UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Financial Statements and
Supplementary Information

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Fiscal Year 2010 Official Roster

Board of Trustees

(Continued)

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Fiscal Year 2010 Official Roster

Administrative Officers

David J. Schmidly, PhD	President University of New Mexico
Paul Roth, M.D.	Executive Vice President UNM Health Sciences Center Dean, School of Medicine UNM Health Sciences Center
Ava Lovell	Vice President UNM Health Sciences Center UNM Finance and University Controller
Steve McKernan	Chief Executive Officer UNM Hospitals Vice President Hospital Operations UNM Health Sciences Center
Carolyn Voss, M.D.	Vice President Clinical Affairs UNM Health Sciences Center
Ella Watt	Chief Financial Officer UNM Hospitals

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
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KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Independent Auditors' Report

The University of New Mexico Health Sciences Center
Board of Trustees and
Mr. Hector Balderas, New Mexico State Auditor:

We have audited the accompanying statements of net assets of the UNM Behavioral Operations (the Center), a division of the University of New Mexico, State of New Mexico, operated by the University of New Mexico Health Sciences Center Clinical Operations, as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. We have also audited the budget comparison presented as supplemental information for the year ended June 30, 2010. These financial statements and supplemental information are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements and supplemental information based on our audits.

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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Center, a division of the University of New Mexico, State of New Mexico, are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the University of New Mexico that is attributable to the transactions of the Center, a division of the University of New Mexico. They do not purport to, and do not, present fairly the financial position of the University of New Mexico as of June 30, 2010 and 2009, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UNM Behavioral Operations as of June 30, 2010 and 2009, and the respective changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budget comparison (schedule 1) for the year ended June 30, 2010 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated November 4, 2010 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 11 and the postemployment benefits other than pensions schedule of funding progress (schedule 2) are not a required part of the financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 4, 2010

This section of the University of New Mexico (UNM) Behavioral Operations includes the UNM Psychiatric Center (Adult Center) and the UNM Children's Psychiatric Center (Children's Center), collectively, the Center. The annual financial report presents management's discussion and analysis of the financial performance of the Center during the fiscal years ended June 30, 2010 and 2009. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. As such, the financial statements, notes, and this discussion are the responsibility of the Center's management.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended.

The financial statements prescribed by GASB Statement No. 34 (the statements of net assets, statements of revenues, expenses, and changes in net assets, and the statements of cash flows) present financial information in a form similar to that used by commercial corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the product or service, regardless of when cash is exchanged.

The statements of net assets include all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the Center's financial health when considered with nonfinancial facts such as patient statistics and the condition of facilities. This statement includes all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions.

The statements of revenues, expenses, and changes in net assets present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public hospital's dependency on state aid can result in an operating deficit since the financial reporting model classifies such aid as nonoperating revenues, which is the case with the state appropriation received by the Center. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating, capital, and noncapital financing activities.

Condensed Summary of Net Assets

		Year ended June 30		
		2010	**2009**	**2008**
Assets:				
Current assets	$	23,680,372	24,139,659	21,225,097
Capital assets		5,265,194	4,412,448	4,208,345
Total assets	$	28,945,566	28,552,107	25,433,442
Liabilities:				
Current liabilities	$	5,454,947	4,400,834	4,837,467
Noncurrent liabilities		374,270	128,270	58,000
Total liabilities	$	5,829,217	4,529,104	4,895,467
Net assets:				
Invested in capital assets	$	5,265,194	4,412,448	4,208,346
Restricted		20,650	20,460	19,542
Unrestricted		17,830,505	19,590,095	16,310,088
Total net assets	$	23,116,349	24,023,003	20,537,976

At June 30, 2010, the Center's total assets were $28.9 million, compared to $28.6 million in 2009 and $25.4 million in 2008. The Center's largest asset, excluding the related-party receivable due from affiliate in the amount of $18.4 million at June 30, 2010, $17.4 million at June 30, 2009 and $13.4 million at June 30, 2008, is the investment in capital assets of $5.3 million at June 30, 2010, compared to $4.4 million in 2009 and $4.2 million in 2008. The University of New Mexico Hospital (the Hospital) manages all cash receipts and disbursements on behalf of the Center. The related-party receivable reflects all intercompany cash transactions.

In 2010, the allowance for doubtful accounts and contractual adjustments increased 1.9% ($163,000) primarily due to reductions in Medicaid funding. In 2009, the allowance for doubtful accounts and contractual adjustments decreased 16.8% ($1.7 million) primarily due to improvement of Medicaid cash collections.

For the three years presented, the Center's current assets have been sufficient to cover current liabilities. The current ratio for 2010, 2009, and 2008 was 4.34, 5.48, and 4.38, respectively.

The Center's liabilities increased by $1.3 million from June 30, 2009 to June 30, 2010 and decreased by $341,000 from June 30, 2008 to June 30, 2009. In 2010, the center recorded a $1.1 million liability for the prepayment for the Behavioral Health Services Division (BHSD) claims. The Center's largest liability is accrued compensation and benefits of $3.1 million at June 30, 2010, compared to $3.2 million in 2009 and $2.7 million 2008.

(Continued)

Total net assets decreased by $907,000 million to $23.1 million at June 30, 2010, which reflects an operating loss of $19.4 million, offset by nonoperating net revenues of $18.5 million. Unrestricted net assets totaled $17.8 million at June 30, 2010.

Total net assets increased by $3.5 million to $24.0 million at June 30, 2009, which reflects an operating loss of $14.6 million, offset by nonoperating net revenues of $18.1 million. Unrestricted net assets totaled $19.6 million at June 30, 2009.

Condensed Summary of Revenues, Expenses, and Changes in Net Assets

		Year ended June 30		
		2010	**2009**	**2008**
Total operating revenues	$	33,022,084	37,751,485	32,498,582
Total operating expenses		52,472,754	52,356,096	47,981,129
Operating loss		(19,450,670)	(14,604,611)	(15,482,547)
Nonoperating revenues and expenses and other revenues		18,544,016	18,089,638	17,352,717
Total increase (decrease) in net assets		(906,654)	3,485,027	1,870,170
Net assets, beginning of year		24,023,003	20,537,976	18,667,806
Net assets, end of year	$	23,116,349	24,023,003	20,537,976

Operating Revenues

The sources of operating revenues for the Center are net patient service, contracts and grants, and other operating (ancillary services) revenues, with the most significant source being net patient service revenues. Operating revenues were $33.0 million, $37.8 million, and $32.5 million for 2010, 2009, and 2008, respectively.

Net patient service revenue is comprised of gross patient service revenue, net of contractual allowances, charity care, provision for doubtful accounts, and any third-party cost report settlements. Net patient service revenues were $29.9 million, $34.1 million, and $25.6 million for 2010, 2009, and 2008, respectively.

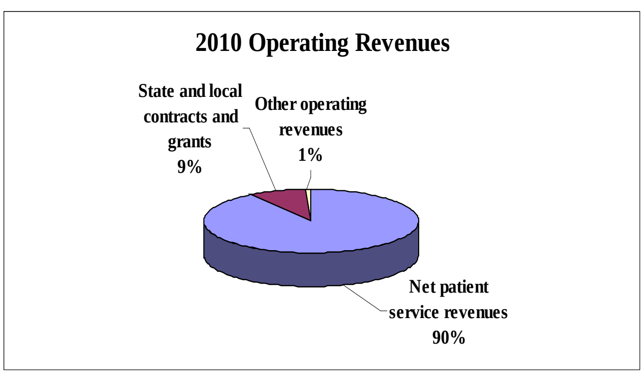
Net patient service revenues for 2010 decreased $4.2 million from $34.1 million in 2009 due to net decreases in cost report settlements, Medicaid funding and decreased volume of Medicare patients. Net patient service revenues for 2009 increased $8.5 million from $25.6 million in 2008, due to a reclass of $3.4 million for services provided under the Behavioral Health Services Division contract, from contract and grants and $3.4 million for cost report adjustments for 2002, 2003, and 2004 Medicaid programs, which were finally settled during 2009, as well as cost reports for 2006 and 2007 Medicare programs. Cost report adjustments are recorded as a decrease to contractual allowances. The remainder of the increase is due to improvement in Medicaid cash collections of $1.0 million.

