



**SUPPORTING TECHNOLOGY TRANSFER AND  
CATALYZING ECONOMIC DEVELOPMENT AT  
THE UNIVERSITY OF NEW MEXICO**

(A Blended Component Unit of the University of New Mexico)

Financial Statements

June 30, 2017 and 2016

(With Report of Independent Auditors Thereon)

**STC.UNM**  
(A Component Unit of the University of New Mexico)

**Table of Contents**

	<b>Page</b>
Official Roster (unaudited)	i
Report of Independent Auditors	1
Management’s Discussion and Analysis (unaudited)	4
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Required Governmental Reporting:	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Schedule of Findings and Responses	24
Schedule of Prior Findings	27
Exit Conference	28

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Official Roster (unaudited)

June 30, 2017

**Officers**

Ms. Sandra Begay	Chair
Ms. Terri Cole	Vice Chair
Dr. Joseph L. Cecchi	Vice Chair
Dr. John H. Stichman	Secretary/Treasurer
Ms. Elizabeth Kuuttila	CEO & Chief Economic Development Officer

**Committee Chairs**

Ms. Sandra Begay	Chair, Executive Committee and Nominating Committee
Dr. John H. Stichman	Chair, Finance and Compensation Committee
Ms. Maria Griego-Raby	Chair, Endowment Fund Committee
Mr. Chuck Wellborn	Chair, Co-Investment Fund Committee

**Board Members**

Dr. Chaouki T. Abdallah	Ms. Sandra Begay
Dr. Joseph L. Cecchi	Ms. Terri Cole
Dr. Robert H. Fisher	Mr. David W. Harris
Ms. Maria Griego-Raby	Ms. Elizabeth Kuuttila
Mr. Jamie Koch	Mr. Terry Laudick
Dr. Richard S. Larson	Dr. Gabriel P. Lopez
Ms. Cindy McGill	Mr. Robert H. Nath
Dr. Gregg L. Mayer	Dr. Eric R. Prossnitz
Dr. Paul B. Roth	Mr. Pedro F. Suarez
Dr. John H. Stichman	Mr. Chuck I. Wellborn
Mr. Gary Tonjes	Mr. J.E. (Gene) Gallegos
Dr. Craig G. White	Ms. Kimberly C. Sawyer
Dr. Alton D. Romig, Jr.	
Dr. John C. Stormont	
Mr. Alex O. Romero	



## **REPORT OF INDEPENDENT AUDITORS**

The Board of Directors  
STC.UNM  
and  
Mr. Timothy Keller  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of STC.UNM, which comprise the statement of financial position as of June 30, 2017, 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.

### ***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 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.

The Board of Directors  
STC.UNM  
and  
Mr. Timothy Keller  
New Mexico State Auditor

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 STC.UNM as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Financial Statements***

The financial statements of STC.UNM as of June 30, 2016 and 2015 were audited by other auditors whose report dated November 9, 2016, expressed an unmodified opinion on those statements.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such 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. 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 or provide any assurance.

The Board of Directors  
STC.UNM  
and  
Mr. Timothy Keller  
New Mexico State Auditor

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017 on our consideration of the STC.UNM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 STC.UNM's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 18, 2017

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis

June 30, 2017 and 2016

(unaudited)

This management's discussion and analysis (MD&A) of the STC.UNM (formerly known as Science & Technology Corporation @ UNM) (the Corporation) provides an overview of the Corporation's financial performance for the fiscal years ended June 30, 2017, 2016, and 2015.

**Overview of the Financial Statements**

The statements of net position of the Corporation provide both long-term and short-term information about the Corporation's overall financial status. The statements of revenues, expenses, and changes in net position provide information about the operating revenues and expenses and nonoperating revenues and expenses of the Corporation. The statements of cash flows provide information about the sources and uses of cash by the Corporation.

**Condensed Financial Information**

	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current assets	\$ 2,390,591	2,765,855	2,042,028
Capital assets, net	16,556	21,047	7,012,926
Current liabilities	1,433,210	1,944,058	1,313,955
Total operating revenues	4,177,224	4,918,045	12,623,595
Total operating expenses	4,139,557	4,652,651	4,898,074
Total nonoperating revenue	113,353	43,354	
Total nonoperating expenses	—	(7,217,513)	(480,918)
Change in net position	151,020	(6,908,765)	7,244,603
Net position, end of year	994,308	843,288	7,752,053

**Financial Position**

The Corporation's current assets decreased by \$375,264 as of June 30, 2017 to \$2,390,591 compared to \$2,765,855 as of June 30, 2016; and current assets increased by \$723,827 as of June 30, 2016 to \$2,765,855 compared to \$2,042,028 as of June 30, 2015. The decrease from fiscal year 2016 to fiscal year 2017 was primarily due to decreased activity level in accounts receivable related to one large balance from a license agreement from fiscal year end 2016. An additional reason for the decrease is the application of \$100,000 in restricted cash as of June 30, 2016 related to co-investment activities with the UNM Foundation. Previous funding received from the UNM Foundation had yet to be paid as of June 30, 2016 and was paid to the start-up company during fiscal year 2017.

