



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

**THE NEW MEXICO TECH UNIVERSITY
RESEARCH PARK CORPORATION**
(A blended component unit of the New Mexico Institute
of Mining and Technology)

June 30, 2018

Table of Contents

	PAGE
Official Roster (Unaudited)	1
Report of Independent Auditors	2–3
Financial Statements	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7–12
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 <i>Government Auditing Standards</i>	13–14
Other Information	
Schedule of Findings	15
Summary Schedule of Prior Audit Findings	16
Exit Conference	17

**The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of Mining and
Technology)**

OFFICIAL ROSTER (Unaudited)

June 30, 2018

Donald Monette	President
Dr. Van Romero	Vice President
Dr. Peter Anselmo	Secretary/Treasurer
Dr. Raul Deju	Director
Don Tripp	Director
Dr. Cleve McDaniel	Director
Dr. Warren Ostergen	Director

Report of Independent Auditors

To the Board of Directors
The New Mexico Tech University Research Park Corporation
and
Mr. Wayne Johnson
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the New Mexico Tech University Research Park Corporation (the Corporation), a blended component unit of the New Mexico Institute of Mining and Technology (the Institute), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Corporation's 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 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 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 auditors' 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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

For the year ended June 30, 2018, management has omitted the Management's Discussion and Analysis 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Corporation's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
October 16, 2018

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The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Statement of Net Position
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 490,362
Accrued interest receivable	29,718
Notes receivable, current portion	<u>136,911</u>

Total current assets	656,991
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NONCURRENT ASSETS

Intangible assets, net of accumulated amortization of \$4,419	303,278
Notes receivable, less current portion	<u>1,261,597</u>

Total noncurrent assets	<u>1,564,875</u>
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Total assets	<u><u>\$ 2,221,866</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	<u>\$ 35,355</u>
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Total current liabilities	35,355
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NET POSITION

Net investment in intangible assets	303,278
Unrestricted	<u>1,883,233</u>

Total net position	<u>2,186,511</u>
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Total liabilities and net position	<u><u>\$ 2,221,866</u></u>
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The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

OPERATING EXPENSES	
Administrative	\$ 32,120
Patent amortization	4,419
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Operating loss	(36,539)
NONOPERATING REVENUES	
Donated patents from the New Mexico Tech Research Foundation	276,711
Other donations	420
Interest income	61,525
	<hr/>
Total nonoperating revenues	338,656
CHANGE IN NET POSITION	302,117
NET POSITION, beginning of year	1,884,394
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NET POSITION, end of year	<u>\$ 2,186,511</u>

The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Statement of Cash Flows
June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Reimbursements from vendors	\$ 1,625
	<u>1,625</u>
Net cash provided by operating activities	<u>1,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from notes receivable	60,722
Interest received on notes receivable	135,625
Contributions from donors	420
Cash paid for patents	(30,986)
	<u>165,781</u>
Net cash provided by investing activities	<u>165,781</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	167,406
CASH AND CASH EQUIVALENTS, beginning of year	<u>322,956</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 490,362</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (36,539)
Adjustments to reconcile operating loss and net cash provided by operating activities	
Amortization	4,419
Changes in assets and liabilities	
Increase in accounts payable	<u>33,745</u>
Net cash provided by operating activities	<u>\$ 1,625</u>
SUPPLEMENTAL NONCASH DISCLOSURES	
Donated patents received from the New Mexico Tech Research Foundation	<u>\$ 276,711</u>

The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Notes to Financial Statements

Note 1 – Description of Business

The New Mexico Tech University Research Park Corporation (Corporation), a blended component unit of the New Mexico Institute of Mining and Technology (Institute), is a New Mexico not-for-profit corporation located in Socorro, New Mexico. On November 19, 2014, the Corporation became a not-for-profit entity effective July 1, 2013, upon receipt of the IRS determination letter, which changed the status from a "C" Corporation, a taxable entity. The Corporation is charged to assist the Institute by making funds available to pursue technology research and other programs being carried out by the Institute. The Corporation has no component units. The Corporation is organized under the New Mexico Research Park and Economic Act of the New Mexico Statutes Annotated (21-28-1 through 21-28-25 NMSA 1978) to promote, develop, and manage research parks or technological innovations for scientific, educational, and economic development opportunities in accordance with bylaws adopted by the Corporation.

