ONE HUNDRED AND TWENTY-FIVE YEARS OF EXCELLENCE
from gold dust to star dust!

NEW MEXICO TECH

ONE HUNDRED AND TWENTY-FIVE YEARS OF EXCELLENCE

AUDIT REPORT 2013
Year ending June 30, 2013
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New Mexico Institute of Mining and Technology

OFFICIAL ROSTER

June 30, 2013

Board of Regents

Ex Officio Members:
  The Honorable Susana Martinez                  Governor of the State of New Mexico
  Dr. Jose Z. Garcia                             Cabinet Secretary, Higher Education

Appointed Members:
  Richard N. Carpenter                         President
  Jerry A. Armijo                               Secretary/Treasurer
  Debra Hicks                                  Member
  Deborah Peacock                              Member
  Israel Rodriguez Rios                        Student Member

Principal Administrative Officials

  Daniel H. López                              President
  Lonnie G. Marquez                            Vice President for Administration
                                              and Finance
  Peter F. Gerity                              Vice President for Academic Affairs
  Melissa Jaramillo-Fleming                    Vice President for Student
                                              and University Relations
  Van D. Romero                                Vice President for Research
                                              and Economic Development
  Greer Price                                  Director, New Mexico Bureau of
                                              Geology and Mineral Resources
  Robert L. Lee                                Director, New Mexico Petroleum
                                              Recovery Research Center
  John L. Meason                               Director, Energetic Materials
                                              Research and Testing Center
  Arleen Valles                                Director of Finance
  Anna McLain                                  Director of Sponsored Projects
  Leyla A. Sedillo                             Associate Vice President for
                                              Budget and Analysis
  Alex K. Thyssen                             Internal Auditor
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTS

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (the Institute) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the budgetary comparisons for the unrestricted current funds, restricted current funds, and unrestricted instruction and general funds presented as supplementary information, as defined by the Government Accounting Standards Board, in accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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.

Auditor’s 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’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 Institute’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.

As discussed in Note A, the financial statements of the Institute are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities that are attributable to the transactions of the Institute. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2013, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units, and the fiduciary fund of the Institute, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison statements for the year ended June 30, 2013, referenced as schedules 1, 2, 3, and 4 in conformity with the budgetary basis of accounting more fully described in Note A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute’s basic financial statements and the budgetary comparisons. The schedules of deposit collateral and changes in assets and liabilities - agency fund - employee benefit trust, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referred to above and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2013, on our consideration of the Institute’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 the Institute’s internal control over financial reporting and compliance.

Atkinson & Co., Ltd.
Albuquerque, New Mexico
November 12, 2013
New Mexico Institute of Mining and Technology

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

The New Mexico Institute of Mining and Technology (New Mexico Tech, NMIMT, or the Institute) Management’s Discussion and Analysis (MDA) of annual financial statements provide an overview of New Mexico Tech’s financial activities for the fiscal year ending June 30, 2013. Also included for comparison purposes is a 2012 financial summary. This annual report marks the tenth year the financial statements are presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. New Mexico Tech, as do all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

The purpose of the MDA is to provide users of this report with a brief overview of the year's activities as they relate to the funds and assets administered by New Mexico Tech. The MDA is a written discussion of the primary financial statements included in the annual report. It also provides the reader with a discussion of the major activities that occurred during the year and the effect of the activities to New Mexico Tech.

A brief summary is provided for the following financial reports:

- Statement of Net Position (SNP);
- Statement of Revenues, Expenses and Changes in Net Position (SRECNP); and
- Statement of Cash Flows.

The MDA gives New Mexico Tech’s management a forum to analyze the activities for the fiscal year; including, but not limited to, a comparison of current fiscal year to last year’s financial summary, enrollment data, research activities and capital projects. The report gives the reader a written assessment of the impact of the decisions made during the year that support the mission of New Mexico Tech. Therefore, the MDA begins with a brief description of the primary financial statements.

**Statement of Net Position (SNP)**

The Statement of Net Position is a report of the financial and capital resources managed by New Mexico Tech. The SNP is a summary of New Mexico Tech’s assets and liabilities, and it is a “snapshot” of New Mexico Tech at the close of business at the date of the statement, in this case, June 30, 2013.

The statement format used by New Mexico Tech is Assets less Liabilities equals Net Position. Assets and liabilities are presented in the order of their liquidity. Thus, the current assets and current liabilities are listed before non-current assets and non-current liabilities.
New Mexico Institute of Mining and Technology

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,841</td>
<td>$28,035</td>
<td>$6,806</td>
<td>24.3%</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>23,371</td>
<td>30,063</td>
<td>(6,692)</td>
<td>-22.3%</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>11,425</td>
<td>16,448</td>
<td>(5,023)</td>
<td>-30.5%</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,328</td>
<td>1,592</td>
<td>(264)</td>
<td>-16.6%</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,307</td>
<td>2,327</td>
<td>(20)</td>
<td>-0.9%</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>73,272</td>
<td>78,465</td>
<td>(5,193)</td>
<td>-6.6%</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>47</td>
<td>1,611</td>
<td>(1,564)</td>
<td>-97.1%</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>28,284</td>
<td>25,348</td>
<td>2,936</td>
<td>11.6%</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>37,765</td>
<td>34,974</td>
<td>2,791</td>
<td>8.0%</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>140,311</td>
<td>139,760</td>
<td>551</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>206,407</td>
<td>201,693</td>
<td>4,714</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$279,679</td>
<td>$280,158</td>
<td>$(479)</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>$12,103</td>
<td>$13,669</td>
<td>$(1,566)</td>
<td>-11.5%</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>12,103</td>
<td>13,669</td>
<td>(1,566)</td>
<td>-11.5%</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td>22,435</td>
<td>23,003</td>
<td>(568)</td>
<td>-2.5%</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>22,435</td>
<td>23,003</td>
<td>(568)</td>
<td>-2.5%</td>
</tr>
<tr>
<td><strong>Total Liability</strong></td>
<td>34,538</td>
<td>36,672</td>
<td>(2,134)</td>
<td>-5.8%</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets, net of related debt</td>
<td>127,786</td>
<td>126,785</td>
<td>1,001</td>
<td>0.8%</td>
</tr>
<tr>
<td>Restricted net position</td>
<td>78,852</td>
<td>82,509</td>
<td>(3,657)</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Unrestricted net position</td>
<td>38,503</td>
<td>34,192</td>
<td>4,311</td>
<td>12.6%</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>245,141</td>
<td>243,486</td>
<td>1,655</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$279,679</td>
<td>$280,158</td>
<td>$(479)</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>
Total assets decrease of $479 thousand or .20 percent. Several categories in the asset classification changed during the fiscal year.

- Cash and Cash Equivalents increased $6.8 million due to the decrease in accounts receivable and reduction in the short-term investment used for the construction of the new dormitory.
- Short-Term Investments decreased $6.7 million due to the construction cost paid from the bond funds invested with the NM State Treasurer.
- Net Receivables decreased $5.0 million. Collection last year increased, and activity at Playas Training Center is now based on a facility use fee not any contracts activity thereby reducing the account receivable balance due to New Mexico Tech.
- Restricted Cash decreased by $1.6 million because prepaid Magdalena Research Observatory (MRO) funds have been spent.
- Total Liabilities decreased $2.1 million. The reduction is related to Magdalena Research Observatory balances being spent.

Net Position is divided into three categories:

- Investment in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net increase is $1.0 million.
- Restricted net position: This category is subdivided into non-expendable and expendable. The non-expendable is restricted assets earmarked for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. This category decreased $3.7 million.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds increased $4.3 million.

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) is a report of New Mexico Tech’s economic activity for the twelve-month period or fiscal year ending June 30, 2013. The SRECNP reports the revenues and expenses for one-year’s activity, unlike the SNP, which is a snapshot of New Mexico Tech as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.
Operating revenues are received to provide goods and services to the constituencies of New Mexico Tech. The operating revenue includes tuition, federal, state and private grants and contracts and auxiliary service fees.

- Total operating revenue decreased $6.6 million.
- Net tuition revenue increased $1.2 million.
- Grants and contracts revenue decreased $6.0 million.
- All other operating income decreased $4.1 million.

Operating expenses are the cost of providing the goods and services for the operating revenue received.

- Total operating expenses decreased $8.2 million.
- Research and other sponsored expenditures decreased $4.9 million.
- The net operating loss for this fiscal year is $40.3 million compared to last year’s net operating loss of $42.4 million. The GASB required reporting format is mandated to exclude state support as operating revenue. New Mexico Tech and all state universities will report an operating loss from operations.
- Non-operating revenues are funds or commitments received in support of the Institute, but do not provide for the operation of the Institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the Institute. Instruction and general expenses are reported as operating expenses; therefore, because of this anomaly, an operating loss is reported each year. Non-operating expenses are the expenditure or investment of the funds received from non-operating sources.

Non-operating revenues decreased $758 thousand compared to last year. State appropriation increased $590 thousand and capital appropriation decreased $2.6 million. Addition to endowments increased $1.7 million.
Comparative Statement of Revenues and Expenses (in thousands) for the two years ending June 30:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013 (In Thousands)</th>
<th>June 30, 2012 (In Thousands)</th>
<th>Difference (In Thousands)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$12,593</td>
<td>$11,380</td>
<td>$1,213</td>
<td>10.7%</td>
</tr>
<tr>
<td>Less discount allow</td>
<td>(3,503)</td>
<td>(3,195)</td>
<td>(308)</td>
<td>9.6%</td>
</tr>
<tr>
<td>G&amp;C</td>
<td>65,618</td>
<td>71,583</td>
<td>(5,965)</td>
<td>-8.3%</td>
</tr>
<tr>
<td>State L&amp;P</td>
<td>3,823</td>
<td>1,361</td>
<td>2,462</td>
<td>180.9%</td>
</tr>
<tr>
<td>Sales and service aux</td>
<td>5,845</td>
<td>5,688</td>
<td>157</td>
<td>2.8%</td>
</tr>
<tr>
<td>Less discount allow</td>
<td>(1,214)</td>
<td>(1,162)</td>
<td>(52)</td>
<td>4.5%</td>
</tr>
<tr>
<td>Other</td>
<td>7,658</td>
<td>11,806</td>
<td>(4,148)</td>
<td>-35.1%</td>
</tr>
<tr>
<td></td>
<td>90,820</td>
<td>97,461</td>
<td>(6,641)</td>
<td>-6.8%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>16,331</td>
<td>15,286</td>
<td>1,045</td>
<td>6.8%</td>
</tr>
<tr>
<td>Academic support</td>
<td>1,760</td>
<td>1,754</td>
<td>6</td>
<td>0.3%</td>
</tr>
<tr>
<td>Student services</td>
<td>2,052</td>
<td>2,005</td>
<td>47</td>
<td>2.3%</td>
</tr>
<tr>
<td>Institutional support</td>
<td>7,282</td>
<td>6,797</td>
<td>485</td>
<td>7.1%</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>6,194</td>
<td>5,869</td>
<td>325</td>
<td>5.5%</td>
</tr>
<tr>
<td>Research</td>
<td>65,236</td>
<td>70,183</td>
<td>(4,947)</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Public service</td>
<td>628</td>
<td>579</td>
<td>49</td>
<td>8.5%</td>
</tr>
<tr>
<td>Student aid</td>
<td>8,718</td>
<td>8,085</td>
<td>633</td>
<td>7.8%</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>5,275</td>
<td>5,087</td>
<td>188</td>
<td>3.7%</td>
</tr>
<tr>
<td>Less discount allow</td>
<td>(4,718)</td>
<td>(4,357)</td>
<td>(361)</td>
<td>8.3%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>9,453</td>
<td>9,185</td>
<td>268</td>
<td>2.9%</td>
</tr>
<tr>
<td>Independent ops</td>
<td>3,728</td>
<td>3,867</td>
<td>(139)</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Plant funds</td>
<td>1,867</td>
<td>2,443</td>
<td>(576)</td>
<td>-23.6%</td>
</tr>
<tr>
<td>Other</td>
<td>7,892</td>
<td>13,126</td>
<td>(5,234)</td>
<td>-39.9%</td>
</tr>
<tr>
<td></td>
<td>131,698</td>
<td>139,909</td>
<td>(8,211)</td>
<td>-5.9%</td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>(40,878)</td>
<td>(42,448)</td>
<td>1,570</td>
<td>-3.7%</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriation</td>
<td>35,415</td>
<td>34,825</td>
<td>590</td>
<td>1.7%</td>
</tr>
<tr>
<td>Gifts</td>
<td>802</td>
<td>806</td>
<td>(4)</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Int and investment income</td>
<td>78</td>
<td>66</td>
<td>12</td>
<td>18.2%</td>
</tr>
<tr>
<td>Other</td>
<td>3,074</td>
<td>3,555</td>
<td>(481)</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Capital appropriation</td>
<td>118</td>
<td>2,742</td>
<td>(2,624)</td>
<td>-95.7%</td>
</tr>
<tr>
<td>Add to perm endow.</td>
<td>3,045</td>
<td>1,296</td>
<td>1,749</td>
<td>135.0%</td>
</tr>
<tr>
<td></td>
<td>42,532</td>
<td>43,290</td>
<td>(758)</td>
<td>-1.8%</td>
</tr>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>90,820</td>
<td>97,461</td>
<td>(6,641)</td>
<td>-6.8%</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue</strong></td>
<td>42,532</td>
<td>43,290</td>
<td>(758)</td>
<td>-1.8%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$133,352</td>
<td>$140,751</td>
<td>$(7,399)</td>
<td>-5.3%</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td>$131,698</td>
<td>$139,909</td>
<td>$(8,211)</td>
<td>-5.9%</td>
</tr>
</tbody>
</table>
New Mexico Institute of Mining and Technology

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Statement of Cash Flows

The Statement of Cash Flows is a summary of the sources and uses of funds received by New Mexico Tech. The statement is presented in four sections within the accompanying reconciliations. Each section is a summary of the funds received to that particular activity and the funds used for the activity. The Statement of Cash Flows includes:

- Cash flows from operating activities;
- Cash flows from non-capital financing activities;
- Cash flows from capital and related financing activities;
- Cash flows from investment activities; and
- Reconciliation of operating income (loss) to net cash provided by (used in) operating activities.

Note: The New Mexico Institute of Mining and Technology Foundation statements are included as a component unit, but its operations are not managed or controlled by New Mexico Tech.

Comparison of Budget to Actual

Included in this audit report is a Budget Comparison Summary of the original budget to the final budget to actual revenue and expenses for current unrestricted funds and current restricted funds. This report is written in a required format by the New Mexico State Auditor called fund accounting format, which is used for accounting and budgeting by the State of New Mexico.

The Original Budget and the Final Budget are compared to Actual Revenues and Expenditures to reflect the changes in the original budget at New Mexico Tech compared to the final outcome.

A reconciliation of the budget to actual revenues and expenditures is added to ensure that the budgeted and actual numbers agree with the financial statements. The budget is adjusted twice a year with a Budget Adjustment Request (BAR) that is filed and approved by the Higher Education Department and the New Mexico Department of Finance (DFA).

The restricted current funds revenues and expenditures budget comparisons are submitted for informational purposes. Unlike the unrestricted current fund, the activity for restricted current funds does not coincide with the New Mexico Tech fiscal year.
Capital Asset and Debt Administration

The New Mexico Legislature 2012 session approved a General Obligation bond for $18 million for construction of a new Bureau of Geology and Mineral Resources Building on the New Mexico Tech campus. The estimated cost of the building and related projects is $24 million. The building will be located on Bullock Avenue between the New Mexico Tech Joe Skeen Library, the MSEC Building. Architectural designs were completed. The bond was approved in the 2012 November general election. The 2013 New Mexico Legislature approved an additional $6 million to fully fund the construction cost. The new funds will be provided by the State of New Mexico 2013 Severance Tax Bonds.

