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**HIGHLANDS STABLE  
ISOTOPES CORPORATION  
(A COMPONENT UNIT OF  
NEW MEXICO HIGHLANDS  
UNIVERSITY)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS'  
REPORT**

**June 30, 2019**

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A Component Unit of New Mexico Highlands University)**

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**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A Component Unit of New Mexico Highlands University)**

**OFFICIAL ROSTER**  
**June 30, 2019**

|                           |                       |
|---------------------------|-----------------------|
| Dr. Sam Minner            | President             |
| Dr. Rudy Martinez         | Vice President        |
| Dr. Linda LaGrange        | Secretary / Treasurer |
| Dr. William (Bill) Taylor | Member                |
| Dr. Merritt Helvenston    | Member                |



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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Highlands Stable Isotopes Corporation  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

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

We have audited the accompanying financial statements of Highlands Stable Isotopes Corporation (HSI) (a component unit of New Mexico Highlands University), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows and the related notes to the financial statements for the year then ended.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HSI's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of HSI, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that Highlands Stable Isotopes Corporation will continue as a going concern. As discussed in Note 7 to the financial statements, the HIS has no assets and limited revenue that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

HSI has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2019, on our consideration of HSI'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 HSI's internal control over financial reporting and compliance.

*Ricci & Company LLC*

Albuquerque, NM  
October 15, 2019

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019**

**ASSETS**

**Total assets** \$ -

**LIABILITIES**

**Total liabilities** -

**Net Assets**

Net assets without donor restrictions -

**Total liabilities and net assets** \$ -

*The Notes to the Financial Statements are an integral part of this statement.*

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2019**

**OPERATING REVENUE**

Royalties \$ 69,885

**Total revenues** 69,885

**OPERATING EXPENSES**

Contractual services -

General and administrative expenses 69,885

Total operating expense 69,885

Net operating income -

Change in net position -

Net assets without donor restrictions, beginning of year -

Net assets without donor restrictions, end of year \$ -

*The Notes to the Financial Statements are an integral part of this statement.*

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**STATEMENT OF CASH FLOWS**  
**Year ended June 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                               |
|---|-------------------------------|
| Cash received from customers                    | \$ 69,885                     |
| Payment to vendors                              | <u>(69,885)</u>               |
| <br>Total cash provided by operating activities | <br><u>-</u>                  |
| <br>Net increase in cash and cash equivalent    | <br><u>-</u>                  |
| <br>Cash and cash equivalent beginning of year  | <br><u>-</u>                  |
| <br><b>Cash and cash equivalent end of year</b> | <br><b><u><u>\$ -</u></u></b> |

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

|  |                               |
|--|-------------------------------|
| Change in net position - operations                  | \$ -                          |
| Adjustments to reconcile operating loss and net cash |                               |
| None   | <u>-</u>                      |
| <br><b>Net cash provided by operating activities</b> | <br><b><u><u>\$ -</u></u></b> |

*The Notes to the Financial Statements are an integral part of this statement.*



**NOTES TO FINANCIAL STATEMENTS**

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity.* Highlands Stable Isotopes Corporation (HSI), a component unit of New Mexico Highlands University (the University), was formed August 21, 2009, and was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University - Research Park and Economic Development Act. On September 27, 2018, HSI was granted not-for-profit status under the New Mexico Non-profit Corporation Act under Section 501(c)(3) of the Internal Revenue Code. The purpose of HSI is to conduct research and research commercialization in accordance with the needs of the University. HSI has no component units. HSI is included in the financial statements of the University as a discretely presented component unit.

*Basis of Presentation.* The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental entities. The significant accounting policies are summarized below.

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

HSI implemented Governmental Accounting Standards Board Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” (GASB 63). Deferred outflows of resources consumed and deferred inflows of resources received and available as they are now included in the elements that make up a statement of net financial position reporting the residual of all elements in a statement of financial position. The statement of financial position of the Corporation do not contain any of these components.

HSI implemented Governmental Accounting Standards Board Statement No. 65 “Items Previously Reported as Assets and Liabilities” (GASB 65), which changes the classification of various financial statement balances including several more common type transactions to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012 (FY14). There were no deferred outflows or inflows of resources to separately report at June 30, 2019.

*Cash and Cash Equivalents.* For purposes of the Statement of Cash Flows, HSI considers cash and cash equivalents to be cash deposits and amounts held by its fiscal agent.

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Revenue and Cost Recognition.* As a business-type activity, HSI's financial statements are reported upon using the economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as the liability is incurred.

