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, 2020

MOSSADAMS

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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)

OFFICIAL ROSTER (Unaudited)

June 30, 2020

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
Ben Harburg	Director

Report of Independent Auditors

To the Board of Directors
The New Mexico Tech University Research Park Corporation
and
Mr. Brian S. Colón, Esq.
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, 2020, 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, 2020, 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.

Emphasis of Matters

Agreement with the Institute for Support

As discussed in Note 8 to the financial statements, the Corporation has experienced substantial operating losses for the current year and has insufficient revenues to cover operating costs. Management has determined that the Corporation's ability to continue as a going concern is dependent on support from the Institute as outlined in the memo of understanding (MOU) effective April 1, 2020, which is also described in Note 8. Our opinion is not modified with respect to this matter.

Prior Year Adjustment

As discussed in Note 9 to the financial statements, the Corporation recorded a prior year adjustment of $153,916 to beginning net position to correct an error in the reported value of net intangible assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

For the year ended June 30, 2020, 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 27, 2020, 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.

Moss Adams LLP

Albuquerque, New Mexico
October 27, 2020

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, 2020

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	33,155
Notes receivable and accrued interest, net of allowance of $1,338,991		-
Accounts receivable		20,000
Total current assets		53,155
NONCURRENT ASSETS		
Intangible assets, net of accumulated amortization of $35,409 and impairment loss of $60,573		458,825
Total assets	$	511,980

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	$	79,872
Total current liabilities		79,872
NET POSITION		
Net investment in intangible assets		458,825
Unrestricted deficit		(26,717)
Total net position		432,108
Total liabilities and net position	$	511,980

See accompanying notes.

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, 2020

OPERATING REVENUES	
License fees and other	$ 20,000
OPERATING EXPENSES	
Provision for doubtful collections	1,338,991
Administrative	123,531
Patent-related costs and legal expenses	65,302
Loss on impairment of patents	60,573
Patent amortization	20,460
Total operating expenses	1,608,857
Net operating loss	(1,588,857)
NONOPERATING REVENUES	
Interest income	50,585
CHANGE IN NET POSITION	(1,538,272)
NET POSITION, beginning of year, as restated	1,970,380
NET POSITION, end of year	$ 432,108

See accompanying notes.

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
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
License fees and other income	$ 1,345
Payments to employees	(17,451)
Payments to vendors	(180,558)
Net cash used by operating activities	(196,664)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for patents	(97,073)
Net cash used by investing activities	(97,073)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(293,737)
CASH AND CASH EQUIVALENTS, beginning of year	326,892
CASH AND CASH EQUIVALENTS, end of year	$ 33,155

CASH FLOWS FROM OPERATING ACTIVITIES - INDIRECT METHOD	
Operating loss	$ (1,588,857)
Adjustments to reconcile operating loss to net cash used by operating activities	
Provision for doubtful collections	1,338,991
Loss on impairment of patents	60,573
Amortization expense	20,460
Changes in assets and liabilities	
Increase in accounts receivable	(18,655)
Decrease in accounts payable	(9,176)
Net cash used by operating activities	$ (196,664)

See accompanying notes.

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 Internal Revenue Service (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 (U.S. 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 from fees charged for the use of licenses and other rights.

Operating expenses represent amounts paid to acquire or maintain licenses and patents, 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. 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 administrative expenses.

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, 2020.

Net investment in intangible assets is intended to reflect the portion of net position which is associated with nonliquid, intangible 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, 2020.

See Note 9 for prior year adjustment and restatement of beginning net position.

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, 2020.

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. The allowance for doubtful accounts, including accrued interest totaled $1,338,991 at June 30, 2020.

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 and analyzes for impairment whenever events or changes in circumstances indicate that the carrying amount is less than the estimated fair value. All costs associated with patents pending approval are capitalized, but not amortized until the estimated patent approval date. If approval is denied, the reported cost to date of the patent application is written off at that time. An impairment loss of $60,573 related to the patents was recognized during the year ended June 30, 2020.