A bid was issued for the building construction. The Board of Regents approved the recommendation of the committee at the October 31, 2013 board meeting.

The Fall 2013 freshman and transfers enrollment is 417. This is a decrease of 36 students compared to the same cohort in Fall 2012 of 453. The Fall 2012 was the largest enrollment class at New Mexico Tech.

The construction of the new Steve S. Torres Dormitory was completed on schedule, August 2013, in time for the Fall 2013 semester. Construction was fund by:

The Board of Regents of New Mexico Institute of Mining and Technology System Revenue Bonds, Series 2011.

The bond term is 20 years with an effective interest rate of 4.441 percent. The annual principal and interest payments will average $1,066,050. The debt is serviced with unrestricted revenues including auxiliary, tuition, fees, and overhead income.

Total proceeds deposited from the bond sale, including the premium and after cost of issuance, was $14,041,092. $11 million was dedicated to the construction of the new dormitory and related projects, and $3 million is dedicated for equipment and construction of the Magdalena Ridge Observatory project.

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech continues to increase slightly for the last seven Institute years. Student credit hours by fiscal year are as follows:

- FY 07 student credit hours 44,419;
- FY 08 student credit hours 44,985;
- FY 09 student credit hours 44,822;
- FY 10 student credit hours 44,755;
- FY 11 student credit hours 45,631;
- FY 12 student credit hours 46,003;
- FY 13 student credit hours 48,060.
Currently Known Facts – Continued

The Higher Education Department 2013 funding formula generated an increase in state funding for instruction and general (I&G); however, the state revenue budget continued to be flat and will remain relatively flat for 2015. New Mexico Tech’s I&G budget for FY 2014 is $26.7 million compared to $25.8 million in FY 2013. I&G funding is still less than the peak funding in FY 2009.

The New Mexico Tech faculty and administration have continued to deliver a quality education to the student, even with the reduced budgets. The reduction in expenditure budgets was absorbed by the departments with increased teaching loads, attrition in the work force, and redistribution of the administrative workloads. The goal of no staff layoffs was accomplished for the last five years. However, as the enrollment grew the pressure for new faculty increased. New Mexico Tech funding increase for FY 2014 helped replace faculty lost due to budget cuts. As a whole, New Mexico Tech was able to adjust and manage the budget cuts that began in 2009.

Students that graduate from New Mexico Tech continue to get entry level employment in the $60,000 dollar and above pay range. This is a testament to the quality of the education received by New Mexico Tech graduates.

Higher Education Funding Formula

The funding formula for higher education in New Mexico was revamped in fiscal year 2013. Instead of funding universities for student credit hours at the census date, third week of classes, the new formula now funds universities on outcomes; end of course completion, awards (diplomas and certificate), work force incentives (STEMH), at risk student enrollment (Pell Eligible) and sector-specific measures. The 2014 state fund for higher education is based on the new funding formula. The New Mexico Higher Education Department and the universities are working on the 2015 budget. No major increase in funding is expected.

Concern for future enrollment is based on the same circumstances that existed for several years; i.e., the forecast for high school graduation rates in New Mexico continues to be discouraging because of smaller graduating classes and low high school graduation rates. Smaller high school graduating classes means fewer students are in the pipeline to attend New Mexico colleges and universities.

Any additional funding for the university will be offset, by costs such as required benefit contributions to the Educational Retirement Board and health insurance costs. Faculty and staff salaries are also of concern. When salaries are compared to our peer institutions, New Mexico is beginning to fall behind.

Fixed cost, such as health insurance, utilities and risk management insurance, continue to increase. Medical and prescription benefit payments continue to increase. Health insurance costs will impact both the employees and New Mexico Tech.

New Mexico Tech employees received a 2% salary increase across the board for FY 2014.
Currently Known Facts – Continued

Utility unit cost as well as consumption continues to increase as the campus adds more buildings to meet the needs of a larger student body and increased power demand. The additional costs have been absorbed by the budget. The state funding for utilities has not increased for years. New Mexico Tech has installed monitoring system for each building on campus to help monitor the electric consumption on campus. By isolating the areas of high demand efforts will be made to reduce unnecessary consumption.

Research

Research expenditures are not affected by the state budget, but they are highly dependent on the federal budget.

Research continues to provide a public service to the community and enhances the educational experience for the students. Most students have hands-on experience in their major field of study because of the research programs at New Mexico Tech. This is a rare opportunity for students, and it is provided by only a select few universities in the world.

NMIMT’s Incurred Cost Audit report shows that externally funded research activity has declined during the current year as indicated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>$64,484,322</td>
</tr>
<tr>
<td>FY12</td>
<td>$70,182,241</td>
</tr>
<tr>
<td>FY11</td>
<td>$89,011,611</td>
</tr>
<tr>
<td>FY10</td>
<td>$88,229,977</td>
</tr>
<tr>
<td>FY09</td>
<td>$86,804,777</td>
</tr>
</tbody>
</table>

Research and other sponsored activities at New Mexico Tech declined from $70 million in 2012 to $64.5 million in 2013. The biggest impact was the reorganization of the Playas Training Center whose total expenditures for FY13 was $8.5 million less than 2012. However, the reorganization that took place in 2012, to date, is successful. The new business plan increased the Institute’s ability to operate without the burden of unnecessary overhead.

New Mexico Tech federal research programs continue to be impacted by the federal government’s cutbacks in Washington D.C. and their use of the continuing resolutions to fund the federal budget. The 2013 federal government shutdown did not impact the current programs at New Mexico Tech.

The Bureau of Geology and Mineral Resources and the Petroleum Research and Recovery Center are operating within their budget. New Mexico Research and Public Service funding was stable from 2012 to 2013. It is expected to remain unchanged for 2014, as the funding request to the Higher Education Department was flat.

The Petroleum Research and Recovery Center’s research expenditures increased from $4.1 million to $6.8 million in 2013 because of a Department of Energy contract on carbon sequestration.
Research - Continued

The Energetic Materials Research and Testing Center (EMRTC) research programs were flat for FY13 compared to FY14. The $20 million training program with Homeland Security Department was renewed. It is a premier training programmer for first responders in the United States.

The Magdalena Ridge Observatory interferometer is still under construction, but completion is expected to be on schedule. Future funding for the interferometer is highly dependent on the federal government approving a new federal budget. The single telescope is operational and has participated in many astronomical projects. Funds are available for interferometer from 2012 for the New Mexico Tech Revenue Bond to equip and construct the facility.

IRIS/PASSCAL Center federal funding is very stable. The contract was renewed with New Mexico Tech. It is a world-renowned program internationally recognized for its resources and research programs.

Economic Outlook

The economic outlook for New Mexico Tech for the next three to four years continues to be closely monitored by the administration, and is highly dependent on actions taken by the state and federal government. Proactive financial and budget actions were taken early in the global economic downturn to reduce budgets to minimize the impact of state funding to New Mexico Tech. Although the recent revenue forecast for the State of New Mexico is promising, future funding for higher education will be offset by increased operational cost. The New Mexico Tech staff has been very cooperative in managing their departmental budgets. The staff has picked up additional duties to continue to provide a quality educational experience for our students. However, pressure is beginning to grow for faculty and staff because salary increases have not kept up with peer institutions.

New Mexico Tech’s national and international reputation as an outstanding research university has made it a go to organization for many federal, state and private companies to address their needs. The research programs enhance the teaching, research and economic development missions of New Mexico Tech, the local community, the State of New Mexico, and the USA.

The longevity and the success of the established programs at New Mexico Tech have helped solidify their funding; however, their budgets for future funding continue to be a target by both the state and federal grantors.

The New Mexico Tech Admission Office has increased its recruitment efforts in states such as Texas, California, Arizona, and Florida. These states are ripe for recruitment because their universities are at or near full capacity, and they have a large Hispanic population. New Mexico Tech has reached its goal of being recognized as a Hispanic Serving Institution. By qualifying as a Hispanic Serving Institution, more research and grants, plus other funding opportunities, are available to New Mexico Tech.
Capital Projects

The Magdalena Ridge Observatory construction is still a work in progress. The total project is estimated at $60 million. The first phase of the construction, the single telescope, is completed and operational. The second phase of the construction, the interferometer, is expected to be complete and operational within the next two years.

Bids for the construction of Bureau of Geology and Natural Resources building were accepted in October 2013. Construction is estimated to begin in December 2013 or early 2014. The completion date is estimated in July 2015.

Presidents Hall is a dormitory built in 1934. Renovations have been made over the life of the building, however, the repairs to building’s mechanical system are happening more frequently. The building has been taken off line to upgrade, replace and repair all the mechanical systems. The estimated cost of the project is $1.6 million. The project will be funded with Auxiliary Services reserves. The estimated completion date of the project is August 2014.

Bids were issued October 2013. A contractor has been selected. Construction is expected to begin December 2013.

Requests for Information

Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to Lonnie G. Marquez, Vice President for Administration and Finance, New Mexico Institute of Mining and Technology, 801 Leroy Place, Socorro, New Mexico 87801-4796. There are separately issued financial statements available for the New Mexico Tech Research Foundation and New Mexico Tech University Research Park Corporation, the component units of the Institute. These are available at the same location.
## STATEMENT OF NET POSITION

### June 30, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Institute</th>
<th>Component Units</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Research Park</td>
<td>Foundation</td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 34,841,632</td>
<td>$ 29,855</td>
<td>$ 731,804</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>23,370,692</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Contract and grant receivables</td>
<td>8,965,795</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Student accounts receivable, net of allowance for doubtful accounts of $419,277</td>
<td>412,580</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>2,046,239</td>
<td>-</td>
<td>265,258</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1,327,885</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>2,306,815</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>73,271,638</td>
<td>29,855</td>
<td>997,062</td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>47,258</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Endowment investments</td>
<td>28,283,733</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>37,765,228</td>
<td>81,560</td>
<td>19,847,638</td>
<td></td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>140,310,795</td>
<td>-</td>
<td>1,337,953</td>
<td></td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>206,407,014</td>
<td>81,560</td>
<td>21,185,591</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 279,678,652</td>
<td>$ 111,415</td>
<td>$ 22,182,653</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.

-15-
New Mexico Institute of Mining and Technology

STATEMENT OF NET POSITION - CONTINUED

June 30, 2013

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 7,675,370</td>
<td>$ -</td>
<td>$ 38,360</td>
</tr>
<tr>
<td>Accrued compensated absences - current portion</td>
<td>3,241,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>-</td>
<td>39,078</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>1,319,506</td>
</tr>
<tr>
<td>Deposits</td>
<td>223,570</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>963,550</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>12,103,490</td>
<td>39,078</td>
<td>1,357,866</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>3,970,979</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>12,525,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bonds premium, net of accumulated amortization</td>
<td>736,777</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>5,201,611</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>22,434,367</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>34,537,857</td>
<td>39,078</td>
<td>1,357,866</td>
</tr>
</tbody>
</table>

| NET POSITION | | | |
| Net investment in capital assets | 127,785,795 | - | 1,337,953 |
| Restricted for | | | |
| Nonexpendable | | | |
| Endowments and all other nonexpendable | 66,395,973 | - | 2,207,171 |
| Expendable | | | |
| Scholarships, research, instruction, and other | 4,404,400 | - | - |
| Loans | 1,694,244 | - | - |
| Capital projects | 6,357,584 | - | - |
| Debt service | - | - | - |
| **Unrestricted** | 38,502,799 | 72,337 | 17,279,663 |
| **Total net position** | 245,140,795 | 72,337 | 20,824,787 |
| **Total liabilities and net position** | $ 279,678,652 | $ 111,415 | $ 22,182,653 |

The accompanying notes are an integral part of this financial statement.
## New Mexico Institute of Mining and Technology

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

**June 30, 2013**

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$12,593,447</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Tuition discounts and allowances</td>
<td>(3,503,411)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>45,361,725</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State and local grants and contracts</td>
<td>2,890,933</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private grants and contracts</td>
<td>13,219,823</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other grants and contracts</td>
<td>4,145,588</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State land and permanent fund income</td>
<td>3,822,740</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>5,845,494</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Auxiliaries scholarship allowances</td>
<td>(1,214,211)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>7,658,161</td>
<td>-</td>
<td>90,150</td>
</tr>
</tbody>
</table>

Total operating revenues: **$90,820,289**

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction and general</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>16,330,544</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Institutional support</td>
<td>7,281,531</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operations and maintenance support</td>
<td>6,194,434</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Student services</td>
<td>2,051,725</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Academic support</td>
<td>1,759,865</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other sponsored activities</td>
<td>40,414,121</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Research</td>
<td>24,821,781</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>9,452,634</td>
<td>-</td>
<td>59,932</td>
</tr>
<tr>
<td>Student aid grants and stipends</td>
<td>8,718,434</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>7,892,295</td>
<td>14,904</td>
<td>1,090,195</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>5,274,926</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Independent operations</td>
<td>3,728,153</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Plant funds</td>
<td>1,867,448</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public service</td>
<td>627,981</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expense related to tuition discounts and allowances</td>
<td>(4,717,622)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total operating expenses: **$131,698,250**

Operating loss: **(40,877,961)**

<table>
<thead>
<tr>
<th>Operating loss</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(40,877,961)</td>
<td>(14,904)</td>
<td>(1,059,977)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
### Institute

#### NONOPERATING REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Institute</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Research Park</td>
</tr>
<tr>
<td>State appropriations</td>
<td>35,414,951</td>
<td>-</td>
</tr>
<tr>
<td>Gifts</td>
<td>802,147</td>
<td>-</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>77,854</td>
<td>22,434</td>
</tr>
<tr>
<td></td>
<td>36,294,952</td>
<td>22,434</td>
</tr>
<tr>
<td>(Loss) Income before other revenues and expenses</td>
<td>(4,583,009)</td>
<td>7,530</td>
</tr>
</tbody>
</table>

#### OTHER REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Institute</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Research Park</td>
</tr>
<tr>
<td>Other</td>
<td>3,074,302</td>
<td>-</td>
</tr>
<tr>
<td>Additions to permanent endowments</td>
<td>3,045,526</td>
<td>-</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>118,365</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>6,238,193</td>
<td>-</td>
</tr>
<tr>
<td>Net increase in net position</td>
<td>1,655,184</td>
<td>7,530</td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td>243,485,611</td>
<td>64,807</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td>$245,140,795</td>
<td>$72,337</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
## STATEMENT OF CASH FLOWS

**June 30, 2013**

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$ 9,031,774</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>68,402,265</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>4,631,283</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other receipts</td>
<td>12,357,352</td>
<td>213</td>
<td>112,918</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(68,366,276)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(53,648,318)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other sources</td>
<td>-</td>
<td>(14,905)</td>
<td>(1,447,239)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(27,591,920)</td>
<td>(14,692)</td>
<td>(1,334,321)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations</td>
<td>35,414,890</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gifts for other than capital purposes</td>
<td>802,147</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other nonoperating receipts</td>
<td>3,074,302</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td>39,291,339</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of capital assets</td>
<td>(12,070,537)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments of principal on bond obligations</td>
<td>(491,380)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments of interest on bond obligations</td>
<td>(574,734)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>118,365</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from disposal of capital assets</td>
<td>25,319</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(12,992,967)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of investments, net</td>
<td>835,054</td>
<td>-</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Additions to endowments</td>
<td>2,163,169</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized gain on land grant permanent fund</td>
<td>3,515,397</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Distributions received</td>
<td>(1,069,736)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash received for notes receivable, net</td>
<td>-</td>
<td>30,000</td>
<td>67,487</td>
</tr>
<tr>
<td>Investment income</td>
<td>992,413</td>
<td>-</td>
<td>118,259</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>6,436,297</td>
<td>30,000</td>
<td>1,685,746</td>
</tr>
</tbody>
</table>

| Net increase in cash and cash equivalents | 5,142,749 | 15,308 | 351,425 |
| Cash and cash equivalents, beginning of year | 29,646,141| 14,547 | 380,379 |
| Cash and cash equivalents, end of year | $ 34,788,890 | $ 29,855 | $ 731,804 |

<table>
<thead>
<tr>
<th>Cash and cash equivalents</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$ 34,841,632</td>
<td>$ 29,855</td>
<td>$ 731,804</td>
</tr>
<tr>
<td>Restricted</td>
<td>47,258</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 34,888,890</td>
<td>$ 29,855</td>
<td>$ 731,804</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
## RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Component Units</th>
<th>Institute</th>
<th>Research Park</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$(40,877,961)</td>
<td>$(14,904)</td>
<td>$(1,059,977)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating (loss) income to net cash used by operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>9,452,634</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss on sale of assets</td>
<td>169,563</td>
<td>-</td>
<td>59,932</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student accounts receivable</td>
<td>(98,338)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>263,716</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>20,604</td>
<td>212</td>
<td>-</td>
</tr>
<tr>
<td>Contract and grant receivables</td>
<td>4,244,990</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other receivables</td>
<td>876,451</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>324,175</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>(503,504)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(1,460,794)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Student and other deposits</td>
<td>19,472</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>(728,043)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other payables</td>
<td>201,611</td>
<td>-</td>
<td>169,228</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td><strong>$ (27,591,920)</strong></td>
<td><strong>$ (14,692)</strong></td>
<td><strong>$ (1,334,321)</strong></td>
</tr>
</tbody>
</table>
New Mexico Institute of Mining and Technology

STATEMENT OF FIDUCIARY POSITION AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$154,570</td>
</tr>
<tr>
<td>Due from NMIMT</td>
<td>242,975</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,088,411</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,485,956</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>-</td>
</tr>
<tr>
<td>Due to NMIMT</td>
<td>1,750,000</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>1,004</td>
</tr>
<tr>
<td>Claims incurred but not reported</td>
<td>700,000</td>
</tr>
<tr>
<td>Deposits held in custody for others</td>
<td>-(965,048)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$1,485,956</td>
</tr>
</tbody>
</table>
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The New Mexico Institute of Mining and Technology (the Institute or NMIMT) is declared to be and is confirmed as a state educational institution by Section 11 of Article XII of the Constitution of the State of New Mexico, as amended. The Institute was founded in 1889 under the New Mexico Territorial Laws of 1889.

