



# STC.UNM

THE INNOVATION DOOR TO  
THE UNIVERSITY OF NEW MEXICO

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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

Official Roster

June 30, 2011

**Officers**

Dr. Joseph Cecchi	Chair
Ms. Terri Cole	Vice Chair
Ms. Sandra Begay-Campbell	Secretary/Treasurer
Ms. Elizabeth Kuuttila	President and CEO
Ms. Denise Bissell	Assistant Secretary

**Committee Chairs**

Dr. Joseph Cecchi	Chair, Executive Committee and Nominating Committee
Ms. Cindy McGill	Chair, Community Relationships Committee
Ms. Sandra Begay-Campbell	Chair, Finance and Compensation Committee

**Board Members**

Ms. Sandra Begay-Campbell	Mr. Douglas M. Brown
Dr. Joseph L. Cecchi	Ms. Terri Cole
Dr. James D. Cramer	Dr. Robert H. Fisher
Dr. Julia E. Fulghum	Mr. J.E. (Gene) Gallegos
Ms. Maria Griego-Raby	Mr. David W. Harris
Ms. Elizabeth Kuuttila	Dr. Richard S. Larson
Ms. Diana MacArthur	Dr. Gregg L. Mayer
Ms. Cindy McGill	Mr. Fred Mondragon
Dr. Pope Moseley	Dr. Suzanne Ortega
Dr. John A. Pieper	Dr. Paul B. Roth
Dr. David J. Schmidly	Dr. John H. Stichman
Mr. Pedro F. Suarez	Mr. Gary Tonjes
Mr. Chuck I. Wellborn	Dr. Albert R.C. Westwood



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Suite 700  
Two Park Square  
6565 Americas Parkway NE  
PO Box 3990  
Albuquerque, NM 87190

## **Independent Auditors' Report**

The Board of Directors  
STC.UNM  
and  
Mr. Hector H. Balderas,  
New Mexico State Auditor:

We have audited the accompanying basic financial statements of STC.UNM (Corporation), a component unit of the University of New Mexico (UNM), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Corporation as of June 30, 2010 were audited by other auditors whose report thereon dated October 11, 2010 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2011, and the changes in financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 and 4 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Albuquerque, New Mexico  
October 11, 2011

**STC.UNM**  
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Management's Discussion and Analysis

June 30, 2011 and 2010

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, 2011, 2010, and 2009.

**Overview of the Financial Statements**

The Balance Sheet of the Corporation provides both long-term and short-term information about the Corporation's overall financial status. The Statements of Revenue, Expenses, and Changes in Net Assets (deficit) 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>2011</b>	<b>2010</b>	<b>2009</b>
Current assets	\$ 1,359,767	1,297,432	952,913
Capital assets, net	71,733	36,842	56,740
Current liabilities	976,046	608,484	664,828
Total operating revenues	4,939,218	5,662,573	2,835,589
Total operating expenses	5,222,397	5,288,915	3,055,613
Total nonoperating revenue and expenses	12,983	7,307	17,983
Change in net assets	(270,196)	380,965	(202,041)
Net assets, end of year	463,567	733,763	352,798

***Financial Position***

The Corporation's current assets increased by \$62,335 as of June 30, 2011 to \$1,359,767, compared to \$1,297,432 as of June 30, 2010; and current assets increased by \$344,519 to \$1,297,432 as of June 30, 2010, compared to \$952,913 as of June 30, 2009. The changes from year to year are primarily due to the activity level in the accounts receivable related to various license agreements from licensee companies. Capital asset purchases during fiscal years 2011, 2010, and 2009 were \$64,351, \$13,811, and \$6,128, respectively, for software, leasehold improvements, computer equipment, and furniture. Current liabilities increased by \$367,562 as of June 30, 2011 to \$976,046, compared to \$608,484 as of June 30, 2010. The increase is attributable to a balance due to UNM and timing of the payment by STC as of year-end. Current liabilities remained constant in fiscal year 2010 compared to fiscal year 2009.

**Capital Assets**

During the years ended June 30, 2011, 2010, and 2009, the Corporation acquired \$64,351, \$13,811, and \$6,128, respectively, in capital assets and had depreciation expense of \$29,460, \$33,709, and \$33,938, respectively.