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, impairment of patents, and the allowance for doubtful accounts related to notes receivable.

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 are events or transactions that occur after the statement of net position date but before the financial statements are issued or are available to be issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position, but arose after the statement of net position date and before the financial statements are available to be issued. The Corporation has evaluated subsequent events through October 27, 2020, which is the date the financial statements are available to be issued.

Note 3 – Cash and Bank Deposits

The Corporation does not have any limitations on the types of investments it may invest in. The Corporation does not hold any public money and no funds were received from any government entity or as a result of research grants.

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, 2020, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State Bank
Total of deposits in the bank	$ 33,155
FDIC coverage	(33,155)
Total uninsured and uncollateralized funds	$ -

Note 3 – Cash and Bank Deposits (continued)

Deposit classification in the financial statements at June 30, 2020, follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	$ 33,155	-	$ 33,155

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% at the time), which resulted in a discounted balance of $979,043 based on the present value of the note. The note was being repaid in ten annual payments of $131,028 with payments received during the years ended June 30, 2018 and 2019. The note terms were amended on June 30, 2020 and payments due for June 30, 2020, December 31, 2020, and December 31, 2021 were deferred until January 31, 2022. Additional interest on the deferred payments will begin to accrue at a rate of 5% per annum. 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. Accrued interest of $41,928 related to this note was fully offset by an allowance for doubtful collections at June 30, 2020.

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, 2020, the prime rate was 4.75%. The note was 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. The note terms were amended on June 30, 2020 and payments due for June 30, 2020, December 31, 2020, and December 31, 2021 were deferred until January 31, 2022. Additional interest on the deferred payments will begin to accrue at a rate of 5% per annum. This note may be subordinated to future senior financing not to exceed $2,000,000. Accrued interest of $5,084 related to this note was fully offset by an allowance for doubtful collections at June 30, 2020.

Note 4 – Notes Receivable (continued)

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, 2020, the prime rate was 4.75%. The note was being repaid in ten annual payments of $28,406 beginning December 31, 2016. The note terms were amended on June 30, 2020 and payments due for June 30, 2020, December 31, 2020, and December 31, 2021 were deferred until January 31, 2022. Additional interest on the deferred payments will begin to accrue at a rate of 5% per annum. This note may be subordinated to future senior financing not to exceed $2,000,000. Accrued interest of $8,034 related to this note was fully offset by an allowance for doubtful collections at June 30, 2020

The Corporation holds a fourth unsecured note receivable form 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, 2020, the prime rate was 4.75%. The note was 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. The note terms were amended on June 30, 2020 and payments due for June 30, 2020, December 31, 2020, and December 31, 2021 were deferred until January 31, 2022. Additional interest on the deferred payments will begin to accrue at a rate of 5% per annum. This note may be subordinated to future senior financing not to exceed $2,000,000. Accrued interest of $5,356 related to this note was fully offset by an allowance for doubtful collections at June 30, 2020.

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

2021	$ -
2022	616,128
2023	196,348
2024	196,348
2025	196,348
2026 - 2027	327,376
Total	$ 1,532,548

Note 5 – Intangible Assets

Intangible assets consist of the following at June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Amortized patents, net of impairment of $60,573				
Cost	$ 313,739	$ 11,857	$ (57,615)	$ 267,981
Less accumulated amortization	(24,219)	(20,460)	9,270	(35,409)
	289,520	(8,603)	(48,345)	232,572
Unamortized patents				
Cost	153,265	85,216	(12,228)	226,253
	$ 442,785	$ 76,613	$ (60,573)	$ 458,825

Note 6 – Related Party Relationships and Transactions

The Corporation owns 30% of RiskSense at June 30, 2020. 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, 2020.

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.

Note 7 – Risk Management and Other Uncertainties

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.

Note 7 – Risk Management and Other Uncertainties (continued)

In March 2020, there was a global outbreak of a coronavirus (COVID-19) characterized by the World Health Organization as a pandemic. Actions by a variety of federal, state, and local governments have been taken in response to the pandemic, which have ranged by jurisdiction, but are resulting in negative economic consequences, the scope of which are not currently known or quantifiable.