Current liabilities decreased by \$510,848 as of June 30, 2017 to \$1,433,210 compared to \$1,944,058 as of June 30, 2016; and increased by \$630,103 as of June 30, 2016 to \$1,944,058 compared to \$1,313,955 as of June 30, 2015. The change from fiscal year 2016 to fiscal year 2017 is primarily attributable to a decrease in accrued royalty sharing of \$337,353 and an additional decrease in accrued expenses of \$119,819 due to the timing of payments made by the Corporation as of year-end.

**STC.UNM**  
(A Component Unit of the University of New Mexico)  
Management's Discussion and Analysis  
June 30, 2017 and 2016  
(unaudited)

***Capital Assets***

Capital asset purchases during fiscal years 2017, 2016, and 2015 were \$3,922, \$8,210, and \$7,094,480, respectively, for real estate related to Innovate ABQ, software, leasehold improvements, computer equipment, and furniture and had depreciation expense of \$8,413, \$51,411, and \$114,243, respectively.

***Comparison of Fiscal 2017 to Fiscal 2016 Results of Operations***

Total operating revenue for fiscal year 2017 of \$4,177,224 decreased from \$4,918,045 for fiscal year 2016, a net decrease of \$740,821. The majority of the decrease is directly attributable to decreased licensing activity through the fiscal year. License revenue decreased by \$692,217 in fiscal year 2017 compared to fiscal year 2016. Additionally, the Corporation was not awarded any grant awards as they had in the previous year. Grant award revenue decreased by \$250,000 in fiscal year 2017 compared to fiscal year 2016.

Total operating expenses decreased by a net of \$513,094 for fiscal year 2017 compared to fiscal year 2016. Innovate ABQ related expenses decreased by \$149,758 from the prior year due to the transfer of Innovate ABQ from the Corporation to Innovate ABQ. Patent cost expenses decreased by \$121,600 from prior fiscal year attributable to reduced licensee-driven patent activities. Licensing distributions expenses decreased by \$276,235 from the prior year due to decrease in licenses during the year.

***Comparison of Fiscal 2016 to Fiscal 2015 Results of Operations***

Total operating revenue for fiscal year 2016 of \$4,918,045 decreased from \$12,623,595 for fiscal year 2015, a net decrease of \$7,705,550. The majority of the decrease is directly attributable to the revenue recognized in fiscal year 2015 related to the Innovate ABQ project in the amount of \$7,798,048. Only \$250,000 of revenue related to the Innovate ABQ project was recognized by the Corporation in the current fiscal year, and the related transfer of Innovate ABQ assets was completed November 2015. Additionally, license revenue decreased by \$116,271 in fiscal year 2016 compared to fiscal year 2015.

Total operating expenses decreased by a net of \$245,423 for fiscal year 2016 compared to fiscal year 2015. Innovate ABQ-related expenses decreased by \$444,391 from the prior year due to the transfer of Innovate ABQ accounting responsibility from the Corporation to Innovate ABQ, Inc. in November 2015. Patent cost expenses increased by \$47,137 from the prior fiscal year directly attributable to higher licensee-driven patent activities. Licensing distributions expenses increased by \$118,069 from the prior year due to the timing of payment by the Corporation as of year-end.

***Economic Conditions***

The uncertainty of the general economic condition impacts university technology transfer offices such as the Corporation. The stability of the economy will be critical in the venture capital industry, which provides funding for start-up companies that may license university intellectual property.



**STC.UNM**  
(A Component Unit of the University of New Mexico)  
Management's Discussion and Analysis  
June 30, 2017 and 2016  
(unaudited)

**Contacting the Company's Management**

This report is meant to accurately describe the financial condition and position of the Corporation.

If you have any questions about this report or need additional financial information, contact STC.UNM at 101 Broadway Blvd NE, Suite 1100, Albuquerque, New Mexico 87102.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Statements of Net Position

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 1,053,737	1,114,568
Restricted cash	—	100,000
Investments	683,101	623,350
Accounts receivable	653,753	927,937
Total current assets	2,390,591	2,765,855
Capital assets:		
Furniture and equipment	268,994	265,072
Accumulated depreciation	(252,438)	(244,025)
Total capital assets, net	16,556	21,047
Investment in stock	20,371	444
Total other assets	20,371	444
Total assets	\$ 2,427,518	2,787,346
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 229,580	190,718
Due to University of New Mexico	371,296	463,834
Accrued royalty sharing	684,771	1,022,124
Accrued expenses	147,563	267,382
Total current liabilities	1,433,210	1,944,058
Net position:		
Unrestricted	977,752	822,241
Invested in capital assets	16,556	21,047
Total net position	\$ 994,308	843,288

See accompanying notes to financial statements.

