



Service plus value, it all adds up.

6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccipa.com

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2021

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

TABLE CONTENTS

	Page
Official Roster	1
Independent Auditors' Report	2
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7
COMPLIANCE SECTION	
Independent Auditors' 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
Summary Schedule of Prior Audit Findings	13
Exit Conference	14

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

OFFICIAL ROSTER
June 30, 2021

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



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccipca.com

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 blended component unit of New Mexico Highlands University, which comprise the statement of net position as of June 30, 2021, 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, which collectively comprise HSI's financial statements as listed in the table of contents.

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 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 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 the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of HSI, as of June 30, 2021, and the changes in its net financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that HSI will continue as a going concern. As discussed in Note 6 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.

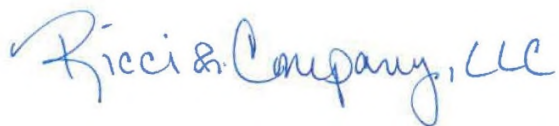
Other Matters

Required Supplementary Information

Management 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 November 1, 2021, 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.



Albuquerque, New Mexico
November 1, 2021

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

Total assets \$ -

LIABILITIES

Total liabilities -

NET POSITION

Net position \$ -

Total liabilities and net position -

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

HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUE

Royalties \$ 102,935

Total revenues 102,935

OPERATING EXPENSES

General and administrative expenses 102,935

Total operating expense 102,935

Net operating income -

Change in net position -

Net position, beginning of year -

Net position, end of year \$ -

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

HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 102,935
Payment to the University	<u>(102,935)</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 INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in net position	\$ -
Adjustments to reconcile operating income and net cash provided by operating activities	<u>-</u>
 Net cash provided by operating activities	 <u><u>\$ -</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1. NATURE OF BUSINESS

Highlands Stable Isotopes Corporation (HSI), a blended 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 blended component unit.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Position

Unrestricted net position represents resources whose use is not limited or restricted by time or purpose. There are no resources included in unrestricted net position at June 30, 2021.

Restricted net position represents resources that have third-party (statutory or granting agency) limitations on its use. There are no restrictions in net position at June 30, 2021.

Income Taxes

HSI is an organization described in the Internal Revenue Code (IRC) Section 501(c)(3) and as such is exempt from federal and state income tax on its related income under Section 501(c)(3) of the IRC. Furthermore, as a publicly supported organization, it is classified as a public charity and not a private foundation under IRC Section 509(a)(1). HSI had no material unrelated business income; therefore, no provision for income taxes is included in the financial statements.

HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Governmental Accounting Standards Board (GASB) Pronouncements

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

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 November 1, 2021, 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, 2021.

NOTE 3. RELATED PARTY TRANSACTIONS

Certain HSI Board members are also officers of the University.

NOTE 4. 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 \$102,935 to the University as of June 30, 2021. This includes \$12 of reimbursed expenses paid by the University on behalf of HSI.

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, 2021, is not determinable. HSI had \$102,935 of net revenue generated from the application of these patents during the year ended June 30, 2021.

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5. 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 6. GOING CONCERN

HSI has no assets, and zero net position. As a result, there is doubt about HSI's ability to continue as a going concern. There are multiple ongoing patents for which HSI receives funds. HSI owes the University past due amounts from large write offs that occurred in its early years of existence. Following advice from legal counsel, the University Board decided to keep HSI open, in its current state, because of the complexities of the patents and the risk of losing the patent revenue. Once the University's loss is recouped, the Board will determine the future of HSI.

COMPLIANCE SECTION



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

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 Highlands Stable Isotopes Corporation (HSI), a blended component unit of New Mexico Highlands University, which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses, and changes in net position, and statement of cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated November 1, 2021.

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.

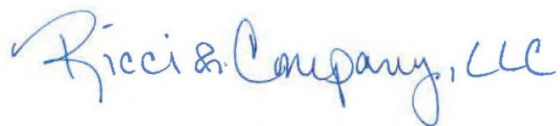
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

A handwritten signature in blue ink that reads "Ricci & Company, LLC". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
November 1, 2021

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

SECTION 1 – SUMMARY OF AUDIT 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 - CURRENT YEAR FINDINGS AND RESPONSES

None identified

SECTION 3 – SECTION 12-6-5 NMSA 1978 FINDINGS

None identified

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021**

PRIOR AUDIT FINANCIAL STATEMENT FINDINGS

None identified

PRIOR AUDIT SECTION 12-6-5 NMSA 1978 FINDINGS

None identified

**HIGHLANDS STABLE ISOTOPES CORPORATION
(A BLENDED COMPONENT UNIT OF NEW MEXICO HIGHLANDS UNIVERSITY)
EXIT CONFERENCE
JUNE 30, 2021**

An exit conference was held on October 29, 2021, with the following participants:

New Mexico Highlands University:

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

Ricci & Company LLC Personnel:

Corrine Zajac-Clarkson, CPA	Audit Partner
Miranda Jijana, CPA	Audit 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.