



New Mexico State University
All About Discovery!



Financial Statements and Schedules 2013 and 2014

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

Financial Statements
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June 30, 2014 and 2013

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ARROWHEAD CENTER, INC.

Board of Directors and Corporation Officers

- Tilahun Adera, NMSU Dean, Health and Social Services
- Jordan Banegas, NMSU Regent
- Jon Barela, Cabinet Secretary, New Mexico Economic Development Department
- Kevin Boberg, NMSU Vice President for Economic Development
- Kathleen Brook, NMSU Dean, Business
- Garrey Carruthers, NMSU President
- Lowell Catlett, NMSU Dean, Agricultural, Consumer, and Environmental Sciences
- Vimal Chaitanya, NMSU Vice President for Research
- Kathy Hansen, Director and CEO, Arrowhead Center
- Daniel Howard, NMSU Provost and Executive Vice President
- Steve Hottman, NMSU Director, Physical Science Laboratory
- Ricardo Jacquez, NMSU Dean, Engineering
- Davin Lopez, President and CEO, Mesilla Valley Economic Development Alliance
- James Manatt, Jr., President, Providence Technologies
- Jackie Kerby Moore, Executive Director, Sandia Science and Technology Park
- Michael Morehead, NMSU Dean, Education
- Isaac Pino, NMSU Regent
- Van Romero, Vice President for Research and Economic Development, New Mexico Tech
- Christa Slaton, NMSU Dean, Arts and Sciences
- Angela Throneberry, NMSU Senior Vice President for Administration and Finance
- Lisa Warren, NMSU General Counsel (Ex-Officio)
- Ben Woods, NMSU Senior Vice President for External Relations and Chief of Staff
- Russell Wyrick, State Director, New Mexico Small Business Development Center Network

Corporate Officers (July 1, 2013 – June 30, 2014)

- | | |
|---------------------------------------|--------------------|
| • President and Chairman of the Board | Kevin Boberg |
| • Vice President | Vimal Chaitanya |
| • Secretary | Tilahun Adera |
| • Treasurer | Angela Throneberry |
| • Chief Executive Officer | Kathryn Hansen |

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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2014 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 30, 2014

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

Management's Discussion and Analysis
For the Years Ended June 30, 2014, 2013 and 2012

(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, 2014, 2013 and 2012. All accounting transactions for fiscal years 2014, 2013 and 2012 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 decreased by \$509,693 for fiscal year 2014. This was primarily due to a capital loss on the sale of the GTL and FTL corporate stock and a net operating loss of \$140,793. In 2013 Arrowhead's net position increased by \$880,355, primarily due to an unrealized gain on Arrowhead's investment in GTL and FTL 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.
- Arrowhead's operating expenses increased by \$288,677 in fiscal year 2014, due to an increase in private contracts and general operating cost. In fiscal year 2013 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. Arrowhead's operating revenue increased by \$143,177 in fiscal year 2014 due to an increase in private contracts, however operating expenses also increased resulting in an operating loss of \$140,793. In fiscal year 2013, the operating revenues decreased by \$45,224, however, due to the unrealized gain on Arrowhead's investment in corporate stock, there was still an increase in net position of \$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.
- The cash position increased in FY14 due to the sale of the GTL and FTL corporate stock held, where it had remained fairly constant between 2013 and 2012.

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

Management's Discussion and Analysis
For the Years Ended June 30, 2014, 2013 and 2012

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.

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, 2014, 2013 and 2012 are provided in the following table:

	2014	2013	2012
Current assets	\$ 1,030,595	\$ 551,785	\$ 547,072
Other assets	57,427	1,014,590	138,942
Total assets	<u>\$ 1,088,022</u>	<u>\$ 1,566,375</u>	<u>\$ 686,014</u>
Current liabilities	38,638	7,298	7,292
Net position	1,049,384	1,559,077	678,722
Total liabilities and net position	<u>\$ 1,088,022</u>	<u>\$ 1,566,375</u>	<u>\$ 686,014</u>
Operating revenues	\$ 665,644	\$ 522,467	\$ 567,691
Operating expenses	806,437	517,760	841,321
Operating income (loss)	(140,793)	4,707	(273,630)
Non-operating revenue (expense)	(368,900)	875,648	(811)
Change in net position	(509,693)	880,355	(274,441)
Net position, beginning of year	1,559,077	678,722	953,163
Net position, end of year	<u>\$ 1,049,384</u>	<u>\$ 1,559,077</u>	<u>\$ 678,722</u>

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

Management's Discussion and Analysis
For the Years Ended June 30, 2014, 2013 and 2012

Statement of Net Position

Assets – The majority of the assets in 2014 were in the form of cash, \$1,007,819, the increased balance due to the sale of the GTL and FTL stock. In 2013, the majority of the assets 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, the majority of the assets were in the form of cash \$510,699. All cash was held by Arrowhead's fiscal agent, New Mexico State University.