**STC.UNM**  
(A Component Unit of the University of New Mexico)  
Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Operational funding from UNM	\$ 794,000	794,000
Patent funding from UNM	952,000	952,000
Economic development funding from UNM	288,000	288,000
Grant award	—	250,000
Patent cost reimbursement	714,805	623,677
Licensing and royalties	1,234,803	1,927,020
Other	193,616	83,348
	<u>4,177,224</u>	<u>4,918,045</u>
Operating expenses:		
Patent costs incurred	1,535,659	1,657,259
Licensing distributions	804,372	1,080,607
Depreciation	8,413	51,411
Economic development initiative	345,028	288,000
General and administrative	1,446,085	1,425,616
Innovate ABQ expenses	—	149,758
	<u>4,139,557</u>	<u>4,652,651</u>
Operating income	<u>37,667</u>	<u>265,394</u>
Nonoperating revenue:		
Investment income	19,102	23,973
Rental income	49,344	53,406
Net increase (decrease) in fair value of investments	44,907	(34,025)
Total nonoperating revenue	<u>113,353</u>	<u>43,354</u>
Nonoperating expense:		
Capital contribution	—	(7,217,513)
Total nonoperating expenses	<u>—</u>	<u>(7,217,513)</u>
Change in net position	151,020	(6,908,765)
Net position, beginning of year	<u>843,288</u>	<u>7,752,053</u>
Net position, end of year	<u>\$ 994,308</u>	<u>843,288</u>

See accompanying notes to financial statements.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Payments to suppliers and employees	\$ (1,902,754)	(1,889,186)
Receipts received for Innovate ABQ	—	250,000
Receipts for operational funding revenue from UNM	794,000	794,000
Receipts for patent funding revenue from UNM	952,000	952,000
Receipts for co-investment funding from UNM	674,600	299,960
Payment to start up companies for co-investment funding	(674,600)	(199,960)
Receipts for economic development initiatives funding revenue from UNM	288,000	288,000
Receipts from sponsorships and other	203,557	80,845
Payment for patent costs incurred	(1,513,388)	(1,642,353)
Receipts for patent cost reimbursements	531,468	608,883
Receipts from licensees	1,690,499	1,091,891
Payment for licensing distribution expense	(1,234,085)	(544,305)
Net cash (used in) provided by operating activities	(190,703)	89,775
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,922)	(8,210)
Investment in Stock	(19,808)	—
Transfer to Innovate ABQ	—	(229,631)
Net cash used in capital and related financing activities	(23,730)	(237,841)
Cash flows from investing activities:		
Investments purchased	(955,541)	(428,921)
Investments proceeds	940,697	414,656
Interest received	19,102	23,975
Proceeds from sale of investment securities from licensee	—	35,007
Rental income received	49,344	52,944
Net cash provided by investing activities	53,602	97,661
Net decrease in cash and cash equivalents	(160,831)	(50,405)
Cash and cash equivalents, beginning of year	1,214,568	1,264,973
Cash and cash equivalents, end of year	\$ 1,053,737	1,214,568
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Operating income	\$ 37,667	265,394
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Depreciation	8,413	51,411
Stock investment income received in exchange for technology	(119)	(20)
Stock investment received from licensee	—	(29,865)
Expenses recognized by Innovate ABQ	—	(9,243)
Grant receivable transferred to Innovate ABQ	—	(29,961)
Changes in operating assets and liabilities:		
Accounts receivable	274,184	(788,044)
Accounts payable	38,862	(46,031)
Due to UNM	(92,538)	111,327
Accrued royalty sharing	(337,353)	424,963
Accrued expenses and other	(119,819)	139,844
Net cash (used in) provided by operating activities	\$ (190,703)	89,775

See accompanying notes to financial statements.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

**(1) Organization**

STC.UNM (formerly known as Science & Technology Corporation @ UNM) (the Corporation) is a component unit of The University of New Mexico (UNM). The Corporation was organized on April 26, 1993 to facilitate the commercialization of UNM faculty inventions and to manage UNM's Science & Technology Park in Albuquerque, New Mexico. On December 14, 2004, UNM and STC.UNM entered into a revised Memorandum of Agreement (MOA) containing the expectations and performance obligations UNM is seeking from the Corporation. The MOA may be terminated at any time by either party, at which point all property of the Corporation shall be transferred to UNM or other successor organization designated by resolution of the UNM Board of Regents. The Corporation was incorporated under the State of New Mexico's University Research Park and Economic Development Act. The governing board consists of at least 20 members, including certain officers and faculty of UNM, the president of the Corporation, and at least 10 members of the community. The Corporation has no component units.

**(2) Summary of Significant Accounting Policies**

**(a) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

As a component unit of UNM, the Corporation prepared its financial statements in accordance with the accounting disclosure requirements under the Governmental Accounting Standards Board (GASB) pronouncements as the Corporation meets the criteria of a governmental not-for-profit. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies are summarized below.

The Corporation's financial statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized as soon as the liability is incurred.