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

*Net Assets.* Net assets without donor restrictions represents resources whose use is not limited or restricted by time or purpose. The net assets without donor restrictions are \$0 at June 30, 2019.

Net assets with donor restrictions are net assets that has third-party (statutory or granting agency) limitations on its use. The net assets with donor restrictions are \$0 at June 30, 2019.

*Income Taxes.* HIS is a not-for-profit under the New Mexico Non-profit Corporation Act and under Section 501(c)(3) of the Internal Revenue Code

*Recent GASB Pronouncements.* There are no recent GASB pronouncements that have an impact on HSI.

*Private foundation status.* HSI is a supporting organization of the University and not a private foundation.

*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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Budgets.* HSI does not have a legally adopted budget.

*Subsequent Events.* Subsequent events have been evaluated through October 15, 2019, the date at which the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 2. RELATED PARTY TRANSACTIONS**

1. Certain HSI's Board members are also officers of the University.
2. HSI has amounts due to the University totaling \$0 as of June 30, 2019

The University has represented that it will support ongoing activities for HSI for next year.

**NOTE 3. COMMITMENTS AND CONTINGENCIES**

HSI, under an MOU with the University, is required to make payments to the University of not less than 50% of revenues generated from any source to repay the University for support provided (see Note 3). HSI made payments of \$67373 to the University as of June 30, 2019.

HSI has entered into a licensing and royalty agreement with the University for the use of certain patents that are assets of the University. The license fee and royalty fee (which is based on net revenues) payable for the year ended June 30, 2019, is not determinable. HSI had \$69,885 of net revenue generated from the application of these patents during the year ended June 30, 2019.

**NOTE 4. RISK MANAGEMENT**

HSI 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. HSI is insured under the University's Risk Management for liability and casualty insurance, and through a private carrier for director and officer liability insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 5. GOING CONCERN**

HSI has no assets, and a zero net position. As a result, there is substantial doubt about HSI's ability to continue as a going concern. Managements plans to mitigate this concern is centered around obtaining new contracts for use of the product and procedures created by HSI from potential new clients. These financial statements have not been adjusted based on the effects of this concern.

**COMPLIANCE SECTION**



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**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***

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Highlands Stable Isotopes Corporation  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Highlands Stable Isotopes Corporation (HSI) (a component unit of New Mexico Highlands University) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 15, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HSI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HSI's internal control. Accordingly, we do not express an opinion on the effectiveness of the HSI'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 HSI'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 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.

*Ricci & Company, LLC*

Albuquerque, NM  
October 15, 2019

**HIGHLANDS STABLE ISOTOPES CORPORATION**  
**(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2019**

**SECTION 1 – SUMMARY OF AUDITOR RESULTS**

|   |            |
|---|------------|
| Type of report issued:                                    | Unmodified |
| Internal Controls over Financial Reporting:               |            |
| Material weaknesses reported?                             | No         |
| Significant deficiencies reported?                        | No         |
| Noncompliance material to the financial statements noted? | No         |

**SECTION 2 - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**SECTION 3 - CURRENT YEAR FINDINGS AND RESPONSES**

None



**HIGHLANDS STABLE ISOTOPES CORPORATION  
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)  
EXIT CONFERENCE  
June 30, 2019**

An exit conference was held on October 10, 2019, with the following participants:

**New Mexico Highlands University:**

|                    |   |
|--------------------|---|
| Dr. Sam Minner     | President, Highlands University               |
| Max Baca           | Vice President for Finance and Administration |
| Frank Marchi       | Member, Board of Regents Highlands University |
| Stephanie Gonzales | Director of Finance and Budget                |
| Andrea Medina      | Accountant I                                  |
| Eleanor Duran      | Accountant III                                |
| Gayle Martinez     | Financial Aid Director                        |
| Adam Bustos        | Purchasing Director                           |
| Anthony Trujillo   | Payroll Accountant                            |
| Terri Law          | VP Advancement                                |
| Louse c de Baca    | Financial Officer                             |
| Denise Spicer      | Payroll Manager                               |
| Ryan Aragon        | Interim SAR Manager                           |

**Ricci & Company LLC Personnel:**

|                    |                      |
|--------------------|----------------------|
| Mike Easley, CPA   | Audit Supervisor     |
| Mark Santiago, CPA | Audit Senior Manager |

**A. PREPARATION OF FINANCIAL STATEMENTS**

The financial statements were prepared with the assistance of Ricci & Company LLC from the books and records of HSI. The financial statements and related footnotes remain the responsibility of management.