The duration and intensity of this and the resulting impact on the Corporation is unknown.

Note 8 – Agreement with the Institute to Provide Support

The financial statements have been prepared on a going concern basis, which contemplates the full realization of the Corporation's assets and the discharging of liabilities in the normal course of business for the foreseeable future. The Corporation has experienced substantial operating losses for the current year and has insufficient revenues to cover operating costs. Management has determined that the Corporation's ability to continue as a going concern is dependent on support from the Institute as outlined in the memo of understanding (MOU) effective April 1, 2020. The Institute, which is the sole member of the Corporation, will provide operational, financial and logistical support until such time that the Corporation can generate sufficient cash flows to cover operating costs.

The MOU may be terminated by either party upon written notice at least ninety days prior to the proposed termination date. If the Institute is the terminating party, the Corporation shall not incur or encumber any further operating expenses after receiving notice without the Institute's written approval. Upon termination, the parties shall satisfy all obligations, financial and otherwise, incurred or accrued to the date of termination.

Note 9 – Prior Period Adjustment

A prior period adjustment was made to increase the beginning net position balance to properly reflect the net value of intangible assets due to several patents that were erroneously omitted at June 30, 2019. The adjustment is shown below.

Net position at June 30, 2019, as originally stated	$	1,816,464
Adjustment to correct error in net value of patents		153,916
Restated net position at June 30, 2019	$	1,970,380

The overall effect of the restatement was an increase in net intangible assets of $153,916 and corresponding increase in the change in net position and ending net position balance at and for the year ended June 30, 2019.

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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. Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, 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, 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, 2020, 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 27, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-003 to be significant deficiencies.

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 financial statements. 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*.

The Corporation's Response to Findings

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Moss Adams LLP

Albuquerque, New Mexico
October 27, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☒ Yes	☐ No
• Significant deficiency(ies) identified?	☒ Yes	☐ None reported
Compliance and other matters noted?	☐ Yes	☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001 – (Original Finding 2019-001) Intangible Assets Tracking and Analysis Process - Material Weakness in Internal Control

Condition and context – During our fieldwork, we noted that the schedule used to track patent activity for the prior year erroneously omitted several patents. After the matter was investigated by management, adjustments totaling $153,916 to beginning net position and a restatement of the beginning net position balance was required. There was a similar issue related to the patent schedule accuracy in the prior year and a material weakness was documented.

Management's progress – Although patents are now being tracked throughout the year, the lack of a multilevel review of the patent schedule prevented a material error from being detected in a timely manner.

Criteria – In order to provide an accurate accounting in compliance with U.S. generally accepted accounting principles, the intangible assets (patents) of the Corporation should be tracked throughout the year with adjustments recorded for additional capitalized patent costs, write-offs for impairment and amortization expense. The schedule of patent activity prepared by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the tracking of patents, amortization, and analysis of impairment are not functioning as intended.

Repeat finding – Yes, issues with the patent schedule were previously reported as 2019-001. This finding has been modified for the current year.

Effect – The Corporation's net intangible assets were understated by $153,916 and expenses overstated by the same amount prior to this adjustment.

Recommendation – We recommend that the Corporation's accounting policies, procedures and controls be re–examined and improvements should be made to ensure patents are tracked (at least monthly) during the year, reviewed by appropriate personnel, and management's analysis of impairment be prepared within one month after the Corporation's year-end to ensure patent asset and related accounts are accurately and timely maintained and reconciled.

Management views and planned corrective action – A multilevel review has been implemented. Patent expenditures and assets will be tracked on a monthly basis. Patent values will be evaluated accordingly.

Responsible persons – Board Treasurer, Corporate Accountant, and Board President

Finding 2020-002 – (Original Finding 2019-004) Accounts Payable Process – Significant Deficiency in Internal Control

Condition and context – During our testing of expenses, we noted vendor invoices totaling $2,669, related to the fiscal year ended June 30, 2019, were improperly recorded in the current fiscal year. There was a similar finding in the prior year with regard to expenses and the corresponding liability recorded in the improper fiscal year.

