



THE UNIVERSITY OF  
NEW MEXICO®

# **Audit Report 2019**

*for the fiscal year ended June 30, 2019*



# THE UNIVERSITY OF NEW MEXICO

June 30, 2019

## TABLE OF CONTENTS

	<b>Exhibit</b>	<b>Page</b>
Board of Regents and Principal Officers		2
Independent Auditors' Report		3 - 6
Management's Discussion and Analysis (unaudited)		7 - 25

## BASIC FINANCIAL STATEMENTS

Statements of Net Position	A	26 - 27
Statements of Revenues, Expenses, and Changes in Net Position	B	28 - 29
Statements of Cash Flows	C	30 - 31
Statements of Fiduciary Net Position – University of New Mexico Retiree Welfare Benefit Trust	D	32
Statements of Changes in Fiduciary Net Position – University of New Mexico Retiree Welfare Benefit Trust	E	33
Notes to the Basic Financial Statements		34 - 100

## REQUIRED SUPPLEMENTAL INFORMATION (unaudited)

### Schedule

Schedule of Proportionate Share of Net Pension Liability and Employer Contributions - Pension	1	101
Schedule of Changes in the University's Net OPEB Liability and Related Ratios – Other Postemployment Benefits	2	102
Schedule of University Contributions – Other Postemployment Benefits	3	103
Schedule of Investment Returns – Other Postemployment Benefits	4	104

## SUPPLEMENTAL INFORMATION

Combining Statements of Net Position – Blended Component Units	5 - 6	106 - 109
Combining Statements of Revenues, Expenses, and Changes in Net Position – Blended Component Units	7 - 8	110 - 113
Combining Statements of Cash Flows – Blended Component Units	9 - 10	114 - 117
Combining Statements of Net Position – Discretely Presented Component Units	11 - 12	118 - 119
Combining Statements of Revenues, Expenses, and Changes in Net Position – Discretely Presented Component Units	13 - 14	120 - 121
Budget Comparison	15 - 17	122 - 125
Schedule of Pledged Collateral	18	126 - 129
Schedule of Individual Deposit and Investment Accounts	19	130 - 133
Indigent Care Cost and Funding Report	20	134
Calculations of Cost of Providing Indigent Care	21	135

## SINGLE AUDIT INFORMATION

Schedule of Expenditures of Federal Awards	22	136 - 153
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		154 - 155
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance		156 - 157
Schedule of Findings and Questioned Costs		158 - 160
Summary Schedule of Prior Audit Findings		161

## OTHER INFORMATION

Section 12-6-5 NMSA 1978 Findings		162 - 166
Schedule of Pledged Revenues – University Only (unaudited)	23	168 - 169
Exit Conference		170
Summary of Auditor's Results (as required by 2.2.2.10 (L)(1) – NMAC)		172

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# THE UNIVERSITY OF NEW MEXICO

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June 30, 2019

## BOARD OF REGENTS AND PRINCIPAL OFFICERS

### Board of Regents

#### Appointed Members

	<i>Title:</i>	<i>Term Expires:</i>
Douglas M. Brown	President	12/31/2022
Kimberly Sanchez Rael	Vice President	12/31/2024
Sandra K. Begay	Secretary Treasurer	12/31/2022
Robert M. Doughty III	Member	12/31/2020
Marron Lee	Member	12/31/2020
Robert L. Schwartz	Member	12/31/2024
Melissa C. Henry	Student Member	12/31/2020

#### Ex officio Members

The Honorable Michelle Lujan Grisham	Governor of the State of New Mexico
Dr. Kate O'Neill	Secretary of Higher Education

#### Advisors

Finnie Coleman	President, Faculty Senate
Adam Biederwolf	President, Associated Students of the University of New Mexico
Muhammad Afzaal Hussain	President, Graduate & Professional Student Association
Ryan Gregg	President, Staff Council
Alexis Tappan	President, UNM Alumni Association
Bev Kloepffel	President, UNM Retiree Association
Daniel Parea	President, UNM Parent Association
Randy Velarde	Chair, UNM Foundation

### Principal Administrative Officials

#### University

Garnett S. Stokes	President
James Holloway	Provost and Executive Vice President for Academic Affairs
Dr. Paul Roth	Chancellor for Health Sciences
Teresa Costantinidis	Senior Vice President for Finance and Administration

#### UNM Hospitals

Kate Becker	Chief Executive Officer
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### Principal Financial Officials

#### Main Campus

Elizabeth Metzger	University Controller
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#### Health Sciences Center

Ava J. Lovell	Senior Executive Officer for Finance & Administration, HSC
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#### UNM Hospitals

Bonnie White	Chief Financial Officer
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## Report of Independent Auditors

The Board of Regents  
University of New Mexico  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

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

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico (the University or UNM), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits.

We did not audit the departmental financial statements of the UNM Hospitals and UNM Behavioral Operations and the blended component unit financials statements of UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), collectively known as the clinical operations of the University (Clinical operations), which constitute 33%, 65% and 61% (including all clinical and patient revenue), respectively, of the assets, net position, and revenues of the primary institution totals as of and for the year ended June 30, 2019. In addition, we did not audit the departmental financial statements of the UNM Hospitals and UNM Behavioral Operations, and the blended component unit financials statements of UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), collectively known as the clinical operations of the University (Clinical operations), which constitute 33%, 84% and 60% (including all clinical and patient revenue), respectively, of the assets, net position, and revenues of the primary institution totals as of and for the year ended June 30, 2018. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it related to the amounts included for such clinical operations (including all clinical and patient revenues), is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### ***Reporting Entity***

As discussed in Note 1, the financial statements of the University are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico that is attributable to the transactions of the University. The financial statements do not present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of the University's Proportionate Share of Net Pension Liability and Employer Contributions-Pensions (schedule 1), Schedule of Changes in the University's Net OPEB Liability and Related Ratios- Other Postemployment Benefits (schedule 2), Schedule of University Contributions-Other Postemployment Benefits (schedule 3) and Schedule of Investment Returns-Other Postemployment Benefits (schedule 4) 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 and that of the other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying blended and discretely presented component unit combining schedules (schedules 5 through 14), budget comparisons (schedules 15 through 17), schedule of pledged collateral (schedule 18), schedule of individual deposit and investment accounts (schedule 19), indigent care cost and funding report (schedule 20), calculations of cost of providing indigent care (schedule 21), and schedule of expenditures of federal awards (schedule 22), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other information, such as the schedule of pledged revenues – University only (schedule 23) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The blended and discretely presented component unit combining schedules (schedules 5 through 14), budget comparison (schedules 15 through 17), schedule of pledged collateral (schedule 18), schedule of individual deposit and investment accounts (schedule 19), indigent care cost and funding report (schedule 20), calculations of cost of providing indigent care (schedule 21), and schedule of expenditures of federal awards (schedule 22), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are the responsibility of management and was derived from and relates 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 combined and discretely presented component unit combining schedules (schedules 5 through 14), budget comparison (schedules 15 through 17), schedule of pledged collateral (schedule 18), schedule of individual deposit and investment accounts (schedule 19), indigent care cost and funding report (schedule 20), calculations of cost of providing indigent care (schedule 21), and schedule of expenditures of federal awards (schedule 22), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of pledged revenues- University only (schedule 23) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the University'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 solely to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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 University's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 18, 2019

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# THE UNIVERSITY OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

The following discussion and analysis provides an overview of the financial position and activities of The University of New Mexico (University or UNM) as of and for the years ended June 30, 2019, 2018, and 2017. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the basic financial statements and the related note disclosures along with this discussion and analysis. As such, the basic financial statements, notes, and this discussion are the responsibility of University management.

This Management's Discussion and Analysis (MD&A) includes comparative financial information of the primary institution for fiscal years 2019, 2018, and 2017. The MD&A does not include information of the discretely presented component units, for which separately issued financial statements are available.

### About the Financial Statements

The University presents its financial statements in a business-type activity format, in accordance with the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, and GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The audit report includes a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows, and Notes to the Basic Financial Statements.

The **Statement of Net Position** is the balance sheet for the University. It is a point-in-time financial statement; the purpose of which is to give the readers of the financial statements a fiscal snapshot of the University. The statement presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

The **Statement of Revenues, Expenses, and Changes in Net Position** is the income statement for the University. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. This statement begins with a presentation of the operating revenues received by the institution. Operating revenues are defined by GASB as revenues arising from an exchange (earned) transaction. In a public university, such as UNM, income from state government appropriations, although not earned, is heavily relied upon to pay operating expenses for almost all instruction and general programs. However, GASB defines state appropriation income as nonoperating revenues, causing the presentation of a large operating loss on the first page of the Statement of Revenues, Expenses, and Changes in Net Position. The operating loss is offset by nonoperating revenues (expenses) in the next section of this statement.

The **Statement of Cash Flows** presents the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is useful in assessing the University's ability to generate net cash flows and meet its obligations as they come due. It is prepared using the direct method of cash flows, and as such, presents gross, rather than net, amounts for the year's activities.

The **Notes to the Basic Financial Statements** follow the financial statements and present additional information in support of the financial statements.



# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## Statement of Net Position

A comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2019, 2018, and 2017 is as follows:

	2019	2018	2017
<b>Assets</b>			
Current assets	\$ 1,224,804,149	\$ 1,120,122,206	\$ 1,099,607,046
Capital assets, net	1,329,896,472	1,301,514,531	1,303,030,355
Other noncurrent assets	403,857,246	435,436,813	438,826,028
<b>Total assets</b>	<b>\$ 2,958,557,867</b>	<b>\$ 2,857,073,550</b>	<b>\$ 2,841,463,429</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 523,102,792</b>	<b>\$ 660,505,165</b>	<b>\$ 201,280,190</b>
<b>Liabilities</b>			
Current liabilities	\$ 416,547,504	\$ 387,823,969	\$ 405,300,071
Noncurrent liabilities	2,768,338,880	2,671,222,215	2,020,402,648
<b>Total liabilities</b>	<b>\$ 3,184,886,384</b>	<b>\$ 3,059,046,184</b>	<b>\$ 2,425,702,719</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 50,397,984</b>	<b>\$ 36,242,420</b>	<b>\$ 12,832,686</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 744,511,061	\$ 728,838,725	\$ 717,706,485
Restricted - nonexpendable	134,777,641	133,943,355	127,750,666
Restricted - expendable	133,434,723	97,381,016	86,828,676
Unrestricted	(766,347,134)	(537,872,985)	(328,077,613)
<b>Total net position</b>	<b>\$ 246,376,291</b>	<b>\$ 422,290,111</b>	<b>\$ 604,208,214</b>

### Assets

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant current assets of the University are cash and cash equivalents, net receivables, and short-term investments consisting of certificates of deposit, U.S. Treasury Bills, and other government-backed securities.

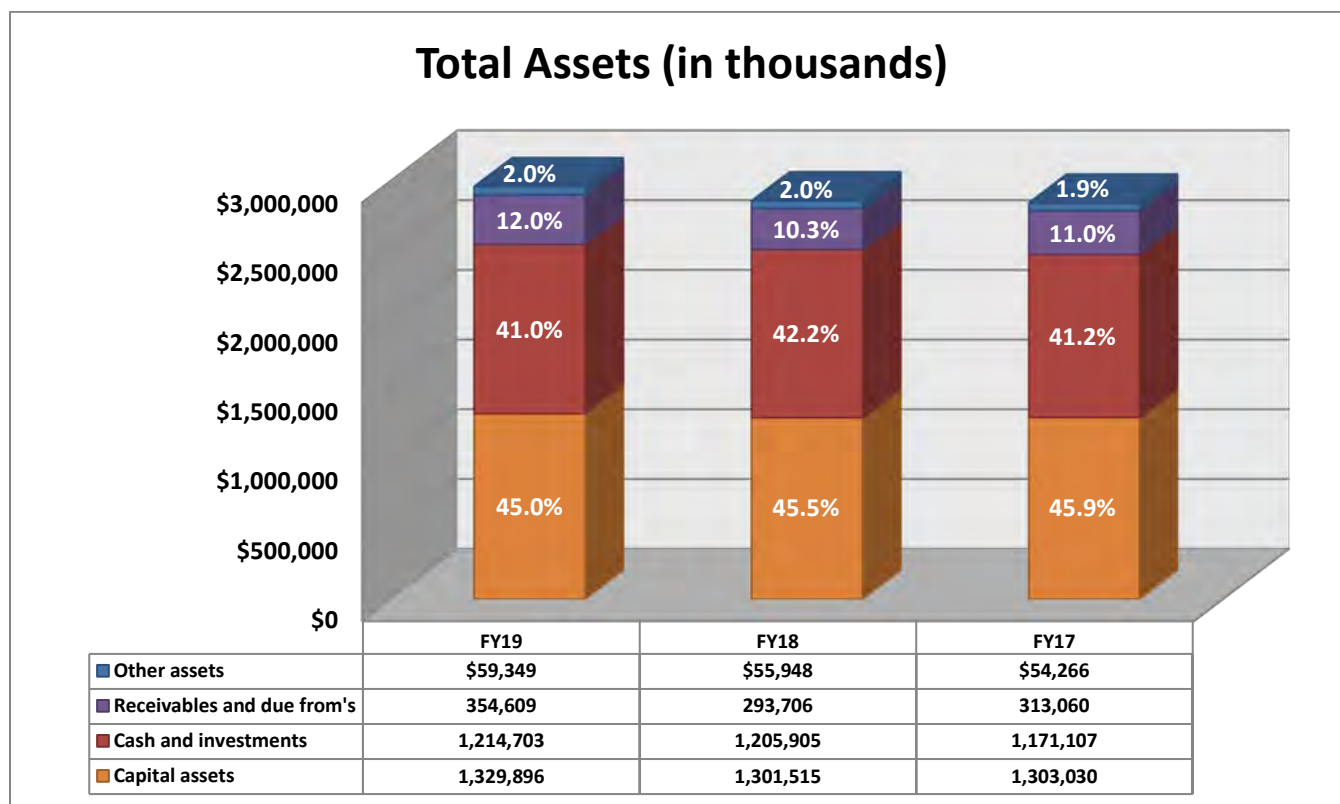
Noncurrent assets of the University primarily consist of endowments and capital assets, net of accumulated depreciation.

# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

The composition of total assets is represented in the following chart:



Total assets increased by \$101.5 million from FY18 to FY19 and \$15.6 million from FY17 to FY18. The increase in total assets from FY18 to FY19 included increases of \$60.9 million in receivables and due from's and \$28.4 million in capital assets. The increase in receivables and due from's was mostly the result of an increase of \$44.1 million in estimated third-party payor settlements at the University of New Mexico Hospital (Hospital), primarily due to a change in regulations for reimbursement on outlier patients effective January 1, 2019. Another significant increase in receivables and due from's was a \$17.8 million increase in net patient receivables at the University of New Mexico Medical Group (UNMMG), a blended component unit of the University. The increase in capital assets was mostly the result of an increase of \$42.3 million in construction in progress (CIP) at the University due to the two major ongoing construction projects described below.

The increase in total assets from FY17 to FY18 included an increase of \$34.8 million in cash and investments offset by a decrease of \$19.4 million in receivables and due from's. The increase in cash and investments was mostly the result of an increase of \$23.5 million in cash and cash equivalents at the University of New Mexico Hospital (Hospital). Another significant increase in cash and investments was a \$9.2 million increase in the value of the University's share of endowment funds invested in the Consolidated Investment Fund (CIF). The decrease in receivables and due from's was mostly comprised of a decrease of \$16.3 million in estimated third-party payor settlements at the Hospital.

# THE UNIVERSITY OF NEW MEXICO

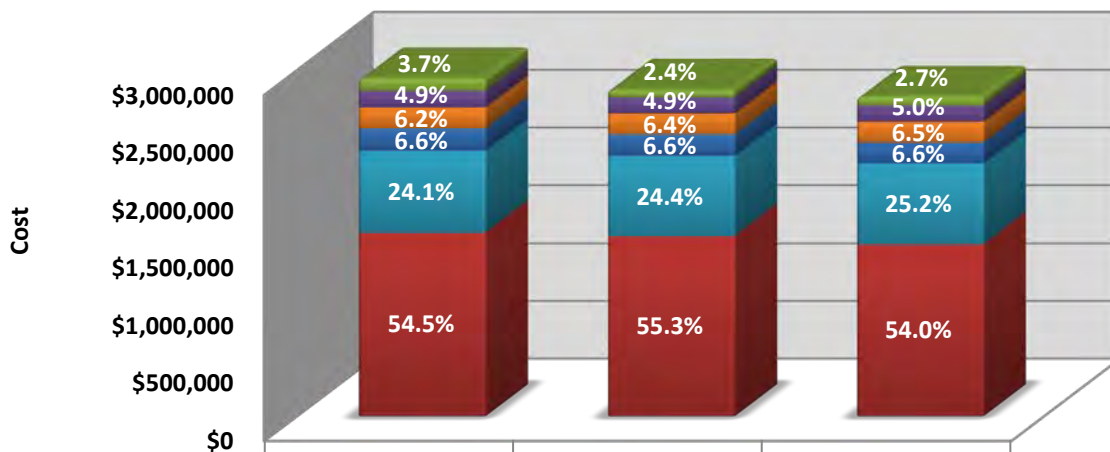
## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

**Capital Assets and Debt Activity:** Capital assets are the largest category of noncurrent assets and are shown net of accumulated depreciation, at \$1.33 billion as of June 30, 2019, 2018, and 2017. During FY19, the largest increase within capital assets for the University was CIP, which increased by \$42.3 million. The major additions to CIP during FY19 were \$37.2 million for the construction of the Physics and Astronomy Interdisciplinary Science Building (PAIS) and \$19.4 million for the Johnson Center expansion and renovation. Buildings increased by \$28.0 million during FY19, which included \$23.7 million for the completion of the Domenici Center for Health Sciences Education Phase 3.

During FY18, the largest increase within capital assets for the University was buildings, which increased by \$66.8 million. The major additions to buildings during FY18 were \$24.1 million for the McKinnon Center for Management, \$20.5 million for the Farris Engineering Center renovations, and \$11.0 million for the clinical buildout at the Cancer Center.

**Capital Assets at Cost (in thousands)**



	FY19	FY18	FY17
■ CIP	\$109,395	\$66,177	\$75,912
■ Land & Improvements	142,448	138,591	138,277
■ Infrastructure	180,829	180,130	180,130
■ Library Books	193,230	187,782	181,411
■ Equipment & Furnishings	706,467	691,129	697,106
■ Buildings	1,594,532	1,564,350	1,493,697

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# THE UNIVERSITY OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

Major capital projects currently underway or in the advanced planning stages at the University include:

- **Physics and Astronomy Interdisciplinary Science Building (PAIS):** The \$65.7 million project will include upper division class labs, general classrooms and resource areas, offices for faculty, graduate students, and staff, and research spaces. Construction is estimated to be substantially completed in September of 2019.
- **Johnson Center Expansion and Renovation:** Johnson Center is a recreational and fitness center. The \$35.5 million expansion and renovation will primarily impact the southeast corner of the existing building to provide greater utility of the facility and new and renovated amenities. Construction is estimated to be substantially completed in February of 2020.
- **Clark Hall:** The \$16 million renovation of the north portion of the Clark Hall Chemistry Building is in the advanced planning stages. The project will include faculty, staff, and graduate student offices, research labs, classrooms, lecture hall, class labs, and support spaces. Construction is expected to begin in June 2020 and is expected to be completed in the summer of 2021.

Capital assets for the Hospital and the University of New Mexico Behavioral Health Operations (BHO), net of accumulated depreciation, were \$221.9 million, \$218.8 million, and \$225.2 million as of June 30, 2019, 2018, and 2017, respectively. Within the Hospital and BHO during FY19, the largest capital increase was within major moveable equipment, which increased by \$6.4 million. The most significant major moveable equipment project was the installation of Phillips IntelliVue patient monitors throughout significant areas of the Hospital. Several new projects were initiated at the Hospital during FY19, including renovations at the main hospital and multiple off-site clinics. These projects were part of the CIP balance at June 30, 2019.

Within the Hospital and BHO during FY18, the largest capital increase was within buildings and building improvements, which increased by \$2.6 million. The larger building improvement projects at the Hospital that were capitalized included renovation of one of the operating rooms and a new roof for the entire operating room suite. At BHO, the largest building improvement project was replacement of the roof at the Adult Hospital.

Bonds payable totaled \$629.8 million, \$661.2 million, and \$691.1 million at June 30, 2019, 2018, and 2017, respectively. The current portion of this debt was \$29.8 million, \$28.2 million, and \$26.5 million at June 30, 2019, 2018, and 2017, respectively. Included in those totals are Federal Housing Administration (FHA) insured Hospital Mortgage Revenue Bonds. The loan guarantee is considered federal assistance subject to the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Accordingly, the loan guarantee is considered a federal award for purposes of UNM's June 30, 2019, 2018, and 2017 Single Audit.

### ***Deferred Outflows of Resources***

Deferred outflows of resources decreased by \$137.4 million from FY18 to FY19 and increased by \$459.2 million from FY17 to FY18. The most significant deferred outflow of resources is related to pensions. The recognition of a deferred outflow of resources related to pensions resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*, which was effective beginning in FY15. The amount recognized as a deferred outflow of resources related to pensions was \$504.0 million, \$642.3 million, and \$179.4

# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

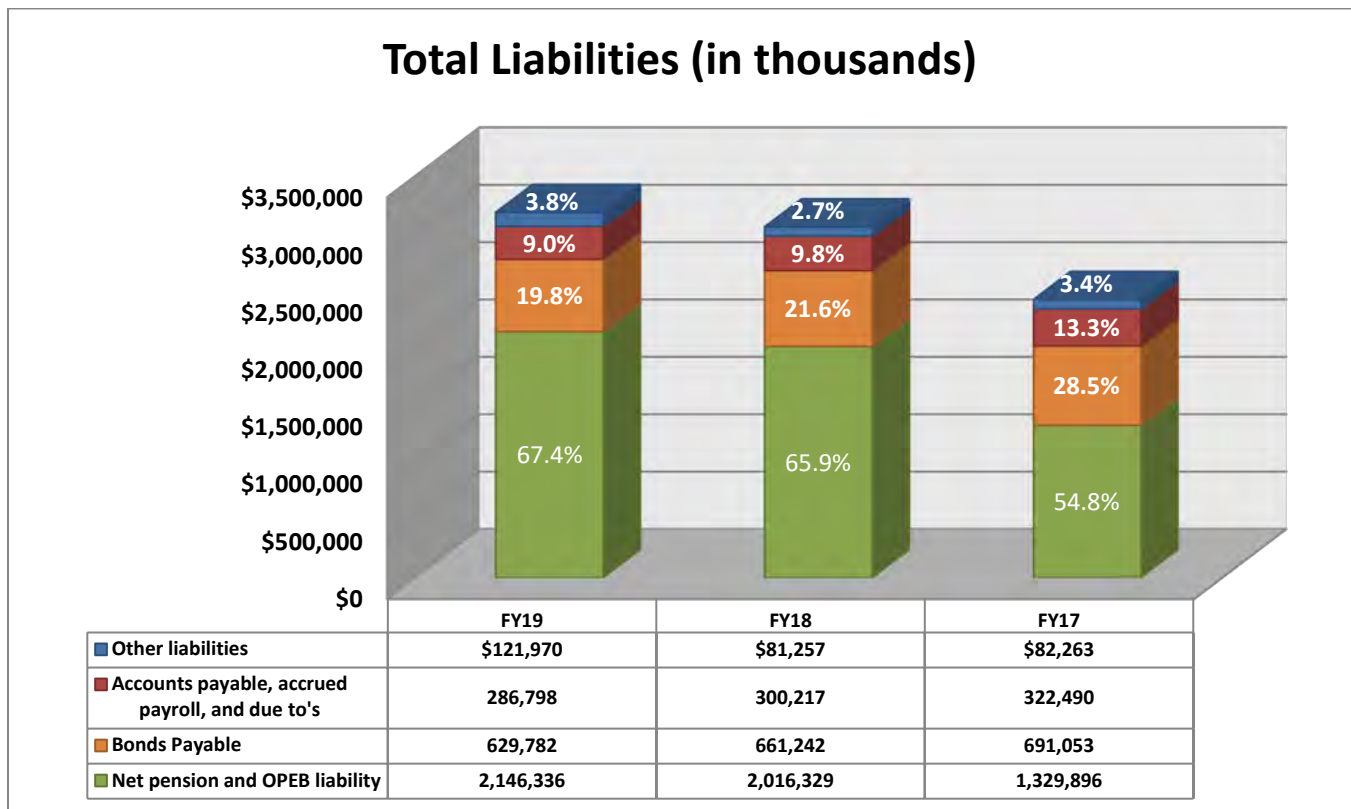
million as of June 30, 2019, 2018, and 2017, respectively. Changes of assumptions in the actuarial valuation has had significant impacts on the deferred outflows of resources related to pensions. Deferred outflows of resources related to pensions due to changes of assumptions decreased by \$133.9 million from FY18 to FY19 and increased by \$526.1 million from FY17 to FY18. From FY18 to FY19, the most significant assumption change was a decrease in the inflation assumption from 3.0% to 2.5%. From FY17 to FY18, the most significant assumption change was the use of a discount rate of 5.90% in the actuarial valuation as opposed to a discount rate of 7.75% used in the prior actuarial valuation.

### Liabilities

Current liabilities are generally defined as amounts due within one year. The most significant current liabilities of the University are accounts payable, accrued payroll, unearned revenue, and accrued compensated absences.

Noncurrent liabilities of the University primarily consist of the net pension liability, the noncurrent portion of bonds payable, and the net Other Postemployment Benefits (OPEB) liability.

The composition of total liabilities is represented in the following chart:



Total liabilities increased by \$125.8 million from FY18 to FY19 and \$633.3 million from FY17 to FY18. The increase in total liabilities from FY18 to FY19 included an increase of \$130.0 million in net pension and OPEB liability. The most significant decrease in total liabilities from FY18 to FY19 was a \$31.5 million decrease in bonds payable. The increase in the net pension and OPEB liability included an increase in the net pension liability of \$135.4 million due to an overall increase in the net pension

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# THE UNIVERSITY OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

liability of the pension plan as reported by the State of New Mexico Educational Retirement Board as well as an increase in the University's proportionate share of that overall liability. The decrease in bonds payable was the result of principal payments on existing bonds with no new bond additions in FY19.

The increase in total liabilities from FY17 to FY18 included an increase of \$686.4 million in net pension and OPEB liability. The most significant decreases in total liabilities from FY17 to FY18 were a \$29.8 million decrease in bonds payable and a \$22.3 million decrease in accounts payable, accrued payroll, and due to's. The increase in the net pension and OPEB liability included a significant increase in the net pension liability of \$691.6 million due to an overall increase in the net pension liability of the pension plan as reported by the State of New Mexico Educational Retirement Board as well as an increase in the University's proportionate share of that overall liability. The increase in the net pension liability of the pension plan was the result of new assumptions adopted by the ERB Board on April 21, 2017, as well as, the change in the single discount rate from 7.75% to 5.90% between June 30, 2016 and June 30, 2017. The decrease in bonds payable was the result of principal payments on existing bonds with no new bond additions in FY18. The decrease in accounts payable, accrued payroll, and due to's was largely a result of a \$15.7 million decrease in accounts payable at the Hospital, primarily due to payables outstanding at June 30, 2018 for medical supplies, purchased services, and minor equipment purchases.

### *Deferred Inflows of Resources*

Deferred inflows of resources increased by \$14.2 million from FY18 to FY19 and \$23.4 million from FY17 to FY18. The most significant deferred inflow of resources is related to pensions. The recognition of a deferred inflow of resources related to pensions resulted from the implementation of GASB Statement No. 68. The amount recognized as a deferred inflow of resources related to pensions was \$39.1 million, \$29.9 million, and \$12.0 million as of June 30, 2019, 2018, and 2017, respectively.

### *Net Position*

Total net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) is classified by the University's ability to use the net position to meet operating needs. Net position that is restricted as to its use by sponsoring agencies, donors, or other non-UNM entities is classified as either "nonexpendable" or "expendable." Restricted nonexpendable net position includes true endowments. Restricted expendable net position is generated by contracts, grants, gifts, and assets required to be set aside for debt service. The restricted net position is further classified in general terms as to the function for which it must be used. Unrestricted net position may be used to meet operating needs of the University.

# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## Statement of Revenues, Expenses, and Changes in Net Position

A comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2019, 2018, and 2017 is as follows:

	2019	2018	2017
<b>Operating Revenues</b>			
Tuition and fees, net	\$ 136,023,808	\$ 142,597,712	\$ 137,853,002
Net patient service	1,293,561,834	1,222,290,962	1,191,251,143
Grants and contracts	285,419,597	292,528,424	290,846,921
Sales and services, net	119,509,597	116,374,997	137,165,947
Other operating revenues	79,399,348	52,442,428	50,398,307
<b>Total operating revenues</b>	<b>\$ 1,913,914,184</b>	<b>\$ 1,826,234,523</b>	<b>\$ 1,807,515,320</b>
<b>Operating Expenses</b>			
Instruction	\$ 339,552,834	\$ 325,701,685	\$ 287,429,233
Research	213,380,122	218,116,644	185,287,072
Public service	1,584,732,448	1,448,199,065	1,372,336,485
Academic support	62,760,448	58,830,180	51,524,481
Student services	36,679,624	35,190,251	30,735,762
Institutional support	80,913,524	75,907,348	68,925,629
Operation of plant	201,848,808	202,428,833	178,749,310
Student aid and activities	27,855,137	29,671,460	40,640,228
Intercollegiate athletics	36,529,198	37,719,576	34,900,712
Auxiliary enterprises	52,165,420	52,350,908	52,384,347
Other operating expenses	68,255,699	65,350,170	60,814,803
<b>Total operating expenses</b>	<b>\$ 2,704,673,262</b>	<b>\$ 2,549,466,120</b>	<b>\$ 2,363,728,062</b>
<b>Nonoperating Revenues</b>			
Appropriations	\$ 319,955,449	\$ 308,042,291	\$ 310,042,329
Mill levies	105,794,580	101,975,401	102,906,316
Federal pell grants	41,212,072	43,280,031	45,387,905
Gifts	29,723,441	33,797,785	33,197,799
Investment income	45,006,539	29,233,109	31,934,028
Other nonoperating revenues and expenses, net	11,630,438	(3,239,265)	12,573,351
<b>Net nonoperating revenues</b>	<b>\$ 553,322,519</b>	<b>\$ 513,089,352</b>	<b>\$ 536,041,728</b>
<b>Income (loss) before capital contributions</b>	<b>(237,436,559)</b>	<b>(210,142,245)</b>	<b>(20,171,014)</b>
Capital contributions	61,522,739	28,224,142	31,946,774
<b>Change in net position</b>	<b>\$ (175,913,820)</b>	<b>\$ (181,918,103)</b>	<b>\$ 11,775,760</b>
Net position - beginning of year	422,290,111	604,208,214	900,102,083
Impact of change in accounting pronouncements	0	0	(307,669,629)
<b>Net position - end of year</b>	<b>\$ 246,376,291</b>	<b>\$ 422,290,111</b>	<b>\$ 604,208,214</b>

# THE UNIVERSITY OF NEW MEXICO

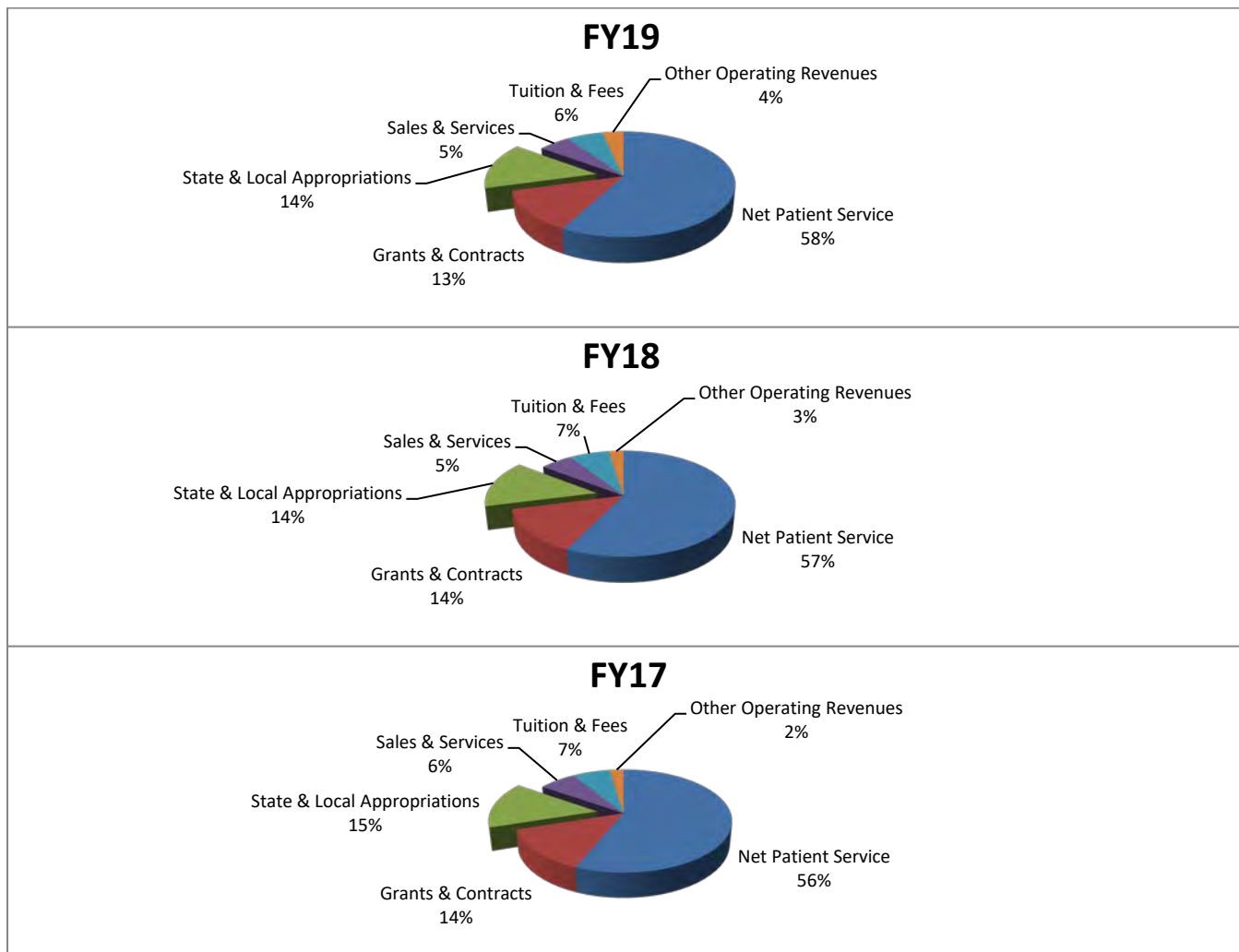
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## Revenues

The presentation of revenues, as defined by GASB, requires that state and local appropriation income be excluded when calculating the financial results of operations. This presentation method results in an “operating loss.” The operating loss is offset by “nonoperating revenues (expenses)” to arrive at an actual result of operations amount. The definition of “nonoperating revenues” revolves around the concept of exchange versus nonexchange transactions. State and local appropriations, along with the Bernalillo County mill levy, are considered revenues from nonexchange transactions, because they do not involve an exchange of value for value. Conversely, tuition income is defined as “operating revenues,” because a student pays tuition (value) to receive an education (value). Other nonoperating revenues are federal pell grants, state lottery scholarships, gifts, and income from investing and capital activities.

Although State of New Mexico appropriations are considered nonoperating revenues in the basic financial statements, the University uses these funds to support all instruction and general programs. If state and local appropriations were included in operating revenues, they would comprise 14%, 14%, and 15% of total operating revenues for fiscal years 2019, 2018, and 2017, respectively. The following charts depict operating revenues (with state and local appropriations) by source:





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# THE UNIVERSITY OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

**Operating Revenues:** Operating revenues increased by 4.8% from FY18 to FY19 and 1.0% from FY17 to FY18. Net patient service revenues are a significant portion of the total net operating revenues. It is comprised of gross patient revenues, net of contractual allowances, charity care, provision for doubtful accounts, and any third-party cost report settlements. Net patient service revenues increased by 5.8% from FY18 to FY19 and 2.6% from FY17 to FY18.

UNM Health Sciences Center (HSC) offers a financial assistance program called UNM Care to which all eligible patients are encouraged to apply. This program assigns patients primary care providers and enables them to receive care throughout UNM HSC locations. This program is available to Bernalillo County residents who also meet certain income and asset thresholds. Patients applying for coverage under UNM Care must apply for coverage under Medicaid or the Health Insurance Exchange (HIX), if eligible. Patients may continue to receive UNM Care until they receive Medicaid eligibility or notification of coverage under the HIX. Patients certified under Medicaid or the HIX may continue to qualify for UNM Care as a secondary coverage for copays and deductibles if they meet the income guidelines. UNM HSC uses the same sliding income scale as the Affordable Care Act (ACA) to determine if insurance coverage is considered affordable. If coverage is determined not to be affordable, patients may be granted a hardship waiver to qualify for UNM Care and would not be required to pursue coverage under the HIX.

As of June 30, 2019, 2018, and 2017, there were approximately 7,300, 7,100, and 6,700 active enrollees in UNM Care, respectively. The income threshold for UNM Care is 300% of the federal poverty level, and patients may apply for this program at various locations throughout UNM HSC and the community. UNM HSC does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments.

UNM HSC provides care to patients who are either uninsured or underinsured and who do not meet the criteria for financial assistance. These accounts are fully reserved and recorded as a provision for uncollectible accounts. Provision expenses recorded for fiscal years 2019, 2018, and 2017 were \$121.8 million, \$116.2 million, and \$142.1 million, respectively.

UNM HSC incurs costs associated with providing charity care and other services for which payment is not received. As of June 30, 2019, the estimated cost of care for providing these services was \$101.3 million compared to \$94.5 million in FY18 and \$110.0 million in FY17.

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# THE UNIVERSITY OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

Tuition and fees are also a significant component of the University's total net operating revenues. UNM's total credit hour production for 2018-2019 was 594,708. This represents a 7.34% decrease in credit hour totals compared to the previous year. Very high levels of degree production and record completion rates continue to contribute to the decrease due to students graduating earlier. Early data on freshmen retention is trending upward for the fall 2018 class. A new Vice President of Enrollment Management began on September 3, 2019 and is tasked with evaluating and adjusting our strategies to better attract and enroll students in multiple segments (e.g. entering freshmen, transfer, international, re-admits). Changes in enrollment and tuition and fees rates in academic functions of the University were as follows:

	Fall 2018	Fall 2017	Fall 2016
Enrollment change (headcount)	-6.4%	-4.3%	-1.1%
Tuition and fees rate change (full-time resident undergraduate)	2.5%	2.8%	4.3%

**Nonoperating Revenues/Expenses:** Net nonoperating revenues increased by 7.8% from FY18 to FY19 and decreased by 4.3% from FY17 to FY18. Nonoperating revenues are primarily driven by state appropriations, the Bernalillo County mill levy, federal pell grants, gifts received by the University, and investment income/loss. The major reasons for the increase in net nonoperating revenues in FY19 were a \$15.8 million increase in investment income and an \$11.7 million increase in state appropriations.

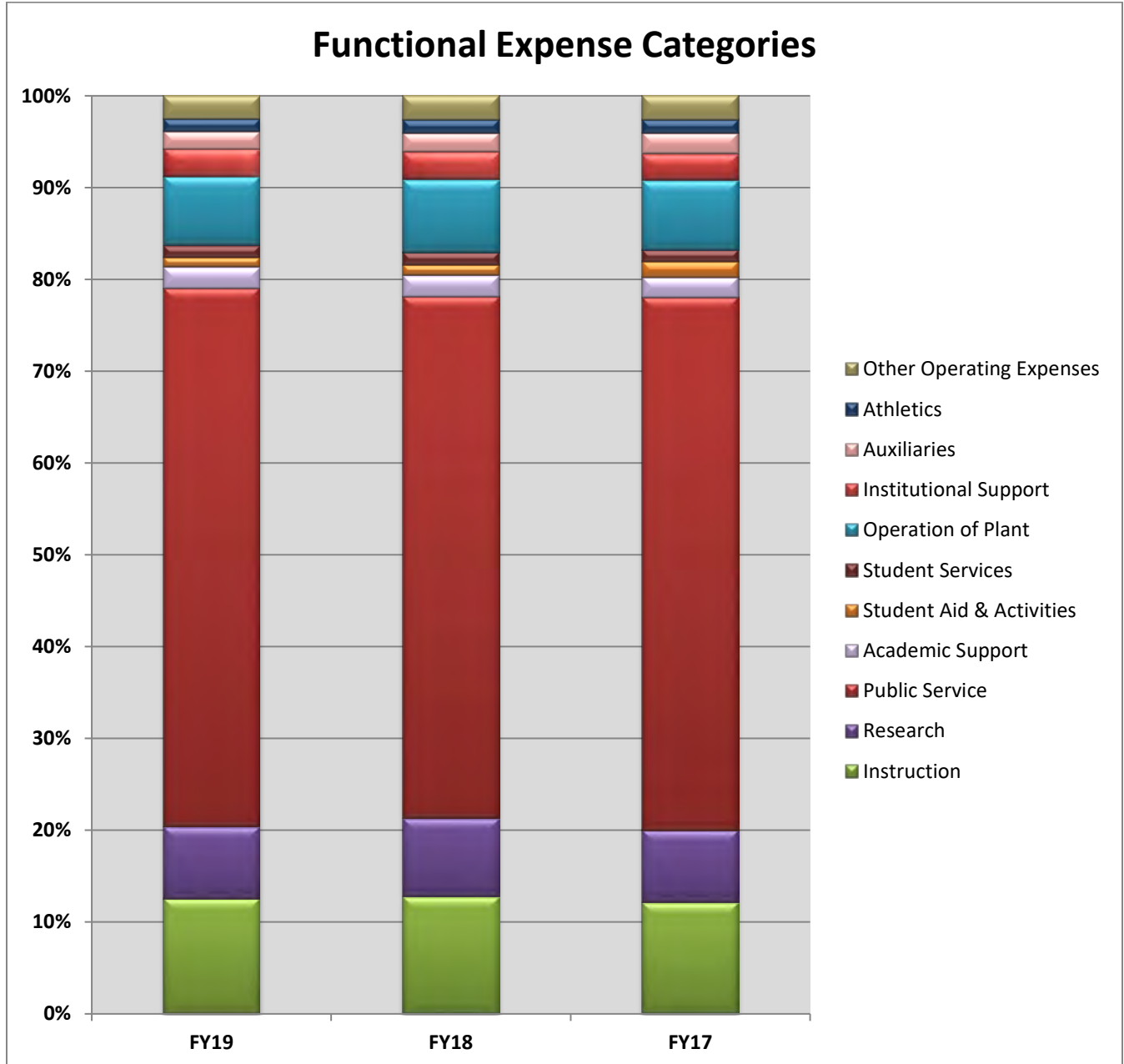
The major reason for the decrease in net nonoperating revenues in FY18 was a \$12.7 million decrease in state lottery scholarships due to waning lottery revenues in the State of New Mexico that led to a decrease in the allocation to the University.

# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 Year Ended June 30, 2019

## Expenses

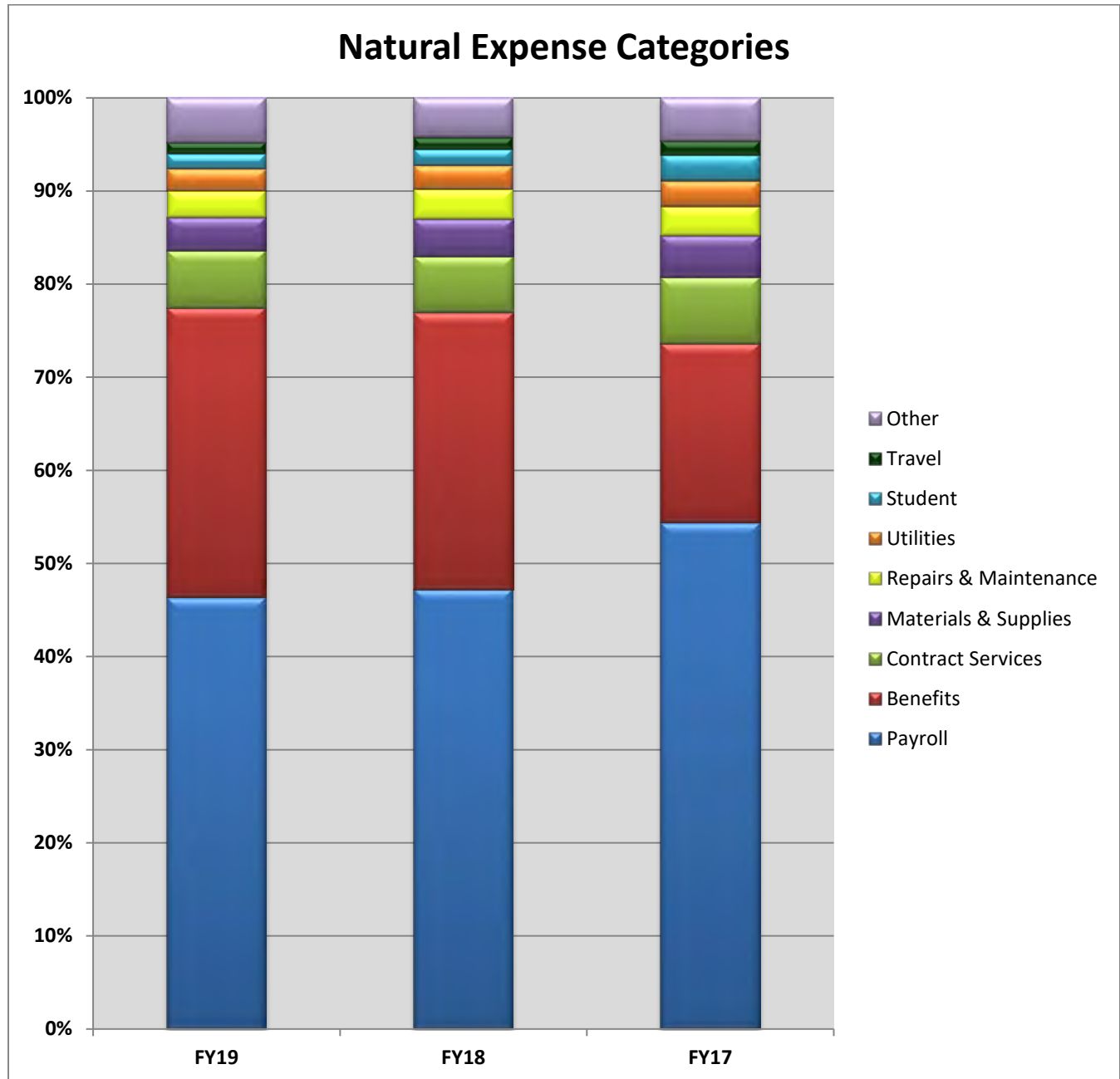
**Operating Expenses:** GASB standards allow public universities to present operating expenses in either a functional or natural format. UNM chose to present expenses on the statement of revenues, expenses, and changes in net position by the major functions of the University. The chart below shows the distribution of operating expenses by functional category (smaller categories have been combined) for the years ended June 30, 2019, 2018, and 2017:



# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 Year Ended June 30, 2019

The chart below shows total expenses by natural category for the University (excluding Hospital, BHO, and component units) for the years ended June 30, 2019, 2018, and 2017:



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# THE UNIVERSITY OF NEW MEXICO

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## *Changes in Net Position*

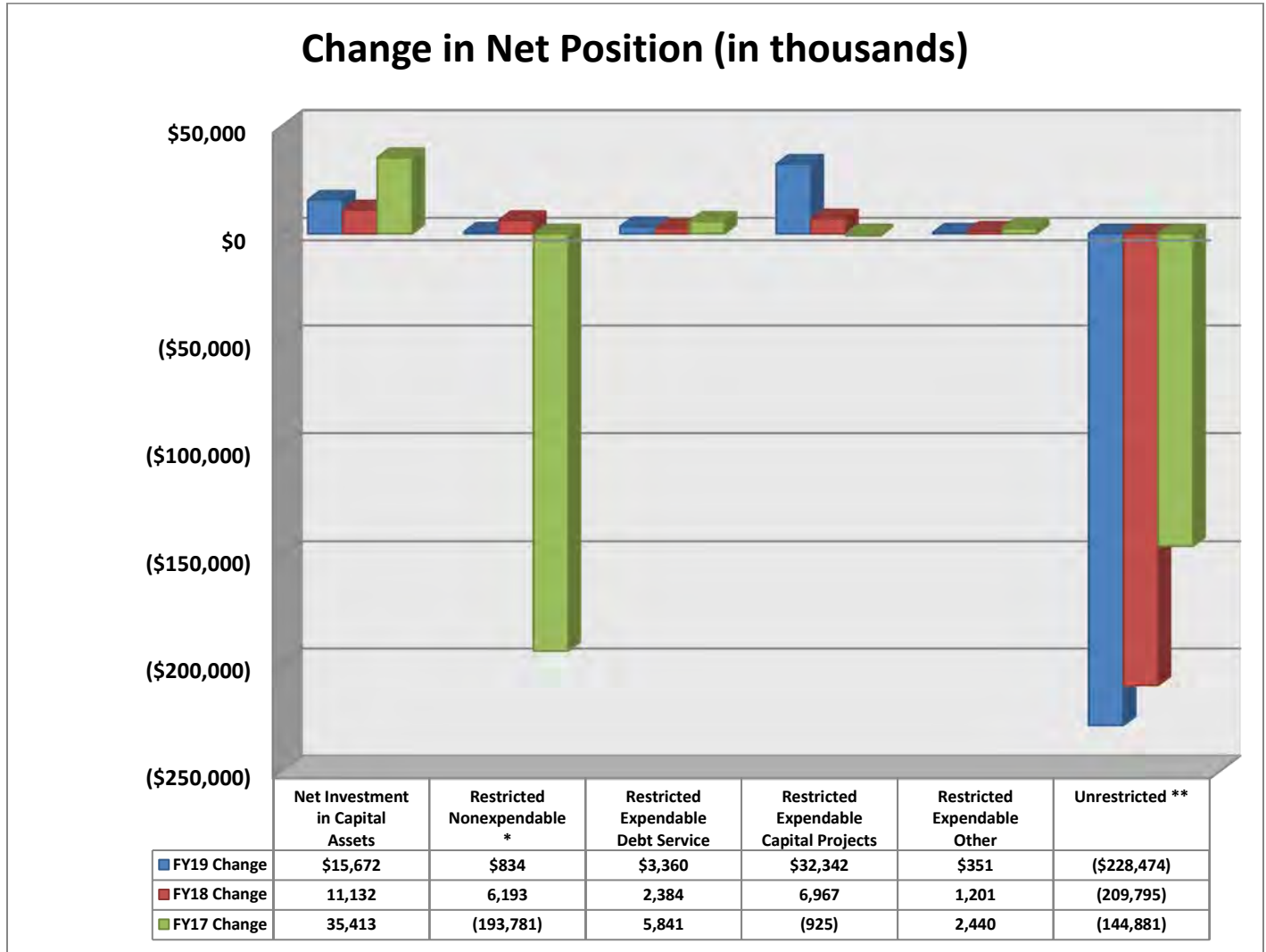
The University's total change in net position showed net decreases of \$175.9 million for FY19, \$181.9 million for FY18, and \$295.9 million for FY17. The major changes in net position in FY19 included a decrease of \$228.5 million in unrestricted net position and increases of \$32.3 million in the net position restricted for capital projects and \$15.7 million in net investments in capital assets. The decrease in unrestricted net position was primarily the result of the additional pension expense of \$282.3 million reported by the University per the requirements of GASB Statement No. 68. The increase in the pension expense over the prior fiscal year was primarily due to the increase in the University's proportionate share of the pension plan expense. Other significant changes to unrestricted net position were increases of \$19.0 million at the Hospital and \$16.0 million at UNMMG. The increase in the net position restricted for capital projects was mostly due to the recognition of \$29.7 million in capital appropriations from the state to the Health Sciences Center for the UNM Hospital Tower Medical Facility project. The increase in the net position of net investments in capital assets was primarily the result of the capitalization of \$30.9 million in buildings due to the completion of several major capital projects.

The major changes in net position in FY18 included a decrease of \$209.8 million in unrestricted net position and increases of \$11.1 million in net investments in capital assets and \$7.0 million in the net position restricted for capital projects. The decrease in unrestricted net position was primarily the result of the additional pension expense of \$246.1 million reported by the University per the requirements of GASB Statement No. 68. The increase in the net pension liability and pension expense was the result of new assumptions adopted by the ERB Board on April 21, 2017, as well as, the change in the single discount rate from 7.75% to 5.90% between June 30, 2016 and June 30, 2017 (see note 17). Other significant changes to unrestricted net position were increases of \$25.8 million at the Hospital and \$5.2 million at BHO. The increase in the net position of net investments in capital assets was primarily the result of the capitalization of \$66.8 million in buildings at the University due to the completion of several major capital projects. The increase in the net position restricted for capital projects was mostly due to the recognition of \$6.9 million in county bond funding for building improvements at the Valencia campus.

# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended June 30, 2019

The chart below shows the changes in net position by category for the fiscal years ended June 30, 2019, 2018, and 2017:



\* Significant decrease to the restricted, nonexpendable net position in FY17 was primarily the result of the removal of the \$202.7 million asset related to the University's beneficial interest in the state's land grant permanent fund (LGPF) due to a change in accounting policy by the State of New Mexico, which no longer permits institutions of higher education to record their respective beneficial interests in the LGPF as an asset within their stand-alone financial statements.

\*\* Significant decreases to the unrestricted net position in FY17, FY18, and FY19 were primarily the result of the significant additional pension expense required to be reported by the University per the requirements of GASB Statement No. 68.

# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## Statement of Cash Flows

A comparison of the University's changes in cash and cash equivalents for the years ended June 30, 2019, 2018, and 2017 is as follows:

	2019	2018	2017
<b>Cash provided by (used in):</b>			
Operating activities	\$ (447,115,237)	\$ (380,172,850)	\$ (350,164,177)
Noncapital financing activities	523,090,865	504,629,636	508,144,343
Capital and related financing activities	(118,099,180)	(123,545,929)	(79,187,508)
Investing activities	24,188,642	16,251,615	12,407,178
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(17,934,910)</b>	<b>17,162,472</b>	<b>91,199,836</b>
Cash and cash equivalents — beginning of year	469,790,497	452,628,025	361,428,189
<b>Cash and cash equivalents — end of year</b>	<b>\$ 451,855,587</b>	<b>\$ 469,790,497</b>	<b>\$ 452,628,025</b>

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash during the fiscal year. The statement assists in evaluating the University's ability to generate future net cash flows to meet its obligations as they become due and aids in determining the need for external financing. The statement is divided into four sections based on major activity: operating, noncapital financing, capital and related financing, and investing.

Cash received from operations consists primarily of receipts from insurance and patients, student tuition and fees, and grants and contracts. Payments to employees and suppliers represent the largest use of cash for operations. Cash provided by noncapital financing activities is used to fund operating activities in a public university, such as UNM. Major sources of cash provided by noncapital financing activities for the University are state appropriations, federal Pell grants, Bernalillo County mill levy, and gifts to the University. Capital and related financing activities consist primarily of payments on the purchase of capital assets, principal and interest payments on bonds, and cash received on capital appropriations and bond issuances. Cash flows from investing activities include shifts between cash and investments, distributions from the state land grant permanent fund, and investment income.

## Fiduciary Fund

The University of New Mexico Welfare Benefit Trust (VEBA Trust), a voluntary employees' beneficiary association (VEBA) trust, is presented as a fiduciary fund (exhibits D and E). The VEBA Trust was established to provide a funding vehicle to which participants and the University contribute to prefund, in part, the cost of OPEB for eligible retirees of the University. The University matches the employees' contributions to the VEBA Trust. In FY19, the University and employee contributions were \$2.2 million each, and the VEBA Trust earned \$2.1 million in net investment income. In FY18, the University and employee contributions were \$2.4 million each, and the VEBA Trust earned \$1.6 million in net investment income.

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# THE UNIVERSITY OF NEW MEXICO

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## Budget Activity

Operating budgets are submitted for approval to the Board of Regents, the New Mexico Higher Education Department (HED), and the State Budget Division of the Department of Finance and Administration (DFA). Similarly, separate legislative budget requests are submitted to the Board of Regents, HED, and the DFA for inclusion in the State of New Mexico Executive Budget for consideration of appropriations by the state legislature.

Original budgets for each fiscal year are prepared many months in advance based on: (a) prior year expenditure and revenue activity, (b) best estimates of projected revenue and expenditure activity for the budgeted year, and (c) internal budget reviews with departments on campus. During the fiscal year, original budgets are revised to more accurately reflect current needs of the institution and to include previously unanticipated events in both revenues and expenditures categories.

State appropriations for Main campus increased by \$6,634,900 or approximately 3.6% for FY 2018-2019. The legislature approved an average 2% compensation increase for higher education. However, the new Instruction and General (I&G) funding from the state for compensation only funded approximately a 1% compensation increase. In addition, there were no changes to the employee retirement plan. Tuition and fee rates were approved by the Board of Regents on March 22, 2018. They approved a 2.5% tuition increase plus a \$7 per credit hour increase in the undergraduate and graduate premium rate as well as a 2.39% mandatory student fee increase.

In addition, Main campus experienced a 7.17% decrease in fall 2018 student headcount, which resulted in a tuition and fee revenue shortfall of \$9.8 million. These two events required Main campus to pull back funding from departments and to utilize one-time funding and unbudgeted land income and permanent fund revenues to make up the budget shortfall.

At HSC, significant changes from FY18 to FY19 revised budgets included an increase in patient volume and related clinical revenues of \$18.8 million, an increase in state appropriations of \$4.5 million, and a decrease in sponsored contracts and grants revenues of \$13.5 million. In total, revenues increased by \$8.2 million, or 1.2%, over the FY18 revised budget.

Noteworthy changes in expenses and transfers were an increase in clinical FTE and contract services expenses of \$16.5 million, an increase in teaching FTE and other instruction related costs of \$5.9 million, a decrease in research contracts and grants expenses of \$14.3 million, and an increase in net transfers of \$3.0 million. Together, expenses and transfers increased by \$12.6 million, or 1.8%, over the FY18 revised budget. Overall, the HSC had a budgeted net loss of \$0.9 million, approximately \$1.8 million more favorable than the FY18 revised budget, primarily because of generating adequate revenue to cover the increased patient care and instruction related costs in FY19.

Overall, the University's change in net position on a budgetary basis for unrestricted and restricted funds was an increase of approximately \$22.4 million (schedule 15), which is due to activity at the Main and HSC campuses. The University's change in net position on a budgetary basis for Unrestricted I&G funds was a net increase of \$8.3 million (schedule 16), which is primarily due to activity at the Main and Branch campuses.



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# THE UNIVERSITY OF NEW MEXICO

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Year Ended June 30, 2019

## Factors Impacting Future Periods

Total enrollment for the fall 2019 semester declined by 6.5% compared with the fall 2018 semester. The fiscal impact amounts to approximately \$4.0 million in expected tuition and student fee revenue that failed to materialize. However, other important fall 2019 enrollment figures at the University indicate improved stability, engagement, and student success. First year student enrollment dipped this fall by just 2.2 percent, a decrease of only 59 students out of nearly 2,600 new first year students at UNM. Compared to last year's large drop in first year enrollment, this indicates that new first-year student enrollment has stabilized. The rate of full-time first year students returning for their sophomore year also improved in fall 2019.

During the 2019 state legislative session, HB6 was passed implementing a gross receipts tax on non-profit and governmental hospitals effective July 2019. The Hospital's impact of the 5% gross receipts tax on net revenue is estimated to be \$21.5 million for FY20.

Effective January 1, 2019, the New Mexico Human Services Department implemented changes to the New Mexico Medicaid Program, also known as Centennial Care 2.0. With this program, the Department awarded Blue Cross and Blue Shield (BCBS NM), Presbyterian Health Plan, and Western Sky managed care contracts. The Hospital is no longer contracted with Molina Healthcare for the Medicaid program, effective January 1, 2019, but remains contracted with BCBS NM, Presbyterian Health Plan, and Western Sky.

The Hospital is the only Level I Trauma Center in the State and is at physical capacity to treat adult patients. As such, the Hospital engaged the services of a national architectural and engineering firm with experience in designing teaching hospitals to identify location, size, phasing, and staging for the addition of a clinical tower. The Hospital has worked with architects Fanning Bard Tatum and HDR (FBT/HDR) to identify the location, design, and site of the new tower. The proposal for the location of the new tower is adjacent to the Barbara & Bill Richardson Pavilion (BBRP) and will have 96 adult acute care beds. It will also add 16 operating rooms and include radiology diagnostic services and will relocate the adult emergency room. The existing parking structure will be demolished and a new one erected. In the 2019 legislative session, the state appropriated \$30 million for designing, constructing, and equipping the new tower. The preliminary opening date is late 2024.

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# THE UNIVERSITY OF NEW MEXICO

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

## **Requests for Additional Financial Information**

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's retailers and vendors, and other interested parties with a general overview of the financial position as of June 30, 2019 and 2018, and the results of its operations, cash flows, and variances from the budgets for the years then ended for the University of New Mexico.

If you have any questions about this report or need additional financial information, contact The University of New Mexico, Financial Services, 1700 Lomas NE, Suite 3100, MSC01 1300, Albuquerque, New Mexico 87131.

For internal audit inquiries and reports, see information available at <http://www.unm.edu/~iaudit>.

To download additional copies of this report, or to obtain prior year copies of this report, go to <http://fsd.unm.edu/annual-reports.html>.

# THE UNIVERSITY OF NEW MEXICO

## BASIC FINANCIAL STATEMENTS

Statements of Net Position as of June 30, 2019 and 2018

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2019	2018	2019	2018
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (note 3)	\$ 397,654,781	\$ 375,843,998	\$ 14,135,460	\$ 16,024,002
Cash and cash equivalents – restricted (note 3)	7,124,841	6,227,171	-	-
Short-term investments (note 3)	435,028,401	414,309,185	11,213,802	10,479,917
Accounts receivable, net (note 4)	55,096,180	58,607,674	1,710,455	1,548,138
Patient receivables, net (note 4)	185,097,472	161,123,188	-	-
Due from component units	8,063,862	7,805,415	-	-
Due from The University of New Mexico	-	-	53,356	82,514
Notes receivable (note 5)	3,053,160	6,234,134	-	-
Estimated third-party payor settlements	84,462,338	38,424,923	-	-
Other receivables (note 4)	8,655,093	10,147,714	-	-
Inventories	22,688,867	23,764,036	38,434	56,927
Other current assets (note 7)	17,879,154	17,634,768	441,271	374,290
<b>Total current assets</b>	<b>\$ 1,224,804,149</b>	<b>\$ 1,120,122,206</b>	<b>\$ 27,592,778</b>	<b>\$ 28,565,788</b>
<b>Noncurrent assets</b>				
Cash and cash equivalents (note 3)	\$ 2,063,504	\$ 5,673,093	\$ -	\$ -
Cash and cash equivalents – restricted (note 3)	45,012,461	82,046,235	-	-
Due from component units	4,052,661	3,868,798	-	-
Notes receivable (note 5)	6,128,611	7,494,165	-	-
Investments (note 3)	327,818,709	321,805,012	236,530,307	227,641,276
Derivative instruments – interest rate swaps overlay (note 13)	853,522	522,254	-	-
Beneficial interest in irrevocable split interest agreements	-	-	20,998,761	21,070,244
Other noncurrent assets (note 7)	17,927,778	14,027,256	5,737,691	5,769,597
Capital assets, net (note 6)	1,329,896,472	1,301,514,531	-	19,262
<b>Total noncurrent assets</b>	<b>\$ 1,733,753,718</b>	<b>\$ 1,736,951,344</b>	<b>\$ 263,266,759</b>	<b>\$ 254,500,379</b>
<b>Total assets</b>	<b>\$ 2,958,557,867</b>	<b>\$ 2,857,073,550</b>	<b>\$ 290,859,537</b>	<b>\$ 283,066,167</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions (note 17)	\$ 503,989,517	\$ 642,346,838	\$ -	\$ -
Related to OPEB (note 18)	7,513,700	7,322,500	-	-
Interest rate swaps (note 13)	7,185,873	5,779,421	-	-
Loss on bond refundings	4,413,702	5,056,406	-	-
<b>Total deferred outflows of resources</b>	<b>\$ 523,102,792</b>	<b>\$ 660,505,165</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued payroll (note 8)	\$ 175,905,990	\$ 181,536,694	\$ 2,154,455	\$ 2,107,169
Bonds payable – current portion (notes 12 and 13)	29,820,000	28,241,811	-	-
Long-term debt – current portion (note 12)	1,137,372	1,111,113	-	-
Due to component units	53,356	82,514	-	-
Due to The University of New Mexico (note 12)	-	-	8,063,862	7,805,415
Unearned revenue (note 11)	46,185,775	46,286,944	693,203	666,760
Accrued compensated absences (note 9)	57,602,401	57,407,615	-	-
Estimated third-party payor settlements	49,194,565	56,039,945	-	-
Deposits and funds held for others	5,020,656	6,320,722	-	-
Other accrued liabilities (note 10)	51,627,389	10,796,611	1,582,758	1,314,143
<b>Total current liabilities</b>	<b>\$ 416,547,504</b>	<b>\$ 387,823,969</b>	<b>\$ 12,494,278</b>	<b>\$ 11,893,487</b>
<b>Noncurrent liabilities (note 12)</b>				
Bonds payable (notes 12 and 13)	\$ 599,961,556	\$ 633,000,652	\$ -	\$ -
Long-term debt (note 12)	2,904,771	4,039,563	-	-
Due to The University of New Mexico (note 12)	-	-	4,052,661	3,868,798
Student loan program (note 12)	11,715,940	11,824,236	-	-
Derivative instruments – interest rate swaps (notes 12 and 13)	7,185,873	5,779,421	-	-
Net pension liability (notes 12 and 17)	2,020,852,577	1,885,441,562	-	-
Net OPEB liability (notes 12 and 18)	125,483,900	130,887,500	-	-
Other noncurrent liabilities (note 12)	234,263	249,281	2,060,731	1,955,131
<b>Total noncurrent liabilities</b>	<b>\$ 2,768,338,880</b>	<b>\$ 2,671,222,215</b>	<b>\$ 6,113,392</b>	<b>\$ 5,823,929</b>
<b>Total liabilities</b>	<b>\$ 3,184,886,384</b>	<b>\$ 3,059,046,184</b>	<b>\$ 18,607,670</b>	<b>\$ 17,717,416</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions (note 17)	\$ 39,057,018	\$ 29,916,805	\$ -	\$ -
Related to OPEB (note 18)	10,590,200	5,523,900	-	-
Gain on bond refundings	750,766	801,715	-	-
Beneficial interest in irrevocable split interest agreements	-	-	21,311,638	21,346,184
Unearned revenue	-	-	606,087	1,011,082
<b>Total deferred inflows of resources</b>	<b>\$ 50,397,984</b>	<b>\$ 36,242,420</b>	<b>\$ 21,917,725</b>	<b>\$ 22,357,266</b>

See accompanying notes to the basic financial statements.

(Continued)

## EXHIBIT A

### Statements of Net Position as of June 30, 2019 and 2018

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2019	2018	2019	2018
<b>NET POSITION</b>				
Net investment in capital assets	\$ 744,511,061	\$ 728,838,725	\$ -	\$ 19,262
Restricted for:				
Nonexpendable:				
Scholarships	128,773,756	127,939,470	-	-
Grants, bequests, and contributions	6,003,885	6,003,885	211,794,373	204,989,305
Expendable:				
Scholarships	2,906,282	2,926,376	-	-
Grants, bequests, and contributions	20,648,498	20,276,938	-	-
Debt service	61,068,391	57,708,297	-	-
Capital projects	48,811,552	16,469,405	-	-
Other	-	-	20,972,586	21,636,175
Unrestricted (note 20)	(766,347,134)	(537,872,985)	17,567,183	16,346,743
<b>Total net position</b>	<b>\$ 246,376,291</b>	<b>\$ 422,290,111</b>	<b>\$ 250,334,142</b>	<b>\$ 242,991,485</b>

See accompanying notes to the basic financial statements.

# THE UNIVERSITY OF NEW MEXICO

## BASIC FINANCIAL STATEMENTS

Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2019	2018	2019	2018
<b>OPERATING REVENUES</b>				
Student tuition and fees (net of scholarship allowances of \$75,993,272 in 2019 and \$77,757,436 in 2018)	\$ 136,023,808	\$ 142,597,712	\$ -	\$ -
Net patient service (note 14)	1,293,561,834	1,222,290,962	-	-
Federal grants and contracts	212,154,329	218,069,192	-	-
State and local grants and contracts	38,126,491	35,822,025	-	-
Nongovernmental grants, contracts, bequests, and contributions	35,138,777	38,637,207	24,569,877	27,244,699
Sales and services	81,544,996	75,031,529	3,035,261	3,262,062
Auxiliary enterprises (net of scholarship allowances of \$8,767,408 in 2019 and \$9,356,440 in 2018)	37,964,601	41,343,468	-	-
Other operating revenues	79,399,348	52,442,428	9,134,819	9,061,719
<b>Total operating revenues</b>	<b>\$ 1,913,914,184</b>	<b>\$ 1,826,234,523</b>	<b>\$ 36,739,957</b>	<b>\$ 39,568,480</b>
<b>OPERATING EXPENSES</b>				
Educational and general				
Instruction	\$ 339,552,834	\$ 325,701,685	\$ -	\$ -
Research	213,380,122	218,116,644	-	-
Public service	1,584,732,448	1,448,199,065	-	-
Academic support	62,760,448	58,830,180	-	-
Student services	36,679,624	35,190,251	-	-
Institutional support	80,913,524	75,907,348	-	-
Operation and maintenance of plant	98,235,166	99,822,706	-	-
Depreciation expense	103,613,642	102,606,127	-	-
Student aid	17,544,640	19,082,295	-	-
Student activities	10,310,497	10,589,165	-	-
Intercollegiate athletics	36,529,198	37,719,576	-	-
Auxiliary enterprises	52,165,420	52,350,908	-	-
Distributions to The University of New Mexico	-	-	27,572,038	30,428,049
Other operating expenses	68,255,699	65,350,170	22,379,408	21,069,536
<b>Total operating expenses</b>	<b>\$ 2,704,673,262</b>	<b>\$ 2,549,466,120</b>	<b>\$ 49,951,446</b>	<b>\$ 51,497,585</b>
<b>Operating loss</b>	<b>\$ (790,759,078)</b>	<b>\$ (723,231,597)</b>	<b>\$ (13,211,489)</b>	<b>\$ (11,929,105)</b>

See accompanying notes to the basic financial statements.

(Continued)

# EXHIBIT B

## Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2019	2018	2019	2018
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	\$ 310,784,779	\$ 299,100,304	\$ -	\$ -
Local appropriations	9,170,670	8,941,987	-	-
County mill levies	105,794,580	101,975,401	-	-
Federal pell grants	41,212,072	43,280,031	-	-
State lottery scholarships	25,366,949	21,036,322	-	-
Gifts	29,723,441	33,797,785	-	-
Federal bond subsidy	1,810,878	1,858,808	-	-
Investment income (note 3)	45,006,539	29,233,109	11,207,138	17,489,885
Interest on capital asset-related debt	(20,376,509)	(23,729,390)	-	-
Loss on disposal of capital assets	(248,652)	(52,209)	-	-
Other nonoperating revenues and expenses, net	5,077,772	(2,352,796)	(259,115)	(550,915)
<b>Net nonoperating revenues</b>	<b>\$ 553,322,519</b>	<b>\$ 513,089,352</b>	<b>\$ 10,948,023</b>	<b>\$ 16,938,970</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (237,436,559)</b>	<b>\$ (210,142,245)</b>	<b>\$ (2,263,466)</b>	<b>\$ 5,009,865</b>
Capital appropriations	\$ 61,522,739	\$ 28,224,142	\$ -	\$ -
Contributions to permanent endowments	-	-	9,606,123	16,814,820
<b>Total capital contributions</b>	<b>\$ 61,522,739</b>	<b>\$ 28,224,142</b>	<b>\$ 9,606,123</b>	<b>\$ 16,814,820</b>
<b>Change in net position</b>	<b>\$ (175,913,820)</b>	<b>\$ (181,918,103)</b>	<b>\$ 7,342,657</b>	<b>\$ 21,824,685</b>
<b>NET POSITION</b>				
Net position at beginning of year	422,290,111	604,208,214	242,991,485	223,325,019
Impact of change in accounting pronouncements (note 2(D))	-	-	-	(2,158,219)
<b>Net position at end of year</b>	<b>\$ 246,376,291</b>	<b>\$ 422,290,111</b>	<b>\$ 250,334,142</b>	<b>\$ 242,991,485</b>

See accompanying notes to the basic financial statements.

# THE UNIVERSITY OF NEW MEXICO

## BASIC FINANCIAL STATEMENTS

### Statements of Cash Flows for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tuition and fees	\$ 134,763,352	\$ 143,787,395
Cash received from grants and contracts	290,538,377	287,773,716
Cash received from insurance and patients	1,284,309,138	1,338,416,564
Cash received from sales and services	50,055,929	43,319,377
Cash received from auxiliary enterprise charges	37,437,807	43,777,648
Cash payments to employees	(1,197,753,270)	(1,180,248,440)
Cash payments for benefits	(235,433,670)	(225,184,560)
Cash payments to suppliers	(724,792,024)	(703,361,048)
Cash payments for utilities	(38,658,718)	(39,102,798)
Cash payments for scholarships and fellowships	(25,507,101)	(27,551,070)
Cash payments to State of New Mexico for intergovernmental transfer	(40,600,000)	(46,861,591)
Loans issued to students	(341,035)	(49,809)
Collection of loans to students	1,862,763	2,176,993
Other cash receipts (payments)	17,003,215	(17,065,227)
<b>Net cash used in operating activities</b>	<b>\$ (447,115,237)</b>	<b>\$ (380,172,850)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from state appropriations	\$ 309,254,011	\$ 299,452,918
Cash received from local appropriations	9,170,670	8,941,987
Cash received from county mill levies	105,813,827	102,067,139
Cash received from federal pell grants	40,897,243	43,470,936
Cash received from state lottery scholarships	25,366,949	21,036,322
Cash received from gifts and the University of New Mexico Foundation	28,324,157	30,766,220
Drawdowns of federal direct loan proceeds	97,127,963	104,192,150
Disbursements of federal direct loans to students	(94,111,060)	(106,196,175)
Other nonoperating cash receipts	1,247,105	898,139
<b>Net cash provided by noncapital financing activities</b>	<b>\$ 523,090,865</b>	<b>\$ 504,629,636</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash received from capital appropriations	\$ 63,355,728	\$ 33,963,046
Cash received from federal bond subsidy	2,631,025	1,038,661
Cash received from disposal of capital assets	344,926	105,879
Purchases of capital assets	(125,929,140)	(100,349,396)
Principal payments on bonds	(28,241,811)	(26,486,923)
Interest payments on bonds	(22,741,830)	(23,531,078)
Cash payments for mortgage reserve funds	(1,876,920)	(1,823,863)
Other cash payments	(5,641,158)	(6,462,255)
<b>Net cash used in capital and related financing activities</b>	<b>\$ (118,099,180)</b>	<b>\$ (123,545,929)</b>

See accompanying notes to the basic financial statements.

(Continued)

# EXHIBIT C

## Statements of Cash Flows for the years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$ 199,224,392	\$ 176,162,973
Purchases of investments	(204,348,327)	(183,369,807)
Distributions from land grant permanent fund and land maintenance fund	15,238,920	12,410,515
Investment income	12,963,252	9,618,673
Investment in Lovelace UNM Rehab Hospital	1,110,405	1,429,261
	<b>\$ 24,188,642</b>	<b>\$ 16,251,615</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents – beginning of year	469,790,497	452,628,025
	<b>\$ 451,855,587</b>	<b>\$ 469,790,497</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (790,759,078)	\$ (723,231,597)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	103,613,642	102,606,127
Provision for doubtful accounts	123,861,778	118,476,508
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable	(1,828,431)	(6,898,344)
Patient receivables	(144,285,862)	(117,204,247)
Estimated third-party payor settlements receivables	(49,686,122)	19,843,252
Notes receivable	1,529,626	2,338,558
Inventories	1,075,169	107,220
Other assets	702,960	(77,430)
Due from component units	(581,894)	678,004
Due to component units	(29,158)	(20,972)
Accounts payable	(13,145,580)	(17,078,690)
Accrued expenses and compensated absences	41,082,186	4,658,477
Other current liabilities	2,386,086	503,004
Estimated third-party payor settlements liability	(3,196,673)	(12,731,025)
Unearned revenue	(233,935)	760,996
Net pension liability	135,411,015	691,590,657
Net OPEB liability	(5,403,600)	(5,157,700)
Deferred outflows of resources	138,166,121	(462,793,561)
Deferred inflows of resources	14,206,513	23,457,913
	<b>\$ (447,115,237)</b>	<b>\$ (380,172,850)</b>

See accompanying notes to the basic financial statements.



University of New Mexico Retiree Welfare Benefit Trust  
 Statements of Fiduciary Net Position as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 710,720	\$ 781,944
Investments	36,629,816	30,021,857
Interest receivable	596	1,470
Other current assets	695,881	-
<b>Total assets</b>	<b><u>\$ 38,037,013</u></b>	<b><u>\$ 30,805,271</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 695,881	\$ -
<b>Total liabilities</b>	<b><u>\$ 695,881</u></b>	<b><u>\$ -</u></b>
<b>NET POSITION</b>		
Net position restricted for postemployment benefits other than pensions	\$ 37,341,132	\$ 30,805,271
<b>Total net position</b>	<b><u>\$ 37,341,132</u></b>	<b><u>\$ 30,805,271</u></b>

See accompanying notes to the basic financial statements.

University of New Mexico Retiree Welfare Benefit Trust  
 Statements of Changes in Fiduciary Net Position for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ADDITIONS</b>		
University of New Mexico contributions	\$ 2,215,093	\$ 2,408,750
Employee contributions	2,215,093	2,408,750
Investment income:		
Net increase in fair value of investments	1,497,836	1,178,080
Interest and dividends	669,606	507,750
Less investment expense	(56,357)	(48,543)
Net investment income	<u>2,111,085</u>	<u>1,637,287</u>
<b>Total additions</b>	<b><u>\$ 6,541,271</u></b>	<b><u>\$ 6,454,787</u></b>
<b>DEDUCTIONS</b>		
Administrative expenses	\$ 5,410	\$ 5,250
<b>Total deductions</b>	<b><u>\$ 5,410</u></b>	<b><u>\$ 5,250</u></b>
<b>Net increase in net position</b>	<b><u>\$ 6,535,861</u></b>	<b><u>\$ 6,449,537</u></b>
<b>NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS</b>		
Net position at beginning of year	30,805,271	24,355,734
<b>Net position at end of year</b>	<b><u>\$ 37,341,132</u></b>	<b><u>\$ 30,805,271</u></b>

See accompanying notes to the basic financial statements.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (1) Creation and Purpose of Entity

The University of New Mexico (the University or UNM) was founded in 1889 and created by the Constitution of New Mexico, Sections 21-7-4 through 21-7-25, New Mexico Statutes Annotated, 1978 Compilation, under which it is responsible for providing the inhabitants of the State of New Mexico (State) and such others as the Board of Regents may determine with the means of acquiring a thorough knowledge of the various branches of literature, science, and the arts.

The University is part of the primary government of the State, and its financial data is included with the financial data in the State's Comprehensive Annual Financial Report (CAFR). These financial statements present financial information that is attributable to the University and does not purport to present the financial position of the State.

### (2) Basis of Presentation and Summary of Significant Accounting Policies

#### (A) Basis of Presentation

The University and its component units present their financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, provides a comprehensive entity-wide perspective of the University's assets, liabilities, and net position, revenues, expenses and changes in net position, and cash flows.

GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement 80, *Blending Requirements for Certain Component Units*, provides guidance in determining whether certain organizations are component units and the presentation of these component units in the financial statements. Criteria for determining whether related organizations are component units include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the University to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the University, or;
- An organization is fiscally dependent on the University and provides specific financial benefits to, or imposes specific financial burdens on, the University, or;
- It is determined that it would be misleading to exclude the related organization from the University's financial statements because of the nature of the entity or because the entity is closely related to or financially integrated with the University.

Component units that are blended generally include those in which 1) the component unit provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University, 2) the component unit's governing body is substantively the same as the governing body of the University and there is either a financial benefit or burden relationship between the University and the component unit or management of the University has operational responsibility for the component unit, or 3) the University is the sole corporate member of the component unit. Based on the criteria set forth in GASB Statements 14, 39, 61, and 80, the entities presented below have been determined to be component units of the University. Summary financial statement information for the blended and discretely presented component units is provided in schedules 5 through 14.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **Blended Component Units**

- **STC.UNM**

STC.UNM (formerly known as Science & Technology Corporation @ UNM) is a nonprofit corporation formed under the auspices of the 1989 New Mexico University Research Park Act and the New Mexico Nonprofit Corporation Act. The business of the corporation is to manage the commercialization of technologies developed by the University's faculty and manage the real estate development of the Science & Technology Park at The University of New Mexico on the South Campus. STC.UNM was determined to be a component unit, because it is fiscally dependent on the University. STC.UNM, 101 Broadway Blvd. NE, Suite 1100, Albuquerque, NM 87102.

- **Lobo Development Corporation**

Lobo Development Corporation (LDC) was established in October 2007, under the State of New Mexico's University Research Park and Economic Development Act. LDC was established to benefit UNM's Regents in the management and development of University-owned real estate. The activities of LDC include the acquisition, development, disposition, and rental of University real estate. LDC was determined to be a component unit, because the University appoints a voting majority of LDC's board and is able to impose its will on LDC. Lobo Development Corporation, 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

- **Lobo Energy, Inc.**

Lobo Energy, Inc. (LEI) was formed by the UNM Regents in June 1998, under the University Research Park Act to be a separate 501(c)(3) corporation wholly owned by UNM. Its responsibilities include the procurement of natural gas and electricity, operations, and maintenance of all production facilities, and energy measurement and management systems. LEI was determined to be a component unit, because the University appoints a voting majority of LEI's board and is able to impose its will on LEI. Lobo Energy, Inc., 800 Bradbury Dr. SE, Suite 216, Albuquerque, NM 87106.

- **University of New Mexico Medical Group**

University of New Mexico Medical Group (UNMMG) is a nonprofit corporation that was organized to promote, advance, and support the clinical, scientific, educational, research, and charitable purposes of the School of Medicine (SOM) and the University of New Mexico Health Sciences Center (HSC). UNMMG was determined to be a component unit, because the University appoints a voting majority of UNMMG's board and is able to impose its will on UNMMG. University of New Mexico Medical Group, 933 Bradbury Street SE, Suite 2222, Albuquerque, NM 87106.

- **Sandoval Regional Medical Center**

Sandoval Regional Medical Center (SRMC) is a teaching hospital located in Sandoval County that was formed by the UNM Regents in August 2009 and is a New Mexico nonprofit corporation organized under and pursuant to the New Mexico University Research Park and Economic Development Act. SRMC was determined to be a component unit, because the University appoints a voting majority of SRMC's board and is able to impose its will on SRMC. Sandoval Regional Medical Center, 3001 Broadmoor Blvd. NE, Rio Rancho, NM 87144.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

- **Innovate ABQ, Inc.**

Innovate ABQ, Inc. is a nonprofit corporation established under the provisions of the New Mexico Nonprofit Corporation Act and the State of New Mexico University Research Park and Economic Development Act and is operated exclusively for charitable, scientific, and educational purposes under Section 501(c)(3) of the IRC. Innovate ABQ, Inc., a public/private partnership, is a research and high technology business district located between the main University campus and downtown Albuquerque, New Mexico that serves as a catalyst for a new innovation economy in New Mexico and other educational initiatives for the University. Innovate ABQ was determined to be a component unit, because the University appoints a voting majority of Innovate ABQ's board and is able to impose its will on Innovate ABQ. Innovate ABQ, Inc., 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

### Discretely Presented Component Units

- **The University of New Mexico Foundation, Inc.**

The University of New Mexico Foundation, Inc. (Foundation) is a nonprofit corporation, organized to solicit, receive, hold, invest, and transfer funds for the benefit of the University of New Mexico. The majority of the University's investments are managed by the Foundation. The Foundation was determined to be a component unit, because University management concluded that it would be misleading to exclude it. The University of New Mexico Foundation, Inc., Two Woodward Center, 700 Lomas Blvd. NE, Suite 203, Albuquerque, NM 87131.

- **The Robert O. Anderson Schools of Management Foundation**

The Robert O. Anderson Schools of Management Foundation (ASMF) is a nonprofit corporation organized in 1971 to promote continued education to the business community. ASMF provides professional workshops, seminars, guest symposiums, a master's degree program and funding for various faculty fellowships, research grants, and student scholarships. ASMF was determined to be a component unit, because University management concluded that it would be misleading to exclude it. The University of New Mexico, The Robert O. Anderson Schools of Management Foundation, MSC05 3090, 1924 Las Lomas NE, Albuquerque, NM 87131.

- **University of New Mexico Lobo Club**

The University of New Mexico Lobo Club (Club) is a nonprofit corporation established to operate as a fund-raising entity in support of the athletic programs at the University. The Club was determined to be a component unit, because University management concluded that it would be misleading to exclude it. The University of New Mexico Lobo Club, Department of Athletics, MSC04 2680, 1 University of New Mexico, Albuquerque, NM 87131.

- **The University of New Mexico Alumni Association**

The University of New Mexico Alumni Association (the Association) is a not-for-profit organization that was incorporated August 29, 1962 to provide and coordinate events and activities for the purpose of maintaining a positive relationship between the University and its alumni. The Association was determined to be a component unit, because it is fiscally dependent on the University. The University of New Mexico Alumni Association at Hodgkin Hall, Albuquerque, NM 87131.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **Fiduciary Fund**

- **University of New Mexico Retiree Welfare Benefit Trust**

The University of New Mexico Retiree Welfare Benefit Trust (VEBA Trust) is a voluntary employees' beneficiary association (VEBA) trust that is tax-exempt under Section 501(c)(9) of the Internal Revenue Code (IRC) and is presented as a fiduciary fund in the University's financial statements. The VEBA Trust was established to provide a funding vehicle to which participants and the University contribute to prefund, in part, the cost of other postemployment benefits (OPEB) for eligible retirees of the University.

The University's basic financial statements also include the University of New Mexico Hospital (Hospital) and the University of New Mexico Behavioral Health Operations (BHO), whose operations are summarized to be compatible with University reporting; these operations are not legally separate entities and, therefore, are operating as divisions of the University. The Hospital and BHO, when combined with SRMC, UNMMG, and the University's School of Medicine, College of Nursing, College of Pharmacy, and College of Population Health are referred to as the University of New Mexico Health Sciences Center (HSC) and are included in the primary institution financial statement information.

The Hospital, BHO, and the component units have separately audited financial statements, which can be obtained at their separate administrative offices.

### (B) *Basis of Accounting*

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

### (C) *Significant Accounting Policies*

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources and disclosure of contingent assets, liabilities, and deferred outflows and inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Accounts receivable: The University records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain an adequate allowance for probable losses.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Patient receivables: The Hospital, BHO, SRMC, and UNMMG receive payments for services rendered to patients under payment arrangements with payors, which include (i) Medicare and Medicaid, (ii) other third-party payors including commercial carriers and health maintenance organizations, and (iii) others. The other payor category includes United States Public Health Service, self-pay, counties, and other government agencies. Progressive percentages are reserved beginning at 90 days for all payors, ramping up to 100% fully reserved at 210 days. Self-pay receivables are fully reserved after 30 days when they are referred to internal collections, and they are charged off when they are deemed uncollectible and are turned over to a collection agency. The following summarizes the percentage of gross patient receivables from all payors as of June 30:

	<u>2019</u>	<u>2018</u>
Medicare and Medicaid	53%	56%
Other third-party payors	30%	28%
Others	17%	16%
	<u>100%</u>	<u>100%</u>

Investments: The University measures and records its investments at fair value. GASB Statement 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. Within the Consolidated Investment Fund (CIF), the alternative investments are valued as reported by the general partners and fund managers. Management reviews and evaluates the valuation received from third parties and believes the carrying amount to be a reasonable estimate of fair value. As limited partnerships investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The income from the University's interest in the Land Grant Permanent Fund, which interests are managed by the New Mexico State Investment Council, is distributed monthly to the University. Additional information about investments and their fair value is provided in note 3.

The endowment spending policy provides that the total annual distribution of spendable income to each unit of the CIF, a unitized investment pool, shall not exceed 6% nor be less than 4% of the average market value of a unit of the CIF. The average market value of a unit will be based on the average unit values of the CIF for the preceding 20 quarters. The target annual distribution rate shall be 5% of the average unit market value. If, in any given 20-quarter rolling period, total return is less than target annual distribution, actual distribution shall not be less than 4% of the average unit market value for such 20-quarter rolling period. If in any 20-quarter rolling period the distribution exceeds 5% of the current market value, the CIF Investment Committee will determine the actual distribution.

Assets held by others, which are neither in the possession of nor under the control of the University, are not reflected in the accompanying basic financial statements. The most significant example is assets held by the Sandia Foundation from which UNM is entitled to 45% of the income but has no title to the assets themselves. However, income earned on such assets upon which the University has claim is recorded in the accompanying basic financial statements.

Inventories: Inventories, consisting mainly of items held for resale, are principally stated at cost using the retail method, or market value if lower.

Capital assets: Capital assets are recorded at original cost, or fair value if donated. Per Section 12-6-10 NMSA 1978, the University's capitalization policy for movable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The University includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. In compliance with New Mexico Administrative Code, Title 2 Public Finance, Chapter 20 Accounting by Governmental Entities, Part 1 Accounting and Control of Fixed Assets of State Government, Section 9, software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements and infrastructure, 5 years for library books, and a range of 3 to 15 years for equipment. Loaned equipment from private and federal sources is not owned by the University, and is not an asset. This equipment is monitored by the University and totals \$771,156 and \$3,800,677 at June 30, 2019 and 2018, respectively.

As an institute of higher education in existence for over 100 years, the University has acquired significant collections of art, rare books, historical treasures, and other special collections. The purpose of these collections is for public exhibition, education, or research in furtherance of public service rather than financial gain. They are protected and preserved, and subject to the Regents' policies regarding accessioning and deaccessioning. However, because of their invaluable and irreplaceable nature, these collections are not recorded as capital assets but are reported as other noncurrent assets in the statements of net position.

Bonds Payable: Bonds payable are special obligations of the Regents of the University and do not constitute a debt or liability of the State of New Mexico or any political subdivision thereof. Each bond is secured, as described in the applicable trust indentures, by certain pledged revenues, representing certain revenues of the Regents after the payment of certain operating and maintenance expenses and pre-existing debt service obligations. The issuance of the bonds does not directly, indirectly, or contingently obligate the state or any political subdivision to levy any form of taxation or to make any appropriation for their payment. The Regents do not have taxing power.

The University issues fixed and variable rate bonds. The rate on the fixed rate bonds is set at bond closing. The variable rate bonds bear interest at a weekly rate until maturity or earlier redemption. For bonds that pay weekly rates, the remarketing agent for each bond issue establishes the weekly rate according to each indenture's remarketing agreement. The weekly rates are communicated to the various bond trustees for preparation of debt service payments. The weekly rate, as set by the remarketing agent, allows the bonds to trade in the secondary market at a price equal to 100% of the principal amount outstanding, with each rate not exceeding maximum rates permitted by law.

Variable rate bonds have an assumed Standby Purchase Agreement (SBPA), which states that the issuer of the SBPA will purchase the bonds in the event the remarketing agent is unsuccessful in marketing the bonds. In this event, the interest rate paid by the University will be calculated using a defined rate from the SBPA. If the bonds remain unsold for a period of time, designated in the SBPA, they are deemed to be "bank bonds" and the University will be required to repurchase the bonds from the SBPA issuer.

Derivatives: The University follows GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. Derivatives are financial arrangements used to manage or hedge specific risks or to make investments. Changes in fair value for those derivative instruments that meet the criteria for hedging instruments under GASB Statement 53 are reported as deferred inflows and outflows of resources. Changes in fair value of investment derivative instruments, which are ineffective hedging instruments, are reported as a component of investment income.

The University has entered into interest rate swap agreements with rated swap counter parties in order to utilize synthetic fixed rate structures in order to generate cash flow savings and to hedge against interest rate risk. By entering into a swap agreement, the University hedges its interest rate exposure on the associated variable rate bonds. With the exception of two swaps that are considered investments, the swaps are considered hedging derivatives. Additional information about the swap agreements is provided in note 13.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the VEBA Trust and additions to/deductions from the VEBA Trust's fiduciary net position have been determined on the same basis as they are reported by the VEBA Trust. For this purpose, the VEBA Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Annual leave plan: Employees are allowed to accumulate 252 hours of annual leave. Upon separation from employment for reasons other than retirement, death, or involuntary separation, employees are paid for unused accrued annual leave, not to exceed 168 hours. Upon separation of employment for reasons of retirement, death, or involuntary separation, employees (or their estates in case of death) are paid for unused accrued annual leave, not to exceed 252 hours.

