foundation	\$ 65,868,021			

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

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

	Restricted Expendable	Restricted non- expendable	Total
Donor-restricted endowment funds	\$ 23,107,909	\$ 31,513,485	\$ 54,621,394
Total funds	\$ 23,107,909	\$ 31,513,485	\$ 54,621,394

Changes in Endowment Net Position for the current fiscal year:

	Restricted Expendable	Restricted non- expendable	Total
Endowment net assets, beginning of year	\$ 20,642,792	\$ 28,909,932	\$ 49,552,724
Contributions	435,409	2,589,062	3,024,471
Net appreciation (depreciation)	3,943,744	14,491	3,958,235
Amounts appropriated for expenditure	(1,914,036)	-	(1,914,036)
Endowment net position, end of year	\$ 23,107,909	\$ 31,513,485	\$ 54,621,394

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

NOTE 4 – ENDOWMENTS (CONTINUED)

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.

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable are unconditional and due in varying amounts and periods. Unconditional pledges receivable at June 30, 2023 and 2022, totaled \$112,022 and \$161,727, excluding a present value discount of \$8,170 and \$15,934, respectively, measured at a discount rate approximately 4%. 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.

	2023	2022
Receivable in less than one year	\$ 59,208	\$ 57,483
Receivable in one to five years	60,984	120,178
Total pledges receivable	120,192	177,661
Less discounts to net present value	(8,170)	(15,934)
Net pledges receivable at year end	\$ 112,022	\$ 161,727

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 the Ralph R. Connor Charitable Remainder Unitrust was recorded as annuity obligations in the amount of \$394,282.

NOTE 8 – LEASE AGREEMENTS

During fiscal year 2022, 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.

Minimum future rental income on leases as of year end:

2024	\$ 465,080
2025	566,420
2023	566,420
2027	566,420
2028	128,210
Thereafter	<u>1,644,086</u>
Total	<u>\$ 3,936,636</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, 2023 and 2022, \$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, 2023 and 2022, various expenses were paid by the New Mexico Military Institute on behalf of the Foundation, which have been reimbursed. At June 30, 2023 and 2022, \$516,826 and \$363,761, respectively, were due to the NMMI for operating expenses and support. For the years ended June 30, 2023 and 2022, the Foundation provided \$2,194,271 and \$1,865,091 respectively, in scholarships and awards for the benefit of Institute cadets and faculty and Alumni relations support.

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 10 – SUBSEQUENT EVENT

In August 2023, NMMI began enrollment for 6th grade classes in the New Mexico Military Institute Intermediate Preparatory Academy (IPA). The IPA middle school will serve as a feeder school to the NMMI high school when fully operational through the 8th grade. During the fiscal year ended June 30, 2023, the Foundation purchased property at a cost of \$3.35 million, located at 402 W. Country Club Road, for the IPA. The Foundation also committed up to \$2.5 million for renovation of the building. As of June 30, 2023 the Foundation had expended \$589,761 towards its commitment.