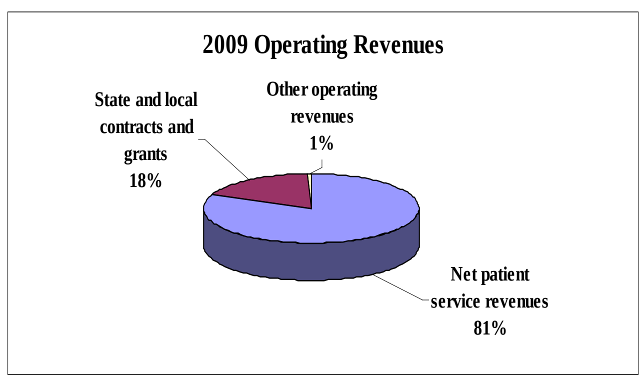
On July 1, 2009, payment received for services provided to patients under the BHSD converted from a monthly drawdown of a fixed amount to fee for service. This funding was administered by Optum Health in 2010 and Value Options in 2009 and 2008. Funding for BHSD services was capped at $4,677,363 for 2010 and $4,709,659 for both 2009 and 2008.

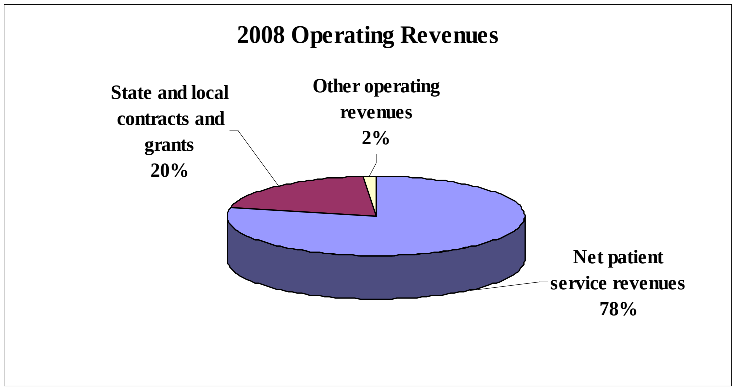
The Center encourages all patients to apply for financial assistance. The Center offers a financial assistance program called UNM care. This program assigns patients primary care providers and allows them to receive care throughout the Center and at all clinic locations. This program is available to Bernalillo County residents who meet certain income thresholds. Prior to January 1, 2010, the income threshold was set at 235% of the Federal Poverty Level (FPL). Effective January 1, 2010, the income threshold was increased to 300% of the FPL. Patients may apply for this program at various locations throughout the HSC and various community locations. As of June 30, 2010, 2009 and 2008, there were 27,411, 24,697, and 20,464 active enrollees, respectively. The Center does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments.

The Center provides care to patients who are either uninsured or under-insured and who do not meet the criteria for financial assistance. The Center encourages patients to meet with a financial counselor to develop payment arrangements. Although the Center pursues collection of these accounts usually through an extended payment plan or a discounted rate, interest is not charged on these accounts, liens are not placed on property or assets, and judgments are not filed against the patients. These accounts are fully reserved and recorded as provision for uncollectible accounts. Provision expense recorded for fiscal years 2010, 2009, and 2008 was $343,000, $737,000, and $1.3 million, respectively.

The following pie charts depict the operating revenue mix for the years ended June 30, 2010, 2009, and 2008:

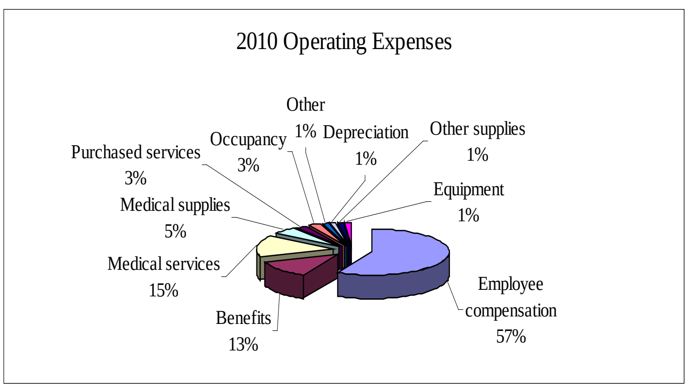


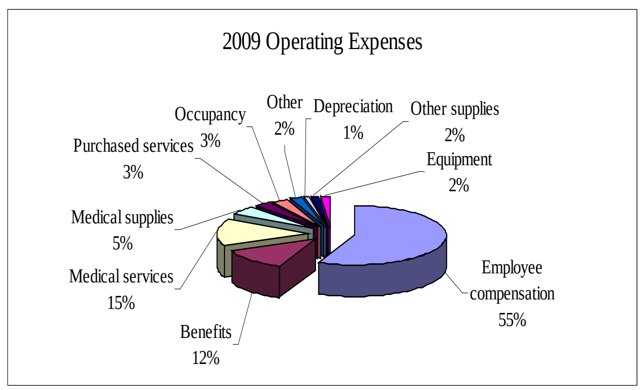


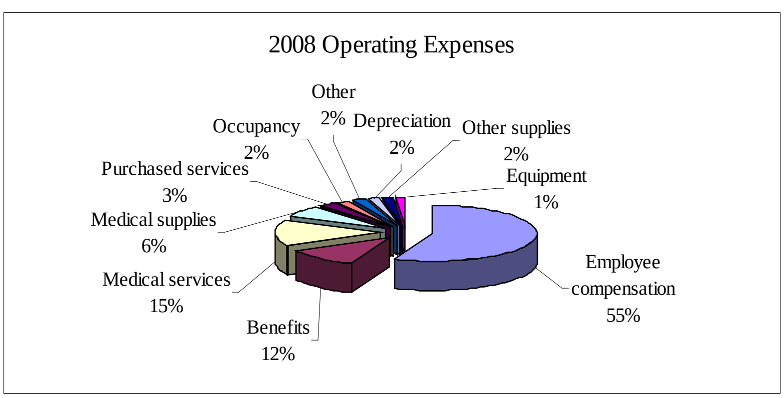


Operating Expenses

The following pie charts depict the distribution of the operating expenses for the Center for the years ended June 30, 2010, 2009, and 2008:







Operating expenses for 2010, including depreciation of $490,000, totaled $52.5 million. Overall expenses increased 0.2% ($117,000) over the prior year. Employee compensation and benefits expenses increased 2.7% ($961,000) over the prior year primarily due to wage increases and increased full-time equivalents (FTEs). Occupancy expenses increased 8.7% ($120,000) over the prior year due to increased repairs and materials required to maintain aging facilities. Other expenses decreased 53% ($616,000) due to a revision in the allocation of indirect costs between the Hospital and the Center from historical percentages to net patient service revenue as the basis for the allocation. There were no other significant or unexpected changes in operating expenses.

Operating expenses for 2009, including depreciation of $445,000, totaled $52.4 million. Overall expenses increased 9.1% ($4.4 million) over the prior year. Employee compensation and benefits expenses increased 10.7% ($3.4 million) over the prior year primarily due to wage increases and increased FTE's. Medical services expenses increased 7.5% ($533,000) over the prior year due primarily to increased cost for professional medical and mental health services provided by the UNM School of Medicine. Occupancy expenses also increased 33.5% ($343,000) over the prior year due to increased repairs and materials required to maintain aging facility. There were no other significant or unexpected changes in operating expenses.

Nonoperating Revenues

Revenue from the Bernalillo County mill levy was the most significant source of nonoperating revenue, totaling $10.9 million in 2010, $10.5 million in 2009 and $10.1 million in 2008. The state appropriation was the next significant nonoperating revenue source totaling $7.1 million in 2010, $7.5 million in 2009, and $7.3 million in 2008. The state appropriation is provided to the Center to fulfill its mission to the State of New Mexico. In 1975, the Center was created by state statute under the authority of the State of New Mexico to supply what were deemed as necessary services to improve the mental health and well-being of New Mexico's children and adolescents through inpatient services at the Center, at school sites, and at patients' homes. The appropriation also funds the operation of the Mimbres School, a state-supported, on-site school. The state appropriation for 2010 was reduced from the original appropriation by $492,400 (6.5%) during the special session of the New Mexico legislature. The state appropriation for 2009 includes a recission from originally appropriated amounts of $192,300 (2.5%).

Nonoperating revenue for 2010 includes $529,000 in bequests and contributions. Included in bequests and contributions for 2010 is $462,000 in contributions for pediatric renovations and $67,000 in contributions for pediatric equipment from the UNM Foundation. All donated monies are received by the UNM Foundation and are drawn upon as needed by the Center.

