

CNM In[?]enuity, Inc.

(A Component Unit of Central New Mexico Community College)

Financial Statements

For the Fiscal Years Ended June 30, 2016 and 2015

(With Independent Auditor's Reports Thereon)

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)

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CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)

Official Roster
Governing Board

| Name | Title |
|--------------------|----------------|
| Katharine Winograd | President |
| Deborah Peacock | Vice President |
| Katherine Ulibarri | Treasurer |
| Kyle Lee | Secretary |
| Steve Maestas | Member |
| Bill Miera | Member |
| Kirby Jefferson | Member |
| Andy Lim | Member |

Administrative Officials

| | |
|-----------------|---|
| Samantha Sengel | Chief Advancement Officer |
| Loretta Montoya | Comptroller |
| Wanda Helms | Executive Director of Fiscal Operations/Comptroller |

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CNM Ingenuity, Inc.
and
Mr. Tim Keller
New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of the CNM Ingenuity, Inc. (Ingenuity) (a nonprofit organization and component unit of Central New Mexico Community College), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 *Governmental 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 financial position of Ingenuity as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion on or provide any assurance.

Supplementary and Other Information

The Schedule of Vendor Information required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, on our consideration of the Ingenuity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ingenuity's internal control over financial reporting and compliance.

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
October 18, 2016

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Management's Discussion and Analysis (Unaudited)
June 30, 2016 and 2015

As a component unit of Central New Mexico Community College, (College), CNM Ingenuity, Inc., (Ingenuity) applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements, and Management's Discussion and Analysis for State and Local Government.

Overview of the Basic Financial Statements

Ingenuity's annual report consists of Management's Discussion and Analysis (MD&A), which provides a broad narrative overview of its financial activities for the fiscal years ended June 30, 2016, and June 30, 2015, as well as an overview of the financial statements listed below. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

1. Statements of net position
2. Statements of revenues, expenses, and changes in net position
3. Statements of cash flows
4. Notes to financial statements

The financial statements give an overall picture of Ingenuity's financial situation and should be read in conjunction with the MD&A.

The statement of net position provides both long-term and short-term information about Ingenuity's overall financial status. The statement of revenues, expenses, and changes in net position provide information about the operating revenues and expenses, and the non-operating revenues of Ingenuity. The statement of cash flows provides information about the sources and uses of cash by Ingenuity. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Assets, Liabilities, and Net Position

| | 2016 | 2015 |
|---------------------|--------------|--------------|
| Current assets | \$ 1,424,769 | \$ 1,729,732 |
| Noncurrent assets | 1,799,972 | 1,544,465 |
| Total assets | 3,224,741 | 3,274,197 |
| Current liabilities | 851,036 | 336,684 |
| Total liabilities | 851,036 | 336,684 |
| Net position: | | |
| Unrestricted | 2,373,705 | 2,937,513 |
| Total net position | \$ 2,373,705 | \$ 2,937,513 |

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Management's Discussion and Analysis (Unaudited)
June 30, 2016 and 2015

Revenues, Expenses and Changes in Position

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|---------------------|---------------------|
| Operating revenues: | | |
| Program revenue | \$ 2,040,008 | \$ 432,530 |
| Grant revenue | 296,067 | 111,967 |
| Gifts | 10,886 | 251,000 |
| Total operating revenues | <u>2,346,961</u> | <u>795,497</u> |
| Operating expenses: | | |
| General and administrative | 2,798,534 | 1,646,328 |
| Depreciation | 113,408 | 52,434 |
| Total operating expenses | <u>2,911,942</u> | <u>1,698,762</u> |
| Operating loss | <u>(564,981)</u> | <u>(903,265)</u> |
| Nonoperating revenues: | | |
| Interest income | 1,173 | 869 |
| Total Nonoperating income | <u>1,173</u> | <u>869</u> |
| Decrease in net position | (563,808) | (902,396) |
| Net position, beginning of year | 2,937,513 | 3,839,909 |
| Net position, end of year | <u>\$ 2,373,705</u> | <u>\$ 2,937,513</u> |