Sick leave plan: Prior to 1984, the University's sick leave plan placed no limitation on the number of hours an employee could accumulate. When the plan was revised, the existing accumulation of hours was placed into separate pools and employees may be paid 28.5% of the value of those hours upon retirement or death, not to exceed 1,040 hours. Also under the revised plan, employees hired prior to August 1, 2017 are entitled to receive cash payments, at a rate equal to 50% of the employee's hourly wage, for accumulated unused sick leave exceeding 600 hours for full-time employees, 450 hours for employees with a FTE between 0.75 and full-time, and 300 hours for employees with a FTE between 0.5 and 0.75, up to 120 hours per fiscal year. Upon retirement or death, employees are paid, at a rate equal to 50% of the employee's hourly wage, for accumulated unused sick leave exceeding 600 hours for full-time employees, 450 hours for employees with a FTE between 0.75 and full-time, and 300 hours for employees with a FTE between 0.5 and 0.75, not to exceed 440 hours.

Net position:

*Net investment in capital assets* represents the University's total investment in capital assets, net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Unspent bond proceeds for the University were \$44,538,192 and \$89,206,122 at June 30, 2019 and 2018, respectively. The Hospital and SRMC had no unspent bond proceeds at June 30, 2019 and 2018, respectively. Unamortized prepaid bond insurance for the University was \$237,160 and \$256,520 at June 30, 2019 and 2018, respectively.

*Restricted net position* represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. *Restricted expendable* net position is resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. *Restricted nonexpendable* net position consists of endowment and similar funds in which third parties 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. The income generated from the principal may be expended or added to principal.

*Unrestricted net position*, which may contain multiple year contractual commitments, consists of those operating funds over which the governing board retains full control to use in achieving any of its authorized purposes.

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

Revenues: Revenues are classified as operating or nonoperating according to the following criteria:

*Operating revenues* include activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances, b) patient services, c) sales and services, and d) contracts and grants.

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions, such as a) appropriations, b) gifts, c) investment income, and d) mill levy. These revenue streams are recognized under GASB

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Gifts are recognized when all applicable eligibility requirements have been met. Investment income is recognized in the period when it is earned. The mill levy is recognized in the period it is collected by the County.

Student tuition and fee revenues and auxiliary enterprises revenues from students are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprises charges, the University has recorded a scholarship allowance.

Net patient service revenues are recorded at the estimated net realizable amount due from patients, third-party payors, and others for services rendered, and a provision for doubtful accounts. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contractual adjustments resulting from agreements with various organizations to provide services for amounts that differ from billed charges, including services under Medicare, Medicaid, and certain managed care programs, are recorded as deductions from patient revenues. Accounts, when determined to be uncollectible, are charged against the allowance for doubtful accounts.

The clinical operations provide care to patients who meet certain criteria under its charity care policy without expectation of payment or at amounts less than established rates. The clinical operations do not pursue collection of amounts determined to qualify as charity care with the exception of copayments. Charity care is treated as a deduction from gross revenue.

Contract and grant revenues are recognized when all of the eligibility requirements have been met.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year and are available to the University in subsequent years according to House Bill 2, Appropriations Act, Section J, found on Page 186.

Unearned revenue consists primarily of advances from contracts and grants, prepayments of tuition and fees for the summer semester, and prepayments of tickets to public and athletic events.

Expenses: Expenses are classified as operating or nonoperating according to the following criteria:

*Operating expenses* include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense, b) scholarships and fellowships, net of scholarship discounts and allowances, c) utilities, supplies, and other services, d) professional fees, and e) depreciation expenses related to university property, plant, and equipment.

*Nonoperating expenses* include interest on capital asset-related debt and bond expenses that are defined as nonoperating expenses by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

### (D) *Changes in Accounting Policies and Statements*

In fiscal year 2018, the University adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Changes were applied retroactively by adjusting the financial statements for all prior periods presented. As a result of the implementation of GASB Statement 75, the University restated net position as of July 1, 2016. This restatement was a decrease of \$104,939,700 to unrestricted net position as of July 1, 2016. The implementation

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

resulted in the recognition of \$136,045,200 in net OPEB liability and \$7,467,800 in deferred outflows of resources at June 30, 2017 and \$130,887,500 in net OPEB liability, \$7,322,500 in deferred outflows of resources, and \$5,523,900 in deferred inflows of resources at June 30, 2018. This Statement also resulted in enhanced note disclosures (note 18) and schedules of required supplemental information (schedules 2 and 3) related to OPEB.

In fiscal year 2018, the University of New Mexico Foundation, a discretely presented component unit of the University, adopted GASB Statement 81, *Irrevocable Split-Interest Agreements*, which enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements. GASB Statement 81 requires recognition of assets, liabilities, and deferred inflows related to irrevocable split interest agreements at the inception of the agreement, if certain criteria are met. The Foundation applied GASB Statement 81 as an adjustment to beginning net position and did not retroactively apply GASB Statement 81 to other periods presented because sufficient information is not readily available to accurately adjust the prior period to conform to the Statement.

### (E) *Income Taxes*

As an instrumentality of the State of New Mexico, the income generated by the University in the exercise of its essential governmental functions is excluded from federal income tax under IRC Section 115. However, income generated from activities unrelated to the exempt purpose of the University would be subject to tax under IRC Section 511(a)(2)(B).

As part of a state institution of higher education, the income of the Hospital and BHO is generally excluded from federal and state income taxes under IRC Section 115. However, income generated from activities unrelated to these entities' exempt purpose is subject to income taxes under IRC Section 511(a)(2)(B).

STC.UNM, Innovate ABQ, Inc., Lobo Development Corporation, Lobo Energy, Inc., UNM Medical Group, Inc., and UNM Sandoval Regional Medical Center, Inc. are exempt from federal income tax on income related to their exempt purposes under Section 501(a) of the IRC as organizations described in Section 501(c)(3) of the IRC. The University of New Mexico Retiree Welfare Benefit Trust is exempt from federal income tax under Section 501(c)(9) of the IRC.

### (F) *Joint Powers Agreements*

- (1) The Regents of The University of New Mexico and the Board of County Commissioners of the County of Bernalillo entered into a lease agreement for operation and lease of county healthcare facilities, effective July 1, 1999, amended June 2004 and terminating June 20, 2040. The purpose of the agreement is to operate and maintain UNM Hospital and UNM Behavioral Health Operations in accordance with the provisions of the Hospital Funding Act for the term of the agreement. The agreement continues in force until rescinded or terminated by either party. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (2) The University has entered into Joint Powers Agreements with fifty-two (52) Municipal School Districts (the Districts) throughout the State of New Mexico. The University and the Districts have formed an organization for promoting their mutual educational purposes known as the New Mexico Research and Study Council (Council). The purpose of this agreement is to create a mechanism by which the Districts can jointly and cooperatively undertake any activities in their function of providing public educational services. The University has entered into this agreement in order to facilitate such joint activities. This agreement remains in force until terminated. The Council may be terminated by a two-thirds vote of all current parties. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (3) The Regents of the University of New Mexico, the Regents of New Mexico State University, and the Regents of the New Mexico Institute of Mining and Technology entered into an agreement to form the New Mexico University Research Consortium (NMURC) effective May 4, 2006. The purpose of the Research Consortium is to promote statewide cooperation in attracting research resources to New Mexico, managing them for the state's higher education research facilities, other New Mexico research facilities and for the benefit of New Mexico

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

economic development. The agreement continues in force indefinitely. Any party may choose to withdraw with 60 days' written notice. At such time, the remaining parties have 45 days to agree to maintain the NMURC or the Joint Powers Agreement will terminate on the date of withdrawal. Each party shall bear its own cost for participating in the NMURC and may elect to make contributions from its funds to or to make payments on behalf of the NMURC. The agreement does not create any obligation for the parties to transfer any funds to the NMURC. The parties shall ensure that all receipts and disbursements of the NMURC are subject to annual audit, either as part of the annual audit of one of the parties, or independently. There is no specific amount estimated since the agreement describes an ongoing relationship.

- (4) The University of New Mexico Natural Heritage Program (NHP) and the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) entered into a Joint Powers Agreement effective August 8, 2005, amended on April 28, 2008 and December 20, 2010. EMNRD's Rare and Endangered Plant Program often receives federal grants to develop projects that require botanical field research, greenhouse studies, and data management. NHP, as a branch of the UNM-Southwest Museum of Biology, maintains the only comprehensive database for New Mexico rare and endangered plant species and is capable of providing professional field and research assistance, greenhouse access, and data management. The purpose of the agreement is for administrative efficiency so that the projects can be carried out through a single program. The agreement continues indefinitely unless earlier terminated by one or both parties. The University of New Mexico Natural Heritage Program acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (5) The Regents of the University of New Mexico and the Board of Education of Albuquerque Public Schools, District No. 12 entered into a Joint Powers Agreement concerning the ownership and operation of an educational television facility known as KNME-TV with an effective date of September 16, 1968, amended April 1978. The purpose of the agreement is to make a useful and beneficial educational facility available to both parties over an extended period of time. The agreement continues for an indefinite term and may be terminated upon a) mutual agreement of the parties, b) continued inability of one party to perform its obligations, or c) inadequacy of the facility to fulfill the educational television needs of both parties accompanied by the expressed desire of either party to terminate. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.

### (G) *Reclassifications*

Certain 2018 amounts have been reclassified in order to be consistent with the 2019 presentation.

### (H) *Impact of Recently Issued Accounting Standards*

- (1) GASB Statement 84 – *Fiduciary Activities*. This Statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It describes four fiduciary funds that should be reported, if applicable: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB Statement 84 is effective for periods beginning after December 15, 2018 (fiscal year 2020), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 84 will have on its financial statements.
- (2) GASB Statement 87 – *Leases*. This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This Statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. GASB Statement 87 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 87 will have on its financial statements.

- (3) GASB Statement 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement 89 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 89 will have on its financial statements.
- (4) GASB Statement 90 – *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement 90 is effective for periods beginning after December 15, 2018 (fiscal year 2020), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 90 will have on its financial statements.
- (5) GASB Statement 91 – *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement 91 is effective for periods beginning after December 15, 2020 (fiscal year 2022), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 91 will have on its financial statements.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (3) Cash, Cash Equivalents, and Investments

#### (A) Cash and Cash Equivalents

The primary institution's cash accounts are held in demand and time deposits at various financial institutions and had carrying amounts totaling \$406,843,126 and \$387,744,262 at June 30, 2019, and 2018, respectively. New Mexico statutes require financial institutions to pledge qualifying collateral to the primary institution to cover at least 50% of uninsured deposits. All collateral is held by third parties in safekeeping. The primary institution is at risk to the extent that its funds are uninsured or uncollateralized. These amounts are invested in overnight sweep accounts and are collateralized at 102% of the invested balance. At June 30, 2019 and 2018, these funds were collateralized by government agency securities held in the primary institution's name, or a letter of credit (LOC) issued by the Federal Reserve. At June 30, 2019 and June 30, 2018, the total primary institution's deposits were fully insured and/or collateralized.

During FY19, the primary institution swept excess checking balances into overnight commercial paper issued by U.S. Bank. At June 30, 2019, this cash equivalent has a carrying amount of \$49,988,365 and is subject to custodial credit risk. Also, the University used an overnight Interest-Bearing cash sweep account to invest excess checking balances. At June 30, 2019 this cash equivalent has a carrying value of \$50,005,480 and is 100% FDIC insured. Therefore, it is not subject to custodial credit risk.

During FY18 and FY17, the primary institution invested bond proceeds to be used for future capital projects in a guaranteed investment contract held at another financial institution. This cash equivalent had a carrying amount of \$45,012,461 and \$82,046,235 at June 30, 2019 and 2018, respectively, and is subject to custodial credit risk.

A summary of cash and cash equivalents at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Demand and time deposits	\$ 351,905,702	\$ 332,146,922
Commercial paper	49,988,365	52,518,765
Guaranteed investment contracts	45,012,461	82,046,235
Money markets	7,132,532	6,234,499
VEBA Trust	710,720	781,944
Other (includes petty cash and component units' cash held by UNM)	(2,183,473)	(3,155,924)
	<u>\$ 452,566,307</u>	<u>\$ 470,572,441</u>

The discretely presented component units' cash accounts held in demand and time deposits at various institutions had carrying amounts totaling \$14,135,460 and \$16,024,002 at June 30, 2019 and 2018, respectively. Certain amounts are invested in overnight sweep accounts and are collateralized at various levels of the invested balance. At June 30, 2019 and 2018, these funds were collateralized by government-backed securities held in the component unit's name. At June 30, 2019 and June 30, 2018, the total discretely presented component units' public deposits were fully insured and/or collateralized.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (B) Investments

University investments are grouped into three major categories for financial reporting purposes: Temporary investments, the CIF, and other long-term investments. Temporary investments are primarily funds available for current operations. Under the University's investment policies, temporary investment funds may be invested in the following instruments:

- Money market funds
- Certificates of deposit (fully insured by the Federal Deposit Insurance Corporation [FDIC])
- Commercial paper
- Bankers' acceptances
- U.S. government agencies
- Corporate bonds (minimum BBB/Baa2 rating or better) per issue
- Industrial floaters
- U.S. Treasuries
- Municipal bonds — both taxable and tax-exempt (minimum A/A2 rating or better) per issue
- Global fixed-income securities: non-dollar denominated securities

Temporary investments also include unspent bond proceeds that are dedicated to various facilities construction projects on campus. Bond proceeds may be invested in all of the securities allowed for temporary funds, as well as Repurchase Agreements and Guaranteed Investment Contracts (GICs). Such construction projects are reported as capital assets in the accompanying statements of net position (note 6). The bond obligations are reported as bonds payable in the accompanying statements of net position (notes 12 and 13).

Long-term investments primarily consist of debt service, debt service reserve, and plant renewal and replacement funds. Bond obligations are reported as bonds payable in the accompanying statements of net position (notes 12 and 13).

The CIF is a unitized internal investment pool consisting of gifted endowment funds of the University and gifted endowment funds of the UNM Foundation. The CIF operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for an annual distribution. The investment of the CIF endowment funds is in accordance with the laws of 1991, chapter 69 of the State of New Mexico. In accordance with UNM and the Foundation's Memorandum, the endowment assets of UNM and the UNM Foundation are commingled for investment purposes, whenever possible, in the CIF. The investment of UNM and the UNM Foundation endowment funds is in accordance with Sections 6-8-10 and 46-9-12, NMSA 1978. At June 30, 2019 and 2018, UNM's portion of the CIF was \$230,020,678 and \$230,950,151, respectively.

### Consolidated Investment Fund

	<u>2019</u>	<u>2018</u>
Units:		
UNM Foundation	561,038	569,248
University of New Mexico	<u>561,401</u>	<u>587,175</u>
	<u>1,122,439</u>	<u>1,156,423</u>
Fair Value (in millions):		
UNM Foundation	\$ 229.9	\$ 223.9
University of New Mexico	<u>230.0</u>	<u>231.0</u>
	<u>\$ 459.9</u>	<u>\$ 454.9</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Total primary institution investments by type at June 30, 2019 and 2018 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments	VEBA Trust	Fair Value
<b>Primary Institution 2019</b>					
Money Market	\$ 10,798,324	\$ 5,890,138	\$ 31,828,256	\$ 357,435	\$ 48,874,153
Guaranteed Investment Contract	-	-	45,012,461	-	45,012,461
U S Government Agencies	77,234,609	-	3,415,440	-	80,650,049
Corporate Bonds/Notes	131,536,928	-	5,413,747	-	136,950,675
Municipal Bonds	7,689,699	-	734,241	-	8,423,940
Mutual Funds — Equity/Fixed	81,049	7,056,601	-	32,616,196	39,753,846
Mutual Funds — Closed-end Equity	364,803	110,795,078	-	2,673,895	113,833,776
Equity	-	-	35,070,488	-	35,070,488
Exchange-Traded Funds	315,939	-	3,597,979	-	3,913,918
Alternative Investments	-	336,150,533	-	982,290	337,132,823
U S Treasury Securities	207,007,050	-	17,737,880	-	224,744,930
	<u>435,028,401</u>	<u>459,892,350</u>	<u>142,810,492</u>	<u>36,629,816</u>	<u>1,074,361,059</u>
Guaranteed Investment Contract (cash equivalent)	-	-	(45,012,461)	-	(45,012,461)
University of New Mexico Foundation, Inc					
Investments held in Consolidated Investment Fund	-	(229,871,672)	-	-	(229,871,672)
<b>Total Investments</b>	<b>\$ 435,028,401</b>	<b>\$ 230,020,678</b>	<b>\$ 97,798,031</b>	<b>\$ 36,629,816</b>	<b>\$ 799,476,926</b>

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments	VEBA Trust	Fair Value
<b>Primary Institution 2018</b>					
Money Market	\$ 9,755,908	\$ 9,581,457	\$ 29,447,961	\$ 180,714	\$ 48,966,040
Certificate of Deposit	1,953,726	-	-	-	1,953,726
Guaranteed Investment Contract	-	-	82,046,235	-	82,046,235
U S Government Agencies	108,079,345	-	4,260,747	-	112,340,092
Corporate Bonds/Notes	118,219,198	-	22,731,427	-	140,950,625
Corporate Fixed Income	4,331,821	-	-	-	4,331,821
Municipal Bonds	7,308,490	-	519,145	-	7,827,635
Mutual Funds — Equity/Fixed	-	283,039,223	-	23,852,249	306,891,472
Mutual Funds — Closed-end Equity	-	-	-	4,486,636	4,486,636
Equity	1,291,422	-	23,884,634	-	25,176,056
Exchange-Traded Funds	1,909,616	5,130,101	276,387	-	7,316,104
Alternative Investments	-	157,105,934	453,353	1,502,257	159,061,544
U S Treasury Securities	161,459,660	-	9,281,207	-	170,740,867
	<u>414,309,186</u>	<u>454,856,715</u>	<u>172,901,096</u>	<u>30,021,856</u>	<u>1,072,088,853</u>
Guaranteed Investment Contract (cash equivalent)	-	-	(82,046,235)	-	(82,046,235)
University of New Mexico Foundation, Inc					
Investments held in Consolidated Investment Fund	-	(223,906,564)	-	-	(223,906,564)
<b>Total Investments</b>	<b>\$ 414,309,186</b>	<b>\$ 230,950,151</b>	<b>\$ 90,854,861</b>	<b>\$ 30,021,856</b>	<b>\$ 766,136,054</b>



# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Total discretely presented component unit investments by type at June 30, 2019 and 2018 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long- Term Investments	Fair Value
<b><i>Discretely Presented Component Units 2019</i></b>				
Money Market	\$ -	\$ 2,944,315	\$ -	\$ 2,944,315
U.S. Government Obligations	797,235	-	2,258,695	3,055,930
Mortgage-/Asset-Backed Bonds	829,174	-	-	829,174
Corporate Bonds/Notes	704,364	-	-	704,364
Municipal Bonds	-	-	3,249,509	3,249,509
Mutual Funds — Equity/Fixed	421,019	58,906,747	527,250	59,855,016
Mutual Funds — Closed End	1,412,093	-	-	1,412,093
Equity	6,573,026	-	567,095	7,140,121
Alternative Investments	476,891	168,020,809	55,887	168,553,587
<b>Total Investments</b>	<b>\$ 11,213,802</b>	<b>\$ 229,871,871</b>	<b>\$ 6,658,436</b>	<b>\$ 247,744,109</b>

	Temporary Investments	Consolidated Investment Fund	Other Long- Term Investments	Fair Value
<b><i>Discretely Presented Component Units 2018</i></b>				
Money Market	\$ 680,687	\$ 5,579,338	\$ 516,731	\$ 6,776,756
U.S. Government Obligations	1,513,777	-	-	1,513,777
Corporate Bonds/Notes	681,775	-	214,524	896,299
Municipal Bonds	-	-	3,061,292	3,061,292
Mutual Funds — Equity/Fixed	2,282,945	132,816,184	238,495	135,337,624
Mutual Funds — Closed End	125,642	-	-	125,642
Equity	4,751,458	-	-	4,751,458
Alternative Investments	443,633	85,214,712	-	85,658,345
<b>Total Investments</b>	<b>\$ 10,479,917</b>	<b>\$ 223,610,234</b>	<b>\$ 4,031,042</b>	<b>\$ 238,121,193</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

**Additional Risk Disclosures for Investments** – GASB Statements 3 and 40 require certain additional disclosures related to the risks of custodial credit, interest rates, credit, foreign currency, and concentration of credit associated with deposits and investments.

**Custodial Credit Risk** — Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Mutual funds and external investment pools are not exposed to custodial credit risk. The University does not have a policy concerning custodial credit risk on investments.

At June 30, 2019 and 2018, the primary institution had no exposure to custodial credit risk with the exception of the Guaranteed Investment Contracts as previously mentioned in the Cash and Cash Equivalents section. At June 30, 2019 and 2018, the discretely presented component units had exposure to custodial credit risk in the amounts of \$8,695,543.00 and \$10,195,108, respectively.

**Interest Rate Risk** — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does have policies to mitigate exposure to interest rate risk by prohibiting certain high-risk investments and investment practices and by establishing duration and maturity guidelines for investments. A summary of the investments at June 30, 2019 and 2018 and their exposure to interest rate risk are as follows:

<i>Primary Institution 2019</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1–5 Years	6–10 Years	Greater than 10 Years
<b>Items subject to interest rate risk:</b>					
Money Market	\$ 10,982,487	\$ 10,625,052	\$ -	\$ 357,435	\$ -
Guaranteed Investment Contract	45,012,461	26,819,163	18,193,298	-	-
U.S. Treasury Securities	224,744,930	61,717,823	163,027,107	-	-
U.S. Government Agencies	77,234,609	48,888,273	28,346,336	-	-
Corporate Bonds/Notes	136,950,675	40,331,581	96,619,094	-	-
Municipal Bonds	8,423,940	251,964	8,171,976	-	-
Mutual Funds — Fixed	11,659,336	-	-	11,659,336	-
	<u>\$ 515,008,438</u>	<u>\$ 188,633,856</u>	<u>\$ 314,357,811</u>	<u>\$ 12,016,771</u>	<u>\$ -</u>
<b>Items not subject to interest rate risk:</b>					
Money Market	\$ 37,891,666				
Mutual Funds — Equity/Fixed	141,928,286				
Equity	35,070,488				
Exchange-Traded Funds	3,913,918				
Alternative Investments	337,132,823				
U S Government Agencies	3,415,440				
	<u>\$ 559,352,621</u>				
Guaranteed Investment Contract (cash equivalent)	(45,012,461)				
University of New Mexico Foundation, Inc.					
Investments held in Consolidated Investment Fund	(229,871,672)				
<b>Total Investments</b>	<u><u>\$ 799,476,926</u></u>				

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

<i>Primary Institution 2018</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
<b>Items subject to interest rate risk:</b>					
Money Market	\$ 23,596,054	\$ 23,415,340	\$ -	\$ 180,714	\$ -
Guaranteed Investment Contract	82,046,235	21,658,297	60,387,938	-	-
U.S. Treasury Securities	170,740,867	24,534,685	146,206,182	-	-
U.S. Government Agencies	105,354,125	16,424,313	88,929,812	-	-
Corporate Bonds/Notes	140,950,625	41,104,931	99,845,694	-	-
Municipal Bonds	7,827,635	1,199,595	6,628,040	-	-
Mutual Funds — Fixed	8,824,932	-	-	8,824,932	-
	<u>\$ 539,340,473</u>	<u>\$ 128,337,161</u>	<u>\$ 401,997,666</u>	<u>\$ 9,005,646</u>	<u>\$ -</u>
<b>Items not subject to interest rate risk:</b>					
Money Market	\$ 25,369,986				
Mutual Funds — Equity/Fixed	302,553,176				
Equity	25,176,056				
Certificates of Deposit	1,953,726				
Exchange-Traded Funds	7,316,104				
Alternative Investments	159,061,544				
Corporate Fixed Income	4,331,821				
U S Government Agencies	6,985,967				
	<u>\$ 532,748,380</u>				
Guaranteed Investment Contract (cash equivalent)	(82,046,235)				
University of New Mexico Foundation, Inc					
Investments held in Consolidated Investment Fund	(223,906,564)				
<b>Total Investments</b>	<u><b>\$ 766,136,054</b></u>				

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

<i>Discretely Presented Component Units 2019</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
<b>Items subject to interest rate risk:</b>					
U.S. Government Securities	\$ 3,055,930	\$ 1,605,294	\$ 980,704	\$ 54,665	\$ 415,267
Alternative Investments	829,174	355	33,673	-	795,146
Corporate Bonds/Notes	704,364	19,406	211,632	303,355	169,971
Municipal Bonds	3,249,509	25,625	553,470	1,270,432	1,399,982
	<u>\$ 7,838,977</u>	<u>\$ 1,650,680</u>	<u>\$ 1,779,479</u>	<u>\$ 1,628,452</u>	<u>\$ 2,780,366</u>
<b>Items not subject to interest rate risk:</b>					
Money Market	\$ 2,944,315				
Mutual Funds — Equity/Fixed	61,267,109				
Equities	7,140,121				
Alternative Investments	168,553,587				
	<u>\$ 239,905,132</u>				
<b>Total Investments</b>	<b>\$ 247,744,109</b>				

<i>Discretely Presented Component Units 2018</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
<b>Items subject to interest rate risk:</b>					
U.S. Government Securities	\$ 1,513,777	\$ 956,908	\$ 556,869	\$ -	\$ -
Alternative Investments	443,633	443,633	-	-	-
Corporate Bonds/Notes	896,299	110,353	507,280	64,142	214,524
Municipal Bonds	3,061,292	-	-	-	3,061,292
Mutual Funds — Fixed	470,956	345,314	125,642	-	-
	<u>\$ 6,385,957</u>	<u>\$ 1,856,208</u>	<u>\$ 1,189,791</u>	<u>\$ 64,142</u>	<u>\$ 3,275,816</u>
<b>Items not subject to interest rate risk:</b>					
Money Market	\$ 6,776,756				
Mutual Funds — Equity/Fixed	134,992,310				
Equities	4,751,458				
Alternative Investments	85,214,712				
	<u>\$ 231,735,236</u>				
<b>Total Investments</b>	<b>\$ 238,121,193</b>				

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

**Credit Risk** — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information, as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk. The University does have a policy to limit its exposure to credit risk that states that investments should have an average credit quality of A1/A+ or better and security ratings of investment grade. A summary of the investments at June 30, 2019 and 2018 and their exposure to credit risk are as follows:

### Primary Institution 2019

#### Items subject to credit risk:

Credit Rating	Money Market	Guaranteed Investment Contract	U.S. Government Agencies	Corporate Bonds/Notes	Corporate Fixed Income	Municipal Bonds	Mutual Funds — Fixed	Fair Value
Moody's — Aaa	\$ 7,209,431	\$ -	\$ 77,234,609	\$ 2,294,577	\$ -	\$ -	\$ 3,217,425	\$ 89,956,042
Moody's — Aa1	-	-	-	3,012,150	-	862,925	-	3,875,075
Moody's — Aa2	-	-	-	4,456,204	-	2,888,853	-	7,345,057
Moody's — Aa3	-	-	-	3,631,952	-	766,110	-	4,398,062
Moody's — A1	-	-	-	3,739,910	-	-	-	3,739,910
Moody's — A2	-	-	-	4,290,859	-	-	-	4,290,859
Moody's — A3	-	-	-	4,971,091	-	-	-	4,971,091
Moody's — Baa1	-	-	-	4,092,113	-	-	-	4,092,113
Moody's — Baa2	-	-	-	14,175,540	-	-	-	14,175,540
Moody's — Baa3	-	-	-	1,023,511	-	-	-	1,023,511
S&P — AAA	-	-	-	3,016,584	-	-	-	3,016,584
S&P — AA+	-	-	3,415,440	-	-	330,241	-	3,745,681
S&P — AA-	-	-	-	13,893,941	-	1,125,608	-	15,019,549
S&P — AA	-	-	-	-	-	681,276	-	681,276
S&P — A+	-	-	-	20,675,840	-	-	-	20,675,840
S&P — A-	-	-	-	3,652,109	-	-	-	3,652,109
S&P — A	-	-	-	14,720,469	-	1,768,927	-	16,489,396
S&P — BBB	-	-	-	14,569,408	-	-	-	14,569,408
S&P — BBB+	-	-	-	20,326,006	-	-	-	20,326,006
Fitch — A	-	-	-	408,411	-	-	-	408,411
Not Rated	355,650	45,012,461	-	-	-	-	-	45,368,111
Total items subject to credit risk	\$ 7,565,081	\$ 45,012,461	\$ 80,650,049	\$ 136,950,675	\$ -	\$ 8,423,940	\$ 3,217,425	\$ 281,819,631

#### Items not subject to credit risk:

Money Market	\$ 41,309,072
U.S. Treasury Securities	224,744,930
Mutual Funds — Equity/Fixed	150,370,197
Equity	35,070,488
Exchange-Traded Funds	3,913,918
Alternative Investments	337,132,823
Total items not subject to credit risk	\$ 792,541,428
Guaranteed Investment Contract (cash equivalent)	(45,012,461)
University of New Mexico Foundation, Inc. Investments held in Consolidated Investment Fund	(229,871,672)
<b>Total Investments</b>	<b>\$ 799,476,926</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Primary Institution 2018

#### Items subject to credit risk:

Credit Rating	Money Market	Guaranteed Investment Contract	U.S. Government Agencies	Corporate Bonds/Notes	Corporate Fixed Income	Municipal Bonds	Mutual Funds — Fixed	Fair Value
Moody's — Aaa	\$ 977,198	\$ -	\$ 84,013,076	\$ 2,205,493	\$ 1,826,587	\$ -	\$ 2,997,802	\$ 92,020,156
Moody's — Aa1	-	-	-	-	-	838,431	-	838,431
Moody's — Aa2	-	-	-	6,810,408	-	1,801,046	-	8,611,454
Moody's — Aa3	-	-	-	4,115,044	-	579,414	-	4,694,458
Moody's — A1	-	-	-	3,861,764	-	-	-	3,861,764
Moody's — A2	-	-	-	3,928,023	-	-	-	3,928,023
Moody's — A3	-	-	-	3,251,803	-	-	-	3,251,803
Moody's — Baa1	-	-	-	3,037,695	-	-	-	3,037,695
Moody's — Baa2	-	-	-	17,681,211	-	-	-	17,681,211
Moody's — Baa3	-	-	-	1,168,560	-	-	-	1,168,560
S&P — AAA	-	-	-	2,205,493	-	-	-	2,205,493
S&P — AA+	-	-	22,728,400	-	-	838,431	-	23,566,831
S&P — AA-	-	-	-	14,950,967	-	1,905,192	-	16,856,159
S&P — AA	-	-	-	-	-	747,460	-	747,460
S&P — A+	-	-	-	20,235,597	-	-	-	20,235,597
S&P — A-	-	-	-	3,142,995	-	-	-	3,142,995
S&P — A	-	-	-	18,793,819	-	1,117,661	-	19,911,480
S&P — Baa1	-	-	-	993,125	-	-	-	993,125
S&P — BBB	-	-	-	12,081,669	-	-	-	12,081,669
S&P — BBB+	-	-	-	21,493,834	-	-	-	21,493,834
Fitch — AA+	-	-	5,598,616	-	-	-	-	5,598,616
Fitch — A	-	-	-	993,125	-	-	-	993,125
Not Rated	11,820	82,046,235	-	-	-	-	-	82,058,055
Total items subject to credit risk	\$ 989,018	\$ 82,046,235	\$ 112,340,092	\$ 140,950,625	\$ 1,826,587	\$ 7,827,635	\$ 2,997,802	\$ 348,977,994

#### Items not subject to credit risk:

Money Market	\$ 47,977,022
Certificate of Deposit	1,953,726
U.S. Treasury Securities	170,740,867
Mutual Funds — Equity/Fixed	308,380,306
Equity	25,176,056
Corporate Fixed Income	2,505,234
Exchange-Traded Funds	7,316,104
Alternative Investments	159,061,544
Total items not subject to credit risk	\$ 723,110,859
Guaranteed Investment Contract (cash equivalent)	(82,046,235)
University of New Mexico Foundation, Inc.	
Investments held in Consolidated Investment Fund	(223,906,564)
<b>Total Investments</b>	<b>\$ 766,136,054</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Discretely Presented Component Units 2019

#### Items subject to credit risk:

Credit Rating	U.S.		Alternative Investments	Mortgage-/Asset-Backed Bonds		Municipal Bonds	Fair Value
	Government Agencies	Corporate Bonds/Notes					
Moody's — Aaa	\$ 2,258,695	\$ -	\$ -	\$ -	\$ 544,125	\$ 2,802,820	
Moody's — Aa1	-	-	-	-	431,588	431,588	
Moody's — Aa2	-	-	-	-	630,790	630,790	
Moody's — Aa3	-	-	-	-	613,641	613,641	
Moody's — AA+	28,752	-	-	-	-	28,752	
Moody's — A1	-	-	-	-	35,322	35,322	
Moody's — Baa2	-	-	-	-	10,561	10,561	
S&P — AAA	-	89,590	-	27,086	-	116,676	
S&P — AA+	-	-	-	8,625	-	8,625	
S&P — AA-	-	57,083	-	-	-	57,083	
S&P — A-	-	150,116	-	-	-	150,116	
S&P — BBB+	-	373,501	-	-	-	373,501	
S&P — BBB	-	33,074	-	-	-	33,074	
Not Rated	-	1,000	-	793,463	983,482	1,777,945	
Total items subject to credit risk	\$ 2,287,447	\$ 704,364	\$ -	\$ 829,174	\$ 3,249,509	\$ 7,070,494	

#### Items not subject to credit risk:

Equities	\$ 6,573,026
U.S. Treasury Securities	768,483
Mutual Funds — Equity/Fixed	2,360,362
Equity	567,095
Marketable Alternatives	230,404,649
Total items not subject to credit risk	\$ 240,673,615
<b>Total Investments</b>	<b>\$ 247,744,109</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Discretely Presented Component Units 2018

#### Items subject to credit risk:

Credit Rating	U.S.		Alternative Investments	Mortgage-/Asset-Backed Bonds		Municipal Bonds	Fair Value
	Government Agencies	Corporate Bonds/Notes					
Moody's — Aaa	\$ 686,260	\$ 15,587	\$ -	\$ -	\$ 579,560	\$ 1,281,407	
Moody's — Aa1	-	-	-	-	346,351	346,351	
Moody's — Aa2	-	10,191	-	-	853,138	863,329	
Moody's — Aa3	-	17,012	-	-	300,012	317,024	
Moody's — AA+	827,517	-	-	-	-	827,517	
Moody's — A1	-	6,941	-	-	35,437	42,378	
Moody's — A2	-	20,641	-	-	30,128	50,769	
Moody's — A3	-	21,983	-	-	-	21,983	
Moody's — Baa1	-	34,153	-	-	-	34,153	
Moody's — Baa2	-	1,979	-	-	10,642	12,621	
Moody's — Baa3	-	1,986	-	-	-	1,986	
S&P — AAA	-	77,060	-	-	-	77,060	
S&P — AA	-	-	443,633	-	-	443,633	
S&P — A	-	43,812	-	-	-	43,812	
S&P — A+	-	40,763	-	-	-	40,763	
S&P — A-	-	121,270	-	-	-	121,270	
S&P — BBB+	-	224,896	-	-	-	224,896	
S&P — BBB	-	43,501	-	-	-	43,501	
Not Rated	-	-	-	-	906,024	906,024	
Total items subject to credit risk	\$ 1,513,777	\$ 681,775	\$ 443,633	\$ -	\$ 3,061,292	\$ 5,700,477	

#### Items not subject to credit risk:

Money Market Account	\$ 6,776,756
Corporate Bonds/Notes	214,524
Equities	4,751,458
Mutual Funds — Equity/Fixed	135,463,266
Marketable Alternatives	85,214,712
Total items not subject to credit risk	\$ 232,420,716
<b>Total Investments</b>	<b>\$ 238,121,193</b>

**Foreign Currency Risk** — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. In order to mitigate foreign currency risk, University policy allows for currency forwards to be implemented as a hedge to the global fixed income portfolio when deemed appropriate. In addition, University policy states that the portfolio will not invest more than 5% of the total market value of its investments (measured at the time of purchase) in the debt obligations of any single fixed income issuer; however, securities issued and guaranteed by Organization for Economic Cooperation and Development (OECD) nations may be held without limitation. At June 30, 2019 and 2018, the University had no investments subject to foreign currency risk.

**Concentration of Credit Risk** — Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The University does have a policy to limit its exposure to concentrated credit risk; the policy states that investments shall be diversified with the intent to minimize the risk of large investment losses. For the fiscal year ended June 30, 2019, the University had 4.19% of its investments in guaranteed investment contracts held at Bayern Landesbank.



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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

**Investment Income** — At June 30, 2019 and 2018, investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
<b>Primary Institution Investment Income</b>		
<i>Investment Revenue</i>		
Investment income	\$ 4,488,793	\$ 5,096,815
Land Grant Permanent Fund distributions	15,238,920	12,410,515
<i>Realized Gains (Losses)</i>		
Endowments — Consolidated Investment Fund	4,078,552	4,248,695
Nonendowment investments	262,543	136,137
<i>Unrealized Gains (Losses)</i>		
Endowments — Consolidated Investment Fund	10,448,931	13,110,460
Nonendowment investments	10,488,800	(5,769,513)
<b>Primary Institution Investment Income</b>	<b><u>\$ 45,006,539</u></b>	<b><u>\$ 29,233,109</u></b>
<b>Discretely Presented Component Units</b>		
<b>Investment Income</b>	<b><u>\$ 11,207,138</u></b>	<b><u>\$ 17,489,885</u></b>

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

**Fair Value Measurement** – The University and its component units categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- *Level 1* inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.
- *Level 2* inputs are inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- *Level 3* inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the University and its component units consider the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The investments valued using NAV include the following strategies:

- Multi-strategy hedge funds
- Event driven hedge funds
- Equity hedge funds
- Distressed/restructuring hedge funds
- Global macro hedge funds
- Systematic diversified risk hedge funds
- Private equity
- Illiquid real assets
- Mutual funds-fixed
- Mutual funds-equity

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

A summary of fair value measurements at June 30, 2019 and 2018 are as follows:

<i>Primary Institution 2019</i>	<b>Fair Value</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Investments held by the Primary Institution:</b>				
U.S. Treasury Securities	\$ 224,744,930	\$ 224,744,930	\$ -	\$ -
U.S. Government Agencies	80,650,049	-	80,650,049	-
Corporate Bonds/Notes	136,950,675	-	136,950,675	-
Municipal Bonds	8,423,940	-	8,423,940	-
Mutual Funds — Fixed	3,217,425	3,217,425	-	-
Mutual Funds — Equity	23,995,559	23,995,559	-	-
Equity	13,707,149	8,707,149	-	5,000,000
Exchange-Traded Funds	3,913,918	3,913,918	-	-
<b>Total</b>	<b>\$ 495,603,645</b>	<b>\$ 264,578,981</b>	<b>\$ 226,024,664</b>	<b>\$ 5,000,000</b>
	<b>Fair Value</b>	<b>Unfunded commitments</b>	<b>Redemption frequency (if currently eligible)</b>	<b>Redemption notice period</b>
<b>Investments measured at the NAV:</b>				
Marketable Alternatives	\$ 257,909,153	\$ -	Monthly/Quarterly/	2 to 90 days
Private Equity	59,491,810	24,397,204	-	-
Illiquid Funds	8,587,175	5,559,454	-	-
Real Estate funds	11,144,685	2,350,330	-	-
Mutual Funds — Fixed	15,579,561	-	-	1 to 30 days
Mutual Funds — Equity	110,795,077	-	-	1 to 2 days
<b>Total</b>	<b>\$ 463,507,461</b>	<b>\$ 32,306,988</b>		
<b>Investments measured at the amortized cost:</b>				
Guaranteed Investment Contract	\$ 45,012,461			
Money Market	48,874,153			
<b>Total</b>	<b>\$ 93,886,614</b>			
<b>Other:</b>				
Equity	\$ 21,363,339			
Guaranteed Investment Contract (cash equivalent)	(45,012,461)			
University of New Mexico Foundation, Inc.				
Investments held in Consolidated Investment Fund	(229,871,672)			
<b>Total Investments</b>	<b>\$ 799,476,926</b>			

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

<i>Primary Institution 2018</i>	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments held by the Primary Institution:</b>				
Certificates of Deposit	\$ 1,953,726	\$ -	\$ 1,953,726	\$ -
U.S. Treasury Securities	170,740,867	170,740,867	-	-
U.S. Government Agencies	112,340,092	-	112,340,092	-
Corporate Bonds/Notes	140,950,625	-	140,950,625	-
Municipal Bonds	7,827,635	-	7,827,635	-
Mutual Funds — Fixed	67,065,866	67,065,866	-	-
Mutual Funds — Equity	19,515,424	19,515,424	-	-
Equity	6,291,422	1,291,422	-	5,000,000
Exchange-Traded Funds	7,316,104	7,316,104	-	-
<b>Total</b>	<b>\$ 534,001,761</b>	<b>\$ 265,929,683</b>	<b>\$ 263,072,078</b>	<b>\$ 5,000,000</b>
	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<b>Investments measured at the NAV:</b>				
Marketable Alternatives	\$ 91,094,074	\$ -	Monthly/Quarterly/	2 to 90 days
Private Equity	46,832,997	23,946,795	-	-
Illiquid Funds	10,138,537	3,175,761	-	-
Real Estate funds	10,995,936	289,027	-	-
Mutual Funds — Fixed	26,870,940	-	-	1 to 30 days
Mutual Funds — Equity	197,925,878	-	-	1 to 2 days
<b>Total</b>	<b>\$ 383,858,362</b>	<b>\$ 27,411,583</b>		
<b>Investments measured at the amortized cost:</b>				
Guaranteed Investment Contract	\$ 82,046,235			
Corporate Fixed Income	4,331,821			
Money Market	48,966,040			
<b>Total</b>	<b>\$ 135,344,096</b>			
<b>Other:</b>				
Equity	\$ 18,884,634			
Guaranteed Investment Contract (cash equivalent)	(82,046,235)			
University of New Mexico Foundation, Inc.				
Investments held in Consolidated Investment Fund	(223,906,564)			
<b>Total Investments</b>	<b>\$ 766,136,054</b>			

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

<i>Discretely Presented Component Units 2019</i>	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Beneficial interest in irrevocable split interest agreements</b>	\$ 20,998,761	\$ -	\$ 20,998,761	\$ -
<b>Investments held by the Component Units:</b>				
Government Securities - Treasuries	\$ 797,235	\$ -	\$ 797,235	\$ -
Corporate Bonds/Notes	704,364	-	704,364	-
Municipal Bonds	3,249,509	-	3,249,509	-
Mutual Funds	1,833,112	1,833,112	-	-
Mutual Funds — Fixed	23,116,362	22,815,360	301,002	-
Mutual Funds — Equity	2,484,943	2,484,943	-	-
Equity	7,140,121	7,140,121	-	-
Exchange-Traded Funds	2,135,689	2,135,689	-	-
Real Estate	20,875	-	20,875	-
Mortgage-/Asset-Backed Bonds	829,174	-	829,174	-
Alternative Investments	35,012	-	35,012	-
<b>Total</b>	<b>\$ 42,346,396</b>	<b>\$ 36,409,225</b>	<b>\$ 5,937,171</b>	<b>\$ -</b>
<b>Investments measured at the NAV:</b>				
Marketable Alternatives	\$ 44,953,453	\$ -	Redemption frequency (if currently eligible)	Redemption notice period
Private Equity	29,736,267	24,397,204	Monthly/Quarterly/	2 to 90 days
Illiquid Real Asset Funds	4,292,196	5,559,454	-	-
Real Estate funds	5,570,537	2,350,330	-	-
Mutual Funds — Fixed	11,219,431	-	Daily-monthly	1 to 30 days
Mutual Funds — Equity	106,681,713	-	Daily	1 to 2 days
<b>Total</b>	<b>\$ 202,453,597</b>	<b>\$ 32,306,988</b>		
<b>Investments measured at the amortized cost:</b>				
Money Market	\$ 2,944,116			
<b>Total</b>	<b>\$ 2,944,116</b>			
<b>Total Investments</b>	<b>\$ 247,744,109</b>			

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

<i>Discretely Presented Component Units 2018</i>	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Beneficial interest in irrevocable split interest agreements</b>	\$ 21,070,244	\$ -	\$ 21,070,244	\$ -
<b>Investments held by the Component Units:</b>				
Government Securities - Treasuries	\$ 686,260	\$ -	\$ 686,260	\$ -
U.S. Government Agencies	827,517	-	827,517	-
Corporate Bonds/Notes	896,299	-	896,299	-
Municipal Bonds	3,061,292	-	3,061,292	-
Mutual Funds	125,642	-	125,642	-
Mutual Funds — Fixed	1,675,735	1,675,735	-	-
Mutual Funds — Equity	881,711	881,711	-	-
Equity	4,751,458	4,751,458	-	-
Alternative Investments	443,633	-	443,633	-
Money Market	24,204	24,204	-	-
<b>Total</b>	<b>\$ 13,373,751</b>	<b>\$ 7,333,108</b>	<b>\$ 6,040,643</b>	<b>\$ -</b>
	<b>Fair Value</b>	<b>Unfunded commitments</b>	<b>Redemption frequency (if currently eligible)</b>	<b>Redemption notice period</b>
<b>Investments measured at the NAV:</b>				
Marketable Alternatives	\$ 38,956,662	\$ -	Monthly/Quarterly/	2 to 90 days
Private Equity	32,380,695	23,219,367	-	-
Illiquid Real Asset Funds	7,475,689	3,078,905	-	-
Real Estate funds	6,401,666	280,212	-	-
Mutual Funds — Fixed	21,443,803	-	Daily-monthly	1 to 30 days
Mutual Funds — Equity	111,336,375	-	Daily	1 to 2 days
<b>Total</b>	<b>\$ 217,994,890</b>	<b>\$ 26,578,484</b>		
<b>Investments measured at the amortized cost:</b>				
Money Market	\$ 6,752,552			
<b>Total</b>	<b>\$ 6,752,552</b>			
<b>Total Investments</b>	<b>\$ 238,121,193</b>			

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (4) Accounts Receivable, Patient Receivables, and Other Receivables

Accounts receivable and patient receivables are shown net of allowances for doubtful accounts in the accompanying statements of net position. At June 30, 2019 and 2018, receivables consisted of the following:

	<u>2019</u>	<u>2018</u>
<b>Accounts receivable, net</b>		
Primary Institution:		
Contracts and grants	\$ 37,485,750	\$ 39,222,659
Tuition and fees	16,298,281	16,735,524
Auxiliaries	9,987,958	11,232,768
Sales and services	7,472,490	7,768,537
State of New Mexico bonds	351,453	2,184,441
HSC health services	3,562,784	1,813,076
Other	2,505,418	2,010,713
Total accounts receivable	<u>\$ 77,664,134</u>	<u>\$ 80,967,718</u>
Less: Allowance for doubtful accounts	<u>(22,567,954)</u>	<u>(22,360,044)</u>
Total accounts receivable, net	<u>\$ 55,096,180</u>	<u>\$ 58,607,674</u>
Discretely Presented Component Units	<u>\$ 1,710,455</u>	<u>\$ 1,548,138</u>
<b>Patient receivables, net</b>		
Primary Institution:		
Patient receivables	\$ 494,188,215	\$ 504,496,955
Less: Allowance for doubtful accounts and contractual adjustments	<u>(309,090,743)</u>	<u>(343,373,767)</u>
Total patient receivables, net	<u>\$ 185,097,472</u>	<u>\$ 161,123,188</u>
<b>Other receivables</b>		
Primary Institution:		
Interest receivable	\$ 2,112,696	\$ 1,896,116
Bernalillo County mill levy	1,516,742	1,535,989
Other receivables	5,025,655	6,715,609
Total other receivables	<u>\$ 8,655,093</u>	<u>\$ 10,147,714</u>

### (5) Notes Receivable

At June 30, 2019 and 2018, notes receivable consisted of the following:

	<u>2019</u>	<u>2018</u>
Primary Institution:		
Student loans, current	\$ 3,053,160	\$ 6,234,134
Student loans, noncurrent	6,128,611	7,494,165
Total notes receivable	<u>\$ 9,181,771</u>	<u>\$ 13,728,299</u>

Federal Perkins Loans make up approximately 60% and 51% of the student loans at June 30, 2019 and 2018, respectively. Under this program, the federal government provides funds for approximately 75% of the total contribution for student loans, with the University providing the remaining balance. Under certain conditions, such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University 10% for the amounts canceled on loans originated prior to July 1, 1993 under the Federal Perkins Loan Program. Under federal law, the authority for schools to make new Perkins Loans ended September 30, 2017, and final disbursements were permitted through June 30, 2018. As a result, students can no longer receive Perkins Loans.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (6) Capital Assets

	Year Ended June 30, 2019				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
<b>Primary Institution:</b>					
Capital assets not being depreciated					
Land	\$ 58,575,602	\$ -	\$ -	\$ -	\$ 58,575,602
Construction in progress	66,177,055	86,223,958	(43,006,342)	-	109,394,671
Fabricated equipment in progress	102,853	539,720	(15,716)	-	626,857
Total capital assets not being depreciated	<u>\$ 124,855,510</u>	<u>\$ 86,763,678</u>	<u>\$ (43,022,058)</u>	<u>\$ -</u>	<u>\$ 168,597,130</u>
Depreciable capital assets					
Land improvements	\$ 80,015,345	\$ 51,507	\$ 3,806,033	\$ -	\$ 83,872,885
Infrastructure	180,130,305	-	698,859	-	180,829,164
Buildings	1,564,350,058	-	30,938,918	(756,533)	1,594,532,443
Equipment and furnishings	691,026,580	40,417,802	7,578,248	(33,182,086)	705,840,544
Library books	187,781,522	5,448,071	-	-	193,229,593
Total depreciable capital assets	<u>\$ 2,703,303,810</u>	<u>\$ 45,917,380</u>	<u>\$ 43,022,058</u>	<u>\$ (33,938,619)</u>	<u>\$ 2,758,304,629</u>
Less: Accumulated depreciation for					
Land improvements	\$ (55,590,869)	\$ (2,775,490)	\$ -	\$ -	\$ (58,366,359)
Infrastructure	(115,137,761)	(8,091,065)	-	-	(123,228,826)
Buildings	(663,071,056)	(42,467,237)	-	709,798	(704,828,495)
Equipment and furnishings	(517,269,692)	(44,261,761)	-	32,543,345	(528,988,108)
Library books	(175,575,411)	(6,018,088)	-	-	(181,593,499)
Total accumulated depreciation	<u>\$ (1,526,644,789)</u>	<u>\$ (103,613,641)</u>	<u>\$ -</u>	<u>\$ 33,253,143</u>	<u>\$ (1,597,005,287)</u>
Total depreciable capital assets, net	<u>\$ 1,176,659,021</u>	<u>\$ (57,696,261)</u>	<u>\$ 43,022,058</u>	<u>\$ (685,476)</u>	<u>\$ 1,161,299,342</u>
Capital asset summary					
Capital assets not being depreciated	\$ 124,855,510	\$ 86,763,678	\$ (43,022,058)	\$ -	\$ 168,597,130
Depreciable capital assets at cost	2,703,303,810	45,917,380	43,022,058	(33,938,619)	2,758,304,629
Total cost of capital assets	<u>\$ 2,828,159,320</u>	<u>\$ 132,681,058</u>	<u>\$ -</u>	<u>\$ (33,938,619)</u>	<u>\$ 2,926,901,759</u>
Less: Accumulated depreciation	(1,526,644,789)	(103,613,641)	-	33,253,143	(1,597,005,287)
Capital assets, net	<u>\$ 1,301,514,531</u>	<u>\$ 29,067,417</u>	<u>\$ -</u>	<u>\$ (685,476)</u>	<u>\$ 1,329,896,472</u>
<b>Discretely Presented Component Units:</b>					
Capital assets, net	<u>\$ 19,262</u>	<u>\$ (19,262)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The University capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the years ended June 30, 2019 and 2018, the University capitalized interest expense of \$2,787,875 and \$477,146, respectively.



# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

	Year Ended June 30, 2018				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
<b>Primary Institution:</b>					
Capital assets not being depreciated					
Land	\$ 58,283,473	\$ 292,129	\$ -	\$ -	\$ 58,575,602
Construction in progress	75,912,583	64,903,233	(74,638,761)	-	66,177,055
Fabricated equipment in-progress	1,126,085	61,458	(1,084,690)	-	102,853
Total capital assets not being depreciated	<u>\$ 135,322,141</u>	<u>\$ 65,256,820</u>	<u>\$ (75,723,451)</u>	<u>\$ -</u>	<u>\$ 124,855,510</u>
Depreciable capital assets					
Land improvements	\$ 79,992,949	\$ 84,452	\$ 31,518	\$ (93,574)	\$ 80,015,345
Infrastructure	180,130,305	-	-	-	180,130,305
Buildings	1,493,697,159	-	71,422,878	(769,979)	1,564,350,058
Equipment and furnishings	695,979,607	29,727,266	4,269,055	(38,949,348)	691,026,580
Library books	181,410,711	6,370,811	-	-	187,781,522
Total depreciable capital assets	<u>\$ 2,631,210,731</u>	<u>\$ 36,182,529</u>	<u>\$ 75,723,451</u>	<u>\$ (39,812,901)</u>	<u>\$ 2,703,303,810</u>
Less: Accumulated depreciation for					
Land improvements	\$ (53,053,156)	\$ (2,627,783)	\$ -	\$ 90,070	\$ (55,590,869)
Infrastructure	(107,002,026)	(8,135,735)	-	-	(115,137,761)
Buildings	(621,679,461)	(42,100,939)	-	709,344	(663,071,056)
Equipment and furnishings	(512,372,241)	(43,561,892)	-	38,664,441	(517,269,692)
Library books	(169,395,633)	(6,179,778)	-	-	(175,575,411)
Total accumulated depreciation	<u>\$ (1,463,502,517)</u>	<u>\$ (102,606,127)</u>	<u>\$ -</u>	<u>\$ 39,463,855</u>	<u>\$ (1,526,644,789)</u>
Total depreciable capital assets, net	<u>\$ 1,167,708,214</u>	<u>\$ (66,423,598)</u>	<u>\$ 75,723,451</u>	<u>\$ (349,046)</u>	<u>\$ 1,176,659,021</u>
Capital asset summary					
Capital assets not being depreciated	\$ 135,322,141	\$ 65,256,820	\$ (75,723,451)	\$ -	\$ 124,855,510
Depreciable capital assets at cost	2,631,210,731	36,182,529	75,723,451	(39,812,901)	2,703,303,810
Total cost of capital assets	<u>\$ 2,766,532,872</u>	<u>\$ 101,439,349</u>	<u>\$ -</u>	<u>\$ (39,812,901)</u>	<u>\$ 2,828,159,320</u>
Less: Accumulated depreciation	(1,463,502,517)	(102,606,127)	-	39,463,855	(1,526,644,789)
Capital assets, net	<u>\$ 1,303,030,355</u>	<u>\$ (1,166,778)</u>	<u>\$ -</u>	<u>\$ (349,046)</u>	<u>\$ 1,301,514,531</u>
<b>Discretely Presented Component Units:</b>					
Capital assets, net	<u>\$ 38,525</u>	<u>\$ (19,263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,262</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (7) Other Assets – Current and Noncurrent

At June 30, 2019 and 2018, other assets consisted of the following:

	<u>2019</u>	<u>2018</u>
<b>Other current assets</b>		
Primary Institution:		
Prepaid expenses	\$ 15,476,722	\$ 16,089,382
Broadcast rights	913,037	868,954
Other	1,489,395	676,432
Total other current assets	<u>\$ 17,879,154</u>	<u>\$ 17,634,768</u>
Discretely Presented Component Units	<u>\$ 441,271</u>	<u>\$ 374,290</u>
<b>Other noncurrent assets</b>		
Primary Institution:		
Investment in Lovelace UNM Rehab Hospital	\$ 9,235,167	\$ 6,453,563
Art and special collections	6,003,885	6,003,885
Partnership interests	717,462	431,191
Prepaid expenses	291,430	350,640
Other	1,679,834	787,977
Total other noncurrent assets	<u>\$ 17,927,778</u>	<u>\$ 14,027,256</u>
Discretely Presented Component Units	<u>\$ 5,737,691</u>	<u>\$ 5,769,597</u>

### (8) Accounts Payable and Accrued Payroll

At June 30, 2019 and 2018, accounts payable and accrued payroll consisted of the following:

	<u>2019</u>	<u>2018</u>
Primary Institution:		
Trade payables	\$ 92,217,610	\$ 95,336,110
Accrued payroll	65,083,647	62,755,228
Self-insurance reserve	18,604,733	23,445,356
Total accounts payable and accrued payroll	<u>\$175,905,990</u>	<u>\$181,536,694</u>
Discretely Presented Component Units	<u>\$ 2,154,455</u>	<u>\$ 2,107,169</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (9) Accrued Compensated Absences

During the years ended June 30, 2019 and 2018, the following changes occurred in accrued compensated absences for the primary institution:

Fiscal Year	Balance July 1	Additions	Deductions	Balance June 30
2019	\$57,407,615	\$63,352,170	\$ (63,157,384)	\$ 57,602,401
2018	55,744,653	62,397,692	(60,734,730)	57,407,615

The portion of accrued compensated absences due after one year is not material and, therefore, is not presented separately.

### (10) Other Accrued Liabilities — Current

At June 30, 2019 and 2018, other accrued liabilities consisted of the following:

	2019	2018
Primary Institution:		
Legal settlement	\$ 38,000,000	\$ -
Bond interest	4,026,427	4,195,627
Unsettled transactions	2,477,487	-
Royalty sharing	1,036,260	1,056,099
Other	6,087,215	5,544,885
Total other accrued liabilities, current	\$ 51,627,389	\$ 10,796,611
Discretely Presented Component Units	\$ 1,582,758	\$ 1,314,143

### (11) Unearned Revenue

At June 30, 2019 and 2018, unearned revenue consisted of the following:

	2019	2018
Primary Institution:		
Contracts and grants	\$ 29,124,378	\$ 25,270,843
Prepaid tuition and fees	6,386,818	8,552,706
Gifts	6,357,156	6,224,389
Prepaid auxiliary operations sales	3,593,786	5,363,928
Sales and services	722,715	874,156
Other	922	922
Total unearned revenue	\$ 46,185,775	\$ 46,286,944
Discretely Presented Component Units	\$ 693,203	\$ 666,760

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (12) Noncurrent Liabilities

At June 30, 2019 and 2018, noncurrent liabilities consisted of the following:

	Year Ended June 30, 2019					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution:						
Bonds payable	\$ 661,242,463	\$ -	\$ (31,460,907)	\$ 629,781,556	\$ 29,820,000	\$ 599,961,556
Long-term debt	5,150,676	-	(1,108,533)	4,042,143	1,137,372	2,904,771
Student loan programs	11,824,236	572,841	(681,137)	11,715,940	-	11,715,940
Derivative instruments — interest rate swaps	5,779,421	1,406,452	-	7,185,873	-	7,185,873
Net pension liability	1,885,441,562	354,471,333	(219,060,318)	2,020,852,577	-	2,020,852,577
Net OPEB liability	130,887,500	7,011,200	(12,414,800)	125,483,900	-	125,483,900
Other	249,281	-	(15,018)	234,263	-	234,263
Total	<u>\$ 2,700,575,139</u>	<u>\$ 363,461,826</u>	<u>\$ (264,740,713)</u>	<u>\$ 2,799,296,252</u>	<u>\$ 30,957,372</u>	<u>\$ 2,768,338,880</u>
Discretely Presented Component Units:						
Due to University of New Mexico	\$ 11,674,213	\$ 8,247,725	\$ (7,805,415)	\$ 12,116,523	\$ 8,063,862	\$ 4,052,661
Other	1,955,131	105,600	-	2,060,731	-	2,060,731
Total	<u>\$ 13,629,344</u>	<u>\$ 8,353,325</u>	<u>\$ (7,805,415)</u>	<u>\$ 14,177,254</u>	<u>\$ 8,063,862</u>	<u>\$ 6,113,392</u>
As Adjusted Year Ended June 30, 2018						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution:						
Bonds payable	\$ 691,052,969	\$ -	\$ (29,810,506)	\$ 661,242,463	\$ 28,241,811	\$ 633,000,652
Long-term debt	6,232,025	-	(1,081,349)	5,150,676	1,111,113	4,039,563
Student loan programs	11,964,382	398,844	(538,990)	11,824,236	-	11,824,236
Derivative instruments — interest rate swaps	8,604,249	-	(2,824,828)	5,779,421	-	5,779,421
Net pension liability	1,193,850,905	849,411,768	(157,821,111)	1,885,441,562	-	1,885,441,562
Net OPEB liability	136,045,200	7,834,000	(12,991,700)	130,887,500	-	130,887,500
Other	221,190	28,091	-	249,281	-	249,281
Total	<u>\$ 2,047,970,920</u>	<u>\$ 857,672,703</u>	<u>\$ (205,068,484)</u>	<u>\$ 2,700,575,139</u>	<u>\$ 29,352,924</u>	<u>\$ 2,671,222,215</u>
Discretely Presented Component Units:						
Due to University of New Mexico	\$ 11,865,408	\$ 7,019,980	\$ (7,211,175)	\$ 11,674,213	\$ 7,805,415	\$ 3,868,798
Other	1,881,966	73,165	-	1,955,131	-	1,955,131
Total	<u>\$ 13,747,374</u>	<u>\$ 7,093,145</u>	<u>\$ (7,211,175)</u>	<u>\$ 13,629,344</u>	<u>\$ 7,805,415</u>	<u>\$ 5,823,929</u>

A promissory note payable to UNM from Lobo Development Corporation, a blended component unit of the University, was issued on April 1, 2013 and is eliminated from the basic financial statements. A Loan Revision Agreement was issued on January 1, 2016 to reduce the principal due to a transfer of one of the three buildings to UNM. Principal and interest payments are due monthly on the first day of each month. This note bears interest at 3% and, as of June 30, 2019, was set to mature on May 1, 2020. Subsequent to fiscal year-end, the board of directors approved a "Second Loan Revision Agreement" to extend the term of the loan to May 1, 2027. The outstanding principal balance at June 30, 2019 was \$13,912,764, of which \$405,971 is due within one year.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (13) Bonds Payable

#### (A) University

The University pledges substantially all unrestricted revenues, excluding state appropriations, to satisfy its bond obligations. Pledged revenues for the University were \$497,080,028 and \$492,444,315 as of June 30, 2019 and 2018 (see Schedule 23).

At June 30, 2019 and 2018, bonds payable for the University consisted of the following:

	<u>2019</u>	<u>2018</u>
Subordinate Lien System Improvement Revenue Bonds	\$ 39,910,000	\$ 40,585,000
Series 2017 with interest ranging from 3.25% to 5.0% – final maturity 2047		
Subordinate Lien System Refunding & Improvement Revenue Bonds	155,415,000	156,445,000
Series 2016A with interest ranging from 2.0% to 5.0% – final maturity 2046		
Subordinate Lien System Refunding & Improvement Revenue Bonds	6,030,000	6,955,000
Series 2016B with interest ranging from 0.72% to 2.48% – final maturity 2024		
Subordinate Lien System Improvement Revenue Bonds	3,695,000	3,695,000
Series 2014A with interest ranging from 3.0% to 5.0% – final maturity 2033		
Subordinate Lien System Improvement Revenue Bonds	1,885,000	2,265,000
Series 2014B with interest ranging from 0.496% to 3.28% – final maturity 2024		
Subordinate Lien System Improvement Revenue Bonds	89,435,000	92,265,000
Series 2014C with interest ranging from 1.5% to 5.0% – final maturity 2035		
Subordinate Lien System Improvement Revenue Bonds	24,590,000	26,190,000
Series 2012 with interest ranging from 2.0% to 5.0% – final maturity 2032		
Subordinate Lien System Improvement Revenue Bonds	-	1,490,000
Series 2007 A&B with interest ranging from 4.0% to 5.95% – final maturity 2036		
Subordinate Lien System Refunding Revenue Bonds	13,405,000	14,805,000
Series 2002B (Variable) with a synthetic fixed interest rate of 3.83% achieved through an interest rate exchange agreement – final maturity 2026		
Subordinate Lien System Refunding Revenue Bonds	28,845,000	30,445,000
Series 2002C (Variable) with a synthetic fixed interest rate of 3.94% achieved through an interest rate exchange agreement – final maturity 2030		
Subordinate Lien System Improvement Revenue Bonds	21,355,000	23,925,000
Series 2001 Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2019 was 1.90% Ceiling of 12% – final maturity 2026		
System Revenue Bonds	-	181,811
Series 2000A with interest ranging from 5.5% to 6.35% – final maturity 2019		
System Revenue Refunding Bonds	3,120,000	7,090,000
Series 1992A with interest ranging from 5.60% to 6.25% – final maturity 2021		
	<u>\$ 387,685,000</u>	<u>\$ 406,336,811</u>
Add: Bond premiums	32,621,556	35,842,538
Less: Bond discounts	-	(1,886)
Current portion of bonds payable	(19,930,000)	(18,651,811)
Noncurrent bonds payable	<u>\$ 400,376,556</u>	<u>\$ 423,525,652</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Future debt service for the University as of June 30, 2019 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2020	\$ 19,930,000	\$ 16,760,213	\$ 36,690,213
2021	20,800,000	15,897,690	36,697,690
2022	21,440,000	14,984,722	36,424,722
2023	22,395,000	14,028,274	36,423,274
2024	22,950,000	13,023,979	35,973,979
2025–2029	112,225,000	49,821,458	162,046,458
2030–2034	93,400,000	29,030,068	122,430,068
2035–2039	39,625,000	11,753,476	51,378,476
2040–2044	22,110,000	5,962,450	28,072,450
2045–2047	12,810,000	1,072,400	13,882,400
	<u>\$ 387,685,000</u>	<u>\$ 172,334,730</u>	<u>\$ 560,019,730</u>

### Defeased Bonds:

The University has defeased certain System Revenue Bonds as follows:

On October 1, 1992, the University defeased \$3,095,000 of the 1986A series, \$24,765,000 of the 1989 series, and \$4,825,000 of the 1991 series. Sinking fund moneys in the amount of \$36,650,538 from the 1992A Refunding Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments. The refunding resulted in debt service savings to the University. The remaining principal outstanding in the escrow account at June 30, 2019 was \$3,315,000.

On March 1, 2016, the University defeased \$113,375,000 of the 2007A tax-exempt series revenue bonds. An escrow account was funded in the amount of \$120,925,885 from the 2016A Refunding and Improvement Revenue Bonds, and that amount was placed in an irrevocable trust to provide for all future debt service payments. The refunding resulted in debt service savings to the University. There is no remaining principal outstanding in the escrow account at June 30, 2019.

On March 1, 2016, the University defeased \$7,480,000 of the 2007B taxable series revenue bonds. An escrow account was funded in the amount of \$8,087,834 from the 2016B Refunding and Improvement Revenue Bonds, and that amount was placed in an irrevocable trust to provide for all future debt service payments. There is no remaining principal outstanding in the escrow account at June 30, 2019.

The liability for defeased bonds and the related assets held in trust are not included in the accompanying basic financial statements since the University has satisfied its obligation for payment of the defeased bonds.

### Standby Purchase Agreements:

A SBPA provides liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. Liquidity fees for the years ended June 30, 2019 and 2018 were as follows:

	2001	2002B	2002C	Total
<b>FY19</b>	<u>\$ 89,461</u>	<u>\$ 55,414</u>	<u>\$ 114,323</u>	<u>\$ 259,198</u>
<b>FY18</b>	<u>\$ 88,759</u>	<u>\$ 53,501</u>	<u>\$ 107,043</u>	<u>\$ 249,303</u>

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

An agreement with U.S. Bank was entered into on December 31, 2014 for a three-year term expiring December 29, 2017. The University has entered into negotiations with U.S. Bank for a possible three-year extension of the agreement ending December 29, 2020. A schedule including the provider and maturities is presented below, as of June 30, 2019:

<b>U.S. Bank</b>				
<b>Liquidity Expiration</b>	<b>Series 2001</b>	<b>Series 2002B</b>	<b>Series 2002C</b>	<b>Grand Total</b>
<u>12/29/2019</u>	<u>\$ 21,355,000</u>	<u>\$ 13,405,000</u>	<u>\$ 28,845,000</u>	<u>\$ 63,605,000</u>

The following provides the terms of the debt service requirements that would result if the SBPA commitments were to be exercised (bank bond rate, accelerated payment schedule, and lien):

- (1) Bank Rate: means, a rate per annum equal to (i) the period from and including the purchase date of such bank bond to and including the 30<sup>th</sup> day following such purchase date, the sum of 2% plus the base rate for such day, (ii) for the period from and including the 31<sup>st</sup> day immediately following the related purchase date to and including the 120<sup>th</sup> day following the related purchase date, the sum of 2.5% plus the base rate for such day, and (iii) the period from and after the 121<sup>st</sup> day immediately following the related purchase date, the sum of 3% plus the base rate for such day; provided that from and after the occurrence of an event of default, the “bank rate” shall mean the default rate; provided, further, that at no time shall the bank rate be less than the per annum interest rate applicable to bonds that are not bank bonds.
- (2) Base Rate: means, for any day, an interest rate per annum equal to the highest of (i) the sum of 1% plus the prime rate for such day, (ii) the sum of 1% plus the federal funds rate for such day, (iii) the sum of 1% plus the Securities Industry and Financial Markets Association (SIFMA) rate for such day, and (iv) 7.5%. Each change in the base rate shall take effect at the time of any change in the prime rate or federal funds rate.

On September 1, 2015, Sections 7.1(c)(iii) and 7.1(c)(iv) of the SBPA were amended in order to clarify the University’s reporting requirements. The amendments are as follows:

Section 7.1(c)(iii) of each of the Standby Bond Purchase Agreements is hereby amended in its entirety to read as follows:

(iii) as soon as practicable and, in any event, within 180 calendar days after the end of the fourth fiscal quarter of each fiscal year of the Board, a statement of net assets, statement of revenues, expenses, and changes in net assets, and statement of cash flows of the Board as of the end of each such annual fiscal period then ended and the Historical Debt Service Coverage calculation in comparative form against (x) the figures for the corresponding annual fiscal period from the previous fiscal year and (y) the Board’s budget for such fiscal year, all in reasonable detail.

Section 7.1(c)(iv) of each of the Standby Bond Purchase Agreements is hereby amended in its entirety to read as follows:

(iv) as soon as practicable and, in any event, within 60 calendar days after the end of the second quarter of each fiscal year of the Board, (a) a statement of net assets, statement of revenues, expenses, and changes in net assets, and statement of cash flows of the Board as of the end of each such semiannual fiscal period then ended, in each case, in comparative form against (x) the figures for the corresponding semiannual fiscal period from the previous fiscal year and (y) the Board’s budget for such fiscal year, all in reasonable detail, and (b) a consolidating semiannual summary of all restricted and unrestricted cash and investments held in any endowment or operating fund for the portion of the fiscal year then ended.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Interest Rate Swap Agreements:

As of June 30, 2019, the University had the following derivative instruments outstanding:

Item/ Counterparty	Type	Objective	Effective Date	Maturity Date	Terms	Current Year Fair Value	Prior Year Fair Value	Current Year Notional Amount	Prior Year Notional Amount
<b>Hedging Derivatives</b>									
A - JP Morgan	Pay-fixed/Receive-variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.16% Fixed	\$ (625,911)	\$ (555,727)	\$ 5,338,750	\$ 5,981,250
B - JP Morgan	Pay-fixed/Receive-variable interest rate swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.94% Fixed	\$ (4,421,586)	\$ (3,417,567)	\$ 28,845,000	\$ 30,445,000
C - JP Morgan	Pay-fixed/Receive-variable interest rate swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.83% Fixed	\$ (1,507,171)	\$ (1,243,919)	\$ 13,405,000	\$ 14,805,000
D - RBC Royal Bank	Pay-fixed/Receive-variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.185% Fixed	\$ (631,205)	\$ (562,208)	\$ 5,338,750	\$ 5,981,250
<b>Investment Derivatives</b>									
E - JP Morgan	Pay-variable/Receive-variable interest rate swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Swap Overlays)	8/15/2006	6/1/2026	Receive 63.55% of 5-year USD swap rate + .31% - Pay SIFMA	\$ 157,378	\$ 112,265	\$ 10,677,500	\$ 11,962,500
F - JP Morgan	Pay-variable/Receive-variable interest rate swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Swap Overlays)	8/15/2006	6/1/2030	Receive 63.55% of 5-year USD swap rate + .31% - Pay SIFMA	\$ 696,144	\$ 409,985	\$ 28,845,000	\$ 30,445,000



# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

### Risks

*Credit risk.* Each of the University's derivative instruments is held with the same counterparty except for Derivative Instrument D. Deterioration of credit ratings could indicate a potential inability of the counterparty to make the required periodic payments. The credit ratings for each of the counterparties are as follows:

Entity	Moody's		S & P		Fitch	
	L/T Rating	S/T Rating	L/T Rating	S/T Rating	L/T Rating	S/T Rating
JP Morgan	Aa2	P1	A+	A1+	AA	F1+
RBC Royal Bank	A2	P1	AA-	A1+	AA	F1+

*Interest rate risk.* The University is exposed to interest rate risk on its receive-variable, pay-fixed underlying interest rate swaps. As the Securities Industry and Financial Markets Association (SIFMA) swap index decreases, the University's net payment on the underlying swaps increases. Alternatively, on its pay-variable (SIFMA), receive-variable (USD Swap Rate) overlay interest rate swaps, as the USD swap rate and the SIFMA swap index increases, the University's net payment on the overlay swaps increases.

*Basis risk.* The variable-rate debt hedged by the University's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (USD Swap Rate) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (USD Swap Rate) other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2019, the interest rate on the University's variable-rate hedged debt (SIFMA) is 1.90%, while the 63.55% of five-year USD Swap Rate + 0.31% is 0.93%.

*Termination risk.* The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the University is exposed to termination risk on Derivative Instruments B and C, because the contract provides the counterparty with an option to terminate the contract if the 180-day SIFMA is equal to or greater than 7% (knockout provision). The 180-day SIFMA is defined as the weighted average rate taken from the USD floating SIFMA index rates published within the previous 180-day period. If, at the time of termination, a derivative instrument is in a liability position, the University would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

*Rollover risk.* The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the debt. When these derivative instruments terminate, or, in the case of a termination option, if the counterparty exercises its option, the University will be re-exposed to the risks being hedged by the derivative instrument. Derivative Instruments B and C expose the University to rollover risk because the counterparty has the option to terminate the contract by exercising a knockout option.

*Foreign currency risk.* The University has no exposure to foreign currency risk from its derivative instruments.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Commitments

All of the University's derivative instruments include provisions that require the University to post collateral in the event its credit rating falls below certain levels. The University has entered into a two-way Credit Support Annex (CSA) with the swap counterparties, which is based on each party's long-term unsecured unsubordinated debt rating. The following matrix dictates the potential collateral postings if the swaps' mark-to-market values are above the mandated thresholds:

<u>Rating</u>	<u>Swap MTM Threshold for Party's A &amp; B</u>	
AA/Aa2 and >	USD	\$ 25,000,000
AA-/Aa3	USD	\$ 20,000,000
A+/A1	USD	\$ 15,000,000
A/A2	USD	\$ 10,000,000
A-/A3	USD	\$ 5,000,000
BBB+/Baa1 and <	USD	\$ -

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions, net of the effect of applicable netting arrangements. If the University or the counterparty does not post collateral, the derivative instrument may be terminated. The University's credit rating is AA/Aa2 at June 30, 2019; therefore, no collateral has been posted.

### Derivative Instrument Payments and Hedged Debt

As of June 30, 2019, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates on hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total</u>
2020	6,320,000	356,188	1,502,635	\$ 8,178,823
2021	6,580,000	315,068	1,370,285	8,265,353
2022	6,855,000	281,413	1,217,248	8,353,661
2023	7,155,000	252,138	1,047,907	8,455,045
2024	7,465,000	220,170	873,105	8,558,275
2025	7,770,000	182,688	697,284	8,649,972
2026	9,900,000	139,490	520,983	10,560,473
2027	2,900,000	77,452	300,560	3,278,012
2028	3,030,000	60,187	220,830	3,311,017
2029	3,160,000	40,255	141,313	3,341,568
2030	2,470,000	18,155	61,009	2,549,164
	<u>\$ 63,605,000</u>	<u>\$ 1,943,204</u>	<u>\$ 7,953,159</u>	<u>\$ 73,501,363</u>

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **Fiscal Year Changes in Swap Valuations**

The swaps were put in place starting in fiscal years 2002 and 2003. The University has recorded the swaps at their estimated fair values as of June 30, 2019. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, the University has recorded an offsetting deferred outflow of resources. Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset to the deferred outflow of resources. The fair value change in fiscal year 2019 for the hedge instruments was a \$1,406,452 increase to the liability and an equal offsetting increase to the deferred outflow of resources. For fiscal year 2018, the change was a \$2,824,828 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2019 was recorded to unrealized gains in the amount of \$331,268. As of June 30, 2018, the fair value change for swaps E and F was recorded to unrealized losses in the amount of \$360,154.

### *(B) University of New Mexico Hospital*

On June 9, 2004, the Regents adopted a parameters resolution authorizing the construction of the Children's Hospital and Critical Care Pavilion (CHCCP) and issuing bonds insured by HUD. On October 14, 2004, the Regents adopted resolutions authorizing the amendment of the lease to accommodate the requirements of HUD and to authorize execution of the HUD documents. On October 14, 2004, UNM Board of Regents issued FHA insured Hospital Mortgage Revenue Bonds (University of New Mexico Hospital Project), Series 2004 in the aggregate principal amount of \$192,250,000. Interest on the bonds ranged from 2% to 5% and was paid semi-annually on each January 1 and July 1, commencing January 1, 2005. The Series 2004 bonds were issued for the purpose of financing the construction, equipping, and furnishing of the CHCCP, which provides care to patients requiring trauma, children's and women's services, funding the debt service reserve fund, and paying costs of issuance associated with the bonds.

In conjunction with this construction project, the U.S. HUD, under Section 242 CFDA No. 14.128, issued a loan guarantee for the mortgage amount of \$183,399,000, and the UNM Regents adopted resolutions authorizing the final endorsement of the HUD insurance.

On December 12, 2014, the Regents adopted a parameters resolution authorizing the issuance of the Government National Mortgage Association (GNMA)-backed, HUD-insured mortgage bonds to redeem and refinance the remaining 2004 bonds. On May 7, 2015, the Regents adopted resolutions authorizing the execution of amended FHA documents and loan modification documents in connection with the redemption and refinancing of the remaining 2004 bonds.

On May 14, 2015, the Hospital issued \$115,000,000 in new bonds (2015 Series bonds) to refinance the remaining 2004 bonds. The bonds were issued pursuant to a trust indenture, dated as of May 1, 2015, by and between the Hospital and Wells Fargo Bank, National Association, as Trustee for the purpose of re-financing the previously issued bond series. The 2015 Series bonds carry interest rates that range from 0.484% to 3.532%.

The Regents granted the GNMA issuer in respect of the UNMH HUD-insured bonds a security interest in all of UNM Hospital's revenues, cash (with the exception of the proceeds of the UNM Hospital mill levy and state appropriations), accounts receivable, contract rights, and the proceeds of the same. In addition, in that certain regulatory agreement signed by the Regents, that is still in effect today, the University agreed and committed to HUD that it would not "assign, transfer, dispose of, or encumber any personal property of the project including revenues from any source..." As a result, of the \$886,883,988 in cash and short-term investments held by the primary institution as of June 30, 2019, \$391,094,585 is cash reserves of UNM Hospital subject to the security interest granted by the Regents to the bond Trustee and to the restrictions in the regulatory agreement. Lastly, in accordance with the terms of the lease under which the University leases a portion of the UNM Hospital facility from Bernalillo County, all reserves of the UNM Hospital covered by the lease are restricted to use for operation and maintenance of the UNM Hospital.

The 2015 Series bonds were issued as special limited obligations of the Hospital and are secured primarily by fully modified mortgage backed securities in the aggregate principal amount of \$99,029,361 (GNMA Securities), issued by Prudential Huntoon Paige Associates, Ltd. (Lender), guaranteed as to principal and interest by the Government National Mortgage Association (GNMA), with respect to the mortgage note.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Under the GNMA Mortgage Backed Securities Program, the GNMA Securities are a “fully modified pass-through” mortgage-backed security issued and serviced by the Lender. The face amount of the GNMA Securities is to be the same amount as the outstanding principal balance of the mortgage note. The Lender is required to pass through to the Trustee, as the holder of the GNMA Securities, by the 15th day of each month, the monthly scheduled installments of principal and interest on the mortgage note (less the GNMA guarantee fee and the lender’s servicing fee), whether or not the Lender receives such payment from the Hospital under the mortgage note, plus any unscheduled prepayments of principal of the mortgage note received by the Lender. The GNMA Securities are issued solely for the benefit of the Trustee on behalf of the bondholders, and any and all payments received with respect to the GNMA Securities are solely for the benefit of the bondholders.

Interest expense associated with the bonds payable was approximately \$3,035,000 and \$3,121,000 for the years ended June 30, 2019 and 2018, respectively. Interest income earned from the investment of the bond proceeds was approximately \$385,000 and \$170,000 for the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, bonds payable for the Hospital consisted of the following:

	<u>2019</u>	<u>2018</u>
FHA Insured Hospital Mortgage Revenue Bonds	\$ 92,120,000	\$ 97,820,000
Series 2015 with interest ranging from		
0.484% to 3.532% – final maturity 2032		
Less: Current portion of bonds payable	<u>(5,815,000)</u>	<u>(5,700,000)</u>
Noncurrent bonds payable	<u>\$ 86,305,000</u>	<u>\$ 92,120,000</u>

Future debt service (including mandatory redemptions) for the Hospital as of June 30, 2019 for the bonds is as follows:

Year ending			
June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,815,000	\$ 2,937,537	\$ 8,752,537
2021	5,950,000	2,818,446	8,768,446
2022	6,105,000	2,676,657	8,781,657
2023	6,285,000	2,515,913	8,800,913
2024	6,480,000	2,334,779	8,814,779
2025–2029	36,230,000	8,108,506	44,338,506
2030–2032	<u>25,255,000</u>	<u>1,585,338</u>	<u>26,840,338</u>
	<u>\$ 92,120,000</u>	<u>\$ 22,977,176</u>	<u>\$ 115,097,176</u>

### (C) UNM Sandoval Regional Medical Center

In November 2010, SRMC issued \$133,425,000 in aggregate principal amount of its Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized – UNM Sandoval Regional Medical Center Project) Series 2010A with a maturity date of July 20, 2036 and \$10,000,000 in aggregate principal amount of its Taxable Revenue Recovery Zone Economic Development Bonds (Direct Pay) (GNMA Collateralized – UNM Sandoval Regional Medical Center Project) Series 2010B with a maturity date of July 20, 2037. The bonds were issued pursuant to a trust indenture, dated as of October 1, 2010, by and between the SRMC and Wells Fargo Bank, National Association, as Trustee for the purpose of financing the SRMC facility and to pay certain costs associated with the issuance of the bonds.

The bonds were issued as special limited obligations of SRMC and are secured primarily by fully modified mortgage-backed securities in the aggregate principal amount of \$127,164,027 (GNMA Securities), issued by Prudential Huntton Paige Associates, Ltd. (Lender), guaranteed as to principal and interest by GNMA, with respect to the mortgage note.

Under the GNMA Mortgage-Backed Securities Program, the GNMA Securities are a “fully modified pass-through” mortgage-backed security issued and serviced by the Lender. The face amount of the GNMA Securities is to be the same

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

amount as the outstanding principal balance of the mortgage note. The Lender is required to pass through to the Trustee, as the holder of the GNMA Securities, by the 15th day of each month, the monthly scheduled installments of principal and interest on the mortgage note (less the GNMA guarantee fee and the Lender's servicing fee), whether or not the Lender receives such payment from SRMC under the mortgage note, plus any unscheduled prepayments of principal of the mortgage note received by the Lender. The GNMA Securities are issued solely for the benefit of the Trustee on behalf of the bondholders and any and all payments received with respect to the GNMA Securities are solely for the benefit of the bondholders.

SRMC entered into a financing agreement with the Lender and the Trustee effective October 1, 2010, under which the Lender agreed to originate a mortgage note in favor of the Lender and secured by a leasehold mortgage on the SRMC facility. The mortgage note is insured by the FHA pursuant to Section 242 of the National Housing Act of 1934 and to provide security for the bonds, the Trustee used the proceeds of the bonds to purchase from the Lender the GNMA Securities. SRMC used the proceeds of the mortgage note to acquire, construct, and equip the SRMC facility.

Under the terms of the trust indenture, SRMC has granted to the Trustee all rights, title, and interests to all revenues, receipts, interest, income, investment earnings, and other monies received or to be received by the Trustee, including monies received or to be received from the GNMA Securities and all investment earnings from the GNMA Securities. Upon issuance of the bonds, the proceeds were placed in trust with the Trustee, and the proceeds are to be used to purchase from the Lender the GNMA Securities, or to redeem the bonds according to the various early, optional, and mandatory redemption provisions of the bonds.

As of June 30, 2019 and 2018, the balance of the mortgage note equaled the balance of the GNMA securities.

SRMC is eligible to receive cash subsidy payments from the United States Department of Treasury related to these bonds. The amount received is subject to periodic adjustment due to federal budget sequestration

At June 30, 2019 and 2018, bonds payable for SRMC consisted of the following:

	<u>2019</u>	<u>2018</u>
Taxable Revenue Build America Bonds	\$ 107,615,000	\$ 111,505,000
Series 2010A with fixed-interest rate of 4.5% – final maturity 2036		
Taxable Revenue Recovery Zone Economic Development Bonds	9,740,000	9,740,000
Series 2010B with fixed-interest rate of 5.0% – final maturity 2037		
	<u>\$ 117,355,000</u>	<u>\$ 121,245,000</u>
Less: Current portion of bonds payable	<u>(4,075,000)</u>	<u>(3,890,000)</u>
Noncurrent bonds payable	<u>\$ 113,280,000</u>	<u>\$ 117,355,000</u>

The special and scheduled mandatory redemption requirements for the SRMC bonds as of June 30, 2019 are as follows:

Year ending June 30	Principal	Interest	Total
2020	\$ 4,075,000	\$ 5,284,338	\$ 9,359,338
2021	4,275,000	5,098,713	9,373,713
2022	4,475,000	4,904,200	9,379,200
2023	4,695,000	4,700,350	9,395,350
2024	4,920,000	4,486,600	9,406,600
2025–2029	28,375,000	18,850,213	47,225,213
2030–2034	35,885,000	11,737,738	47,622,738
2035–2039	30,655,000	2,981,038	33,636,038
	<u>\$ 117,355,000</u>	<u>\$ 58,043,190</u>	<u>\$ 175,398,190</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

The bonds are subject to various redemption provisions as set forth in the trust indenture, including Special Mandatory Redemption, Scheduled Mandatory Redemption, and Optional Redemption. The Special Mandatory Redemption provisions are contingent on various events, including but not limited to circumstances that result in the trust estate receiving early payments on the GNMA Securities as a result of mandatory prepayments being made on the mortgage note.

The mortgage note bears interest at 4.61%. The mortgage note has a term of 299 months following the commencement of amortization and matures on July 1, 2037. Principal and interest are payable in equal monthly installments. A mortgage servicing fee of 12 basis points and a GNMA guarantee fee of 13 basis points are also included in the monthly payment, for a total of 4.86%. The mortgage note is subject to optional prepayment beginning on January 20, 2021 or thereafter, and mandatory prepayment at any time based on the occurrence of certain events, including default on scheduled payments or the receipt of any mortgage insurance proceeds.

### (D) Primary Institution

At June 30, 2019 and 2018, bonds payable for the primary institution consisted of the following:

	2019			2018		
	Current	Noncurrent	Total	Current	Noncurrent	Total
University	\$ 19,930,000	\$ 400,376,556	\$ 420,306,556	\$ 18,651,811	\$ 423,525,652	\$ 442,177,463
University of New Mexico Hospital	5,815,000	86,305,000	92,120,000	5,700,000	92,120,000	97,820,000
UNM Sandoval Regional Medical Center	4,075,000	113,280,000	117,355,000	3,890,000	117,355,000	121,245,000
Total	<u>\$ 29,820,000</u>	<u>\$ 599,961,556</u>	<u>\$ 629,781,556</u>	<u>\$ 28,241,811</u>	<u>\$ 633,000,652</u>	<u>\$ 661,242,463</u>

### (14) Patient Service Revenues

A summary of net patient service revenues is as follows for the years ended June 30:

	2019	2018
Primary Institution:		
Charges at established rates	\$ 2,893,516,419	\$ 2,710,878,160
Charity care	(95,150,243)	(77,266,992)
Contractual adjustments	(1,383,002,157)	(1,295,111,341)
Provision for doubtful accounts	(121,802,185)	(116,208,865)
Net patient service revenues	<u>\$ 1,293,561,834</u>	<u>\$ 1,222,290,962</u>

The Hospital is reimbursed by the Medicare and Medicaid programs on a prospective payment basis for hospital services, with certain items reimbursed at an interim rate with final settlement determined after submission of annual cost reports by the Hospital. The annual cost reports are subject to audit by the Medicare Administrative Contractor and the Medicaid audit agent. Cost reports through 2015 have been final settled for the Medicaid programs. Cost reports through 2012, except for 2005, have been final settled for the Medicare program. Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (15) Leases

At June 30, 2019 and 2018, the University, the Hospital, and BHO had various lease arrangements summarized as follows:

#### (A) University, Hospital, and BHO as Lessees

##### (a) Capital Leases

Any existing capital leases are immaterial, and accordingly, there are no capital leases recorded at June 30, 2019 and 2018.

##### (b) Operating Leases

The University's rent expense for operating leases amounted to \$6,849,883 and \$6,592,692 for the years ended June 30, 2019 and 2018, respectively.

The Hospital and BHO are committed under various leases for building and office space and data processing equipment. Rental expenses on operating leases and other non-lease equipment were \$8,610,000 and \$11,193,000 in 2019 and 2018, respectively, and includes amounts paid to the University of \$1,798,075 and \$3,495,239 in 2019 and 2018, respectively, which are eliminated in these basic financial statements.

##### (c) Minimum Lease Payments

The following is a schedule of future minimum lease payments for primary institution operating leases at June 30, 2019:

Year ending June 30	Lease Payments
2020	\$ 5,447,903
2021	2,456,317
2022	2,181,746
2023	1,321,696
2024	1,237,558
2025–2029	3,104,306
2030–2034	141,852
2035–2039	23,943
2040–2044	23,663
2045 and thereafter	9,017
	<u>\$ 15,948,001</u>

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (B) *University as Lessor*

The University is lessor of various properties under operating lease agreements. For the years ended June 30, 2019 and 2018, respectively, total lease income, which includes annually renewable lease agreements, was \$6,469,227 and \$7,946,797.

The following is a schedule of minimum future lease income under lease terms exceeding one year as of June 30, 2019:

Year ending June 30	Lease Income
2020	\$ 7,707,667
2021	6,683,654
2022	6,617,130
2023	4,870,378
2024	3,922,935
2025–2029	6,695,313
2030–2034	5,261,573
2035–2039	5,299,325
2040–2044	5,201,254
2045 and thereafter	10,471,648
	<u>\$ 62,730,877</u>

### (16) **Risk Management**

The University currently is a party to various litigation claims brought in the ordinary course of business. The University participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability, auto liability, medical malpractice, physical damage, and workers' compensation insurance. The Risk Management program liability insurance coverage includes most employee liability claims; those claims falling outside this state program are in limited amounts and are covered by the University from its operating budget either by direct payment or by the procurement of insurance coverage from a private carrier. The University paid Risk Management \$18,879,283 and \$16,992,939 in insurance premiums during fiscal years 2019 and 2018, respectively. The University's exposure is limited to \$2,500 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, the University administration believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the University.

The Hospital, BHO, UNMMG, and SRMC (collectively referred to as Clinical Operations for the purposes of this footnote) have immunity from tort liability except as waived by the New Mexico Legislature. In this connection, under the New Mexico Tort Claims Act (NMTCA), the New Mexico Legislature waived the State's and the Clinical Operations' sovereign immunity for claims arising out of negligence out of the operation of the Clinical Operations, the treatment of the Clinical Operations' patients, and the healthcare services provided by Clinical Operations employees. In addition, the NMTCA limits, as an integral part of this waiver of sovereign immunity, the amount of damages that can be assessed against the Clinical Operations on any tort claim including medical malpractice, professional, or general liability claims.

The NMTCA provides that total liability for all claims that arise out of a single occurrence shall not exceed \$750,000 set forth as follows: (a) \$200,000 for real property; (b) up to \$300,000 for past and future medical and medically related expenses; and (c) up to \$400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant. While the language of the NMTCA does not expressly provide for third-party claims such as loss of consortium, the New Mexico appellate court decisions have allowed claimants to seek loss of consortium. As a result, if loss of consortium claims are presented, those claims cannot exceed \$350,000 in the aggregate. Thus, it appears that if a claim presents both direct claims and third-party claims, the maximum exposure of the Public Liability Fund,



# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

and, therefore, the Clinical Operations, cannot exceed \$1,100,000. The NMTCA prohibits the award of punitive or exemplary damages against the Clinical Operations.