There were no nonoperating expenses during fiscal years 2010, 2009, and 2008.

(Continued)

Capital Assets

At June 30, 2010, the Center had $16.2 million invested in capital assets, less accumulated depreciation of $11.0 million. Depreciation charges for the year totaled $490,000 compared to $445,000 and $826,000 in 2009 and 2008, respectively.

		Year ended June 30		
		2010	**2009**	**2008**
Land and improvements	$	505,546	441,101	441,101
Building		10,667,984	10,112,355	9,735,069
Building service		2,291,017	1,929,071	1,623,138
Equipment		2,254,286	2,087,415	2,318,662
Construction in progress		488,998	307,763	443,444
		16,207,831	14,877,705	14,561,414
Less accumulated depreciation		(10,942,637)	(10,465,257)	(10,353,068)
Net property and equipment	$	5,265,194	4,412,448	4,208,346

During the year ended June 30, 2010, the Center's capital expenditures included construction in process for patient safety renovations including improvements to ceilings, sprinkler heads and nursing stations, and the purchase and installation of egress lighting. During the year ended June 30, 2009, the Center's capital expenditures included structural improvements made to building and patient monitoring system, both related to patient safety. Also, in the current year eight vehicles were retired.

Change in Net Assets

Total net assets (assets minus liabilities) are classified by the Center's ability to use these assets to meet operating needs. Total net assets can be unrestricted or restricted. Unrestricted net assets for the Center may be used to meet all operating needs of the Center. Restricted net assets are generated by donations and gifts and are further classified as to the purpose for which they must be used. The Center's total change in net assets showed a net decrease of approximately $907,000 in 2010 and an increase of $3.4 million in 2009.

Factors Impacting Future Periods

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was enacted. This National Health Reform includes value-based purchasing requirements, expanded Medicaid eligibility provisions, Medicare and Medicaid funding reforms and private insurance market reforms. Medicaid expansion under PPACA includes new eligibility criteria establishing a minimum floor for Medicaid coverage of 133% of the FPL, eliminating other nonincome-based criteria (such as age, disability, or asset testing). This FPL criteria is mandatory for State implementation January 2014 and optional for years 2010 through 2013. The population most impacted by the new eligibility criteria is expected to be childless adults. States are also prohibited from reducing Medicaid or Children's Health Insurance Plan (CHIP) eligibility that was in place on the date of PPACA enactment. PPACA provides additional federal financing through the Federal Medical Assistance Percentage (FMAP) for newly eligible Medicaid patients.

(Continued)

PPACA includes legislation on Health Exchanges. Health Exchanges are expected to facilitate the purchase of health insurance for qualified individuals and small employers. A qualified individual is a lawful resident with income between 133% and 400% of the FPL. Federal subsidies for premiums under Health Exchanges become available beginning 2014. Health Exchanges are designed to be "one-stop-shopping" where participants can compare and purchase insurance coverage. Insurance coverage will have essential health benefits that cover benefit costs ranging from 60% to 90% with out-of-pocket limits equal to health Savings Account current law limits.

Health Plan reforms under PPACA include a set of required essential benefits including, but not limited to, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, preventative and wellness services, and pediatric services, including oral and vision care. Plans must also not require copayment or deductible on preventative services. For plan years beginning after September 23, 2010, existing plans must provide coverage to dependent children until age 26 (unless eligible for other coverage), eliminate lifetime aggregate dollar limits and annual dollar limits on essential benefits, eliminate pre-existing condition exclusions for children up to age 19, and prohibit rescinding of coverage except in cases of fraud, intentional misrepresentation, and nonpayment of premium. Effective in 2014, existing insurance plans must eliminate annual aggregate benefit limits, provide coverage of dependents to age 26 regardless of eligibility for other coverage, eliminate pre-existing condition limitations for adults, and eliminate waiting periods of greater than 90 days.

The PPACA legislation reduces Medicaid and Medicare Disproportionate Share Hospital (DSH) payments by $14 billion and $22 billion, respectively, from 2014 through 2019. PPACA also reduces the annual market basket increase for Medicare inpatient and outpatient hospital services beginning in October 1, 2010.

PPACA implements a budget neutral value-based purchasing program for hospitals, reduces payments to account for preventable readmissions for certain conditions, and adjusts hospital payments for certain hospital-acquired conditions. The value-based purchasing program provides incentive payments to hospitals that meet or exceed certain performance standards. The program will begin in 2013 and will cover five specific conditions or procedures: 1) acute myocardial infarction, 2) heart failure, 3) pneumonia, 4) surgeries, and 5) healthcare associated infections. Beginning in 2014, the measures must include efficiency measures, including Medicare spending per beneficiary. The Secretary of Health and Human Services must make available to the public information regarding performance of individual hospitals under the program.

The Human Services Division (HSD) of the State of New Mexico implemented cost containment measures on December 1, 2009, including a 3% reduction in inpatient Medical Services Diagnosis Related Group (MSDRG) rates, a 3% reduction in behavioral health reimbursement rates, converted radiology reimbursement to the Medicaid physician fee schedule and reduced the outpatient interim rate to 50%. HSD has identified a further budget shortfall for 2011 and 2012. One measure to be taken by Medical Assistance Division (MAD) to offset this shortfall is the implementation of an Outpatient Prospective Payment System (OPPS) for Medicaid outpatient payment rates effective November 1, 2010. The payment rate will be at 100% of the Medicare standard rate. It is expected that the Managed Care Organizations (MCOs) will also implement OPPS.

HSD eliminated the 30-day grace period for re-enrollment under the State Coverage Insurance (SCI) program effective July 1, 2010. The SCI Program is under consideration for possible elimination from the Medical Assistance Division Budget for subsequent years.

On March 24, 2010, Governor Bill Richardson signed House Bill 2. This bill reduced general funding for higher education by an average of 3.5%. UNM HSC applied the decrease evenly across its programs, which resulted in an additional 2% reduction to the Center. The legislation also included language that if general fund revenues become insufficient to meet general fund appropriations for fiscal year 2011, the legislation authorized reductions in general fund allotments to all agencies, funds, programs, and other recipients that receive a general fund appropriation in Section 4 of the General Appropriation Act of 2010. On August 12, 2010, The State Board of Finance approved a further reduction of 3.2445% in General Fund appropriations. The Center's 2011 appropriations, after taking into consideration the two reductions above will be a reduction of $618,054 from 2010.

Contacting the Center's Financial Management

This financial report is designed to provide the Center's patients, suppliers, taxpayers, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the UNM Hospital's Finance and Accounting Department, Attn.: Controller, P.O. 80600, Albuquerque, NM 87198-0600.

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Statements of Net Assets

June 30, 2010 and 2009

Assets		**2010**	**2009**
Current assets:			
Cash and cash equivalents	$	3,229	3,404
Receivables:			
Patient (net of allowance for doubtful accounts and contractual adjustments of approximately $8,838,000 in 2010 and $8,675,000 in 2009) (note 3)		2,306,264	2,391,641
Due from affiliate		18,359,560	17,441,031
Due from University of New Mexico		353	18,541
Contracts and grants		100,895	244,630
Estimated third-party payor settlements (note 4)		2,342,007	3,494,130
Bernalillo County mill levy receivable		175,533	177,832
Other		40,781	34,299
Total net receivables		23,325,393	23,802,104
Inventories		125,068	106,543
Prepaid expenses		226,682	227,608
Total current assets		23,680,372	24,139,659
Noncurrent assets – capital assets, net (note 5):			
Nondepreciable assets:			
Land		111,000	111,000
Construction in progress		488,998	307,763
Depreciable capital assets, net		4,665,196	3,993,685
Total capital assets, net		5,265,194	4,412,448
Total noncurrent assets		5,265,194	4,412,448
Total assets	$	28,945,566	28,552,107
Liabilities			
Current liabilities:			
Accounts payable	$	644,891	609,853
Due to University of New Mexico		509,954	543,332
Accrued compensation and benefits		3,128,758	3,178,980
Estimated third-party payor settlements (note 4)		1,171,344	68,669
Total current liabilities		5,454,947	4,400,834
Noncurrent liabilities:			
Net OPEB obligation (note 12)		374,270	128,270
Total noncurrent liabilities		374,270	128,270
Total liabilities	$	5,829,217	4,529,104
Net Assets			
Invested in capital assets	$	5,265,194	4,412,448
Restricted for expendable grants, bequests, and contributions		20,650	20,460
Unrestricted		17,830,505	19,590,095
Commitments and contingencies (notes 6, 9, 10, 11, and 12)			
Total net assets	$	23,116,349	24,023,003

See accompanying notes to financial statements.