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Management's Discussion and Analysis (Unaudited)
June 30, 2016 and 2015

Financial Analysis

Ingenuity's total assets of \$3,224,741 on June 30, 2016, represent a decrease of 2% from the previous year total of \$3,274,197 and increased total liabilities to \$851,036. This results in net position of \$2,373,705, a decrease of \$563,808 from the previous year net position of \$2,937,513. On July 1, 2015, Ingenuity absorbed the Workforce Training Center, formerly run as part of the main college. This change occurred because the leadership team wanted all non-credit courses to be offered through Ingenuity. Still in its early stages, Ingenuity is an ever-evolving organization, making variance analysis difficult.

These statements include all assets, liabilities and deferrals using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The preceding table summarized Ingenuity's assets, liabilities and net position as of June 30, 2016, and June 30, 2015. In addition, a summary of the results of the revenues, expenses and changes in net position for June 30, 2016, and June 30, 2015, is presented. Those results are summarized as follows:

Operating revenues totaled \$2,346,961 in FY16, which is an improvement of \$1,551,464 over FY15's amount of \$795,497. Most notable was an increase in program revenue of \$1,607,478 (see statement of *Revenues, Expenses and Change in Position*). Many of the programs under Ingenuity became operational in FY16, coupled with the inclusion of the additional non-credit (Workforce Training) courses provided a substantial increase in program revenue.

Operating expenses totaled \$2,798,534. The two most significant categories are contract services, salaries, and benefits, comprising 20% and 52% respectively. This highlights the inclusion of Workforce Training as part of Ingenuity. Contract services represents a substantial expense because several of the programs utilize instructors that are independent contractors. The salaries and benefits increased from \$198,821 in FY15 to \$1,456,800 in FY16, resulting in the increased amount of staff required to support all of the additional course and program offerings.

For FY16 and FY15, non-operating revenues include only interest and dividends. There are no non-operating expenses for either fiscal year.

Economic Outlook

Ingenuity was created in 2014 to increase the College's revenues through non-credit training and cooperative agreements in technology and entrepreneurship; it has successfully expanded the College's innovative program offerings. With the foundation established in 2015, Ingenuity was able to maintain, and in most cases substantially increase, program offerings and participation throughout FY16 under its three primary initiatives: STEMulus Center programming, Workforce Development and Business Solutions.

During FY16, four primary programs led CNM Ingenuity Inc.'s operations at the STEMulus Center. The FUSE Makerspace (FUSE) opened as a collaborative workspace where hobbyists, engineers, entrepreneurs and artists can use high-end, state-of-the-art CNM equipment to bring their ideas to fruition. FUSE works on a paid membership model and acts as an incubation center for a number of small business ventures, and partners with the College's newly designed prototyping certificate program. Deep Dive Coding, Ingenuity's computer coding bootcamp, graduated four cohorts of students in FY16, each with increasing enrollment and tuition, and was approved for credit at the College as of the 2016 Spring Term. Deep Dive Coding, maturing to an umbrella brand, will expand to three different coding programs (each with multiple cohorts) by the end of 2016. The IGNITE Community Accelerator, the business accelerator for Ingenuity, completed two cohorts in 2016 with two more scheduled for 2017. Through IGNITE, 20 small businesses have been formed. CNM's Fast Track Business Degree and Entrepreneurial Mindset programs are also operated under Ingenuity.

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Management's Discussion and Analysis (Unaudited)
June 30, 2016 and 2015

In 2016, Workforce Development became a significant component of Ingenuity's strategy. Non-credit workforce development training was provided to 2,592 participants representing 45 organizations. Ingenuity will maintain this programming in FY17, with a focused increase in marketing and advertising of larger programs both currently operating and in development. Among these programs are Financial Coaching, Linesman School, CDL, Nursing Transition to Practice, Registered Behavioral Technician, Supervisor Academy and Cyber Academy. Ingenuity has developed a strategic plan to increase its affiliate relationships for non-credit open enrollment training where possible.