According to the Constitution of the State of New Mexico, the legislature shall provide for the control and management by a Board of Regents consisting of five members appointed by the Governor and confirmed by the State Senate for overlapping terms of six years. Section 21-11-4 of the New Mexico Statutes Annotated, 1978 Compilation (NMSA 1978), also vests this control and management in the Board of Regents.

The Institute offers both graduate and undergraduate degree programs in many fields. Major programs offered include earth sciences, physical and biological sciences, mineral engineering disciplines, mathematics, and computer science. The Institute is also involved in numerous research projects, many of which are performed under government or private contracts.

In reporting the financial statements, all significant transactions and balances between the Institute and the Fiduciary fund are eliminated.

2. Reporting Entity

In evaluating how to define the Institute for financial reporting purposes, management has evaluated the Institute’s potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability of responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the Institute. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Institute is able to exercise oversight responsibilities. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Institute. Based on the application of these criteria, the New Mexico Tech Research Foundation and New Mexico Tech University Research Park are included in these financial statements as discretely presented component units.

The New Mexico Tech Research Foundation (the Foundation) is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Foundation is organized to assist the New Mexico Institute of Mining and Technology by making available funds to pursue inventions, copyrights and other intellectual properties, institutional support and scholarships. The Foundation has no component units.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Reporting Entity – Continued

The inclusion of the assets and income of the Foundation as a component unit of the Institute, for accounting purposes only, has been directed by generally accepted accounting principles as applied to governmental units. It is, however, noted that as between the Institute and the Foundation, an agreement was reached on November 25, 2001 stating: "The Institute understands and agrees that the Foundation is not controlled by the Institute, but is controlled by the Foundation Board of Trustees." Thus, for all purposes, except accounting purposes, the Foundation has no obligation to provide resources and earnings to the Institute, except by action of the Foundation’s Board of Trustees. The Foundation’s Board of Trustees is not appointed by the Institute and is made up of four persons with no employment relationship with the Institute and only four persons with such a relationship. The Institute does not provide financial assistance to the Foundation, the Foundation pays rent for the office space it occupies in one of the buildings owned by the Institute, and the Institute does not control the Foundation Board of Directors. Therefore, the Foundation has the ability to direct its resources and income at its sole discretion.

The New Mexico Tech University Research Park Corporation (the Corporation), is a New Mexico corporation located in Socorro, New Mexico which has applied for not-for-profit status. The Corporation is organized to contribute to and assist the Institute by making available funds to pursue technology research and other programs being carried out by the Institute. The Corporation has no component units.

The financial statements of New Mexico Tech Research Foundation and New Mexico Tech University Research Park Corporation can be obtained directly at the Institute’s office at the following address: New Mexico Institute of Mining and Technology, 801 Leroy Place, Socorro, New Mexico 87801.

3. Basis of Accounting

For financial reporting purposes, under GASB 34, GASB 35, and NM State Audit Rule, the Institute is considered a special-purpose government engaged only in business-type activities. Accordingly, the Institute’s primary institution financial statements have been presented in a single column using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term “net position” for reporting the residual of all elements in a statement of financial position. See Note M for more information on the implementation of GASB 63 for the year ended June 30, 2013. There were no deferred outflows or inflows to report.

The Institute engages in federal grant, contract and cooperative agreement programs commonly referred to as “reimbursement type” programs. These programs require that the recipient (the Institute) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting - Continued

Institute simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB) and the Higher Education Department’s Financial Reporting for Public Institutions in New Mexico.

The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Institute’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

4. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

5. Budget

The Institute follows the requirements established by the New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through the HED’s policy that, when an appropriation has been made to the Institute, its Board of Regents can, in general, adopt an operating budget within the limits of available income.

Procedures for Approval of Operating Budgets

a) The institution will submit an original typed copy that has been approved by the Institution’s regents to the HED’s office by May 1st.

b) The HED meets in June and acts on approval of the budgets.

c) The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for appropriation by the Institute in subsequent years, per the General Appropriation Act.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Budgetary Basis and Control

Under Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10 – Items of Budgetary Control: total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary basis are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the New Mexico Department of Higher Education and then by the Budget Division of the Department of Finance and Administration.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to cash or reach their original maturity date within three months. Cash restricted by grants, and collected for auxiliary projects is included in cash and cash equivalents. The Institute accounts for its investments at fair value in accordance with GASB Statement No. 31, Certain Investments and External Investment Pools.

8. Restricted Cash and Cash Equivalents

This cash is resources that the Institute is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

9. Investments

Certain investments such as debt and equity securities and pooled investment funds are recorded at market value. The change in the unrealized gain or loss on the carrying value of investments is reported as a component of investment income in the statements of revenues, expenses and changes in net position. The carrying value of investments is based on quoted market prices.

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents. The investment policy will be structured in accordance with the Uniform Prudent Investor Act, NMSA 47-7 (601-612) by Board Resolution during December 2013.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Investments - Continued

The Institute accounts for its investment portfolio at the fair market value on June 30 of each fiscal year. Endowment income is reported each year based on the fair market value of the investments. The investments are managed on a total return basis with 4.5% of the average five year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are required to be expended for the purposes for which they were established. Capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2013 were $2,731,920. Endowment income made available for distribution for the established purpose was $895,351. The Institute plans to adopt the State of New Mexico Uniform Prudent Management of Institutional Funds Acts (Chapter 46, Article 9, NMSA 1978) in accounting for net appreciation/depreciation of endowments effective July 1, 2012.

10. Inventory

Inventories of supplies and materials held for sale or use are stated substantially at average weighted cost. Golf course inventory is stated at cost.

11. Income Taxes

The Institute, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the Institute are deductible by donors as provided under Section 170 of the Internal Revenue Code. The Foundation is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code for its normal activities not unrelated to its exempt purpose.

12. Accounts Receivable

The Institute records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institute's grants and contracts. A provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses.

The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables. This allowance is attributed to accounts that have been deemed to be 100% uncollectible.

13. Other Receivables

Other receivables consist of amounts due under various agreements not related to grants or contracts and amounts due from component units. Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are their primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There was no allowance at year-end.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Other Assets

Other assets consist of student loans outstanding under the federal Perkins loan program.

15. Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net position.

16. Capital Assets

This represents the Institute’s capital assets less depreciation, net of any outstanding debt obligations related to those capital assets. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life beyond a single reporting period. The Institute has bond obligations related to capital assets for 2013 (see Note F).

Property, plant, and equipment purchased or acquired at a value of $5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. All capital assets are valued at historical cost or estimated historical cost if actual history is not available. Donated assets, or those contributed by other governmental entities, are valued at their estimated fair market value on the date donated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized in the year in which the project was completed. The Institute does not capitalize historical treasures or works of art as they are immaterial. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over estimated useful lives with no salvage value. Estimated useful lives and capitalization thresholds of capital assets are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Life (in years)</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>30</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Building</td>
<td>30</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>30</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Computers</td>
<td>3</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>5</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Vehicles</td>
<td>7</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Heavy equipment</td>
<td>12</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Library books</td>
<td>10</td>
<td>All</td>
</tr>
<tr>
<td>Software - minor</td>
<td>5</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Software - major</td>
<td>10</td>
<td>$ 50,000</td>
</tr>
</tbody>
</table>
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. Compensated Absences

The Institute accounts for the accumulated vacation leave on the accrual basis. Accrued vacation up to 240 hours for employees with 10 years of service and 336 hours thereafter is recorded at 100% of the employee’s hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour.

18. Deferred Income

Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2013 are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2013. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

19. Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

20. Net Position

The Institute’s net position is classified as follows:

*Net Investment in Capital Assets:* Net investment in capital assets represent the Institute's capital assets, less related accumulated depreciation and debt attributable to the acquisition, construction, or improvement of these assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Institute has bond obligations of $12,525,000 for purposes of constructing a dormitory and an educational building. Total costs incurred for the dorm project at June 30, 2013 total $7,205,539.

*Restricted Net Position – Nonexpendable:* Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Net Position - Continued

Restricted Net Position – Expendable: Expendable restricted net position include resources which the Institute is obligated to spend in accordance with restrictions imposed by external parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for purposes specified by the legislation. The amount of net position restricted by enabling legislation and the amount of restricted net position from state sources was $0 at June 30, 2013.

Unrestricted Net Position: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institute's policy is to first apply the expense towards restricted, and then toward unrestricted resources.

21. Revenues

The Institute has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state and local grants and contracts, and Federal appropriations, and (3) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, bond proceeds appropriations and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB Statement No. 34.

Contract and grant revenues are recognized when the underlying exchange transaction has occurred – that is when all eligibility requirements have been met.

State appropriations are recognized as revenue in the first year for which they are appropriated for.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

22. Classification of Expenses

The Institute has classified its expenses as either operating or non-operating expenses according to the following criteria:

Operating expenses: Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; and (4) depreciation expenses related to Institute property, plant, and equipment.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB Statement No. 34.

23. Budgetary Process

Operating budgets are submitted for approval by the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration-State Budget Division (DFA). Similarly, budget adjustment requests are submitted to and approved by the Board of Regents, then forwarded to the HED and DFA.

24. Fiduciary Funds

Fiduciary funds are used to account for resources the Institute holds for others. It uses an agency fund to hold medical insurance premiums collected from the employees until the premiums are remitted to the insurance carriers. The Institute is responsible for seeing that the assets in these funds are spent for their intended purpose. The finances of these funds are reported in a separate statement of fiduciary net position. The resources of these funds are excluded from the business type activity financial statements because they cannot be used to finance the Institute’s operations.

25. Appropriations

In general, unexpended state appropriations to the Institute do not revert at the end of each fiscal year. The Institute received an annual non-reverting state General Fund appropriation of $35,414,951 for fiscal year 2013, Laws of 2012, Chapter 19, Section 4. The appropriation was fully spent during the year. None of the current appropriations received are subject to reversion (NMSA 1978 6-4-2). There is no remaining balance to bring forward to fiscal year 2014.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

26. Land Grant Permanent Fund Income

The Institute is a beneficiary of the Ferguson legislation (1898) whereby lands of the State of New Mexico were allocated to the benefit of state educational institutions including income derived there from. NMSA 1978 19-1-17 is the enabling legislation to allocate specific lands to educational institutions including the Institute. Currently oil and gas royalties, coal royalties, and grazing fees produce investment income which is distributed monthly to beneficiaries based on their allocated lands.

27. Subsequent Events

Subsequent events have been evaluated through November 12, 2013, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2013. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE B – CASH AND INVESTMENTS

1. Cash

The Institute is required to comply with Section 6-10-16 and 6-10-17 NMSA 1978, which requires that 50% of the uninsured balance of public deposits be secured by pledges of qualifying securities of the depository.

A detail of the cash accounts at June 30, 2013 is included below:

<table>
<thead>
<tr>
<th>Name of Depository</th>
<th>Account Name</th>
<th>Bank Account Type</th>
<th>Bank Balance</th>
<th>Reconciling Items</th>
<th>Reconciled Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>IERA Cash on Deposit</td>
<td>Checking</td>
<td>$5,955</td>
<td>$1</td>
<td>$5,954</td>
</tr>
<tr>
<td>First State Bank</td>
<td>Comptroller Cash on Deposit</td>
<td>Checking</td>
<td>35,522,616</td>
<td>341,599</td>
<td>35,864,215</td>
</tr>
<tr>
<td>First State Bank</td>
<td>Payroll Cash on Deposit</td>
<td>Checking</td>
<td>78,090</td>
<td>(1,240,654)</td>
<td>(1,162,564)</td>
</tr>
<tr>
<td>First State Bank</td>
<td>NMEAF Cash on Deposit</td>
<td>Checking</td>
<td>42,631</td>
<td>4,498</td>
<td>47,129</td>
</tr>
<tr>
<td>First State Bank</td>
<td>Stafford Loan Cash on Deposit</td>
<td>Checking</td>
<td>17,057</td>
<td>-</td>
<td>17,057</td>
</tr>
<tr>
<td>First State Bank</td>
<td>MRO Cash on Deposit</td>
<td>Checking</td>
<td>129</td>
<td>-</td>
<td>129</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Vendor Cash on Deposit</td>
<td>Checking</td>
<td>706,549</td>
<td>(711,748)</td>
<td>(5,199)</td>
</tr>
</tbody>
</table>


| Petty Cash         | Cash                  | -                  | -            | -                 | 22,169             |
| Certificate of Deposit | CD                | 100,000            | -            | -                 | 100,000            |

36,473,027 (1,606,306) 34,888,890
NOTE B – CASH AND INVESTMENTS – CONTINUED

1. Cash – Continued

Agency Fund:

<table>
<thead>
<tr>
<th>Name of Depository</th>
<th>Account Name</th>
<th>Bank Account Type</th>
<th>Bank Balance</th>
<th>Reconciling Items</th>
<th>Reconciled Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wells Fargo</td>
<td>Employee Ben. Trust Operating</td>
<td>Checking</td>
<td>$156,563</td>
<td>$ (3,078)</td>
<td>$153,485</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Employee Ben. Trust Claims</td>
<td>Checking</td>
<td>$180,955</td>
<td>(179,870)</td>
<td>1,085</td>
</tr>
</tbody>
</table>

$337,518 $ (182,948) $ 154,570

2. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Institute's deposits may not be returned to it. The Institute does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Institute's custodial credit risk was as follows:

Bank balance insured or collateralized:
- In the Institute's name: $35,670,466
- Uninsured and uncollateralized: $1,140,079

$36,810,545

3. Investments

The Institute participates under a joint powers agreement in an Investment Pool (Pool) with the New Mexico State Investment Council (Council). Monies of Institute funds are pooled and invested by the Council in various debt and equity securities. Monies belonging to the New Mexico Tech Employees Benefit Trust (see Note G) and to the New Mexico Tech Research Foundation (see Note K) are included in the Pool under joint powers agreements with those entities; these amounts are not recorded on the Institute’s financial statements. The Pool is recorded as investments on the Institute’s balance sheets at market value. Since the Institute’s investments are recorded at market value, there is a potential risk that due to the volatility of quoted market values, the Institute’s recorded investments in the Pool could be significantly affected.
NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

The Institute also has investments in the State Treasurer's external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government pool is voluntary and the Institute has no control over the State Treasurer’s investment pools.