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Net patient service (notes 7 and 8)	$ 29,935,834	34,122,711
State and local contracts and grants	2,856,840	3,391,718
Other operating revenues	229,410	237,056
Total operating revenues	33,022,084	37,751,485
Operating expenses:		
Employee compensation	30,109,663	29,544,904
Benefits	6,601,591	6,205,748
Medical services	7,735,660	7,681,549
Medical supplies	2,648,337	2,768,771
Other supplies	822,602	825,950
Purchased services	1,313,576	1,538,167
Equipment	720,106	818,352
Occupancy	1,488,425	1,368,859
Depreciation	490,108	444,930
Other	542,686	1,158,866
Total operating expenses	52,472,754	52,356,096
Operating loss	(19,450,670)	(14,604,611)
Nonoperating revenues and expenses:		
Bernalillo County mill levy	10,873,706	10,532,307
State general fund and other state fund appropriations	7,141,800	7,500,500
Loss on sale of assets	(361)	—
Bequests and contributions	16,247	24,731
Total nonoperating revenues and expenses	18,031,392	18,057,538
Income (loss) before other revenues	(1,419,278)	3,452,927
Other revenues – Capital grants and gifts	512,624	32,100
Increase in net assets	(906,654)	3,485,027
Net assets, beginning of year	24,023,003	20,537,976
Net assets, end of year	$ 23,116,349	24,023,003

See accompanying notes to financial statements.

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Statements of Cash Flows

Years ended June 30, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Cash received from Medicaid and Medicare	$	26,488,634	28,418,711
Cash received from insurance and patients		5,787,375	4,393,365
Cash received from contracts and grants		3,000,575	3,448,810
Cash payments to suppliers		(12,706,527)	(16,906,619)
Cash payments to employees		(29,913,885)	(28,311,280)
Cash payments to University of New Mexico		(9,171,615)	(5,864,518)
Cash payments to affiliates		(918,529)	(4,029,963)
Other cash receipts		230,336	234,117
Net cash used in operating activities		(17,203,636)	(18,617,377)
Cash flows from noncapital financing activities:			
Cash received from state general fund and other state fund appropriations		7,141,800	8,712,035
Cash received from Bernalillo County mill levy		10,876,005	10,497,421
Cash received from contributions for other-than-capital purposes		16,247	24,731
Net cash provided by noncapital financing activities		18,034,052	19,234,187
Cash flows from capital activities:			
Capital grants and gifts received		512,624	32,100
Purchases of capital assets		(1,343,215)	(649,035)
Net cash used in capital activities		(830,591)	(616,935)
Net increase in cash and cash equivalents		(175)	(125)
Cash and cash equivalents, beginning of year		3,404	3,529
Cash and cash equivalents, end of year	$	3,229	3,404
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(19,450,670)	(14,604,611)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense		490,108	444,930
Provision for doubtful accounts		342,743	736,855
Change in assets and liabilities:			
Patient receivables, net		(257,366)	(1,161,417)
Due from affiliates		(918,529)	(4,029,963)
Due from the University of New Mexico		18,188	37,152
Contracts and grants receivables		143,735	446,898
Third-party receivables		1,152,123	(108,356)
Other assets and prepaid expenses		(5,556)	(2,939)
Inventories		(18,525)	(9,563)
Due to University of New Mexico		(33,378)	147,128
Accounts payable and accrued expenses		230,816	654,032
Third-party liabilities		1,102,675	(1,167,523)
Net cash used in operating activities	$	(17,203,636)	(18,617,377)

See accompanying notes to financial statements.

(1) Description of Business

UNM Behavioral Operations include the UNM Psychiatric Center and the UNM Children's Psychiatric Center (collectively, the Center).

The UNM Psychiatric Center (Adult Center) is a psychiatric center operated by the University of New Mexico Health Sciences Center, was organized under a joint powers agreement between the University of New Mexico (UNM), a state institution of higher education created by the New Mexico Constitution, and Bernalillo County (the County) for the purpose of providing mental health services and for the advancement of human knowledge and education in the mental health field. The UNM Board of Regents and the Board or County Commissioners entered into a lease agreement for operation and lease of county healthcare facilities, effective July 1, 1999 and terminating June 20, 2055. The purpose of the Original Lease is to operate and maintain the Center in accordance with the provisions of the Hospital Funding Act for the term of the agreement. This agreement continues in force until rescinded or terminated by either party. Effective November 18, 2004, the UNM Board of Regents and the Board of County Commissioners entered into a First Amendment to the Original Lease, under which, among other things, extended the term of the Original Lease until June 30, 2055.

The UNM Children's Psychiatric Center (Children's Center), a psychiatric center operated by the University of New Mexico (UNM) Health Sciences Center, is certified as a short-term, acute care provider. The Center provides intensive treatment for children and adolescents through its acute inpatient, residential, and outpatient therapy programs. The Center is the state's only comprehensive psychiatric facility dedicated solely to the treatment of seriously emotionally disturbed children and adolescents.

The accompanying financial statements of the UNM Behavioral Operations are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of UNM, which are attributable to the transactions of the Center. The UNM Behavioral Operations are not a legally separate entity and are, therefore, reported as a division of UNM and included in the basic financial statements of UNM. The Center has no component units.

The UNM Board of Regents is the ultimate governing authority of the UNM Behavioral Operations, but has delegated certain oversight responsibilities to the UNM Health Sciences Center's Board of Trustees, which consists of nine members, including seven members appointed by the UNM Regents, one of whom is nominated by the All Indian Pueblo Council. The other two members are appointed by the Bernalillo County Commission.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles for healthcare organizations, and are presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and*

Local Governments, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The Center follows the business-type activities requirements of GASB Statement No. 34. This approach requires the following components of the Center's financial statements:

- Management's discussion and analysis
- Basic financial statements, including statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows using the direct method for the Center as a whole
- Notes to financial statements

GASB Statement No. 34 established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- *Invested in capital assets*: Capital assets, net of accumulated depreciation.
- *Restricted net assets – expendable*: Net assets whose use by the Center is subject to externally imposed constraints that can be fulfilled by actions of the Center pursuant to those constraints or that expire by the passage of time.
- *Unrestricted*: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees, the UNM Board of Regents, or may otherwise be limited by contractual agreements with outside parties.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Center has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

(b) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement dates, and the reported amount of revenues and expenses during the reporting periods. Due to uncertainties in the estimation process, actual results could differ from those estimates.

(c) Contracts and Grants

Revenue from contracts and grants is recognized to the extent of direct costs and allowable indirect expenses incurred under the terms of each agreement. Funds restricted by grantors for operating purposes are recognized as revenues when the terms of the grant have been met. All reimbursable costs for which reimbursement has not been received are reflected in the accompanying statements of net assets as contracts and grants receivable.

(d) Operating Revenues and Expenses

The Behavioral Operations statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient services revenues, result from exchange transactions associated with providing healthcare services, the Behavioral Operations principal activity. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values. Operating expenses are all expenses incurred to provide healthcare services.

(e) Nonoperating Revenue

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as appropriations, gifts, investment income, and government levies. These revenue streams are recognized under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Grants and 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 Bernalillo County.

(f) Capital Assets

Capital assets are stated at cost on the date of acquisition or at estimated fair value on the date of donation. The Behavioral Operations capitalization policy for assets includes all items with a unit cost of more than $5,000. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets as indicated in the "Estimated useful lives of Depreciable Hospital Assets," Revised 2008 Edition published by the American Hospital Association. Repairs and maintenance costs are charged to expense as incurred. On a quarterly basis, the Center assesses long-lived assets in order to determine whether or not it is necessary to retire, replace, or impair on condition of the assets and their intended use.

The buildings occupied by the Behavioral Operations are as follows: The Adult Center's buildings are owned by the County and are furnished to this Center in accordance with the lease agreement between the County and UNM. The Children Center's buildings are owned by UNM and are furnished for use to this Center. The land for the Behavioral Operations is owned by UNM. This property has been recorded on the Center's financial statements. Equipment includes items that have been purchased with funds received in accordance with certain contracts and grants, and title to this equipment is vested with the Behavioral Operations.