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

Management's Discussion and Analysis

June 30, 2011 and 2010

**Comparison of Fiscal 2011 to Fiscal 2010 Results of Operations**

Total operating revenue for fiscal year 2011 of \$4,939,218 decreased from \$5,662,573 for fiscal year 2010, a net decrease of \$723,355. The net change is primarily due to decrease in license income of \$681,930 from prior year. Fiscal year 2010 income included a license agreement that was the result of a large one-time settlement with a third-party company over STC's assertion of patent infringement.

Total operating expenses decreased by \$66,518 for fiscal year 2011 compared to fiscal year 2010. The net decrease is primarily the result of decrease in licensing and royalty sharing distribution expense as a result of lower license income resulted in fiscal year 2011.

**Comparison of Fiscal 2010 to Fiscal 2009 Results of Operations**

Total operating revenue for fiscal year 2010 of \$5,662,573 increased from \$2,835,589 for fiscal year 2009, a net increase of \$2,826,984. The net change is primarily due to increase in license income of \$2,972,482 from prior year. One license agreement was the result of a settlement with a third-party company over STC's assertion of patent infringement. Another license agreement was entered into by STC with a third-party company for a portfolio of lithography technologies.

Total operating expenses increased by \$5,288,915 for fiscal year 2010 compared to fiscal year 2009 due to increase in patent cost expense of \$3,055,613 due to increase of \$2,177,921 in licensing and royalty sharing distribution expense as a result of higher license income resulted in fiscal year 2010.

**Economic Conditions**

The uncertainty of the general economic condition impacts university technology transfer offices such as STC. 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.

**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 801 University Boulevard SE, Suite 101, Albuquerque, NM 87106.

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

Balance Sheet

June 30, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 1,234,685	1,222,962
Accounts receivable	120,582	74,470
Other assets	4,500	—
Total current assets	1,359,767	1,297,432
Capital assets:		
Furniture and equipment	228,066	203,566
Accumulated depreciation	(156,333)	(166,724)
Total capital assets, net	71,733	36,842
Investment in stock	8,113	7,973
Total other assets	8,113	7,973
Total assets	\$ 1,439,613	1,342,247
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 302,406	168,553
Deferred revenue	2,050	1,550
Due to University of New Mexico	306,736	7,698
Accrued royalty sharing	182,342	215,423
Accrued expenses	182,512	215,260
Total current liabilities	976,046	608,484
Net assets (deficit):		
Unrestricted	(108,166)	102,921
Unrestricted – STC Quasi-Endowment	500,000	594,000
Invested in capital assets	71,733	36,842
Total net assets	463,567	733,763
Total liabilities and net assets	\$ 1,439,613	1,342,247

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 Assets  
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Operational funding from UNM	\$ 794,000	954,000
Patent funding from UNM	812,000	732,200
Patent cost reimbursement	237,285	198,510
Licensing and royalties	3,095,933	3,777,863
Total operating revenues	<u>4,939,218</u>	<u>5,662,573</u>
Operating expenses:		
Patent costs incurred	1,327,732	1,062,666
Licensing distributions	2,363,830	2,685,067
Depreciation	29,460	33,709
Technology advancement awards	50,000	—
General and administrative	1,451,375	1,507,473
Total operating expenses	<u>5,222,397</u>	<u>5,288,915</u>
Operating income (loss)	<u>(283,179)</u>	<u>373,658</u>
Nonoperating revenue and expenses:		
Interest income	—	942
Rental income	12,983	6,365
Total nonoperating revenue and expenses	<u>12,983</u>	<u>7,307</u>
Change in net assets	<u>(270,196)</u>	<u>380,965</u>
Net assets, beginning of year	<u>733,763</u>	<u>352,798</u>
Net assets, end of year	<u>\$ 463,567</u>	<u>733,763</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, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Cash payments to suppliers and employees	\$ (1,499,805)	(1,369,519)
Cash received for operational funding revenue from UNM	794,000	954,000
Cash received for patent funding revenue from UNM	812,000	732,200
Cash payments for patent costs incurred	(1,195,054)	(1,103,972)
Cash received for patent cost reimbursements	230,207	210,538
Cash payments to UNM for patent cost reimbursements received	—	(10,610)
Cash received from licensees	3,057,860	4,094,638
Cash payments for licensing distribution expense	(2,086,117)	(2,826,586)
Cash payments for technology advancement awards	(50,000)	—
Net cash provided by operating activities	63,091	680,689
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(64,351)	(13,811)
Cash flows from investing activities:		
Interest received	—	942
Rental income received	12,983	6,365
Net cash provided by investing activities	12,983	7,307
Net increase in cash and cash equivalents	11,723	674,185
Cash and cash equivalents, beginning of year	1,222,962	548,777
Cash and cash equivalents, end of year	\$ 1,234,685	1,222,962
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (283,179)	373,658
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	29,460	33,709
Stock investment income received in exchange for technology	(141)	—
Changes in operating assets and liabilities:		
Accounts receivable	(46,112)	329,666
Other assets	(4,500)	
Accounts payable	133,854	(34,807)
Due to UNM	299,038	(83,292)
Accrued royalty sharing	(33,081)	(68,837)
Accrued expenses	(32,748)	130,330
Deferred revenue	500	262
Net cash provided by operating activities	\$ 63,091	680,689