The Institute has no control over the State Treasurer’s investment pools and provides the following disclosure provided by the State Treasurer’s Office concerning the Institute’s investment in the New MexiGROW LGIP:

June 30, 2013
New MexiGROW LGIP AAAm rated $23,436,143 59 day WAM

Investments of the Institute consist of the following at June 30, 2013:

<table>
<thead>
<tr>
<th>Market Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term</td>
<td>$23,370,692</td>
</tr>
<tr>
<td>Endowment</td>
<td>28,283,733</td>
</tr>
<tr>
<td>Other long-term</td>
<td>37,765,228</td>
</tr>
<tr>
<td></td>
<td>89,419,653</td>
</tr>
<tr>
<td>Agency fund</td>
<td>1,088,411</td>
</tr>
<tr>
<td></td>
<td>$90,508,064</td>
</tr>
</tbody>
</table>
## NOTE B – CASH AND INVESTMENTS – CONTINUED

### 3. Investments – Continued

<table>
<thead>
<tr>
<th>Investment accounts</th>
<th>Balance per Custodian Statements</th>
<th>Reconciled Balance per Books</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Citigroup</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Langmuir endowment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market funds</td>
<td>$155,354</td>
<td>$155,354</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>63,374</td>
<td>63,374</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>U.S. Government and corporate debt securities</td>
<td>579,921</td>
<td>579,921</td>
</tr>
<tr>
<td>Common stocks</td>
<td>1,624,763</td>
<td>1,624,763</td>
</tr>
<tr>
<td><strong>NMT Capital Campaign</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market funds</td>
<td>270,793</td>
<td>270,793</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>649</td>
<td>649</td>
</tr>
<tr>
<td>Common stocks</td>
<td>390,947</td>
<td>390,947</td>
</tr>
<tr>
<td><strong>State Investment Council Pooled Fund</strong></td>
<td>38,452,410</td>
<td>38,452,410</td>
</tr>
<tr>
<td><strong>State Investment Council Pooled Fund</strong> - Agency Fund</td>
<td>1,022,961</td>
<td>1,022,961</td>
</tr>
<tr>
<td><strong>State Treasurer - LGIP</strong></td>
<td>23,370,693</td>
<td>23,370,693</td>
</tr>
<tr>
<td><strong>State Treasurer - LGIP - Agency Fund</strong></td>
<td>65,450</td>
<td>65,450</td>
</tr>
<tr>
<td><strong>Land Grant Permanent Fund</strong></td>
<td>24,410,749</td>
<td>24,410,749</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$90,508,064</td>
<td>$90,508,064</td>
</tr>
</tbody>
</table>
NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

A summary of the Institute’s investments at June 30, 2013 and its exposure to custodial credit risk are as follows:

<table>
<thead>
<tr>
<th>Investments Exposed To Custodial Credit Risk</th>
<th>All Investments Regardless of Custodial Credit Risk Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uninsured, Unregistered and Held by Counterparty Agency not in the Institute's Name</td>
<td>Uninsured, Unregistered and Held by Counterparty Agency not in the Institute's Name</td>
</tr>
<tr>
<td>Money funds</td>
<td>$ -</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
</tr>
</tbody>
</table>

Investments not subject to categorization
State Investment Council pooled funds
  Fixed income securities 25,522,743
  Equity securities 13,952,628

39,475,371

State Treasurer 23,436,143
State Investment Council - Permanent Fund 24,410,749
Common stocks 2,015,710
Debt securities 579,921

50,442,523

Total investments $ 90,508,064

4. State Investment Council Assets

The Institute has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund.
5. Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Institute is required to disclose credit ratings of their debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. Currently, the Institute does have a policy that restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations. The policy states that cash equivalent reserves shall consist of interest bearing or discount instruments of the U.S. Government or agencies thereof; money market funds, corporate discounted instruments, corporate issued commercial paper rated at least A-1 by Moody’s, time deposits U.S. banks. Exclusive of the U.S. government and agency issues, all other fixed income portfolio will be “A” or better rated as established by a recognized rating service and further reinforced by independent in-house credit analyses.

A summary of the investments at June 30, 2013 and their exposure to credit risk are as follows:

<table>
<thead>
<tr>
<th>Investments</th>
<th>WAM Years</th>
<th>Rating</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items subject to credit risk:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>-</td>
<td>Not rated</td>
<td>$426,147</td>
</tr>
<tr>
<td>Debt securities</td>
<td>3.20</td>
<td>A-AAA</td>
<td>579,921</td>
</tr>
<tr>
<td>State Treasurer - LGIP</td>
<td>0.17</td>
<td>AAAm</td>
<td>23,436,143</td>
</tr>
<tr>
<td>Investments not subject to categorization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Investment Council pooled funds</td>
<td></td>
<td>Not rated</td>
<td>39,475,371</td>
</tr>
<tr>
<td><strong>Total items subject to credit risk:</strong></td>
<td></td>
<td></td>
<td>63,917,582</td>
</tr>
<tr>
<td><strong>Items not subject to credit risk:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>-</td>
<td>Not rated</td>
<td>64,023</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>-</td>
<td>Not rated</td>
<td>100,000</td>
</tr>
<tr>
<td>Common stocks</td>
<td>-</td>
<td>Not rated</td>
<td>2,015,710</td>
</tr>
<tr>
<td>Land grant permanent fund</td>
<td></td>
<td>Not rated</td>
<td>24,410,749</td>
</tr>
<tr>
<td><strong>Total items not subject to credit risk:</strong></td>
<td></td>
<td></td>
<td>26,590,482</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td></td>
<td></td>
<td>$90,508,064</td>
</tr>
</tbody>
</table>
NOTE B – CASH AND INVESTMENTS – CONTINUED

6. Interest Rate Risk - Debt Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, the Institution does not have a specific policy to limit its exposure to interest rate risk.

A summary of the investments and their respective maturities at June 30, 2013 and their exposure to interest rate risk are as follows:

<table>
<thead>
<tr>
<th>Investment Maturities</th>
<th>Less than 1 Year</th>
<th>Greater than 1-5 Years</th>
<th>Greater than 6-10 Years</th>
<th>Greater than 10 Years</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money funds</strong></td>
<td>$426,147</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$426,147</td>
</tr>
<tr>
<td><strong>U.S. Government and corporate debt securities</strong></td>
<td>51,674</td>
<td>421,586</td>
<td>105,725</td>
<td>936</td>
<td>579,921</td>
</tr>
<tr>
<td><strong>Certificates of deposit</strong></td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Mutual funds</strong></td>
<td>64,023</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64,023</td>
</tr>
<tr>
<td><strong>Total items subject to interest rate risk</strong></td>
<td>$641,844</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>1,170,091</td>
</tr>
</tbody>
</table>

Investments not subject to categorization

- **State Treasurer - 59 day weighted average maturity**: $23,436,143
- **State Investment Council - Pooled funds (not rated)**: $39,475,371
- **Land Grant Permanent Fund (not rated)**: $24,410,749

**Total items subject to interest rate risk**: $88,492,354

**Items not subject to interest rate risk**:

- **Common stocks**: $2,015,710

**Total investments**: $90,508,064
NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2013:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant and contracts</td>
<td>$8,965,795</td>
</tr>
<tr>
<td>Students</td>
<td>$831,857</td>
</tr>
<tr>
<td>Other receivables</td>
<td>$2,046,239</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td><strong>$11,843,891</strong></td>
</tr>
</tbody>
</table>

Allowance for doubtful accounts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total receivables</strong></td>
<td><strong>(419,277)</strong></td>
</tr>
</tbody>
</table>

Net receivables

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total receivables</strong></td>
<td><strong>$11,424,614</strong></td>
</tr>
</tbody>
</table>

NOTE D – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$4,334,220</td>
<td>$169,611</td>
<td>$-</td>
<td>$-</td>
<td>$4,433,820</td>
</tr>
<tr>
<td>Other</td>
<td>$102,841</td>
<td>$-</td>
<td>(102,841)</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$5,761,647</td>
<td>8,968,005</td>
<td>(3,733,009)</td>
<td>-</td>
<td>$10,996,643</td>
</tr>
<tr>
<td><strong>Total assets not being depreciated</strong></td>
<td>$10,198,708</td>
<td>8,968,005</td>
<td>(3,835,850)</td>
<td>-</td>
<td>$15,330,863</td>
</tr>
<tr>
<td>Non-major infrastructure networks</td>
<td>$30,076,297</td>
<td>$169,611</td>
<td>$-</td>
<td>$-</td>
<td>$30,245,908</td>
</tr>
<tr>
<td>Land improvements</td>
<td>$4,704,506</td>
<td>559,111</td>
<td>$-</td>
<td>$-</td>
<td>$5,263,617</td>
</tr>
<tr>
<td>Buildings</td>
<td>$152,263,748</td>
<td>2,679,016</td>
<td>$-</td>
<td>$-</td>
<td>$154,942,764</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>$58,237,428</td>
<td>102,841</td>
<td>102,841</td>
<td>(15,601,059)</td>
<td>$44,752,783</td>
</tr>
<tr>
<td>Software</td>
<td>$1,639,130</td>
<td>106,147</td>
<td>$-</td>
<td>$-</td>
<td>$1,745,277</td>
</tr>
<tr>
<td>Library materials</td>
<td>$15,448,826</td>
<td>1,038,057</td>
<td>$-</td>
<td>$373,427</td>
<td>$16,113,456</td>
</tr>
<tr>
<td><strong>Total depreciable capital assets</strong></td>
<td>$262,369,935</td>
<td>6,565,915</td>
<td>102,841</td>
<td>(15,974,486)</td>
<td>$253,064,205</td>
</tr>
<tr>
<td>Non-major infrastructure networks</td>
<td>($9,625,393)</td>
<td>($998,798)</td>
<td>$-</td>
<td>$-</td>
<td>($10,624,191)</td>
</tr>
<tr>
<td>Land improvements</td>
<td>(2,489,902)</td>
<td>(166,142)</td>
<td>$-</td>
<td>$-</td>
<td>(2,656,044)</td>
</tr>
<tr>
<td>Buildings</td>
<td>(63,489,693)</td>
<td>(4,934,991)</td>
<td>$-</td>
<td>$-</td>
<td>(68,424,684)</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>(46,690,880)</td>
<td>(2,538,254)</td>
<td>102,841</td>
<td>13,803,171</td>
<td>(35,425,963)</td>
</tr>
<tr>
<td>Software</td>
<td>(300,507)</td>
<td>(166,482)</td>
<td>$-</td>
<td>$-</td>
<td>(466,989)</td>
</tr>
<tr>
<td>Library materials</td>
<td>(10,211,862)</td>
<td>(647,967)</td>
<td>$-</td>
<td>373,427</td>
<td>(10,486,402)</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>($132,808,237)</td>
<td>($9,452,634)</td>
<td>$-</td>
<td>$14,176,598</td>
<td>($128,084,273)</td>
</tr>
</tbody>
</table>

| Capital assets summary                           |                        |           |           |             |                       |
| Capital assets not being depreciated             | $10,198,708            | 8,968,005 | (3,835,850)| $-          | $15,330,863           |
| Depreciable capital assets, at cost              | $262,369,935           | 6,565,915 | 102,841   | (15,974,486)| $253,064,205          |
| **Total cost of capital assets**                 | $272,568,643           | 15,533,920| (3,733,009)| (15,974,486)| 268,395,068           |
| Accumulated depreciation                         | ($132,808,237)         | ($9,452,634)| $-        | 14,176,598 | ($128,084,273)        |
| **Capital assets, net**                          | ($139,760,406)         | 6,081,286 | (3,733,009)| $1,797,888 | $140,310,795          |
NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued compensated absences</td>
<td>$ 7,940,022</td>
<td>$ 2,733,659</td>
<td>$ (3,461,702)</td>
<td>$ 7,211,979</td>
<td>$ 3,241,000</td>
</tr>
<tr>
<td>Environmental cleanup</td>
<td>5,000,000</td>
<td>201,611</td>
<td>-</td>
<td>5,201,611</td>
<td>-</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>12,975,000</td>
<td>-</td>
<td>(450,000)</td>
<td>12,525,000</td>
<td>- *</td>
</tr>
<tr>
<td>Bond premium, net</td>
<td>778,157</td>
<td>-</td>
<td>(82,760)</td>
<td>695,397</td>
<td>-</td>
</tr>
<tr>
<td>Total assets not being depreciated</td>
<td>$ 26,693,179</td>
<td>$ 2,935,270</td>
<td>$ (3,994,462)</td>
<td>$ 25,633,987</td>
<td>$ 3,241,000</td>
</tr>
</tbody>
</table>

* The Institute paid the principal payment due July 1, 2013 prior to June 30, 2013.

1. **Environmental Cleanup**

New Mexico Tech is preparing a complaint to be filed in the United States Court of Federal Claims against the United States that will seek equitable contract adjustment, restoration of property and damages for the cleanup of sites and facilities on the Institute’s property that are contaminated with depleted uranium (DU). As part of the Government’s weapons and munitions research and development during the years 1972 to 1992, munitions containing DU which is a heavy metal and has very low level radioactivity were tested at what is now known as the Energetic Materials Research and Testing Center (EMRTC). The Institute’s Radioactive Material License issued by the State of New Mexico for possession of the DU requires decommissioning of sites and facilities. The Institute had submitted its claim for breach of express contracts, pursuant to the Contract Disputes Act (CDA) breach of implied contracts, and negligence requiring restoration of property, to the contracting officers of various US government and military related organizations in May 2011. The claim under the CDA was denied on April 13, 2012. A claim was also submitted to Government contracting officers for cleanup of DU at the Institute under the Federal Tort Claims Act. The Government’s agency handling the claim did not respond to the claim within the prescribed time which may be deemed by the Institute a final denial of the claim.

The pending claim seeks damages to cover the cleanup on the basis of breach of contract in the United States Court of Federal Claims. If this action is unsuccessful, the Institute may be liable for all or part of the cleanup cost. The cleanup cost has not been definitely estimated, but preliminary estimates range from approximately $5,000,000 to $19,000,000. It is uncertain at the date of these financial statements as to the outcome of the Institute’s recovery actions against the United States or the potential cleanup amount that might be ultimately required. The Institute has accrued $5,201,611 within non-current liabilities as of June 30, 2013.
NOTE F – BONDS PAYABLE

Long-term debt of the Institute at June 30, 2013 consists of revenue bonds. On August 5, 2011, the Institute issued the NMIMT System Revenue Bonds, Series 2011, in the par amount of $13,395,000, maturing July 2031, and carrying interest rates from 3.00% to 5.00%. These bonds were Board approved in 2011 to fund the acquisition, construction, and equipping of a student housing facility, the construction of facilities to house a telescope and related improvements including the purchase of equipment and furnishings at the Magdalena Ridge Observatory, and other improvements to the facilities of the Institute.

The Institute has pledged future net income and net revenues received from Institute-owned Auxiliary Enterprises and housing and other facilities, all gross proceeds of student tuition and fees except student social and cultural activities fees, the gross amount received by the Institute from the income from the Permanent fund and Income fund, and all income or revenues received by the Institute as indirect cost recovery and fixed fee reimbursement from restricted grants and contracts, to repay the bond debt. Annual principal and interest payments on the bond are expected to require about 1% of pledged revenues.

