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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2020

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

TABLE CONTENTS

	Page
Official Roster	1
Independent Auditors' Report	2
Statement of Financial Position	4
Statement of Revenues, Expenses and Changes in Fund Balance	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7
COMPLIANCE SECTION	
Report 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>	10
Schedule of Findings and Responses	12
Exit Conference	13

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

OFFICIAL ROSTER
June 30, 2020

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, 2020, 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 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 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, 2020, 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, HSI 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 9, 2020, 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, New Mexico
October 9, 2020

HIGHLANDS STABLE ISOTOPES CORPORATION
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF FINANCIAL POSITION
June 30, 2020

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 REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Year ended June 30, 2020

OPERATING REVENUE

Royalties \$ 107,581

Total revenues 107,581

OPERATING EXPENSES

General and administrative expenses 107,581

Total operating expense 107,581

Net operating income -

Change in net assets -

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 107,581
Payment to vendors	<u>(107,581)</u>
 Total cash provided by operating activities	 <u>-</u>
 Net increase in cash and cash equivalent	 <u>-</u>
 Cash and cash equivalent beginning of year	 <u>-</u>
 Cash and cash equivalent end of year	 <u><u>\$ -</u></u>

**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>
 Net cash provided by operating activities	 <u><u>\$ -</u></u>

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, 2020**

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.

Measurement Focus, Basis of Accounting, and Financial Statement 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.

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.

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, 2020.

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, 2020.

Income Taxes

HSI 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.

HIGHLANDS STABLE ISOTOPES CORPORATION
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 9, 2020, 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, 2020.

NOTE 2. RELATED PARTY TRANSACTIONS

1. Certain HSI Board members are also officers of the University.

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. HSI made payments of \$107,581 to the University as of June 30, 2020.

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, 2020, is not determinable. HSI had \$107,581 of net revenue generated from the application of these patents during the year ended June 30, 2020.

HIGHLANDS STABLE ISOTOPES CORPORATION
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 zero net position. As a result, there is substantial doubt about HSI's ability to continue as a going concern. Management's 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.

NOTE 6. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States and around the world. As of October 9, 2020, HSI is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on our business as of the date of issuance.

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***

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, 2020, and the related notes to the financial statements, which collectively comprise HSI's basic financial statements, and have issued our report thereon dated October 9, 2020.

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 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, New Mexico
October 9, 2020

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020**

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, 2020**

An exit conference was held on October 16, 2020, with the following participants:

New Mexico Highlands University:

Sam Minner	President
Max Baca	Vice President for Finance and Administration
Frank Marchi	Member, Board of Regents
Stephanie Gonzales	Director of Finance and Budget

Ricci & Company LLC Personnel:

Mark Santiago, CPA	Audit Senior Manager
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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.