Note 2 - Summary of Significant Accounting Policies

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 (US GAAP).

Revenue and Cost Recognition

The Corporation's financial statements are reported using the 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 are typically derived by providing goods or services as well as recognition of income from sales of investments in exchange transactions. The Corporation did not have any exchange transactions during the year ended June 30, 2018.

Operating expenses represent amounts paid to acquire or produce goods and services provided in return for operating revenues, and are necessary to carry out the mission of the Corporation. Examples of operating expenses are legal expenses and professional services.

Nonoperating revenues represent nonexchange transactions and investment income and unrealized appreciation in investments in which the Corporation received or gained value without directly giving a value in return. Examples of nonoperating revenues include donations, interest income related to notes receivable, and other income items.

Net Position

Unrestricted net position represents resources whose use is not limited or restricted by time or purpose. Unrestricted net position has arisen primarily from the receipt of donations and interest on notes receivable less general and administrative expenses.

The New Mexico Tech University Research Park Corporation (A Blended Component Unit of the New Mexico Institute of Mining and Technology)

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted net position represents resources that have third-party (statutory or granting agency) limitations on their use. There are no restrictions on net position at June 30, 2018.

Net investment in intangible assets is intended to reflect the portion of net position which is associated with nonliquid, capital assets. There is no related debt.

Deferred outflows of resources consumed and deferred inflows of resources received and available are elements of the Statement of Net Position. There were no deferred outflows or inflows of resources to separately report at June 30, 2018.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers cash and cash equivalents to be cash held in the bank at June 30, 2018.

Accrued Interest Receivable

Accrued interest receivable represents interest to be received within one year on the outstanding principal balances of the notes receivable.

Notes Receivable

Notes receivable are stated at net realizable value. Management reviews the collectability of its notes receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Notes receivable are uncollateralized. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There is no allowance for doubtful accounts deemed necessary at June 30, 2018.

Intangible Assets

The Corporation capitalizes the costs associated with the acquisition of patents, and amortizes these costs using the straight-line method over the twenty-year estimated useful life of the patents. Costs incurred to maintain and defend patents are expensed as incurred. The Corporation reviews the remaining useful life of the patents on an annual basis. All patents pending approval are held and not amortized until patent approval is final. If approval is denied, the reported cost to date of the patent application is written off at that time. There were not write offs related to patents during the year ended June 30, 2018.

The Company received patents from the New Mexico Tech Research Foundation, a related party, with a net cost of \$276,711 during the year ended June 30, 2018.

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. Significant estimates used in preparing these financial statements include the estimated useful life of intangible assets.

The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Corporation applied for and received tax exempt status under Section 501(c)(3) of the Internal Revenue Code as of July 2014, effective July 1, 2013. The Corporation is exempt from income taxes on its normal activities. The Corporation is classified as a public charity supporting the Institute and not a private foundation.

Subsequent Events

Subsequent events have been evaluated through October 16, 2018, the date at which the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2018.

Note 3 – Cash and Bank Deposits

The Corporation does not have any limitations on the types of investments it may invest in.

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 Corporation does not have a deposit policy for custodial credit risk. As of June 30, 2018, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State Bank
Total of deposits in the bank	\$ 490,362
FDIC coverage	(250,000)
Total uninsured and uncollateralized funds	\$ 240,362

Deposit classification in the financial statements at June 30, 2018, follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 490,362	-	\$ 490,362

**The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Notes to Financial Statements**

Note 4 – Notes Receivable

The Corporation holds a first unsecured note receivable from RiskSense, a related party, with a face value of \$1,310,278 dated May 1, 2015, as partial payment for the sale of 20% of the ownership in RiskSense. This note was made at zero percent interest; therefore, the Corporation imputed interest on the note using a rate of 4.25% (prime + 1%), which resulted in a discounted balance of \$979,043 based on the present value of the note. The note is being repaid in ten annual payments of \$131,028 with the first payment received during the year ended June 30, 2018. This note may be subordinated to future senior financing not to exceed \$2,000,000. Additionally, a change in ownership of RiskSense of fifty percent or more would cause all remaining amounts due under this note to become due and payable at that time. Unamortized discount is amortized to earnings on the straight-line method over the life of the loan. Accrued interest related to this note totaled \$20,469 at June 30, 2018.

