

THE UNIVERSITY *of* NEW MEXICO



Audit Report 2012

For the year ending June 30, 2012



THE UNIVERSITY OF NEW MEXICO

June 30, 2012

BOARD OF REGENTS AND PRINCIPAL OFFICERS

Board of Regents

<i>Appointed Members:</i>	<i>Title:</i>	<i>Term Expires:</i>
Jack L. Fortner	President	12/20/2016
Don L. Chalmers	Vice President	12/31/2012
Carolyn J. Abeita	Secretary/Treasurer	12/31/2012
J.E. Gene Gallegos	Member	12/31/2014
James H. Koch	Member	12/31/2014
Bradley C. Hosmer	Member	12/20/2016
Jacob P. Wellman	Student Member	12/31/2012

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Dr. Jose Z. Garcia	Secretary of Higher Education

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Caroline Muraida	President, Associated Students of the University of New Mexico
Marisa Silva	President, Graduate & Professional Student Association
Mary Clark	President, Staff Council
Donald Swan	President, Alumni Association
S. Scott Obenshain, MD	President, UNM Retiree Association
Suzanna L. Ausborn	President, UNM Parent Association
Gary Gordon	Chair, UNM Foundation

Principal Administrative Officials

<u>University</u>	
Robert G. Frank	President
David W. Harris	Executive Vice President for Administration, COO and CFO
Chaouki Abdallah	Provost and Executive Vice President for Academic Affairs
Dr. Paul Roth	Chancellor for Health Sciences

<u>UNM Hospitals</u>	
Stephen W. McKernan	Chief Executive Officer & Vice President for Hospital Operations

Principal Financial Officials

<u>Main Campus</u>	
Ava J. Lovell	HSC Senior Executive Financial Officer & University Controller
Andrew Cullen	Associate Vice President of Budget, Planning and Analysis
Elizabeth Metzger	Deputy Controller

<u>Health Sciences Center</u>	
Ava J. Lovell	HSC Senior Executive Financial Officer & University Controller
Robert Fondino	Chief Budget & Finance Officer, HSC

<u>UNM Hospitals</u>	
Ella B. Watt	Chief Financial Officer

THE UNIVERSITY OF NEW MEXICO

June 30, 2012

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KPMG LLP
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PO Box 3990
Albuquerque, NM 87190

Independent Auditor's Report

The Board of Regents
University of New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type 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, 2012, which collectively comprise the University's basic financial statements, as listed in the table of contents. We have also audited the budget comparisons presented as supplemental information for the year ended June 30, 2012, as listed in the accompanying table of contents. These financial statements and budget comparisons are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements and budget comparisons based on our audit. For the year ended June 30, 2012, we did not audit the departmental financial statements of the UNM Hospital and the UNM Behavioral Operations, collectively known as the clinical operations of the University (clinical operations), which represents 25%, 20%, and 53%, respectively, of the assets, net assets, and revenues of the primary institution totals. In addition, for the year ended June 30, 2012, we did not audit the financial statements of the discretely presented component units UNM Medical Group, Inc. and Sandoval Regional Medical Center (SRMC), which represents 61%, 35%, and 76%, respectively, of the assets, net assets, and revenues of the discretely presented component units totals. The financial statements of those component units and clinical operations not audited by us as specified above were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such component units and clinical operations, is based solely on the reports of the other auditors. The accompanying basic financial statements of the University as of and for the year ended June 30, 2011 were audited by other auditors, whose report thereon dated November 4, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audit and the reports of other auditors provide a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements of the University 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 the State of New Mexico that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2012 and 2011, the changes in its financial position, or its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements of the University referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2012, and the respective changes in financial position, and cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the budgetary comparison for the year ended June 30, 2012 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012 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 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 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 audit and the reports of other auditors.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the required supplemental information on pages 2 – 17 and 64, respectively, 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 audits 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements and the budget comparisons (schedule 6 through 8). The accompanying schedule of expenditures of federal awards (schedule 11) is presented for purposes of additional analysis, as required by *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and is not a required part of the basic financial statements. In addition, the discretely presented component units combining schedules (schedules 2 through 5), schedule of pledged collateral (schedule 9), schedule of individual deposit and investment accounts (schedule 10), and schedule of pledged revenue (schedule 12), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards, discretely presented component units combining schedules, schedule of individual deposit and investment accounts, and schedule of pledged collateral have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the discretely presented component units combining schedules, schedule of expenditures of federal awards, schedule of individual deposit and investment accounts, and schedule of pledged collateral, are fairly stated in all material respects in relation to the basic financial statements as a whole. The schedule of pledged revenue is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

November 7, 2012

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THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2012

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, 2012, 2011, and 2010. 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 2012, 2011, and 2010. The MD&A does not include information of the discretely presented component units, for which separately issued financial statements are available. Beginning in FY11, the University of New Mexico Medical Group (UNMMG) is presented as a discretely presented component unit. Prior to FY11, UNMMG was presented as a blended component unit of the primary institution.

Using the Basic Financial Statements

The Statement of Net Assets presents the assets, liabilities and net assets of the University as of the end of the fiscal year. The Statement of Net Assets 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), liabilities (current and noncurrent), and net assets (assets minus liabilities).

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement begins with a presentation of the *operating* revenues received by the institution. Operating revenues are defined by the Governmental Accounting Standards Board (GASB) as revenues arising from an exchange (earned) transaction. In a public university, such as UNM, income from state government appropriations, although not earned, are 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 Assets. The operating loss is offset by *nonoperating* revenues (expenses) in the next section of this statement.**

The final statement presented is the Statement of Cash Flows. 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 prepared using the direct method of cash flows, and as such, presents gross, rather than net, amounts for the year's activities.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

Condensed Summary of Assets, Liabilities, and Net Assets as of June 30

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Current assets	\$ 757,371,046	\$ 736,278,297	\$ 754,015,479
Capital assets, net	1,240,034,831	1,268,867,440	1,236,880,401
Noncurrent assets	<u>442,186,863</u>	<u>448,643,711</u>	<u>389,727,945</u>
Total assets	<u>\$ 2,439,592,740</u>	<u>\$ 2,453,789,448</u>	<u>\$ 2,380,623,825</u>
LIABILITIES			
Current liabilities	\$ 245,991,979	\$ 257,713,344	\$ 272,507,271
Noncurrent liabilities	<u>642,790,284</u>	<u>653,422,165</u>	<u>653,997,335</u>
Total liabilities	<u>\$ 888,782,263</u>	<u>\$ 911,135,509</u>	<u>\$ 926,504,606</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 677,752,396	\$ 702,221,456	\$ 692,822,743
Restricted	327,773,139	327,078,334	280,556,832
Unrestricted	<u>545,284,942</u>	<u>513,354,149</u>	<u>480,739,644</u>
Total net assets	<u>\$ 1,550,810,477</u>	<u>\$ 1,542,653,939</u>	<u>\$ 1,454,119,219</u>

Current Assets and Liabilities

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 and short-term investments consisting of certificates of deposit, U.S. Treasury Bills, and other government-backed securities totaling \$512.2 million, \$536.0 million and \$528.3 million as of June 30, 2012, 2011, and 2010 respectively.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, deferred revenue, and accrued compensated absences. The 4.5% decrease in current liabilities for the year ended June 30, 2012 is primarily due to decreases in accounts payable, accrued payroll, and other noncurrent liabilities.

At June 30, 2012, the University's current ratio, the amount of current assets (\$757.4 million) available to cover current liabilities (\$246.0 million), was 3.08 to 1. At June 30, 2011, the University's current ratio, the amount of current assets (\$736.3 million) available to cover current liabilities (\$257.7 million), was 2.86 to 1. At June 30, 2010, the University's current ratio, the amount of current assets (\$754.0 million) available to cover current liabilities (\$272.5 million), was 2.77 to 1.

