

# Arrowhead Center, Inc.



## Annual Financial Report 2012-2013



**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

**Financial Statements**  
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**June 30, 2013 and 2012**

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**ARROWHEAD CENTER, INC.**  
*Board of Directors and Corporation Officers*

**2013 Directors**

Tilahun Adera  
Jordan Banegas  
Jon Barela  
Kevin Boberg  
Kathy Brook  
Garrey Carruthers  
Lowell Catlett  
Vimal Chaitanya  
Greg Fant  
Steve Hottman  
Ricardo Jacquez  
Bruce Kite  
Davin Lopez  
James Manatt  
Jackie Kerby Moore  
Michael Morehead  
Isaac Pino  
Michael Rivera  
Van Romero  
Christa Slaton  
Angela Throneberry  
Ben Woods

**Officers**

Garrey Carruthers – President and Chairman of the Board  
Vimal Chaitanya – Vice President  
Tilahun Adera – Secretary  
Angela Throneberry – Treasurer  
Kevin Boberg – Chief Executive Officer

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Arrowhead Center, Inc.  
and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Arrowhead Center, Inc. (Center) (a blended component unit of New Mexico State University) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Board of Directors  
Arrowhead Center, Inc.  
and  
Mr. Hector Balderas  
New Mexico State Auditor

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *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 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013 on our consideration of the Arrowhead Center, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Arrowhead Center, Inc.'s internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 18, 2013

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Management's Discussion and Analysis*  
*For the Years Ended June 30, 2013, 2012 and 2011*

(Unaudited)

This discussion and analysis of Arrowhead Center, Inc. (Arrowhead) and its financial performance provides an overview of Arrowhead's financial activities for the fiscal years ended June 30, 2013, 2012 and 2011. All accounting transactions for fiscal years 2013, 2012 and 2011 are considered to be governmental activities for purposes of applying the Governmental Accounting Standards Board's (GASB) accounting standards.

### **Financial Highlights**

- Arrowhead's net position increased by \$880,355 for fiscal year 2013. This was primarily due to an unrealized gain on Arrowhead's investment in corporate stock. In fiscal year 2012, Arrowhead's net position decreased by \$274,441 due to two major projects. The first was \$194,576 for Qwest to place fiber based services on the property. The second was in the amount of \$68,031 to remodel the Genesis C Suite 170 – 192. In 2011, Arrowhead's net position increased \$84,866 due to program service income being greater than supporting services expenses.
- Arrowhead's operating expenses decreased by \$323,561 due to a decline in major projects. In 2012, operating expenses increased by \$436,389 due to the two major projects as well as increased utilities and professional services. The increase in operating expenses in 2011 was largely due to general overhead. In 2013, the operating revenues decreased by \$45,224, however, due to the sale of stock, there was still an increase in net position \$880,355. In 2012, although the operating revenues increased by \$110,319, operating expenses increased by much more, resulting in an operating loss of \$273,630, which reduced ending net assets. In 2011 operating revenues surpassed operating expenses resulting in net operating income which continued to increase the ending net position.
- The cash position has remained fairly constant between 2013, 2012 and 2011.

### **Using This Annual Report**

This annual report contains the following financial statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. Arrowhead's address is: Arrowhead Center, Inc., MSC 700, P.O. Box 30001, Las Cruces, NM 88003.

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Management's Discussion and Analysis*  
*For the Years Ended June 30, 2013, 2012 and 2011*

**Overview of the Financial Statements**

The Statement of Net Position of Arrowhead provides information about Arrowhead's overall financial status. The Statement of Revenues, Expenses, and Change in Net Position provides information about the operating revenues and operating expenses and the non-operating revenues and non-operating expenses of Arrowhead. The Statement of Cash Flows provides information about the sources and uses of cash.

**Reporting on Arrowhead's Activities**

**Financial Highlights**

Arrowhead's condensed financial information as of, and for the years ended June 30, 2013, 2012 and 2011 are provided in the following table:

	2013	2012	2011
Current assets	\$ 551,785	\$ 547,072	\$ 833,762
Other assets	1,014,590	138,942	139,753
<b>Total assets</b>	<u>\$ 1,566,375</u>	<u>\$ 686,014</u>	<u>\$ 973,515</u>
Current liabilities	7,298	7,292	20,352
Net position	1,559,077	678,722	953,163
<b>Total liabilities and net position</b>	<u>\$ 1,566,375</u>	<u>\$ 686,014</u>	<u>\$ 973,515</u>
Operating revenues	\$ 522,467	\$ 567,691	\$ 457,372
Operating expenses	517,760	841,321	404,932
<b>Operating income (loss)</b>	4,707	(273,630)	52,440
Non-operating revenue (expense)	875,648	(811)	32,426
<b>Change in net position</b>	880,355	(274,441)	84,866
Net position, beginning of year	678,722	953,163	868,297
<b>Net position, end of year</b>	<u>\$ 1,559,077</u>	<u>\$ 678,722</u>	<u>\$ 953,163</u>