The Business Solutions segment of Ingenuity had an excellent year in FY16 with further expansion planned in FY17. Space Solutions, an initiative to make under-utilized CNM space available for lease and for use by community partnerships, expanded operations in the last year. This has led to many new arrangements with industry partners and it has led to formal partnerships with the New Mexico and Albuquerque film offices. CNM Ingenuity Testing Services remains the largest and most successful high-stakes testing center in New Mexico, and it expanded its capacity by 30% in FY16. Ingenuity Software Labs completed several significant projects and expects completion in late 2016. In 2017, Ingenuity Software Labs will deliver an internship portal for the State Department of Workforce Solutions with several similar projects in the pipeline through the year.

Ingenuity, still in its infancy, continues to build its brand. As the public becomes better informed with the services and opportunities provided by the organization, through both a focused marketing initiative and more familiarity through the passage of time, the leadership team believes Ingenuity will be able to accomplish its original goal of turning a profit in FY19 and beyond.

Contact Information

Additional information can be obtained by contacting CNM Ingenuity, Inc., at (505) 224-3452, 525 Buena Vista Dr. SE, Albuquerque, NM 87106.

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Statements of Net Position
June 30, 2016 and 2015

| | 2016 | 2015 |
|------------------------------------|---------------------|---------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 1,170,503 | \$ 1,465,258 |
| Accounts receivable (Note 3) | 186,047 | 182,193 |
| Prepaid expense | 68,219 | 82,281 |
| Total current assets | 1,424,769 | 1,729,732 |
| Noncurrent assets: | | |
| Capital assets, net (Note 4) | 1,799,972 | 1,544,465 |
| Total noncurrent assets | 1,799,972 | 1,544,465 |
| Total assets | 3,224,741 | 3,274,197 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 67,286 | 32,255 |
| Unearned revenue (Note 5) | 562,345 | 136,437 |
| Due to CNM | 221,404 | 167,992 |
| Total liabilities | 851,036 | 336,684 |
| Net position: | | |
| Net investment in capital assets | 1,799,972 | - |
| Unrestricted | 573,733 | 2,937,513 |
| Total net position | \$ 2,373,705 | \$ 2,937,513 |

See accompanying notes to financial statements

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2016 and 2015

| | 2016 | 2015 |
|-------------------------------------|---------------------|---------------------|
| Operating revenues: | | |
| Program revenue | \$ 2,040,008 | \$ 432,530 |
| Grant revenue | 296,067 | 111,967 |
| Gifts | 10,886 | 251,000 |
| Total operating revenues | 2,346,961 | 795,497 |
| Operating expenses: | | |
| General and administrative (Note 6) | 2,798,534 | 1,646,328 |
| Depreciation | 113,408 | 52,434 |
| Total operating expenses | 2,911,942 | 1,698,762 |
| | | |
| Operating loss | (564,981) | (903,265) |
| Nonoperating revenues: | | |
| Interest income | 1,173 | 869 |
| Total nonoperating income | 1,173 | 869 |
| | | |
| Decrease in net position | (563,808) | (902,396) |
| | | |
| Net position, beginning of year | 2,937,513 | 3,839,909 |
| Net position, end of year | \$ 2,373,705 | \$ 2,937,513 |