The NMTCA requires the State Risk Management Division to provide coverage to the Clinical Operations for those torts where the Legislature has waived the state's immunity from liability up to the damages limits of the NMTCA, as described above, plus the cost incurred in defending any claims and/or lawsuits (including attorney's fees and expenses), with no deductible and with no self-insured retention by the Clinical Operations. With the exception of the litigation discussed in footnote 19(B), the Clinical Operations are fully covered for claims and/or lawsuits relating to medical malpractice or professional liability occurring at the Clinical Operations.

Effective July 1, 2009, the University began self-insuring its health and dental benefits for employees, and effective July 1, 2016, the University began self-insuring its student health benefits. Under the plans, all eligible employees are provided access to the provider networks of Blue Cross Blue Shield, Presbyterian Health Plan, and UNM Team Health for health services and Delta Dental for dental services. Blue Cross Blue Shield of New Mexico, Presbyterian Health Plan, and UNM Team Health provide administrative claim payment services for the University's health plans and Delta Dental for the dental plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR), invoices received but not yet paid, and catastrophic claims not covered by the University's excess claims carriers. At June 30, 2019 and 2018, the estimated amount of the University's claims and accrued invoices was \$13.0 million and \$16.8 million, respectively, which is included in accrued payroll. The liability for claims incurred but not reported was based on the actuarial analysis performed by Aon Hewitt.

Changes in the reported self-insurance liability for health, dental, and life benefits for the University resulted from the following:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2019	\$ 16,797,713	\$ 83,974,425	\$(87,800,723)	\$ 12,971,415
2018	18,162,790	79,496,445	(80,861,522)	16,797,713

The Hospital sponsors a self-insured health plan in which BHO also participates, as all employees are under the centralized umbrella of the Hospital. Blue Cross Blue Shield of New Mexico and HMO New Mexico (BCBSNM and HMONM) provide administrative claim payment services for the Hospital's plan. Liabilities are based on an estimate of claims that have been incurred but not reported and claims received but not yet paid. At June 30, 2019 and 2018, the estimated amount of the Hospital's claims and accrued invoices was \$5.1 million and \$6.1 million, respectively, which is included in accrued payroll. As the Hospital receives all cash and pays all obligations of BHO, the estimated amount of BHO's IBNR and accrued invoices recorded in the Hospital's accrued payroll was approximately \$488,000 and \$523,000 at June 30, 2019 and 2018, respectively. The liability for IBNR was based on actuarial analysis calculated using information provided by BCBSNM.

Changes in the reported self-insurance liability for health, dental, and life benefits for the Hospital and BHO resulted from the following:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2019	\$ 6,647,643	\$ 48,457,415	\$(49,471,740)	\$ 5,633,318
2018	8,553,607	47,628,221	(49,534,185)	6,647,643

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (17) Retirement Plans and Postemployment Benefits

#### (A) University

##### General Information about the Pension Plan

*Plan description:* The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's website at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded. Substantially all of the University's full-time employees and a small portion of the full-time employees of the Hospital and BHO (collectively referred to as Clinical Operations for the purposes of this footnote) participate in the Plan.

*Pension Benefit:* A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

*Summary of plan provisions for retirement eligibility:* For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 was refunded all member contributions, and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55,
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits, or
- The member's age is 67, and has earned 5 or more years of service credit.

*Form of payment:* The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

*Benefit options:* The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

*Disability benefit:* An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

*Cost of living adjustment (COLA):* All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees, the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

*Refund of contributions:* Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

*Contributions:* For the fiscal year ended June 30, 2019 and 2018 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. The University's contributions to ERB for the fiscal years ended June 30, 2019, 2018, and 2017 were \$66,458,621, \$65,726,332, and \$66,821,651, respectively, which equal the amount of the required contributions for each fiscal year. The Clinical Operations' contributions to ERB for the fiscal years ended June 30, 2019, 2018, and 2017 were \$268,689, \$286,486, and \$319,196, respectively, which equal the amount of the required contributions for each fiscal year.

### Alternative Retirement Plan

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The two administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP and have certain discretionary authority to decide matters under the ARP. As the ARP trustee, NMERB is responsible for selecting investment options that provide a prudent rate of return and ensuring that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

*Eligibility:* Certain eligible employees of the University are eligible to make an election to participate within ninety days of employment. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan.

Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

*Form of payment:* Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Service Code. Retirement benefits shall, at the option of the employee, be paid in the form of:

- A lifetime income, if held in an annuity contract,
- Payments for a term of years, or
- A single-sum cash payment

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the funds administered by NMERB.

*ARP contributions:* For the year ended June 30, 2019, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 3% contributions to the Plan.

Employer contributions reported in the University's financial statements include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The University's 3% contributions remitted for fiscal years ended June 30, 2019, 2018, and 2017 were \$4,296,036, \$4,240,470, and \$4,223,146, respectively.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. At June 30, 2019, the University and Clinical Operations reported liabilities of \$2,012,080,972 and \$8,771,605, respectively, for their proportionate shares of the net pension liability. At June 30, 2018, the University and Clinical Operations reported liabilities of \$1,876,463,543 and \$8,978,019, respectively, for their proportionate shares of the net pension liability. The employer's proportion of the net pension liability is based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2018, the University's proportion was 16.92057 percent, which was an increase of 0.03598 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the University's proportion was 16.88459 percent, which was an increase of 0.37984 percent from its proportion measured as of June 30, 2016. At June 30, 2018, the Clinical Operations' proportion was 0.07376 percent, which was a decrease of 0.00702 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the Clinical Operations' proportion was 0.08078 percent, which was a decrease of 0.00395 percent from its proportion measured as of June 30, 2016.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

For the year ended June 30, 2019, the University and Clinical Operations recognized pension expense of \$348,744,000 and \$896,626, respectively. For the year ended June 30, 2018, the University and Clinical Operations recognized pension expense of \$311,835,202 and \$777,972, respectively. At June 30, 2019 and 2018, the University and Clinical Operations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year Ended June 30, 2019					
	Deferred Outflows of Resources			Deferred Inflows of Resources		
	University	Clinical Operations	Total	University	Clinical Operations	Total
Differences between expected and actual experience	\$ 1,468,491	\$ 6,401	\$ 1,474,892	\$ 38,293,139	\$ 166,927	\$ 38,460,066
Changes of assumptions	414,680,378	1,807,671	416,488,049	-	-	-
Net difference between projected and actual earnings on pension plan investments	4,454,234	19,417	4,473,651	-	-	-
Changes in proportion and differences between University and Clinical Operations contributions and proportionate share of contributions	14,825,615	-	14,825,615	-	596,952	596,952
University and Clinical Operations contributions subsequent to the measurement date	66,458,621	268,689	66,727,310	-	-	-
<b>Total</b>	<b>\$ 501,887,339</b>	<b>\$ 2,102,178</b>	<b>\$ 503,989,517</b>	<b>\$ 38,293,139</b>	<b>\$ 763,879</b>	<b>\$ 39,057,018</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

	Year Ended June 30, 2018					
	Deferred Outflows of Resources			Deferred Inflows of Resources		
	University	Clinical Operations	Total	University	Clinical Operations	Total
Differences between expected and actual experience	\$ 3,368,434	\$ 16,115	\$ 3,384,549	\$ 28,908,690	\$ 138,306	\$ 29,046,996
Changes of assumptions	547,776,585	2,620,697	550,397,282	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	257,411	1,232	258,643
Changes in proportion and differences between University and Clinical Operations contributions and proportionate share of contributions	22,552,189	-	22,552,189	-	611,166	611,166
University and Clinical Operations contributions subsequent to the measurement date	65,726,332	286,486	66,012,818	-	-	-
<b>Total</b>	<b>\$ 639,423,540</b>	<b>\$ 2,923,298</b>	<b>\$ 642,346,838</b>	<b>\$ 29,166,101</b>	<b>\$ 750,704</b>	<b>\$ 29,916,805</b>

The \$66,727,310 reported as deferred outflows of resources related to pensions resulting from University and Clinical Operations contributions subsequent to the measurement date of June 30, 2018 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The \$66,012,818 reported as deferred outflows of resources related to pensions resulting from University and Clinical Operations contributions subsequent to the measurement date of June 30, 2017 was recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	University	Clinical Operations	Total
2020	\$ 243,710,449	\$ 719,543	\$ 244,429,992
2021	155,683,366	450,471	156,133,837
2022	(2,316,868)	(100,660)	(2,417,528)
2023	58,632	256	58,888
<b>Total</b>	<b>\$ 397,135,579</b>	<b>\$ 1,069,610</b>	<b>\$ 398,205,189</b>

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

*Actuarial assumptions:* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.
Average of Expected Remaining Service Lives	FY 2018: 3.56 years, FY 2017: 3.65 years, FY 2016: 3.77 years, FY 2015: 3.92 years, FY 2014: 3.88 years
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.



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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

The target allocation for each major asset class and the long-term expected rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	1%	
<b>Total</b>	<b>100%</b>	<b>7.25%</b>

*Discount rate:* A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 5.90% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the single discount rates assumed that plan member and employer contributions will be made at the current statutory levels.

Additionally, contributions received through Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

*Sensitivity of the University's and Clinical Operations' proportionate shares of the net pension liability to changes in the discount rate:*

The following presents the University's and Clinical Operations' net pension liability at June 30, 2019, which was measured using the discount rate of 5.69%, as well as what the net pension liability would have been if it were calculated using a discount rate that was one percentage point lower (4.69%) or one percentage point higher (6.69%) than the current discount rate.

	<b>Year Ended June 30, 2019</b>		
	<b>1% Decrease (4.69%)</b>	<b>Current Discount Rate (5.69%)</b>	<b>1% Increase (6.69%)</b>
University's proportionate share of the net pension liability	\$ 2,614,934,652	\$ 2,012,080,972	\$ 1,520,190,006
Clinical Operations' proportionate share of the net pension liability	11,399,000	8,771,605	6,626,799
<b>Total</b>	<b>\$ 2,626,333,652</b>	<b>\$ 2,020,852,577</b>	<b>\$ 1,526,816,805</b>

The following presents the University's and Clinical Operations' net pension liability at June 30, 2018, which was measured using the discount rate of 5.90%, as well as what the net pension liability would have been if it were calculated using a discount rate that was one percentage point lower (4.90%) or one percentage point higher (6.90%) than the discount rate that was used.

	<b>Year Ended June 30, 2018</b>		
	<b>1% Decrease (4.90%)</b>	<b>Discount Rate (5.90%)</b>	<b>1% Increase (6.90%)</b>
University's proportionate share of the net pension liability	\$ 2,442,688,888	\$ 1,876,463,543	\$ 1,419,781,523
Clinical Operations' proportionate share of the net pension liability	11,687,148	8,978,019	6,763,527
<b>Total</b>	<b>\$ 2,454,376,036</b>	<b>\$ 1,885,441,562</b>	<b>\$ 1,426,545,050</b>

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's website at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

### *(B) Clinical Operations*

The Clinical Operations have a defined-contribution plan covering eligible employees, which provides retirement benefits. The name of the plan is UNM Hospital Tax Sheltered Annuity Plan, formerly known as the University of New Mexico Hospital/Bernalillo Medical Center Tax Sheltered Annuity Plan. The Clinical Operations contribute either 5.5% or 7.5% of an employee's salary to the plan, depending on employment level. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department.

The expense for the defined-contribution plan was \$17,041,000 and \$15,704,000 in fiscal years 2019 and 2018, respectively. Total employee contributions under this plan were \$20,715,000 and \$18,881,000 in fiscal years 2019 and 2018, respectively. The Hospital also offers a Roth 403b defined-contribution plan option. Total employee contributions were \$1,774,000 and \$1,540,000 in fiscal years 2019 and 2018, respectively.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

The Clinical Operations also have a deferred compensation plan, called the UNM Hospital 457(b) Deferred Compensation Plan, which provides employees with an additional retirement savings plan. The Clinical Operations do not contribute to this plan. Employees can make voluntary contributions to this plan. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department. There was no expense for the deferred compensation plan in 2019 and 2018, respectively, as the Clinical Operations do not contribute to this plan. Total employee contributions under this plan were \$3,751,000 and \$3,175,000 in fiscal years 2019 and 2018, respectively.

In addition, the Clinical Operations have a 401(a) defined-contribution plan, called the UNM Hospital 401(a) Plan, which was established for the purpose of providing retirement benefits for eligible participants and their beneficiaries. The 401(a) plan allows for tax-deferred employer contributions based on management's recommendation that is approved by the Board of Trustees on an annual basis. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. All assets of the plan are held in a trust fund, are not considered Clinical Operations assets, and are under the direction of a plan administrator. The expense for the 401(a) defined-contribution plan was \$598,000 and \$542,000 in fiscal years 2019 and 2018, respectively. Only the Clinical Operations contribute to this plan.

A small portion of the Clinical Operations' full-time employees participates in the ERB defined-benefit plan authorized under the Educational Retirement Act as described above.

### (18) Other Postemployment Benefits

#### General Information about the OPEB Plan

*Plan description:* The University of New Mexico Retiree Welfare Benefit Trust (VEBA Trust) administers the University of New Mexico Retiree Welfare Benefit Plan (VEBA Plan) – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the University. The University is the fiduciary of the VEBA Trust, and the VEBA Trust's financial statements and required supplementary information are included in the University's financial report.

Management of the VEBA Plan is vested in the VEBA Trust's VEBA Committee, which consists of nine members:

- UNM Controller or Designee
- UNM Vice President of Human Resources or Designee
- Two Faculty Appointees (appointed by the UNM President)
- Two Staff Appointees (appointed by the UNM President)
- Member of the Debt Investment Advisory Committee (ex-officio, appointed by the UNM President)
- Two UNM Presidential Appointees

*Plan membership:* In order for a retiree of the University to be eligible for OPEB other than basic life insurance, the employee must have been hired prior to July 1, 2015 and contribute to the VEBA Trust for at least five continuous years immediately prior to retirement. If hired prior to July 1, 2013 and retiring prior to July 1, 2018, employees must continually contribute to the VEBA Trust. Employees were automatically enrolled into the VEBA Trust upon its establishment unless they requested to opt out. Opportunities to opt out will occur annually during the benefits open enrollment period. Employees hired on or after July 1, 2015 are not eligible for OPEB other than basic life insurance. Contributions to the VEBA Trust are not required for the basic life insurance benefit since these benefits are not funded through the VEBA Trust.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

At the valuation date of January 1, 2017, the VEBA Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	3,207
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>7,275</u>
Total plan members	<u>10,482</u>

Total active plan members include 1,136 members hired on or after July 1, 2015 who are not eligible to receive postretirement health benefits but may be eligible to receive postretirement life insurance benefits.

*Benefits provided:* The VEBA Plan provides health, dental, and life insurance coverage to eligible retirees and their covered dependents. Eligible retirees of the University receive healthcare coverage through a self-insured medical plan, including prescription drugs, available through UNM Health, Presbyterian Health Plan, BCBS of New Mexico, and Express Scripts. Eligible Medicare retirees (for retirees 65 years of age and over) receive healthcare coverage through one of six fully insured medical/prescription plans: Blue Cross Blue Shield HMO I (Enhanced), Blue Cross Blue Shield HMO II (Standard), Blue Cross Blue Shield PPO, Presbyterian PPO UNM Select, Presbyterian PPO UNM Premier, and UHC AARP Indemnity. Eligible retirees are also offered one of two dental insurance benefit options: Premier High Option and PPO Low Option. Basic life insurance benefits are available to retirees of the University without the requirement to opt in to the VEBA Trust. The authority to establish and amend the benefit provisions rests with the Board of Regents.

*Contributions:* The contribution requirements of VEBA Plan members and the University are established and may be amended by the Board of Regents. Retiree contributions for medical and dental insurance are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the University. Retirees 65 years of age and over are required to contribute 70% towards the cost of premiums, with the University contributing 30%. Retirees under the age of 65 are required to contribute a percentage of the premiums based on their preretirement annual salary:

### Preretirement salary

\$35,000 and above	Retiree	60%
	UNM	40%
\$25,000 to \$34,999	Retiree	50%
	UNM	50%
\$24,999 and below	Retiree	40%
	UNM	60%

Benefits-eligible employees, who do not opt-out of the VEBA Trust, contribute 0.75% of their salary to the VEBA Trust in order to ensure that the health benefits continue into retirement. The University matches the 0.75% contribution made by the employee.

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Investments

*Investment policy:* The VEBA Trust's policy in regard to the allocation of invested assets was established and may be amended by the VEBA Committee. The long-term objective of the VEBA Trust is to earn a return sufficient to preserve the purchasing power of the VEBA Trust to fund retirement benefits for contributing employees. Ultimately, the goal is to achieve an annual total return, net of management and custodial fees that equals or exceeds the estimated annual benefit distributions, and inflation as measured by the U.S Department of Labor All Urban Consumer Price Index "CPI-U".

Given the current significant unfunded status of the VEBA Plan, an intermediate return objective is established to reflect the return goal during the accumulation phase. The accumulation phase is defined as the time to achieve a VEBA Trust balance sufficient to support 30% of the annual required contribution. During the accumulation phase, the VEBA Trust has the ability to pursue a higher return since distributions are not allowed and regular contributions are expected to be significant relative to the current VEBA Trust balance. As such, the intermediate return objective is 7-8% over a full market cycle.

The following was the adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Allocation</u>	
	<u>Target</u>	<u>Maximum</u>
Equities	65%	65%
Fixed income	35%	45%
Alternatives	0%	15%
<b>Total</b>	<b>100%</b>	

*Rate of return:* For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on investments, net of investment expense, were 6.18 percent and 6.77 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net OPEB Liability of the University

The University's net OPEB liability was rolled forward on an actuarial basis from the valuation measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017 but adjusted for a change in the discount rate.

The components of the net OPEB liability of the University at June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 156,289,200	\$ 154,799,700
Plan fiduciary net position	30,805,300	23,912,200
University's net OPEB liability	<u>\$ 125,483,900</u>	<u>\$ 130,887,500</u>
Plan fiduciary net position as a percentage of the total OPEB liability	19.71%	15.45%

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

*Actuarial assumptions:* The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	2.0%
Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after seven years Dental: 4.0%

Mortality rates were based on the RP-2014 Headcount-Weighted Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year using Scale MP-2016.

*Discount rate:* The discount rate used to measure the total OPEB liability was 6.78%, which is a blended rate of the University's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.87% on the last Friday prior to the measurement date of June 30, 2018. A blended discount rate was calculated based on separating the projected future payments between those paid from the VEBA Trust and those paid from general assets. The VEBA Trust assets were projected using the expected employer and employee payroll contributions and the expected long-term rate of return. Payments from the VEBA Trust were assumed to begin when the projected asset amount is fully-funded and all future projected benefit payments will be paid from the VEBA Trust. The discount rate used in the prior year was 6.42%, which is a blended rate of the University's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.58% on the last Friday prior to the measurement date of June 30, 2017.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at June 30, 2018 (based on July 1, 2017 measurement date)</b>	\$ 154,799,700	\$ 23,912,200	\$ 130,887,500
<b>Changes for the year:</b>			
Service cost	3,501,200	N/A	3,501,200
Interest on the total OPEB liability	10,007,600	N/A	10,007,600
Changes of benefit terms	-	N/A	-
Differences between expected and actual experience	-	N/A	-
Changes of assumptions*	(7,105,700)	N/A	(7,105,700)
Benefit payments	(4,913,700)	(4,913,700)	-
Contributions from employer	N/A	7,322,500	(7,322,500)
Contributions from employee	N/A	2,408,800	(2,408,800)
Net investment income	N/A	2,080,700	(2,080,700)
Administrative expense	N/A	(5,300)	5,300
<b>Net changes</b>	<b>1,489,400</b>	<b>6,893,000</b>	<b>(5,403,600)</b>
<b>Balance at June 30, 2019 (based on July 1, 2018 measurement date)</b>	<b>\$ 156,289,100</b>	<b>\$ 30,805,200</b>	<b>\$ 125,483,900</b>

\* The assumed discount rate increased from 6.42% at June 30, 2017 to 6.78% as of June 30, 2018.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at June 30, 2017 (based on July 1, 2016 measurement date)</b>	\$ 153,089,700	\$ 17,044,500	\$ 136,045,200
<b>Changes for the year:</b>			
Service cost	3,526,500	N/A	3,526,500
Interest on the total OPEB liability	9,469,800	N/A	9,469,800
Changes of benefit terms	-	N/A	-
Differences between expected and actual experience	-	N/A	-
Changes of assumptions**	(6,444,700)	N/A	(6,444,700)
Benefit payments	(4,841,600)	(4,841,600)	-
Contributions from employer	N/A	7,467,800	(7,467,800)
Contributions from employee	N/A	2,625,900	(2,625,900)
Net investment income	N/A	1,615,600	(1,615,600)
Administrative expense	N/A	-	-
<b>Net changes</b>	<b>1,710,000</b>	<b>6,867,700</b>	<b>(5,157,700)</b>
<b>Balance at June 30, 2018 (based on July 1, 2017 measurement date)</b>	<b>\$ 154,799,700</b>	<b>\$ 23,912,200</b>	<b>\$ 130,887,500</b>

\* The assumed discount rate increased from 6.14% at June 30, 2016 to 6.42% as of June 30, 2017.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

*Sensitivity of the net OPEB liability to changes in the discount rate:*

The following presents the University's net OPEB liability at June 30, 2019, which was measured using the discount rate of 6.78%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.78%) or one percentage point higher (7.78%) than the current discount rate.

	<b>Year Ended June 30, 2019</b>		
	<b>1% Decrease (5.78%)</b>	<b>Current Discount Rate (6.78%)</b>	<b>1% Increase (7.78%)</b>
Net OPEB liability	\$ 146,598,400	\$ 125,483,900	\$ 108,218,400

The following presents the University's net OPEB liability at June 30, 2018, which was measured using the discount rate of 6.42%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.42%) or one percentage point higher (7.42%) than the discount rate that was used.

	<b>Year Ended June 30, 2018</b>		
	<b>1% Decrease (5.42%)</b>	<b>Discount Rate (6.42%)</b>	<b>1% Increase (7.42%)</b>
Net OPEB liability	\$ 152,950,400	\$ 130,887,500	\$ 112,937,000

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:*

The following presents the University's net OPEB liability at June 30, 2019 and 2018, which was measured using the current healthcare cost trend rates (Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%), as well as what the net OPEB liability would have been if it were calculated using healthcare cost trend rates that were one percentage point lower (Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%) or one percentage point higher (Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates.

	<b>Year Ended June 30, 2019</b>		
	<b>1% Decrease (Pre-Medicare: 5.5% decreasing to 4%, Post- Medicare: 7.5% decreasing to 4%, Dental: 3%)</b>	<b>Current Discount Rate (Pre-Medicare: 6.5% decreasing to 5%, Post- Medicare: 8.5% decreasing to 5%, Dental: 4%)</b>	<b>1% Increase (Pre-Medicare: 7.5% decreasing to 6%, Post- Medicare: 9.5% decreasing to 6%, Dental: 5%)</b>
Net OPEB liability	\$ 106,004,900	\$ 125,483,900	\$ 149,623,400

	<b>Year Ended June 30, 2018</b>		
	<b>1% Decrease (Pre-Medicare: 5.5% decreasing to 4%, Post- Medicare: 7.5% decreasing to 4%, Dental: 3%)</b>	<b>Current Discount Rate (Pre-Medicare: 6.5% decreasing to 5%, Post- Medicare: 8.5% decreasing to 5%, Dental: 4%)</b>	<b>1% Increase (Pre-Medicare: 7.5% decreasing to 6%, Post- Medicare: 9.5% decreasing to 6%, Dental: 5%)</b>
Net OPEB liability	\$ 111,913,100	\$ 130,887,500	\$ 154,461,200



# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

*OPEB plan fiduciary net position:* The University is the fiduciary of the VEBA Trust, and detailed information about the VEBA Trust's fiduciary net position is included in this financial report.

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$7,954,000 and \$7,834,000, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Year Ended June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 10,579,400
Net difference between projected and actual earnings on OPEB plan investments	-	10,800
University contributions subsequent to the measurement date	7,513,700	-
<b>Total</b>	<b>\$ 7,513,700</b>	<b>\$ 10,590,200</b>

	<u>Year Ended June 30, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 5,487,100
Net difference between projected and actual earnings on OPEB plan investments	-	36,800
University contributions subsequent to the measurement date	7,322,500	-
<b>Total</b>	<b>\$ 7,322,500</b>	<b>\$ 5,523,900</b>

The \$7,513,700 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2018 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. The \$7,322,500 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2017 was recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	
2020	\$ (2,018,400)
2021	(2,018,400)
2022	(2,018,400)
2023	(2,009,200)
2024	(1,754,900)
Thereafter	(770,900)
<b>Total</b>	<b>\$ (10,590,200)</b>

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (19) Commitments and Contingencies

#### (A) Commitments

In addition to the lease commitments in note 15, the University had commitments totaling \$57,559,473 at June 30, 2019. These commitments consisted of the following:

	<u>2019</u>
Materials and services	\$ 34,588,283
Construction projects	<u>22,971,190</u>
Total commitments	<u>\$ 57,559,473</u>

#### (B) Contingencies

The University is liable or contingently liable in connection with certain claims that arise in the normal course of its activities. It is the opinion of management that uninsured losses resulting from these claims would not be material to the University's financial position or operations.

In 2001, then-plaintiff Steven Lovato filed a class action lawsuit, alleging negligent treatment of pediatric oncology patients at the University of New Mexico Hospital from 1986 to 1996. The Hospital and the University have, from the outset, vigorously defended against both the certification of any class as well as the underlying liability claims. The case has been through numerous amendments, procedural processes, and factual circumstances over the years. As currently styled, the plaintiffs' proposed classes would include pediatric oncology patients with a broad variety of diagnoses who presented for treatment at the Hospital from 1977 to 1997, regardless of the treatment provided, or whether the patient survived his or her disease. In 2014, the University determined to assume the liability associated with this lawsuit and to assume control of the defense of this lawsuit.

At present, no class has been certified. In March 2016, the state district court dismissed Ms. Cummings' claims and the dismissal threatened the claims of all purported future class members. Ms. Cummings appealed, and during Fiscal Year 2019, the New Mexico Court of Appeals reversed the decision of the state district court dismissing Ms. Cummings' claims. The University filed a Petition for Writ of Certiorari with the New Mexico Supreme Court seeking a reversal of the New Mexico Court of Appeals' decision. The New Mexico Supreme Court denied that petition. The case has been remanded back to the state district court where it has been reassigned to a new district court judge. The district court set a hearing on the plaintiffs' motion for class certification to begin December 9, 2019. The Plaintiffs have narrowed their proposed class definition to individuals diagnosed with acute lymphoblastic leukemia ("ALL") who accepted and received treatment at the Hospital (excluding those who refused all treatment or only passing episodic treatment provided on a courtesy basis).

On December 10, 2019, the Board of Regents approved a partial settlement of this case. More specifically, UNM agreed to the certification of a class action consisting of a class whose members are children diagnosed with ALL who presented for treatment at the Hospital from January 1, 1977 through March 1, 1997, and who, by December 1, 2019, were deceased, but excluding those with whom UNM previously reached settlements and those who received only temporary treatment in New Mexico and whose treatment protocols were principally administered or designed elsewhere and who did not receive initial or relapse induction treatment in New Mexico (the "Deceased Patient Class"). In this connection, UNM agreed to pay the sum of \$38 million into a settlement fund for the Deceased Patient Class once the Court gives preliminary approval of the settlement, which funds are to be placed in a trust account and to be administered as authorized by the Court. Of the \$38 million, the Hospital will contribute \$20 million. In exchange, UNM will be entitled to a full release of all claims on behalf of the Decedent Patient Class members, but not with respect to those who choose to opt out of the settlement. The expense related to this settlement has been recorded as an operating expense in the accompanying statements of revenues, expenses and changes in net position. At this time, UNM has no knowledge or information as to whether or if any member of the Deceased Patient Class will elect to opt out of the settlement described herein and/or what liability UNM might have if any one or more of the members do elect to opt out of the settlement described in this letter. As such, at this time

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

the Hospital does not believe that the extent of UNM's additional exposure in this regard, if any, is reasonably subject to estimation.

With respect to the remainder of the case, that portion of the case pertains to those putative class members that were diagnosed with ALL who are living today after having received treatment more than 20 years ago (the "Survivor Patients"). With respect to the Survivor Patients, given the current status of this case and the nature of the claims in this case, and the uncertainty of damages, if any, the amount of any loss contingency in respect of the Survivor Patients is not reasonably subject to estimation at this time. As to the Survivor Patients, the Hospital does not believe that liability had or has yet been incurred as of the date of the financial statements.

The University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. University administration believes that the liability, if any, for reimbursement that may arise as the results of audits, would not be material to the financial position or operations of the University.

### (C) *Mortgage Reserve Fund*

On November 15, 2004, the Hospital established a mortgage reserve fund in accordance with the requirements and conditions of the 2004 FHA Regulatory Agreement. On May 14, 2015, a new mortgage reserve fund was established for the 2015 series bonds.

The mortgage reserve fund's final required contribution of \$1,910,199 was made during fiscal year 2017, at which time the mortgage reserve fund was fully funded.

The mortgage note bears interest at 3.29%. The mortgage note has a term of 205 months following the commencement of amortization and matures on June 1, 2032. Principal and interest are payable in equal monthly installments upon commencement of amortization. A mortgage servicing fee of 12 basis points and a GNMA guarantee fee of 13 basis points are also included in the monthly payment, for a total of 3.54%.

### (20) **Unrestricted Net Position – Committed and Dedicated**

Unrestricted net position is subject to contractual commitments and dedications to support the missions of the University in current and future years. The net position of unrestricted funds of the primary institution fall into one of three categories:

- **Committed:** A formal, written commitment/contract has been made for these funds. Examples include signed employment offer letters to Deans, Department Chairs, and Research Faculty, start-up funds for new research projects, cost share on awarded sponsored agreements, and appropriated state funding for special projects.
- **Dedicated:** An Executive Vice President, Vice President, Dean, or Department Chair has dedicated these funds for a clear, focused purpose to support the missions of the University.
- **Discretionary:** The remaining funds that are not committed or dedicated.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

The following is a breakdown of the University's unrestricted net position as of June 30 (unaudited):

	<u>2019</u>	<u>2018</u>
Unrestricted net position	\$ (766,347,134)	\$ (537,872,985)
Less:		
Working capital – patient care operations		
Clinical operations – UNM Hospitals	<u>248,003,620</u>	<u>232,246,599</u>
Total working capital – patient care operations	248,003,620	232,246,599
Net pension and OPEB obligations		
Pension	(1,548,486,772)	(1,266,206,104)
OPEB	<u>(128,560,400)</u>	<u>(129,088,900)</u>
Total net pension and OPEB obligations	(1,677,047,172)	(1,395,295,004)
Committed		
HSC capital initiatives	196,811,094	201,348,776
Blended component units	86,937,489	73,985,162
Other	<u>121,067,103</u>	<u>116,560,064</u>
Total committed	404,815,686	391,894,002
Dedicated		
Plant funds – repair and replacement	76,615,691	75,715,619
Quasi-endowment funds – Regents' scholarships	100,843,559	103,354,130
Student loan funds	866,895	820,726
Other	<u>50,287,534</u>	<u>39,277,419</u>
Total dedicated	228,613,679	219,167,894
<b>Ending discretionary funds balance</b>	<b><u><u>\$ 29,267,053</u></u></b>	<b><u><u>\$ 14,113,524</u></u></b>

### (21) Capital Initiatives

In fiscal year 2015, the Hospital and the UNM HSC entered into an MOU to collaborate on strategic capital projects. Per the agreement, funding is set aside and committed for the development of clinical facilities. Capital project disbursements from capital initiatives funds in fiscal years 2019 and 2018 and the ending balances for each year are reflected in the table below. As of June 30, 2019 and 2018, the ending balances were \$196,811,094 and \$201,348,776, respectively, and were comprised of cash.

The Regents granted the bond trustee in respect of the UNMH HUD-insured bonds a security interest in all of UNM Hospital's cash (with the exception of the proceeds of the UNM Hospital mill levy and state appropriations), accounts receivable, contract rights, and the proceeds of the same. In addition, in that certain regulatory agreement signed by the Regents in 2004, that is still in effect today, the University agreed and committed to HUD that it would not "assign, transfer, dispose of, or encumber any personal property of the project including revenues from any source..." Lastly, in accordance with the terms of the lease under which the University leases a portion of the UNM Hospital facility from Bernalillo County, all reserves of the UNM Hospital covered by the lease are restricted to use for operation and maintenance of the UNM Hospital.

Fiscal Year	Beginning Balance	Contributions to Fund	Capital Project Disbursements from Fund	Ending Balance
2019	\$ 201,348,776	\$ -	\$ (4,537,682)	\$ 196,811,094
2018	203,605,605	-	(2,256,829)	201,348,776

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# THE UNIVERSITY OF NEW MEXICO

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### (22) Beneficial Interest in New Mexico Land Grant Permanent Fund

The New Mexico Land Grant Permanent Fund (LGPF) was originally established pursuant to the Enabling Act for New Mexico passed by the U.S. Congress on June 20, 1910 (which encompassed the Ferguson Act of 1898) and was made the law of New Mexico by its reference in the New Mexico Constitution. The Enabling Act (and its acceptance in the New Mexico Constitution) set forth certain parcels of land granted by the United States in trust to the State of New Mexico (State) for the purposes of establishing a permanent fund which could only be used for the purposes set out in the Enabling Act, namely, the funding of schools and state institutions throughout New Mexico. Highly restrictive criteria governing permitted uses of the assets of the LGPF are specifically prescribed in the New Mexico Constitution. The beneficiaries of the LGPF are also specifically prescribed in the New Mexico Constitution and in state statute. The University is one of the specific entities identified that has a beneficial interest in the LGPF.

On July 1, 2016, the State changed its policy regarding the presentation of the University's beneficial interest in the LGPF within the State's Comprehensive Annual Financial Report (CAFR). As a result of the State's change in policy, the University no longer presents its beneficial interest in the LGPF as an asset in its stand-alone Statement of Net Position (SNP). The distribution of income from the LGPF, as required by law, received by the University for its beneficial interest in the LGPF continues to be presented in its stand-alone Statement of Revenue, Expenses, and Changes in Net Position (SRECNP) as investment income.

The University's beneficial interest and income received from this beneficial interest for the years ending June 30, 2019 and 2018 are as follows:

	<u>As of June 30</u>	
	<u>2019</u>	<u>2018</u>
Balance of the University's beneficial interest in the LGPF	\$ 241,319,565	\$ 234,794,539
	<u>For the Years Ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Income received from the University's beneficial interest in the LGPF	\$ 9,880,045	\$ 10,042,933

### (23) Subsequent Events

Management has evaluated subsequent events through December 18, 2019 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended June 30, 2019. This date represents the date the financial statement audit report was available to be issued. The University is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTAL INFORMATION – PENSION**

Schedule of Proportionate Share of Net Pension Liability and Employer Contributions

The schedule of proportionate share of net pension liability and the schedule of employer contributions present multiyear trend information for the last 10 fiscal years. Fiscal Year 2015 was the first year of implementation, therefore, only five years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

**Schedule of Proportionate Share of Net Pension Liability - ERB Plan**

	2019	2018	2017	2016	2015
University's and Clinical Operations' proportion of the net pension liability (asset)	16.99433%	16.96537%	16.58948%	16.49188%	16.43531%
University's and Clinical Operations' proportionate share of the net pension liability (asset)	\$ 2,020,852,577	\$ 1,885,441,562	\$ 1,193,850,905	\$ 1,068,222,984	\$ 937,754,765
University's and Clinical Operations' covered payroll	\$ 474,922,764	\$ 483,027,675	\$ 470,690,396	\$ 450,281,155	\$ 446,728,272
University's and Clinical Operations' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	425.51%	390.34%	253.64%	237.23%	209.92%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

**Schedule of Employer Contributions - ERB Plan**

	2019	2018	2017	2016	2015
Statutorily required employer contribution	\$ 66,727,310	\$ 66,012,818	\$ 67,140,847	\$ 65,427,748	\$ 64,832,820
Contributions in relation to the statutorily required contribution	\$ 66,727,310	\$ 66,012,818	\$ 67,140,847	\$ 65,427,748	\$ 64,832,820
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's and Clinical Operations' covered payroll	\$ 480,032,441	\$ 474,922,764	\$ 483,027,675	\$ 470,690,396	\$ 450,281,155
Contributions as a percentage of covered payroll	13.90%	13.90%	13.90%	13.90%	14.40%

**Notes to Schedules:**

**Changes in benefit provisions**

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

**Changes in assumptions and methods**

Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

**REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the University's Net OPEB Liability and Related Ratios

The schedule of changes in the University's net OPEB liability and related ratios presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only three years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>			
Service cost	\$ 3,501,200	\$ 3,526,500	\$ 3,019,400
Interest	10,007,700	9,469,800	9,058,700
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(7,105,700)	(6,444,700)	7,114,000
Benefit payments	(4,913,700)	(4,841,600)	(4,818,100)
<b>Net change in total OPEB liability</b>	<u>\$ 1,489,500</u>	<u>\$ 1,710,000</u>	<u>\$ 14,374,000</u>
<b>Total OPEB liability – beginning</b>	<u>154,799,700</u>	<u>153,089,700</u>	<u>138,715,700</u>
<b>Total OPEB liability – ending (a)</b>	<u><u>\$ 156,289,200</u></u>	<u><u>\$ 154,799,700</u></u>	<u><u>\$ 153,089,700</u></u>
<b>Plan fiduciary net position</b>			
Contributions – employer	\$ 7,322,500	\$ 7,467,800	\$ 7,675,100
Contributions – member	2,408,800	2,625,900	2,856,600
Net investment income	2,080,800	1,615,600	895,000
Benefit payments	(4,913,700)	(4,841,600)	(4,818,100)
Administrative expense	(5,300)	-	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 6,893,100</u>	<u>\$ 6,867,700</u>	<u>\$ 6,608,600</u>
<b>Plan fiduciary net position – beginning</b>	<u>23,912,200</u>	<u>17,044,500</u>	<u>10,435,900</u>
<b>Plan fiduciary net position – ending (b)</b>	<u><u>\$ 30,805,300</u></u>	<u><u>\$ 23,912,200</u></u>	<u><u>\$ 17,044,500</u></u>
<b>University's net OPEB liability – ending (a) - (b)</b>	\$ 125,483,900	\$ 130,887,500	\$ 136,045,200
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	19.71%	15.45%	11.13%
<b>Covered-employee payroll</b>	\$ 321,166,700	\$ 350,452,500	\$ 383,432,900
<b>University's net OPEB liability as a percentage of covered-employee payroll</b>	39.07%	37.35%	35.48%

**Notes to Schedule:**

Changes of assumptions: The \$6,444,700 decrease in the liability from the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2018 is due to the increase in the assumed discount rate as of the measurement date. The \$7,105,700 decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date.

**REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Schedule of University Contributions

The schedule of University contributions presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only three years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 7,513,700	\$ 7,322,500	\$ 7,467,800
Contributions in relation to the actuarially determined contribution	7,513,700	7,322,500	7,467,800
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 295,345,700	\$ 321,166,700	\$ 350,452,500
Contributions as a percentage of covered-employee payroll	2.54%	2.28%	2.13%

**Notes to Schedule:**

Valuation date January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal - level % of salary
Asset valuation method	Market value of assets
Inflation	3%
Healthcare cost trend rates	Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5% after seven years Dental: 4%
Salary increases	2%
Investment rate of return	8%, net of OPEB plan investment expenses, including inflation.
Retirement age	62
Mortality	RP-2014 headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2016



**REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)****Schedule of Investment Returns**

The schedule of investment returns presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only three years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.18%	6.77%	11.26%

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# THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Position as of June 30, 2019 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,052,063	\$ 117,837	\$ 5,518,717
Cash and cash equivalents – restricted	-	-	-
Short-term investments	761,791	-	-
Accounts receivable, net	1,077,009	83,295	6,250
Patient receivables, net	-	-	-
Due from The University of New Mexico	-	-	-
Due from affiliates	-	-	-
Estimated third-party payor settlements	-	-	-
Other receivables, net	-	-	-
Inventories	-	-	-
Other current assets	-	7,692	3,227
<b>Total current assets</b>	<b>\$ 2,890,863</b>	<b>\$ 208,824</b>	<b>\$ 5,528,194</b>
<b>Noncurrent assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	1,519	-	-
Other noncurrent assets	-	-	-
Capital assets, net	33,040	7,390,930	15,941,759
<b>Total noncurrent assets</b>	<b>\$ 34,559</b>	<b>\$ 7,390,930</b>	<b>\$ 15,941,759</b>
<b>Total assets</b>	<b>\$ 2,925,422</b>	<b>\$ 7,599,754</b>	<b>\$ 21,469,953</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 409,001	\$ 33,357	\$ 25,854
Bonds payable – current	-	-	-
Long-term debt – current	-	-	74,546
Due to The University of New Mexico	474,193	-	675,114
Due to affiliates	-	-	-
Accrued compensated absences	-	-	-
Estimated third-party payor settlements	-	-	-
Other current liabilities	1,036,260	93,408	-
<b>Total current liabilities</b>	<b>\$ 1,919,454</b>	<b>\$ 126,765</b>	<b>\$ 775,514</b>
<b>Noncurrent liabilities</b>			
Bonds payable – noncurrent	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	598,341
Due to The University of New Mexico	-	-	13,506,793
<b>Total noncurrent liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,105,134</b>
<b>Total liabilities</b>	<b>\$ 1,919,454</b>	<b>\$ 126,765</b>	<b>\$ 14,880,648</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 33,040	\$ 7,390,930	\$ 1,356,108
Restricted expendable	-	-	-
Unrestricted	972,928	82,059	5,233,197
<b>Total net position</b>	<b>\$ 1,005,968</b>	<b>\$ 7,472,989</b>	<b>\$ 6,589,305</b>

See accompanying independent auditors' report.

# SCHEDULE 5

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ 721,707	\$ 30,194,183	\$ 21,942,347	\$ 59,546,854	\$ -	\$ 59,546,854
-	-	7,124,841	7,124,841	-	7,124,841
-	-	-	761,791	-	761,791
9,888	-	-	1,176,442	-	1,176,442
-	46,424,181	8,800,479	55,224,660	-	55,224,660
-	3,128,452	46,276	3,174,728	(3,174,728)	-
-	63,667	44,254	107,921	(107,921)	-
-	-	396,286	396,286	-	396,286
-	317,032	128,956	445,988	-	445,988
-	-	2,088,272	2,088,272	-	2,088,272
1,128	-	585,139	597,186	-	597,186
<b>\$ 732,723</b>	<b>\$ 80,127,515</b>	<b>\$ 41,156,850</b>	<b>\$ 130,644,969</b>	<b>\$ (3,282,649)</b>	<b>\$ 127,362,320</b>
\$ -	\$ 2,063,504	\$ -	\$ 2,063,504	\$ -	\$ 2,063,504
-	27,301,308	13,206,575	40,509,402	-	40,509,402
-	10,915,002	-	10,915,002	-	10,915,002
8,292,488	2,476,680	99,508,641	133,643,538	-	133,643,538
<b>\$ 8,292,488</b>	<b>\$ 42,756,494</b>	<b>\$ 112,715,216</b>	<b>\$ 187,131,446</b>	<b>\$ -</b>	<b>\$ 187,131,446</b>
<b>\$ 9,025,211</b>	<b>\$ 122,884,009</b>	<b>\$ 153,872,066</b>	<b>\$ 317,776,415</b>	<b>\$ (3,282,649)</b>	<b>\$ 314,493,766</b>
\$ 45,188	\$ 8,357,720	\$ 10,531,052	\$ 19,402,172	\$ -	\$ 19,402,172
-	-	4,075,000	4,075,000	-	4,075,000
1,062,826	-	-	1,137,372	-	1,137,372
-	35,870,003	613,647	37,632,957	(37,632,957)	-
-	44,254	63,667	107,921	(107,921)	-
-	-	1,804,378	1,804,378	-	1,804,378
-	-	3,190,535	3,190,535	-	3,190,535
-	-	-	1,129,668	-	1,129,668
<b>\$ 1,108,014</b>	<b>\$ 44,271,977</b>	<b>\$ 20,278,279</b>	<b>\$ 68,480,003</b>	<b>\$ (37,740,878)</b>	<b>\$ 30,739,125</b>
\$ -	\$ -	\$ 113,280,000	\$ 113,280,000	\$ -	\$ 113,280,000
2,306,430	-	-	2,904,771	-	2,904,771
-	-	-	13,506,793	(13,506,793)	-
<b>\$ 2,306,430</b>	<b>\$ -</b>	<b>\$ 113,280,000</b>	<b>\$ 129,691,564</b>	<b>\$ (13,506,793)</b>	<b>\$ 116,184,771</b>
<b>\$ 3,414,444</b>	<b>\$ 44,271,977</b>	<b>\$ 133,558,279</b>	<b>\$ 198,171,567</b>	<b>\$ (51,247,671)</b>	<b>\$ 146,923,896</b>
\$ 4,923,232	\$ 2,476,680	\$ (17,846,359)	\$ (1,666,369)	\$ 13,912,764	\$ 12,246,395
-	-	20,420,964	20,420,964	-	20,420,964
687,535	76,135,352	17,739,182	100,850,253	(13,912,764)	86,937,489
<b>\$ 5,610,767</b>	<b>\$ 78,612,032</b>	<b>\$ 20,313,787</b>	<b>\$ 119,604,848</b>	<b>\$ -</b>	<b>\$ 119,604,848</b>

# THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Position as of June 30, 2018 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,174,759	\$ 485,083	\$ 5,309,676
Cash and cash equivalents – restricted	-	-	-
Short-term investments	729,741	-	-
Accounts receivable, net	1,020,149	33,247	-
Patient receivables, net	-	-	-
Due from The University of New Mexico	-	204,630	-
Due from affiliates	-	-	-
Estimated third-party payor settlements	-	-	-
Other receivables, net	-	-	-
Inventories	-	-	-
Other current assets	-	6,461	2,212
<b>Total current assets</b>	<b>\$ 2,924,649</b>	<b>\$ 729,421</b>	<b>\$ 5,311,888</b>
<b>Noncurrent assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	1,394	-	-
Other noncurrent assets	-	-	-
Capital assets, net	28,443	7,453,479	16,067,894
<b>Total noncurrent assets</b>	<b>\$ 29,837</b>	<b>\$ 7,453,479</b>	<b>\$ 16,067,894</b>
<b>Total assets</b>	<b>\$ 2,954,486</b>	<b>\$ 8,182,900</b>	<b>\$ 21,379,782</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 356,526	\$ 25,524	\$ 28,094
Bonds payable – current	-	-	-
Long-term debt – current	-	-	75,981
Due to The University of New Mexico	412,050	-	393,988
Due to affiliates	-	-	-
Accrued compensated absences	-	-	-
Estimated third-party payor settlements	-	-	-
Other current liabilities	1,056,099	91,796	-
<b>Total current liabilities</b>	<b>\$ 1,824,675</b>	<b>\$ 117,320</b>	<b>\$ 498,063</b>
<b>Noncurrent liabilities</b>			
Bonds payable – noncurrent	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	670,308
Due to The University of New Mexico	-	-	13,912,763
<b>Total noncurrent liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,583,071</b>
<b>Total liabilities</b>	<b>\$ 1,824,675</b>	<b>\$ 117,320</b>	<b>\$ 15,081,134</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 28,443	\$ 7,453,479	\$ 1,014,854
Restricted expendable	-	-	-
Unrestricted	1,101,368	612,101	5,283,794
<b>Total net position</b>	<b>\$ 1,129,811</b>	<b>\$ 8,065,580</b>	<b>\$ 6,298,648</b>

See accompanying independent auditors' report.