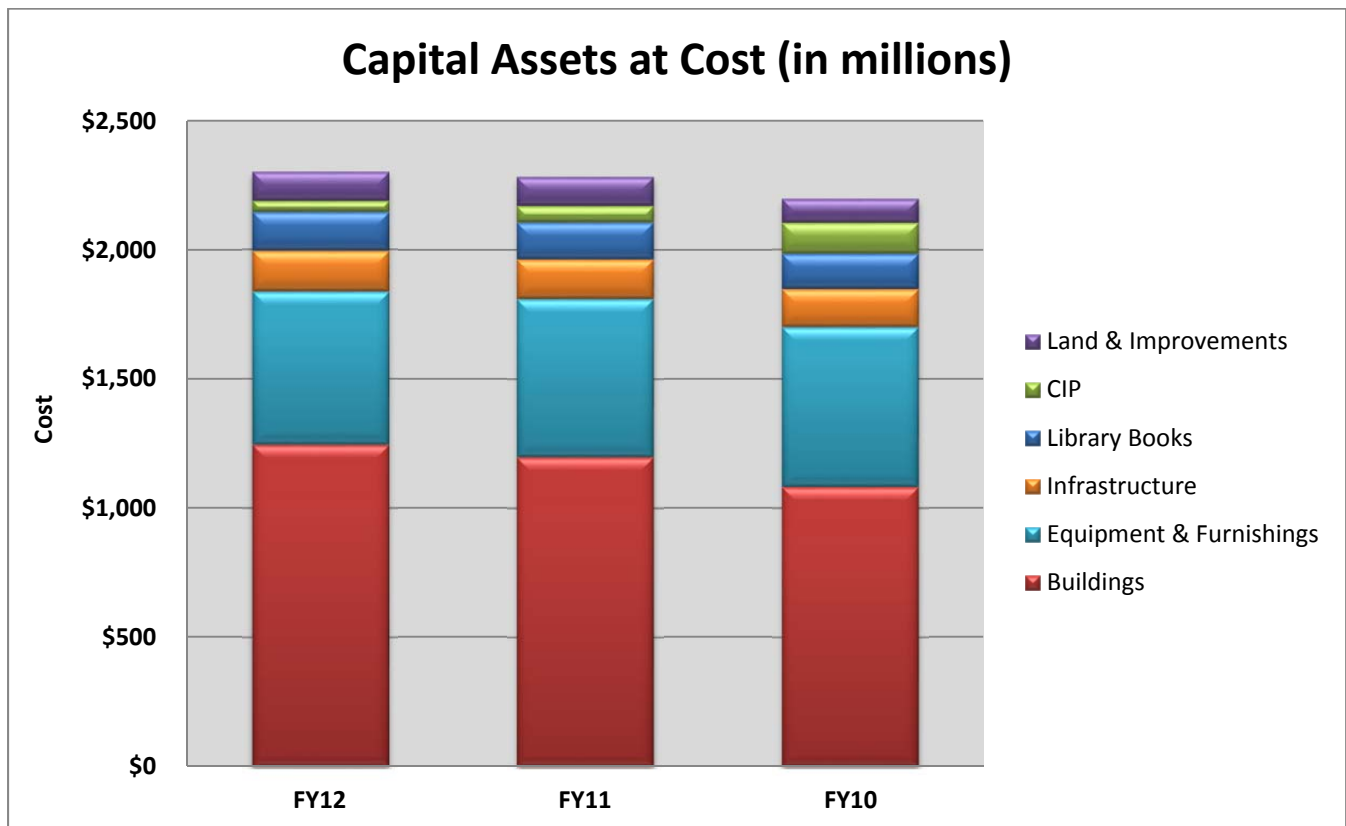
THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

Capital and Debt Activity

Capital assets are the largest category of noncurrent assets and are shown net of accumulated depreciation, at \$1.24 billion, \$1.27 billion, and \$1.24 billion as of June 30, 2012, 2011, and 2010, respectively. During FY12, the largest capital asset additions for the University were within Buildings. Overall, the University increased Buildings by \$45.5 million in FY12, compared to net increases of \$114.8 million in FY11 and \$133.3 million in FY10. The University's increase in Buildings in FY12 is primarily due to construction of new buildings as well as renovations to existing buildings. The major constructed addition was the \$7.7 million Dental Residency Education Facility. The University also built the Southwest Mesa Clinic, which totaled \$3.9 million. The major renovations completed during FY12 were the \$9.8 million renovation to Casterter Hall (Biology) and renovations totaling \$7.5 million to the Cancer Center.



Major capital projects completed in FY12 include Casterter Hall Phase 2, Nanotechnology & Biotechnology labs, Chemistry Department Phase 1 renovations in Clark Hall, the UNM Dental Clinic, Gallup Student Life & Technology Center (along with an accompanying project for parking lot improvements), and the Taos Child Care Center. Interior renovations to Student Family Housing as well as the Laguna and DeVargas dormitories were completed prior to the start of the fall semester.

Current major projects include the Collaborative Teaching and Learning Building (CTLB), the Baseball Facility Renovation, the Facility for Advanced Cell Engineering (FACE), the Clinical Neurosciences Core Facility in Logan Hall, and the renovation/remodel of all three floors of the old OMI building, which is now known as the Innovative, Discovery, and Training Center (IDTC). The first floor of IDTC is for the relocation of the EMS Academy and classrooms for Emergency Medicine students; the second

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2012

floor will house the Center for Molecular Discovery; and the third floor is being renovated to house labs for the Pathology and Internal Medicine departments. The Clinical Neurosciences Core Facility and the Center for Molecular Discovery were both funded by ARRA awards.

The CTLB project was delayed as a new smaller scope of work was planned consisting primarily of classrooms. The majority of the funding comes from 2008 General Obligation Bonds (GOB), which were allocated for phase 2 of the College of Education expansion. This was supplemented by 2007 UNM bonds. Fund-raising efforts have been undertaken by UNM Foundation since the GOBs did not gain voter approval in 2010. Construction began in June 2012 with scheduled completion in June 2013.

The Baseball Stadium renovation was approved by the State Board of Finance for \$3,275,000. Severance tax bonds from the State of New Mexico funded \$2 million of the renovation with the remainder funded from private donations. This project is Phase 1 of three phases that will renovate and replace the existing Lobo Field located in the South Campus Athletics Complex. It will retain the name "Lobo Field."

Renovation (phase 2) of the Chemistry Building is one of UNM's highest priorities for funding requests from the State of New Mexico for the remainder of 2012. GOBs were approved in the 2012 legislative session and await voter approval in November.

Over the last fiscal year, the Office of Capital Projects gained approval to provide general contractor services for several smaller projects. Some of these that are ongoing are for Student Housing to complete interior renovations such as painting, new carpeting/flooring, new windows, and new furniture in order to provide a much-needed "facelift" to student residences.

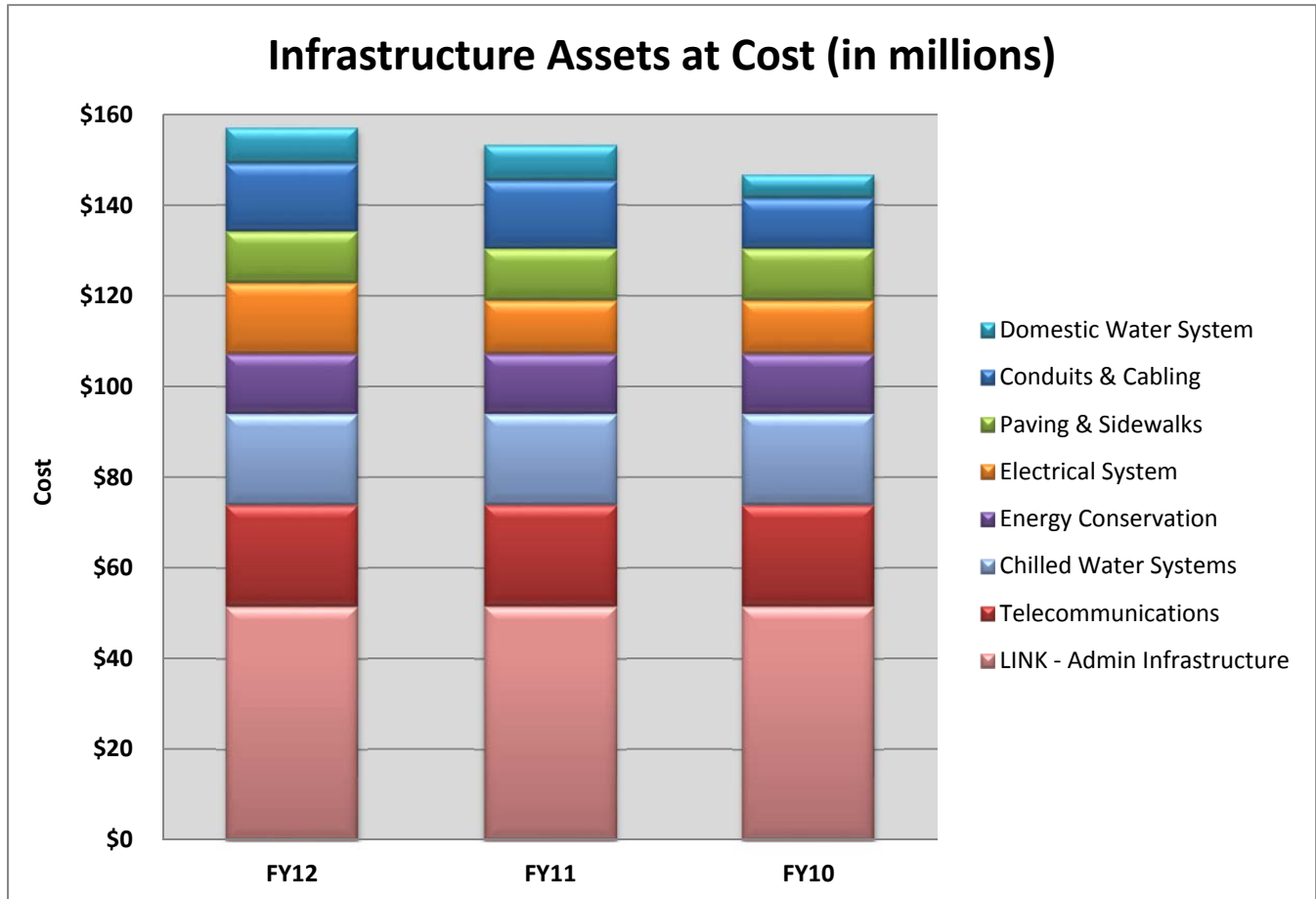
Capital assets for Clinical Operations, which includes the University of New Mexico Hospital and the University of New Mexico Behavioral Operations (UNM Psychiatric Center and UNM Children's Psychiatric Center), net of accumulated depreciation, were \$277.3 million, \$291.6 million, and \$297.5 million as of June 30, 2012, 2011, and 2010, respectively. Within Clinical Operations during FY12, the largest changes in capital assets were increases of \$7.2 million in building service equipment and \$2.0 million in buildings/building improvements and a decrease of \$12.8 million in major movable equipment. During FY12, the Hospital completed Phase 1 of the Lawson implementation, and the system was placed into service January 2, 2012 affecting Accounting, Human Resources, Materials Management, and Purchasing functions. The Cerner Surginet module was also placed into service during FY12. In addition, UNMH installed a boiler for central plant operations, replaced a large section of sewer line in the older portion of the hospital, renovated the Emergency Room Triage area, and renovated the Interventional Radiology to accommodate the new bi-plane angiographic system. The largest capital expenditures in the major movable equipment category were for the purchase of a bi-plane angiographic system for the Interventional Radiology Department, an advanced ventilation and monitoring system for Anesthesia, a C-arm for the pain clinic, a prescription automation dispensing system for the family practice clinic, x-ray and ultrasound equipment for various clinics, an echocardiogram machine for the heart station, new washers and sterilizing equipment, and an eye laser. For the Behavioral Operations, capital expenditures included roof replacements, cottage renovations, chiller replacement, and boiler replacement.