Total Institute revenue bonded debt is as follows:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Interest Rates</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital improvements</td>
<td>3.00-5.00%</td>
<td>$ 12,525,000</td>
</tr>
</tbody>
</table>

Annual debt service requirements for the Institute’s revenue bonds to maturity are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 $</td>
<td>-</td>
<td>- $</td>
</tr>
<tr>
<td>2015 460,000</td>
<td>602,550</td>
<td></td>
</tr>
<tr>
<td>2016 490,000</td>
<td>581,850</td>
<td></td>
</tr>
<tr>
<td>2017 500,000</td>
<td>557,350</td>
<td></td>
</tr>
<tr>
<td>2018 525,000</td>
<td>537,350</td>
<td></td>
</tr>
<tr>
<td>2019 540,000</td>
<td>516,350</td>
<td></td>
</tr>
<tr>
<td>2020-2024 3,130,000</td>
<td>2,197,750</td>
<td></td>
</tr>
<tr>
<td>2025-2029 3,980,000</td>
<td>1,340,500</td>
<td></td>
</tr>
<tr>
<td>2030-2032 2,900,000</td>
<td>294,750</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong> $12,525,000</td>
<td>$ 6,628,450</td>
<td></td>
</tr>
</tbody>
</table>

A bonds premium of $736,777 remains unamortized as of June 30, 2012 with $41,380 being amortized during the year. The Institute prepaid the bond principal of $450,000 on June 30, 2013 which was due July 1, 2013, therefore no current portion is due.
NOTE G – EMPLOYEE BENEFITS

1. Employee Benefit Trust

The Board of Regents authorized the creation of the New Mexico Tech Employees Benefit Trust (Trust), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan, but must pay the full amount of their premiums. The Plan is therefore not considered a post-employment benefit plan as defined by GASB 43, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans*. The Trust is recorded as an agency fund in the accompanying financial statements. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute. The Institute contributed $4,055,526 and employees and others contributed $3,912,290 to the Trust during the year ended June 30, 2013. At June 30, 2013, the Institute’s maximum annual liability exposure under the Trust is $135,000 per individual and $2,000,000 in the aggregate.

As of June 30, 2013, the changes in reserves for claims and claims adjustment expenses are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability for claims and claims adjustment expenses at beginning of year</td>
<td>$1,317,441</td>
</tr>
<tr>
<td>Incurred claims and claims adjustment expenses</td>
<td>7,686,787</td>
</tr>
<tr>
<td>Payments, net of recoveries</td>
<td>(8,304,228)</td>
</tr>
<tr>
<td>Liability for claims and claims adjustment expenses at end of the year</td>
<td>$700,000</td>
</tr>
</tbody>
</table>

The Trust has not obtained an actuarial study of the potential unfunded Other Post Employment Benefits (OPEB) liability as required under GASB 45. The amount of potential unfunded liability is therefore not disclosed.

2. Workers’ Compensation Insurance

The Institute is insured for workers’ compensation through the State of New Mexico General Services Department – Risk Management Division (RMD). RMD provides workers’ compensation for all employees as required by state law. The Institute remits payments to RMD for this coverage based on premium statements received from RMD. Total premiums for the year ended June 30, 2013 was $661,151, which has been charged to expenditures.
NOTE G – EMPLOYEE BENEFITS – CONTINUED

3. Defined Benefit Retirement Plan

**Plan Description.** Substantially all of the Institute’s full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of state public Institute districts, colleges, and universities) and beneficiaries.

ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB’s website at www.nmerb.org.

**Funding Policy.** Effective July 1, 2012, plan members are required by statute to contribute 7.9% of their gross salary if they earned $20,000 or less annually, and plan members earning more than $20,000 annually were required to contribute 9.4% of their gross salary. The Institute is required to contribute 12.4% of the gross covered salary for employees earning $20,000 or less and 10.9% of the gross covered salary of employees earning more than $20,000 annually. The contribution requirements of plan members and the Institute are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Institute’s contributions to ERB for fiscal years ending June 30, 2013, 2012, and 2011 were $7,752,414, $7,957,492, and $7,758,786, respectively, which is equal to the amount of the required contributions for each fiscal year.

NOTE H – COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Rent expense for June 30, 2013 is $560,932.

Future minimum rental payments required under operating leases is as follows for the years ending June 30:
NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

1. Operating Leases – Continued

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>2014</th>
<th>184,394</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>119,623</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>104,637</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>58,944</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>47,360</td>
</tr>
<tr>
<td></td>
<td>2019 - 2023</td>
<td>180,000</td>
</tr>
<tr>
<td></td>
<td>2024 - 2028</td>
<td>180,000</td>
</tr>
<tr>
<td></td>
<td>2029 - 2031</td>
<td>96,000</td>
</tr>
</tbody>
</table>

$ 970,958

2. Contingencies

Reimbursements for amounts expended by the Institute under the terms of federal and state grants and contracts are subject to audit and possible adjustments by the granting agency. Grants and contracts for the years ended June 30, 2013, are pending audits by federal and state agencies. It is the opinion of Institute management that adjustments, if any, will not have a material effect on the Institute's financial position or results of operations.

3. State Risk Management Pool

The Institute as a state Institute defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for coverage provided in the following areas:

   a) Liability and civil rights protection for claims made by others against the Institute.

   b) Coverage to protect the Institute's property and assets.

The Institute participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability, medical malpractice, and physical damage insurance. The Institute pays premiums for its participation. From time-to-time the Institute is subject to lawsuits including personnel and student liability matters in the ordinary course of business. No lawsuit settlements or outcomes have exceeded insurance coverage for the last 3 years.

The Institute is a defendant in legal actions arising from normal business activities. Management believes that those actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Institute's financial position or results of operations.
NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

4. Other Commitments

At June 30, 2013, the Institute had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying basic financial statements. The amount of such commitments is $22,508,032.

Construction obligations of $3,774,032 are not presented in the financial statements. These obligations represent unfinished contracts with various entities at June 30, 2013.

NOTE I – BOND APPROPRIATION ACCOUNTING

The Institute has periodically received severance tax and general obligation bond appropriations for capital asset projects on the campus of the Institute. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond funds is submitted and approved by the Board of Finance.

NOTE J – RECONCILIATION OF BUDGET BASIS TO GAAP

<table>
<thead>
<tr>
<th>Budget basis revenues</th>
<th>$ 139,936,089</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition discounts and allowances</td>
<td>(4,717,622)</td>
</tr>
<tr>
<td>Indirect cost recovery</td>
<td>(7,043,775)</td>
</tr>
<tr>
<td>Cost share adjustment</td>
<td>(550,323)</td>
</tr>
<tr>
<td>Additions to endowments</td>
<td>3,045,526</td>
</tr>
<tr>
<td>Deposits held for other</td>
<td>47,948</td>
</tr>
<tr>
<td>Unbudgeted exhibits</td>
<td>2,635,591</td>
</tr>
</tbody>
</table>

| Revenues per GAAP           | $ 133,353,434 |

<table>
<thead>
<tr>
<th>Budget basis expenditures</th>
<th>$ 143,317,380</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition discounts and allowances</td>
<td>(4,717,622)</td>
</tr>
<tr>
<td>Indirect cost recovery</td>
<td>(7,043,775)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(2,237,775)</td>
</tr>
<tr>
<td>Capital asset adjustment</td>
<td>(8,749,298)</td>
</tr>
<tr>
<td>Research adjustment</td>
<td>(46,500)</td>
</tr>
<tr>
<td>Deposits held for other</td>
<td>37,580</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>9,452,634</td>
</tr>
<tr>
<td>Unbudgeted exhibits</td>
<td>1,685,626</td>
</tr>
</tbody>
</table>

| Expenses per GAAP           | $ 131,698,250 |
NOTE K – THE NEW MEXICO TECH RESEARCH FOUNDATION

1. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers cash on hand, cash held in banks and highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

2. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in unrestricted net position.

The Foundation has an agreement with the Institute for investment of the majority of the Foundation’s funds. The majority of investments of the Foundation are held by the New Mexico State Investment Council. The Foundation’s funds are combined with those of several other funds of the Institute. Income is allocated based on the proportionate market value of the investment of each participating fund.

3. Charitable Remainder Unitrust

Charitable remainder unitrust assets are the result of an agreement between donors and the Foundation in which the trust was established by the donors and administered by the Foundation. The Foundation is required to pay a fixed percentage of the fair market value of the trust’s assets each year to a designated beneficiary during the beneficiary’s lifetime. The trust assets were measured at the fair value when received. A corresponding liability is measured at the present value of expected future cash flows to be paid to the beneficiary.

4. Capital Assets

The Foundation records tangible and intangible capital assets purchased at cost; and donations at their estimated fair value. The building is being depreciated using a straight-line method over a twenty-seven and a half year estimated useful life. The patent is being amortized over fifteen years. The Foundation capitalizes property and equipment purchases with a cost over $5,000.

5. Amortization

The Foundation amortizes patents using a straight-line method over the fifteen-year estimated life of the patents.

6. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

7. Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as a public charity. The Foundation engaged in no material unrelated activities and therefore no provision for income taxes has been made. The Foundation is a supporting organization of the Institute and not a private foundation.

8. Cash and Bank Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the entity’s deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk and does not require collateral. As of June 30, 2013, the Foundation’s deposits were exposed to custodial credit risk as follows:

<table>
<thead>
<tr>
<th></th>
<th>First State</th>
<th>Wells Fargo</th>
<th>Bank of America</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of deposits in the bank</td>
<td>$564,342</td>
<td>$10,475</td>
<td>$150,067</td>
<td>$724,884</td>
</tr>
<tr>
<td>FDIC coverage</td>
<td>(296,081)</td>
<td>(23,970)</td>
<td>(33,688)</td>
<td>(353,739)</td>
</tr>
<tr>
<td>Total uninsured funds</td>
<td>$268,261</td>
<td>$(13,495)</td>
<td>$116,379</td>
<td>$371,145</td>
</tr>
</tbody>
</table>

Custodial credit risk-deposits

| Account balance | $724,884 |
| FDIC insured    | (353,739) |
| Uninsured and uncollateralized | $371,145 |

Total deposits

| Add: Money Market | $6,920 |
| Total deposits   | $731,804 |

Deposit classification in the financial statements at June 30, 2013 follows:
NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

8. Cash and Bank Deposits – Continued

<table>
<thead>
<tr>
<th>Name of Depository</th>
<th>Account Name</th>
<th>Account Type</th>
<th>Balance</th>
<th>Reconciling Items</th>
<th>Financial Statement Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>First State Bank</td>
<td>Checking</td>
<td>Cash</td>
<td>$987,101</td>
<td>$(792,400)</td>
<td>$194,701</td>
</tr>
<tr>
<td>First State Bank</td>
<td>Savings</td>
<td>Cash</td>
<td>1,381</td>
<td>-</td>
<td>1,381</td>
</tr>
<tr>
<td>First State Bank</td>
<td>Certificate</td>
<td>CD</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Checking</td>
<td>Cash</td>
<td>33,688</td>
<td>-</td>
<td>33,688</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Checking</td>
<td>Cash</td>
<td>23,969</td>
<td>-</td>
<td>23,969</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>Investment</td>
<td>Money Market</td>
<td>26,640</td>
<td>-</td>
<td>26,640</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,172,779</td>
<td>$(792,400)</td>
<td>$380,379</td>
</tr>
</tbody>
</table>

9. Investments

None of the Foundation’s investments are exposed to custodial credit risks as they are all registered. Also, the Foundation holds no debt securities and therefore the investments are not subject to credit or interest rate risk. A summary of the investments at June 30, 2013 are as follows:

<table>
<thead>
<tr>
<th>Investments</th>
<th>Ratings</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held at Merrill Lynch investment account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>Not Rated</td>
<td>$6,920</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>Not Rated</td>
<td>1,671,128</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,678,048</td>
</tr>
<tr>
<td>Investments not subject to categorization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Investment Council pooled funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income securities</td>
<td></td>
<td>2,448,751</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td>13,157,574</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,606,325</td>
</tr>
<tr>
<td>Insurance annuity</td>
<td></td>
<td>1,298,828</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,583,201</td>
</tr>
</tbody>
</table>

10. Notes Receivable

The Foundation funded the construction of a building for a company which leases land from the Institute. The Foundation has a note receivable for the amount of the loan of $1,154,313 of which $174,108 is current and $980,205 is noncurrent. The note bears a variable rate of interest based on Wall Street Journal Prime (currently 3.25%), is payable monthly over 15 years and is secured by the building. The Foundation also has a note receivable in the amount of $158,644 of which $2,562 is current and $156,082 is noncurrent at June 30, 2013. The note bears a 6% interest rate and is payable monthly over 36 months with remaining balance due at maturity.
### 11. Capital Assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
</tr>
<tr>
<td>Capital assets not being depreciated</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$153,150</td>
</tr>
<tr>
<td>Other</td>
<td>$130,500</td>
</tr>
<tr>
<td></td>
<td>$283,650</td>
</tr>
</tbody>
</table>

| Capital assets being depreciated |            |           |           |               |
| Building                       | $1,648,127 | $-        | $-        | $1,648,127    |
| Patents                        | $8,021,841 | $-        | $-        | $8,021,841    |
| Other intangibles              | $21,842    | $-        | $-        | $21,842       |
| Accumulated depreciation building | $(555,734) | $(59,932) | $-        | $(615,666) |
| Accumulated depreciation patents | $(8,000,000) | $-       | $-        | $(8,000,000) |
|                              | $1,136,076 | $(59,932) | $-        | $1,076,144    |

| Total capital assets being depreciated, net |            |           |           |               |
|                                             | $1,419,726 | $(59,932) | $-        | $1,359,794 |

### 12. Related Party Transactions and Donated Services

The Institute provides the Foundation’s office space in exchange for property management services provided to the Institute by the Foundation. These transactions are not recorded in the Foundation’s financial statements, as they are not significant and the value is not subject to reasonable estimation.

The Foundation owns an insurance annuity through New York Life with a fair market value of $1,298,828 at June 30, 2013. The insurance annuity was acquired to benefit the President of the Institute. The Foundation’s annual contribution to the insurance annuity was $150,000 in 2013.

Certain of the Foundation’s Board members are also officers of the Institute.

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expired in June 2013 with an option to renew for an additional three years. Lease revenues were $91,150 for 2013.
NOTE L – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION

1. **Cash and Cash Equivalents**

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

2. **Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. **Income Taxes**

The Corporation is taxed as a C-corporation under the Internal Revenue Code (IRC).

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Corporation is a supporting organization of the Institute and not a private foundation.

The Corporation is in the process of applying to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and be classified by the Internal Revenue Service as a public charity.

There was no provision for income taxes during the year ended June 30, 2013, due primarily to the absence of taxable income. The net operating loss carryforwards expire beginning in fiscal years 2028 and 2014 for federal and state purposes, respectively.

A full valuation allowance of $225,700 has been established for periods prior to the year ending June 30, 2013 to offset deferred tax assets arising from net operating losses because of the uncertainty of their realization. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Because management intends to apply for recognition as a not-for-profit entity under section 501(c)(3) of the IRC, it is unlikely that the majority of the carryforwards will be realized.