# SCHEDULE 6

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ 554,867	\$ 26,209,748	\$ 26,850,558	\$ 60,584,691	\$ -	\$ 60,584,691
-	-	6,227,171	6,227,171	-	6,227,171
-	-	-	729,741	-	729,741
9,888	-	-	1,063,284	-	1,063,284
-	28,628,684	8,834,152	37,462,836	-	37,462,836
-	4,194,139	-	4,398,769	(4,398,769)	-
-	34,946	173,788	208,734	(208,734)	-
-	-	723,500	723,500	-	723,500
-	212,681	1,021,758	1,234,439	-	1,234,439
-	-	2,084,125	2,084,125	-	2,084,125
2,796	-	379,368	390,837	-	390,837
<b>\$ 567,551</b>	<b>\$ 59,280,198</b>	<b>\$ 46,294,420</b>	<b>\$ 115,108,127</b>	<b>\$ (4,607,503)</b>	<b>\$ 110,500,624</b>
\$ -	\$ 5,673,093	\$ -	\$ 5,673,093	\$ -	\$ 5,673,093
-	23,295,370	11,329,655	34,626,419	-	34,626,419
-	7,241,540	-	7,241,540	-	7,241,540
8,841,801	1,853,142	103,115,704	137,360,463	-	137,360,463
<b>\$ 8,841,801</b>	<b>\$ 38,063,145</b>	<b>\$ 114,445,359</b>	<b>\$ 184,901,515</b>	<b>\$ -</b>	<b>\$ 184,901,515</b>
<b>\$ 9,409,352</b>	<b>\$ 97,343,343</b>	<b>\$ 160,739,779</b>	<b>\$ 300,009,642</b>	<b>\$ (4,607,503)</b>	<b>\$ 295,402,139</b>
\$ 68,337	\$ 6,056,210	\$ 8,436,068	\$ 14,970,759	\$ -	\$ 14,970,759
-	-	3,890,000	3,890,000	-	3,890,000
1,035,132	-	-	1,111,113	-	1,111,113
-	29,268,651	2,035,366	32,110,055	(32,110,055)	-
-	9,652	34,946	44,598	(44,598)	-
-	-	2,002,829	2,002,829	-	2,002,829
-	-	6,839,242	6,839,242	-	6,839,242
-	-	-	1,147,895	-	1,147,895
<b>\$ 1,103,469</b>	<b>\$ 35,334,513</b>	<b>\$ 23,238,451</b>	<b>\$ 62,116,491</b>	<b>\$ (32,154,653)</b>	<b>\$ 29,961,838</b>
\$ -	\$ -	\$ 117,355,000	\$ 117,355,000	\$ -	\$ 117,355,000
3,369,255	-	-	4,039,563	-	4,039,563
-	-	-	13,912,763	(13,912,763)	-
<b>\$ 3,369,255</b>	<b>\$ -</b>	<b>\$ 117,355,000</b>	<b>\$ 135,307,326</b>	<b>\$ (13,912,763)</b>	<b>\$ 121,394,563</b>
<b>\$ 4,472,724</b>	<b>\$ 35,334,513</b>	<b>\$ 140,593,451</b>	<b>\$ 197,423,817</b>	<b>\$ (46,067,416)</b>	<b>\$ 151,356,401</b>
\$ 4,437,414	\$ 1,853,142	\$ (18,129,296)	\$ (3,341,964)	\$ 14,306,751	\$ 10,964,787
-	-	17,635,876	17,635,876	-	17,635,876
499,214	60,155,688	20,639,748	88,291,913	(14,306,751)	73,985,162
<b>\$ 4,936,628</b>	<b>\$ 62,008,830</b>	<b>\$ 20,146,328</b>	<b>\$ 102,585,825</b>	<b>\$ -</b>	<b>\$ 102,585,825</b>

# THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
<b>REVENUES</b>			
<b>Operating revenues</b>			
Net patient service	\$ -	\$ -	\$ -
Nongovernmental grants, bequests, and contributions	-	92,542	-
Sales and services	-	-	855,575
Operational support	2,034,000	-	-
Other operating revenues	2,407,927	201,198	1,453,408
<b>Total operating revenues</b>	<b>\$ 4,441,927</b>	<b>\$ 293,740</b>	<b>\$ 2,308,983</b>
<b>EXPENSES</b>			
<b>Operating expenses</b>			
General and administrative	\$ 1,898,260	\$ 472,099	\$ 394,990
Depreciation expense	8,065	117,846	469,489
Program expenses	2,697,821	296,386	266
<b>Total operating expenses</b>	<b>\$ 4,604,146</b>	<b>\$ 886,331</b>	<b>\$ 864,745</b>
<b>Net operating income (loss)</b>	<b>\$ (162,219)</b>	<b>\$ (592,591)</b>	<b>\$ 1,444,238</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ -	\$ -	\$ -
Sandoval county mill levy	-	-	-
Federal bond subsidy	-	-	-
Investment income	38,376	-	85,014
Interest expense	-	-	(456,595)
Distributions to the University of New Mexico	-	-	(782,000)
Other nonoperating revenues and expenses, net	-	-	-
<b>Net nonoperating revenues (expenses)</b>	<b>\$ 38,376</b>	<b>\$ -</b>	<b>\$ (1,153,581)</b>
<b>Change in net position</b>	<b>\$ (123,843)</b>	<b>\$ (592,591)</b>	<b>\$ 290,657</b>
<b>Net position at beginning of year</b>	<b>1,129,811</b>	<b>8,065,580</b>	<b>6,298,648</b>
<b>Net position at end of year</b>	<b>\$ 1,005,968</b>	<b>\$ 7,472,989</b>	<b>\$ 6,589,305</b>

See accompanying independent auditors' report.

# SCHEDULE 7

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 194,904,923	\$ 82,965,371	\$ 277,870,294	\$ -	\$ 277,870,294
-	-	-	92,542	-	92,542
2,171,065	28,562,765	-	31,589,405	(2,171,065)	29,418,340
-	-	-	2,034,000	(2,034,000)	-
-	2,120,912	1,214,790	7,398,235	(1,958,645)	5,439,590
<b>\$ 2,171,065</b>	<b>\$ 225,588,600</b>	<b>\$ 84,180,161</b>	<b>\$ 318,984,476</b>	<b>\$ (6,163,710)</b>	<b>\$ 312,820,766</b>
\$ 183,126	\$ 214,249,121	\$ 73,952,721	\$ 291,150,317	\$ (144,461,980)	\$ 146,688,337
549,313	801,612	6,084,684	8,031,009	-	8,031,009
664,818	-	-	3,659,291	(205,621)	3,453,670
<b>\$ 1,397,257</b>	<b>\$ 215,050,733</b>	<b>\$ 80,037,405</b>	<b>\$ 302,840,617</b>	<b>\$ (144,667,601)</b>	<b>\$ 158,173,016</b>
<b>\$ 773,808</b>	<b>\$ 10,537,867</b>	<b>\$ 4,142,756</b>	<b>\$ 16,143,859</b>	<b>\$ 138,503,891</b>	<b>\$ 154,647,750</b>
\$ -	\$ 1,160,200	\$ -	\$ 1,160,200	\$ -	\$ 1,160,200
-	-	84,996	84,996	-	84,996
-	-	1,810,878	1,810,878	-	1,810,878
4,264	1,043,523	295,048	1,466,225	-	1,466,225
(103,933)	-	(5,374,000)	(5,934,528)	423,815	(5,510,713)
-	-	-	(782,000)	782,000	-
-	3,861,612	(792,219)	3,069,393	-	3,069,393
<b>\$ (99,669)</b>	<b>\$ 6,065,335</b>	<b>\$ (3,975,297)</b>	<b>\$ 875,164</b>	<b>\$ 1,205,815</b>	<b>\$ 2,080,979</b>
<b>\$ 674,139</b>	<b>\$ 16,603,202</b>	<b>\$ 167,459</b>	<b>\$ 17,019,023</b>	<b>\$ 139,709,706</b>	<b>\$ 156,728,729</b>
<b>4,936,628</b>	<b>62,008,830</b>	<b>20,146,328</b>	<b>102,585,825</b>	<b>-</b>	<b>102,585,825</b>
<b>\$ 5,610,767</b>	<b>\$ 78,612,032</b>	<b>\$ 20,313,787</b>	<b>\$ 119,604,848</b>	<b>\$ 139,709,706</b>	<b>\$ 259,314,554</b>



# THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
<b>REVENUES</b>			
<b>Operating revenues</b>			
Net patient service	\$ -	\$ -	\$ -
Nongovernmental grants, bequests, and contributions	-	582,564	-
Sales and services	-	-	2,094,490
Operational support	2,084,000	-	-
Other operating revenues	2,440,951	256,515	1,450,589
<b>Total operating revenues</b>	<b>\$ 4,524,951</b>	<b>\$ 839,079</b>	<b>\$ 3,545,079</b>
<b>EXPENSES</b>			
<b>Operating expenses</b>			
General and administrative	\$ 1,722,381	\$ 253,445	\$ 392,829
Depreciation expense	8,995	114,884	469,489
Program expenses	2,708,678	480,375	128,725
<b>Total operating expenses</b>	<b>\$ 4,440,054</b>	<b>\$ 848,704</b>	<b>\$ 991,043</b>
<b>Net operating income (loss)</b>	<b>\$ 84,897</b>	<b>\$ (9,625)</b>	<b>\$ 2,554,036</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ -	\$ -	\$ -
Sandoval county mill levy	-	-	-
Federal bond subsidy	-	-	-
Investment income	50,606	-	50,205
Interest expense	-	-	(464,925)
Distributions to the University of New Mexico	-	-	(396,500)
Other nonoperating revenues and expenses, net	-	-	-
<b>Net nonoperating revenues (expenses)</b>	<b>\$ 50,606</b>	<b>\$ -</b>	<b>\$ (811,220)</b>
<b>Change in net position</b>	<b>\$ 135,503</b>	<b>\$ (9,625)</b>	<b>\$ 1,742,816</b>
<b>Net position at beginning of year</b>	<b>994,308</b>	<b>8,075,205</b>	<b>4,555,832</b>
<b>Net position at end of year</b>	<b>\$ 1,129,811</b>	<b>\$ 8,065,580</b>	<b>\$ 6,298,648</b>

See accompanying independent auditors' report.

# SCHEDULE 8

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 175,653,156	\$ 83,720,445	\$ 259,373,601	\$ -	\$ 259,373,601
-	-	-	582,564	-	582,564
2,171,065	25,548,786	-	29,814,341	(2,171,065)	27,643,276
-	-	-	2,084,000	(2,034,000)	50,000
-	1,482,457	2,318,079	7,948,591	(2,106,485)	5,842,106
<b>\$ 2,171,065</b>	<b>\$ 202,684,399</b>	<b>\$ 86,038,524</b>	<b>\$ 299,803,097</b>	<b>\$ (6,311,550)</b>	<b>\$ 293,491,547</b>
\$ 246,483	\$ 202,898,499	\$ 74,622,597	\$ 280,136,234	\$ (141,827,040)	\$ 138,309,194
549,313	924,675	6,105,586	8,172,942	-	8,172,942
881,792	-	-	4,199,570	(244,255)	3,955,315
<b>\$ 1,677,588</b>	<b>\$ 203,823,174</b>	<b>\$ 80,728,183</b>	<b>\$ 292,508,746</b>	<b>\$ (142,071,295)</b>	<b>\$ 150,437,451</b>
<b>\$ 493,477</b>	<b>\$ (1,138,775)</b>	<b>\$ 5,310,341</b>	<b>\$ 7,294,351</b>	<b>\$ 135,759,745</b>	<b>\$ 143,054,096</b>
\$ -	\$ 1,160,200	\$ -	\$ 1,160,200	\$ -	\$ 1,160,200
-	-	182,721	182,721	-	182,721
-	-	1,858,808	1,858,808	-	1,858,808
4,885	(28,783)	82,970	159,883	-	159,883
(130,905)	-	(5,547,025)	(6,142,855)	435,444	(5,707,411)
-	-	-	(396,500)	396,500	-
-	1,458,802	(963,397)	495,405	-	495,405
<b>\$ (126,020)</b>	<b>\$ 2,590,219</b>	<b>\$ (4,385,923)</b>	<b>\$ (2,682,338)</b>	<b>\$ 831,944</b>	<b>\$ (1,850,394)</b>
\$ 367,457	\$ 1,451,444	\$ 924,418	\$ 4,612,013	\$ 136,591,689	\$ 141,203,702
4,569,171	60,557,386	19,221,910	97,973,812	-	97,973,812
<b>\$ 4,936,628</b>	<b>\$ 62,008,830</b>	<b>\$ 20,146,328</b>	<b>\$ 102,585,825</b>	<b>\$ 136,591,689</b>	<b>\$ 239,177,514</b>

# THE UNIVERSITY OF NEW MEXICO

## Combining Statement of Cash Flows as of June 30, 2019 – Blended Component Units

	<u>STC.UNM</u>	<u>Innovate ABQ, Inc.</u>	<u>Lobo Development Corporation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from insurance and patients	\$ -	\$ -	\$ -
Cash payments to employees	-	-	(199,541)
Cash payments for benefits	-	-	-
Cash payments to suppliers	(2,219,408)	(760,271)	(198,970)
Other cash receipts (payments)	2,103,173	448,322	2,302,733
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (116,235)</b>	<b>\$ (311,949)</b>	<b>\$ 1,904,222</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from state appropriations	\$ -	\$ -	\$ -
Cash received from Sandoval County mill levy	-	-	-
Other nonoperating cash receipts	-	-	269,143
<b>Net cash provided by noncapital financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 269,143</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash received from federal bond subsidy	\$ -	\$ -	\$ -
Principal payments of bonds	-	-	-
Interest payments on bonds	-	-	-
Cash payments for mortgage reserve fund	-	-	-
Other cash receipts (payments)	(12,662)	(55,297)	(2,049,338)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (12,662)</b>	<b>\$ (55,297)</b>	<b>\$ (2,049,338)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	\$ 355,990	\$ -	\$ -
Purchases of investments	(349,789)	-	-
Investment income	-	-	85,014
Other cash receipts	-	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 6,201</b>	<b>\$ -</b>	<b>\$ 85,014</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents – beginning of year	\$ (122,696)	\$ (367,246)	\$ 209,041
	1,174,759	485,083	5,309,676
<b>Cash and cash equivalents – end of year</b>	<b>\$ 1,052,063</b>	<b>\$ 117,837</b>	<b>\$ 5,518,717</b>

See accompanying independent auditors' report.

## SCHEDULE 9

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 205,840,050	\$ 79,677,551	\$ 285,517,601	\$ -	\$ 285,517,601
(558,481)	(17,559,480)	(30,147,563)	(48,465,065)	-	(48,465,065)
-	(2,917,581)	-	(2,917,581)	-	(2,917,581)
(310,944)	(20,171,347)	(38,793,493)	(62,454,433)	233,332	(62,221,101)
2,171,065	(162,669,439)	(3,259,820)	(158,903,966)	162,341,507	3,437,541
<b>\$ 1,301,640</b>	<b>\$ 2,522,203</b>	<b>\$ 7,476,675</b>	<b>\$ 12,776,556</b>	<b>\$ 162,574,839</b>	<b>\$ 175,351,395</b>
\$ -	\$ 1,160,200	\$ -	\$ 1,160,200	\$ -	\$ 1,160,200
-	-	84,996	84,996	-	84,996
-	-	20,626	289,769	-	289,769
<b>\$ -</b>	<b>\$ 1,160,200</b>	<b>\$ 105,622</b>	<b>\$ 1,534,965</b>	<b>\$ -</b>	<b>\$ 1,534,965</b>
\$ -	\$ -	\$ 2,631,025	\$ 2,631,025	\$ -	\$ 2,631,025
-	-	(3,890,000)	(3,890,000)	-	(3,890,000)
-	-	(5,461,525)	(5,461,525)	-	(5,461,525)
-	-	(1,876,920)	(1,876,920)	-	(1,876,920)
(1,139,064)	-	(3,290,466)	(6,546,827)	1,599,803	(4,947,024)
<b>\$ (1,139,064)</b>	<b>\$ -</b>	<b>\$ (11,887,886)</b>	<b>\$ (15,144,247)</b>	<b>\$ 1,599,803</b>	<b>\$ (13,544,444)</b>
\$ -	\$ 1,043,523	\$ -	\$ 1,399,513	\$ -	\$ 1,399,513
-	(4,005,938)	-	(4,355,727)	-	(4,355,727)
4,264	(1,455,547)	295,048	(1,071,221)	-	(1,071,221)
-	1,110,405	-	1,110,405	-	1,110,405
<b>\$ 4,264</b>	<b>\$ (3,307,557)</b>	<b>\$ 295,048</b>	<b>\$ (2,917,030)</b>	<b>\$ -</b>	<b>\$ (2,917,030)</b>
\$ 166,840	\$ 374,846	\$ (4,010,541)	\$ (3,749,756)	\$ 164,174,642	\$ 160,424,886
554,867	31,882,841	33,077,729	72,484,955	-	72,484,955
<b>\$ 721,707</b>	<b>\$ 32,257,687</b>	<b>\$ 29,067,188</b>	<b>\$ 68,735,199</b>	<b>\$ 164,174,642</b>	<b>\$ 232,909,841</b>

# THE UNIVERSITY OF NEW MEXICO

## Combining Statement of Cash Flows as of June 30, 2018 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from insurance and patients	\$ -	\$ -	\$ -
Cash payments to employees	-	-	(200,672)
Cash payments for benefits	-	-	-
Cash payments to suppliers	(2,146,417)	(645,691)	(309,626)
Other cash receipts (payments)	2,265,378	601,202	3,545,079
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 118,961</b>	<b>\$ (44,489)</b>	<b>\$ 3,034,781</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from state appropriations	\$ -	\$ -	\$ -
Cash received from Sandoval County mill levy	-	-	-
Other nonoperating cash receipts	-	-	-
<b>Net cash provided by noncapital financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash received from federal bond subsidy	\$ -	\$ -	\$ -
Principal payments of bonds	-	-	-
Interest payments on bonds	-	-	-
Cash payments for mortgage reserve fund	-	-	-
Other cash receipts (payments)	(20,882)	(647,696)	(1,316,972)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (20,882)</b>	<b>\$ (647,696)</b>	<b>\$ (1,316,972)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	\$ 280,453	\$ -	\$ -
Purchases of investments	(257,510)	-	-
Investment income	-	-	50,205
Other cash receipts	-	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 22,943</b>	<b>\$ -</b>	<b>\$ 50,205</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents – beginning of year	\$ 1,053,737	\$ 1,177,268	\$ 3,541,662
<b>Cash and cash equivalents – end of year</b>	<b>\$ 1,174,759</b>	<b>\$ 485,083</b>	<b>\$ 5,309,676</b>

See accompanying independent auditors' report.

## SCHEDULE 10

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 205,698,090	\$ 90,095,373	\$ 295,793,463	\$ -	\$ 295,793,463
(532,229)	(24,263,170)	(29,816,316)	(54,812,387)	-	(54,812,387)
-	(4,707,682)	-	(4,707,682)	-	(4,707,682)
(565,738)	(25,076,930)	(42,944,072)	(71,688,474)	305,150	(71,383,324)
2,171,627	(149,696,121)	(1,429,235)	(142,542,070)	143,073,336	531,266
<b>\$ 1,073,660</b>	<b>\$ 1,954,187</b>	<b>\$ 15,905,750</b>	<b>\$ 22,042,850</b>	<b>\$ 143,378,486</b>	<b>\$ 165,421,336</b>
\$ -	\$ 1,160,200	\$ -	\$ 1,160,200	\$ -	\$ 1,160,200
-	-	249,416	249,416	-	249,416
-	-	7,695	7,695	-	7,695
<b>\$ -</b>	<b>\$ 1,160,200</b>	<b>\$ 257,111</b>	<b>\$ 1,417,311</b>	<b>\$ -</b>	<b>\$ 1,417,311</b>
\$ -	\$ -	\$ 1,038,661	\$ 1,038,661	\$ -	\$ 1,038,661
-	-	(3,715,000)	(3,715,000)	-	(3,715,000)
-	-	(5,630,613)	(5,630,613)	-	(5,630,613)
-	-	(1,823,863)	(1,823,863)	-	(1,823,863)
(1,139,066)	-	(2,871,850)	(5,996,466)	1,214,302	(4,782,164)
<b>\$ (1,139,066)</b>	<b>\$ -</b>	<b>\$ (13,002,665)</b>	<b>\$ (16,127,281)</b>	<b>\$ 1,214,302</b>	<b>\$ (14,912,979)</b>
\$ -	\$ (4,892,549)	\$ -	\$ (4,612,096)	\$ -	\$ (4,612,096)
-	-	-	(257,510)	-	(257,510)
4,885	(226,941)	82,970	(88,881)	-	(88,881)
-	1,429,261	-	1,429,261	-	1,429,261
<b>\$ 4,885</b>	<b>\$ (3,690,229)</b>	<b>\$ 82,970</b>	<b>\$ (3,529,226)</b>	<b>\$ -</b>	<b>\$ (3,529,226)</b>
\$ (60,521)	\$ (575,842)	\$ 3,243,166	\$ 3,803,654	\$ 144,592,788	\$ 148,396,442
615,388	32,458,683	29,834,563	68,681,301	-	68,681,301
<b>\$ 554,867</b>	<b>\$ 31,882,841</b>	<b>\$ 33,077,729</b>	<b>\$ 72,484,955</b>	<b>\$ 144,592,788</b>	<b>\$ 217,077,743</b>

Combining Statement of Net Position as of June 30, 2019 – Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 6,879,068	\$ 1,831,606	\$ 4,454,079	\$ 970,707	\$ 14,135,460
Short-term investments	-	2,733,554	-	8,480,248	11,213,802
Accounts receivable, net	1,015,354	655,187	15,166	24,748	1,710,455
Due from The University of New Mexico	-	53,356	-	-	53,356
Inventories	-	38,434	-	-	38,434
Other current assets	395,714	15,619	7,508	22,430	441,271
<b>Total current assets</b>	<b>\$ 8,290,136</b>	<b>\$ 5,327,756</b>	<b>\$ 4,476,753</b>	<b>\$ 9,498,133</b>	<b>\$ 27,592,778</b>
<b>Noncurrent assets</b>					
Investments	\$ 236,530,307	\$ -	\$ -	\$ -	\$ 236,530,307
Beneficial interest in irrevocable split interest agreements	20,998,761	-	-	-	20,998,761
Other noncurrent assets	5,737,691	-	-	-	5,737,691
<b>Total noncurrent assets</b>	<b>\$ 263,266,759</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 263,266,759</b>
<b>Total assets</b>	<b>\$ 271,556,895</b>	<b>\$ 5,327,756</b>	<b>\$ 4,476,753</b>	<b>\$ 9,498,133</b>	<b>\$ 290,859,537</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 2,104,867	\$ 11,522	\$ -	\$ 38,066	\$ 2,154,455
Advance funding received	22,487	-	-	-	22,487
Due to The University of New Mexico	4,466,473	974,457	2,622,932	-	8,063,862
Unearned revenue	-	693,203	-	-	693,203
Annuities payable	335,441	-	-	-	335,441
Other current liabilities	1,224,830	-	-	-	1,224,830
<b>Total current liabilities</b>	<b>\$ 8,154,098</b>	<b>\$ 1,679,182</b>	<b>\$ 2,622,932</b>	<b>\$ 38,066</b>	<b>\$ 12,494,278</b>
<b>Noncurrent liabilities</b>					
Due to The University of New Mexico	\$ 4,052,661	\$ -	\$ -	\$ -	\$ 4,052,661
Annuities payable	2,060,731	-	-	-	2,060,731
<b>Total noncurrent liabilities</b>	<b>\$ 6,113,392</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,113,392</b>
<b>Total liabilities</b>	<b>\$ 14,267,490</b>	<b>\$ 1,679,182</b>	<b>\$ 2,622,932</b>	<b>\$ 38,066</b>	<b>\$ 18,607,670</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Beneficial interest in irrevocable split interest agreements	\$ 21,311,638	\$ -	\$ -	\$ -	\$ 21,311,638
Unearned revenue	-	-	606,087	-	606,087
<b>Total deferred inflows of resources</b>	<b>\$ 21,311,638</b>	<b>\$ -</b>	<b>\$ 606,087</b>	<b>\$ -</b>	<b>\$ 21,917,725</b>
<b>NET POSITION</b>					
Restricted nonexpendable	\$ 211,794,373	\$ -	\$ -	\$ -	\$ 211,794,373
Restricted expendable	20,508,104	464,482	-	-	20,972,586
Unrestricted	3,675,290	3,184,092	1,247,734	9,460,067	17,567,183
<b>Total net position</b>	<b>\$ 235,977,767</b>	<b>\$ 3,648,574</b>	<b>\$ 1,247,734</b>	<b>\$ 9,460,067</b>	<b>\$ 250,334,142</b>

See accompanying independent auditors' report.

Combining Statement of Net Position as of June 30, 2018 – Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 9,247,436	\$ 1,887,140	\$ 4,196,495	\$ 692,931	\$ 16,024,002
Short-term investments	-	2,289,440	-	8,190,477	10,479,917
Accounts receivable, net	744,924	772,562	20,336	10,316	1,548,138
Due from The University of New Mexico	-	82,514	-	-	82,514
Inventories	-	56,927	-	-	56,927
Other current assets	296,361	46,488	8,220	23,221	374,290
<b>Total current assets</b>	<b>\$ 10,288,721</b>	<b>\$ 5,135,071</b>	<b>\$ 4,225,051</b>	<b>\$ 8,916,945</b>	<b>\$ 28,565,788</b>
<b>Noncurrent assets</b>					
Investments	\$ 227,641,276	\$ -	\$ -	\$ -	\$ 227,641,276
Beneficial interest in irrevocable split interest agreements	21,070,244	-	-	-	21,070,244
Other noncurrent assets	5,769,597	-	-	-	5,769,597
Capital assets, net	19,262	-	-	-	19,262
<b>Total noncurrent assets</b>	<b>\$ 254,500,379</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 254,500,379</b>
<b>Total assets</b>	<b>\$ 264,789,100</b>	<b>\$ 5,135,071</b>	<b>\$ 4,225,051</b>	<b>\$ 8,916,945</b>	<b>\$ 283,066,167</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 1,955,555	\$ 76,325	\$ 12,016	\$ 63,273	\$ 2,107,169
Advance funding received	159,319	-	-	-	159,319
Due to The University of New Mexico	4,789,921	815,494	2,200,000	-	7,805,415
Unearned revenue	-	666,760	-	-	666,760
Annuities payable	304,582	-	-	-	304,582
Other current liabilities	850,242	-	-	-	850,242
<b>Total current liabilities</b>	<b>\$ 8,059,619</b>	<b>\$ 1,558,579</b>	<b>\$ 2,212,016</b>	<b>\$ 63,273</b>	<b>\$ 11,893,487</b>
<b>Noncurrent liabilities</b>					
Due to The University of New Mexico	\$ 3,868,798	\$ -	\$ -	\$ -	\$ 3,868,798
Annuities payable	1,955,131	-	-	-	1,955,131
<b>Total noncurrent liabilities</b>	<b>\$ 5,823,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,823,929</b>
<b>Total liabilities</b>	<b>\$ 13,883,548</b>	<b>\$ 1,558,579</b>	<b>\$ 2,212,016</b>	<b>\$ 63,273</b>	<b>\$ 17,717,416</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Beneficial interest in irrevocable split interest agreements	\$ 21,346,184	\$ -	\$ -	\$ -	\$ 21,346,184
Unearned revenue	-	-	1,011,082	-	1,011,082
<b>Total deferred inflows of resources</b>	<b>\$ 21,346,184</b>	<b>\$ -</b>	<b>\$ 1,011,082</b>	<b>\$ -</b>	<b>\$ 22,357,266</b>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 19,262	\$ -	\$ -	\$ -	\$ 19,262
Restricted nonexpendable	204,989,305	-	-	-	204,989,305
Restricted expendable	21,145,692	490,483	-	-	21,636,175
Unrestricted	3,405,109	3,086,009	1,001,953	8,853,672	16,346,743
<b>Total net position</b>	<b>\$ 229,559,368</b>	<b>\$ 3,576,492</b>	<b>\$ 1,001,953</b>	<b>\$ 8,853,672</b>	<b>\$ 242,991,485</b>

See accompanying independent auditors' report.



Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019 –  
Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
<b>REVENUES</b>					
<b>Operating revenues</b>					
Nongovernmental grants, bequests, and contributions	\$ 18,949,105	\$ 263,975	\$ 5,356,797	\$ -	\$ 24,569,877
Sales and services	-	2,857,484	173,922	3,855	3,035,261
Operational support	8,317,349	-	-	-	8,317,349
Other operating revenues	246,711	13,172	750	556,837	817,470
<b>Total operating revenues</b>	<b>\$ 27,513,165</b>	<b>\$ 3,134,631</b>	<b>\$ 5,531,469</b>	<b>\$ 560,692</b>	<b>\$ 36,739,957</b>
<b>EXPENSES</b>					
<b>Operating expenses</b>					
General and administrative	\$ 13,435,670	\$ 2,395,126	\$ 257,348	\$ 130,164	\$ 16,218,308
Program expenses	-	596,309	5,056,119	508,672	6,161,100
Distributions to the University of New Mexico	27,572,038	-	-	-	27,572,038
<b>Total operating expenses</b>	<b>\$ 41,007,708</b>	<b>\$ 2,991,435</b>	<b>\$ 5,313,467</b>	<b>\$ 638,836</b>	<b>\$ 49,951,446</b>
<b>Net operating income (loss)</b>	<b>\$ (13,494,543)</b>	<b>\$ 143,196</b>	<b>\$ 218,002</b>	<b>\$ (78,144)</b>	<b>\$ (13,211,489)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	\$ 10,306,819	\$ 139,355	\$ 27,779	\$ 733,185	\$ 11,207,138
Other nonoperating revenues and expenses, net	-	(210,469)	-	6,354	(204,115)
Distributions to the University of New Mexico	-	-	-	(55,000)	(55,000)
<b>Net nonoperating revenues (expenses)</b>	<b>\$ 10,306,819</b>	<b>\$ (71,114)</b>	<b>\$ 27,779</b>	<b>\$ 684,539</b>	<b>\$ 10,948,023</b>
<b>Income (loss) before other revenues</b>	<b>\$ (3,187,724)</b>	<b>\$ 72,082</b>	<b>\$ 245,781</b>	<b>\$ 606,395</b>	<b>\$ (2,263,466)</b>
Contributions to permanent endowments	\$ 9,606,123	\$ -	\$ -	\$ -	\$ 9,606,123
<b>Total other revenues</b>	<b>\$ 9,606,123</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,606,123</b>
<b>Change in net position</b>	<b>\$ 6,418,399</b>	<b>\$ 72,082</b>	<b>\$ 245,781</b>	<b>\$ 606,395</b>	<b>\$ 7,342,657</b>
Net position at beginning of year	229,559,368	3,576,492	1,001,953	8,853,672	242,991,485
<b>Net position at end of year</b>	<b>\$ 235,977,767</b>	<b>\$ 3,648,574</b>	<b>\$ 1,247,734</b>	<b>\$ 9,460,067</b>	<b>\$ 250,334,142</b>

See accompanying independent auditors' report.

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018 –  
Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
<b>REVENUES</b>					
<b>Operating revenues</b>					
Nongovernmental grants, bequests, and contributions	\$ 21,448,899	\$ 336,973	\$ 5,458,827	\$ -	\$ 27,244,699
Sales and services	-	3,075,670	180,682	5,710	3,262,062
Operational support	7,887,677	-	-	-	7,887,677
Other operating revenues	546,548	29,900	23,920	573,674	1,174,042
<b>Total operating revenues</b>	<b>\$ 29,883,124</b>	<b>\$ 3,442,543</b>	<b>\$ 5,663,429</b>	<b>\$ 579,384</b>	<b>\$ 39,568,480</b>
<b>EXPENSES</b>					
<b>Operating expenses</b>					
General and administrative	\$ 12,612,109	\$ 2,349,020	\$ 274,544	\$ 237,485	\$ 15,473,158
Program expenses	-	611,330	4,504,475	480,573	5,596,378
Distributions to the University of New Mexico	30,428,049	-	-	-	30,428,049
<b>Total operating expenses</b>	<b>\$ 43,040,158</b>	<b>\$ 2,960,350</b>	<b>\$ 4,779,019</b>	<b>\$ 718,058</b>	<b>\$ 51,497,585</b>
<b>Net operating income (loss)</b>	<b>\$ (13,157,034)</b>	<b>\$ 482,193</b>	<b>\$ 884,410</b>	<b>\$ (138,674)</b>	<b>\$ (11,929,105)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	\$ 16,924,804	\$ 136,770	\$ 42,436	\$ 385,875	\$ 17,489,885
Other nonoperating revenues and expenses, net	-	(261,082)	-	60,167	(200,915)
Distributions to the University of New Mexico	-	-	-	(350,000)	(350,000)
<b>Net nonoperating revenues (expenses)</b>	<b>\$ 16,924,804</b>	<b>\$ (124,312)</b>	<b>\$ 42,436</b>	<b>\$ 96,042</b>	<b>\$ 16,938,970</b>
<b>Income (loss) before other revenues</b>	<b>\$ 3,767,770</b>	<b>\$ 357,881</b>	<b>\$ 926,846</b>	<b>\$ (42,632)</b>	<b>\$ 5,009,865</b>
Contributions to permanent endowments	\$ 16,814,820	-	-	-	\$ 16,814,820
<b>Total other revenues</b>	<b>\$ 16,814,820</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,814,820</b>
<b>Change in net position</b>	<b>\$ 20,582,590</b>	<b>\$ 357,881</b>	<b>\$ 926,846</b>	<b>\$ (42,632)</b>	<b>\$ 21,824,685</b>
Net position at beginning of year	211,134,997	3,218,611	75,107	8,896,304	223,325,019
Impact of change in accounting pronouncement (note 2(D))	(2,158,219)	-	-	-	(2,158,219)
<b>Net position at end of year</b>	<b>\$ 229,559,368</b>	<b>\$ 3,576,492</b>	<b>\$ 1,001,953</b>	<b>\$ 8,853,672</b>	<b>\$ 242,991,485</b>

See accompanying independent auditors' report.

Budget Comparison – Unrestricted and Restricted – All Operations  
Year Ended June 30, 2019

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable (Unfavorable)
Unrestricted and Restricted Beginning Net Position	\$ 526,430,877	\$ 570,571,815	\$ 570,571,818	\$ 3
Unrestricted and Restricted Revenues:				
Tuition and Fees	\$ 201,620,912	\$ 192,287,926	\$ 192,417,105	\$ 129,179
Federal Government Appropriations	50,000	50,000	48,545	(1,455)
State Government Appropriations	309,146,975	310,947,975	310,784,778	(163,197)
Local Government Appropriations	8,738,425	8,738,425	9,170,670	432,245
Federal Government Contracts/Grants	273,341,457	262,451,316	213,111,764	(49,339,552)
State Government Contracts/Grants	82,740,160	85,576,895	84,274,436	(1,302,459)
Local Government Contracts/Grants	3,463,720	4,595,150	2,624,451	(1,970,699)
Private Contracts/Grants	31,990,035	29,646,864	25,550,532	(4,096,332)
Endowments and Private Gifts	20,375,487	24,555,875	24,115,895	(439,980)
Land and Permanent Fund	10,000,000	16,341,598	15,238,920	(1,102,678)
Sales and Services	416,380,074	426,180,870	416,573,077	(9,607,793)
Other	148,785,068	190,680,480	194,556,164	3,875,684
Total Unrestricted and Restricted Revenues	<u>\$ 1,506,632,313</u>	<u>\$ 1,552,053,374</u>	<u>\$ 1,488,466,337</u>	<u>\$ (63,587,037)</u>
Unrestricted and Restricted Expenditures:				
Instruction	\$ 280,467,675	\$ 277,659,608	\$ 265,697,021	\$ 11,962,587
Academic Support	56,986,761	57,161,568	54,291,513	2,870,055
Student Services	31,803,061	31,336,020	29,769,500	1,566,520
Institutional Support	70,442,364	67,772,012	63,254,830	4,517,182
Operations and Maintenance	46,379,614	45,039,270	43,068,289	1,970,981
Student Social and Cultural	10,378,030	10,866,319	9,697,855	1,168,464
Research	213,104,247	208,571,690	184,143,002	24,428,688
Public Service	424,944,799	422,466,449	396,599,261	25,867,188
Internal Services	3,555,222	6,395,815	3,314,369	3,081,446
Student Aid, Grants, and Stipends	123,890,071	125,658,807	106,370,438	19,288,369
Auxiliary Services	50,132,253	51,680,884	47,629,671	4,051,213
Intercollegiate Athletics	32,942,348	32,731,880	32,052,815	679,065
Independent Operations	89,009,272	90,101,912	88,733,541	1,368,371
Capital Outlay	138,952,896	127,815,893	106,606,451	21,209,442
Building Renewal and Replacement	10,000,000	10,000,000	9,531,637	468,363
Retirement of Indebtedness	38,178,590	38,178,590	33,657,905	4,520,685
Total Unrestricted and Restricted Expenditures	<u>\$ 1,621,167,203</u>	<u>\$ 1,603,436,717</u>	<u>\$ 1,474,418,098</u>	<u>\$ 129,018,619</u>
Net Transfers	\$ 8,488,470	\$ 7,728,524	\$ 8,327,330	\$ 598,806
Change in Net Position (Budgetary Basis)	<u>\$ (106,046,420)</u>	<u>\$ (43,654,819)</u>	<u>\$ 22,375,569</u>	<u>\$ 66,030,388</u>
Ending Net Position	<u>\$ 420,384,457</u>	<u>\$ 526,916,996</u>	<u>\$ 592,947,387</u>	<u>\$ 66,030,391</u>

Under title 5 of the New Mexico Administrative Code, chapter 3, part 4, paragraph 10 – Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as the items of budgetary control. Total expenditures or transfers in each of these items of budgetary control may not exceed the amounts shown in the approved budget: A. Unrestricted expenditures and restricted expenditures, B. Instruction and general, C. Each budget function in current funds other than instruction and general, D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service, and E. Each individual item of transfer between funds and/or functions.

See accompanying independent auditors' report.

Budget Comparison - Unrestricted - Instruction & General  
Year Ended June 30, 2019

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actuals</b>	<b>Final Budget vs Actuals Favorable (Unfavorable)</b>
Unrestricted Beginning Net Position	\$ 46,551,013	\$ 59,269,586	\$ 59,269,586	\$ -
Unrestricted Revenues:				
Tuition and Fees	\$ 181,627,824	\$ 174,334,488	\$ 174,734,806	\$ 400,318
Federal Government Appropriations	-	-	-	-
State Government Appropriations	265,044,000	265,518,000	265,287,726	(230,274)
Local Government Appropriations	8,738,425	8,738,425	9,170,670	432,245
Federal Government Contracts/Grants	180,000	180,000	146,785	(33,215)
State Government Contracts/Grants	-	19,063	19,755	692
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	-	-	-
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	10,000,000	16,341,598	15,238,920	(1,102,678)
Sales and Services	925,429	571,706	985,921	414,215
Other	54,833,417	51,600,698	56,829,167	5,228,469
Total Unrestricted Revenues	<u>\$ 521,349,095</u>	<u>\$ 517,303,978</u>	<u>\$ 522,413,750</u>	<u>\$ 5,109,772</u>
Unrestricted Expenditures:				
Instruction	\$ 270,488,549	\$ 268,043,277	\$ 261,232,528	\$ 6,810,749
Academic Support	55,963,389	56,181,090	53,710,137	2,470,953
Student Services	31,190,286	30,708,349	29,490,240	1,218,109
Institutional Support	70,054,930	67,360,089	63,176,945	4,183,144
Operations and Maintenance	46,322,149	44,981,805	43,068,289	1,913,516
Total Unrestricted Expenditures	<u>\$ 474,019,303</u>	<u>\$ 467,274,610</u>	<u>\$ 450,678,139</u>	<u>\$ 16,596,471</u>
Net Transfers	<u>\$ (53,026,847)</u>	<u>\$ (57,190,909)</u>	<u>\$ (63,440,572)</u>	<u>\$ (6,249,663)</u>
Change in Net Position (Budgetary Basis)	<u>\$ (5,697,055)</u>	<u>\$ (7,161,541)</u>	<u>\$ 8,295,039</u>	<u>\$ 15,456,580</u>
Ending Net Position	<u>\$ 40,853,958</u>	<u>\$ 52,108,045</u>	<u>\$ 67,564,625</u>	<u>\$ 15,456,580</u>

See accompanying independent auditors' report.

Budget Comparison - Restricted - Instruction & General  
Year Ended June 30, 2019

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable (Unfavorable)
	\$ -	\$ -	\$ -	\$ -
Restricted Beginning Net Position	-	-	-	-
Restricted Revenues:				
Tuition and Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	8,721,087	7,477,201	3,261,021	(4,216,180)
State Government Contracts/Grants	1,706,240	1,812,407	924,486	(887,921)
Local Government Contracts/Grants	137,285	705,136	114,103	(591,033)
Private Contracts/Grants	1,484,360	1,539,032	1,054,755	(484,277)
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>\$ 12,048,972</u>	<u>\$ 11,533,776</u>	<u>\$ 5,354,365</u>	<u>\$ (6,179,411)</u>
Restricted Expenditures:				
Instruction	\$ 9,979,126	\$ 9,616,331	\$ 4,464,493	\$ 5,151,838
Academic Support	1,023,372	980,478	581,376	399,102
Student Services	612,775	627,671	279,260	348,411
Institutional Support	387,434	411,923	77,885	334,038
Operations and Maintenance	57,465	57,465	-	57,465
Total Restricted Expenditures	<u>\$ 12,060,172</u>	<u>\$ 11,693,868</u>	<u>\$ 5,403,014</u>	<u>\$ 6,290,854</u>
Net Transfers	<u>\$ 11,200</u>	<u>\$ 160,092</u>	<u>\$ 48,649</u>	<u>\$ (111,443)</u>
Change in Net Position (Budgetary Basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

# THE UNIVERSITY OF NEW MEXICO

Reconciliation of Budgetary Basis to Financial Statement Basis  
 Unrestricted and Restricted - All Operations  
 Year Ended June 30, 2019

**Total Unrestricted and Restricted Revenues:**

Budgetary Basis	\$ 1,488,466,337
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	1,122,456,466
University of New Mexico Behavioral Health Operations (amount not in budgetary basis)	48,348,616
Blended component units (amount not in budgetary basis)	327,419,410
Intercompany eliminations (amount not in budgetary basis)	(365,690,833)
Scholarship allowance (amount not in budgetary basis)	(84,760,680)
Endowment fund items (amount not in budgetary basis)	8,355,990
Investment in plant items (amount not in budgetary basis)	648,451
Institutional fund items (amount not in budgetary basis)	8,803,680
Revenue/expenditure classification differences	(820,715)
Other	75,430
Total reconciling items	<u>\$ 1,064,835,815</u>
Total reconciled unrestricted and restricted revenues per budgetary basis	<u>\$ 2,553,302,152</u>
Basic Financial Statements	
Operating revenues	\$ 1,913,914,184
Nonoperating revenues	568,869,908
Nonoperating revenues netted in other nonoperating revenues and expenses	8,995,321
Capital contributions	61,522,739
Total unrestricted and restricted revenues per financial statements	<u>\$ 2,553,302,152</u>
Difference	<u>\$ -</u>

**Total Unrestricted and Restricted Expenditures:**

Budgetary Basis	\$ 1,474,418,098
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	1,096,526,090
University of New Mexico Behavioral Health Operations (amount not in budgetary basis)	46,803,244
Blended component units (amount not in budgetary basis)	310,400,387
Intercompany eliminations (amount not in budgetary basis)	(365,690,833)
Scholarship allowance (amount not in budgetary basis)	(84,760,680)
Endowment fund items (amount not in budgetary basis)	1,725,041
Investment in plant items (amount not in financial statements)	(2,377,861)
Depreciation expense (amount not in budgetary basis)	62,547,891
Institutional fund items (amount not in budgetary basis)	(20,257)
Adjustments subsequent to Actuals submission to HED (amount not in budgetary basis)	18,000,000
Capitalized expenditures (amount not in financial statements)	(90,699,003)
Bond principal payments (amount not in financial statements)	(18,651,810)
GASB 68 pension expense (amount not in budgetary basis)	282,280,668
GASB 75 other postemployment benefits expense (amount not in budgetary basis)	(528,500)
Revenue/expenditure classification differences	(820,715)
Other	64,212
Total reconciling items	<u>\$ 1,254,797,874</u>
Total reconciled unrestricted and restricted expenditures per budgetary basis	<u>\$ 2,729,215,972</u>
Basic Financial Statements	
Operating expenditures	\$ 2,704,673,262
Nonoperating expenditures	20,625,161
Nonoperating expenditures netted in other nonoperating revenues and expenses	3,917,549
Total unrestricted and restricted expenditures per financial statements	<u>\$ 2,729,215,972</u>
Difference	<u>\$ -</u>

See accompanying independent auditors' report.