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2011 and 2010

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

**(a) Reporting Entity**

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. 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 10 members of the community. The Corporation has no component units.

**(b) Basis of Presentation**

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 nonoperating.

**(c) Accounting Standards**

Effective July 1, 2010, the Corporation adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements*, which supersedes GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The GASB No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB 62 had no impact on the Corporation's proprietary fund accounting policies, as the Corporation had previously elected in accordance with GASB No. 20 to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, and applicable FASB pronouncements issued on or before November 30, 1989 have now been incorporated into GASB pronouncements.

**(d) 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

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

Notes to Financial Statements

June 30, 2011 and 2010

date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(e) 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. It does by policy require deposits to be collateralized at least 50%.

For purposes of the statements of cash flows, the Corporation considers all cash on hand and in banks and all highly liquid securities with maturities of three months or less to be cash equivalents.

**(f) 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 is no allowance for doubtful accounts as of June 30, 2011 and 2010.

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.

**(g) 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. 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.

**(h) 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.

**(i) Revenue Recognition**

Up-front, 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 \$85,598 and \$47,877 as of June 30, 2011 and 2010, respectively.

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

Notes to Financial Statements

June 30, 2011 and 2010

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

**(j) *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. Furthermore, the Corporation previously received a discretionary ruling from the IRS under Revenue Procedure 95-48, excluding it from the requirement to file certain information returns. Changes made by the Pension Protection Act removed the IRS's discretionary authority to waive these filing requirements. Subsequent failures to file result in automatic revocation of exempt status. The IRS is expected to issue further guidance to assist organizations with Rev. Proc. 95-48 rulings in maintaining exempt status. The Corporation intends to monitor and comply with this guidance. Accordingly, no provision for income taxes has been made.

**(k) *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.

**(l) *Investments in Stock***

Investments in stock are carried at cost basis.

**(m) *Net Assets***

Net assets are classified as follows:

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

Restricted net assets are net assets that have third-party (statutory or granting agency) limitations on their use.

Designated net assets are unrestricted subject to Corporation-imposed limits by action of the Board of Directors. Designated net assets are earmarked for future programs and for investment.

Unrestricted net assets represent liquid assets available for use.

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

Notes to Financial Statements

June 30, 2011 and 2010

**(2) Cash and Cash Equivalents**

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.