See accompanying notes to financial statements

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Statement of Cash Flows
June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash received from program revenue/(expenses) | \$ 2,476,124 | \$ 318,000 |
| Cash received from grant revenue | 296,067 | 111,967 |
| Cash received from gifts | 10,886 | 251,000 |
| Payments for employees (salaries & benefits) | (1,456,801) | (198,821) |
| Payments for vendors | (1,253,290) | (1,391,496) |
| Net cash provided by (used in) operating activities | 72,986 | (909,350) |
| Cash flows from capital financing activities: | | |
| Purchases of capital assets | (368,914) | (1,596,899) |
| Net cash used in capital financing activities | (368,914) | (1,596,899) |
| Cash flows from investing activities: | | |
| Interest on investments (money market account) | 1,173 | 869 |
| Net cash provided by investment activities | 1,173 | 869 |
| Net decrease in cash and cash equivalents | (294,755) | (2,505,380) |
| Cash and cash equivalents, beginning of year | 1,465,258 | 3,970,638 |
| Cash and cash equivalents, end of year | \$ 1,170,503 | \$ 1,465,258 |
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | |
| Operating loss | \$ (564,981) | \$ (903,265) |
| Adjustments to reconcile operating loss to net cash (used in) provided by operating activities: | | |
| Depreciation expense | 113,408 | 52,434 |
| Change in assets and liabilities: | | |
| Accounts receivable | (3,854) | (182,193) |
| Prepaid expenses | 14,061 | (68,774) |
| Account payable | 35,031 | (23,480) |
| Unearned revenue | 425,909 | 136,437 |
| Due to CNM | 53,412 | 79,491 |
| Total adjustments | 637,967 | (6,085) |
| Net cash provided by (used in) operating activities | \$ 72,986 | \$ (909,350) |

See accompanying notes to financial statements

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

a. Organization

CNM Ingenuity, Inc., (“Ingenuity”), was founded on March 17, 2014 under the New Mexico University Research Park and Economic Development Act. It is a not-for-profit New Mexico corporation under Section 501(c)(3) of the Internal Revenue Code. Ingenuity is specifically classified as a 509(c)(3) Type 1 charitable organization. A Type I supporting organization is operated, supervised, or controlled by one or more publicly supported organizations. Ingenuity is operated exclusively for the benefit and support of, to perform the function of, or to carry out the purposes of, Central New Mexico Community College (CNM).

The corporation shall be operated, supervised, or controlled by CNM. Ingenuity and CNM entered into a Memorandum of Agreement (“MOA”) dated March 2014 that defines their relationship. The MOA states that CNM will provide critical resources until Ingenuity becomes self-supporting. It also provides that Ingenuity’s activities will be conducted for the benefit of CNM and must be consistent with CNM’s long-range plans.

Pursuant to the University Research Park and Economic Development Act Sections 21-28-1 through 21-28-25, New Mexico Statutes annotated, 1978 Compilation, as amended, (the “Research Park Act”), this Corporation is formed for all lawful purposes under the Research Park Act.

Notwithstanding the paragraph directly above, all purposes of Ingenuity as stated in the Articles of Incorporation shall be limited exclusively to charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, or the corresponding provision of any future U.S. Internal Revenue law.

Complete financial statements can be obtained from the administrative office at the College at 525 Buena Vista SE, Albuquerque, NM 87106.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

As a component unit of the College, Ingenuity presents its financial statements in accordance with generally accepted accounting standards as established by the Governmental Accounting Standards Board (GASB).

Ingenuity applies business-type activity accounting and Ingenuity’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Ingenuity follows Government Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities; an amendment of GASB Statement 34. The financial statement presentation required by these statements provides a comprehensive perspective of Ingenuity’s assets, liabilities and net position, revenues, expenses, changes in net position, and cash flows.