UNM's bonds payable totaled \$600.9 million, \$622.4 million, and \$639.7 million at June 30, 2012, 2011, and 2010, respectively.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2012

Infrastructure assets are defined as long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature. Examples of University infrastructure assets include domestic water systems, conduit and cabling systems, and the telecommunications systems. The following chart shows a breakdown of infrastructure assets at UNM.



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

Condensed Summary of Revenues, Expenses and Changes in Net Assets for the years ended June 30

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPERATING REVENUES BY MAJOR SOURCE			
Tuition and fees	\$ 129,904,915	\$ 121,563,133	\$ 108,103,162
Grants and contracts	261,455,733	268,848,190	264,529,287
Clinical operations	526,617,721	522,921,151	490,988,130
Patient services, net	97,498,895	102,548,431	189,079,037
Sales and services	194,838,143	180,744,993	91,394,090
Other operating revenues	<u>38,741,274</u>	<u>43,264,202</u>	<u>35,730,476</u>
Total operating revenues	<u>\$ 1,249,056,681</u>	<u>\$ 1,239,890,100</u>	<u>\$ 1,179,824,182</u>
OPERATING EXPENSES BY MAJOR FUNCTION			
Instruction	\$ 239,991,979	\$ 242,603,888	\$ 243,086,665
Research	163,124,198	165,919,129	161,116,309
Public service	271,771,111	267,960,388	286,086,896
Academic support	46,292,389	41,962,531	42,782,927
Student services	23,955,995	24,458,050	25,467,417
Institutional support	53,068,952	51,925,255	51,165,350
Operations of plant	145,523,650	128,647,727	121,710,622
Student aid and activities	59,778,814	61,456,297	54,656,512
Intercollegiate athletics	31,358,703	28,784,386	27,746,459
Auxiliary enterprises	52,368,913	56,931,024	51,679,135
Other operating expenses	44,823,036	44,976,961	44,517,827
Clinical operations	<u>604,992,629</u>	<u>585,443,332</u>	<u>566,236,634</u>
Total operating expenses	<u>\$1,737,050,369</u>	<u>\$1,701,068,968</u>	<u>\$1,676,252,753</u>
NONOPERATING REVENUES (EXPENSES)			
Appropriations	\$ 271,922,046	\$ 289,980,617	\$ 307,922,642
Federal pell grants	57,428,783	58,107,341	48,138,887
Gifts	28,933,854	56,584,438	30,882,266
Clinical operations	80,228,561	71,934,412	83,364,252
Investment income	8,174,001	70,480,180	42,445,635
Other nonoperating revenues	33,808,799	45,107,871	29,392,358
Capital gifts, grants, and appropriations	15,386,207	19,096,078	55,665,061
Other revenues (expenses)	<u>267,975</u>	<u>(35,561,333)</u>	<u>1,263,025</u>
Net nonoperating and other revenues	<u>\$ 496,150,226</u>	<u>\$ 575,729,604</u>	<u>\$ 599,074,126</u>
Income after other revenues, expenses, gains, and losses	<u>\$ 8,156,538</u>	<u>\$ 114,550,736</u>	<u>\$ 102,645,555</u>
Total change in net assets	\$ 8,156,538	\$ 114,550,736	\$ 102,645,555
Net assets at beginning of year	1,542,653,939	1,454,119,219	1,351,473,664
Restatement of net assets for change in reporting entity	<u>-</u>	<u>(26,016,016)</u>	<u>-</u>
Net assets at end of year	<u>\$1,550,810,477</u>	<u>\$1,542,653,939</u>	<u>\$1,454,119,219</u>

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

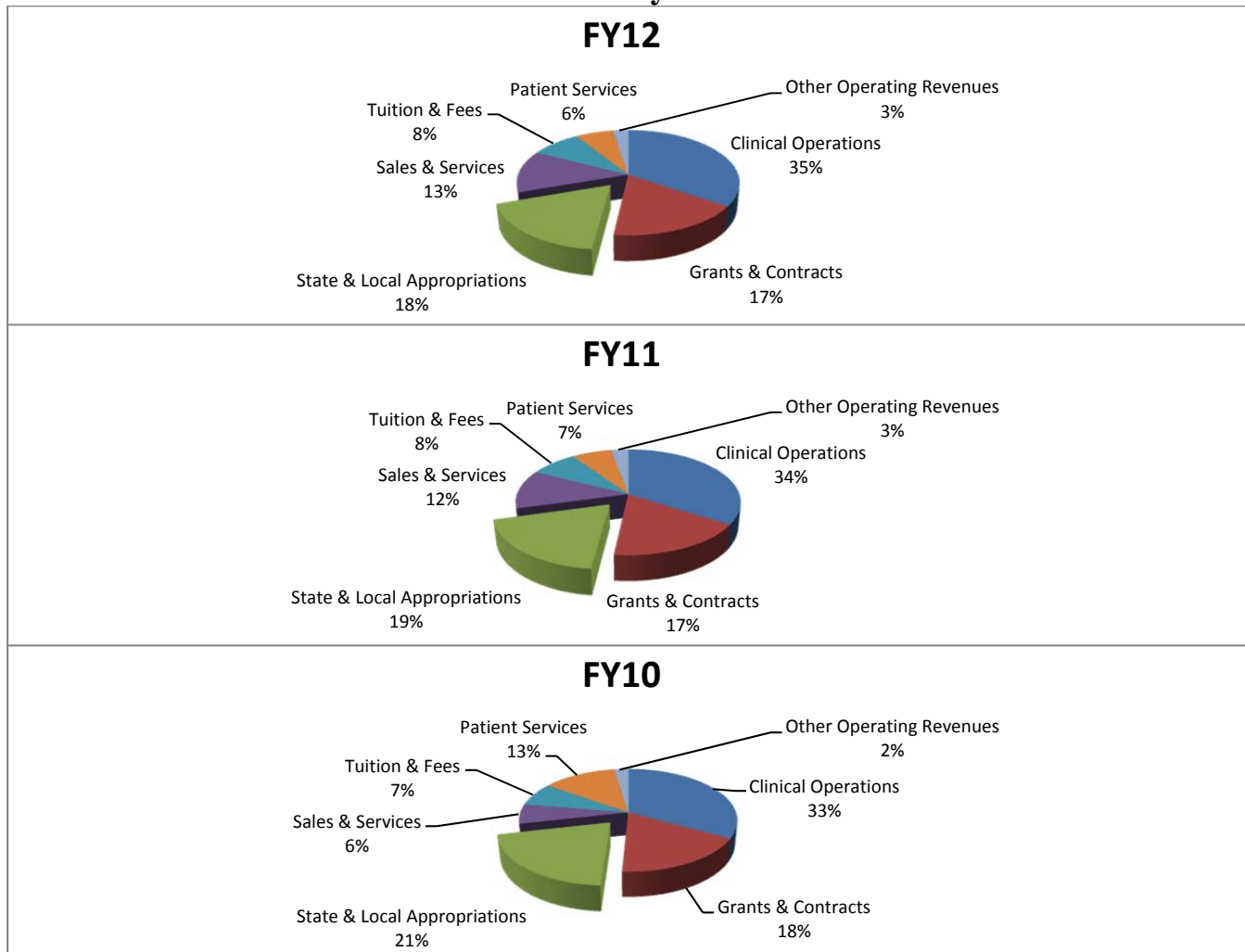
Year Ended June 30, 2012

Revenues and Expenses

The presentation of revenues, as defined by GASB, requires that we exclude state and local appropriation income 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, federal pell grants, and state lottery scholarships, 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 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 18%, 19%, and 21% of total operating revenues for fiscal years 2012, 2011, and 2010 respectively. The following charts depict operating revenues (with state and local appropriations) by source.

Revenues by Source



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

Operating Revenues

Operating revenues for the University increased 0.7% for 2012 over 2011 and 5.1% for 2011 over 2010. Revenues from patient services and clinical operations are a significant portion of the University's 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. Revenues from patient services and clinical operations decreased by 0.2% from FY11 to FY12 and decreased by 8.0% from FY10 to FY11.