Operating revenue and expenses are those incurred that relate directly to facilitating commercialization of UNM faculty, staff, and student inventions. All other revenue and expenses are considered non-operating.

**(b) *Use of Estimates***

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 certain amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

**(c) *Cash and Cash Equivalents***

Cash and cash equivalents include deposits and funds invested in overnight repurchase securities. The Corporation is not subject to statutory or policy restrictions on the types of deposits held.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

For purposes of the statements of cash flows, the Corporation considers all cash on hand and in banks and all highly liquid securities with original maturities less than 90 days to be cash equivalents.

**(d) *Accounts Receivable***

Accounts receivable represent the amount earned based on existing terms under license agreements but uncollected on accrued royalties earned from customers.

Accounts receivable are carried at original amount billed less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. There was no allowance for doubtful accounts recorded during 2017 or 2016.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on old accounts receivable.

**(e) *Capital Assets***

Capital assets are carried at cost. Depreciation is provided on the straight-line method based on estimated useful lives of three to seven years, except for depreciation of buildings, which have useful life of 30 years. Capital assets costing over \$1,000 and with a useful life greater than a year are capitalized. Repairs and maintenance expenses are charged to expense as incurred.

**(f) *Patent Costs***

UNM, a related party, provides annual funding for patent costs. The funding revenue is deferred on receipt. As patent costs are incurred, expense is recognized and an equal amount of the deferred revenue is recognized as income.

**(g) *Revenue Recognition***

Upfront, nonrefundable licensing fees are recognized when earned. These fees are ordinarily earned when a license agreement is signed and the Corporation has no further obligations with respect to the license. Minimum annual royalty income is accrued as it is earned, if it is determined that collection is reasonably assured. Licensing fees and minimum annual royalty income accrued were \$652,036 and \$924,692 as of June 30, 2017 and 2016, respectively.

Operational and patent cost funding from UNM is recognized when all eligibility requirements have been met. Patent cost reimbursement is recognized when earned.

**(h) *Income Taxes***

The Corporation has received a determination letter from the Internal Revenue Service (IRS) that it is an organization described in Internal Revenue Code Section 501(c)(3). As such, it would be exempt from federal income tax on income generated from activities related to its exempt function.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

**(i) Accrued Employee Benefits**

The Corporation's employees may accumulate paid personal time, which is payable to the employee upon termination or retirement. Personal time costs are recognized as a liability when earned by the employee.

**(j) Investments**

The investment portfolio is valued based on quoted market values. The portfolio primarily consists of mutual funds. Investments in stock consist of ownership interest in start-up companies and are carried at cost basis.

**(k) Net Position**

Net position is classified as follows:

Invested in capital assets (net of related debt) is intended to reflect the portion of net position that is associated with nonliquid, capital assets less outstanding capital asset-related debt. The Corporation does not have any debt related to its capital assets.

Restricted net position is the net position that has third-party (statutory or granting agency) limitations on its use. There was no restricted net position as of June 30, 2017 or 2016.

Unrestricted net position represents liquid assets available for use.

**(3) Cash, Cash Equivalents, and Investments**

	2017	2016
Cash and cash equivalents:		
Cash on deposit at financial institution	\$ 1,045,612	1,203,762
Cash equivalents not considered deposits:		
Money market accounts	8,025	10,706
Petty	100	100
Total cash and cash equivalents	\$ 1,053,737	1,214,568
Investments:		
Mutual funds:		
Domestic fixed income	\$ 248,760	119,719
International fixed income	20,222	13,492
Domestic equity	268,994	284,581
International equity	124,855	74,157
Real estate	20,270	72,289
Long/short equity	—	52,745
Merger arbitrage	—	6,367
Total investments	\$ 683,101	623,350

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

(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. The Corporation maintains cash and cash equivalents in interest-bearing transaction accounts with financial institutions and, as such, the accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Corporation does not believe there is no significant credit risk related to their deposits. The Corporation does not require collateral on its cash deposits in excess of \$250,000.

As of June 30, the Corporation's deposits were exposed to custodial credit risk as follows:

	<b>2017</b>	<b>2016</b>
Insured	\$ 250,000	250,000
Uninsured and collateralized with securities held by the financial institution's trust department, but not in the Corporation's name	—	—
Uninsured and uncollateralized	958,186	1,113,172
Total bank balance	\$ 1,208,186	1,363,172

The following schedule details the Corporation's deposit accounts at June 30, 2017:

<b>Bank name/ account</b>	<b>Account type</b>	<b>Financial statement balance</b>	<b>Outstanding checks</b>	<b>Bank balance</b>
Bank of the west:				
Operating	Checking	\$ 1,045,612	162,574	1,208,186
Less FDIC insurance				(250,000)
Total			\$ 958,186	



**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

The following schedule details the Corporation's deposit accounts at June 30, 2016:

<u>Bank name/ account</u>	<u>Account type</u>	<u>Financial statement balance</u>	<u>Outstanding checks</u>	<u>Bank balance</u>
Bank of the west:				
Operating	Checking	\$ 1,203,762	159,410	1,363,172
Less FDIC insurance				<u>(250,000)</u>
Total				<u>\$ 1,113,172</u>

