THE NEW MEXICO
TECH UNIVERSITY
RESEARCH PARK CORPORATION
(A COMPONENT UNIT OF THE
NEW MEXICO INSTITUTE
OF MINING AND TECHNOLOGY)

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2014

atkinson

PRECISE. PERSONAL. PROACTIVE.

C O N T E N T S

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

OFFICIAL ROSTER

June 30, 2014

Jerry A. Armijo	President
Van Romero	Vice President
Alex Thyssen	Treasurer-Secretary
W.D. Peterson	Director
Lonnie Marquez	Director

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

PO BOX 25246
ALBUQUERQUE, NM 87125

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The New Mexico Tech University Research Park Corporation
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying basic financial statements of The New Mexico Tech University Research Park Corporation (Corporation), a component unit of The New Mexico Institute of Mining and Technology (Institute), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic 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 (US GAAP); 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 auditor's 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, 2014, and the respective changes in financial position and cash flows, thereof, 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, 2014, 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 November 14, 2013 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.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 14, 2014

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

STATEMENT OF NET POSITION

June 30, 2014

ASSETS		
Current assets:		
Cash and cash equivalents	$	11,353
Total current assets		11,353
Noncurrent assets:		
Private equity investments		361,504
Total assets	$	372,857
LIABILITIES		
Current liabilities:		
Current income taxes - State	$	90,500
Current income taxes payable - Federal		52,120
Due to New Mexico Institute of Mining and Technology		39,078
Interest and penalties payable - State		19,660
Total current liabilities		201,358
NET POSITION		171,499
Total net position	$	372,857

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2014

OPERATING REVENUES:		
Private equity investment income, net	$	279,944
OPERATING EXPENSES:		
Administrative expenses		15,371
PROVISION FOR INCOME TAXES AND OTHER EXPENSES		
Provision for income taxes		147,030
Interest and penalties expense		19,660
CHANGE IN NET POSITION		97,883
Net position, beginning of year		73,616
Net position, end of year	$	171,499

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to vendors	$	(15,371)
Federal estimated tax payments		(3,131)
Net cash flows used in operating activities		(18,502)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
		-
Net cash flows provided by investing activities		-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,502)
Cash and cash equivalents, beginning of year		29,855
Cash and cash equivalents, end of year	$	11,353

Reconciliation of operating income to net cash used by operating activities:		
Change in net position - operations	$	97,883
Realized gains on private equity investments not distributed, net		(279,944)
Adjustments to reconcile operating income and net cash used by operating activities		
Decrease in prepaid income taxes		(3,131)
Increase in income taxes payable		147,030
Increase in interest and penalties payable		19,660
Net cash used in operating activities	$	(18,502)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes	$	3,131

During 2014, one private equity investment was written up by $289,944 and another was written down by $10,000.

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The New Mexico Tech University Research Park Corporation (the Corporation), a Component Unit of The New Mexico Institute of Mining and Technology (the Institute), is a New Mexico for-profit corporation located in Socorro, New Mexico. 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. It 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.

2. 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.

The Corporation implemented Government Accounting Standards Board (GASB) Statement No. 62 during the year ended June 30, 2013, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate. It further eliminates the election for proprietary fund and business type reporting entities to apply certain Financial Accounting Standards guidance after November 30, 1989.

During 2013, the Corporation implemented Governmental Accounting Standards Board Statement No. 63 “Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position“ (GASB 63). Deferred outflows of resources consumed and deferred inflows of resources received and available as they are now included in the elements that make up a statement of net financial position reporting the residual of all elements in a statement of financial position. The statement of financial position of the Corporation at June 30, 2014 conforms to the presentation requirements of GASB 63.

The Corporation implemented Governmental Accounting Standards Board Statement No. 65 “Items Previously Reported as Assets and Liabilities” (GASB 65) changes the classification of various financial statement balances including several more common type transactions to deferred outflows and inflows of resources for the year June 30, 2014. There were no deferred outflows or inflows of resources to separately report at June 30, 2014.

3. Revenue and Cost Recognition

As a proprietary fund, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Revenue and Cost Recognition - Continued

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

4. Net Position

Unrestricted net position represents resources whose use is not limited or restricted by time or purpose. Unrestricted net position has arisen from receipt of unrestricted investment gains for 2014 less income tax liabilities.

Restricted net position is net position that has third-party (statutory or granting agency) limitations on their use. There are no restricted net position assets at June 30, 2014.

5. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers cash and cash equivalents to be cash held in bank at June 30, 2014.

6. 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 deferred income taxes.

7. Income Taxes

The Corporation is taxed as a C-corporation under the Internal Revenue Code (IRC).

Income taxes are accounted for under the asset and liability method and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. There are no deferred tax items at June 30, 2014. There are no income tax carryforwards at June 30, 2014.

The Corporation has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FASB ASC 740 and in subsequent periods. The provisions of FASB ASC 740 have been applied to all Corporation income tax positions commencing from that date. The

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Income Taxes – Continued

Corporation's policy is to classify income tax penalties and associated interest according to their natural classification rather than as income tax expense. During the year ended June 30, 2014, the Corporation recognized $27,178 in interest and penalties. As of June 30, 2014, management does not believe the Corporation has any uncertain tax positions that would require financial statement recognition or measurement under FASB ASC 740. Due to statutes of limitation, the Corporation is no longer subject to examinations by tax authorities for tax years before 2011.

The Corporation continues to consider applying 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.

