



**THE NEW MEXICO HIGHLANDS UNIVERSITY
STABLE ISOTOPE CORPORATION
(A COMPONENT UNIT OF THE NEW MEXICO
HIGHLANDS UNIVERSITY)
FINANCIAL STATEMENTS**

JUNE 30, 2010

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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CORPORATION
(A COMPONENT UNIT OF THE NEW MEXICO HIGHLANDS
UNIVERSITY)**

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**THE NEW MEXICO TECH HIGHLANDS UNIVERSITY STABLE ISOTOPE
CORPORATION
(A COMPONENT UNIT OF THE NEW MEXICO HIGHLANDS UNIVERSITY)**

Official Roster

June 30, 2010

Dr. Merritt Helvenston	President
Dr. James Fries	Vice President
Dr. Linda LaGrange	Secretary / Treasurer
Dr. William (Bill) Taylor	Member
Dr. Rudy Martinez	Member

Independent Auditors' Report

Board of Trustees
The New Mexico Highlands University Stable Isotope Corporation
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the New Mexico Highlands University Stable Isotope Corporation (Corporation), a component unit of The New Mexico Highlands University (University), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2010 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is

Board of Trustees
The New Mexico Highlands University Stable Isotope Corporation
and
Mr. Hector H. Balderas
New Mexico State Auditor

to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

For the year ended June 30, 2010, the Corporation has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Mess Adams LLP

Albuquerque, New Mexico
November 12, 2010

THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of the New Mexico Highlands University)
BALANCE SHEET
June 30, 2010

ASSETS

Total assets	<u><u>\$ -</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Due to New Mexico Highlands University	<u>\$ 279,386</u>
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Total liabilities	<u>279,386</u>
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NET ASSETS (DEFICIT)

Unrestricted (deficit)	<u>(279,386)</u>
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Total liabilities and net assets	<u><u>\$ -</u></u>
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See Notes to Financial Statements.

THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of the New Mexico Highlands University)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

Operating revenues	\$ <u>-</u>
Operating Expenses	
General and administrative	<u>279,386</u>
Total operating expenses	<u>279,386</u>
Change in net assets	(279,386)
Net assets, beginning of year	<u>-</u>
Net assets (deficit), end of year	<u><u>\$ (279,386)</u></u>

See Notes to Financial Statements.

THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of the New Mexico Highlands University)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

Cash Flows From Operating Activities	
Payment to employees for salaries and benefits	\$ -
Cash Flows From Noncapital Financing Activities	
Other non operating revenue (expense)	-
Cash Flows From Investment Activities	
Other investing activities	-
Cash Flows From Capital and Related Financing Activities	
Capital and related financing activities	-
Net decrease in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY
OPERATING ACTIVITIES**

Operating loss	\$ (279,386)
Adjustments to reconcile operating loss to net cash used by operating activities	
Due to New Mexico Highlands University	279,386
Net cash used by operating activities	\$ -

See Notes to Financial Statements.

**THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE
CORPORATION**
(A Component Unit of the New Mexico Highlands University)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The New Mexico Highlands University Stable Isotope Corporation (HSI), a component unit of the New Mexico Highlands University (the University) HSI was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University – Research Park and Economic Development Act. The new corporation was filed under the New Mexico Non-profit Corporation Act and is seeking Section 501(c)(3) of the Internal Revenue Code. The purpose of HSI is to conduct research and research commercialization in accordance with the needs of the University. HSI has no component units.

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental entities. The significant accounting policies are summarized below.

As a proprietary fund, the HSI's financial statements are reported using a flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and expenses are those incurred by HSI and events and activities that relate directly to HSI.

Accounting Standards. As a component unit of the University, HSI follows proprietary fund accounting as set forth in Statement No. 20 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Under the provisions of that standard, HSI has elected not to apply Statements on Financial Accounting Standards issued by the Financial Accounting Standards Board after November 1989.

Net Assets. Unrestricted net assets represent resources whose use is not limited or restricted by time or purpose. Deficit unrestricted net assets have arisen from payments made by the University on behalf of HSI without an offsetting revenue stream.

**THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE
CORPORATION**
(A Component Unit of the New Mexico Highlands University)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Restricted net assets are net assets that have third-party (statutory or granting agency) limitations on their use.

HSI currently has a net deficit. It expects to cover this deficit with future revenues.

Cash and cash equivalents. For purposes of the Statement of Cash Flows, HSI considers cash and cash equivalents to be cash deposits and amounts held by its fiscal agent.

Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes. HSI expects to be exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code, and be classified by the Internal Revenue Service as a public charity. HSI engaged in no material unrelated activities and therefore no provision for income taxes has been made. HSI is a supporting organization of the University and not a private foundation.

NOTE 2. RELATED PARTY TRANSACTIONS

Certain of HSI's Board members are also officers of the University.

HSI has a due to the University in the amount of \$279,386 for amounts paid on behalf of HSI for start up costs, legal fees, salaries and benefits.

HSI has entered into a licensing agreement with the University for the use of certain patents. No royalty amounts are due to the University until revenue is generated from the use of these patents. At June 30, 2010, HSI had no revenue generated from these patents.

**THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE
CORPORATION
(A Component Unit of the New Mexico Highlands University)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3. RISK MANAGEMENT

HSI is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. HSI is insured under the University's Risk Management for liability and casualty insurance, and through a private carrier for director and officer liability insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Report on Internal Control Over Financial Reporting
and On Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Board of Trustees
The New Mexico Highlands University Stable Isotope Corporation
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the basic financial statements of the New Mexico Highlands University Stable Isotope Corporation (Corporation), a component unit of the New Mexico Highlands University as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

Board of Trustees
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Mr. Hector H. Balderas
New Mexico State Auditor

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of the management, the Board of Trustees and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Albuquerque, New Mexico
November 12, 2010

**THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE
CORPORATION
(A Component Unit of the New Mexico Highlands University)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

Current Year Findings:

None

**THE NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE
CORPORATION
(A Component Unit of the New Mexico Highlands University)
EXIT CONFERENCE
June 30, 2010**

The contents of this report were discussed on November 12, 2010. The following individuals were in attendance.

The New Mexico Highlands University Stable Isotope Corporation:

Dr. James Fries, Vice President
Dr. William (Bill) Taylor, Member

Moss Adams LLP:

Scott Eliason, Partner
Molly Griego, Supervisor

The financial statements were prepared with the assistance of Moss Adams LLP.