(g) Due from Affiliates

The UNM Hospital (the Hospital) receives all cash on behalf of the Center and pays all obligations. Accounts payable and accrued expenses are considered paid and no longer an obligation of the

Center when vouchered for payment by the Hospital. Amounts due from affiliates consist mainly of cash collected in excess of expenses paid and do not bear interest.

(h) Net Patient Service Revenues

Net patient revenues are recorded at the estimated net realizable amount from patients, third-party payors, and others for services rendered. 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 and Medicaid, are recorded as deductions from patient revenues. Accounts, when determined to be uncollectible, are charged against the allowance for doubtful accounts. With respect to State Coverage Insurance (SCI) Program, funding is modeled after a capitated payment program. Funds are remitted to the Hospital on a per member per month basis for all state approved members. Therefore, contractual adjustments are recorded as deductions from patient revenue in its entirety. Capitated payments are received on a monthly basis and are recorded as an offset to contractual adjustments.

(i) Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are deducted from gross revenue, with the exception of copayments.

(j) Bernalillo County Taxes

The amount of the property tax levy is assessed annually on November 1 on the valuation of property as determined by the Bernalillo County Assessor and is due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due date unless the original levy date has been formally extended. Taxes are collected on behalf of the Center by the County Treasurer and are remitted to the Hospital in the month following collection. Revenue is recognized in the fiscal year the levy is collected by Bernalillo County.

(k) State Appropriation

The funding for the state appropriation is included in the General Appropriation Act, which is approved by the House and Senate of the State Legislature and signed by the governor before going into effect. Total funds appropriated in 2010 include $6,718,696 and $423,104 in the General Fund and Other State Funds, respectively; in 2009, these amounts were $7,087,500 and $413,000. The General Fund is designated as a nonreverting fund, per House Bill 2, Section 4. Sub-section J. Higher Education. Other State Funds are defined as nonreverting in House Bill 2, Section 2, Sub-section I Definitions.

(l) Income Taxes

As part of a state institution of higher education, the income of the Center is generally excluded from federal and state income taxes under Section 115(1) of the Internal Revenue Code. However, income generated from activities unrelated to the Center's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

(m) Risk Management

The Hospital sponsors a self-insured health plan of which the Center's employees participate, as all employees of the Center are under the centralized umbrella of the Hospital. Blue Cross and 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 invoices received but not yet paid. At June 30, 2010 and 2009, the estimated amount of the Center's claims and accrued invoices was $287,106 and $358,131, respectively. The liability balance for the self-insurance plan is included in accrued payroll of the Hospital, which is reflected in the net from affiliate account of the Center. The incurred but not reported liability was based on an actuarial analysis calculated using information provided by BCBSNM. Changes in the reported liability were as follows:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	Balance at fiscal year-end
2009 – 2010	$ 358,131	2,545,982	(2,617,007)	287,106
2008 – 2009	262,306	2,248,260	(2,152,435)	358,131

(n) Financial Reporting by Employers for Postemployment Benefits Other than Pensions

The Hospital and the Center provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment medical and dental healthcare provided separately from a benefit or pension plan. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, required supplementary information (RSI) in the financial reports of state and local governmental employers.

In 2010 and 2009, the OPEB assumptions were calculated individually for both entities (the Hospital and the Center), of which the liabilities and expenses are based on each entities applicable full-time equivalent (FTE).

(o) Classification

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

(3) Concentration of Risk

The Center receives payment for services rendered to patients under payment arrangements with payors that include: (i) Medicare and Medicaid, (ii) other third-party payors, including commercial carriers, and (iii) others. The following table summarizes the patient accounts receivable report and the percentage of gross accounts receivable from all payors as of June 30:

	2010		2009	
Patients and their insurance carriers	$ 4,703,177	42%	$ 4,566,362	41%
Medicare	1,911,348	17	2,219,730	20
Medicaid	4,529,830	41	4,280,354	39
Total patient accounts receivable	11,144,355	100%	11,066,446	100%
Less allowance for uncollectible accounts and contractual adjustments	(8,838,091)		(8,674,805)	
Patient accounts receivable, net	$ 2,306,264		$ 2,391,641	

(4) Estimated Third-Party Payor Settlements

Effective July 1, 2005, acute inpatient services provided under the Medicaid Managed Care program are paid at negotiated rates and are not subject to retroactive settlement.

Through June 30, 2005, services rendered to the Medicaid beneficiaries that were covered under the Medicaid fee-for-service (FFS) program were paid under a cost-reimbursement methodology subject to a cost-per-discharge limitation. The Center was reimbursed at tentative rates throughout the year with final settlement determined after submission of the annual cost report and audit thereof by the Medicaid audit agent. Medicaid cost reports have been final settled for all years through 2005. 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 for service periods through June 30, 2005.

Included in the current year cost report settlement amount was $184,000, per the initial filing of the FY09 Medicare cost report. The center also received a final FY05 Medicaid amount of $28,000.

The Center is reimbursed from the Medicare programs for certain reimbursable items at prospectively established rates with final settlement determined after submission of annual cost reports by the Center (see note 7). The annual cost reports are subject to audit by the Medicare intermediary. Cost reports through 2007, excluding 2005, have been final settled for the Medicare program.

(Continued)

(5) Capital Assets

The major classes of capital assets at June 30 are as follows:

		Year ended June 30, 2010			
	Beginning balance	Additions	Transfers	Retirements	Ending balance
Center capital assets not being depreciated:					
Land	$ 111,000	—	—	—	111,000
Construction in progress	307,763	1,279,318	(1,098,083)	—	488,998
	$ 418,763	1,279,318	(1,098,083)	—	599,998
Center depreciable capital assets:					
Land and improvements	$ 330,101	—	64,445	—	394,546
Buildings and building improvements	10,112,355	—	555,629	—	10,667,984
Building service equipment	1,929,071	18,229	343,717	—	2,291,017
Equipment	2,087,415	45,666	134,292	(13,087)	2,254,286
Total depreciable capital assets	14,458,942	63,895	1,098,083	(13,087)	15,607,833
Less accumulated depreciation for:					
Land improvements	(129,262)	(23,967)	—	—	(153,229)
Buildings and building improvements	(7,475,905)	(282,731)	—	—	(7,758,636)
Building service equipment	(1,077,513)	(84,992)	—	—	(1,162,505)
Equipment	(1,782,577)	(98,418)	—	12,728	(1,868,267)
Total accumulated depreciation	(10,465,257)	(490,108)	—	12,728	(10,942,637)
Center depreciable capital assets, net	$ 3,993,685	(426,213)	1,098,083	(359)	4,665,196
Capital asset summary:					
Center capital assets not being depreciated	$ 418,763	1,279,318	(1,098,083)	—	599,998
Center depreciable capital assets, at cost	14,458,942	63,895	1,098,083	(13,087)	15,607,833
Center total cost of capital assets	14,877,705	1,343,213	—	(13,087)	16,207,831
Less accumulated depreciation	(10,465,257)	(490,108)	—	12,728	(10,942,637)
Center capital assets, net	$ 4,412,448	853,105	—	(359)	5,265,194

(Continued)

	Year ended June 30, 2009				
	Beginning balance	**Additions**	**Transfers**	**Retirements**	**Ending balance**
Center capital assets not being depreciated:					
Land	$ 111,000	—	—	—	111,000
Construction in progress	443,444	578,562	(714,243)	—	307,763
	$ 554,444	578,562	(714,243)	—	418,763
Center depreciable capital assets:					
Land and improvements	$ 330,101	—	—	—	330,101
Buildings and building improvements	9,735,069	—	377,286	—	10,112,355
Building service equipment	1,623,138	—	305,933	—	1,929,071
Equipment	2,318,662	70,470	31,024	(332,741)	2,087,415
Total depreciable capital assets	14,006,970	70,470	714,243	(332,741)	14,458,942
Less accumulated depreciation for:					
Land improvements	(109,053)	(20,209)	—	—	(129,262)
Buildings and building improvements	(7,212,805)	(263,100)	—	—	(7,475,905)
Building service equipment	(1,004,335)	(73,178)	—	—	(1,077,513)
Equipment	(2,026,875)	(88,443)	—	332,741	(1,782,577)
Total accumulated depreciation	(10,353,068)	(444,930)	—	332,741	(10,465,257)
Center depreciable capital assets, net	$ 3,653,902	(374,460)	714,243	—	3,993,685
Capital asset summary:					
Center capital assets not being depreciated	$ 554,444	578,562	(714,243)	—	418,763
Center depreciable capital assets, at cost	14,006,970	70,470	714,243	(332,741)	14,458,942
Center total cost of capital assets	14,561,414	649,032	—	(332,741)	14,877,705
Less accumulated depreciation	(10,353,068)	(444,930)	—	332,741	(10,465,257)
Center capital assets, net	$ 4,208,346	204,102	—	—	4,412,448

(Continued)

(6) Compensated Absences

Qualified center employees are entitled to accrue sick leave and annual leave based on their FTE status.