The Corporation holds a second unsecured note receivable from RiskSense with a face value of \$144,000 dated April 30, 2015, as distribution of a portion of 2013 undistributed earnings of RiskSense. This note was made at prime plus 1% and resets on January 1 of each year. As of January 1, 2018, the prime rate was 4.5%. The note is being repaid in ten annual payments of \$17,976 beginning December 31, 2016. This note also required a single payment of \$12,500 representing interest on the unpaid distributions since December 31, 2013, which was made during the year ended June 30, 2018. This note may be subordinated to future senior financing not to exceed \$2,000,000. Accrued interest on this note totaled \$2,545 at June 30, 2018.

The Corporation holds a third unsecured note receivable from RiskSense with a face value of \$227,561 dated April 30, 2015, as distribution of a portion of 2014 undistributed earnings of RiskSense. This note was made at prime plus 1% and resets on January 1 of each year. As of January 1, 2018, the prime rate was 4.5%. The note is being repaid in ten annual payments of \$28,406 beginning December 31, 2016. This note may be subordinated to future senior financing not to exceed \$2,000,000. Accrued interest on this note totaled \$4,022 at June 30, 2018.

The Corporation holds a fourth unsecured note receivable from RiskSense with a face value of \$151,707 dated June 4, 2016, as distribution of the remaining portion of the 2014 undistributed earnings of RiskSense. This note was made at prime plus 1% and resets on January 1 of each year. As of January 1, 2018, the prime rate was 4.5%. The note is being repaid in ten annual payments of \$18,938 beginning on December 31, 2016 with one payment of \$6,448 representing accrued interest on unpaid earnings from the date of the note, paid on December 31, 2016. This note may be subordinated to future senior financing not to exceed \$2,000,000. Accrued interest on this note totaled \$2,682 at June 30, 2018.

The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Notes to Financial Statements

Note 4 – Notes Receivable (continued)

Future principal and interest payments to be received related to notes receivable are as follows for the years ended June 30:

2019	\$	196,348
2020		196,348
2021		196,348
2022		196,348
2023		196,348
2024 - 2027		720,069
		720,069
Total	\$	1,701,809

Note 5 – Intangible Assets

Intangible assets consist of the following at June 30, 2018:

	Beginning Balance	Increases	Decreases	Transfers In	Ending Balance
Amortized patents					
Cost	\$ -	\$ -	\$ -	\$ 174,522	\$ 174,522
Less accumulated amortization	-	(4,419)	-	-	(4,419)
	-	(4,419)	-	174,522	170,103
Unamortized patents					
Cost	-	-	-	133,175	133,175
	-	-	-	133,175	133,175
	\$ -	\$ (4,419)	\$ -	\$ 307,697	\$ 303,278

Note 6 – Related Party Relationships and Transactions

The Corporation owns 30% of RiskSense at June 30, 2018. In addition, one of the Corporation's board members is also a board member of RiskSense. The investment in RiskSense has an estimated book value of \$0 at June 30, 2018.

The Institute provides, on a rent-free basis, the Corporation's office space. This amount is not significant to report as in-kind lease revenue with an offset to in-kind lease expense in the same amount.

Several of the Corporation's board members are also officers of the Institute.

**The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Notes to Financial Statements**

Note 7 – Risk Management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. The Corporation is insured for liability and casualty insurance, and for director and officer liability insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements in any of the past 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 Directors
The New Mexico Tech University Research Park Corporation
and
Mr. Wayne Johnson
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 the New Mexico Tech University Research Park Corporation (the Corporation), a blended component unit of the New Mexico Institute of Mining and Technology, which comprise the statement of net position as of June 30, 2018, and the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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 the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, 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 did not disclose any 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 16, 2018

**The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Schedule of Findings
June 30, 2018**

No matters were reported.

**The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Summary Schedule of Prior Audit Findings
June 30, 2018**

No matters were reported.

**The New Mexico Tech University Research Park Corporation
(A Blended Component Unit of the New Mexico Institute of
Mining and Technology)
Exit Conference
June 30, 2018**

An exit conference was held on October 16, 2018. During the meeting, the contents of this report were discussed with the following individuals:

The New Mexico Tech University Research Park Corporation:

Richard Luarkie
Jenny Ma

Executive Director
Accountant

Moss Adams LLP:

Lisa Todd
Corrine Zajac-Clarkson
Michael McGinley

Audit Partner
Audit Senior Manager
Manager

The Corporation is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.