During 2013, the New Mexico Taxation and Revenue Department (NMTRD) assessed the Corporation $80,749, plus penalties and interest due to disallowance of the State NOL carryforward. The matter is under review with the NMTRD and management expects this to be resolved without obligation.
NOTE L – NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION – CONTINUED

4. Cash and Bank Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the entity’s deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Corporation’s deposits were exposed to custodial credit risk as follows:

<table>
<thead>
<tr>
<th></th>
<th>First State Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of deposits in the bank</td>
<td>29,855</td>
</tr>
<tr>
<td>Less FDIC coverage</td>
<td>(29,855)</td>
</tr>
<tr>
<td>Total uninsured funds</td>
<td>-</td>
</tr>
</tbody>
</table>

Deposit classification in the financial statements at June 30, 2013 follows:

<table>
<thead>
<tr>
<th>Name of Depository</th>
<th>Account Name</th>
<th>Bank Account Type</th>
<th>Bank Balance</th>
<th>Reconciling Items</th>
<th>Financial Statement Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>First State Bank</td>
<td>Checking</td>
<td>Cash</td>
<td>$ 29,855</td>
<td>$ -</td>
<td>$ 29,855</td>
</tr>
</tbody>
</table>

5. Related Party Transactions

The Institute provides, on a rent-free basis, the Corporation’s office space. This amount is included in the Statement of Revenues, Expenses, and Changes in Net Position as in-kind lease revenue in the amount of $36,543 with an offset to in-kind lease expense in the same amount.

Certain of the Corporation’s Board members are also officers of the Institute.

The Corporation has a due to the Institute in the amount of $39,078 for amounts paid on behalf of the Corporation by the Institute for start up costs and legal fees.
NOTE M – NEW ACCOUNTING STANDARDS

GASB 62

The Institute implemented Governmental Accounting Standards Board (GASB) Statement No. 62 during the year ended June 30, 2013, “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.

GASB 63

The Institute implemented Governmental Accounting Standard Board Statement No. 63, Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position (GASB 63) for the year ending June 30, 2013. GASB 63 introduces a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term net position for reporting the residual of all elements in a statement of financial position. The statement of financial position of the Institute at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

GASB 65

Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65) changes the classification of various financial statement balances including several more common type transactions for presentation as assets and liabilities to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012. The Institute will implement this standard next year. Bond issuance costs for any future bond authorizations will be treated differently next year under this standard.

GASB 67 and 68

These standards revise existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record the government’s pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements including multiemployer cost sharing plans. The Institute is a participating member of the Educational Retirement Board (ERB), and multiemployer cost sharing plan. See Note G. Other changes arising from these statements are significant and the Institute will comply with these changes as statement No. 68, most relevant to the Institute, is effective for FY 2015. At this time management is unable to estimate the magnitude of this impact. Information regarding ERB’s current funding status can be found in their financial report.
NOTE M – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 69

This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term “government combinations” includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB 69 is effective for FY 2015. The Institute has evaluated GASB 69 and does not believe that it will have an impact on its financial statements.

GASB 70

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees, enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees, and will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The Institute has evaluated GASB 70 and does not believe that it will have an impact on its financial statements.
SUPPLEMENTARY INFORMATION
### NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

**COMBINED REVENUES AND EXPENDITURES - BUDGET COMPARISONS**

**Year Ended June 30, 2013**

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning fund balances</strong></td>
<td>$43,962,913</td>
<td>$50,127,439</td>
<td>$61,302,393</td>
<td>$11,174,954</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State general fund appropriations</td>
<td>55,456,900</td>
<td>55,456,900</td>
<td>35,414,951</td>
<td>(20,041,949)</td>
</tr>
<tr>
<td>Restricted revenue sources</td>
<td>98,663,526</td>
<td>98,663,526</td>
<td>69,456,905</td>
<td>(29,206,621)</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>8,540,304</td>
<td>10,207,715</td>
<td>12,776,827</td>
<td>2,569,112</td>
</tr>
<tr>
<td>Land and permanent fund</td>
<td>1,050,000</td>
<td>1,050,000</td>
<td>1,377,079</td>
<td>327,079</td>
</tr>
<tr>
<td>Endowment earnings/private gifts</td>
<td>200,000</td>
<td>200,000</td>
<td>230,627</td>
<td>30,627</td>
</tr>
<tr>
<td>Other</td>
<td>14,326,751</td>
<td>14,326,751</td>
<td>20,679,700</td>
<td>6,352,949</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>178,237,481</td>
<td>179,904,892</td>
<td>139,936,089</td>
<td>(39,968,803)</td>
</tr>
<tr>
<td><strong>Total revenues and balance budgeted</strong></td>
<td>$222,200,394</td>
<td>$230,032,331</td>
<td>$201,238,482</td>
<td>(28,793,849)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction and general</td>
<td>33,467,790</td>
<td>38,973,775</td>
<td>35,023,291</td>
<td>(3,950,484)</td>
</tr>
<tr>
<td>Student social and cultural</td>
<td>482,099</td>
<td>814,695</td>
<td>704,845</td>
<td>(106,850)</td>
</tr>
<tr>
<td>Research</td>
<td>99,980,420</td>
<td>105,101,985</td>
<td>71,555,009</td>
<td>(33,546,976)</td>
</tr>
<tr>
<td>Public service</td>
<td>418,500</td>
<td>530,561</td>
<td>627,979</td>
<td>97,418</td>
</tr>
<tr>
<td>Internal service departments</td>
<td>1,763,345</td>
<td>2,260,173</td>
<td>5,238,211</td>
<td>2,978,038</td>
</tr>
<tr>
<td>Student aid</td>
<td>10,285,215</td>
<td>10,285,215</td>
<td>8,718,495</td>
<td>(1,566,720)</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>5,230,347</td>
<td>5,632,270</td>
<td>5,274,926</td>
<td>(357,344)</td>
</tr>
<tr>
<td>Intercollegiate athletics</td>
<td>214,200</td>
<td>218,572</td>
<td>218,942</td>
<td>370</td>
</tr>
<tr>
<td>Independent operations</td>
<td>5,434,274</td>
<td>5,813,507</td>
<td>4,841,543</td>
<td>(971,964)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>21,950,000</td>
<td>21,950,000</td>
<td>10,048,714</td>
<td>(11,901,286)</td>
</tr>
<tr>
<td>Renewal and replacements</td>
<td>2,077,772</td>
<td>2,077,772</td>
<td>482,190</td>
<td>(1,595,582)</td>
</tr>
<tr>
<td>Retirement of indebtedness</td>
<td>1,043,550</td>
<td>1,043,550</td>
<td>583,235</td>
<td>(460,315)</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>182,347,512</td>
<td>194,702,075</td>
<td>143,317,380</td>
<td>(51,384,695)</td>
</tr>
<tr>
<td><strong>Net transfers</strong></td>
<td>(311,826)</td>
<td>(311,826)</td>
<td>(550,328)</td>
<td>5,491,695</td>
</tr>
<tr>
<td><strong>Change in net assets-budgetary basis</strong></td>
<td>(4,421,857)</td>
<td>(15,109,009)</td>
<td>(3,931,619)</td>
<td>16,907,587</td>
</tr>
<tr>
<td><strong>Ending fund balances</strong></td>
<td>$39,541,056</td>
<td>$35,018,430</td>
<td>$57,370,774</td>
<td>$28,082,541</td>
</tr>
</tbody>
</table>

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### New Mexico Institute of Mining and Technology

#### UNRESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES - BUDGET COMPARISONS

**Year Ended June 30, 2013**

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning fund balances</strong></td>
<td>$43,962,913</td>
<td>$50,127,439</td>
<td>$61,302,393</td>
<td>$11,174,954</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition</td>
<td>7,267,104</td>
<td>8,934,515</td>
<td>10,600,105</td>
<td>1,665,590</td>
</tr>
<tr>
<td>Miscellaneous fees</td>
<td>1,273,200</td>
<td>1,273,200</td>
<td>2,176,722</td>
<td>903,522</td>
</tr>
<tr>
<td>Government appropriation - federal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government appropriation - local</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government grants - federal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government grants - state</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contracts - local</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private gift/contracts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Endowments</td>
<td>200,000</td>
<td>200,000</td>
<td>230,577</td>
<td>30,577</td>
</tr>
<tr>
<td>Land and permanent fund</td>
<td>1,050,000</td>
<td>1,050,000</td>
<td>1,377,079</td>
<td>327,079</td>
</tr>
<tr>
<td>Private gifts</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Sales and service</td>
<td>6,055,447</td>
<td>6,055,447</td>
<td>9,410,495</td>
<td>3,355,048</td>
</tr>
<tr>
<td>Other sources</td>
<td>8,271,304</td>
<td>8,271,304</td>
<td>11,269,205</td>
<td>2,997,901</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>79,573,955</td>
<td>81,241,366</td>
<td>70,479,184</td>
<td>(10,762,182)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction and general</td>
<td>33,467,790</td>
<td>38,973,775</td>
<td>35,023,291</td>
<td>(3,950,484)</td>
</tr>
<tr>
<td>Student social and cultural</td>
<td>482,099</td>
<td>814,695</td>
<td>704,845</td>
<td>(109,850)</td>
</tr>
<tr>
<td>Research</td>
<td>8,992,043</td>
<td>14,113,608</td>
<td>7,808,279</td>
<td>(6,305,329)</td>
</tr>
<tr>
<td>Public service</td>
<td>418,500</td>
<td>530,562</td>
<td>627,979</td>
<td>97,417</td>
</tr>
<tr>
<td>Internal service departments</td>
<td>1,763,345</td>
<td>2,260,174</td>
<td>3,872,683</td>
<td>1,612,509</td>
</tr>
<tr>
<td>Student aid</td>
<td>4,042,966</td>
<td>4,042,966</td>
<td>4,552,772</td>
<td>509,806</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>5,230,347</td>
<td>5,632,270</td>
<td>5,274,926</td>
<td>(357,344)</td>
</tr>
<tr>
<td>Intercollegiate athletics</td>
<td>214,200</td>
<td>218,572</td>
<td>218,942</td>
<td>370</td>
</tr>
<tr>
<td>Independent operations</td>
<td>4,001,374</td>
<td>4,380,608</td>
<td>3,806,024</td>
<td>(574,584)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>21,950,000</td>
<td>21,950,000</td>
<td>10,048,714</td>
<td>(11,901,286)</td>
</tr>
<tr>
<td>Renewal and replacements</td>
<td>2,077,772</td>
<td>2,077,772</td>
<td>482,190</td>
<td>(1,595,582)</td>
</tr>
<tr>
<td>Retirement of indebtedness</td>
<td>1,043,550</td>
<td>1,043,550</td>
<td>583,235</td>
<td>(460,315)</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>83,683,986</td>
<td>96,038,552</td>
<td>73,003,880</td>
<td>(23,034,672)</td>
</tr>
<tr>
<td><strong>Net transfers</strong></td>
<td>(311,826)</td>
<td>(311,826)</td>
<td>(550,328)</td>
<td>(238,502)</td>
</tr>
<tr>
<td><strong>Change in net assets-budgetary basis</strong></td>
<td>(4,421,857)</td>
<td>(15,109,012)</td>
<td>(3,075,024)</td>
<td>12,033,988</td>
</tr>
<tr>
<td><strong>Ending fund balances</strong></td>
<td>$39,541,056</td>
<td>$35,018,427</td>
<td>$58,227,369</td>
<td>$23,208,942</td>
</tr>
</tbody>
</table>
# New Mexico Institute of Mining and Technology

## RESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES - BUDGET COMPARISONS

### Year Ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Actual Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning fund balances</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government appropriation - state</td>
<td>21,600</td>
<td>21,600</td>
<td>-</td>
<td>(21,600)</td>
</tr>
<tr>
<td>Government appropriation - local</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government grants - federal</td>
<td>78,685,904</td>
<td>78,685,904</td>
<td>46,494,958</td>
<td>(32,190,946)</td>
</tr>
<tr>
<td>Government grants - state</td>
<td>10,225,200</td>
<td>10,225,200</td>
<td>2,890,937</td>
<td>(7,334,263)</td>
</tr>
<tr>
<td>Contracts - local</td>
<td>-</td>
<td>-</td>
<td>4,145,594</td>
<td>4,145,594</td>
</tr>
<tr>
<td>Private gift/contracts</td>
<td>5,296,000</td>
<td>5,296,000</td>
<td>13,219,836</td>
<td>7,923,836</td>
</tr>
<tr>
<td>Endowments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Land and permanent fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private gifts</td>
<td>-</td>
<td>-</td>
<td>1,544,330</td>
<td>1,544,330</td>
</tr>
<tr>
<td>Sales and service</td>
<td>4,029,877</td>
<td>4,029,877</td>
<td>1,161,250</td>
<td>(2,868,627)</td>
</tr>
<tr>
<td>Other sources</td>
<td>112,500</td>
<td>112,500</td>
<td>-</td>
<td>(112,500)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>98,663,526</td>
<td>98,663,526</td>
<td>69,456,905</td>
<td>(29,206,621)</td>
</tr>
<tr>
<td><strong>Cash balance budgeted</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues and cash balance budgeted</strong></td>
<td>98,663,526</td>
<td>98,663,526</td>
<td>69,456,905</td>
<td>(29,206,621)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction and general</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Student social and cultural</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Research</td>
<td>90,988,377</td>
<td>90,988,377</td>
<td>63,746,730</td>
<td>(27,241,647)</td>
</tr>
<tr>
<td>Public service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Internal service departments</td>
<td>-</td>
<td>-</td>
<td>1,365,528</td>
<td>1,365,528</td>
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<tr>
<td>Student aid</td>
<td>6,242,249</td>
<td>6,242,249</td>
<td>4,165,723</td>
<td>(2,076,526)</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intercollegiate athletics</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Independent operations</td>
<td>1,432,900</td>
<td>1,432,900</td>
<td>1,035,519</td>
<td>(397,381)</td>
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<tr>
<td>Capital outlay</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Renewal and replacements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retirement of indebtedness</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total expenditures</strong></td>
<td>98,663,526</td>
<td>98,663,526</td>
<td>70,313,500</td>
<td>(28,350,026)</td>
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<tr>
<td><strong>Change in net assets-budgetary basis</strong></td>
<td>-</td>
<td>-</td>
<td>(856,595)</td>
<td>(856,595)</td>
</tr>
<tr>
<td><strong>Ending fund balances</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ (856,595)</td>
<td>$ (856,595)</td>
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## UNRESTRICTED CURRENT FUNDS - SUMMARY OF INSTRUCTION AND GENERAL -
REVENUES AND EXPENDITURES - BUDGET COMPARISONS

Year Ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
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<td>Beginning fund balances</td>
<td>$3,142,804</td>
<td>$2,580,705</td>
<td>$2,580,705</td>
<td>$</td>
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<td><strong>Revenues</strong></td>
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<td></td>
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<tr>
<td>Tuition</td>
<td>7,267,104</td>
<td>8,934,515</td>
<td>10,600,105</td>
<td>1,665,590</td>
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<td>Miscellaneous fees</td>
<td>613,200</td>
<td>613,200</td>
<td>1,088,438</td>
<td>475,238</td>
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<td>Government appropriation - federal</td>
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<td>-</td>
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<tr>
<td>Government appropriation - state</td>
<td>25,806,600</td>
<td>25,806,600</td>
<td>25,806,584</td>
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<td>Government appropriation - local</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Government grants - federal</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Government grants - state</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Contracts - local</td>
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<td>-</td>
</tr>
<tr>
<td>Private gift/contracts</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Endowment earnings</td>
<td>200,000</td>
<td>200,000</td>
<td>230,577</td>
<td>30,577</td>
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<td>Land and permanent fund</td>
<td>1,050,000</td>
<td>1,050,000</td>
<td>1,377,079</td>
<td>327,079</td>
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<tr>
<td>Private gifts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales and service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other sources</td>
<td>4,230,500</td>
<td>4,230,500</td>
<td>5,939,940</td>
<td>1,709,440</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>39,167,404</td>
<td>40,834,815</td>
<td>45,042,723</td>
<td>4,207,908</td>
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<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Instruction</td>
<td>16,043,549</td>
<td>18,600,977</td>
<td>16,805,137</td>
<td>(1,795,840)</td>
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<td>Academic support</td>
<td>3,093,096</td>
<td>3,328,551</td>
<td>2,797,730</td>
<td>(530,821)</td>
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<tr>
<td>Student services</td>
<td>2,126,806</td>
<td>2,509,849</td>
<td>2,100,295</td>
<td>(409,554)</td>
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<tr>
<td>Institutional support</td>
<td>7,201,590</td>
<td>9,531,649</td>
<td>7,312,169</td>
<td>(2,219,480)</td>
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<tr>
<td>Operation and maintenance of plant</td>
<td>5,002,749</td>
<td>5,002,749</td>
<td>6,007,960</td>
<td>1,005,211</td>
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<tr>
<td><strong>Total expenditures</strong></td>
<td>33,467,790</td>
<td>38,973,775</td>
<td>35,023,291</td>
<td>(3,950,484)</td>
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<tr>
<td><strong>Net transfers</strong></td>
<td>(6,467,966)</td>
<td>(2,256,849)</td>
<td>(8,030,256)</td>
<td>(5,773,407)</td>
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<tr>
<td>Change in net assets-budgetary basis</td>
<td>(768,352)</td>
<td>(395,809)</td>
<td>1,989,176</td>
<td>2,384,985</td>
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<td>Ending fund balances</td>
<td>$2,374,452</td>
<td>$2,184,896</td>
<td>$4,569,881</td>
<td>$2,384,985</td>
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## New Mexico Institute of Mining and Technology