(a) Sick Leave

Full-time employees accrue four hours of sick leave each two-week pay period (13 days per annum) up to a maximum of 1,040 hours to be used for major and minor sick leave. Seven of these days are accumulated into a Minor Sick Leave Bank. Part-time employees who are at least 0.5 FTE earn sick leave on a prorated basis each pay period. At June 30 of each year, employees have the opportunity to exchange for annual leave or major sick leave or cash all hours accumulated in excess of 24 hours of minor sick leave and 1,040 hours of major sick leave on a hour-for-hour basis. At termination, only employees who retire from the Center and qualify under center policy or estates of employees who die as the result of a compensable occupational illness or injury are eligible for payment of unused accumulated hours earned under the Hospital plan. Accrued sick leave as of June 30, 2010 and 2009 of $169,000 and $175,000, respectively, is computed by multiplying each employee's current hourly rate by the number of hours accrued.

Major and minor sick leave balances earned by the consolidated employees (personnel employed by UNM prior to July 2000, employed by the Center thereafter) under the UNM plan were transferred to the Center. Under the UNM plan, only employees hired prior to July 1, 1984 were eligible to accrue major sick leave. Eligible employees who were paid for a full pay-period accrued sick leave each pay period at an hourly rate that was based on their date of hire and employment status.

The excess for minor sick leave hours carried over from UNM was converted to cash in December 2001 at a rate equal to 50% of the employee's hourly wage multiplied by the number of hours converted. Upon retirement, all minor hours in excess of 600 are paid at a rate equal to 50% of the employee's hourly wage multiplied by the number of hours in excess of 600 unused sick leave hours based on FTE status, not to exceed 440 hours of such sick leave.

Immediately upon retirement or death, a consolidated employee is entitled to receive cash payment for unused major sick leave hours in excess of 1,040 at a rate equal to 28.5% of the employee's hourly wage multiplied by the number of hours in excess of 1,040 major sick leave hours based on FTE status. Partial hours are rounded to the nearest full hour.

(b) Annual Leave

Full-time employees accrue annual leave based on their length of employment up to a maximum of 480 hours. Part-time employees who are at least 0.5 FTE earn annual leave on a pro-rata basis each pay period. At June 30 of each year, employees have the opportunity to exchange for cash up to 80 annual leave hours accumulated in excess of 240 hours. At termination, employees are eligible for payment of unused accumulated hours, not to exceed 480 hours. Accrued annual leave as of June 30, 2010 and 2009 of $1,202,000 and $1,254,000, respectively, is computed by multiplying each employee's current hourly rate by the number of hours accrued.

Upon retirement, death, or involuntary termination, a consolidated employee is entitled to receive cash payment for annual leave earned prior to consolidation up to a maximum of 252 hours at a rate equal to 50% of the employee's hourly wage. Upon voluntary termination, a maximum of 168 hours is paid out at a rate equal to 50% of the employee's hourly wage.

During the years ended June 30, 2010 and 2009, the following changes occurred in accrued compensated absences:

	Balance July 1, 2009	Increase	Decrease	Balance June 30, 2010
$	1,458,943	270,979	(330,305)	1,399,617

	Balance July 1, 2008	Increase	Decrease	Balance June 30, 2009
$	1,295,434	2,568,136	(2,404,627)	1,458,943

The balances above include annual leave and sick leave, disclosed above, in addition to compensatory time (accrued time) and holiday, totaling approximately $29,000 and $29,700 in fiscal years 2010 and 2009, respectively. The portion of accrued compensated absences due after one year is not material and, therefore, is not presented separately.

(7) Net Patient Service Revenues

The majority of the Center's revenue is generated through agreements with third-party payors that provide for reimbursement to the Center at amounts different from its established rates. Approximately 65% and 64%, respectively, of the Center's gross patient revenues in 2010 and 2009 were derived from the Medicare and Medicaid programs, the continuations of which are dependent upon governmental policies. With the implementation of Medicare Part D, the Center experienced a decline in Medicare revenues with an associated increase in insurance revenues as patients elected coverage under a Medicare HMO. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded revenue estimates could change as a result of regulatory review. Contractual adjustments under third-party reimbursement programs represent the difference between the Center's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement from major third-party payors follows:

Medicare – Inpatient psychiatric care services rendered to Medicare program beneficiaries are paid on a prospectively established per-diem rate. The Centers for Medicare and Medicaid Services (CMS) reimburses the Center for outpatient services at a prospectively established rate using Ambulatory Payment Classifications (APCs). The basis for payment under APCs is Healthcare Common Procedure Coding System.

Medicaid – The Center has reimbursement agreements with certain healthcare contractors that have contracted to provide services to Medicaid beneficiaries enrolled under the State of New Mexico (managed care) program. The basis for reimbursement under these agreements is a per-diem rate that includes both acute inpatient and partial hospital. For outpatient services, charges are paid based on a fee schedule determined by Common Procedural Terminology codes, or a percentage of billed charges. The Hospital has also entered into a reimbursement agreement for the State Coverage Insurance (SCI) Program. This program is part of the New Mexico SCI Medicaid plan, funded in part by the State of New Mexico Human Services Department (HSD). Funding is modeled after a capitated payment program. Funds are remitted to the Hospital on a per member per month basis for all state approved members. The Center receives a portion of the capitated payment remitted to the Hospital, with rate of reimbursement to the Center determined by an internally developed methodology based on percentage of the total Hospital services provided to members specifically by the Center. The Center's funding under the SCI program for the years ended June 30, 2010 and 2009 was $1,142,869 and $827,500, respectively.

Other – The Center has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per-diem rates.

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

		2010	2009
Charges at established rates	$	63,366,652	63,878,075
Charity care		(3,328,175)	(5,026,556)
Contractual adjustments		(29,759,900)	(23,991,953)
Provision for doubtful accounts		(342,743)	(736,855)
Net patient service revenues	$	29,935,834	34,122,711

Contractual adjustments for the years ended June 30, 2010 and 2009 were decreased by third-party payor estimates of $1,100,000 and $3,412,000, respectively. During the fiscal year ended June 30, 2010, $661,000 was recorded for original fiscal year 2010 Medicare estimate for fiscal year 2010 cost report November 2010 filing. During fiscal year 2010, subsequent estimate revisions, including final settlements, offset the current year original estimate by $439,000 for Medicare and Medicaid cost reporting periods ending June 30, 2005 through 2009. During the fiscal year ended June 30, 2009, $510,000 was recorded for the original fiscal year 2010 Medicare estimate related to the fiscal year 2009 cost report November 2009 filing. Also recognized during fiscal year 2009, subsequent estimate revisions, including final settlements, offset the current year original estimate by $2,902,000 for Medicare and Medicaid cost reporting periods ending June 30, 2001 through 2008.

(8) Charity Care

The Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, under the Center's charity policy amounted to approximately $3,328,000 in 2010 and $5,027,000 in 2009.

(9) Malpractice Insurance

As a part of the UNM, the Center enjoys sovereign immunity from suit for tort liability except as waived by the New Mexico Legislature. In this connection, under the New Mexico Tort Claims Act, the New Mexico Legislature waived the State's and the Center's sovereign immunity for claims arising out of negligence out of the operation of the Center, the treatment of the Center's patients, and the healthcare services provided by Center employees. In addition, the New Mexico Tort Claims Act limits, as an integral part of this waiver of sovereign immunity, the amount of damages that can be assessed against the Hospital on any tort claim including medical malpractice or professional liability claims.