Management's progress – Although the Corporation has designed an administrative structure to address this, the inability to fill required positions during the year failed to detect or prevent expenses being recognized in the incorrect period.

Criteria – In order to provide an accurate accounting, the Corporation's records should be kept open for a reasonable period of time after year-end to ensure vendor invoices and other items that represent a liability at year end, but are not received until after year-end, are recorded in the general ledger in the proper fiscal year.

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the completeness of accounts payable are not functioning as intended.

Repeat finding – Yes, issues related to improper cutoff of accounts payable were previously reported as 2019-004.

Effect – The Corporation's accounts payable balance and expenses were overstated by $2,669 at June 30, 2020.

Recommendation – We recommend that the Corporation's accounting policies, procedures and controls be re–examined and improvements should be made to ensure vendor invoices received after year-end, and related expenses are recorded in the appropriate period.

Management views and planned corrective action – The Corporation has designed an administrative structure with both an Executive Director and an Assistant to manage daily transactions. When both positions are filled, it will result in an increase in accuracy with regard to data entry and reporting. Meanwhile, a qualified administrator has been currently assigned to manage financial obligations.

Responsible persons – Board Treasurer, Corporate Accountant, and Board President

Finding 2020-003 - Segregation of Duties and Access to Accounting Software – Significant Deficiency in Internal Control

Condition and context – During our review of the design and implementation of internal controls, we noted policies in place that weaken internal controls related to the segregation of duties between management personnel. Currently the Board Treasurer has unlimited access to the accounting software and is also a check signer. In addition, he is the only person with an official login username and password to the software. Other personnel must use his login credentials to access the software and make changes.

Criteria – In order to have effective internal controls, the Corporation should take measures to improve the segregation of duties between management and accounting personnel.

Cause – The accounting policies, procedures, and controls are not designed or functioning as intended and fail to establish a proper segregation of duties between personnel.

Effect – The lack of segregation of duties and single login to the accounting software makes it difficult for management to prevent and detect fraud or errors and weakens the internal controls.

Recommendation – We recommend that the Corporation’s accounting policies, procedures and controls be re–examined and improvements should be made to ensure additional controls are implemented to improve the segregation of duties to include individual login usernames and passwords for each individual requiring access to the software. In addition, management should consider providing the Treasurer with read-only access to the software as long as he has check signing authority.

Management response –. The former Chief Operating Officer of the Corporation left the position in the middle of the fiscal year; the Board Treasurer of the Research Park had to carry out all duties from that point forward. The Corporation has designed an administrative structure with both an Executive Director and an Assistant to manage daily transactions. When both positions are filled, it will allow for an appropriate segregation of duties. Meanwhile, an administrator has been currently assigned to manage general administrative and financial obligations. Check signers will have limited or no access to the software.

Responsible persons – Board Treasurer, Corporate Accountant, and Board President

Summary Schedule of Prior Audit Findings
June 30, 2020

Finding 2019-001 Material Weakness – Intangible Assets Tracking and Analysis Process – Repeated and modified as 2020-001.

Finding 2019-002 Material Weakness – Check Writing Process – Resolved

Finding 2019-003 Significant Deficiency – Notes Receivable Tracking and Analysis Process – Resolved

Finding 2019-004 Significant Deficiency – Accounts Payable Process Repeated and modified as 2020-002.

An exit conference was held on October 27, 2020. During the meeting, the contents of this report were discussed with the following individuals:

The New Mexico Tech University Research Park Corporation:

Donald Monette	Board President
Dr. Peter Anselmo	Board Treasurer/Secretary
Dr. Cleve McDaniel	Director
Shaojie (Jenny) Ma	Corporate Accountant

Moss Adams LLP:

Lisa Todd	Audit Partner
Chris Noyes	Senior Manager

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