**(b) Investment Policy**

The Corporation has its funds in the "Moderate" investment objective options under the TIAA Portfolio Advisor Investment Strategy. TIAA has a general investment account policy developed for the Corporation's funds. The policy establishes an understanding as to the investment goals, objectives, and management policies for this specific portfolio. The objective of the fund is an emphasis on the total return of the portfolio with some consideration on additional customization options. Investments are primarily in equity securities and other asset classes, with growth as the primary objective. Fixed income securities are utilized for risk control. Real assets are utilized for diversification and complementary strategies may be utilized to improve the return/risk relationship of the portfolio. The risk of tolerance of the Corporation can be described as "moderate/long-term". The performance of the portfolio will be monitored, measured, and reported by TIAA to the Corporation.

**(c) Interest Rate Risk and Credit Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that the credit quality of investments fluctuates or downgrades from the time of purchase or the risk that an issuer of an investment will not fulfill its obligations. The Corporation's investments subject to interest rate and credit risk are the fixed income mutual funds. The Corporation's investment policy limits interest rate risk by limiting the percentage of assets invested in bond funds and by requiring the weighted average duration of its portfolio of bond funds to not exceed the duration of the Barclays Aggregate Bond Index by more than two years. The Corporation's investment policy limits credit risk by requiring that domestic investment grade bond funds held have a credit rating of BBB or above at purchase, and by limiting the percentage of assets invested in bond funds.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

The Corporation had the following investments and maturities at June 30, 2017 and 2016.

June 30, 2017						
Investment type	Fair value	Weighted average investment maturities (in years)				Not available
		Less than 1	1 – 5	6 – 10	More than 10	
Fixed income:						
Domestic bond mutual funds	\$ 248,760	—	69,470	179,290	—	—
International bond mutual funds	20,222	—	—	20,222	—	—
	<u>\$ 268,982</u>	<u>—</u>	<u>69,470</u>	<u>199,512</u>	<u>—</u>	<u>—</u>
June 30, 2016						
Investment type	Fair value	Weighted average investment maturities (in years)				Not available
		Less than 1	1 – 5	6 – 10	More than 10	
Fixed income:						
Domestic bond mutual funds	\$ 119,719	—	30,478	63,608	19,543	6,090
International bond mutual funds	13,492	—	—	—	—	13,492
	<u>\$ 133,211</u>	<u>—</u>	<u>30,478</u>	<u>63,608</u>	<u>19,543</u>	<u>19,582</u>

The following tables provide information on the credit ratings associated with the Corporation's investments in debt securities at June 30, 2017 and 2016.

June 30, 2017										
Investment type	Fair value	AAA	AA	A	BBB	BB	B	Below B	NR	Not available
										—
Fixed income:										
Domestic bond mutual funds	\$ 248,760	69,079	152,637	—	—	—	27,044	—	—	—
International bond mutual funds	20,222	—	—	—	—	—	—	—	20,222	—
	<u>\$ 268,982</u>	<u>69,079</u>	<u>152,637</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,044</u>	<u>—</u>	<u>20,222</u>	<u>—</u>
June 30, 2016										
Investment type	Fair value	AAA	AA	A	BBB	BB	B	Below B	NR	Not available
										—
Fixed income:										
Domestic bond mutual funds	\$ 119,719	51,303	5,905	11,246	21,852	9,852	9,859	2,029	7,668	5
International bond mutual funds	13,492	351	49	300	4,038	3,270	2,659	1,445	1,380	—
	<u>\$ 133,211</u>	<u>51,654</u>	<u>5,954</u>	<u>11,546</u>	<u>25,890</u>	<u>13,122</u>	<u>12,518</u>	<u>3,474</u>	<u>9,048</u>	<u>5</u>

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

**(d) Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All foreign investments of the Corporation are in mutual funds, as disclosed elsewhere in this note.

**(e) Net Increase (Decrease) in Fair Value of Investments**

During the years ended June 30, the Corporation experienced realized gains and unrealized losses net on investments held as follows:

2017:		
Realized gains	\$	80,359
Unrealized losses		(35,452)
Net increase in fair value of investments		44,907
2016:		
Realized gains	\$	7,787
Unrealized losses		(41,812)
Net decrease in fair value of investments		(34,025)

**(f) Fair Value Measurement**

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- *Level 1* inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.
- *Level 2* inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- *Level 3* inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers, but the Corporation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

The Corporation has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair value</u>	<u>Quote prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments:				
Mutual funds:				
Domestic fixed income	\$ 248,760	248,760	—	—
International fixed income	20,222	20,222	—	—
Domestic equity	268,994	268,994	—	—
International equity	124,855	124,855	—	—
Real estate	20,270	20,270	—	—
Long/short equity	—	—	—	—
Merger arbitrage	—	—	—	—
Total investments	<u>\$ 683,101</u>	<u>683,101</u>	<u>—</u>	<u>—</u>