The New Mexico Tort Claims Act 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. The language of the New Mexico Tort Claims Act does not provide for claims of loss of consortium, however, New Mexico appellate court decisions have allowed claimants to seek consortium. The Risk Management Division of the State of New Mexico General Services Department (State RMD) and UNM contend that these damages are contained within the $750,000 cap. The New Mexico Tort Claims Act prohibits the award of punitive or exemplary damages against the Hospital. The New Mexico Tort Claims Act requires the State RMD to provide coverage to the Center for those torts where the Legislature has waived the State's sovereign immunity up to the damages limits of the New Mexico Tort Claims Act 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 Center. As a result of the foregoing, the Center is fully covered for claims and/or lawsuits relating medical malpractice or professional liability.

(10) Related-Party Transactions

UNM provides certain administrative and medical support services for the Center, and the Center provides the use of the Center's facilities and administrative services to UNM's teaching personnel. The Center's expenses for services rendered during the years ended June 30, 2010 and 2009 amounted to approximately $9,156,424 and $9,816,000, respectively. The Hospital also provides administrative services, which include primarily accounting functions such as payroll and accounts payable processing as well as cash management activities. In addition, the Hospital provides medical support services and goods for the Center including laboratory, radiology, and pharmaceuticals, which is reflected in the revenues/expenses of the Center. This activity is reflected net in due to/from affiliates.

(Continued)

(11) Benefit Plans

A small portion (approximately 40) of the Center's full-time employees participates in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers and other employees of state public school districts, colleges, and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's Web site at www.nmerb.org.

The Center also has 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 Center contributes either 5.5% or 7.5% of an employee's salary to the plan, depending on employment level. The plan was established by the Board of Trustees and can be amended at its discretion. The plan is administered by UNM Hospitals Human Resources Department.

The Center has a deferred compensation plan, called the UNM Hospitals 457(b) Deferred Compensation Plan, which provides employees with additional retirement savings plan. The Center does not contribute to this plan. Employees can make voluntary contributions to this plan. The plan was established by the Board of Trustees and can be amended at its discretion. The plan is administered by UNM Hospitals Human Resources Department.

In addition, the Center has a 401(a) defined contribution plan, called the UNM Hospital 401(a) Plan, which was established for the purpose of providing retirement benefits for the eligible participants and their beneficiaries. The 401(a) plan allows for tax-deferred employer contributions on a percentage-of-salary basis. The plan was established by the UNMH Board of Trustees and can be amended at its discretion. All assets of the plan are held in a trust fund, are not considered hospital assets, and are under the direction of a Plan Administrator.

Funding Policy

Effective July 1, 2009, plan members of the public employee retirement system are required to contribute 7.9% of their gross salary. The Center is required to contribute 12.4% of the gross covered salary. The contribution requirements of plan members and the Center are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Center's contributions to ERB for the fiscal years ended June 30, 2010, 2009, and 2008, were $358,000, $434,000, and $412,000, respectively, which equal the amount of the required contributions for each fiscal year.

The expense for the defined contribution plan was $1,026,000, $940,000, and $837,000, in fiscal years 2010, 2009, and 2008, respectively. Total employee contributions under this plan were $959,000, $960,000 and $884,000, in fiscal years 2010, 2009, and 2008, respectively.

(Continued)

There was no expense for the deferred compensation plan in fiscal years 2010, 2009, and 2008, respectively, as the Center does not contribute to this plan. Total employee contributions under this plan were $164,000, $149,000 and $141,000, in fiscal years 2010, 2009, and 2008, respectively.

The expense for the 401(a) defined contribution plan was $5,000, $5,000 and $0 in fiscal years 2010, 2009, and 2008, respectively. Only the Hospital contributes to this plan.

(12) Other Postemployment Benefit Plan

Plan Description: The Hospital and the Center employees and retirees participate under the same benefit plan administered by the Hospital. The Hospital administers a single employer defined-benefit plan that offers postemployment healthcare coverage to eligible retirees and their dependents. Eligible retired employees are offered combined medical/prescription drug benefits through the Hospital's self-insured health plan administered by Blue Cross and Blue Shield of New Mexico. Eligible retired employees are also offered dental insurance through the Hospital's self-insured dental plan insurance. The authority to establish and amend benefit provisions to the benefit policy is recommended by the Human Resource Administrator and approved by the Chief Executive Officer.

Employees are eligible to retire from the Hospital and receive these postemployment benefits when:

- The employee reaches the minimum age of fifty (50);
- The employee has at least five years of continuous employment; and
- The employee has a combined age plus year of service sum of at least seventy (70) (hire date prior to July 1, 2009) and seventy-five (75) (hire date after July 1, 2009).

At the date of valuation July 1, 2009, for the Center, there were a total of 3 retirees receiving benefits (contributed by the Hospital), 15 active employees fully eligible to receive benefits, and 445 active employees currently not fully eligible to receive benefits.

Funding Policy: The contribution requirements of the plan members and the Hospital are established, and may be amended by recommendation of the Human Resource Administrator and approval by the Chief Executive Officer. The retired employees that elect to participate in the postemployment benefit plan are required to make contributions in the form of monthly premiums based on current rates established under the health and dental plans. For the medical and dental plans, there are both implicit and explicit subsidies provided by the Hospital. The explicit subsidy is for employees that retire with sick and annual leave (compensated absence) accruals. The Hospital subsidizes for the retiree only, the current "employee only" premium amount for the health and dental plans for the period of the length of leave (compensated absence) accrual. The implicit subsidy arises because the retiree pays a contribution that is based on a combined active and retiree claim experience. If the retiree were to pay based solely on retiree claim experience, they would be paying a higher amount as typically retirees incur higher claims. This "discount" is called the implicit subsidy.

(Continued)

The current monthly retiree contribution rates are provided in the tables below:

	Retiree (coverage extension/compensated absence accrual period)			Retiree (after coverage extension)		
Rate tier	**Standard network**	**Extended network**	**Delta dental**	**Standard network**	**Extended network**	**Delta dental**
Retiree only	$ —	240.50	—	441.80	682.30	30.68
Retiree + Spouse/DP	463.80	956.70	35.00	905.60	1,398.50	65.68
Retiree + Children	220.80	581.50	—	662.60	1,023.30	—
Retiree + family	508.00	1,024.90	67.00	949.80	1,466.70	97.68

The Hospital does not use a trust fund to administer the financing and payment of benefits. Instead, the Hospital funds the plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by the retiree contribution. Expected monthly claim costs were developed from a combination of historical claim experience and manual claim cost developed using a representative database. Nonclaim expenses are based on the current amounts charged to employees. The Center's pay-as-you-go expense for the period of July 1, 2009 to June 30, 2010 is $0 as the employer contribution for the three retires was contributed by the the Hospital. The pay-as-you-go expense includes the medical and dental claims, administration expenses, and implicit subsidy and is net of any retiree contributions.

Actuarial Methods and Assumptions: Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities (AALs) and the actuarial value of assets. The actuarial method used is the Unit Credit method, as the Unit Credit method provides a logical correlation between accruing and expensing of retirees benefits.

A 4.5% annual discount rate was used assuming the Hospital will fund the postemployment benefit on a pay-as-you-go basis. For an unfunded plan, the investment return assumption is based on the expected return on employer assets, which generally consist of short-term liquid investments.

The July 1, 2009 actuarial valuation considers an annual healthcare cost trend on a select and ultimate basis: medical benefits at select (10.5%) and ultimate (5%), dental benefits at select (6%) and ultimate (6%). Select rare are reduced 0.5% each year until reaching the ultimate rate. The unfunded actuarial accrued liability (UAAL) is amortized over the maximum acceptable period of 30 years. It is calculated assuming a level percentage of projected payroll, with a 3.5% per annum salary increase.

Annual retirement probabilities and the rate of withdrawal for reasons other than death and retirement have been determined based on the New Mexico Educational Retirement Board Actuarial Valuation as of June 30, 2008. It is assumed that 15% of all eligible retirees participate in the retiree benefit program.

Annual OPEB Cost and Net OPEB Obligation: The annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 30-year period.

(Continued)

The Hospital's postemployment benefit plan includes employees from the Center. The OPEB cost and net OPEB obligation (NOO) were calculated and allocated to each reporting entity based on the Hospital's and Center's employee data as of June 30, 2009. The allocation is as follows: the Hospital – 91% and the Center – 9%. The OPEB cost and NOO information presented below are the Center's calculated portion.