### SCHEDULE OF DEPOSIT COLLATERAL

**June 30, 2013**

<table>
<thead>
<tr>
<th>Pledged Collateral</th>
<th>First State Bank Socorro, NM</th>
<th>Wells Fargo Bank of State Bank Socorro, NM</th>
<th>Bank of America Socorro, NM</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds on deposit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>$35,760,522</td>
<td>$1,044,067</td>
<td>$5,955</td>
<td>$36,810,544</td>
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<tr>
<td>Sweep account</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FDIC insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand deposits</td>
<td>250,000</td>
<td>250,000</td>
<td>5,955</td>
<td>506,955</td>
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<tr>
<td>Savings deposits</td>
<td>100,129</td>
<td>-</td>
<td>100,129</td>
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</table>

**Total uninsured public funds**

<table>
<thead>
<tr>
<th></th>
<th>First State Bank Socorro, NM</th>
<th>Wells Fargo Bank of State Bank Socorro, NM</th>
<th>Bank of America Socorro, NM</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds on deposit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>$35,410,393</td>
<td>$794,067</td>
<td>$-</td>
<td>$36,204,460</td>
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<tr>
<td>Sweep account</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>FDIC insurance</td>
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</table>

**Fifty percent collateral requirement per section 6-10-17 NMSA**

<table>
<thead>
<tr>
<th>Pledged collateral</th>
<th>Federal Reserve Bank, Dallas, Texas</th>
<th>First State Bank Socorro, NM</th>
<th>Wells Fargo Bank of State Bank Socorro, NM</th>
<th>Bank of America Socorro, NM</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FNMA</td>
<td>CUSIP #31359MRG0</td>
<td></td>
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<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331QF77</td>
<td>1,496,827</td>
<td>-</td>
<td>1,496,827</td>
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</tr>
<tr>
<td>FHLB Non CBL</td>
<td>CUSIP #313XLWM1</td>
<td>3,687,613</td>
<td>-</td>
<td>3,687,613</td>
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<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331H5L7</td>
<td>958,063</td>
<td>-</td>
<td>958,063</td>
<td></td>
</tr>
<tr>
<td>US Treasury Notes</td>
<td>CUSIP #912810DW5</td>
<td>103,457</td>
<td>-</td>
<td>103,457</td>
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</tr>
<tr>
<td>FHLB Non CBL</td>
<td>CUSIP #3133MQF0</td>
<td>2,429,883</td>
<td>-</td>
<td>2,429,883</td>
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</tr>
<tr>
<td>US Treasury Notes</td>
<td>CUSIP #912810DX3</td>
<td>2,201,368</td>
<td>-</td>
<td>2,201,368</td>
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</tr>
<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331X5D5</td>
<td>2,225,454</td>
<td>-</td>
<td>2,225,454</td>
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<tr>
<td>US Treasury Notes</td>
<td>CUSIP #912810DZ8</td>
<td>1,516,177</td>
<td>-</td>
<td>1,516,177</td>
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<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331QYJ0</td>
<td>4,883,365</td>
<td>-</td>
<td>4,883,365</td>
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<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331SVN0</td>
<td>4,951,103</td>
<td>-</td>
<td>4,951,103</td>
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<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331X6D4</td>
<td>4,052,038</td>
<td>-</td>
<td>4,052,038</td>
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<tr>
<td>FFCB Non CBL</td>
<td>CUSIP #31331VKU9</td>
<td>3,135,001</td>
<td>-</td>
<td>3,135,001</td>
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</tr>
<tr>
<td>FN AH8825 4.500% 03/01/2041</td>
<td>CUSIP #3138AAAYX3</td>
<td>- 15,611</td>
<td>-</td>
<td>15,611</td>
<td></td>
</tr>
<tr>
<td>FN AR9198 3.000% 03/01/2043</td>
<td>CUSIP #3138W7GG3</td>
<td>- 140,805</td>
<td>-</td>
<td>140,805</td>
<td></td>
</tr>
<tr>
<td>FN AB5309 3.000% 09/01/2042</td>
<td>CUSIP #31417D4A7</td>
<td>- 36,623</td>
<td>-</td>
<td>36,623</td>
<td></td>
</tr>
<tr>
<td>FN AD8529 4.500% 08/01/2040</td>
<td>CUSIP #31418WPP9</td>
<td>- 55,025</td>
<td>-</td>
<td>55,025</td>
<td></td>
</tr>
<tr>
<td>FN AE0385 4.000% 09/01/2040</td>
<td>CUSIP #31419ANB9</td>
<td>- 282,609</td>
<td>-</td>
<td>282,609</td>
<td></td>
</tr>
</tbody>
</table>

**Total collateral**

<table>
<thead>
<tr>
<th></th>
<th>First State Bank Socorro, NM</th>
<th>Wells Fargo Bank of State Bank Socorro, NM</th>
<th>Bank of America Socorro, NM</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess (deficit) of pledged collateral</td>
<td>$17,434,595</td>
<td>$133,639</td>
<td>$-</td>
<td>$17,568,234</td>
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</tbody>
</table>
New Mexico Institute of Mining and Technology

**SCHEDULE OF CHANGES IN POSITION AND LIABILITIES - AGENCY FUND - EMPLOYEE BENEFIT TRUST**

Year Ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2012</td>
<td>Additions</td>
<td>Deletions</td>
<td>June 30, 2013</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
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</tr>
<tr>
<td>Cash</td>
<td>$1,121,938</td>
<td>$10,962,784</td>
<td>$(11,930,152)</td>
<td>$154,570</td>
</tr>
<tr>
<td>Due from NMIMT</td>
<td>237,331</td>
<td>246,465</td>
<td>(240,821)</td>
<td>242,975</td>
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<tr>
<td>Short-term investments</td>
<td>944,781</td>
<td>143,630</td>
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<td>1,088,411</td>
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<tr>
<td>****</td>
<td>$2,304,050</td>
<td>$11,352,879</td>
<td>$(12,170,973)</td>
<td>$1,485,956</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
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<tr>
<td>Accounts payable</td>
<td>$936,595</td>
<td>-</td>
<td>$(936,595)</td>
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<td>Due to related parties</td>
<td>800,000</td>
<td>950,000</td>
<td>-</td>
<td>1,750,000</td>
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<tr>
<td>Other accrued liabilities</td>
<td>168,028</td>
<td>1,080,856</td>
<td>(1,248,329)</td>
<td>555</td>
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<tr>
<td>Liabilities for claims expense</td>
<td>380,846</td>
<td>319,154</td>
<td>-</td>
<td>700,000</td>
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<td>Deposits held in custody for others</td>
<td>18,581</td>
<td>7,905,278</td>
<td>(8,888,458)</td>
<td>(964,599)</td>
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<tr>
<td>****</td>
<td>$2,304,050</td>
<td>$10,255,288</td>
<td>$(11,073,382)</td>
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<tr>
<td>Federal Grantor Program Title</td>
<td>Funding Agency Identification Number/Contract ID</td>
<td>Catalog of Federal Domestic Assistance (CFDA) Number</td>
<td>Fiscal Year Expenditures</td>
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<tr>
<td>Major Programs</td>
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<td>Research and Development Cluster</td>
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<tr>
<td>Department of Defense</td>
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<td>U.S. Army</td>
<td>W56HZV-08-C-0034 12.Unknown $50,493</td>
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<td>W912HZ-11-2-0013 12.Unknown $21,178</td>
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<td>W911QX-13-P-0028 12.Unknown $331</td>
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<td>W911NF-11-2-0036 12.Unknown $122,368</td>
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<td>H98230-06-C-0611 12.Unknown $1,319,041</td>
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<td>H98230-13-C-1356 12.Unknown $246,025</td>
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<td>CC10720-1624V3N 12.Unknown $1,191</td>
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<td>W9124Q-05-H-0001 12.Unknown $773,464</td>
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<td>W911SG-12-P-0096 12.Unknown $414,805</td>
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<td></td>
<td>W912PP-12-P-0146 12.Unknown $5,800</td>
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<td>F2KBAC0354M0001 12.Unknown $144,699</td>
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<td>FA-9200-12-C-0214 12.Unknown $52,837</td>
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<td>AGREEMENT 10/17/12 12.Unknown $2,871</td>
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<td>IPA - P MARTIN 12.Unknown $57,954</td>
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<td>BRIDGE FUNDING 12.Unknown $5,064</td>
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<td></td>
<td>BRIDGE FUNDING 12.Unknown $4,492</td>
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<tr>
<td></td>
<td>FA9453-04-3-0054/0374 12.114 $613,144</td>
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<tr>
<td></td>
<td>PIA FA9453-11-3-0001/CPO #0002 12.615 $613,144</td>
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<tr>
<td></td>
<td>FA9550-10-1-0009 12.800 $1,122,968</td>
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<td>N00421-12-2-0001 12.Unknown $1,161,287</td>
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<td>N4175612MD50062 12.Unknown $7,461</td>
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<td>N41756-10-C-3367 12.Unknown $93,306</td>
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<td></td>
<td>IPA W MC CARTHY 1/10/2012 12.Unknown $261,432</td>
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<td>N4175612MD50202 12.Unknown $284,559</td>
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<td>IPA DAVID PINE 12.Unknown $168,481</td>
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<td>N00178-0-D-1007 - DO 0005 12.Unknown $27,393</td>
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See notes to schedule of expenditures of federal awards.
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See notes to schedule of expenditures of federal awards.
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

**June 30, 2013**

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New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

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See notes to schedule of expenditures of federal awards.
### New Mexico Institute of Mining and Technology

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED**

**June 30, 2013**

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**Total Pass through Research and Development**

| 10,441,183 |

**Total Research and Development Cluster**

| 29,872,138 |

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**Total Student Financial Assistance Cluster**

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See notes to schedule of expenditures of federal awards.
## Schedule of Expenditures of Federal Awards – Continued

June 30, 2013

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<td>(1,268,339)</td>
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<td>FP-91734801 66.514</td>
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<td></td>
<td>EP-R8-09-09 66.Unknown</td>
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<td>Department of Treasury</td>
<td>TPD-CSB-11-00009 21.Unknown</td>
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<td>Federal Aviation Agency</td>
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<td>147,747</td>
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<td>National Endowment for the Arts</td>
<td>13-7800-7069 45.024</td>
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<td>IPA CAVILEER 2012-2014 12.Unknown</td>
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**Total Other Federal Direct**

<table>
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See notes to schedule of expenditures of federal awards.
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

<table>
<thead>
<tr>
<th>Federal Grantor Program Title</th>
<th>Funding Agency Identification Number/Contract ID</th>
<th>Catalog of Federal Domestic Assistance Number</th>
<th>Fiscal Year Expenditures</th>
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<tbody>
<tr>
<td><strong>Other Federal Pass Through</strong></td>
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<tr>
<td>Environmental Protection Agency Kansas Dept of Health and Environment CONTRACT 2/1/12</td>
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<tr>
<td>Texas Commission on Environmental Quality 582-11-14416</td>
<td>66.468</td>
<td>2,504</td>
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<td><strong>Department of Labor</strong></td>
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<td>NM Workforce Solutions Department 09-631-0004-00046 / PO#5110</td>
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<td>Texas Commission on Environmental Quality EMW-2011-SS-0051-NM TECH</td>
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<td>University of New Mexico P0121150</td>
<td>84.Unknown</td>
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<td><strong>U.S. Department of Housing</strong></td>
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<td>University of Louisville Research Foundation Inc ULRF 12-0036-03/PO 3000147648</td>
<td>14.705</td>
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<td><strong>National Oceanic &amp; Atmospheric Administration</strong></td>
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<td>Arizona State University 13-050</td>
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<td><strong>Federal Aviation Agency</strong></td>
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<td><strong>New Mexico Spaceport Authority</strong></td>
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<td>11,249</td>
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<tr>
<td><strong>Total Other Federal Pass Through</strong></td>
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<td><strong>Total Schedule of Expenditures of Federal Awards</strong></td>
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<td>62,065,486</td>
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</table>

See notes to schedule of expenditures of federal awards.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Amounts related to pass through grants are classified as private revenues in the accompanying statement of revenues, expenditures, and changes in net position.

NOTE B – STUDENT FINANCIAL ASSISTANCE

The Institute administers the Perkins Loan Program. Total outstanding loans under this U.S. Department of Education program at June 30, 2013 were $2,267,592. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2013 were $385,836. The Schedule of Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances, including the Institute’s matching requirement expended for the year ended June 30, 2013.

During the fiscal year ended June 30, 2013, the Institute processed $3,645,606 of new loans under the Direct Student Loan Program, which includes Stafford Loans, Parents’ Loans for Undergraduate Students, and Supplemental Loans for Students.
Board of Regents  
New Mexico Institute of Mining and Technology  
Socorro, New Mexico  
and  
Mr. Hector H. Balderas  
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, each discretely presented component unit and the fiduciary fund, and related notes, which collectively comprise the basic financial statements of the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2013. We have also audited the budgetary comparison schedules presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2013 and the related notes to the financial statements and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute'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 the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Institute'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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies described as 12-01, 13-01, 13-02, 13-03, and 13-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute’s basic 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 13-05.

The Institute’s Response to Findings

The Institute’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Institute’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute’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 Institute’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albuquerque, New Mexico
November 12, 2013

Atkinson & Co., Ltd.
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited New Mexico Institute of Mining and Technology’s (the Institute) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Institute’s major federal programs for the year ended June 30, 2013. The Institute’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute’s major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.
We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute’s compliance.

**Opinion on Each Major Federal Program**

In our opinion the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance in accordance with OMB Circular A-133.

**Report on Internal Control Over Compliance**

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute’s internal control over compliance.