# THE UNIVERSITY OF NEW MEXICO

## Schedule of Pledged Collateral as of June 30, 2019 - Primary Institution

Financial Institution	Account Type	Account Name	Book Balance	Bank Balance
Compass Bank		*Lobo Development - Business Checking	\$ 234,559	\$ 245,566
		*Lobo Energy - Business Checking	423,942	423,942
			<u>\$ 658,501</u>	<u>\$ 669,508</u>
		Less FDIC Insurance		(500,000)
		Uninsured Public Funds		<u>\$ 169,508</u>
Enterprise Bank	Checking	Los Alamos Campus Depository	\$ 1,047	\$ 1,047
		Less FDIC Insurance		(1,047)
		Uninsured Public Funds		<u>\$ -</u>
U.S. Bank	Checking	General Depository	\$ 87,693,741	\$ 92,952,661
			<u>\$ 87,693,741</u>	<u>\$ 92,952,661</u>
		Less FDIC Insurance		(250,000)
		Uninsured Public Funds		<u>\$ 92,702,661</u>
		Collateral Requirement (50%)		\$ 46,351,331
		Fair Value of Collateral		\$ 130,000,000
		Over (Under) Collateralized		<u>\$ 83,648,669</u>
Wells Fargo	Checking	UNMH Operating Account	\$ 80,011,822	\$ 91,797,073
	Savings	UNMH Operating Account	78,428,469	78,428,469
			<u>\$ 158,440,291</u>	<u>\$ 170,225,542</u>
		Less FDIC Insurance		(500,000)
		Uninsured Public Funds		<u>\$ 169,725,542</u>
		Collateral Requirement (50%)		\$ 84,862,771
		Fair Value of Collateral		\$ 191,450,501
		Over (Under) Collateralized		\$ 106,587,730
Checking		*UNMMG Operating Account	\$ 31,890,895	\$ 32,498,134
		*UNMMG Cancer Center	41,367	41,367
		*UNMMG Truman RX	75,000	75,000
			<u>\$ 32,007,262</u>	<u>\$ 32,614,501</u>
		Less FDIC Insurance		(250,000)
		Uninsured Public Funds		<u>\$ 32,364,501</u>
		Collateral Requirement (50%)		\$ 16,182,251
		Fair Value of Collateral		\$ 51,061,290
		Over (Under) Collateralized		\$ 34,879,040
Other		Commercial Paper	\$ 49,988,365	
		Interest-Bearing Cash Sweep (ICS)	50,005,480	
		Guaranteed Investment Contract	45,012,461	
		Money Markets	7,132,532	
		VEBA Trust	710,720	
		Petty Cash/Other	169,775	
		Component Unit deposits held by UNM	(2,353,248)	
		**STC.UNM	1,044,272	\$ 1,388,873
		**Innovate ABQ	117,837	117,837
		**Sandoval Regional Medical Center	21,937,271	23,639,932
			<u>\$ 173,765,465</u>	<u>\$ 25,146,642</u>
<b>Total Cash and Cash Equivalents – Primary Institution</b>			<b>\$ 452,566,307</b>	<b>\$ 321,609,901</b>

\*Blended Component Units - Public Money Entities

\*\*Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

# SCHEDULE 18

CUSIP Identification	Maturity Date	Type of Securities	Amount
<b>Main Campus*</b>			
527129	12/12/2019	LOC	\$ 65,000,000
528679	9/13/2019	LOC	20,000,000
528800	7/26/2019	LOC	35,000,000
528869	7/26/2019	LOC	10,000,000
<i>Total Pledged Collateral</i>			<b><u>\$ 130,000,000</u></b>

CUSIP Identification	Maturity Date	Type of Securities	Amount
<b>UNM Hospital**</b>			
3148CUA0	2/1/2048	FNMS	\$ 191,450,501
<i>Total Bank Of New York</i>			<b><u>\$ 191,450,501</u></b>

\*\* - Pledged collateral is held in safekeeping by the Bank of New York Mellon

\* - Pledged collateral is held by U.S. Bank in the University's name

<b>UNM Medical Group***</b>			
31418CAK0	8/31/2031	FNMA, FNMS, 2.50%	\$ 51,061,290
<i>Total Pledged Collateral</i>			<b><u>\$ 51,061,290</u></b>

\*\*\* - Pledged collateral is held by Wells Fargo's trust departments or their agent in UNMMG's name



# THE UNIVERSITY OF NEW MEXICO

## Schedule of Pledged Collateral as of June 30, 2019 - Discretely Presented Component Units

Financial Institution	Account Type	Account Name	Book Balance	Bank Balance
<b>*UNM Foundation</b>				
Nusenda Federal Credit Union	Cash	General Fund	\$ 171,857	\$ 171,857
		Less NCUA Insurance		(171,857)
		Uninsured Public Funds		\$ -
Wells Fargo Bank	Cash	UNM Foundation Operating	\$ 1,164,873	\$ 1,235,646
	Cash	Development	4,926,900	3,993,084
			<b>\$ 6,091,773</b>	<b>\$ 5,228,730</b>
			Less FDIC Insurance	(250,000)
			Uninsured Public Funds	<b>\$ 4,978,730</b>
			Collateral Requirement (50%)	\$ 2,489,365
			Fair Value of Collateral	\$ 5,067,392
			Over (Under) Collateralized	\$ 2,578,027
	Other	Foundation Money Market	\$ 615,438	\$ 615,438
<b>Total Cash and Cash Equivalents – UNM Foundation</b>			<b>\$ 6,879,068</b>	<b>\$ 6,016,025</b>
<b>**Anderson Schools of Management Foundation</b>			\$ 1,831,606	\$ 1,977,066
<b>**UNM Lobo Club</b>			4,454,079	4,489,477
<b>**UNM Alumni Association</b>			970,707	973,009
<b>Total Cash and Cash Equivalents – Discretely Presented Component Units</b>			<b>\$ 14,135,460</b>	<b>\$ 13,455,577</b>

\*Discretely Presented Component Units - Public Money Entities

\*\*Discretely Presented Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

<b>CUSIP Identification</b>	<b>Maturity Date</b>	<b>Type of Securities</b>	<b>Amount</b>
<b>UNM Foundation</b>			
3138NXES2	7/1/2043	FN-30 \$	1,132,860
3128MJTQ3	11/1/2043	FHG-30	3,934,532
<i>Total Pledged Collateral</i>			<b><u>5,067,392</u></b>

Pledged collateral is held by Wells Fargo's trust departments in UNM Foundation's name.

# THE UNIVERSITY OF NEW MEXICO

## Schedule of Individual Deposit and Investment Accounts as of June 30, 2019 - Primary Institution

### Individual Deposit Accounts

Name of Bank/Broker	Account Type		Balance per Bank Statement	Reconciled Balance per Books
Compass Bank	*Lobo Development - Business Checking	Checking	\$ 245,566	\$ 234,559
	*Lobo Energy - Business Checking	Checking	423,942	423,942
Enterprise Bank	Los Alamos Campus Depository	Checking	1,047	1,047
U.S. Bank	General Depository	Checking	92,952,661	87,693,741
Wells Fargo	UNMH Operating Account	Checking	91,797,073	80,011,822
	UNMH Operating Account	Savings	78,428,469	78,428,469
	*UNMMG Operating Accounting	Checking	32,498,134	31,890,895
	*UNMMG Cancer Center	Checking	41,367	41,367
	*UNMMG Truman RX	Checking	75,000	75,000
Other	Commercial Paper	Sweep		49,988,365
	Interest-Bearing Cash Sweep (ICS)	Sweep		50,005,480
	UNM Project Funding from Bond Issue	Guaranteed Investment Contract		45,012,461
	Money Markets	Money Market		7,132,532
	VEBA Trust	Trust		710,720
	Petty Cash/Other	Cash on Hand		169,775
	Component Unit deposits held by UNM			(2,353,248)
		**STC.UNM		1,388,873
	**Innovate ABQ		117,837	117,837
	**Sandoval Regional Medical Center		23,639,932	21,937,271
<b>Total Cash and Cash Equivalents - Primary Institution</b>			<b>\$ 321,609,901</b>	<b>\$ 452,566,307</b>

\*Blended Component Units - Public Money Entities

\*\*Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

# SCHEDULE 19

## Individual Investment Accounts

Name of Bank/Broker	Account Type	Balance per Bank Statement	Reconciled Balance per Books		
Bank of Oklahoma	Retirement of Indebtedness	Money Market	\$ 699,133	\$ 699,133	
		Certificate of Deposit	1,345,216	1,345,216	
	VEBA Trust	Money Market	357,435	357,435	
		Marketable Alternatives	982,290	982,290	
		Mutual Funds - Equity	23,630,756	23,630,756	
		Mutual Funds - Fixed Income	11,659,336	11,659,336	
Bayern LB	UNM Project Funding from Bond Issue	Guaranteed Investment Contract	45,012,461	45,012,461	
Fidelity Investments	ASM Student Portfolio Account	Money Market	40,365	40,365	
		Equity	1,462,958	1,462,958	
		Exchange-Traded Funds	1,893,855	1,893,855	
Morgan Stanley	Operating Investment Account	Money Market	7,109,882	7,109,882	
		U.S. Treasury Securities	185,968,216	185,968,216	
		U.S. Government Agencies	66,160,220	66,160,220	
		Corporate Bonds	123,626,877	123,626,877	
		Municipal Bonds	7,689,699	7,689,699	
	UNMH Short-Term Investment Accounts	Money Market	3,515,170	3,515,170	
		U.S. Treasury Securities	21,038,834	21,038,834	
		U.S. Government Agencies	11,074,389	11,074,389	
	*UNMMG Investment Account	U.S. Treasury Securities	17,737,880	17,737,880	
		U.S. Government Agencies	3,415,440	3,415,440	
Corporate Bonds		5,413,747	5,413,747		
Municipal Bonds		734,241	734,241		
Northern Trust	Consolidated Investment Fund	Money Market	5,890,140	5,890,140	
		Mutual Funds - Fixed	22,445,737	22,445,737	
		Mutual Funds - Equity	213,432,579	213,432,579	
		Exchange-Traded Funds	49,918,271	49,918,271	
		Illiquid Real Assests	19,731,860	19,731,860	
		Private Equity	59,491,810	59,491,810	
		Marketable Alternatives	88,981,953	88,981,953	
		Wells Fargo	Bldg. Renewal & Replacement	Money Market	164,298
U.S. Government Agencies	9,127,693			9,127,693	
Retirement of Indebtedness	Money Market		1,713,583	1,713,583	
	U.S. Treasury Securities		942,017	942,017	
	Certificate of Deposit		3,008,439	3,008,439	
UNMH Trust Accounts (Short term)	Money Market		173,272	173,272	
UNMH Trust Accounts (Long term)	Money Market		18,439,303	18,439,303	
Investment in TLSC	UNMH Other Investments		Equity	6,621,951	6,621,951
Investment in TriWest	UNMH Other Investments		Equity	5,000,000	5,000,000
Investment in TRL (TriCore)	UNMH Other Investments		Equity	14,741,388	14,741,388
	Less: Guaranteed Investment Contract		(45,012,461)	(45,012,461)	
	Less: Foundation Interest in CIF		(229,871,672)	(229,871,672)	
	**STC.UNM	761,791	761,791		
	**Sandoval Regional Medical Center	13,206,575	13,206,575		
<b>Total Investments - Primary Institution</b>			<b>\$ 799,476,927</b>	<b>\$ 799,476,927</b>	

\*Blended Component Units - Public Money Entities

\*\*Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

# THE UNIVERSITY OF NEW MEXICO

## Schedule of Individual Deposit and Investment Accounts as of June 30, 2019 - Discretely Presented Component Units

### Individual Deposit Accounts

Name of Bank/Broker	Account Type	Balance per Bank Statement	Reconciled Balance per Books
<b>Component Units – Public Money Entities</b>			
<b>*UNM Foundation, Inc.</b>			
Fidelity	Restricted Fund	\$ 171,202	\$ 171,202
Hilltop Securities	Charitable Trust Fund	19,554	19,554
Morgan Stanley	Security donation	43,905	43,905
Nusenda Credit Union	General Fund	171,857	171,857
UBS Financial Services	Endowed Chair	324,410	324,410
	Endowed Professorship	55,739	55,739
Wells Fargo	Operating	1,235,646	1,164,873
	Development	3,993,084	4,926,900
Vanguard Investments	Operating	628	628
<b>Total Cash and Cash Equivalents - UNM Foundation, Inc.</b>		<b>\$ 6,016,025</b>	<b>\$ 6,879,068</b>
**Anderson Schools of Management Foundation		1,977,066	1,831,606
**UNM Lobo Club		2,900,498	4,454,079
**UNM Alumni Association		550,559	970,707
<b>Total Cash and Cash Equivalents - Discretely Presented Component Units</b>		<b>\$ 11,444,148</b>	<b>\$ 14,135,460</b>

\*Discretely Presented Component Units - Public Money Entities

\*\*Discretely Presented Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

# SCHEDULE 19

## Individual Investment Accounts

Name of Bank/Broker	Account Type	Balance per Bank Statement	Reconciled Balance per Books
<b>Component Units – Public Money Entities</b>			
<b>*UNM Foundation, Inc.</b>			
Fidelity	Operating Fund	Mutual Funds-Equity	\$ 226,248 \$ 226,248
Southwest Securities	Charitable Trust Fund	Domestic Corporate Stock	162,042 162,042
		Mutual Funds-Equity	
		Mutual Funds-Fixed	301,002 301,002
		Real Estate	20,875 20,875
UBS Financial Services	Endowed Chair	Municipal Bonds	2,870,719 2,870,719
		Other	26,474 26,474
	Endowed Professorship	Municipal Bonds	378,790 378,790
Morgan Stanley Smith Barney	UNM Foundation Inc.	Domestic Corporate Stock	405,053 405,053
Vanguard Investment	Operating Fund	US Treasury Notes	2,258,695 2,258,695
Vanguard Investment	Operating Fund	Other	8,737 8,737
CIF	Endowments	Consolidated Investment Fund	229,871,672 229,871,672
		<b>Total Investments - UNM Foundation, Inc.</b>	<b>\$ 236,530,307 \$ 236,530,307</b>
		<b>**Anderson Schools of Management Foundation</b>	<b>2,733,554 2,733,554</b>
		<b>**UNM Alumni Association</b>	<b>8,480,248 8,480,248</b>
		<b>Total Investments - Discretely Presented Component Units</b>	<b>\$ 247,744,109 \$ 247,744,109</b>

\*Discretely Presented Component Units - Public Money Entities

\*\*Discretely Presented Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

Indigent Care Cost and Funding Report for the years ended June 30, 2019, 2018, and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Funding for Indigent Care:</b>			
State appropriations specified for indigent care - Out of County Indigent Fund	\$ -	\$ -	\$ -
County indigent funds received	-	-	-
Out of county indigent funds received	6,030	40	13,868
Payments and copayments received from uninsured patients qualifying for indigent care	61,574	111,776	134,907
Reimbursement received for services provided to patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	4,399,209	5,004,278	3,815,723
Charitable contributions received from donors that are designated for funding indigent care	494,076	441,611	338,834
Other sources:			
Other source	-	-	-
<b>Total Funding for Charity Care</b>	<u>\$ 4,960,889</u>	<u>\$ 5,557,705</u>	<u>\$ 4,303,332</u>
<b>Cost of Providing Indigent Care:</b>			
Total cost of care for providing services to:			
Uninsured patients qualifying for indigent care	\$ 17,052,488	\$ 14,433,391	\$ 13,958,985
Patients qualifying for coverage under EMSA	7,364,752	8,740,174	6,449,003
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	25,827,548	20,372,512	21,187,081
Direct costs paid to other providers on behalf of patients qualifying for indigent care	<u>5,956,802</u>	<u>5,375,598</u>	<u>5,221,142</u>
<b>Total Cost of Providing Indigent Care</b>	<u>\$ 56,201,590</u>	<u>\$ 48,921,675</u>	<u>\$ 46,816,211</u>
<b>Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care</b>	<u>\$ (51,240,701)</u>	<u>\$ (43,363,970)</u>	<u>\$ (42,512,879)</u>
<b>Patients Receiving Indigent Care Services (Unaudited):</b>			
Total number of patients receiving indigent care	80,492	59,130	47,060
Total number of patient encounters receiving indigent care	248,609	201,532	171,436

See accompanying independent auditors' report.

Calculations of Cost of Providing Indigent Care for the years ended June 30, 2019, 2018, and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Uninsured patients qualifying for indigent care:</b>			
Charges for these patients	\$ 34,392,410	\$ 29,010,849	\$ 27,236,612
Ratio of cost to charges	49.6%	49.8%	51.3%
<b>Cost for uninsured patients qualifying for indigent care</b>	<u>\$ 17,052,496</u>	<u>\$ 14,433,391</u>	<u>\$ 13,958,985</u>
<b>Patients qualifying for coverage under EMSA:</b>			
Charges for these patients	\$ 14,720,526	\$ 17,144,224	\$ 12,784,272
Ratio of cost to charges	50.0%	51.0%	50.4%
<b>Cost for patients qualifying for coverage under EMSA</b>	<u>\$ 7,364,752</u>	<u>\$ 8,740,174</u>	<u>\$ 6,449,003</u>
<b>Cost of care related to patient portion of bill for insured patients qualifying for indigent care:</b>			
Indigent/charity care adjustments for these patients	\$ 49,225,360	\$ 38,123,886	\$ 37,885,708
Ratio of cost to charges	52.5%	53.4%	55.9%
<b>Cost of care related to patient portion of bill for insured patients qualifying for indigent care</b>	<u>\$ 25,827,548</u>	<u>\$ 20,372,512</u>	<u>\$ 21,187,081</u>
<b>Direct costs paid to other providers on behalf of patients qualifying for indigent care</b>	<u>\$ 5,956,802</u>	<u>\$ 5,375,598</u>	<u>\$ 5,221,142</u>
<b>Payments to other providers for care of these patients</b>	<u>\$ 5,956,802</u>	<u>\$ 5,375,598</u>	<u>\$ 5,221,142</u>

See accompanying independent auditors' report.



Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
<b>MAJOR PROGRAMS</b>				
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
<b>Department of Agriculture</b>				
Direct Awards				
Department of Agriculture	10.000		\$ -	\$ 159,918
Agricultural Research Basic and Applied Research	10.001		-	24,859
Hispanic Serving Institutions Education Grants	10.223		65,736	253,385
Agriculture and Food Research Initiative (AFRI)	10.310		19,547	438,835
Forestry Research	10.652		-	30,570
		Total Department of Agriculture Direct Awards	85,283	907,567
Pass-Through Awards				
Department of Agriculture	10.000	Presbyterian Healthcare Services	-	7,523
Hispanic Serving Institutions Education Grants	10.223	The University of Texas Rio Grande Valley	-	66,737
Agriculture and Food Research Initiative (AFRI)	10.310	NMC Inc	-	30,413
Agriculture and Food Research Initiative (AFRI)	10.310	University of Texas at El Paso	-	108,301
	10.310	Subtotal	-	138,714
Cooperative Extension Service	10.500	New Mexico State University	-	7,126
		Total Department of Agriculture Pass-Through Awards	-	220,100
		<b>Total Department of Agriculture</b>	<b>85,283</b>	<b>1,127,667</b>
<b>Department of Commerce</b>				
Direct Awards				
Department of Commerce	11.000		-	4,589
Climate and Atmospheric Research	11.431		-	166,027
Measurement and Engineering Research and Standards	11.609		-	10,000
		Total Department of Commerce Direct Awards	-	180,616
		<b>Total Department of Commerce</b>	<b>-</b>	<b>180,616</b>
<b>Department of Defense</b>				
Direct Awards				
Department of Defense	12.000		673,328	2,321,847
Aquatic Plant Control	12.100		-	126,261
Collaborative Research and Development	12.114		-	45,386
Basic and Applied Scientific Research	12.300		16,009	3,499,693
Scientific Research - Combating Weapons of Mass Destruction	12.351		343,087	1,398,255
Military Medical Research and Development	12.420		192,985	1,264,668
Basic Scientific Research	12.431		-	657,807
Centers for Academic Excellence	12.598		18,141	688,580
Research and Technical Assistance	12.615		-	1,505,407
Basic, Applied, and Advanced Research in Science and Engineering	12.630		-	878,856
Air Force Defense Research Sciences Program	12.800		1,297,223	3,359,459
Research and Technology Development	12.910		403,938	900,698
		Total Department of Defense Direct Awards	2,944,711	16,646,917
Pass-Through Awards				
Department of Defense	12.000	Applied Defense Solutions	-	47,193
Department of Defense	12.000	Applied Technology Associates	-	115,141
Department of Defense	12.000	ATA Aerospace	-	273,263
Department of Defense	12.000	CFD Research Corporation	-	49,336
Department of Defense	12.000	Charles River Analytics, Inc.	-	22,395
Department of Defense	12.000	Clarkson Aerospace Corp	-	25,510
Department of Defense	12.000	Crystalline Mirror Solutions LLC	-	7,962
Department of Defense	12.000	Government of Israel Ministry of Defense-		
Department of Defense	12.000	Mission to the USA	-	3
Department of Defense	12.000	Hexpoint Technologies	-	(27,500)
Department of Defense	12.000	IRflex Corporation	-	44,563
Department of Defense	12.000	John Tiller Software	-	30,816
Department of Defense	12.000	Leidos Inc	-	369,318
Department of Defense	12.000	Lockheed Martin Corporation	-	26,849
Department of Defense	12.000	Los Alamos National Laboratory	-	38,554
Department of Defense	12.000	Metabiota, Inc.	-	30,790
Department of Defense	12.000	New Mexico Institute of Mining and Technology	-	37,307
Department of Defense	12.000	Northrop Grumman Corporation	-	263,718
Department of Defense	12.000	Picotek LLC	-	37,499
Department of Defense	12.000	Sandia National Laboratories	-	75,234

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Defense	12.000	Tau Technologies LLC	-	278,910
Department of Defense	12.000	The Optical Sciences Company (TOSC)	-	44,469
Department of Defense	12.000	University of Pittsburgh	-	6,815
		Utah State University Research Foundation/Space		
Department of Defense	12.000	Dynamics Lab	-	53,809
Department of Defense	12.000	Verus Research	-	729
	12.000	Subtotal	-	1,852,683
Basic and Applied Scientific Research	12.300	ASR Corporation	-	167,991
Basic and Applied Scientific Research	12.300	Carnegie Mellon University	-	83,229
Basic and Applied Scientific Research	12.300	Clemson University	-	91,434
Basic and Applied Scientific Research	12.300	University of Texas Arlington	-	252,450
	12.300	Subtotal	-	595,104
Scientific Research - Combating Weapons of Mass Destruction	12.351	Pennsylvania State University	-	104,480
Scientific Research - Combating Weapons of Mass Destruction	12.351	Sandia National Laboratories	-	(81,254)
	12.351	Subtotal	-	23,226
Military Medical Research and Development	12.420	National Trauma Institute	-	140,141
Military Medical Research and Development	12.420	University of Texas HSC San Antonio	-	4,701
	12.420	Subtotal	-	144,842
Basic Scientific Research	12.431	University of Southern California	-	4,185
Basic Scientific Research	12.431	University of Utah	-	283,406
	12.431	Subtotal	-	287,591
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	Albuquerque Public Schools	-	164
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	Kansas State University	-	456
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Army Educational Outreach Program	-	2,000
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Technology Student Association	-	29,974
	12.630	Subtotal	-	31,974
Air Force Defense Research Sciences Program	12.800	ATA Aerospace	-	126,013
Air Force Defense Research Sciences Program	12.800	Bluecom Systems and Consulting LLC	-	64,582
Air Force Defense Research Sciences Program	12.800	Board of Trustees of Michigan State University	-	345,666
Air Force Defense Research Sciences Program	12.800	New Mexico Institute of Mining and Technology	-	37,994
Air Force Defense Research Sciences Program	12.800	Ohio State University	-	10,003
Air Force Defense Research Sciences Program	12.800	Sienna Technologies Inc	-	15,566
Air Force Defense Research Sciences Program	12.800	University of California Irvine	-	4,975
Air Force Defense Research Sciences Program	12.800	University of Texas Arlington	-	29,603
	12.800	Subtotal	-	634,402
Research and Technology Development	12.910	NMC Inc	-	104,344
Research and Technology Development	12.910	Thermo Dynamic Films	-	227,469
	12.910	Subtotal	-	331,813
		Total Department of Defense Pass-Through Awards	-	3,902,255
		<b>Total Department of Defense</b>	<b>2,944,711</b>	<b>20,549,172</b>
<b>Department of the Interior</b>				
Direct Awards				
Department of the Interior	15.000		-	184,256
Education Enhancements	15.151		-	28,983
Cultural Resources Management	15.159		-	742
Fish, Wildlife and Plant Conservation Resource Management	15.231		-	80,045
Wildland Fire Research and Studies	15.232		-	99,006
Wildlife Resource Management	15.247		-	25,360
Fish and Wildlife Coordination Act	15.517		-	203,429
Upper Colorado and San Juan River Basins Endangered Fish Recovery	15.529		20,635	75,875
SECURE Water Act - Research Agreements	15.560		-	102,757
Endangered Species Conservation - Recovery Implementation Funds	15.657		-	15,000
Youth Engagement, Education, and Employment	15.676		-	66,055
Cooperative Ecosystem Studies Units	15.678		-	81,500
U.S. Geological Survey Research and Data Collection	15.808		-	177,450
Native American Graves Protection and Repatriation Act	15.922		-	9,628
National Center for Preservation Technology and Training	15.923		-	18,804

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Cooperative Research and Training Programs - Resources of the National Park System	15.945		-	1,282,508
		Total Department of the Interior Direct Awards	20,635	2,451,398
<b>Pass-Through Awards</b>				
Department of the Interior	15.000	The Atlantic Group, LLC	-	1,434
Upper Colorado and San Juan River Basins Endangered Fish Recovery	15.529	Colorado State University	-	90,480
Assistance to State Water Resources Research Institutes	15.805	New Mexico State University	-	1,146
National and Regional Climate Adaptation Science Centers	15.820	University of Oklahoma	-	62,611
		Total Department of the Interior Pass-Through Awards	-	155,671
		<b>Total Department of the Interior</b>	<b>20,635</b>	<b>2,607,069</b>
<b>Department of Justice</b>				
<b>Direct Awards</b>				
Department of Justice	16.000		-	(1,181)
State Justice Statistics Program for Statistical Analysis Centers	16.550		-	117,889
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		-	504,039
		Total Department of Justice Direct Awards	-	620,747
<b>Pass-Through Awards</b>				
Department of Justice	16.000	Santa Clara Indian Pueblo	-	55,761
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	University of Nevada System	-	43,805
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	New Mexico Public Safety Department	-	28,634
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	City of Albuquerque	-	11,011
Innovations in Community-Based Crime Reduction	16.817	Second Judicial District Court	-	30,663
		Total Department of Justice Pass-Through Awards	-	169,874
		<b>Total Department of Justice</b>	<b>-</b>	<b>790,621</b>
<b>Department of State</b>				
<b>Pass-Through Awards</b>				
Public Diplomacy Programs	19.040	Partners of the Americas Inc	-	8,358
		Total Department of State Pass-Through Awards	-	8,358
		<b>Total Department of State</b>	<b>-</b>	<b>8,358</b>
<b>Department of Transportation</b>				
<b>Direct Awards</b>				
Highway Training and Education	20.215		-	34,106
Transportation Planning, Research and Education	20.931		-	(74)
		Total Department of Transportation Direct Awards	-	34,032
<b>Pass-Through Awards</b>				
Department of Transportation	20.000	New Mexico Department of Transportation	-	902,369
Highway Planning and Construction	20.205	Alpine Archaeological Consultants, Inc.	-	1,738
Highway Planning and Construction	20.205	New Mexico Department of Transportation	-	262,412
		20.205 Subtotal	-	264,150
Railroad Research and Development	20.313	National Academy of Sciences	-	40,854
University Transportation Centers Program	20.701	Louisiana State University	-	276,297
University Transportation Centers Program	20.701	University of Nevada System	-	(798)
University Transportation Centers Program	20.701	University of Oklahoma	-	84,253
		20.701 Subtotal	-	359,752
		Total Department of Transportation Pass-Through Awards	-	1,567,125
		<b>Total Department of Transportation</b>	<b>-</b>	<b>1,601,157</b>
<b>Department of the Treasury</b>				
<b>Pass-Through Awards</b>				
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	University of New Orleans	-	26,614
		Total Department of the Treasury Pass-Through Awards	-	26,614
		<b>Total Department of the Treasury</b>	<b>-</b>	<b>26,614</b>
<b>National Aeronautics &amp; Space Administration</b>				
<b>Direct Awards</b>				
National Aeronautics and Space Administration	43.000		-	35,258
Science	43.001		12,321	473,293
Aeronautics	43.002		-	49,348

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Education	43.008		83,039	217,642
		Total National Aeronautics & Space Administration Direct Awards	95,360	775,541
<b>Pass-Through Awards</b>				
National Aeronautics and Space Administration	43.000	Jet Propulsion Lab	-	258,089
National Aeronautics and Space Administration	43.000	New Mexico State University	-	47,691
National Aeronautics and Space Administration	43.000	Wyle Laboratories, Inc.	-	578,931
National Aeronautics and Space Administration	43.000	XL Scientific, LLC	-	29,704
	43.000	Subtotal	-	914,415
Science	43.001	Blue Marble Space Institute of Science	-	63,712
Science	43.001	Bluecom Systems and Consulting LLC	-	(11,583)
Science	43.001	Colorado State University	-	17,267
Science	43.001	Georgetown University	-	15,766
Science	43.001	Jet Propulsion Lab	-	50,940
Science	43.001	Northern Arizona University	-	4,620
Science	43.001	University of Chicago	-	11,994
	43.001	Subtotal	-	152,716
Exploration	43.003	Georgia Institute of Technology	-	52,468
Space Operations	43.007	Washington University	-	(4,112)
Education	43.008	New Mexico Space Grant Consortium	-	25,000
Education	43.008	New Mexico State University	-	64,462
	43.008	Subtotal	-	89,462
		Total National Aeronautics & Space Administration Pass-Through Awards	-	1,204,949
		<b>Total National Aeronautics &amp; Space Administration</b>	<b>95,360</b>	<b>1,980,490</b>
<b>National Foundation on the Arts &amp; Humanities</b>				
<b>Direct Awards</b>				
Promotion of the Humanities Professional Development	45.163		-	460
		Total National Foundation on the Arts & Humanities Direct Awards	-	460
<b>Pass-Through Awards</b>				
Promotion of the Arts Grants to Organizations and Individuals	45.024	Village of Los Lunas	-	4,699
		Total National Foundation on the Arts & Humanities Pass-Through Awards	-	4,699
		<b>Total National Foundation on the Arts &amp; Humanities</b>	<b>-</b>	<b>5,159</b>
<b>National Science Foundation</b>				
<b>Direct Awards</b>				
National Science Foundation	47.000		-	192
Engineering Grants	47.041		44,971	2,350,425
Mathematical and Physical Sciences	47.049		-	2,914,784
Geosciences	47.050		1,627,595	4,025,204
Computer and Information Science and Engineering	47.070		1,777,817	5,165,575
Biological Sciences	47.074		104,845	3,612,351
Social, Behavioral, and Economic Sciences	47.075		-	296,466
Education and Human Resources	47.076		91,509	5,231,558
Polar Programs	47.078		-	13,298
Office of Cyberinfrastructure	47.080		173,177	450,665
Office of Integrative Activities	47.083		116,467	1,227,265
		Total National Science Foundation Direct Awards	3,936,381	25,287,783
<b>Pass-Through Awards</b>				
National Science Foundation	47.000	National Ecological Observatory Network	-	119,627
National Science Foundation	47.000	Science Education Solutions	-	103
	47.000	Subtotal	-	119,730
Engineering Grants	47.041	Arizona State University	-	206,740
Engineering Grants	47.041	Iowa State University	-	23,845
Engineering Grants	47.041	K&A Wireless LLC	-	21,595
Engineering Grants	47.041	Microgrid Labs Inc	-	(4,964)
Engineering Grants	47.041	Rensselaer Polytechnic Institute	-	87,078
Engineering Grants	47.041	Trustees of Purdue University	-	368,810
Engineering Grants	47.041	University of California- San Diego	-	2,403
Engineering Grants	47.041	University of Texas Austin	-	610,420
	47.041	Subtotal	-	1,315,927
Mathematical and Physical Sciences	47.049	Associated Universities Inc	-	75,815
Mathematical and Physical Sciences	47.049	Duke University	-	80,408
Mathematical and Physical Sciences	47.049	Explora	-	21,707
Mathematical and Physical Sciences	47.049	University of Wisconsin	-	60,265
	47.049	Subtotal	-	238,195

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Geosciences	47.050	Cornell University	-	37,510
Geosciences	47.050	Johns Hopkins University	-	40,284
Geosciences	47.050	LUMCON	-	98,980
Geosciences	47.050	University of Arizona	-	14,177
Geosciences	47.050	University of California, Santa Barbara	-	51,832
Geosciences	47.050	University of Colorado	-	181,985
	47.050	Subtotal	-	424,768
Computer and Information Science and Engineering	47.070	University of Tennessee	-	45,943
Biological Sciences	47.074	University of California Los Angeles	-	(717)
Biological Sciences	47.074	University of Massachusetts	-	41,691
Biological Sciences	47.074	University of Puerto Rico	-	3,038
Biological Sciences	47.074	Washington State University	-	20,684
	47.074	Subtotal	-	64,696
Education and Human Resources	47.076	Arizona State University	-	293,432
Education and Human Resources	47.076	Board of Trustees of Michigan State University	-	5,236
Education and Human Resources	47.076	New Mexico State University	-	109,801
Education and Human Resources	47.076	Twin Cities Public Television, Inc	-	4,997
	47.076	Subtotal	-	413,466
Office of Integrative Activities	47.083	Clemson University	-	193,367
		Total National Science Foundation Pass-Through Awards	-	2,816,092
		<b>Total National Science Foundation</b>	<b>3,936,381</b>	<b>28,103,875</b>
<b>Department of Veterans Affairs</b>				
Direct Awards				
Department of Veterans Affairs	64.000		-	71,134
		Total Department of Veterans Affairs Direct Awards	-	71,134
Pass-Through Awards				
Department of Veterans Affairs	64.000	Biomedical Research Institute of New Mexico	-	10,109
		Total Department of Veterans Affairs Pass-Through Awards	-	10,109
		<b>Total Department of Veterans Affairs</b>	-	<b>81,243</b>
<b>Environmental Protection Agency</b>				
Direct Awards				
Science To Achieve Results (STAR) Research Program	66.509		40,836	427,476
		Total Environmental Protection Agency Direct Awards	40,836	427,476
Pass-Through Awards				
Environmental Protection Agency	66.000	The Cadmus Group, Inc.	-	(23,467)
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424	University of North Carolina at Chapel Hill	-	196,335
Long Island Sound Program	66.437	New Mexico Environment Department	-	43,559
Regional Wetland Program Development Grants	66.461	New Mexico Environment Department	-	76,181
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Dine College	-	34,419
		Total Environmental Protection Agency Pass-Through Awards	-	327,027
		<b>Total Environmental Protection Agency</b>	<b>40,836</b>	<b>754,503</b>
<b>Nuclear Regulatory Commission</b>				
Direct Awards				
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006		-	142,910
		Total Nuclear Regulatory Commission Direct Awards	-	142,910
		<b>Total Nuclear Regulatory Commission</b>	-	<b>142,910</b>
<b>Department of Energy</b>				
Direct Awards				
Priorities and Allocations for Energy Programs	81.048		-	177,941
Office of Science Financial Assistance Program	81.049		524,765	1,541,579
Fossil Energy Research and Development	81.089		-	142,806
Stewardship Science Grant Program	81.112		-	110,632
Nuclear Energy Research, Development and Demonstration	81.121		192,750	1,039,399
Advanced Research Projects Agency - Energy	81.135		121,422	975,677
Minority Economic Impact	81.137		-	25,954
		Total Department of Energy Direct Awards	838,937	4,013,988
Pass-Through Awards				
Department of Energy	81.000	AEgis Technologies Group	-	150,539
Department of Energy	81.000	Battelle Memorial Institute	-	493,535

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Energy	81.000	Board of Trustees of the Leland Stanford Junior University	-	33,720
Department of Energy	81.000	Honeywell Corporation	-	155,103
Department of Energy	81.000	Lawrence Berkeley National Laboratory	-	32,860
Department of Energy	81.000	Lawrence Livermore National Laboratory	-	144,049
Department of Energy	81.000	Los Alamos National Laboratory	-	1,536,899
Department of Energy	81.000	MIND Research Network	-	428,871
Department of Energy	81.000	NMC Inc	-	145,430
Department of Energy	81.000	Osazda Energy, Inc.	-	34,501
Department of Energy	81.000	Sandia National Laboratories	-	3,034,178
Department of Energy	81.000	UT-Battelle LLC	-	46,113
	81.000	Subtotal	-	6,235,798
Office of Science Financial Assistance Program	81.049	Arizona State University	-	42,337
Office of Science Financial Assistance Program	81.049	Lawrence Berkeley National Laboratory	-	273,859
Office of Science Financial Assistance Program	81.049	Southwest Sciences	-	341,396
Office of Science Financial Assistance Program	81.049	Star Cryoelectronics LLC	-	138,800
Office of Science Financial Assistance Program	81.049	Washington University	-	35,120
	81.049	Subtotal	-	831,512
Renewable Energy Research and Development	81.087	Washington University	-	70,025
Epidemiology and Other Health Studies Financial Assistance Program	81.108	Johns Hopkins University	-	6,445
Stewardship Science Grant Program	81.112	Cornell University	-	97,238
Stewardship Science Grant Program	81.112	University of Rochester	-	39,258
	81.112	Subtotal	-	136,496
Nuclear Energy Research, Development and Demonstration	81.121	Colorado School of Mines	-	70,872
Nuclear Energy Research, Development and Demonstration	81.121	University of California Berkley	-	(2,855)
Nuclear Energy Research, Development and Demonstration	81.121	Utah State University	-	92,313
	81.121	Subtotal	-	160,330
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	Universidad Del Turabo	-	161,122
Advanced Research Projects Agency - Energy	81.135	HyperV Technologies Corp	-	22,636
Advanced Research Projects Agency - Energy	81.135	iBeam Materials, Inc.	-	40,000
Advanced Research Projects Agency - Energy	81.135	Pajarito Powder LLC	-	(18,394)
Advanced Research Projects Agency - Energy	81.135	Rensselaer Polytechnic Institute	-	124,313
	81.135	Subtotal	-	168,555
		Total Department of Energy Pass-Through Awards	-	7,770,283
		<b>Total Department of Energy</b>	<b>838,937</b>	<b>11,784,271</b>
<b>Department of Education</b>				
Direct Awards				
Overseas Programs - Doctoral Dissertation Research Abroad	84.022		-	18,629
Graduate Assistance in Areas of National Need	84.200		-	232,021
		Total Department of Education Direct Awards	-	250,650
Pass-Through Awards				
Department of Education	84.000	University of Oklahoma	-	952
Research in Special Education	84.324	University of Kansas Center for Research	-	27,802
Race to the Top - Early Learning Challenge	84.412	New Mexico Department of Health	-	11
		Total Department of Education Pass-Through Awards	-	28,765
		<b>Total Department of Education</b>	-	<b>279,415</b>
<b>Department of Health &amp; Human Services</b>				
Direct Awards				
Department of Health & Human Services	93.000		923,278	3,413,392
Training in General, Pediatric, and Public Health Dentistry	93.059		-	541,390
Maternal and Child Health Federal Consolidated Programs	93.110		34,992	1,308,218
Environmental Health	93.113		1,011,891	3,301,704
Oral Diseases and Disorders Research	93.121		-	382,352
Emergency Medical Services for Children	93.127		-	189,073
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		-	845,181
NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143		261,757	1,515,531
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		-	392,125
Health Program for Toxic Substances and Disease Registry	93.161		88,254	125,377

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Human Genome Research	93.172		-	1,501
Research Related to Deafness and Communication Disorders	93.173		276,405	520,561
Telehealth Programs	93.211		30,000	387,917
Research and Training in Complementary and Integrative Health	93.213		68,407	62,577
Research on Healthcare Costs, Quality and Outcomes	93.226		-	303,832
Mental Health Research Grants	93.242		112,360	978,703
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		-	393,216
Advanced Nursing Education Workforce Grant Program	93.247		-	593,601
Grants for Education, Prevention, and Early Detection of Radiogenic Cancers and Diseases	93.257		-	192,255
Occupational Safety and Health Program	93.262		222,824	420,719
Viral Hepatitis Prevention and Control	93.270		-	171,140
Alcohol Research Programs	93.273		305,996	5,539,486
Drug Abuse and Addiction Research Programs	93.279		1,370,140	2,168,842
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		26,907	382,834
Teenage Pregnancy Prevention Program	93.297		14,404	897,418
Minority Health and Health Disparities Research	93.307		218,557	2,157,528
Trans-NIH Research Support	93.310		1,081,390	3,755,607
National Center for Advancing Translational Sciences	93.350		99,065	4,398,846
Research Infrastructure Programs	93.351		-	24,830
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353		13,389	426,724
Nursing Research	93.361		131,538	471,514
Cancer Cause and Prevention Research	93.393		1,967,898	2,981,879
Cancer Detection and Diagnosis Research	93.394		-	145,152
Cancer Treatment Research	93.395		-	1,762,317
Cancer Biology Research	93.396		-	459,772
Cancer Centers Support Grants	93.397		87,744	2,841,910
Cancer Research Manpower	93.398		-	211,543
Cancer Control	93.399		24,366	72,397
Health Care Innovation Awards (HCIA)	93.610		34,282	864,713
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		-	568,048
Cardiovascular Diseases Research	93.837		26,070	1,577,827
Lung Diseases Research	93.838		-	725,643
Blood Diseases and Resources Research	93.839		30,964	712,923
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		-	39,015
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		-	1,143,922
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		183,588	2,548,344
Allergy and Infectious Diseases Research	93.855		1,224,433	6,224,022
Biomedical Research and Research Training	93.859		432,271	11,163,385
Child Health and Human Development Extramural Research	93.865		198,224	1,200,611
Aging Research	93.866		705,095	1,514,184
Vision Research	93.867		70,698	550,445
Medical Library Assistance	93.879		-	108,630
Grants for Primary Care Training and Enhancement	93.884		-	215,777
Demonstration Projects for Indian Health	93.933		-	11,687
International Research and Research Training	93.989		199,710	247,556
Total Department of Health & Human Services Direct Awards			11,476,897	74,155,696
Pass-Through Awards				
Department of Health & Human Services	93.000	Albuquerque Public Schools	-	39,912
Department of Health & Human Services	93.000	Atox Bio, LTD	-	12,060
Department of Health & Human Services	93.000	Brigham & Women's Hospital	-	60,542
Department of Health & Human Services	93.000	Children's Hospital of Philadelphia	-	8,568
Department of Health & Human Services	93.000	Duke University	-	371
Department of Health & Human Services	93.000	ECOG-ACRIN Cancer Research Group	-	72,355
Department of Health & Human Services	93.000	Falling Colors Corporation	-	10,177
Department of Health & Human Services	93.000	Gynecologic Oncology Group	-	5,887
Department of Health & Human Services	93.000	HealthInsight	-	40,328
Department of Health & Human Services	93.000	Leidos Inc	-	765,416
Department of Health & Human Services	93.000	Lovelace Respiratory Research Institute	-	77,266
Department of Health & Human Services	93.000	Lynntech, Inc.	-	10,603
Department of Health & Human Services	93.000	Mayo Clinic Rochester	-	(2,220)
Department of Health & Human Services	93.000	NM Public Education Department	-	36,746
Department of Health & Human Services	93.000	Northwest Portland Area Indian Health Board	-	92,725

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Health & Human Services	93.000	NovaSterilis, Inc.	-	7,094
Department of Health & Human Services	93.000	Oregon Health & Science University	-	197,165
Department of Health & Human Services	93.000	Ramah Navajo School Board Inc	-	38,796
Department of Health & Human Services	93.000	Research Triangle Institute	-	47,161
Department of Health & Human Services	93.000	Seattle Indian Health Board	-	104,575
Department of Health & Human Services	93.000	Taos Pueblo Administration	-	52,674
Department of Health & Human Services	93.000	University of California San Francisco	-	41,845
Department of Health & Human Services	93.000	University of North Carolina at Chapel Hill	-	71,685
Department of Health & Human Services	93.000	University of Texas Health Center at Tyler	1,900	60,492
Department of Health & Human Services	93.000	University of Washington	-	4,524
Department of Health & Human Services	93.000	Westat Inc	-	7,257
	93.000	Subtotal	1,900	1,864,004
Global AIDS	93.067	Regents of the University of California	-	16,516
Global AIDS	93.067	Tanzania Health Promotions Support	-	128,829
	93.067	Subtotal	-	145,345
Environmental Public Health and Emergency Response	93.070	New Mexico Department of Health	-	70,570
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	New Mexico Department of Health	-	49,497
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	Baylor College of Medicine	-	76,035
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	New Mexico Department of Health	-	56,028
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Mescalero Apache Tribal Council	-	130,075
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	New Mexico Children Youth and Families Department	-	55,922
	93.104	Subtotal	-	185,997
Maternal and Child Health Federal Consolidated Programs	93.110	General Hospital Corp	-	8,934
Maternal and Child Health Federal Consolidated Programs	93.110	Oregon Health & Science University	-	34,499
	93.110	Subtotal	-	43,433
Environmental Health	93.113	Columbia University	-	225,472
Environmental Health	93.113	New York University	-	27,910
Environmental Health	93.113	University of Iowa	-	66,371
Environmental Health	93.113	University of Louisville	-	31,477
Environmental Health	93.113	University of Montana	-	110,789
	93.113	Subtotal	-	462,019
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	New Mexico Department of Health	-	35,570
Oral Diseases and Disorders Research	93.121	Michigan Technological University	-	2,096
Emergency Medical Services for Children	93.127	University of Arizona	-	193,946
Injury Prevention and Control Research and State and Community Based Programs	93.136	New Mexico Department of Health	-	201,807
HIV-Related Training and Technical Assistance	93.145	Health Research Inc	-	32,394
Human Genome Research	93.172	Harvard University	-	166,127
Research Related to Deafness and Communication Disorders	93.173	Father Flanagan's Boys Home	-	30,280
Research Related to Deafness and Communication Disorders	93.173	University of Utah	-	722
	93.173	Subtotal	-	31,002
Research and Training in Complementary and Integrative Health	93.213	H Lee Moffitt Cancer Center	-	22,471
Research and Training in Complementary and Integrative Health	93.213	Pacific University	-	48,000
	93.213	Subtotal	-	70,471
Research on Healthcare Costs, Quality and Outcomes	93.226	American Institutes of Research	-	89,888
Research on Healthcare Costs, Quality and Outcomes	93.226	Regents of the University of Colorado	47,000	488,939
Research on Healthcare Costs, Quality and Outcomes	93.226	University of North Carolina at Chapel Hill	-	6,309
Research on Healthcare Costs, Quality and Outcomes	93.226	Vanderbilt University Medical Center	-	16,871
	93.226	Subtotal	47,000	602,007
Mental Health Research Grants	93.242	MIND Research Network	-	40,871
Mental Health Research Grants	93.242	ODMR Technologies, Inc	-	13,089
Mental Health Research Grants	93.242	University of California- San Diego	-	100,768
Mental Health Research Grants	93.242	University of Colorado at Denver	34,953	102,302
	93.242	Subtotal	34,953	257,030



Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Psychological Association	-	54,795
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Bernalillo County	-	8,551
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Falling Colors Corporation	-	334,745
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	New Mexico Children Youth and Families Department	-	12,295
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	New Mexico Human Services Department	211,339	356,170
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Pueblo of San Felipe	-	253,388
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Quartz Valley Indian Reservation	-	23,498
	93.243	Subtotal	211,339	1,043,442
Universal Newborn Hearing Screening	93.251	New Mexico Department of Health	-	2,940
Occupational Safety and Health Program	93.262	University of Texas Health Center at Tyler	-	15,675
Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatment under the President's Emergency Plan for AIDS Relief	93.266	JHPIEGO Corporation	-	250,315
Immunization Cooperative Agreements	93.268	New Mexico Department of Health	-	25
Alcohol Research Programs	93.273	Baylor College of Medicine	-	1,388
Alcohol Research Programs	93.273	Klein Buendel Inc	-	41,245
Alcohol Research Programs	93.273	Medical University of South Carolina	-	5,883
Alcohol Research Programs	93.273	MIND Research Network	-	184,924
Alcohol Research Programs	93.273	Old Dominion University	-	23,446
Alcohol Research Programs	93.273	Pacific Institute for Research & Evaluation	-	(21,004)
Alcohol Research Programs	93.273	Rand Corp	-	3,466
Alcohol Research Programs	93.273	University of Arkansas	-	50,732
Alcohol Research Programs	93.273	University of North Carolina at Chapel Hill	-	151,094
Alcohol Research Programs	93.273	VisionQuest Biomedical LLC	-	(3,305)
	93.273	Subtotal	-	437,869
Drug-Free Communities Support Program Grants	93.276	Montclair State University	-	7,947
Drug Abuse and Addiction Research Programs	93.279	New York University School of Medicine	-	30,322
Drug Abuse and Addiction Research Programs	93.279	Research Foundation for Mental Hygiene	-	7,263
Drug Abuse and Addiction Research Programs	93.279	University of California Los Angeles	-	17,386
	93.279	Subtotal	-	54,971
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	NMC Inc	-	141,939
Minority Health and Health Disparities Research	93.307	Klein Buendel Inc	-	100,559
Minority Health and Health Disparities Research	93.307	University of Colorado at Denver	-	13,012
Minority Health and Health Disparities Research	93.307	Washington State University	-	26,731
	93.307	Subtotal	-	140,302
Trans-NIH Research Support	93.310	American Association of Colleges of Nursing	-	1,112
Trans-NIH Research Support	93.310	Duke University	-	110,733
Trans-NIH Research Support	93.310	Jackson Laboratory	-	6,594
Trans-NIH Research Support	93.310	Morgan State University	-	39,006
Trans-NIH Research Support	93.310	University of Miami	-	229,663
Trans-NIH Research Support	93.310	University of Texas at El Paso	-	64,944
	93.310	Subtotal	-	452,052
Emerging Infections Programs	93.317	New Mexico Department of Health	-	4,712
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	New Mexico Department of Health	-	125,859
National Center for Advancing Translational Sciences	93.350	Dystonia Coalition	-	254
National Center for Advancing Translational Sciences	93.350	Oregon Health & Science University	-	15,445
National Center for Advancing Translational Sciences	93.350	University of Pittsburgh	-	110,345
National Center for Advancing Translational Sciences	93.350	University of Washington	-	36,764
	93.350	Subtotal	-	162,808
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	New Mexico Department of Health	-	201,426

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Nursing Research	93.361	Emory University	-	46,001
Nursing Research	93.361	Southcentral Foundation	-	13,115
	93.361	Subtotal	-	59,116
Cancer Cause and Prevention Research	93.393	Becton, Dickinson and Company	-	595
Cancer Cause and Prevention Research	93.393	Indiana University	-	7,604
Cancer Cause and Prevention Research	93.393	Klein Buendel Inc	-	228,103
Cancer Cause and Prevention Research	93.393	Lawrence Berkeley National Laboratory	-	63,565
Cancer Cause and Prevention Research	93.393	Lovelace Respiratory Research Institute	-	24,244
Cancer Cause and Prevention Research	93.393	Rutgers University	-	419,351
Cancer Cause and Prevention Research	93.393	Virginia Commonwealth University	-	87,318
Cancer Cause and Prevention Research	93.393	Wake Forest University Health Sciences	-	137
	93.393	Subtotal	-	830,917
Cancer Detection and Diagnosis Research	93.394	Memorial Sloan Kettering Cancer Center	-	1,861
Cancer Treatment Research	93.395	Brigham & Women's Hospital	-	56,104
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	-	2,452
Cancer Treatment Research	93.395	Cornell University	-	42,398
Cancer Treatment Research	93.395	Linnaeus Therapeutics, Inc.	-	12,913
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc.	-	14,697
Cancer Treatment Research	93.395	Oregon Health & Science University	-	93,837
Cancer Treatment Research	93.395	Rutgers University	-	130,410
	93.395	Subtotal	-	352,811
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	New Mexico Department of Health	-	4,476
Accountable Health Communities	93.650	Presbyterian Healthcare Services	-	197,211
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	Presbyterian Healthcare Services	-	64,324
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	New Mexico Department of Health	-	12,725
Opioid STR	93.788	Falling Colors Corporation	-	172,167
Opioid STR	93.788	New Mexico Human Services Department	-	946,348
Opioid STR	93.788	Utah State University	-	7,328
	93.788	Subtotal	-	1,125,843
Cardiovascular Diseases Research	93.837	Exhalix, LLC	-	37,240
Cardiovascular Diseases Research	93.837	Regents of the University of Michigan	-	23,324
Cardiovascular Diseases Research	93.837	University of Pittsburgh	-	17,060
	93.837	Subtotal	-	77,624
Blood Diseases and Resources Research	93.839	Johns Hopkins University	-	1,872
Blood Diseases and Resources Research	93.839	Rutgers, The State University of New Jersey	-	6,882
Blood Diseases and Resources Research	93.839	University of Pittsburgh	-	7,446
	93.839	Subtotal	-	16,200
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Baylor College of Medicine	-	53,921
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Case Western Reserve University	-	89,344
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	George Washington University	-	671,638
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Nationwide Childrens Hospital	-	9,908
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Rhode Island Hospital	-	2,445
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Children's Mercy Hospital	-	33,034
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Trustees of the University of Pennsylvania	20,970	106,020
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Colorado at Denver	-	23,187
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Pittsburgh	-	435,666
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington	-	111,680
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	VisionQuest Biomedical, LLC	-	61,228
	93.847	Subtotal	20,970	1,598,071
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	CerebroScope	-	5,072
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	MIND Research Network	-	96,227
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Regents of the University of California	-	191,594

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of California San Francisco	-	30,019
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Chicago	-	9,144
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	-	4,005
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Rochester	-	13,056
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of South Carolina	-	220,482
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Washington	-	10,189
	93.853	Subtotal	-	579,788
Allergy and Infectious Diseases Research	93.855	Boston Children's Hospital	-	22,583
Allergy and Infectious Diseases Research	93.855	Duke Clinical Research Institute	-	2,265
Allergy and Infectious Diseases Research	93.855	General Hospital Corp	-	239,750
Allergy and Infectious Diseases Research	93.855	Henry M Jackson Foundation	-	40,236
Allergy and Infectious Diseases Research	93.855	Loyola University Chicago	-	18,375
Allergy and Infectious Diseases Research	93.855	Regents of the University of California	-	(2,852)
Allergy and Infectious Diseases Research	93.855	University of Connecticut	-	127,608
Allergy and Infectious Diseases Research	93.855	University of Maryland	-	254,085
Allergy and Infectious Diseases Research	93.855	University of Washington	-	248,558
Allergy and Infectious Diseases Research	93.855	Yeshiva University	-	27,205
	93.855	Subtotal	-	977,813
Biomedical Research and Research Training	93.859	Carnegie Mellon University	-	79,569
Biomedical Research and Research Training	93.859	Colorado State University	-	57,743
		East Carolina University, Brody School of		
Biomedical Research and Research Training	93.859	Medicine	-	51,883
Biomedical Research and Research Training	93.859	Louisiana State University	-	120,698
Biomedical Research and Research Training	93.859	MIND Research Network	-	72,220
Biomedical Research and Research Training	93.859	New Mexico State University	-	501,835
Biomedical Research and Research Training	93.859	ODMR Technologies, Inc	-	82,712
		Rosalind Franklin University of Medicine		
Biomedical Research and Research Training	93.859	Science	-	8,727
Biomedical Research and Research Training	93.859	San Diego State University Foundation	-	109,807
Biomedical Research and Research Training	93.859	Trustees of the University of Pennsylvania	-	59,238
Biomedical Research and Research Training	93.859	Univ of Nevada Las Vegas	-	357,281
Biomedical Research and Research Training	93.859	University of Alaska	-	93,067
Biomedical Research and Research Training	93.859	University of Nevada System	-	(294)
Biomedical Research and Research Training	93.859	Virtici, LLC	42,331	198,980
	93.859	Subtotal	42,331	1,793,466
Emerging Infections Sentinel Networks	93.860	University of California Los Angeles	-	4,734
		Board of Trustees of the Leland Stanford Junior		
Child Health and Human Development Extramural Research	93.865	University	-	7,177
Child Health and Human Development Extramural Research	93.865	Nationwide Childrens Hospital	-	23,231
Child Health and Human Development Extramural Research	93.865	Pacific Institute for Research & Evaluation	-	65,733
Child Health and Human Development Extramural Research	93.865	Regents of the University of Michigan	-	13,888
Child Health and Human Development Extramural Research	93.865	RTI International	-	28,940
Child Health and Human Development Extramural Research	93.865	University of Arkansas	-	41,067
Child Health and Human Development Extramural Research	93.865	Washington University	-	24
	93.865	Subtotal	-	180,060
Aging Research	93.866	Chapman University	-	60,784
Aging Research	93.866	Columbia University	-	66,850
Aging Research	93.866	Regents of the University of California	-	(1,212)
Aging Research	93.866	University of Florida	-	18,709
Aging Research	93.866	University of Southern California	-	13,172
Aging Research	93.866	University of Washington	-	18,010
Aging Research	93.866	Virginia Commonwealth University	-	4,443
	93.866	Subtotal	-	180,756

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	New Mexico Children Youth and Families Department	-	243,064
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	New Mexico Department of Health	-	4,082
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	Miners Colfax Medical Center	-	15,110
Assistance Programs for Chronic Disease Prevention and Control	93.945	New Mexico Department of Health	-	837
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	New Mexico Department of Health	-	1,787
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	NM Public Education Department	-	14,794
International Research and Research Training	93.989	President and Fellows of Harvard College	-	17,900
Maternal and Child Health Services Block Grant to the States	93.994	New Mexico Department of Health	-	2,018
Total Department of Health & Human Services Pass-Through Awards			358,493	15,945,048
<b>Total Department of Health &amp; Human Services</b>			<b>11,835,390</b>	<b>90,100,744</b>
<b>Department of Homeland Security</b>				
Direct Awards				
Cooperating Technical Partners	97.045		-	714,924
Total Department of Homeland Security Direct Awards			-	714,924
Pass-Through Awards				
Hazard Mitigation Grant	97.039	New Mexico Department of Homeland Security	-	194,127
Total Department of Homeland Security Pass-Through Awards			-	194,127
<b>Total Department of Homeland Security</b>			<b>-</b>	<b>909,051</b>
<b>United States Agency for International Development</b>				
Pass-Through Awards				
USAID Foreign Assistance for Programs Overseas	98.001	AgilVax, Inc.	-	19,137
Total United States Agency for International Development Pass-Through Awards			-	19,137
<b>Total United States Agency for International Development</b>			<b>-</b>	<b>19,137</b>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>			<b>19,797,533</b>	<b>161,052,072</b>
<b>MEDICAID CLUSTER</b>				
<b>Department of Health &amp; Human Services</b>				
Pass-Through Awards				
Medical Assistance Program	93.778	Falling Colors Corporation	-	196,493
Medical Assistance Program	93.778	New Mexico Human Services Department	-	2,898,473
Total Department of Health & Human Services Pass-Through Awards			-	3,094,966
<b>Total Department of Health &amp; Human Services</b>			<b>-</b>	<b>3,094,966</b>
<b>TOTAL MEDICAID CLUSTER</b>			<b>-</b>	<b>3,094,966</b>
<b>OTHER MAJOR PROGRAM</b>				
<b>Department of Education</b>				
Direct Awards				
Higher Education_Institutional Aid	84.031		447,467	3,294,201
Total Department of Education Direct Awards			447,467	3,294,201
Pass-Through Awards				
Higher Education_Institutional Aid	84.031	Adams State University	-	226,119
Higher Education_Institutional Aid	84.031	Eastern New Mexico University Roswell	-	478,654
Total Department of Education Pass-Through Awards			-	704,773
<b>Total Department of Education</b>			<b>447,467</b>	<b>3,998,974</b>
<b>TOTAL OTHER MAJOR PROGRAM</b>			<b>447,467</b>	<b>3,998,974</b>
<b>TOTAL MAJOR PROGRAMS</b>			<b>\$ 20,245,000</b>	<b>\$ 168,146,012</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
<b>NONMAJOR PROGRAMS</b>				
<i>STUDENT FINANCIAL ASSISTANCE CLUSTER</i>				
<b>Department of Education</b>				
Direct Awards				
Federal Supplemental Educational Opportunity Grants	84.007		-	1,463,214
Federal Work-Study Program	84.033		-	1,572,303
Federal Perkins Loans	84.038		-	7,004,003
Federal Pell Grant Program	84.063		-	41,212,072
Federal Direct Student Loans	84.268		-	96,181,074
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		-	159,351
		Total Department of Education Direct Awards	-	147,592,017
		<b>Total Department of Education</b>	-	<b>147,592,017</b>
<b>Department of Health &amp; Human Services</b>				
Direct Awards				
Nurse Faculty Loan Program	93.264		-	670,854
Health Professions Student Loans	93.342		-	532,061
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		-	650,000
		Total Department of Health & Human Services Direct Awards	-	1,852,915
		<b>Total Department of Health &amp; Human Services</b>	-	<b>1,852,915</b>
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			-	<b>149,444,932</b>
<i>CCDF CLUSTER</i>				
<b>Department of Health &amp; Human Services</b>				
Pass-Through Awards				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	New Mexico Children Youth and Families Department	-	2,857,786
		Total Department of Health & Human Services Pass-Through Awards	-	2,857,786
		<b>Total Department of Health &amp; Human Services</b>	-	<b>2,857,786</b>
<b>TOTAL CCDF CLUSTER</b>			-	<b>2,857,786</b>
<i>DRINKING WATER STATE REVOLVING FUND CLUSTER</i>				
<b>Environmental Protection Agency</b>				
Pass-Through Awards				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Vermont Department of Environmental Conservation	-	2,666
		Total Environmental Protection Agency Pass-Through Awards	-	2,666
		<b>Total Environmental Protection Agency</b>	-	<b>2,666</b>
<b>TOTAL DRINKING WATER STATE REVOLVING FUND CLUSTER</b>			-	<b>2,666</b>
<i>HIGHWAY SAFETY CLUSTER</i>				
<b>Department of Transportation</b>				
Pass-Through Awards				
State and Community Highway Safety	20.600	New Mexico Department of Transportation	-	305,024
		Total Department of Transportation Pass-Through Awards	-	305,024
		<b>Total Department of Transportation</b>	-	<b>305,024</b>
<b>TOTAL HIGHWAY SAFETY CLUSTER</b>			-	<b>305,024</b>
<i>SNAP CLUSTER</i>				
<b>Department of Agriculture</b>				
Pass-Through Awards				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	New Mexico Human Services Department	-	750,595
		Total Department of Agriculture Pass-Through Awards	-	750,595
		<b>Total Department of Agriculture</b>	-	<b>750,595</b>
<b>TOTAL SNAP CLUSTER</b>			-	<b>750,595</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<b>Department of Education</b>				
Pass-Through Awards				
Special Education Grants to States	84.027	Navajo Nation	-	(16)
Special Education Grants to States	84.027	NM Public Education Department	-	292,865
	84.027	Subtotal	-	292,849
Special Education Preschool Grants	84.173	New Mexico Department of Health	-	(2,444)
Special Education Preschool Grants	84.173	NM Public Education Department	-	625,688
	84.173	Subtotal	-	623,244
		Total Department of Education Pass-Through Awards	-	916,093
		<b>Total Department of Education</b>	-	<b>916,093</b>
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			-	<b>916,093</b>
<b>TANF CLUSTER</b>				
<b>Department of Health &amp; Human Services</b>				
Pass-Through Awards				
Temporary Assistance for Needy Families	93.558	New Mexico Human Services Department	-	491,330
		<b>Total Department of Health &amp; Human Services</b>	-	<b>491,330</b>
<b>TOTAL TANF CLUSTER</b>			-	<b>491,330</b>
<b>TRIO CLUSTER</b>				
<b>Department of Education</b>				
Direct Awards				
TRIO Student Support Services	84.042		-	795,355
TRIO Upward Bound	84.047		-	1,588,160
Educational Opportunity Centers, TRIO_Educational Opportunity Centers	84.066		-	259,128
TRIO McNair Post-Baccalaureate Achievement	84.217		-	255,769
		Total Department of Education Direct Awards	-	2,898,412
Pass-Through Awards				
TRIO Upward Bound	84.047	Northern New Mexico College	-	4,289
		Total Department of Education Pass-Through Awards	-	4,289
		<b>Total Department of Education</b>	-	<b>2,902,701</b>
<b>TOTAL TRIO CLUSTER</b>			-	<b>2,902,701</b>
<b>OTHER NONMAJOR PROGRAMS</b>				
<b>Department of Defense</b>				
Direct Awards				
Department of Defense	12.000		-	706,245
Language Grant Program	12.900		-	112,208
		Total Department of Defense Direct Awards	-	818,453
		<b>Total Department of Defense</b>	-	<b>818,453</b>
<b>Department of the Interior</b>				
Direct Awards				
Department of the Interior	15.000		-	23,135
Cultural and Paleontological Resources Management	15.224		-	1,718
		Total Department of the Interior Direct Awards	-	24,853
		<b>Total Department of the Interior</b>	-	<b>24,853</b>
<b>Department of Justice</b>				
Direct Awards				
Department of Justice	16.000		-	1,775
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		-	128,662
		Total Department of Justice Direct Awards	-	130,437

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Pass-Through Awards				
Justice Systems Response to Families	16.021	Enlace Comunitario	-	24,112
		New Mexico Crime Victims Reparation		
Crime Victim Assistance	16.575	Commission	-	156,608
		Total Department of Justice Pass-Through Awards	-	180,720
		<b>Total Department of Justice</b>	-	<b>311,157</b>
<b>Department of Labor</b>				
Pass-Through Awards				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	Santa Fe Community College	-	144,268
		Total Department of Labor Pass-Through Awards	-	144,268
		<b>Total Department of Labor</b>	-	<b>144,268</b>
<b>Department of Transportation</b>				
Pass-Through Awards				
Department of Transportation	20.000	New Mexico Department of Transportation	-	260,438
		Total Department of Transportation Pass-Through Awards	-	260,438
		<b>Total Department of Transportation</b>	-	<b>260,438</b>
<b>National Foundation on the Arts &amp; Humanities</b>				
Direct Awards				
Promotion of the Humanities Division of Preservation and Access	45.149		-	47,508
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162		-	7,498
Museums for America	45.301		-	1,348
National Leadership Grants	45.312		18,000	54,632
		Total National Foundation on the Arts & Humanities Direct Awards	18,000	110,986
Pass-Through Awards				
Promotion of the Humanities Federal/State Partnership	45.129	AZ Humanities	-	2,000
Promotion of the Humanities Federal/State Partnership	45.129	New Mexico Humanities Council	-	6,867
		45.129 Subtotal	-	8,867
		Total National Foundation on the Arts & Humanities Pass-Through Awards	-	8,867
		<b>Total National Foundation on the Arts &amp; Humanities</b>	<b>18,000</b>	<b>119,853</b>
<b>Small Business Administration</b>				
Pass-Through Awards				
Small Business Development Centers	59.037	Santa Fe Community College	-	72,346
		Total Small Business Administration Pass-Through Awards	-	72,346
		<b>Total Small Business Administration</b>	-	<b>72,346</b>
<b>Environmental Protection Agency</b>				
Direct Awards				
Environmental Finance Center Grants	66.203		-	143,582
		Total Environmental Protection Agency Direct Awards	-	143,582
Pass-Through Awards				
Environmental Protection Agency	66.000	PG Environmental	-	120,585
Environmental Protection Agency	66.000	The Cadmus Group, Inc.	-	431,105
		66.000 Subtotal	-	551,690
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424	University of North Carolina at Chapel Hill	-	339,901
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	Kansas State University	-	36,690
		Total Environmental Protection Agency Pass-Through Awards	-	928,281
		<b>Total Environmental Protection Agency</b>	-	<b>1,071,863</b>
<b>Department of Energy</b>				
Pass-Through Awards				
Department of Energy	81.000	Los Alamos National Laboratory	-	32,465
		Total Department of Energy Pass-Through Awards	-	32,465
		<b>Total Department of Energy</b>	-	<b>32,465</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
<b>Department of Education</b>				
Direct Awards				
National Resource Center	84.015		-	37,091
Migrant Education High School Equivalency Program	84.141		-	750,059
Migrant Education College Assistance Migrant Program	84.149		-	403,001
Indian Education - Special Programs for Indian Children	84.299		-	230,541
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		-	97,360
Child Care Access Means Parents in School	84.335		-	602,214
Total Department of Education Direct Awards			-	2,120,266
Pass-Through Awards				
Adult Education - Basic Grants to States	84.002	New Mexico Adult Education Association	-	15,043
Adult Education - Basic Grants to States	84.002	New Mexico Higher Education Department	-	572,021
84.002 Subtotal			-	587,064
Career and Technical Education - Basic Grants to States	84.048	NM Public Education Department	-	323,614
		New Mexico Division of Vocational		
		Rehabilitation	-	478,637
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	Rehabilitation	-	478,637
Special Education-Grants for Infants and Families	84.181	New Mexico Department of Health	-	1,810,052
Ready-To-Learn Television	84.295	Corporation for Public Broadcasting	-	227,109
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	New Mexico State University	-	65,395
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	NM Public Education Department	225,000	278,426
Total Department of Education Pass-Through Awards			225,000	3,770,297
<b>Total Department of Education</b>			<b>225,000</b>	<b>5,890,563</b>
<b>Department of Health &amp; Human Services</b>				
Direct Awards				
Department of Health & Human Services	93.000		-	922,835
Area Health Education Centers	93.107		252,143	388,085
Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Center for Integrative Primary Healthcare	93.117		-	277,673
Emergency Medical Services for Children	93.127		-	172,746
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		-	929,569
Poison Center Support and Enhancement Grant Program	93.253		-	122,595
Skills Training and Health Workforce Development of Paraprofessionals Grant Program	93.329		-	88,858
Nurse Education, Practice Quality and Retention Grants	93.359		-	20,573
Health Careers Opportunity Program	93.822		-	285,487
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		-	698,561
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924		-	225,128
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		-	34,944
Health Professions Recruitment Program for Indians	93.970		25,573	375,251
Total Department of Health & Human Services Direct Awards			277,716	4,542,305
Pass-Through Awards				
		Association of Maternal & Child Health		
Department of Health & Human Services	93.000	Programs	-	(106)
Department of Health & Human Services	93.000	First Choice Community Healthcare	-	145,290
Department of Health & Human Services	93.000	Miners Colfax Medical Center	-	140,297
Department of Health & Human Services	93.000	New Mexico Department of Health	-	247,956
Department of Health & Human Services	93.000	Pueblo of Laguna	-	80,526
Department of Health & Human Services	93.000	Texas Tech University Health Science Center	-	3,170
93.000 Subtotal			-	617,133



Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Global AIDS	93.067	University of Washington	-	(972)
Environmental Public Health and Emergency Response	93.070	New Mexico Department of Health	-	702
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	New Mexico Department of Health	-	127,059
HIV-Related Training and Technical Assistance	93.145	Dallas County Hospital District	-	264,314
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Falling Colors Corporation	-	67,494
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Mescalero Apache Tribal Council	-	13,596
	93.243	Subtotal	-	81,090
Immunization Cooperative Agreements	93.268	New Mexico Department of Health	-	60,708
Emerging Infections Programs	93.317	New Mexico Department of Health	-	816,367
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	New Mexico Department of Health	-	44,682
		New Mexico Children Youth and Families	-	
Every Student Succeeds Act/Preschool Development Grants	93.434	Department	-	133,862
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Department	-	(1,951)
Public Health Training Centers Program	93.516	Tulane University	-	58,885
State Court Improvement Program	93.586	New Mexico Administrative Office of the Courts	-	82,736
		New Mexico Children Youth and Families	-	
Children's Justice Grants to States	93.643	Department	-	7,672
PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants)	93.764	Falling Colors Corporation	-	5,725
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	New Mexico Department of Health	-	49,954
		New Mexico Children Youth and Families	-	
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	Department	-	918,548
Tribal Maternal, Infant, and Early Childhood Home Visiting	93.872	Pueblo of San Felipe	-	41,358
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	New Mexico Department of Health	-	200,107
Maternal and Child Health Services Block Grant to the States	93.994	New Mexico Department of Health	-	449,227
Maternal and Child Health Services Block Grant to the States	93.994	New Mexico Human Services Department	-	(176)
	93.994	Subtotal	-	449,051
		Total Department of Health & Human Services Pass-Through Awards	-	3,957,030
		<b>Total Department of Health &amp; Human Services</b>	<b>277,716</b>	<b>8,499,335</b>
<b>Executive Office of the President</b>				
Direct Awards				
High Intensity Drug Trafficking Areas Program	95.001		-	64,284
		Total Executive Office of the President Direct Awards	-	64,284
		<b>Total Executive Office of the President</b>	<b>-</b>	<b>64,284</b>
<b>Department of Housing and Urban Development</b>				
Direct Awards				
Mortgage Insurance_Hospitals - Loans	14.128		-	219,065,000
		Total Department of Housing and Urban Development Direct Awards	-	219,065,000
		<b>Total Department of Housing and Urban Development</b>	<b>-</b>	<b>219,065,000</b>
<b>TOTAL OTHER NONMAJOR PROGRAMS</b>			<b>520,716</b>	<b>236,374,878</b>
<b>TOTAL NONMAJOR PROGRAMS</b>			<b>\$ 520,716</b>	<b>\$ 394,046,005</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 20,765,716</b>	<b>\$ 562,192,017</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
<b>Reconciliation to Exhibit B - Statement of Revenues, Expenditures, and Changes in Net Position</b>				
<b>Federal awards revenue (per Exhibit B):</b>				
Federal grants and contracts revenue	\$		212,154,329	
Federal pell grant revenue			41,212,072	
<b>Total federal awards revenue</b>			<u>253,366,401</u>	
<b>Reconciling items:</b>				
Department of Housing and Urban Development loan guarantees			219,065,000	
Federal Direct loans advanced to students			96,181,074	
Perkins loans outstanding			7,004,003	
Nurse faculty loans outstanding			670,854	
Health professions student loans outstanding			532,061	
Fee for service federal contract revenues - not reportable on schedule 22			(12,122,172)	
Residual balances on federal grants and contracts			(2,505,204)	
<b>Total federal expenditures per schedule 22</b>	<b>\$</b>		<b><u>562,192,017</u></b>	

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1: Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, whereas certain types of expenditures are not allowable or are limited as to reimbursement. The University did not use the 10% de minimis indirect rate allowed under the Uniform Guidance.

**Note 2: Federal Student Loan Programs**

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019 consists of:

CFDA Number and Program Name	Outstanding Balance at June 30, 2019
84.038 - Federal Perkins Loans	\$ 5,510,683
93.264 - Nurse Faculty Loan Program	\$ 632,086
93.342 - Health Professions Student Loans	\$ 457,580

**Note 3: Department of Housing and Urban Development 242 Loan Guarantee**

During fiscal year 2005, the Regents of the University of New Mexico issued FHA Insured Hospital Mortgage Revenue Bonds for the construction of the Children's Hospital and Critical Care Pavilion. In conjunction with the construction project, the Department of Housing and Urban Development, under Section 242 CFDA number 14.128, issued a loan guarantee for the mortgage amount. As of June 30, 2019, \$92,120,000 is outstanding and is considered subject to continuing compliance requirements under OMB Uniform Guidance.

During fiscal year 2011, the Sandoval Regional Medical Center (SRMC) issued FHA Insured Hospital Mortgage Revenue Bonds for the construction of the Sandoval Regional Medical Center. In conjunction with the construction project, the Department of Housing and Urban Development, under Section 242 CFDA number 14.128, issued a loan guarantee for the mortgage amount. As of June 30, 2019, \$117,355,000 is outstanding and is considered subject to continuing compliance requirements under OMB Uniform Guidance.

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

The Board of Regents  
University of New Mexico  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico (the University) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise University's basic financial statements, and have issued our report thereon dated December 18, 2019. Our report includes a reference to other auditors who audited the financial statements of UNM Hospital, UNM Behavioral Operations, UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 have not been 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the Section 12-6-5 NMSA 1978 Findings Schedule, as items 2019-001 through 2019-005.

### **The University's Response to Findings**

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 18, 2019

# **Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Regents  
University of New Mexico  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

## **Report on Compliance for Each Major Federal Program**

We have audited the University of New Mexico's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 University'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 University's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the University 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, 2019.

## Report on Internal Control Over Compliance

Management of the University 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 University'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 the Uniform Guidance, 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 University'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 over 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 18, 2019

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# THE UNIVERSITY OF NEW MEXICO

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2019

### Section I – Summary of Auditor Results

#### *Basic Financial Statements*

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to basic financial statements noted?

\_\_\_\_\_ Yes   X   No

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes   X   No

Identification of major federal programs:

Research and Development Cluster – Various CFDA numbers  
Medicaid Cluster – CFDA number 93.778  
Higher Education Institutional Aid – CFDA number 84.031

Dollar threshold used to distinguish between type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No

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# THE UNIVERSITY OF NEW MEXICO

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

## Section II – Basic Financial Statement Findings

None



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# THE UNIVERSITY OF NEW MEXICO

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

## Section III – Federal Award Findings and Questioned Costs

None

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# THE UNIVERSITY OF NEW MEXICO

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

**Finding 2018-001. Related Party Transaction Policies and Procedures – UNM Hospital, UNM Behavioral Health Operations, Sandoval Regional Medical Center, and UNM Medical Group – Significant Deficiency**

Current Status: Modified and repeated as 2019-003.

**Finding 2018-002. Financial Close and Reporting – Innovate ABQ, Inc. – Finding that Does Not Rise to the Level of a Significant Deficiency at the Institution Level – Significant Deficiency at the Individual Component Unit Level**

Current Status: Resolved

**Finding 2018-003. Account Analysis and Review Control – UNM Hospital – Finding that Does Not Rise to the Level of a Significant Deficiency at the Institution Level – Significant Deficiency at the UNM Hospital Level**

Current Status: Resolved

**Finding 2018-004. User Access Review (Modified and repeated – 2017-001) – UNM Hospital, UNM Behavioral Health Operations, and UNM Medical Group – Finding that Does Not Rise to the Level of a Significant Deficiency**

Current Status: Modified and repeated as 2019-004.

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# THE UNIVERSITY OF NEW MEXICO

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SECTION 12-6-5 NMSA 1978 FINDINGS  
Year Ended June 30, 2019

## Other Findings as Required by Section 12-6-5 NMSA 1978

### **2019-001. Other Matters in Accordance with 2.2.2.10(L)(1) NMAC at the Institution Level – Material Weakness in Internal Controls at the Individual Component Unit Level – General Ledger Reconciliation/Financial Close and Reporting Process – UNM Lobo Club**

#### **Condition**

During our test work over the Due to University of New Mexico balance we noted a material variance of \$322,932, between what was recorded on the Lobo Club books and the confirmation received from UNM. We noted \$100,000 related to scholarship accruals and \$222,932 related to Sports Enhancement Fund budget overages for various sports programs. The requests for payment were received by Lobo Club on June 30, 2019 and were subsequently paid on July 2, 2019, however, the payment requests were not properly accrued as of June 30, 2019.

#### **Criteria**

In order to provide timely and accurate financial reports, the general ledger accounts of Lobo Club should be reconciled on a timely basis. The reconciliations performed by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

A strong system of internal controls ensures that accurate and complete financial statements are prepared in accordance with generally accepted accounting principles (GAAP), including all required disclosures. This can be achieved by producing the financial statements in house, or by outsourcing the function. But if outsourced, management retains the responsibility to ensure the statements are accurate, complete, and in accordance with GAAP.

#### **Effect**

The Lobo Club liabilities and expenses were understated by \$322,932 prior to adjustment.

#### **Cause**

The accounting policies, procedures, and controls to ensure a robust internal control structure governing the general ledger maintenance and the financial close and reporting process are not functioning as intended.

#### **Recommendation**

We recommend that the Lobo Club accounting policies, procedures and controls be re-examined and improvements should be made to ensure accurate and timely financial statements can be produced and to ensure subsidiary accounts are accurately and timely maintained and reconciled.

#### **University Response**

The Lobo Club is pleased to be presented with an unmodified and clean opinion for fiscal year 2019. We acknowledge the accrual finding at the end of fiscal year 2019. As a disbursement agent, the Lobo Club received a request for payment to the University for the sports enhancement expenses on July 1, 2019. The Lobo Club went through the proper approval methods to pay the university for the expenses and sent payment on July 2, 2019. While the payment was made after the close of the fiscal year, we are aware an accounts payable adjustment should have been made to the Lobo Club's books to post in fiscal year 2019. It is important to note that the adjustment was made and the financial statements are accurately reflected for fiscal year 2019.

The Lobo Club went through a series of transitions during the fiscal year while adjusting to new requests, policies, and procedures for the financial activity that occurs between the Lobo Club and the University. With a full year of experience under the new processes, controls have been put in place to ensure that liabilities at fiscal year-end will be reported correctly. Controls such as reconciling monthly with the University and frequent communication regarding outstanding payments due to the University will also limit the risk associated with unmatched year-end closing entries. The Lobo Club Executive Director plans to meet frequently with Main Campus to discuss the financial activity that occurs between the Lobo Club and the University and to ensure the accuracy of the year end balances.

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# THE UNIVERSITY OF NEW MEXICO

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SECTION 12-6-5 NMSA 1978 FINDINGS  
Year Ended June 30, 2019

## **2019-002. Other Matters in Accordance with 2.2.2.10(L)(1) NMAC at the Institution Level – Material Weakness at the Individual Component Unit Level – Financial Close and Reporting – Lobo Development Corporation**

### **Condition**

During our audit, we noted that during the fiscal year ended June 30, 2019, Lobo Development received an insurance check in the amount of \$269,143 for smoke damage at a building that they own and lease to UNM. Lobo Development booked this check as revenue; however, they did not incur expenses to remove the smoke damage to the building. Building repairs were paid for by UNM. This required an audit adjustment to reclassify the \$269,143 from revenue to a due to UNM.

### **Criteria**

All organizations should establish and implement effective internal control procedures over financial close and reporting to ensure that all reporting of financial information be timely, complete, and accurate.

### **Effect**

Possible misstatements of the financial statements and untimely financial reporting.

### **Cause**

Lack of effective review and approval over the financial close and reporting process.

### **Recommendation**

We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure timely and accurate financial statements.

### **University Response**

Management agrees with the recommendation. The President of the Lobo Development Corporation (LDC) is in the process of appointing a Secretary/Treasurer for the LDC. This appointment will be an individual with a strong accounting and financial background that can identify unusual transactions that occur during the fiscal year in order to ensure that the transaction is properly accounted for. This appointment should take place within the next 60 days.

Person responsible: President of Lobo Development

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# THE UNIVERSITY OF NEW MEXICO

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## SECTION 12-6-5 NMSA 1978 FINDINGS

Year Ended June 30, 2019

### **2019-003. Other Matters in Accordance with 2.2.2.10(L)(1) NMAC – Control Deficiency – Related Party Transaction Policies and Procedures (Modified and repeated – 2018-001) – UNM Hospital, UNM Behavioral Health Operations, Sandoval Regional Medical Center, and UNM Medical Group**

#### **Condition**

In the 2018 audit, finding 2018-001 identified that the organizations did not have specific written policies and procedures governing related party transactions, including associated internal controls. The finding identified that the organizations should have written policies and procedures that address the topics in the “Criteria” section and expectations about documentation standards for timeliness of related party agreements.

In 2019 the organizations created and adopted written policies and procedures governing related party transactions. These policies and procedures were adopted in the latter half of fiscal year 2019, with the result that many related party transactions occurred prior to the policies and procedures taking full effect.

#### **Criteria**

Management should design, implement, and maintain controls to:

- Identify, account for, and disclose related party relationships and transactions.
- Authorize and approve significant transactions and arrangements with related parties.

#### **Effect**

Because the policies and procedures were adopted in the latter half of the year, certain aspects of the policies and procedures were not fully implemented in fiscal year 2019. For example:

- We identified a related party agreement between UNM Hospital and Sandoval Regional Medical Center that was not timely approved in fiscal year 2019 and has yet to be finalized.
- We noted a difference in the treatment and presentation of pass through transactions between UNM Hospital and UNM Medical Group.
- We identified agreements that were not signed and/or dated, therefore we could not determine if payments were made before or after the agreement was finalized in accordance with the procurement policies.

#### **Cause**

Written policies and procedures have been developed for related party transactions, but were enacted late in the fiscal year.

#### **Recommendation**

Many aspects of this fiscal year 2019 deficiency should be resolved because the policies and procedures will be in effect for the entire fiscal year 2020. As the implementation of these policies and procedures continues, we recommend that written documentation address how pass through transactions among entities should be accounted for, and that related party agreements be executed timely.

#### **University Response**

As noted in the cause statement, the organizations’ management implemented related party policies during fiscal year 2019 which formalized the policies surrounding related party transactions. During fiscal year 2020, organizations’ management will work with together within the UNM Health System entities to further improve coordination of disclosure and timeliness of signed agreements.

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# THE UNIVERSITY OF NEW MEXICO

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SECTION 12-6-5 NMSA 1978 FINDINGS  
Year Ended June 30, 2019

## **2019-004. Other Matters in Accordance with 2.2.2.10(L)(1) NMAC – Control Deficiency – User Access Review (Modified and repeated – 2017-001 and 2018-004) – UNM Hospital, UNM Behavioral Health Operations, and UNM Medical Group**

### **Condition**

In 2018 and 2017, we identified that controls over user access reviews are not operating effectively. In 2019, management adopted procedures to do an annual 100% account review for non-elevated accounts. These policies and procedures were implemented in the latter half of the fiscal year, and we noted in 2019 the controls over user access reviews were not operating sufficiently throughout the year. This was validated in three components of our testwork:

- We noted 10 terminated user (7 UNMMG, 2 UNMH, 1 UNM BHO) retained active accounts in the Lawson system as of the date of testwork. We verified that these employees did not record any activity in Lawson subsequent to their termination.
- One terminated user retained active accounts in the UNMMG IDX system as of the date of testwork. We verified that this employee did not record any activity in IDX subsequent to their termination.
- For the period of 7/1/2018 - 5/29/2019, user access reviews for the UNMMG IDX system were not inclusive of the entire IDX population as only a portion of users are randomly selected for the annual review. The documentation of the review of the complete population of users was not maintained to evidence that the control process took place such that it could be re-performed.

### **Criteria**

The entities' system processes, records, and stores information that is vital to its daily operations and certain systems contain protected health information of its patients. It is critical that access to this system is properly maintained to prevent inappropriate transactions from occurring, data from being lost, and to prevent protected health information from being released. The entities' have a formal policy to periodically review user access to ensure active employees have the proper level of access in the applicable systems, and that terminated employees have been timely deactivated. Based on industry standards, the appropriate disabling of access within IT systems would occur within a reasonable time, or five working days of termination.

### **Effect**

There is an increased risk that a terminated or unauthorized employee has continued access to IT systems and the data contained therein subsequent to termination or change of employment terms or responsibilities, potentially resulting in a breach of data or protected health information.

### **Cause**

The user access review process was not operating effectively and aspects of its performance could not be evidenced through documentation retained.

### **Recommendation**

We recommend that the disabling of user access within IT systems should take place within a reasonable time, or five working days of termination of employment. Management should continue to enhance its review of user access, which should occur periodically during the year.

A departmental manager or individual responsible for the functional data should perform the review. Evidence of the performance of the review, including remedial action taken, should be maintained.

### **University Response**

The root cause of the failure to disable the Lawson account noted in this finding was due to tasks closed by analysts who were not fully versed in the steps needed to inactivate Lawson accounts. A tracking query has been developed to identify and address this deficiency.

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# THE UNIVERSITY OF NEW MEXICO

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SECTION 12-6-5 NMSA 1978 FINDINGS  
Year Ended June 30, 2019

## **2019-005. Other Matters in Accordance with 2.2.2.10(L)(1) NMAC – Charity Care – Sandoval Regional Medical Center**

### **Condition**

Of the five charity care samples we tested during the fiscal year 2019 audit, we identified one patient charge adjustment that was incorrectly coded to charity care rather than to allowance for contractual adjustments.

### **Criteria**

SRMC provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its financial assistance (charity care) policy. These amounts are deducted from gross patient revenue.

### **Effect**

SRMC has inappropriately classified the allowance for this patient charge as being related to charity care, which could result in an overstatement of charity care.

### **Cause**

SRMC did not perform sufficient review of the coding of deductions from gross patient revenue related to charity care to ensure the coding was correct.

### **Recommendation**

We recommend that management educate employees about the University's financial assistance policies and implement controls to ensure that deductions from gross patient revenue coded to charity care are reviewed to ensure they are appropriate and consistent with patients' eligibility.

### **University Response**

One new employee misunderstood the charity write off transaction policy and inadvertently entered the adjustment code incorrectly for commercial payers. Four transactions out of several thousand transactions were impacted. All transactions, for the code in question, were reviewed and corrected for FY19. The employee has been educated in further detail and now has a clear understanding of the charity care policy. In addition to education, PFS Director will review charity adjustments on a quarterly basis to ensure accuracy.

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# THE UNIVERSITY OF NEW MEXICO

## Schedule of Pledged Revenues for the year ended June 30, 2019 — University Only Unaudited

	Tuition and fees	Net patient service	Grants and contracts	Sales, services, and auxiliary enterprises
<b>Revenues</b>	\$ 136,023,808	\$ 1,293,561,834	\$ 326,631,669	\$ 119,509,597
<b>Excluded Revenues:</b>				
State appropriations				
Local appropriations				
Distributions to UNM from UNMMG		(143,460,637)		
Distributions to UNM from SRMC		(741,399)		
Restricted funds	19,631,497			6,645,269
Federal grants & contracts			242,852,120	
State grants & contracts			34,808,866	
Nongovernmental grants & contracts			33,643,580	
Facilities and administrative cost recovery			(47,977,207)	
University of New Mexico Hospital (Hospital)		980,135,755	2,130,531	
University of New Mexico Behavioral Health Operations (BHO)		33,510,631	1,248,991	
Blended component units		277,870,294	92,542	28,562,765
<b>Total Excluded Revenues</b>	<u>\$ 19,631,497</u>	<u>\$ 1,147,314,644</u>	<u>\$ 266,799,423</u>	<u>\$ 35,208,034</u>
<b>Pledged Revenues</b>	<u>\$ 116,392,311</u>	<u>\$ 146,247,190</u>	<u>\$ 59,832,246</u>	<u>\$ 84,301,563</u>

### Resources available to cover the University's debt service (excluding Hospital, BHO, and component units)

Pledged Revenues	\$ 497,080,028
Less FY19 debt service for the University:	
University's interest payments on debts	14,240,282
University's principal repayments on debts	<u>18,651,811</u>
Excess of pledged revenues over debt service	<u>\$ 464,187,935</u>
University's future average annual debt service through year ended June 30, 2047	\$ 20,000,705
University's future highest annual debt service year ended June 30, 2021	\$ 36,697,690

See accompanying independent auditors' report.

# SCHEDULE 23

State and local appropriations	County mill levies	Investments	Capital	Gifts	Other	Total
\$ 319,955,449	\$ 105,794,580	\$ 45,006,539	\$ 61,522,739	\$ 29,723,441	\$ 111,654,947	\$ 2,549,384,603
296,891,379						296,891,379
9,170,670						9,170,670
						(143,460,637)
						(741,399)
		7,467,719	61,522,739	537,048	11,100,743	106,905,015
						242,852,120
						34,808,866
						33,643,580
						(47,977,207)
5,656,600	89,853,146	3,022,568		2,162,383	59,594,405	1,142,555,388
7,076,600	15,856,438			7,665	(349,667)	57,350,658
1,160,200	84,996	1,466,225		20,626	11,048,494	320,306,142
\$ 319,955,449	\$ 105,794,580	\$ 11,956,512	\$ 61,522,739	\$ 2,727,722	\$ 81,393,975	\$ 2,052,304,575
\$ -	\$ -	\$ 33,050,027	\$ -	\$ 26,995,719	\$ 30,260,972	\$ 497,080,028

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# THE UNIVERSITY OF NEW MEXICO

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## EXIT CONFERENCE

June 30, 2019

The financial statements were prepared by the financial officials of the University of New Mexico. An exit conference was conducted on October 17, 2019, in which the contents of this report were discussed with the following:

### UNIVERSITY OF NEW MEXICO

Doug Brown	Chair, UNM Board of Regents Audit Committee
Rob Doughty	UNM Board of Regents Audit Committee
Garnett S. Stokes	UNM President
Teresa Costantinidis	Senior Vice President for Finance & Administration
Elizabeth Metzger	University Controller
Ava J. Lovell	Senior Executive Officer for Finance & Administration, HSC
Terry Babbitt	Chief of Staff
Bonnie White	Chief Financial Officer, UNM Hospitals
Marjorie Goldstein	Chief Financial Officer, UNM Medical Group
Darlene Fernandez	Chief Financial Officer, Sandoval Regional Medical Center
Scot Sauder	Deputy University Counsel
Ariadna Vazquez	Deputy University Counsel
Francie Cordova	Interim Chief Compliance Officer
Victor Griego	Interim Internal Audit Director
Purvi Mody	Executive Director, Compliance and Audit, UNM Hospitals
Staff	University Internal Audit Department

### MOSS ADAMS LLP

Lisa Todd	Partner
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### KPMG LLP

Mark McComb	Partner
Jaime Cavin	Senior Manager

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# THE UNIVERSITY OF NEW MEXICO

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Summary of Auditor's Results (As Required by 2.2.2.10 (L)(1) – NMAC)  
June 30, 2019

## *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Compliance and other matters noted?  Yes  No