Liabilities and Net Assets – In 2014, 2013 and 2012, current liabilities were \$38,638, \$7,298, and \$7,292, respectively. The increase in 2014 was due to an increase in accounts payable, mostly due to the timing of the receipt of invoices due at year-end. The 2014 net position decreased by \$509,693, due to a capital loss of \$368,900 on the sale of the GTL and FTL stock and an operating loss of \$140,793. The 2013 net position increased by \$880,355 over 2012, due to an unrealized gain on Arrowhead's investment in 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.

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Operating revenue earned in 2014, 2013 and 2012 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 increased by \$288,677 due to an increase in private contracts and higher overhead. In 2013, operating expenses decreased by \$323,561 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.

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, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash	\$ 1,007,819	\$ 536,642
Accounts receivable	<u>22,776</u>	<u>15,143</u>
	<u>1,030,595</u>	<u>551,785</u>
Long Term Assets		
Investments	<u>57,427</u>	<u>1,014,590</u>
TOTAL ASSETS	<u><u>1,088,022</u></u>	<u><u>1,566,375</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	38,588	5,781
Unearned Revenue	<u>50</u>	<u>1,517</u>
TOTAL LIABILITIES	<u>38,638</u>	<u>7,298</u>
NET POSITION		
Unrestricted	<u>1,049,384</u>	<u>1,559,077</u>
TOTAL NET POSITION	<u><u>\$ 1,049,384</u></u>	<u><u>\$ 1,559,077</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 Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014 and 2013*

	2014	2013
REVENUES		
Operating Revenues		
Program services income	\$ 665,644	\$ 522,467
EXPENSES		
Operating Expenses		
Program services	21,215	4,875
Supporting services	785,222	512,885
Total Operating Expenses	<u>806,437</u>	<u>517,760</u>
Net Operating Income (Loss)	(140,793)	4,707
NON OPERATING REVENUES		
Other non operating revenues (expenses)	<u>(368,900)</u>	<u>875,648</u>
(Decrease) Increase in Net Position	(509,693)	880,355
NET POSITION		
Beginning of Year	<u>1,559,077</u>	<u>678,722</u>
End of Year	<u>\$ 1,049,384</u>	<u>\$1,559,077</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, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Program services income	\$ 656,544	\$ 542,815
Payments to suppliers	<u>(773,630)</u>	<u>(516,872)</u>
Net cash provided by (used in) operating activities	<u>(117,086)</u>	<u>25,943</u>
Cash Flows from Investing Activities		
Sale of Investments	<u>588,263</u>	<u>-</u>
Net cash provided by investing activities	<u>588,263</u>	<u>-</u>
Net Increase in Cash	471,177	25,943
Cash-Beginning of Year	<u>536,642</u>	<u>510,699</u>
Cash-End of Year	<u><u>\$ 1,007,819</u></u>	<u><u>\$ 536,642</u></u>
Reconciliation of Net Operating Income to Net Cash Used by Operating Activities		
Operating (Loss) Income	\$ (140,793)	\$ 4,707
Change in Assets and Liabilities:		
(Increase) Decrease in accounts receivable	(7,633)	21,230
Decrease in unearned revenue	(1,467)	(882)
Increase in accounts payable	<u>32,807</u>	<u>888</u>
Net cash provided by (used in) operating activities	<u><u>\$ (117,086)</u></u>	<u><u>\$ 25,943</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, 2014 and 2013

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, 2014 and 2013

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 consists 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. 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, 2014, Arrowhead had stock in privately held companies of \$57,427. As of 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.

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, 2014 and 2013.

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

Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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, 2014 and 2013

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 \$1,007,819 and \$536,642 at June 30, 2014 and 2013, 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, 2014 and 2013, Arrowhead was contingently liable for cumulative unreimbursed legal fees of \$2,479,388 and \$2,345,618, respectively. This total has been accruing since 1989, which averages \$99,174 per year.

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

Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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.

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, 2014, 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 30, 2014.

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 30, 2014

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

Schedule of Findings and Responses
For the Year Ended June 30, 2014

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, 2014

A closing conference was held on October 30, 2014, 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
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Representing Arrowhead Center, Inc.

Angela Throneberry	Treasurer
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Representing Moss Adams LLP

Lisa Todd	Partner
Sandy Schwank	Manager
Heather Lucero	Senior

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