A **deficiency in internal control over compliance** exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A **material weakness in internal control over compliance** is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A **significant deficiency in internal control over compliance** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the Institute as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Institute’s basic financial statements. We issued our report thereon dated November 12, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Atkinson & Co., Ltd.
Albuquerque, New Mexico
November 12, 2013
### Prior Year Finding Description

#### Findings – Financial Statement Audit

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<tr>
<th>Finding Description</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>11-01</td>
<td>Resolved</td>
</tr>
<tr>
<td>11-02</td>
<td>Resolved</td>
</tr>
<tr>
<td>12-01</td>
<td>Repeated and Modified</td>
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<tr>
<td>12-02</td>
<td>Resolved</td>
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<tr>
<td>12-03</td>
<td>Data Collection Form Submission</td>
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#### Federal Award Findings and Questioned Costs

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<tbody>
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### Current Year Finding Description

#### Findings – Financial Statement Audit

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<th>Status</th>
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<tr>
<td>13-01</td>
<td>Administration of Accounting System Access Rights (Significant Deficiency)</td>
</tr>
<tr>
<td>13-02</td>
<td>Purchase Order Authorizations (Significant Deficiency)</td>
</tr>
<tr>
<td>13-03</td>
<td>Other Post Employment Benefits (OPEB) Unfunded Liability (Significant Deficiency)</td>
</tr>
<tr>
<td>13-04</td>
<td>Component Unit Net Position Classifications (Significant Deficiency)</td>
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#### Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

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<th>Finding Description</th>
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<tr>
<td>13-05</td>
<td>Self-Reported Fraud – Misappropriation of Cash</td>
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</table>

#### Findings – Federal Award Findings and Questioned Costs

None
A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified? X Yes ____ None reported

Non-compliance material to financial statements noted? X Yes ____ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified? ___ Yes X No None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes X No

Identification of Major Programs

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<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
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<tbody>
<tr>
<td>R&amp;D Cluster</td>
<td>Research and Development Cluster</td>
</tr>
<tr>
<td>SFA Cluster</td>
<td>Student Financial Assistance Cluster</td>
</tr>
<tr>
<td>19.700</td>
<td>General Department of State Assistance</td>
</tr>
<tr>
<td>66.424</td>
<td>Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act</td>
</tr>
<tr>
<td>84.031</td>
<td>Higher Education Institutional Aid</td>
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</table>

Dollar threshold used to distinguish between type A and type B programs: $1,861,965

Auditee qualified as low-risk auditee? ___ Yes X No
B. FINDINGS – FINANCIAL STATEMENT AUDIT

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (SIGNIFICANT DEFICIENCY)

CONDITION
The following deficiencies were noted during the testing of capital asset additions and deletions:

- Equipment was donated to the Institute and donation revenue was overstated as it improperly included installation costs.
- Depreciation expense of $647,967 related to library materials was not properly recorded to correct the account.
- Several pieces of equipment were purchased prior to fiscal year 2013, but were not previously recorded causing a likely cutoff error of $578,000.
- Two assets disposed of during the year never had depreciation expense applied which caused a loss on disposal.
- Deletions of library assets were understated by $196,289 due to the use of a prior year’s average cost in the calculation.

CRITERIA
Per U.S. GAAP, capital assets should be recorded in the year the asset is acquired and depreciation expense should be recorded from the acquisition date until the asset is fully depreciated or disposed of. Assets should be depreciated using a systematic, rational, and consistent basis.

CAUSE
Ongoing implementation and integration with the general ledger of the capital assets module by the Accounting Department, inadequate reconciliation and review of capital asset activity, schedules, and annual adjustments.

EFFECT
Capital assets and net position invested in capital assets may be understated by a material amount and capital asset related expenditure accounts were misstated in the current year.

RECOMMENDATION
We recommend that procedures over the recording of capital assets be reviewed and strengthened to include a reconciliation of capitalizable assets recorded in asset accounts and expenditure accounts, and a thorough review of asset schedules, reconciliations, and journal entries prepared.
B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The Business Office is working on continuous improvement of the process for reviewing the general ledger and property reports. The review is currently done daily and reconciliation is completed each month. Research will be done on the Banner Fixed Assets module to identify any possible processes and/or reports that have become available since the implementation of the module. In addition, the Business Office and the Property Office will work together to improve on the reporting and recording of capital assets. Every effort will be made to provide more extensive training for both the Property and Business Office staff. It is anticipated that these improvements will be ongoing through FY14.

Research will be done on the Banner Fixed Assets module to identify any possible processes and/or reports that have become available since the implementation of the module. In addition, the Business Office and the Property Office will work together to improve on the reporting and recording of capital assets. Every effort will be made to provide more extensive training for both the Property and Business Office staff. It is anticipated that these improvements will be ongoing through FY14.

The Donated Revenue procedures have been reviewed and clarified to ensure only fair market value is booked as revenue.

The process for Library Capitalization and Depreciation year-end reconciliation has been documented. The process has been updated to clearly define the accounts and average cost calculations. Additional training and reviews are now included in the procedures.

The implementation of day to day reporting will eliminate the cutoff errors and fiscal year timing seen previously in fixed asset reconciliation.

The current reconciliation process pulls ALL assets in Banner and the associated accumulated depreciation into a report. All depreciation records are being audited. New depreciation records are reviewed as the records are added and periodic reviews will be done on all records in the future.

The Business Office is continuously improving the process for reviewing the general ledger and property reports. The review and reconciliation is done daily. Reports have been established to capture the changes in the fixed assets module from day to day. In addition, the Business Office and the Property Office work together to improve on the recording of capital assets. Every effort will be made to provide more extensive training for both the Property and Business Office staff. It is anticipated that these improvements will be ongoing through FY14.

Point of contact: Arleen Valles, Director of Finance and Director of Property
B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

13-01 ADMINISTRATION OF ACCOUNTING SYSTEM ACCESS RIGHTS
(SIGNIFICANT DEFICIENCY)

CONDITION
We tested 240 terminated employees against the list of Banner security functions to ensure that no terminated employees have active access within Banner. We found that one former employee terminated in May 2013, still had system access rights, including the access to modify certain tables within Banner.

We also tested Banner to ensure that there was segregation between the following pairs of duties which are considered incompatible, including accounts payable to accounts receivable as well as accounts payable to restricted fund grants and contract billings, a category which includes the ability to generate invoices.

CRITERIA
Per State of NM Statewide Guideline “Enterprise IT Security Policy”, S-GUIDE-00.003, “the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing federal and state statutes pertaining to confidentiality privacy, accessibility, availability, and integrity.

CAUSE
The Information Systems Department (ISD) is not consistently notified by Human Resources (HR) when employees terminate. We found one user to have access rights to both accounts payable and the restricted fund grants and contracts billing category, which are incompatible security classes.

EFFECT
Lack of timely notification to ISD from HR indicates a serious control weakness and we recommend that management institute improved procedures for ensuring that all Banner access is removed immediately when an employee is terminated. Potential for unauthorized changes to accounting records increases the risk of fraud or misstatement.

RECOMMENDATION
Segregation of duties should be better enforced by ensuring that access rights are removed as appropriate when an employee transfers from one job function to another. ISD should periodically run the same query of incompatible Banner rights that we ran to ensure that no users have rights in incompatible categories. ISD needs access to financial categories because there are certain bugs in Banner – e.g. documents are sometimes not marked “incomplete” which causes problems in routing for approval, and ISD needs to update this flag manually.

ISD should investigate whether the bugs in Banner can be fixed in a way which would remove the need for ISD write access to finance-related tables, or if some other workaround (e.g. additional software) is available, as ideally ISD should not have access to modify financial information.
B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

13-01 ADMINISTRATION OF ACCOUNTING SYSTEM ACCESS RIGHTS
(SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN
Management recognizes the problem. ISD and the Human Resource Departments (HR) will work closer to resolve the deficiency.

Procedures will be instituted so that automated notification of all employee job status changes will be communicated to ISD for evaluation and modification of access rights.

All terminating employees are required to complete a Property Clearance Form before they receive their final check. ISD will use this form to delete the employees’ access to Banner. Additionally, HR will provide ISD the end of the monthly Terminated Report and the Promotion and Transfer Report to make the necessary deletion and changes in Banner.

Point of contact: Joe Franklin, Information Systems Director
Joann Salome, HR Director

13-02 PURCHASE ORDER AUTHORIZATIONS (SIGNIFICANT DEFICIENCY)

CONDITION
In connection with review of sole source purchases, we reviewed certain invoices and purchase orders. In 3 out of 11 items tested totaling approximately $25,000, the request date of the purchase orders were after the invoice dates submitted by the vendor for payment. The disbursements appeared reasonable and necessary.

CRITERIA
The procurement code specifies that a purchase order is required before the service or product is acquired for control and authorization purposes.

CAUSE
The Institute did not initiate the purchase order process at the proper time.

EFFECT
The three disbursements were out of compliance with the Institute’s procurement policy. The protections of the purchase order control procedure were not applied before the incurring of expenditure which increases the possibility of an inappropriate expenditure.

RECOMMENDATION
It is reemphasized that purchase orders should be obtained in advance for all department activity. This should be monitored by finance and management, the purchasing department, and other responsible officials.
B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

13-02 PURCHASE ORDER AUTHORIZATIONS (SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN
The Purchasing Office has provided training to the NMT employees. Because of limited time and resources the training has not reached everyone on the campus.

The finance department will reemphasize and repeat that all purchase orders must be obtained in advance of any departmental activity. This will be monitored through the specific departments, the purchasing department, and other responsible officials.

The Purchasing Office will continue and expand periodic training with an emphasis on unauthorized purchases to re-enforce the policies, procedures and procurement regulations. The NMT Administration will reinforce the training by expanding it not only to staff but also to supervisors, the manager, director, and department chairs to assure compliance with NMT, state and federal purchasing requirements.

Point of contact: Lonnie Marquez, VP of Finance and Administration
Kimela Miller, Chief Procurement Officer

13-03 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY (SIGNIFICANT DEFICIENCY)

CONDITION
The Institute’s self-insured health plan provides a certain post employment benefit to retired faculty participating in the plan. Retired faculty are charged the premium that is applicable to active faculty including the employer portion. The differential between this active premium (generally lower in amount) and what might be charged to retired faculty for health insurance on a standalone basis (generally higher in amount) is a post employment benefit. Accounting standards require that this liability be estimated and recorded on an accrual basis. The actuarial calculation of this liability is currently not yet contracted for and is not recorded in the financial statements of the benefit trust administered by the university.

CRITERIA
GASB 45 requires the NM Employee Benefit Trust (Trust) to obtain an actuarial study in order to determine the valuation and magnitude of potential unfunded accrued actuarial liability (UAAL) associated with other post employment benefit (OPEB) obligations.

CAUSE
The Trustees of the plan have not yet engaged a qualified actuary to perform the GASB 45 OPEB study.

EFFECT
Management does not know the impact of the UAAL if material and may have failed to comply with the OPEB disclosure requirements of the Trust under GASB 45.
New Mexico Institute of Mining and Technology

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

13-03 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY (SIGNIFICANT DEFICIENCY) – CONTINUED

RECOMMENDATION
We recommend that management obtain an actuarial study as of June 30, 2013 as soon as possible.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN
Management will follow up and obtain an actuarial study to comply with GASB 45. New Mexico Tech attempted to have the actuarial study completed before the audit due date, but because of a communication breakdown, the report was not completed. The actuarial consultant did not receive the necessary information on time.

The NMT Human Resource Office and Meritain are gathering the required information for the study. The study is expected to be completed in early 2014.

Point of contact: Lonnie Marquez, VP of Finance and Administration and Trustee
Joann Salome, HR Director

13-04 COMPONENT UNIT NET POSITION CLASSIFICATIONS (SIGNIFICANT DEFICIENCY)

CONDITION
Contributions received by the New Mexico Tech Research Foundation (the Foundation) over many years have not been reconciled to properly track net asset classification between permanently restricted, temporarily restricted, and when monies are spent to satisfy purpose release of restriction. Instead, contributions have been allocated a 4% increase each year by the Foundation’s management, so no release of restriction has ever occurred.

CRITERIA
Donor restrictions whether permanent or temporary must be accounted for properly to honor the donor's intentions under the terms of the contribution as money is spent in the name of the contribution.

CAUSE
During our audit of the Foundation, we sampled 3 of the 30 donor restricted contribution files and found one of the files appeared to permanently restrict the corpus as opposed to temporary restriction until purpose was fulfilled or time expired.

EFFECT
Misclassification within net position classification categories could significantly affect restricted versus unrestricted net position categories within net position.
B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

13-04 COMPONENT UNIT NET POSITION CLASSIFICATIONS (SIGNIFICANT DEFICIENCY) – CONTINUED

RECOMMENDATION
The Foundation should ensure that the donor restrictions have been maintained and reconciled by management.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN
Management agrees with the finding and will prepare a reconciliation schedule segregating restricted and unrestricted net position classifications based upon initial donor intent from donor records.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – NONE
D. FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (STATE AUDIT RULE)

13-05 SELF-REPORTED FRAUD – MISAPPROPRIATION OF CASH (NON-COMPLIANCE)

CONDITION
Lack of segregation of duties existed with the person who managed the Science Olympiad cash receipts, which provided opportunity for theft of approximately $14,905 during the year ended June 30, 2013.

CRITERIA
Good internal controls require segregation of duties between the person making bank deposits and the person opening the mail.

CAUSE
Inadequate segregation of duties existed with the person who received cash and made bank deposits.

EFFECT
The program administrator was able to commit embezzlement of funds intended for the Science Olympiad program.

RECOMMENDATION
We recommend program managers that receive monies in the mail by check only log the receipts then provide the deposit to another person independent of general ledger access to make the deposit.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN
The New Mexico Tech cash handling procedures were not followed by the department’s staff. All cash or checks are required to be deposited at the New Mexico Tech Cashier’s window no later than 24 hours after receiving the monies.

The following procedures are now in place:

- Cash and check payments delivered in person will be escorted by the Director to the New Mexico Tech cashiers window and deposited and receipted immediately.
- Checks received in the mail will be deposited by the Director by 3pm each day.
- The Director will promptly review and reconcile the monthly financial reports provided by the business office. Any discrepancies will be immediately reported to the business office.

NMT Administration will take steps to recover the missing funds from the employee by seeking restitution. Additionally, contact will be made with the local bank that cashed the checks to attempt to collect checks that were improperly cashed.

Point of contact: Lonnie Marquez, VP of Finance and Administration
An exit conference was held on November 6, 2013, with the following in attendance:

For the New Mexico Institute of Mining and Technology:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lonnie G. Marquez</td>
<td>Vice President for Administration and Finance</td>
</tr>
<tr>
<td>Jerry A. Armijo</td>
<td>Regent Secretary/Treasurer</td>
</tr>
<tr>
<td>Leyla A. Sedillo</td>
<td>Associate Vice President for Budget</td>
</tr>
<tr>
<td>Arleen Valles</td>
<td>Director of Finance</td>
</tr>
<tr>
<td>Anna McLain</td>
<td>Director of Sponsored Projects</td>
</tr>
<tr>
<td>Emma Aafloy</td>
<td>Associate Director of Budget</td>
</tr>
<tr>
<td>Alex K. Thyssen</td>
<td>Director of Internal Audit</td>
</tr>
<tr>
<td>Carrie Marsyla</td>
<td>Senior Staff Accountant</td>
</tr>
<tr>
<td>Camille Gurule</td>
<td>Assistant Controller</td>
</tr>
<tr>
<td>Steven Hicks</td>
<td>Cost Accounting Manager</td>
</tr>
<tr>
<td>Joe Franklin</td>
<td>Information Systems Director</td>
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For The New Mexico Tech Research Foundation:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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</thead>
<tbody>
<tr>
<td>Alex K. Thyssen</td>
<td>Treasurer-Assistant Secretary</td>
</tr>
<tr>
<td>Lonnie G. Marquez</td>
<td>Trustee</td>
</tr>
</tbody>
</table>

For The New Mexico Tech University Research Park Corporation:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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</thead>
<tbody>
<tr>
<td>Jerry A. Armijo</td>
<td>President</td>
</tr>
<tr>
<td>Alex K. Thyssen</td>
<td>Treasurer-Secretary</td>
</tr>
<tr>
<td>Lonnie G. Marquez</td>
<td>Director</td>
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</tbody>
</table>

For Atkinson & Co., Ltd.:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Martin Mathisen, CPA, CGFM</td>
<td>Audit Director</td>
</tr>
<tr>
<td>Clarke Cagle, CPA, CCIFP, CGFM</td>
<td>Audit Director</td>
</tr>
<tr>
<td>Sarah Brack, CPA, CGMA, CGFM</td>
<td>Audit Manager</td>
</tr>
</tbody>
</table>

The financial statements were prepared by Atkinson & Co., Ltd. with the assistance of the Institute. The Institute is responsible for the contents of these financial statements.