UNM Health Sciences Center (HSC) offers a financial assistance program called UNM Care to which all patients are encouraged to apply. This program assigns patients primary care providers and allows them to receive care throughout UNM HSC 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. Effective January 1, 2010, the income threshold was changed to 300% of the federal poverty level. As of June 30, 2012, 2011, and 2010, there were approximately 32,500, 30,500, and 27,400 active enrollees, respectively. UNM HSC does not pursue collection of amounts determined to qualify as charity care, they are deducted from gross revenues.

UNM HSC also provides services to patients who do not have any form of health care insurance or do not qualify under any other financial assistance program. UNM HSC encourages patients to meet with a financial counselor to develop payment arrangements. Although UNM HSC pursues collection of these accounts, usually through an extended payment plan or a discounted rate, interest is not charged on these accounts, nor are liens placed on property or assets, or judgments filed against these patients. These accounts are fully reserved and recorded as a provision for uncollectible accounts. Provision expenses recorded for fiscal years 2012, 2011, and 2010 were \$100.9 million, \$69.5 million, and \$94.5 million, respectively.

UNM HSC incurs costs associated with providing charity care and other services for which payment is not received. As of June 30, 2012, the estimated cost of care for providing these services was \$221.6 million compared to \$198.3 million in FY11 and \$179.3 million in FY10.

UNM's credit hour production for the 2012 academic year increased 1% to 698,094. This increase represents a leveling after 15% growth in the 5 years from 2007-08 to 2011-12. Increased preparation of new enrollees and an emphasis on student progress have created stable enrollment. Formula funding changes and resultant smart growth strategy will likely lead to modest enrollment increases in coming years. Additional enrollment and tuition rate increases in academic functions of the University were:

	<u>Fall 2011</u>	<u>Fall 2010</u>	<u>Fall 2009</u>
Enrollment increase (headcount)	0.6%	5.3%	5.9%
Tuition rate increase (resident undergraduate)	5.5%	7.9%	5.5%

THE UNIVERSITY OF NEW MEXICO

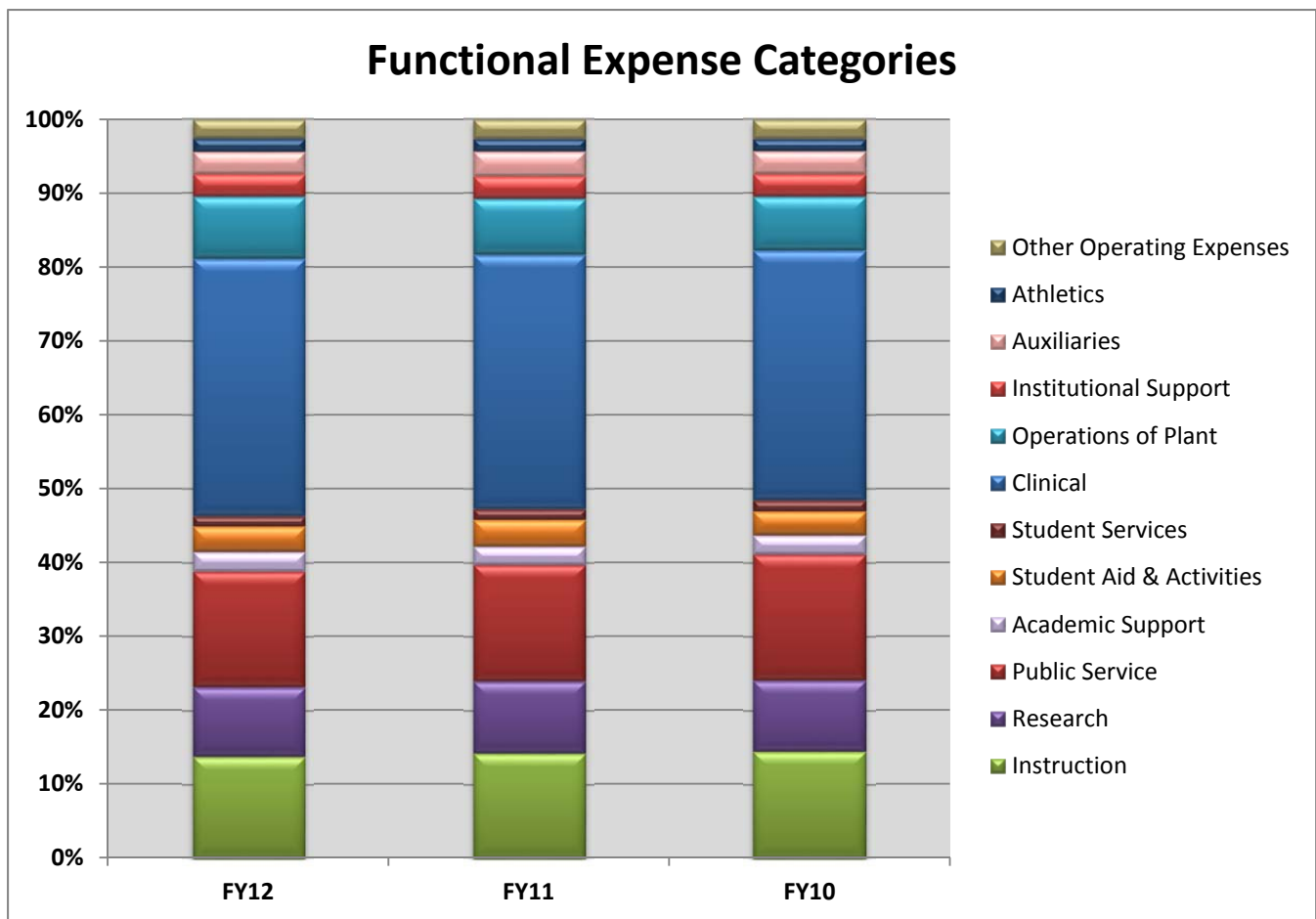
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2012

Nonoperating Revenues/Expenses

The net nonoperating revenues decreased by 13.8% from FY11 to FY12 and decreased by 3.9% from FY10 to FY11. Nonoperating revenues are primarily driven by state appropriations, gifts received by the University, and investment income/loss. The major reason for the decrease in nonoperating revenues in FY12 is a \$62.3 million decrease in investment income due to poor investment market conditions. Other significant changes in net nonoperating revenues are decreases of \$27.7 million in gifts to the University and \$18.1 million in state appropriations and a \$46 million distribution to Sandoval Regional Medical Center in FY11 that is non-recurring.

Operating Expenses

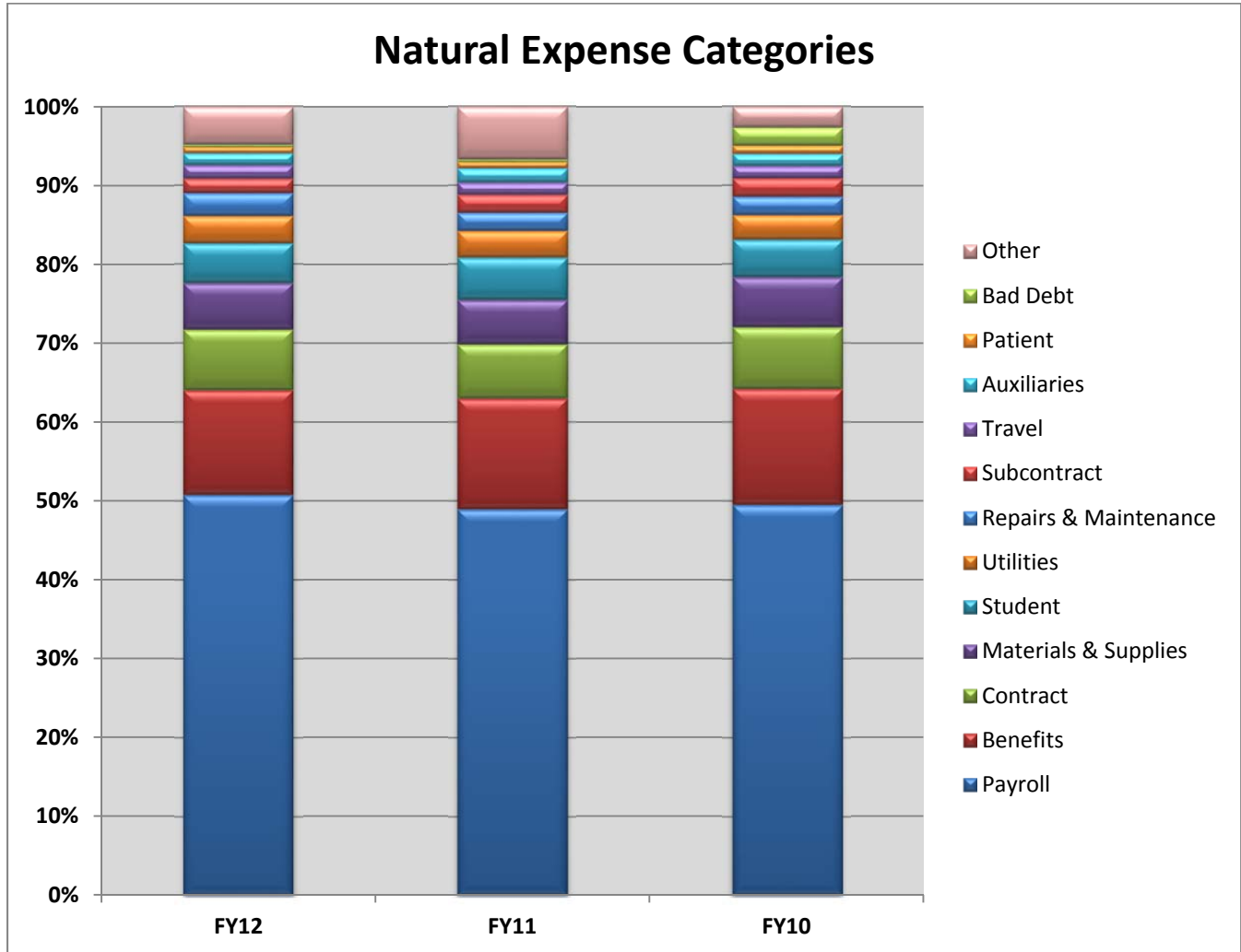
GASB standards allow public universities to present operating expenses in either a functional or natural format. UNM chose to present expenses on the statement of revenues, expenses and changes in net assets by the major functions of the University. The chart below shows the distribution of operating expenses by functional category (smaller categories have been combined) for the years ended June 30, 2012, 2011, and 2010.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2012

The chart below shows total expenses by natural category (excluding clinical operations and component units) for the years ended June 30, 2012, 2011, and 2010.



