



**NEW MEXICO HIGHLANDS UNIVERSITY
STABLE ISOTOPE CORPORATION
(A COMPONENT UNIT OF NEW MEXICO
HIGHLANDS UNIVERSITY)
FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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

Official Roster

June 30, 2012

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

Report of Independent Auditors

Board of Trustees
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 New Mexico Highlands University Stable Isotope Corporation (Corporation), a component unit of New Mexico Highlands University (University), as of and for the years ended June 30, 2012 and 2011, 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 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 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 audits provide 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, 2012 and 2011 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, 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 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.

The Corporation has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2012

NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Total assets	\$ -	-
LIABILITIES AND NET ASSETS		
Long-term Liabilities		
Due to New Mexico Highlands University	\$ 873,505	606,326
Total liabilities	873,505	606,326
NET ASSETS (DEFICIT)		
Unrestricted (deficit)	(873,505)	(606,326)
Total liabilities and net assets	\$ -	-

See Notes to Financial Statements.

NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues	<u>\$ 39,800</u>	<u>3,750</u>
Operating Expenses		
General and administrative	289,144	296,488
Research	<u>17,835</u>	<u>34,202</u>
Total operating expenses	<u>306,979</u>	<u>330,690</u>
Change in net assets	(267,179)	(326,940)
Net assets (deficit), beginning of year	<u>(606,326)</u>	<u>(279,386)</u>
Net assets (deficit), end of year	<u>\$ (873,505)</u>	<u>(606,326)</u>

See Notes to Financial Statements.

NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
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	\$ (267,179)	(326,940)
Adjustments to reconcile operating loss to net cash used by operating activities		
Due to New Mexico Highlands University	267,179	326,940
Net cash used by operating activities	\$ -	-

See Notes to Financial Statements.

**NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. New Mexico Highlands University Stable Isotope Corporation (HSI), a component unit of 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.

NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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.

Budgets. HSI does not have a legally adopted budget.

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 \$873,505 and \$606,326 in 2012 and 2011, respectively, for amounts paid on behalf of HSI for start up costs, legal fees, salaries and benefits. Management of HSI does not expect that HSI will have the ability to pay back the HSI's outstanding liability to the University during the fiscal year ending June 30, 2013. Accordingly, the due to University has been classified as a long-term liability.

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. For the years ended June 30, 2012 and 2011, HSI had \$39,800 and \$3,750 of revenue, respectively, generated from these patents.

NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 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***

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

We have audited the basic financial statements of New Mexico Highlands University Stable Isotope Corporation (Corporation), a component unit of New Mexico Highlands University as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. 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

Management of the Corporation is responsible for establishing and maintaining effective internal controls 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
New Mexico Highlands University Stable Isotope Corporation
and
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 *Government 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.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2012

**NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

Prior Year Findings:

None

Current Year Findings:

None

**NEW MEXICO HIGHLANDS UNIVERSITY STABLE ISOTOPE CORPORATION
(A Component Unit of New Mexico Highlands University)
EXIT CONFERENCE
June 30, 2012**

The contents of this report were discussed on November 5, 2012. The following individuals were in attendance:

New Mexico Highlands University Stable Isotope Corporation:

Dr. James Fries, Vice President

Moss Adams LLP:

Scott Eliason, Partner

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