The Corporation has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair value</u>	<u>Quote prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments:				
Mutual funds:				
Domestic fixed income	\$ 119,719	119,719	—	—
International fixed income	13,492	13,492	—	—
Domestic equity	284,581	284,581	—	—
International equity	74,157	74,157	—	—
Real estate	72,289	72,289	—	—
Long/short equity	52,745	52,745	—	—
Merger arbitrage	6,367	6,367	—	—
Total investments	<u>\$ 623,350</u>	<u>623,350</u>	<u>—</u>	<u>—</u>

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

**(4) Capital Assets**

The Corporation has the following capital assets as of June 30:

		<b>2017</b>			
		<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Land	\$	—	—	—	—
Capital assets being depreciated:					
Furniture and equipment		265,072	3,922	—	268,994
Buildings		—	—	—	—
Accumulated depreciation		(244,025)	(8,413)	—	(252,438)
Capital assets, net	\$	21,047	(4,491)	—	16,556
		<b>2016</b>			
		<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Land	\$	3,957,684	—	(3,957,684)	—
Capital assets being depreciated:					
Furniture and equipment		275,408	8,210	(18,546)	265,072
Buildings		3,133,320	—	(3,133,320)	—
Accumulated depreciation		(353,486)	(51,412)	160,873	(244,025)
Capital assets, net	\$	7,012,926	(43,202)	(6,948,677)	21,047

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

**(5) Commitments and Contingencies**

**(a) Occupancy Agreement**

Effective January 31, 2008, the Corporation entered into an occupancy agreement with UNM for lease of office facilities. The occupancy agreement was amended on July 1, 2017 to further extend the term of the lease until August 18, 2017, until the Corporation relocates offices to their new location. Additionally, effective August 1, 2017, the Corporation amended its separate occupancy agreement with UNM for lease of office facilities through August 18, 2017. The Corporation entered into a new occupancy agreement with UNM for lease of the new office facilities, effective August 15, 2017 with an end date of August 31, 2027. Future minimum payments required under the occupancy agreements are as follows:

Year ending June 30, 2018	\$ 208,780
Year ending June 30, 2019	233,332
Year ending June 30, 2020	233,332
Year ending June 30, 2021	233,332
Year ending June 30, 2022	233,332
Years ending June 30, 2023 to 2027	<u>1,322,214</u>
	<u>\$ 2,464,322</u>

Rent expense in fiscal years 2017 and 2016 was \$98,626 and \$83,530, respectively.

**(b) Risk Management**

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. The Corporation is insured under the UNM'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 there have been no settlements in any of the past years.

**(6) Defined Contribution Plan**

The Corporation sponsors a defined contribution retirement plan for eligible employees. Employees may contribute up to the maximum allowed by the IRS. In fiscal years 2017 and 2016, the Corporation matched employee contributions below 7.975% commensurately; employee contributions that equaled or exceeded 7.975% were matched up to 12.4% of the employee's base salary. There is no waiting period for vesting. The Corporation's contributions were \$75,874 and \$62,756 in fiscal years 2017 and 2016, respectively. Employee contributions were \$66,714 and \$75,453 in fiscal years 2017 and 2016, respectively.

**(7) Incentive Compensation Plan**

The Corporation has an incentive compensation plan in which the finance and compensation committee of the Corporation's Board of Directors (STC Board) has the discretion to provide a cash and/or equity incentive award based on performance. Equity incentive awards are paid to eligible employees upon the

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

Corporation's liquidation of stock held. Cash bonuses awarded to employees were \$67,219 and \$45,644 in fiscal years 2017 and 2016, respectively. No equity incentive awards were made to employees during 2017 or 2016.

**(8) STC Quasi-Endowment**

During fiscal year 2010, the STC Board approved an internal STC.UNM endowment policy for management of large one-time license-fee related payments received by the Corporation. The endowment policy was revised in 2011 so if the Corporation's net position balance exceeds \$500,000 then the excess balance may be allocated as follows: 80% to the STC Quasi-Endowment, the interest from which could be used to fund STC operations; and 20% to the STC Strategic Initiatives Fund to be used for the inventor recognition awards program, the gap fund program, and other strategic initiatives of STC, as determined by the STC Board's Executive Committee. Reallocation of balances between the Quasi-Endowment, Strategic Initiatives Fund, and other net position balances may be made at the discretion of the STC Finance Committee. The STC Board designated endowment of \$500,000 is accounted for and included under unrestricted net position.

**(9) Co-Investment Fund**

Based on a working relationship with the UNM Foundation, a related party, during fiscal year 2014, the Corporation approved the STC.UNM Policy on Investment from Co-Investment Fund. The UNM Foundation revised its Consolidated Investment Fund Policy (the Policy) to set aside \$1,000,000 for their investment in private start-up companies, which were started based on technology transferred and licensed from the Corporation. Under the Policy, any positive returns realized and received by the Co-Investment Fund in the future shall be shared ten percent by the Corporation and ninety percent by the UNM Foundation. The Policy agreement was amended on October 21, 2016 removing the \$1,000,000 threshold.

