



**THE NEW MEXICO TECH RESEARCH FOUNDATION
(A COMPONENT UNIT OF THE NEW MEXICO
INSTITUTE OF MINING AND TECHNOLOGY)**

FINANCIAL STATEMENTS

JUNE, 30, 2010

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

TABLE OF CONTENTS

THE NEW MEXICO TECH RESEARCH FOUNDATION (A COMPONENT UNIT OF THE NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY)

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT.....	2
FINANCIAL STATEMENTS	
Balance Sheet	4
Statement of Revenues, Expenses and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements.....	8
SUPPLEMENTARY DATA	
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14
Summary of Prior Year Audit Findings	16
Schedule of Findings and Responses	17
Exit Conference.....	18

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A COMPONENT UNIT OF NEW MEXICO TECH UNIVERSITY)

Official Roster

June 30, 2010

W.D. Peterson	President
Daniel H. Lopez	Vice President-Secretary
Alex Thyssen	Treasurer-Assistant Secretary
James Reist	Assistant Secretary
Charlotee Lamont	Assistant Secretary
Holm Bursum III	Trustee
Ann Murphy Daily	Trustee
Robert L. Lee	Trustee
Lonnie Marquez	Trustee

Independent Auditors' Report

Board of Trustees
The New Mexico Tech Research Foundation
And
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the New Mexico Tech Research Foundation (the "Foundation"), a component unit of The New Mexico Institute of Mining and Technology (the "Institute"), 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 Foundation'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 Foundation'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 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 10, 2010, on our consideration of the Foundation'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

Board of Trustees
The New Mexico Tech Research Foundation
And
Mr. Hector H. Balderas
New Mexico State Auditor

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 Foundation 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 10, 2010

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
BALANCE SHEET
June 30, 2010

ASSETS

Current Assets	
Cash and cash equivalents	\$ 356,371
Current portion of notes receivable, less allowance for doubtful receivables of \$178,742	145,017
Investments	14,904,321
Charitable remainder unitrust	126,519
	<hr/>
Total current assets	15,532,228
	<hr/>
Noncurrent Assets	
Noncurrent portion of notes receivable	1,478,409
Capital assets, net	1,706,423
	<hr/>
Total noncurrent assets	3,184,832
	<hr/>
Total assets	\$ 18,717,060
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities	
Due to New Mexico Institute of Mining and Technology	\$ 725,000
Accounts payable	9,193
Annuity payable	615,371
Unitrust payable	57,374
	<hr/>
Total current liabilities	1,406,938
	<hr/>
Net Assets	
Invested in capital assets	1,706,423
Restricted, non-expendable	1,669,351
Unrestricted	13,934,348
	<hr/>
Total net assets	17,310,122
	<hr/>
Total liabilities and net assets	\$ 18,717,060
	<hr/> <hr/>

See Notes to Financial Statements.

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

Operating revenues	
Lease income	\$ 90,150
Other income	2,749
Total operating revenues	<u>92,899</u>
Operating Expenses	
Depreciation and amortization	594,721
Patent impairment	2,930,295
General and administrative expenses	265,351
Distributions to the New Mexico Institute of Mining and Technology	100,000
Awards and scholarships	710,589
Total operating expenses	<u>4,600,956</u>
Operating loss	<u>(4,508,057)</u>
Nonoperating activities	
Interest/dividend income	553,139
Net unrealized gain on equity securities	1,349,837
Contributions	52,721
Change in value of split-interest agreements	20,654
Net nonoperating activities	<u>1,976,351</u>
Change in net assets	(2,531,706)
Net assets, beginning of year	<u>19,841,828</u>
Net assets, end of year	<u>\$ 17,310,122</u>

See Notes to Financial Statements.

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

Cash Flows From Operating Activities	
Lease income	\$ 90,150
Contributions	52,721
Investments	2,749
Payments to New Mexico Tech - awards and scholarships	(830,008)
Other payments	(286,005)
Net cash used by operating activities	<u>(970,393)</u>
Cash Flows From Investing Activities	
Purchases of investments	(531,183)
Cash received on investment income	553,139
Cash received from note receivable	138,059
Net cash provided by investing activities	<u>160,015</u>
Cash Flows From Capital and Related Financing Activities	
Cash paid for capital assets	<u>(22,347)</u>
Net decrease in cash and cash equivalents	(832,725)
Cash and cash equivalents, beginning of year	<u>1,189,096</u>
Cash and cash equivalents, end of year	<u><u>\$ 356,371</u></u>

See Notes to Financial Statements.