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Management's Discussion and Analysis*  
*For the Years Ended June 30, 2013, 2012 and 2011*

***Statement of Net Position***

**Assets** – The majority of the assets in 2013 were from investments, \$1,014,590, which increased value was due to the recording of an unrealized gain related to GTL and FTL stock. In 2012 and 2011 the majority of the assets were in the form of cash \$510,699 and \$545,855, respectively. In 2011, Arrowhead also had prepaid expenses of \$272,576. All cash was held by Arrowhead's fiscal agent, New Mexico State University.

**Liabilities and Net Assets** – In 2013, 2012 and 2011 current liabilities were \$7,298, \$7,292, and \$20,352, respectively. The decrease in 2012 was due to a reduction in accounts payable. In 2011, accounts payable was higher due to a large contract that was outstanding. The 2013 net position increased by \$880,355 over 2012, due to the unrealized gain on the sale of GTL and FTL stock. The 2012 net position of \$678,722 decreased from prior year due to the prepaid expense in 2011 being expensed in 2012. The 2011 net assets of \$953,163 increased by \$84,866 from prior year due an increase in prepaid expense that was somewhat offset by a decrease in cash.

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

**Revenues** – Operating revenue earned in 2013, 2012 and 2011 were derived from private contracts, royalties, license fees, and rental income. Non operating revenue was derived from Arrowhead's portion of ownership of stocks in privately held companies.

**Expenses** – Operating expenses decreased by \$323,561 in 2013 due to less projects and lower overhead. In 2012 there were two major projects and increased overhead, which caused operating expense to increase by \$436,389. In 2011, operating expenses increased by \$110,271 mainly due to general overhead.

This financial report is designed to provide a general overview of Arrowhead's finances for all those with an interest in Arrowhead's finances.



**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Statements of Net Position*  
*As of June 30, 2013 and 2012*

	2013	2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 536,642	\$ 510,699
Accounts receivable	15,143	36,373
	<u>551,785</u>	<u>547,072</u>
<b>Long Term Assets</b>		
Investments	1,014,590	138,942
<b>TOTAL ASSETS</b>	<u>1,566,375</u>	<u>686,014</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	5,781	4,893
Unearned Revenue	1,517	2,399
<b>TOTAL LIABILITIES</b>	<u>7,298</u>	<u>7,292</u>
<b>NET POSITION</b>		
Unrestricted	1,559,077	678,722
<b>TOTAL NET POSITION</b>	<u>\$ 1,559,077</u>	<u>\$ 678,722</u>
The accompanying notes are an integral part of these financial statements.		

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2013 and 2012*

	2013	2012
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Program services income	<u>\$ 522,467</u>	<u>\$ 567,691</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Program services	4,875	10,090
Supporting services	<u>512,885</u>	<u>831,231</u>
<b>Total Operating Expenses</b>	<u>517,760</u>	<u>841,321</u>
Net Operating Income (Loss)	4,707	(273,630)
<b>NON OPERATING REVENUES</b>		
Other non operating revenues (expenses)	<u>875,648</u>	<u>(811)</u>
<b>Increase (Decrease) in Net Position</b>	880,355	(274,441)
<b>NET POSITION</b>		
Beginning of Year	<u>678,722</u>	<u>953,163</u>
End of Year	<u><u>\$1,559,077</u></u>	<u><u>\$ 678,722</u></u>
The accompanying notes are an integral part of these financial statements.		

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Statements of Cash Flows*  
*For the Years Ended June 30, 2013 and 2012*

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Program services income	\$ 542,815	\$ 546,521
Payments to suppliers	(516,872)	(581,677)
Net cash used in operating activities	<u>25,943</u>	<u>(35,156)</u>
<b>Net Increase (Decrease) in Cash</b>	25,943	(35,156)
<b>Cash-Beginning of Year</b>	<u>510,699</u>	<u>545,855</u>
<b>Cash-End of Year</b>	<u><u>\$ 536,642</u></u>	<u><u>\$ 510,699</u></u>
<b>Reconciliation of Net Operating Income to Net Cash Used by Operating Activities</b>		
Operating Income (Loss)	\$ 4,707	\$ (273,630)
Change in Assets and Liabilities:		
Decrease (Increase) in accounts receivable	21,230	(21,042)
Decrease in prepaid expenses	-	272,576
Decrease in unearned revenue	(882)	(128)
Increase (Decrease) in accounts payable	888	(12,932)
Net cash used in operating activities	<u><u>\$ 25,943</u></u>	<u><u>\$ (35,156)</u></u>
The accompanying notes are an integral part of these financial statements.		