During fiscal year 2016, the Corporation approved four proposals from start-up companies and provided for co-investments totaling \$399,960 per terms of the policy. One of the four approved proposals in the amount of \$100,000 was unsuccessful and the money was required to be returned by the Corporation back to the UNM Foundation. As of June 30, 2016, STC had a restricted cash and accounts payable on the statement of net position of \$100,000.

During fiscal year 2017, the Corporation approved five proposals from start-up companies and provided for co-investments totaling \$470,000 based on direct pass-through funding from the UNM Foundation to STC in the amount of \$470,000 per terms of the policy. Two of the five approved proposals in the amount of \$170,000 was unsuccessful and the money was returned by the Corporation back to the UNM Foundation during fiscal year 2017.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2017 and 2016

**(10) IntelliCyt Corporation**

During fiscal year 2017, the Corporation received revenue in the amount of \$100,829 in connection with the merger of IntelliCyt Corporation, a STC licensee, with Sartorius North America, Inc. The Corporation's stock in IntelliCyt was converted to the right to receive the cash proceeds. The merger settled in June 2016 and the Corporation recognized accounts receivable and licensing revenue in the amount of \$810,920. An amount of \$100,829 was released from escrow in connection with the merger and the Corporation recognized accounts receivable and other income during 2017.

**(11) Innovate ABQ**

During fiscal year 2016, the Corporation transferred the land and real estate located at 101 Broadway Boulevard NE, as well as the remaining restricted cash balance, grant receivable, and prepaid insurance, to Innovate ABQ, Inc., a related party. The contribution to Innovate ABQ, Inc. on November 20, 2015 totaled \$7,217,513, which consisted of \$3,957,684 for the land, \$2,990,994 for the building, \$29,961 for the EDA grant receivable, \$229,631 in cash, and \$9,243 in prepaid insurance expense.

**(12) Subsequent Events**

Subsequent events are evaluated by management through the date the accompanying financial statements are available to be issued, which is October 18, 2017.



**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**

The Board of Directors  
STC.UNM  
and  
Mr. Timothy 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 STC.UNM, which comprise the statement of financial position as of June 30, 2017, 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, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered STC.UNM'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 STC.UNM's internal control. Accordingly, we do not express an opinion on the effectiveness of STC.UNM'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 of findings and responses, we identified 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 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. We consider the deficiencies described in the accompanying schedule of finding and responses as items 2017-001 to be material weaknesses.

The Board of Directors  
STC.UNM  
and  
Mr. Timothy Keller  
New Mexico State Auditor

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 2017-002 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether STC.UNM'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*.

### **STC.UNM's Response to Findings**

STC.UNM's response to the findings identified in our audit are described in the accompanying schedule of findings and responses are included in the body of the report. STC.UNM'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 18, 2017

**STC.UNM**  
(A Component Unit of the University of New Mexico)  
Schedule of Findings and Responses  
June 30, 2017 and 2016

**SCHEDULE OF FINDINGS AND RESPONSES**

**2017-001 Accruals and Account Reconciliations-Material Weakness**

*Condition:* STC.UNM does not have proper controls in place related to accrual entries and account reconciliations. As a result of the lack of controls we noted the following:

- The June 30, 2017 Due to UNM Reconciliation did not agree to the general ledger by \$1,520. The general ledger was overstated by \$1,520. In addition, an account on the Due to UNM reconciliation had not been properly reconciled at year-end. A debit balance of \$1,900 did not reflect the proper balance of \$5,739.
- The June 30, 2017 Due to Royalty reconciliation did not agree to the general ledger by \$4,537. The general ledger was understated by \$4,537. In addition, accounts on the due to reconciliation that not been properly reconciled at year-end. A debit balance was identified in the amount of \$500 as being incorrectly accrued instead of expensed. A debit balance of \$169 related to one account did not reflect the proper balance of \$7,828. In addition, documentation could not be provided for one liability in the amount of \$1,672.50.
- Overpayment of royalty sharing amounts occurred with four inventors for a total amount of \$16,351.
- Royalties of \$26,039 and the related Due to UNM of \$5,208 and due to royalties of \$10,415 related for the year ended June 30, 2017, were not accrued at year-end. In addition, royalties of \$17,584 and the royalty sharing of \$10,430 related to June 30, 2016 were posted to the current period.
- An amount of \$625 was posted to revenue to be used against a future license agreement. The revenue should be recorded at the time the license agreement is executed.
- The sale of an investment in stock was not properly recorded at year-end causing the investment in stock balance to be overstated and accounts receivable balance to be understated. Total investment in stock amount was \$19,838.
- The Bank Reconciliation did not agree to the general ledger, due to voided check in the amount of \$6,409. The check was not properly accrued at year-end causing accounts payable and expenses to be understated.