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

Reconciliation of operating loss to net cash used by operating activities	
Operating (loss)	\$ (4,508,057)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation and amortization expense	594,721
Patent impairment	2,930,295
Changes in assets and liabilities	
Charitable remainder unitrust	32,067
Due to New Mexico Institute of Mining and Technology	(24,902)
Accounts payable	5,483
Net cash used by operating activities	<u><u>\$ (970,393)</u></u>

See Notes to Financial Statements.

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The New Mexico Tech Research Foundation (the Foundation), a component unit of the New Mexico Institute of Mining and Technology (the Institute), is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Foundation is organized to assist the New Mexico Institute of Mining and Technology by making available funds to pursue inventions, copyrights and other intellectual properties, institutional support and scholarships. The Foundation 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 Foundation'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 the Foundation and events and activities that relate directly to the Foundation and events and activities that relate to scholarships and awards for students. Revenues from investments are considered nonoperating.

Accounting Standards. As a component unit of the Institute, the Foundation 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, the Institute 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 donors. Unrestricted net assets have arisen from exchange transactions, receipt of unrestricted contributions, and expirations of existing restrictions. Restricted expendable contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period.

Restricted expendable net assets represent resources whose use is limited by donors for the support of the academic activities of the Institute faculty and/or students. Such restrictions are legally enforceable. Restricted expendable net assets are released from restriction as their purpose restrictions are met. Restricted non-expendable assets

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

represent those that cannot be expended based on donor restriction. When both restricted and unrestricted funds are available, restricted funds are expended first.

Invested in capital assets is intended to reflect the portion of net assets which are associated with non-liquid, capital assets.

Cash and cash equivalents. For the purposes of the statement of cash flows, the Foundation considers cash on hand, cash held in banks and highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

Notes Receivable. Management reviews the collectability of its notes receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. An allowance of \$178,742 was recorded at June 30, 2010.

Investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in unrestricted net assets. The Foundation has no limitations on the types of investments or deposits it can make.

The Foundation has an agreement with the Institute for investment of the majority of the Foundation's funds. The majority of investments of the Foundation are held by the New Mexico State Investment Council. The Foundation's funds are combined with those of several other funds of the Institute. Income is allocated based on the proportionate market value of the investment of each participating fund.

Charitable Remainder Unitrust. Charitable remainder unitrust assets are the result of an agreement between donors and the Foundation in which the trust was established by the donors and administered by the Foundation. The Foundation is required to pay a fixed percentage of the fair market value of the trust's assets each year to a designated beneficiary during the beneficiary's lifetime. The trust assets were measured at the fair value when received. A corresponding liability is measured at the present value of expected future cash flows to be paid to the beneficiary.

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Capital Assets. The Foundation records tangible and intangible capital assets purchased at cost; and donations at their estimated fair value. The building is being depreciated using a straight-line method over a twenty-seven and a half year estimated useful life. The patent is being amortized over fifteen years. The Foundation capitalizes property and equipment purchases with a cost over \$500.

Amortization. The Foundation amortized patents using a straight-line method over the fifteen-year estimated life of the patents. Foundation reviews the remaining useful life on the patent on an annual basis. Based on the annual analysis performed in 2010, Foundation concluded that its only patent does not have any remaining useful life. As, a result, the entire remaining balance of patent was written-off as of June 30, 2010.

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

NOTE 2. CASH AND BANK DEPOSITS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the entity’s deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk and does not require collateral. As of June 30, 2010, the Foundation’s deposits were exposed to custodial credit risk as follows:

	First State	Wells Fargo	Bank of America	Total
Total of deposits in the bank	\$ 331,284	17,542	30,904	379,730
FDIC coverage	(250,000)	(17,542)	(30,904)	(298,446)
Total uninsured funds	<u>\$ 81,284</u>	-	-	<u>81,284</u>

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. CASH ON DEPOSIT (CONTINUED)

Custodial credit risk-deposits	
Account balance	\$ 379,730
FDIC insured	298,446
Uninsured and uncollateralized	<u>\$ 81,284</u>
Total deposits	\$ 379,730
Add: Money Market	18,157
Total deposits	<u>\$ 397,887</u>

Deposit classification in the financial statements at June 30, 2010 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 231,109	41,516	189,593
First State Bank	Savings	Cash	175	-	175
First State Bank	Certificate	CD	100,000	-	100,000
Bank of America	Certificate	CD	30,904	-	30,904
Wells Fargo	Checking	Cash	17,542	-	17,542
Merrill Lynch	Investment	Money Market	18,157	-	18,157
			<u>\$ 397,887</u>	<u>41,516</u>	<u>356,371</u>