The NOO is the cumulative difference between the ARC and the employer's contribution to the plan. The Center's NOO for the fiscal years ended 2010 and 2009 is equal to $374,271 and $128.270, respectively, which was determined based on the applicable FTE of the entity as of June 30, 2010 and 2009. The plan is funded on a pay-as-you-go basis; the NOO at June 30, 2010 and 2009 is as follows:

		June 30, 2010 Unfunded	June 30, 2009 Unfunded
NOO – beginning of year	$	128,270	58,000
ARC		245,440	70,000
Interest on prior year NOO		3,760	1,980
Adjustment to ARC		(3,200)	(1,710)
Annual OPEB cost		246,000	70,270
Employer contributions		—	—
Increase in NOO		246,000	70,270
NOO – end of year	$	374,270	128,270

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the NOO are as follows:

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB obligation
June 30, 2010	$	246,000	—%	$	374,270
June 30, 2009		70,270	—		128,270

Funding Status and Progress: As of July 1, 2009, the most recent actuarial valuation date, the plan was not funded. The plan AAL (the present value of all future expected postretirement medical payments and administrative cost which are attributable to past service) for the Center is $1,388,000 and the actuarial value of assets was $0, resulting in an UAAL of $1,388,000. The UAAL is applicable to all reporting entities based on the percentage noted above.

		Unit credit method unfunded plan June 30, 2010
AAL	$	1,388,000
Actuarial value of plan assets		—
UAAL		1,388,000
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll (active plan members)	$	21,038,014
UAAL as a percentage of covered payroll		6.60%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, current and future retirees and their dependants, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress (schedule 2), presented as required supplementary information following the notes to the financial statement, presents information about the actuarial value of plan assets relative to the AALs for benefits.

(13) Commitments

The Center has operating leases, primarily for office space. Rental expenses under operating leases amounted to approximately $307,000 and $319,000 in 2010 and 2009, respectively.

Future minimum lease commitments for operating leases for the years subsequent to June 30, 2010 under noncancelable operating leases and memorandums of understanding are as follows:

		Amount
Fiscal year:		
2011	$	49,000
2012		26,000
	$	75,000

Schedule 1

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Comparison of Budgeted and Actual Revenues and Expenses

Year ended June 30, 2010

		Budgeted (original)	Budgeted (final)	Actual	Budget variance
Operating revenues:					
Net patient service	$	26,908,700	29,226,628	29,935,834	709,206
Other operating revenues		6,916,097	3,171,219	3,086,250	(84,969)
Total operating revenues		33,824,797	32,397,847	33,022,084	624,237
Operating expenses		52,030,985	53,092,107	52,472,754	619,353
Operating loss		(18,206,188)	(20,694,260)	(19,450,670)	1,243,590
Nonoperating revenues and expenses and other revenues		18,180,060	18,015,362	18,544,016	528,654
Increase (decrease) in net assets	$	(26,128)	(2,678,898)	(906,654)	1,772,244

Note A: The Center prepares a budget for each year, using the accrual basis of accounting, which is subject to approval by the Board of Trustees and the UNM Board of Regents. The amount budgeted for the operations is included in the UNM budget and submitted to the New Mexico Commission on Higher Education for approval. All revisions to the approved budget must be approved by the parties included in the original budget process, and such revisions are made at the total revenue and expense level. The budget is controlled at the major administrative functional area. There is no carryover of budgeted amounts from one year to the next.

See accompanying independent auditors' report.

UNM BEHAVIORAL OPERATIONS
UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Postemployment Benefits Other than Pensions Schedule of Funding Progress

Years ended June 30, 2010 and 2009

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) unit credit method (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
July 1, 2009	$ —	1,388,000	1,388,000	—	$ 21,038,014	6.6%
July 1, 2008	—	462,000	462,000	—	22,366,207	2.1
July 1, 2007	—	522,360	522,360	—	18,445,036	2.8

Note A: The above AAL and covered payroll balances represent only the Center's portion of the plan.

See accompanying independent auditors' report.

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

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

The University of New Mexico Health Sciences Center
Board of Trustees and
Mr. Hector Balderas, New Mexico State Auditor:

We have audited the financial statements of the UNM Behavioral Operations (the Center) and the budget comparison presented as supplemental information as of and for the year ended June 30, 2010, and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 accompanying schedule of findings and responses as item 2010-01.

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Center's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, the Finance and Audit Committee, management, the New Mexico State Auditor, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 4, 2010

Section IV – Other Findings as Required by State Statute, Section 12-6-5, NMSA 1978

2009-01 Physical Inventory and Disposition of Property

The finding has been resolved as of June 30, 2010.

(Continued)

Section IV – Other Findings, as Required by State Statute, Section 12-6-5, NMSA 1978

2010-01 – Cerner and Siemens Systems Edit/Exception/Error Report Review

Condition

In performing the internal control testwork over 15 daily edit/exception/error reports, we noted the following errors not corrected or addressed: 1) four charges did not transfer from a pre-admit code (labs, office visits, etc.,) to an admission code, and therefore, the pre-admit charges were not recorded to revenue, 2) two instances of incorrect codes recorded resulting in no charge being generated, and 3) one instance where a pre-admit code was charged twice.

Criteria

The Center's clinical staff uses the Millennium (Cerner) System for the patient management (treatment/procedure coding and ordering). The Center's patient financial services (PFS) group uses the Siemens Invision application for the accounts receivable subsidiary ledger and revenue recognition. These two systems interface to transfer patient treatment/procedure data to the accounts receivable subsidiary ledger. The treatment/procedure codes per the Cerner System link to the Charge Master Codes in the Siemens System.

The Systems' interface has a function of producing daily edit/error reports for interface problems. The PFS department reviews this report to address the errors for possible duplication of charges, missing (nontransferred charges) or unallowed charges. The daily reports can have dozens of edits/exceptions/errors so the report is disbursed to multiple PFS personnel to resolve items.

Cause

The review of the Edit/Exception/Error Reports by the PFS department is not being thoroughly monitored resulting in certain errors not being timely addressed or corrected.

Effect

If there is an error in the interface (duplicate coding, incorrect coding, etc.,), patient revenue and receivables could be inaccurate.

The Center and KPMG reviewed each error that was not timely corrected to determine the financial reporting impact.

The pre-admit charges are for inpatient services of which the hospital will only receive a contractual per diem or DRG case rate for the treatment/procedures from the insurance payor; therefore the pre-admit charges that did not transfer and the duplicate pre-admit charge would have been contractually adjusted to the net revenue. The effects of these errors only have an impact on the gross revenue and receivable balances and not the net financial reporting balances.

(Continued)

The two incorrect codes were due to human error (transposing of numbers). One error was originally addressed by PFS department and changed to another incorrect code. The other error was not addressed. As a result, no charge was generated, and therefore, no revenue was earned for the two incorrect codes. The impact of the two incorrect codes was approximately $2,000 out of approximately $50 million of transactions in the 15 days tested.

Recommendation

We recommend that the Center consider the cost benefit of refining the current procedure to assure the PFS department is addressing all Cerner and SMS system edit/exceptions/errors promptly. In addition, after the disbursing of the report to applicable personnel, the full report should be monitored by a supervisor or manager to assure all staff addressed their assigned report sections.

Hospital Response

The Center will develop a process to track and resolve all Cerner and SMS system edits, exceptions, and errors. Management will monitor the process.

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UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER
CLINICAL OPERATIONS

Exit Conference

June 30, 2010

The Center's management prepared the financial statements and is responsible for the contents.

An exit conference was conducted on November 4, 2010 with the Finance and Audit Committee of the Board of Trustees and members of the Center's management. During this meeting, the contents of this report were discussed with the following committee members, management personnel, and KPMG representatives present:

Steve McKernan	Chief Executive Officer
Ella Watt	Chief Financial Officer
Louise Campbell-Tolber	Member, Finance and Audit Committee
Michael Olguin	Chair, Finance and Audit Committee
Raymond Loretto	Member, Finance and Audit Committee
Robert Fondino	Chief Finance and Budget Officer
JoAnn Woolrich	Executive Director, Compliance and Internal Audit
Shawna Gonzales	Finance Director
Sandra Long Mendoza	Finance Director
Roberta Reinhardt	Finance Director
John Kennedy	Engagement Partner, KPMG LLP
Jaime Clark	Senior Manager, KPMG LLP