*Management's Progress for repeat finding of 2016-001:* Management met monthly reviewing current year activities related to licensing activities tracking license fees and royalty fees due. STC will continue this practice with a heightened emphasis on the tracking of accrual amounts and the reconciliation of past agreements.

*Criteria:* All organizations should establish effective control procedures over the review and approval of reconciliations for key operating accounts.

*Cause:* STC has no control in place to ensure that all accrual transactions are properly accounted for and all reconciliations for key operating accounts are accurate and are reviewed and approved at the appropriate level of detail by someone other than the preparer.

*Effect:* The lack of controls created multiple errors that could cause a material misstatement.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Schedule of Findings and Responses

June 30, 2017 and 2016

*Recommendation:* We recommend that STC.UNM keep a contract brief of each contract and option agreement to summarize the terms and agreements and to track the license fees and royalty fees due and properly invoice and accrue amounts. In addition, STC.UNM should reconcile each account within the Due to UNM and Due to Royalty to determine whether the payable is a valid payable.

*Management's Response:* STC.UNM agrees with the auditors' finding. STC.UNM will create a new policy where it keeps a contract brief for all license and option agreements summarizing the terms as well as detailing payment due obligations and accrual amounts. Implementation will begin immediately on all new agreements at time of execution and we will retroactively create such briefs on past agreements reconciling the Due to UNM and Due to Royalty accounts to determine validity of payables. Contract briefs on all agreements will be implemented by the end of December 2017 and will be created by the STC.UNM Accounting Coordinator, reviewed and approved by the STC.UNM Controller, with final review and approval performed by the STC.UNM President & CEO.

**STC.UNM**  
(A Component Unit of the University of New Mexico)  
Schedule of Findings and Responses  
June 30, 2017 and 2016

**2017-002 Lack of Policies & Procedures-Significant deficiency**

*Condition:* STC.UNM failed to adopt certain accounting policies and procedures. We noted there were no policies and procedures related to in-kind expenses, finance charges for late payments on receivables, allowance and write-off of accounts receivable balances and payments related to Due to UNM and due to royalties.

As a result of the lack of policies and procedures we noted the following:

- In-kind revenue and expenses was not properly recorded during the year ended June 30, 2017 in the amount of \$36,490.
- Finance charges were not billed to customers related to June 30, 2017 year-end accounts receivable in the amount of approximately \$36,000.
- An allowance for doubtful accounts was not posted for a receivable balance that may not be collectible in the amount of \$26,000 as of June 30, 2017.
- Amounts Due to UNM and due to the inventors continue to be carried over from year to year without being paid. There were instances where payments were made to UNM; however, payments were not made to the inventors.

*Criteria:* All organizations should establish policies and procedures for effective internal controls.

*Cause:* STC.UNM has not adopted certain accounting policies and procedures.

*Effect:* The lack of policies and procedures could result in a lack of accountability and consistency in the financial reporting process.

*Recommendation:* We recommend policies and procedures be prepared for all significant accounts. This will help to insure that STC.UNM is accountable and consistent in applying generally accepted accounting principles.

*Management's Response:* STC.UNM agrees with the auditors' finding. STC.UNM will prepare policies and procedures for all significant accounts to assist with enduring that STC.UNM is accountable and consistent in applying generally accepted accounting principles. Policies and procedures will be drafted by the STC.UNM Controller and approved by the STC.UNM President & CEO. The policies and procedures will be in place by the end of December 2017.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Schedule of Prior Findings

June 30, 2017 and 2016

**SCHEDULE OF PRIOR FINDINGS**

2016-001 Journal Entry Review Process-Material Weakness-RESOLVED

*Condition:*

During fiscal year 2016, the journal entries made related to the transfer of Innovate ABQ-related assets from STC.UNM to Innovate ABQ were created and posted by one individual and were not subject to review and approval by someone other than the preparer. This resulted in two incorrect journal entries being posted, which led to a material misstatement in the contribution to Innovate ABQ expense of \$259,243 that was not detected by management.

2016-002 Review and Account Reconciliations-Material Weakness-MODIFIED AND REPEATED AS 2017-001

*Condition:*

During fiscal year 2016, errors were made in the recording of the release of a contingency related to accrued royalty sharing. This error resulted in an understatement of net operating income and the change in net position of \$94,134 that was not detected by management.

**STC.UNM**  
(A Component Unit of the University of New Mexico)

Exit Conference  
Year ended June 30, 2017

An exit conference was held on September 18, 2017. During this meeting, the contents of this report were discussed with the following individuals:

**STC.UNM (a component unit of the University of New Mexico)**

Elizabeth Kuuttila, CEO and Chief Economic Development Officer

Sandra Begay, Board Chair

Preston Hendrix, Controller

Gregg Mayer, Board Member

John Stichman, Board Secretary/Treasurer

**Moss Adams LLP**

Steve Keene, Partner

Sheila Herrera, Senior Manager

STC.UNM (a component unit of the University of New Mexico) is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.