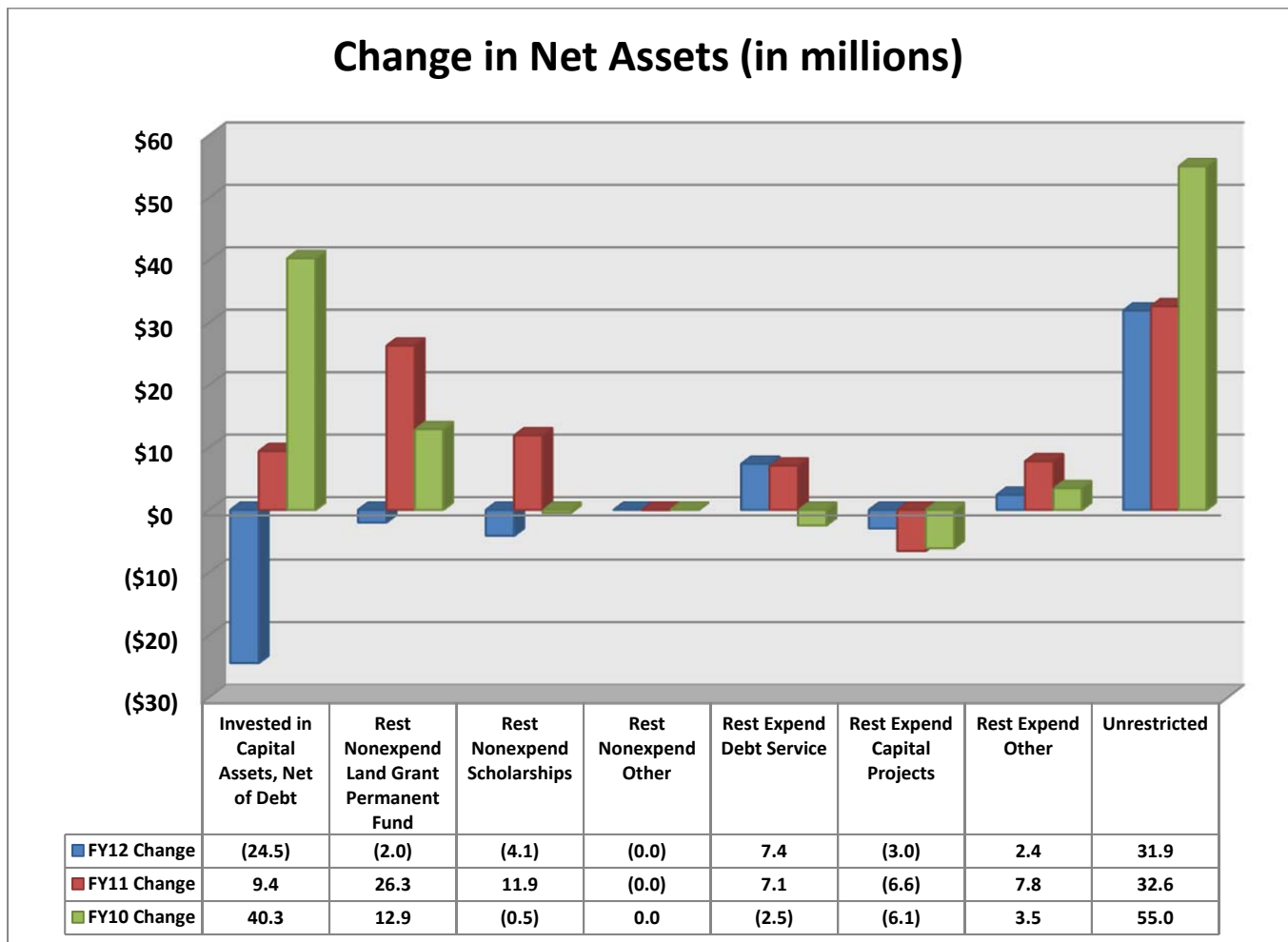
THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

Change in Net Assets

The University's total change in net assets showed a net increase of \$8.2 million for FY12, a net increase of \$88.5 million for FY11 and a net increase of \$102.6 million for FY10. Total net assets (assets minus liabilities) are classified by the University's ability to use these assets to meet operating needs. Net assets that are restricted as to their use by sponsoring agencies, donors or other non-UNM entities are classified as either "nonexpendable" or "expendable." Restricted nonexpendable net assets are true endowments and State Land and Permanent Fund assets. Restricted expendable net assets are those generated by contracts, grants, gifts, and assets required to be set aside for debt service. The restricted net assets are further classified in general terms as to the function for which they must be used. Unrestricted net assets may be used to meet operating needs of the University. The major changes in net assets in FY12 include a \$24.5 million decrease in invested in capital assets and a \$31.9 million increase in unrestricted net assets. The decrease in the net assets of investments in capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$25.4 million. The primary reasons for the increase in unrestricted net assets are increases in sales and services revenues, tuition revenues, and in the unrestricted net assets of the clinical operations. The chart below shows the changes in net assets by category for the fiscal years ended June 30, 2012, 2011, and 2010.



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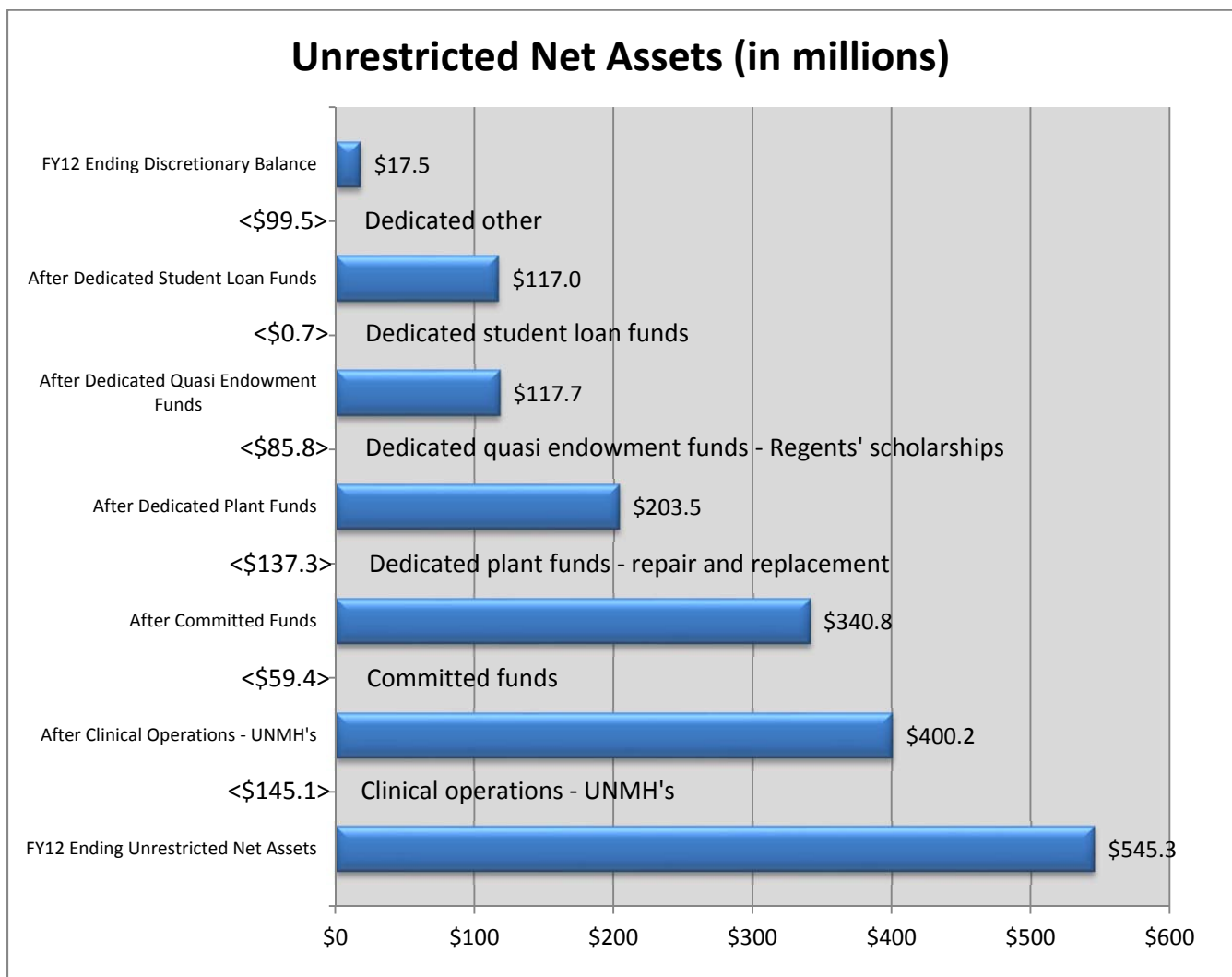
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2012

Unrestricted Net Assets

Unrestricted net assets are subject to contractual commitments and dedications to support the missions of the University in current and future years. The net assets of unrestricted funds of the Primary Institution fall into one of three categories:

- 1) **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.
- 2) **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.
- 3) **Discretionary:** The remaining funds that are not committed or dedicated.