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Notes to Financial Statements*

*For the years ended June 30, 2013 and 2012*

**Note 1: Organization and Nature of Operations**

Arrowhead Center, Inc. (Arrowhead), formerly known as the New Mexico State University Technology Transfer Corporation, is organized pursuant to the provisions of the State of New Mexico's University Research Park Act of 1989 (Act). The purpose of the Act is to foster economic development within the State through the development of research parks or University real property, and through the cooperative ventures of innovative technological significance.

A Memorandum of Agreement (MOA) between the Regents of New Mexico State University and Arrowhead has established provisions to which Arrowhead will comply. Arrowhead represents the interests of New Mexico State University (the University) in all intellectual property developed by the University and its faculty for purposes of protection, licensing, and commercialization. Arrowhead's primary purposes are to promote and contribute to economic development and to aid in the transfer of innovative technology between the faculty at the University and the public. Arrowhead furthers the interests of the University by operating research park(s) for the benefit of the University and other facilities within the State of New Mexico.

In addition to the MOA, the Regents of New Mexico State University and Arrowhead have established a Master Ground Lease to allow Arrowhead to lease two tracts of land from the University, which is scheduled to terminate on June 30, 2075. The annual Land rent to the University shall be one-half of the net proceeds received by Arrowhead during the preceding year. Net proceeds are defined as the gross land lease revenues, received by Arrowhead, less the total of any amounts retained for operating and improvements expenses as approved in the annual development plan and budget by the University. There have been no net proceeds on land rent recorded to date.

Operating revenues are derived from private contracts, royalties, license fees and rental income. Non-operating revenue was derived from Arrowhead's portion of ownership of stock in privately held investments.

The University pays the legal fees associated with the licensing of patents, which are held in the University's name, until such time as the patent generates royalty income. Arrowhead will reimburse the University for any legal fees related to the licensing of patents generating revenues.

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Notes to Financial Statements*  
*For the years ended June 30, 2013 and 2012*

**Note 2: Summary of Significant Accounting Policies**

**Basis of Presentation.** The Governmental Accounting Standards Board's (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. GASB Statement No. 61, *Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, improves financial reporting for governmental entities. Based on the criteria of the above mentioned GASB statements, Arrowhead does not have any component units.

**Basis of Accounting.** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, Arrowhead is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

**Statement of Net Position.** Current assets consist of unrestricted assets, which are available for current operations or which will be available within one year.

**Cash and Investments.** Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to known amounts of cash or which have an original maturity date within ninety days. Arrowhead had no cash equivalents at June 30, 2013 and 2012. Cash recorded in the Statement of Net Position is held by the University in a cash management pool. Arrowhead follows all the University established cash management procedures. As of June 30, 2013, Arrowhead had stock of \$138,942 and recognized an unrealized gain of \$875,648 on this stock, increasing the valuation to \$1,014,590. As of 2012, Arrowhead had stock in privately held companies of \$138,942.

**Accounts Receivable.** The majority of the accounts receivable includes contracts with outside vendors to perform research and analysis studies. Management has determined that no accounts receivable is uncollectible at June 30, 2013 and 2012.

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Notes to Financial Statements*  
*For the years ended June 30, 2013 and 2012*

**Note 2: Summary of Significant Accounting Policies (continued)**

**Net Position.** Arrowhead's net assets are classified as follows:

*Restricted net position:* Restricted net assets include resources that the organization is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net position:* Unrestricted net assets are used for financial transactions related to the operation of Arrowhead and may be used at the discretion of the governing board.

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

**Income Taxes.** Arrowhead is exempt from federal income tax under section 501(a) of the Internal Revenue Code (IRC) as an organization described in section 501(c)(3). However, income generated from activities unrelated to Arrowhead's exempt purpose is subject to tax under IRC Section 511.

**Classifications of Revenues and Expenses.** Operating revenue and expenses are those incurred which relate directly to facilitating commercialization of the University faculty, staff and student inventions. Operational and patent cost funding from the University is recognized when all eligibility requirements have been met. Patent cost reimbursement is recognized when earned. All other revenue and expenses are considered non-operating.