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

	<u>2011</u>	<u>2010</u>
Insured	\$ 1,308,294	250,000
Uninsured and collateralized with securities held by the financial institution’s trust department, but not in the Corporation’s name	—	1,527,881
Uninsured and uncollateralized	—	—
Total bank balance	<u>\$ 1,308,294</u>	<u>1,777,881</u>

The following schedule details the Corporation’s deposit accounts and collateral pledged at June 30, 2011:

<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	\$ 1,200,091	73,709	1,273,800
Merchant	Checking	34,494	—	34,494
		<u>1,234,585</u>	<u>\$ 73,709</u>	1,308,294
Petty cash		<u>100</u>		
		<u>\$ 1,234,685</u>		
Less FDIC insurance				<u>1,308,294</u>
Amount to be collateralized				\$ <u>—</u>
Minimum to be collateralized at 50%				\$ <u>—</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

**(3) Capital Assets**

		<b>2011</b>			
		<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Capital assets being depreciated:					
Furniture and equipment	\$	203,566	64,351	(39,851)	228,066
Accumulated depreciation		(166,724)	(29,460)	39,851	(156,333)
Capital assets, net	\$	36,842	34,891	—	71,733
		<b>2010</b>			
		<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Capital assets being depreciated:					
Furniture and equipment	\$	189,755	13,811	—	203,566
Accumulated depreciation		(133,015)	(33,709)	—	(166,724)
Capital assets, net	\$	56,740	(19,898)	—	36,842

**(4) Commitments and Contingencies**

***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 April 15, 2011 to extend the term of the lease until June 30, 2012, with yearly options to extend the term for up to two additional years. Future minimum payments required under the occupancy agreement are as follows:

Year ended June 30, 2012	\$	80,092
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***Insurance Coverage***

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Corporation is insured under the 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.

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

Notes to Financial Statements

June 30, 2011 and 2010

**(5) Defined Contribution Plan**

The Corporation sponsors a defined contribution retirement plan for eligible employees. Employees may contribute up to the maximum allowed by the Internal Revenue Service. In 2011 and 2010, respectively, the Corporation matches the employee's contributions below 7.975%; employee's contributions over 7.975% are matched up to 12.400% of employee's base salary. There is no waiting period for vesting. The Corporation contributions were \$80,403 and \$84,835 in 2011 and 2010, respectively. Employee contributions were \$63,937 and \$67,841 in 2011 and 2010, respectively.

**(6) Incentive Compensation Plan**

The Corporation has in place an incentive compensation plan in which the finance and compensation committee of the Corporation's board of directors has the discretion to provide a cash and/or stock incentive bonus based on performance. Stock bonuses vest 20% per year beginning when the award is made. Cash bonuses awarded to employees were \$123,815 and \$151,116 in 2011 and 2010, respectively.

**(7) STC Quasi-Endowment**

During fiscal year 2010, the Board of Directors of STC approved an internal STC endowment policy for management of large one-time license-fee related payments received by STC. During fiscal year 2011, the endowment policy was revised so that if STC's net assets balance exceeds \$500,000 then the excess balance may 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 Board of Director's Executive Committee. Reallocation of balances between the Quasi-Endowment, Strategic Initiatives Fund and other net assets balances may be made at the discretion of the STC Finance Committee. The STC Board-designated endowment is accounted for under Net Assets.





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Albuquerque, NM 87190

**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***

The Board of Directors  
STC.UNM  
and  
Mr. Hector H. Balderas,  
New Mexico State Auditor:

We have audited the financial statements of STC.UNM (Corporation), a component unit of the University of New Mexico, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

*A deficiency in internal control* over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, the University of New Mexico, and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Albuquerque, New Mexico  
October 11, 2011

**STC.UNM**  
(A Component Unit of the University of New Mexico)  
Schedule of Findings and Responses  
Year ended June 30, 2011

**Findings – Financial Statement Audit**

**Prior Year**

None

**Current Year**

None

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

Exit Conference

Year ended June 30, 2011

An exit conference was conducted on October 7, 2011 in which the contents of this report were discussed with the following:

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

John Stitchman	Chair of Finance and Compensation Committee, Secretary/Treasurer, Board of Directors, STC
David Harris	Exec. Vice President for Administration, University of New Mexico; Member of Finance and Compensation Committee, Board of Directors, STC
Julia Fulghum	Vice President for Research & Economic Development, University of New Mexico; Member of Finance & Compensation Committee, Board of Directors, STC
Elizabeth Kuuttila	President & CEO, STC; Member of Board of Directors, STC
Kyung Lee Salazar	CFO, STC

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John Kennedy	Partner
Jaime Clark	Senior Manager