The chart below is a step-down analysis of the University's unrestricted net assets.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2012

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.

The most significant event in FY12 was the State Instruction and General (I&G) General Fund appropriation reduction for operations of 9.6%, or approximately \$30.0 million. This budget reduction impacted all UNM Campuses; however, institutions were given flexibility in determining how to implement the reductions.

The FY12 Main Campus General Fund reduction for I&G expenditures was approximately \$14.8 million or 8.41%. Department budgets and actual allocations were reduced to reflect this reduction in state support. Similar to FY11, there was a significant increase in tuition revenues due to increased enrollment and growth in the University's distant education programs. Additionally, the UNM Board of Regents approved a tuition & fee increase of 5.5% to fully fund the FY12 budget. For Main Campus, actual expenditures were less than budgeted expenditures largely due to the need to budget enough expenditure authority for unanticipated events.

At the Health Sciences Center (HSC), the most significant budgetary change in FY12 was the removal of the UNM Medical Group (UNMMG) from HSC's Independent Operations. UNMMG's original budget was \$30,597,330. This adjustment resulted in an overall decrease of approximately 30% in Independent Operations.

Other significant items from the HSC's original budget to actual include: (a) 11% decrease in overall expenditures for all current funds, (b) increase in public service gifts and contracts, (c) increase in other revenue sources for research, (d) increase in I&G F&A revenues and student fees, (e) increase in transfers to plant funds for SOM Chair packages and Chancellor funded renovations, and (f) increase in transfers to UNM Foundation to establish endowments.

Overall, the University's change in net assets on a budgetary basis for unrestricted and restricted funds was an increase of \$8.7 million (schedule 6), which for FY12, can be attributed primarily to an increase in Main Campus tuition revenues and savings in salary and fringe benefits expenditures as a result of the University's continued efforts to curb operational costs. The University's change in net assets on a budgetary basis for unrestricted I&G funds was an increase of \$6.0 million (schedule 7), which again can be attributed to the increase in Main Campus tuition revenues and across the board decreases in salary and fringe benefits costs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

Endowments

At June 30, 2012, the University of New Mexico's endowment assets totaled \$495.4 million, including \$329.5 million in the Consolidated Investment Fund (CIF) and \$165.9 million in the University's share of the state's Land Grant Permanent Fund.

The UNM Board of Regents has delegated authority to the UNM Foundation Investment Committee to act as the official "Advisory Committee" to oversee and manage the combined endowment assets of the University and the Foundation. The pooled assets are combined for investment purposes and operated as a unitized pool known as the Consolidated Investment Fund (CIF).

The CIF finished the year with a return on investment of 0.75%, as compared to 19.0% in the previous fiscal year. This return compares favorably with those for the overall market and peer institutions. U.S. equities and international equities posted returns of 3.84% and -13.38%, respectively. Private equity investments returned 14.5%, fixed income investments returned -9.83% and marketable alternatives returned -5.07%.

Sponsored Programs

The University of New Mexico is a Carnegie Doctoral-Granting Research University/Very High research activity (RU/VH) - one of 108 nationwide. 73 public and 35 private institutions carry this high distinction. In order to be classified as such an institution, universities must offer a full range of baccalaureate programs, be committed to graduate education through the doctorate, give high priority to research, award 20 or more doctoral degrees each year, and be in the upper third of research expenditures compared to other doctoral granting universities.

During FY12, federal and state agencies, industry, foundations and national laboratories provided \$341.0 million in contract and grant awards to UNM for sponsored projects ranging from engineering to medicine and education to the humanities. The Main and Branch campuses were awarded \$192.6 million, and the HSC was awarded \$148.4 million.

The majority of contracts and grants, 71%, were awarded by federal agencies, while the remaining came from the following sources: State of New Mexico, 10%; foundations, 6%; industry, 5%; national laboratories, 1%; and other, 7%.

Factors Impacting Future Periods

In August 2009, Regents of the University of New Mexico approved the formation of Sandoval Regional Medical Center (SRMC), a New Mexico nonprofit corporation organization under and pursuant to the New Mexico Research and Economic Development Act. SRMC was organized for the development, construction, and operation of a licensed general, community teaching hospital in Sandoval County and to facilitate and develop the clinical and medical practices of the faculty of the University of New Mexico School of Medicine. The hospital will include emergency room and inpatient/outpatient medical/surgical services, diagnostic imaging and testing, and other key clinical services. As of June 30, 2012, the construction of the physical facility of SRMC was nearly complete, with SRMC receiving a hospital license from the New Mexico Department of Health on July 12, 2012.

In order to meet the growing demand for student housing at UNM, the UNM Board of Regents approved

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

terms of a ground lease that allowed American Campus Communities (ACC) to develop more student housing on UNM's central campus. Casas del Rio is a two phase project with phase one completed in Fall 2012. Phase one of the project included a total of 1,030 beds, which increased the number of beds on central campus to 3,300. The second phase of the project, scheduled to begin in 2014 and be completed in 2015, will add an additional 1,000 beds, as well as a new student cafeteria.

At June 30, 2012, the University's actuarial accrued liability (AAL) for Other Post Employment Benefits (OPEB) was \$152.6 million, which was a 15.8% increase over June 30, 2011. AAL is the present value of all future expected postretirement health payments and administrative costs attributable to past service. Currently, the AAL for the University is unfunded. The UNM Board of Regents has requested that alternatives for funding the OPEB liability be considered. The University will present alternatives to the Board of Regents for discussion and action.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The University provides substantially all of its employees with pension benefits through the state's multiple employer cost sharing defined benefit retirement plan administered by the Educational Retirement Board (ERB). GASB Statement No. 68 will require cost-sharing employers participating in the ERB program, such as UNM, to record their proportionate share, as defined in GASB Statement No. 68, of ERB's unfunded pension liability. The requirement to record a portion of ERB's unfunded liability will negatively impact the University's future unrestricted net position. At this time, management is unable to estimate the magnitude of this impact. GASB Statement No. 68 is effective beginning in FY15.

On April 29, 2011, the Centers for Medicare & Medicaid Services (CMS) issued the final rule implementing an inpatient Hospital Value-Based Purchasing (VBP) program under section 1886 (o) of the Social Security Act. Beginning in FY13, the program, which was established by section 3001 of the Affordable Care Act, will reduce hospitals' base diagnosis related group (DRG) payments by 1% and use those funds to make value-based incentive payments to hospitals that meet designated performance standards. Whether the hospital meets or exceeds the established performance standards will determine any potential quality-based financial reward for the hospital.

On June 28, 2012, the US Supreme Court ruled on certain provisions of Patient Protection and Affordable Care Act (PPACA). They declared that the "individual mandate" requiring individuals to buy insurance or to pay a fine amounted to a tax and that the government has the ability to impose such a tax. The ruling also declared that states have the ability to not participate in Medicaid expansion and to avoid the penalties described in PPACA. The PPACA legislation is expected to reduce national Medicaid and Medicare Disproportionate Share Hospital (DSH) payments by \$14 billion and \$22 billion, respectively, from 2014 through 2019. The effect of these reductions on UNM Hospitals is undeterminable at this time with the Supreme Court's ruling. PPACA also reduces the annual market basket increase for Medicare inpatient and outpatient hospital services beginning in October 1, 2010.

Medicare has put a program in place to review healthcare claims in order to identify and recover inappropriate payments made to providers for fee-for-service Medicare. This program is called the Recovery Audit Contract (RAC) program and was created through the Medicare Modernization Act of 2003 (MMA). The three-year demonstration program identified over \$1 billion in overpayments. In 2006, Congress mandated expansion of the RAC program to all 50 states. The RAC program encompassing New Mexico became effective in March 2009. Connolly Consulting Associates, Inc. is the contractor for this region. The RAC contractor can request up to 399 records every 45 days and can

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2012

review claims from June 2008 and forward. In June 2012, the Hospital received its first large RAC request to review 399 accounts. The UNM Hospital responded by the required deadline and submitted the medical record and billing documentation required. The UNM Hospital is awaiting determination of the claims by the RAC Contractor.

The Deficit Reduction Act of 2005 established the Medicaid Integrity Program (MIP) to identify, collect, and prevent overpayments made under fee-for-service Medicaid. The two operational functions of MIP are 1) to review the actions of those providing Medicaid services and 2) to provide support and assistance to the states to combat Medicaid fraud, waste, and abuse. The MIP in New Mexico has been initiated, and the UNM Hospital received a request for records in January 2010. The Hospital has neither received details regarding the outcome of the review nor has received further requests for records.