The Corporation is a supporting organization of the Institute and not a private foundation.

8. Private Equity Investments

Private equity investments are comprised of equity securities classified by management as a limited liability corporation and are not publicly traded. Private equity investments are recorded in the financial statements at cost (tax basis), which approximates book value on the accrual basis in accordance with US GAAP.

The investment strategy of the private equity investments is to directly invest in select information technology as well as research and development companies that support incubation to commercialization for such business activities associated with the Institute, which in turn operate with the objective of obtaining long-term growth and return on investment to the Corporation.

9. Impairment of Private Equity Investments

Private equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. Impairment loss of one of the two private equity investments in the amount of $10,000 was recorded in 2014 which resulted in full write-off of that investment as of June 30, 2014.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Subsequent Events

Subsequent events have been evaluated through November 14, 2014, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended June 30, 2014. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE B – CASH AND BANK DEPOSITS

The Corporation does not have any limitations on the types of deposits or investments.

1. 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, 2014, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State Bank
Total of deposits in the bank	$ 11,353
FDIC coverage	(11,353)
Total uninsured funds	$ -

Deposit classification in the financial statements at June 30, 2014 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	$ 11,353	$ -	$ 11,353

NOTE C – PRIVATE EQUITY INVESTMENTS

Following are the cost basis activities, realized losses, ending cost basis, and unrealized losses on private equity investments which are not marketable for the years ended December 31, 2014:

NOTE C – PRIVATE EQUITY INVESTMENTS – CONTINUED

Beginning basis	$	81,560
Realized gain		254,763
Conversion from accrual to cash basis adjustment		35,181
Realized impairment loss		(10,000)
Ending basis	$	361,504

The Corporation owns directly fifty percent of Computational Analysis and Network Enterprise Solutions, LLC (CAaNES) and has an equity investment of $361,504 which is the only equity investment remaining held by the Corporation at June 30, 2014.

NOTE D – INCOME TAXES, INTEREST AND PENALITIES

The provision for income taxes during the year ended June 30, 2014, are presented below:

Current income taxes - Federal	$	56,530
Current income taxes, interest and penalties - State		110,160
Total provision for income taxes	$	166,690

During 2013, the New Mexico Taxation and Revenue Department (NMTRD) assessed the Corporation $80,749, plus penalties and interest due to disallowance of the State NOL carryforward. During 2014, the matter went under administrative review with the NMTRD and the outcome was not favorable to the Corporation.

The provision for income taxes was $264,622 during the year ended June 30, 2014. The net operating loss carryforward for New Mexico was denied by the NMTRD resulting in an estimated liability including penalties and interest of approximately $107,927 as of June 30, 2014. The Institute is expected to advance funds to pay for the settlement portion of the estimated liability during 2015.

The prior year valuation allowance of $225,700 was reversed during the year ending June 30, 2014 that applied towards deferred tax assets arising from net operating losses which were fully taken (federal) or lost (state). In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

NOTE E – RELATED PARTY TRANSACTIONS

The Institute provides, on a rent-tree 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.

NOTE E – RELATED PARTY TRANSACTIONS – CONTINUED

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

The Corporation has an obligation due to the Institute in the amount of $39,078 for amounts paid in prior years on behalf of the Corporation by the Institute for start up costs and legal fees.

NOTE F – RISK MANAGEMENT

The Corporation 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 Corporation 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 G – SUBSEQUENT EVENTS

The Corporation has submitted Federal Form 1023, Application for Non-Profit Status to the IRS. The form was signed by management on June 23, 2013 and submitted to the IRS by the Corporation's legal counsel. There does not yet appear to be an affirmative determination letter received by management from the IRS as of the date of these financial statements. On November 6, 2014, management's legal counsel submitted a formal request to the IRS to clarify the status of the application and its effective date. Certain online listings of support organizations on IRS sites indicates that the Corporation may have been granted 501(c)(3) status.

Because the effective date and formal determination of not-for-profit status is currently unknown as of the date of issuance of these financial statements, the entity's management has accrued income taxes on profits for the year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

PO BOX 25246
ALBUQUERQUE, NM 87125

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

INDEPENDENT AUDITORS' 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 University Research Park Corporation
and
Mr. Hector H. Balderas
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 Component Unit of The New Mexico Institute of Mining and Technology as of and for the year ended June 30, 2014, and have issued our report thereon dated November 14, 2014.

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.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 14, 2014

SUMMARY OF AUDIT FINDINGS

Year Ended June 30, 2014

Prior Year Finding Description

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

None

Findings – Financial Statement Audit

None

Current Year Finding Description

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

None

Findings – Financial Statement Audit

None

FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE

June 30, 2014

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The basic financial statements have been prepared by Atkinson & Co., Ltd. with the assistance of the Corporation. The content in this report is the responsibility of the Corporation.

* * * * *

An Exit Conference was held on November 5, 2014 and attended by the following:

For The New Mexico Tech University Research Park Corporation:

Jerry A. Armijo	President
Lonnie Marquez	Director
Jenny Ma	Accountant

For Atkinson & Co., Ltd.:

Martin Mathisen, CPA, CGFM	Shareholder/Audit Director
Clarke Cagle, CPA, CCIFP, CGFM	Audit Director
Lisa Harrison	Audit Staff

ATKINSON & CO. LTD.
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ALBUQUERQUE, NM
T 505 843 6492
F 505 843 6817

RIO RANCHO, NM
T 505 891 8111
F 505 891 9169

ATKINSONCPA.COM