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

c. Management's Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the following: reported amounts of assets and liabilities; deferred outflows and inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

d. Cash and Cash Equivalents

Ingenuity has only cash and money market fund deposits. Therefore, all funds on deposit are considered cash and cash equivalents.

e. Investments

Ingenuity has no investments.

f. Receivables

Ingenuity's receivables represent revenues earned from student tuitions and fees, grants and contracts, business agreements, and rental property revenue. Receivables at June 30, 2016, the end of the fiscal year, consisted primarily of contract, grant, and third party receivables. As such, the majority is for revenue earned in FY16, and waiting receipt in FY17. The balance of accounts receivable were from student receivables. No provision for bad debt on accounts receivable was made for the fiscal year ending June 30, 2016. This is due to very few, if any, instances of bad debt in FY15. Consequently, no provision was deemed necessary for FY16.

g. Capital Assets

Expenditures for land, land improvements, building, infrastructure, art and equipment are recorded at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation expenses are calculated using the straight-line method and the following estimated useful lives:

| | |
|----------------------------|------------|
| Buildings and improvements | 5-35 years |
| Land improvements | 5-35 years |
| Infrastructure | 5-35 years |
| Furniture and equipment | 5-15 years |
| Vehicles & Fixtures | 5-10 years |

Maintenance and repairs, which materially add to the value of the property or appreciably prolong its life, are recorded as increases to the appropriate asset account. Ingenuity capitalizes all fixed assets with a cost greater than or equal to \$5,000 and a useful life of at least one year. Ingenuity will conduct a regular inventory of fixed assets and maintain a central list of fixed assets, which includes date of purchase, registration numbers, warranty information, original cost, and estimated life. Non-capitalized equipment with values of \$1,000 or more and all laptops, tablets and cellphones, regardless of cost, are tagged and inventoried.

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

h. Agreements

A memorandum of agreement between Ingenuity and the College was entered into on March 11, 2014. The agreement formalizes the relationship between Ingenuity and the College and establishes the purpose for Ingenuity as supporting the college in providing educational opportunities through a variety of noncredit programs and career-focused training for non-traditional students. Ingenuity seeks to complement the College by providing educational avenues that enhance degree opportunities or fill workforce gaps in the local economy. The College agreed to provide staff support, office and meeting space, related physical support services, and other services at no cost to Ingenuity. The estimated value of these services is not reflected in the accompanying financial statements.

i. Contributed Services

Ingenuity does not have employees. However, program, administrative and support staff from CNM have been budgeted and allocated to Ingenuity activities in addition to information technology services. In FY16, CNM contribution totaled \$1,005,346, which is a \$488,778 increase of FY15's amount of \$516,568. This increase in support is the result of Ingenuity's absorption of the Workforce Training Center.

j. Net Position

Unrestricted net position represents resources whose use is not limited or restricted by donors or designated purposes. Unrestricted net position has arisen from exchange transactions and receipt of unrestricted revenues. Restricted expendable net position includes resources in which Ingenuity is contractually or legally bound to spend resources in accordance with restrictions imposed by external third parties, primarily grant funding agencies. When an expense is incurred that can be paid using either restricted or unrestricted resources, Ingenuity's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

k. Classification of Revenues and Expenses

Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of Ingenuity. Operating revenues consists of program revenue, gifts, and grants. Principal operating expenses include program and administrative services.

Non-operating revenues consist entirely of interest income on a money market account held with Ingenuity's financial institution.

l. Revenue Recognition and Donations and Pledges

Ingenuity recognizes revenue on the accrual basis or as earned. Appropriate deferrals for unrestricted program and restricted grant revenue have made at year-end for revenue attributable and to be earned in the next fiscal year proportionate to the instructional term. Unearned Revenue is shown as a liability on the balance sheet.

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

m. Income Taxes

Ingenuity is an organization described in Internal Revenue Code (IRC) Section 501(c)(3) and as such is exempt from federal and state income tax on its related income. Furthermore, as a publicly supported organization, it is classified as a public charity and not a private foundation under Section 509(c)(3). Ingenuity had no material unrelated business income during fiscal years 2016 and 2015; therefore, no provision for income taxes is included in the financial statements.

n. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(2) Cash and Cash Equivalents

a. 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. Ingenuity's operating and money market accounts had deposits totaling \$1,170,503, and \$1,465,258 as of June 30, 2016, and June 30, 2015, respectively. Ingenuity limits the amount of credit exposure to one financial institution and believes that no significant concentration of credit risk exists with respect to cash and cash equivalents.

b. Banking

Ingenuity's financial policy delineates that it utilizes only federally insured local banking institutions. Accounts should be maintained at the same fiscal agent institution utilized by CNM. The amount on deposit with any one institution may not in the usual course of business exceed the FDIC insurance limit without Board of Director approval. Funds in excess of the FDIC insurance limit should be maintained in a Board of Director authorized money market account(s).