**Use of Estimates.** The preparation of the financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Budgetary Process.** Arrowhead is not required to submit its budgets to the New Mexico Higher Education Department (HED) or the New Mexico Department of Finance and Administration-State Budget Division (DFA).

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Notes to Financial Statements*

*For the years ended June 30, 2013 and 2012*

**Note 3: Cash and Investments**

Arrowhead follows all University cash management and investment policies.

**Interest Rate Risk.** In accordance with the investment policy, investment maturities for cash balances are scheduled to coincide with cash flows. Arrowhead does not commit any discretionary funds to maturities longer than ten years from the date of purchase. Funds are only committed to maturities longer than five years from the date of purchase if directly related to a specific capital or other long-term project. Investments of non-discretionary funds reflect maturity dates not to exceed the final maturity dates established within the funds' restrictive purposes. At least 50% of all investment balances are to be invested in maturities less than two years.

**Concentration of Credit Risk.** Arrowhead's only investment is stock in privately held companies that are not rated.

**Custodial Credit Risk-Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, Arrowhead's deposits may not be returned to it. Arrowhead does not have a deposit policy for custodial credit risk. Arrowhead's cash balance is maintained in the University's cash pool, were \$536,642 and \$510,699 at June 30, 2013 and 2012, respectively.

**Note 4: Related Party**

The University provides Arrowhead with various services at no charge including use of office space, supplies and personnel services. Support arising from the donated services of certain employees of the University is the most significant of the donated services. Such services are not recorded in the accompanying financial statements. Additionally, the University pays legal fees associated with the licensing of patents, which are in the name of the University, until Arrowhead receives the patents royalty income. If and when revenues are received, Arrowhead will reimburse the University for any legal fees paid related to the license agreement generating the revenue. At June 30, 2013 and 2012, Arrowhead was contingently liable for cumulative unreimbursed legal fees of \$2,345,618 and \$2,196,222, respectively. This total has been accruing since 1989, which averages \$97,734 per year.

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Notes to Financial Statements*

*For the years ended June 30, 2013 and 2012*

**Note 5: Contingencies**

*Insurance Coverage.* Arrowhead is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. Arrowhead, as a component unit of New Mexico State University, is insured under New Mexico State University's Risk Management for liability and casualty insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 6: Subsequent Event**

The Financial Statements of Arrowhead Center, Inc. as of and for the year ended June 30, 2013 show investments in corporate stock with a fair market value of \$1,014,590 of which \$875,648 is an unrealized gain. The investment in corporate stock includes Arrowhead's 35% ownership of stock in the Genetic Testing Laboratory (GTL) and 17% ownership of stock in the Forensic Testing Laboratory (FTL), both wholly owned by the General Genetics Corporation with a fair market value of \$982,163. In July 2013, the stock investment in General Genetics Corporation was sold and Arrowhead Center, Inc. received proceeds of \$982,163. Contingent upon the sale of stock, an inventors agreement required certain distributions to the inventors of GTL intellectual property. As a result of the sale of the stock, the inventors distribution of \$398,900 will be reflected in the fiscal year 2014 financial statements. Arrowhead will net \$583,263 in cash from its stock ownership in General Genetics Corporation.



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

The Board of Directors  
Arrowhead Center, Inc.  
and  
Mr. Hector Balderas  
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 Arrowhead Center, Inc. (Center) (a blended component unit of New Mexico State University) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Arrowhead Center, Inc.'s basic financial statements, and have issued our report thereon dated October 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 may exist that have not been identified.

The Board of Directors  
Arrowhead Center, Inc.  
and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center'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.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 18, 2013

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Schedule of Findings and Responses*  
*For the Year Ended June 30, 2013*

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**PRIOR AUDIT FINDINGS**

None

**CURRENT AUDIT FINDINGS**

None

**Arrowhead Center, Inc.**  
**(A Component Unit of New Mexico State University)**

*Exit Conference*  
*For the Year Ended June 30, 2013*

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A closing conference was held on October 18, 2013, to discuss the current audit report and current and prior year auditors' comments. Our opinion is that the financial statements are materially correct. In attendance were the following individuals:

Representing the Board of Regents for New Mexico State University

Isaac Pino                      Secretary/Treasurer

Representing Arrowhead Center, Inc.

Angela Throneberry              Treasurer

Representing Moss Adams LLP

Scott Eliason                      Partner  
Samantha Simms                  Senior

The University's management prepared the Financial Statements. The University is responsible for the Financial Statements and its contents.