NOTE 3. INVESTMENTS

None of the Foundation's investments are exposed to custodial credit risks as they are all registered. Also, the Foundation holds no debt securities and therefore the investments are not subject to credit or interest rate risk. A summary of the investments at June 30, 2010 are as follows:

Investments	Ratings	Fair Value
Held at Merrill Lynch investment account		
Equity Securities	Not Rated	\$ 658,931
Mutual Funds	Not Rated	<u>341,475</u>
		<u>1,000,406</u>
Investments not subject to categorization		
State Investment Council pooled funds		
Fixed income securities		5,149,568
Equity securities		<u>8,138,976</u>
		<u>13,288,544</u>
Insurance Annuity		<u>615,371</u>
Total investments		<u>\$14,904,321</u>

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4. NOTE RECEIVABLE

The Foundation funded the construction of a building for a company which leases land from New Mexico Institute of Mining and Technology. The Foundation has a note receivable for the amount of the loan of \$1,623,416 of which \$145,017 is current and \$1,478,409 is noncurrent. The note bears a variable rate of interest based on Wall Street Journal Prime (currently 3.25%), is payable monthly over 15 years and is secured by the building.

NOTE 5. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 164,650	-	1,500	163,150
Other	130,501	-	-	130,501
Total capital assets not being depreciated	<u>295,151</u>	<u>-</u>	<u>1,500</u>	<u>293,651</u>
Capital assets being depreciated				
Building	1,802,954	23,847	-	1,826,801
Patents	8,021,841	-	-	8,021,841
Accumulated depreciation				
Building	(375,938)	(59,932)	-	(435,870)
Accumulated amortization				
Patents	<u>(4,534,916)</u>	<u>(3,465,084)</u>	<u>-</u>	<u>(8,000,000)</u>
Capital assets being Depreciated, net	<u>\$ 4,913,941</u>	<u>(3,501,169)</u>	<u>-</u>	<u>1,412,772</u>
Capital assets, net	<u>\$ 5,209,092</u>	<u>(3,501,169)</u>	<u>1,500</u>	<u>1,706,423</u>

NOTE 6. RELATED PARTY TRANSACTIONS AND DONATED SERVICES

The Institute provides the Foundation's office space in exchange for property management services provided to the Institute by the Foundation. These transactions are not recorded in the Foundation's financial statements, as they are not significant and the value is not subject to reasonable estimation.

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6. RELATED PARTY TRANSACTIONS AND DONATED SERVICES
(CONTINUED)

The Foundation owns an insurance annuity through New York Life with a fair market value of \$615,371 at June 30, 2010. The insurance annuity was acquired to benefit the president of the Institute. The Foundation's annual contribution to the insurance annuity was \$100,000 in 2010.

Certain of the Foundation's board members are also officers of the Institute.

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expires in June 2010 with an option to renew for an additional three years. Lease revenues were \$90,150 for 2010.

The Foundation has a due to New Mexico Institute of Mining and Technology in the amount of \$725,000 for general scholarships and advertising expenses related to 2010.

NOTE 7. RISK MANAGEMENT

The Foundation 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. The Foundation is insured under the Institute'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.

NOTE 8. DONOR RESTRICTED ENDOWMENTS

The endowment spending policy is in concert with the long term endowment management philosophy of the Foundation, which is to preserve the permanent viability of the endowment. The Foundation supports vital scholarship and other programs from earning of its endowment. These programs are in concert with provisions established by donors of the endowment.

Net appreciation/depreciation on donor restricted endowments and related investment income are recorded as an increase in net assets until the amount is expended in accordance with donor specifications and in accordance with the State of New Mexico Uniform Management of Institutional Funds Act (Chapter 46, Article 9, NMSA 1978). During the current year, donor-restricted endowments had net appreciation of \$151,188 and investment income of \$61,954.

**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 Tech Research Foundation
And
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the basic financial statements of the New Mexico Tech Research Foundation (the Foundation), a component unit of the New Mexico Institute of Mining and Technology as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 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 Foundation'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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Board of Trustees
The New Mexico Tech Research Foundation
And
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance and Other Matters

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

Mess Adams LLP

Albuquerque, New Mexico
November 10, 2010

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2010

FS 2009-1 Segregation of Duties Resolved

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

None

THE NEW MEXICO TECH RESEARCH FOUNDATION
(A Component Unit of the New Mexico Institute of Mining and Technology)
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 Tech Research Foundation:

Alex Thyssen	Treasurer-Assistant Secretary
Lonnie Marquez	Trustee

Moss Adams LLP:

Larry Carmony	Partner
Molly Griego	Supervisor

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