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(2) Cash and Cash Equivalents

b. Banking continued

Below is a summary of insured accounts at June 30, 2016, and June 30, 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|---------------------|
| Wells Fargo checking account balance | \$ 494,840 | \$ 185,731 |
| Total Wells Fargo checking account balance | 494,840 | 185,731 |
| FDIC Insurance | 250,000 | 250,000 |
| Uninsured and under collateralized balance | <u>\$ 244,840</u> | <u>\$ (64,269)</u> |
| Wells Fargo money market account balance | <u>\$ 677,105</u> | <u>\$ 1,340,932</u> |

c. Detail of the cash accounts at:

| <u>Account name</u> | <u>Account type</u> | <u>June 30, 2016</u> <u>Bank Balance</u> | <u>Reconciling</u> | <u>Book Balance</u> |
|---------------------------|---------------------|---|--------------------|---------------------|
| Wells Fargo: | | | | |
| Operating | Cash | \$ 494,840 | (1,442) | \$ 493,398 |
| Money Market | Cash | 677,105 | - | 677,105 |
| Cash and Cash Equivalents | | <u>\$ 1,171,945</u> | <u>\$ (1,442)</u> | <u>\$ 1,170,503</u> |
| | | | | |
| <u>Account name</u> | <u>Account type</u> | <u>June 30, 2015</u> <u>Bank balance</u> | <u>Reconciling</u> | <u>Reconciled</u> |
| Wells Fargo: | | | | |
| Checking | Cash | \$ 185,731 | \$ (61,405) | \$ 124,326 |
| Money Market | Cash | 1,340,932 | - | 1,340,932 |
| Cash and Cash Equivalents | | <u>\$ 1,526,663</u> | <u>\$ (61,405)</u> | <u>\$ 1,465,258</u> |

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(3) Accounts Receivable

| | <u>2016</u> | <u>2015</u> |
|---------------------------|-------------------|-------------------|
| Student receivable | \$ 14,301 | \$ 145,122 |
| Contract/Grant receivable | 96,369 | 34,352 |
| 3rd Party receivable | 75,377 | 2,719 |
| Total Accounts Receivable | <u>\$ 186,047</u> | <u>\$ 182,193</u> |

(4) Capital Assets

| | <u>Capital (cost)</u> | <u>Accumulated Depreciation</u> | <u>2016 Net Carrying Amount</u> |
|-------------------------------------|-----------------------|-------------------------------------|-------------------------------------|
| Buildings and Building Improvements | \$ 1,476,477 | \$ (100,449) | \$ 1,376,028 |
| Furniture & Fixtures | 324,371 | (47,436) | 276,935 |
| Equipment | 77,875 | (17,957) | 59,918 |
| Construction in progress | 87,091 | - | 87,091 |
| Total Capital Assets | <u>\$ 1,965,814</u> | <u>\$ (165,842)</u> | <u>\$ 1,799,972</u> |

(5) Unearned Revenue

| <u>FY17 Registrations Paid in FY16</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Coding Academy | \$ 115,777 | \$ 77,930 |
| Financial Coaching | 17,500 | 21,004 |
| Cyber Academy | 14,913 | 4,097 |
| Open Enrollments | 18,506 | 19,236 |
| 3rd Party Open Enrollments | 585 | 2,719 |
| Contract & Grants | 395,064 | 11,451 |
| Total Unearned Revenue | <u>\$ 562,345</u> | <u>\$ 136,437</u> |