Current economic conditions in the State of New Mexico will continue to impact our hospitals as the State seeks to identify revenue sources and expenditure reductions. The State Coverage Initiative (SCI) Program is under consideration for possible elimination from the Medical Assistance Division Budget in subsequent years. The State was unable for fiscal years 2012 and 2011 to fund a portion of the non-federal share to obtain federal matching funds as described in the CMS Special Conditions/Approval, thereby jeopardizing the viability of the SCI program. As a result, the Hospital entered into Memorandums of Understanding with the State of New Mexico for each year, under which UNM Hospital agreed to an intergovernmental transfer in the amount of \$15.5 million and \$12.0 million, respectively, to fund the non-federal share of Medicaid payment pursuant to federal Medicaid regulations at 42 CFR 433.51.

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, 2012 and 2011, 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.

To download additional copies of this report, or to obtain prior year copies of this report go to <http://www.unm.edu/~conweb/finrep.html> and select the Annual Audit Report link.

THE UNIVERSITY OF NEW MEXICO

BASIC FINANCIAL STATEMENTS

Statements of Net Assets as of June 30, 2012 and 2011

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2012	2011	2012	2011
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash and cash equivalents (note 3)	\$ 190,464,607	\$ 259,175,872	\$ 36,420,432	\$ 13,778,484
Cash and cash equivalents – restricted (note 3)	-	-	73,157,982	164,674,212
Short-term investments (note 3)	321,692,767	276,780,942	8,579,288	8,197,349
Accounts receivable, net (note 4)	71,707,553	57,601,507	2,094,259	1,819,398
Patient receivables, net (note 4)	76,986,762	75,528,668	19,181,238	20,639,399
Notes receivable, net (note 5)	3,886,028	3,033,952	-	-
Due from component units	35,655,307	18,312,604	-	-
Estimated third-party payor settlements	26,424,361	16,228,562	-	-
Other receivables, net (note 4)	8,886,540	5,017,378	3,320,040	-
Inventories	16,621,400	15,678,707	20,359	21,646
Due from The University of New Mexico	-	-	784,158	121,190
Other current assets	5,045,721	8,920,105	758,917	1,887,570
Total current assets	\$ 757,371,046	\$ 736,278,297	\$ 144,316,673	\$ 211,139,248
Noncurrent assets and deferred outflows				
Cash and cash equivalents (note 3)	\$ -	\$ -	\$ 169,535	\$ 11,281,876
Notes receivable, net – noncurrent (note 5)	8,307,450	9,585,371	-	-
Investments (note 3)	236,822,555	242,162,398	181,229,666	171,485,531
Land grant permanent fund (note 3)	165,888,093	167,884,460	-	-
Deferred bond issuance costs	3,578,790	3,959,404	3,405,386	3,619,632
Due from component units	3,005,641	2,932,520	-	-
Deferred outflow of resources – interest rate swaps (note 12)	15,875,820	8,016,390	-	-
Derivative instruments – interest rate swaps overlay (note 12)	1,740,963	2,071,329	-	-
Other noncurrent assets	6,967,551	12,031,839	4,413,934	4,243,857
Capital assets, net (note 6)	1,240,034,831	1,268,867,440	131,196,989	41,217,898
Total noncurrent assets and deferred outflows	\$ 1,682,221,694	\$ 1,717,511,151	\$ 320,415,510	\$ 231,848,794
Total assets and deferred outflows	\$ 2,439,592,740	\$ 2,453,789,448	\$ 464,732,183	\$ 442,988,042
LIABILITIES				
Current liabilities				
Accounts payable and accrued payroll (note 7)	\$ 106,082,544	\$ 119,080,504	\$ 26,642,898	\$ 9,129,517
Due to The University of New Mexico (note 11)	-	-	35,655,307	18,312,604
Due to component units	784,158	121,190	-	-
Estimated third-party payor settlements	17,223,808	16,451,387	-	-
Accrued compensated absences (note 8)	44,719,004	42,389,240	-	-
Other accrued liabilities (note 9)	11,427,761	18,666,009	1,842,052	3,474,262
Deferred revenue (note 10)	41,422,960	37,653,947	1,753,039	1,844,283
Bonds payable – current (notes 11 and 12)	18,274,310	17,676,584	1,540,000	-
Notes payable – current	-	-	-	-
Deferred annuities payable (note 11)	-	-	364,033	377,663
Deposits and funds held for others	6,057,434	5,674,483	-	-
Total current liabilities	\$ 245,991,979	\$ 257,713,344	\$ 67,797,329	\$ 33,138,329
Noncurrent liabilities (note 11)				
Bonds payable – noncurrent (notes 11 and 12)	\$ 582,652,459	\$ 604,712,054	\$ 141,885,000	\$ 143,425,000
Due to The University of New Mexico (note 11)	-	-	3,005,641	2,932,520
Student loan program (note 11)	13,170,436	13,417,222	-	-
Net OPEB obligation (notes 11 and 16)	30,698,183	26,647,000	-	-
Derivative instruments – interest rate swaps (notes 11 and 12)	15,875,820	8,016,390	-	-
Deferred annuities payable (note 11)	-	-	2,986,551	2,375,488
Other noncurrent liabilities (note 11)	393,386	629,499	-	-
Total noncurrent liabilities	\$ 642,790,284	\$ 653,422,165	\$ 147,877,192	\$ 148,733,008
Total liabilities	\$ 888,782,263	\$ 911,135,509	\$ 215,674,521	\$ 181,871,337

Statements of Net Assets as of June 30, 2012 and 2011

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2012	2011	2012	2011
NET ASSETS				
Invested in capital assets, net of related debt	\$ 677,752,396	\$ 702,221,456	\$ 3,599,997	\$ 5,401,882
Restricted for:				
Nonexpendable:				
Land grant permanent fund	165,888,093	167,884,460	-	-
Scholarships	98,808,840	102,944,517	-	-
Grants, bequests, and contributions	6,010,271	6,011,486	134,963,059	138,362,463
Expendable:				
Scholarships	2,742,630	2,701,775	-	-
Grants, bequests, and contributions	15,655,314	13,278,720	-	-
Debt service	38,363,815	30,989,212	37,124,103	39,133,729
Capital projects	304,176	3,268,164	-	-
Other	-	-	16,217,282	11,787,027
Unrestricted (note 18)	545,284,942	513,354,149	57,153,221	66,431,604
Total net assets	<u>\$ 1,550,810,477</u>	<u>\$ 1,542,653,939</u>	<u>\$ 249,057,662</u>	<u>\$ 261,116,705</u>

See accompanying notes to the basic financial statements.

THE UNIVERSITY OF NEW MEXICO

BASIC FINANCIAL STATEMENTS

Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and 2011

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2012	2011	2012	2011
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$60,788,455 in 2012 and \$57,794,502 in 2011)	\$ 129,904,915	\$ 121,563,133	\$ -	\$ -
Patient services (net of provision for doubtful accounts of \$1,665,779 in 2012 and \$1,395,408 in 2011) (note 13)	97,498,895	102,548,431	127,701,249	128,809,222
Federal grants and contracts	202,562,810	209,647,540	-	-
State and local grants and contracts	27,140,338	30,663,819	-	-
Non-governmental grants, contracts, bequests and contributions	31,752,585	28,536,831	22,186,358	23,544,031
Sales and services	147,070,760	129,931,018	7,569,939	6,650,186
Auxiliary enterprises (net of scholarship allowances of \$8,958,846 in 2012 and \$9,460,899 in 2011)	47,767,383	50,813,975	-	-
Other operating revenues	38,741,274	43,264,202	13,992,321	13,928,507
Clinical operations (note 13)				
University of New Mexico Hospital (net of provision for doubtful accounts of \$98,082,895 in 2012 and \$67,041,989 in 2011)	504,316,010	502,949,524	-	-
University of New Mexico Behavioral Operations (net of provision for doubtful accounts of \$1,138,853 in 2012 and \$1,077,969 in 2011)	22,301,711	19,971,627	-	-
Total operating revenues	\$ 1,249,056,681	\$ 1,239,890,100	\$171,449,867	\$172,931,946
OPERATING EXPENSES				
Educational and general				
Instruction	\$ 239,991,979	\$ 242,603,888	\$ -	\$ -
Research	163,124,198	165,919,129	-	-
Public service	271,771,111	267,960,388	-	-
Academic support	46,292,389	41,962,531	-	-
Student services	23,955,995	24,458,050	-	-
Institutional support	53,068,952	51,925,255	-	-
Operations and maintenance of plant	79,974,361	68,600,752	-	-
Depreciation expense	65,549,289	60,046,975	-	-
Student aid	52,344,208	54,092,338	-	-
Student activities	7,434,606	7,363,959	-	-
Intercollegiate athletics	31,358,703	28,784,386	-	-
Auxiliary enterprises	52,368,913	56,931,024	-	-
Other operating expenses	44,823,036	44,976,961	166,385,104	136,076,005
Clinical operations				
University of New Mexico Hospital	564,139,345	545,555,307	-	-
University of New Mexico Behavioral Operations	40,853,284	39,888,025	-	-
Total operating expenses	\$ 1,737,050,369	\$ 1,701,068,968	\$166,385,104	\$136,076,005
Operating income (loss)	\$ (487,993,688)	\$ (461,178,868)	\$ 5,064,763	\$ 36,855,941