(6) General and Administrative Expenses

General and administrative expenses consisted of the following for the years ended June 30:

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Contract Labor | \$ 571,183 | \$ 844,395 |
| Salaries & benefits | 1,456,801 | 198,821 |
| Supplies | 58,087 | 211,648 |
| Equipment & Furniture & Fixtures | 32,872 | 107,694 |
| Lease & Property Insurance | 108,847 | 66,060 |
| Legal | - | 66,169 |
| Other Expenses | 570,744 | 151,541 |
| Total General and Administrative Expenses | <u>\$ 2,798,534</u> | <u>\$ 1,646,328</u> |

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Notes to Financial Statements
June 30, 2016 and 2015

(7) Related Party Transactions

The College provides office space, personnel, utilities, and general operating expenses to Ingenuity at no cost. In addition, personnel have been dedicated partially or in full in support of Ingenuity operations.

(8) Commitments, Contingencies and Subsequent Events

Commitments

Ingenuity's lease with First Plaza Galleria expires June 2019, with total future obligations of \$388,231. The annual commitments are as follows:

| | |
|------|-------------------|
| FY16 | \$ 89,181 |
| FY17 | 93,033 |
| FY18 | 96,885 |
| FY19 | <u>109,132</u> |
| | <u>\$ 388,231</u> |

Contingency

There are no significant contingencies or liabilities that would materially affect the financial position of Ingenuity.

Subsequent Events

Ingenuity purchased one residential property in July of FY17. The total purchase price of the property totaled \$164,979 and two residential properties in October of FY17 totaling \$323,700

SUPPLEMENTAL INFORMATION

CNM Ingenuity Inc.

SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)

For the Year Ended June 30, 2016

| <i>Agency Number</i> | <i>Agency Name</i> | <i>Agency Type</i> | <i>RFB#/RFP # (If applicable)</i> | <i>Type of Procurement</i> | <i>Vendor Name</i> | <i>Did Vendor Win Contract?</i> | <i>\$ Amount of Awarded Contract</i> | <i>\$ Amount of Amended Contract</i> | <i>Physical address of vendor (City, State)</i> | <i>Did the Vendor provide documentation of eligibility for in-state preference?</i> | <i>Did the Vendor provide documentation of eligibility for veterans' preference?</i> | <i>Brief Description of the Scope of Work</i> | <i>If the procurement is attributable to a Component Unit, Name of Component Unit</i> |
|----------------------|--------------------|--------------------|-----------------------------------|----------------------------|--------------------|---------------------------------|--------------------------------------|--------------------------------------|---|---|--|---|---|
| 966-B | CNM Ingenuity, Inc | NFP | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors of
CNM Ingenuity, Inc.
and
Mr. Tim Keller
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 CNM Ingenuity, Inc. (Ingenuity) (a nonprofit organization and a component unit of the Central New Mexico Community College), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ingenuity'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ingenuity's internal control. Accordingly, we do not express an opinion on the effectiveness of Ingenuity'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 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 Ingenuity’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
October 18, 2016

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Schedule of Findings
June 30, 2016 and 2015

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None

CNM INGENUITY, INC.
(A Component Unit of Central New Mexico Community College)
Exit Conference
June 30, 2016 and 2015

An exit conference was held in a closed session on October 18, 2016, to discuss the audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing Central New Mexico Community College Ingenuity

Kyle Lee, Executive Director, Secretary
Katherine Ulibarri, Treasurer
Samantha Sengel, Chief Advancement Officer
Wanda Helms, Executive Director of Fiscal Operations/Comptroller
Nancy Puccetti, Director of Nonprofit Accounting
Evelyn Dow, Associate Director WTC
Andrea Vaughan, Accountant
Andrew Flores, Accountant

Representing Axiom CPA's.

Chris Gardner, Partner
Bryan Runyan