EXHIBIT B

Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2012 and 2011

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2012	2011	2012	2011
NONOPERATING REVENUES (EXPENSES)				
State appropriations	\$ 264,468,603	\$ 282,533,303	\$ -	\$ -
Local appropriations	7,453,443	7,447,314	-	-
Federal pell grants	57,428,783	58,107,341	-	-
State lottery scholarships	31,941,139	30,155,274	-	-
Gifts	28,933,854	56,584,438	-	-
Investment income (note 3)	8,174,001	70,480,180	1,832,771	26,590,386
Distributions to The University of New Mexico	-	-	(25,336,191)	(53,903,667)
Other nonoperating revenues and expenses, net	23,610,845	32,491,219	2,083,988	1,670,967
Interest on capital asset-related debt	(19,376,093)	(17,020,519)	(6,228,294)	-
Loss on disposal of capital assets	(2,367,092)	(518,103)	-	-
Clinical operations (note 13)				
University of New Mexico Hospital	61,427,031	48,499,029	-	-
University of New Mexico Behavioral Operations	18,614,729	19,116,488	-	-
Net nonoperating revenues	<u>\$ 480,309,243</u>	<u>\$ 587,875,964</u>	<u>\$ (27,647,726)</u>	<u>\$ (25,642,314)</u>
Income (loss) before capital contributions	\$ (7,684,445)	\$ 126,697,096	\$ (22,582,963)	\$ 11,213,627
Capital appropriations	\$ 4,237,233	\$ 16,247,298	\$ -	\$ -
Capital grants and gifts	11,148,974	2,848,780	-	-
Federal stabilization grant	267,975	10,438,667	-	-
Distributions to Sandoval Regional Medical Center (note 12)	-	(46,000,000)	-	46,000,000
Contributions to permanent endowments	-	-	10,523,920	15,021,730
Clinical operations				
University of New Mexico Hospital	186,801	4,177,895	-	-
University of New Mexico Behavioral Operations	-	141,000	-	-
Total capital contributions	<u>\$ 15,840,983</u>	<u>\$ (12,146,360)</u>	<u>\$ 10,523,920</u>	<u>\$ 61,021,730</u>
Change in net assets	\$ 8,156,538	\$ 114,550,736	\$ (12,059,043)	\$ 72,235,357
NET ASSETS				
Net assets at beginning of year	1,542,653,939	1,428,103,203	261,116,705	188,881,348
Net assets at end of year	<u>\$ 1,550,810,477</u>	<u>\$ 1,542,653,939</u>	<u>\$249,057,662</u>	<u>\$261,116,705</u>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 128,395,434	\$ 122,546,922
Grants and contracts	272,476,128	277,023,936
Insurance and patients	592,670,396	623,931,828
Sales and services	148,460,764	127,398,768
Auxiliary enterprise charges	50,769,758	56,297,177
Payments to suppliers	(406,207,643)	(362,272,923)
Payments to employees	(937,793,309)	(898,012,284)
Payments for utilities	(40,021,587)	(39,962,911)
Payments for benefits	(162,214,410)	(166,880,924)
Payments for scholarships and fellowships	(58,404,457)	(63,290,830)
Loans issued to students	(722,496)	934,190
Collection of loans to students	1,898,323	1,991,551
Payments to State of New Mexico for intergovernmental transfer	(15,457,867)	(14,235,209)
Other receipts (payments)	976,548	(1,751,103)
Net cash used in operating activities	<u>\$ (425,174,418)</u>	<u>\$ (336,281,812)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 275,948,731	\$ 294,738,551
Local appropriations	7,453,443	7,447,314
Federal pell grant	57,829,985	57,865,393
State lottery scholarships	15,264,674	30,155,274
Drawdowns of federal direct loan proceeds	141,865,772	127,236,795
Disbursements of federal direct loans to students	(142,860,501)	(129,025,904)
Bernalillo County mill levy	90,074,351	89,350,830
Land and permanent fund	798,913	867,012
Gifts	31,871,896	54,611,915
Federal stabilization grants	1,104,015	10,962,620
Contributions to Sandoval Regional Medical Center	-	(46,000,000)
Other nonoperating receipts (payments)	7,169,023	(4,896,226)
Net cash provided by noncapital financing activities	<u>\$ 486,520,302</u>	<u>\$ 493,313,574</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments on bonds	\$ (29,248,548)	\$ (26,088,426)
Capital appropriations	4,674,220	16,007,765
Capital gifts and grants	16,243,751	5,444,563
Proceeds from bond issuance	41,225,859	-
Principal payments of bonds	(61,776,584)	(16,947,231)
Cash received from disposal of capital assets	979,908	113,897
Purchase of capital assets	(75,387,421)	(129,016,360)
Other payments	(2,403,604)	(664,555)
Net cash used in capital and related financing activities	<u>\$ (105,692,419)</u>	<u>\$ (151,150,347)</u>

EXHIBIT C

Statements of Cash Flows for the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	\$ 430,207,000	\$ 293,240,145
Purchase of investments	(475,200,622)	(245,285,779)
Distributions from land grant permanent fund	9,603,795	9,663,955
Investment income	11,025,097	5,059,041
Net cash provided by (used in) investing activities	<u>\$ (24,364,730)</u>	<u>\$ 62,677,362</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents – beginning of the year	259,175,872	190,617,095
Cash and cash equivalents – end of the year	<u>\$ 190,464,607</u>	<u>\$ 259,175,872</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (487,993,688)	\$ (461,178,868)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	100,391,477	95,308,185
Bad debt expense	102,441,179	71,721,739
Reduction in laboratory expenses of Tricare Lab Service Corp	(5,110)	(1,107,852)
Changes in assets and liabilities		
Accounts receivable	(4,297,217)	(6,926,585)
Patient receivables	(100,679,843)	(69,246,034)
Estimated third-party payor settlements	(10,195,799)	7,879,917
Notes receivable	1,420,574	3,591,634
Inventories	(942,693)	(287,621)
Other assets	(828,364)	1,166,079
Due from component units	(19,043,000)	12,082,404
Accounts payable	(14,383,428)	6,647,373
Accrued expenses and compensated absences	3,951,720	7,654,046
Other current liabilities	(487,552)	(622,449)
Estimated third-party payor liability	772,421	(5,307,902)
Deferred revenue	4,704,905	2,344,122
Net cash used in operating activities	<u>\$ (425,174,418)</u>	<u>\$ (336,281,812)</u>

See accompanying notes to the basic financial statements.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

(1) Creation and Purpose of Entity

The University of New Mexico (the University or UNM) was 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 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 of New Mexico, and its financial data is included with the financial data in the State of New Mexico's Comprehensive Annual Financial Report. These financial statements present financial information that is attributable to the University and does not purport to present the financial position of the State of New Mexico.

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

(A) Basis of Presentation

The University of New Mexico 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 assets, revenues, expenses and changes in net assets, and cash flows.

The University has adopted GASB Statement 39, *Determining Whether Certain Organizations Are Component Units -- an amendment of GASB Statement 14*. GASB Statement 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the University. As required by GASB Statements 14 and 39, these basic financial statements present the University and its component units, entities for which the University is considered to be financially accountable. These entities are discretely presented in the financial statements as component units based on criteria as set forth in GASB Statements 14 and 39:

- **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 Foundation's investments are managed by the University. The University of New Mexico Foundation, Inc., Two Woodward Center, 700 Lomas Blvd. NE, Suite 108, 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. The University of New Mexico, The Robert O. Anderson Schools of Management Foundation, 1924 Las Lomas, NE, Albuquerque, NM 87131.

- **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 Non-profit 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, 801 University Blvd. SE, Suite 101, Albuquerque, NM 87106.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

- **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 University of New Mexico Lobo Club, Department of Athletics, Albuquerque, NM 87131.

- **Lobo Development Corporation**

Lobo Development Corporation was established in October 2007, under the State of New Mexico's University Research Park and Economic Development Act. Lobo Development Corporation was established to benefit UNM's Regents in the management and development of University-owned real estate. The activities of Lobo Development Corporation include the acquisition, development, disposition, and rental of University real estate. 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. Lobo Energy, Inc., 800 Bradbury Dr. SE, Suite 216, Albuquerque, NM 87106.

- **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 University of New Mexico Alumni Association at Hodgin Hall, Albuquerque, NM 87131.

- **University of New Mexico Medical Group**

University of New Mexico Medical Group (UNMMG) is a non-profit 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). 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. The creation of SRMC is largely a result of collaborative efforts between the UNM Medical Group (UNMMG) and UNM Hospital (UNMH), and accordingly, UNMMG and UNMH have representation on its board. Sandoval Regional Medical Center, 3001 Broadmoor Blvd NE, Rio Rancho, NM 87144.

The University's basic financial statements also include "clinical operations." Clinical operations include the two healthcare providers, the University of New Mexico Hospital (Hospital) and the University of New Mexico Behavioral Operations 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 clinical operations, when combined with the University's School of Medicine, College of Nursing and College of Pharmacy, are referred to as the University of New Mexico Health Sciences Center and are included in the Primary Institution financial statement information.

The component units, the Hospital, and the University of New Mexico Behavioral Operations, have separately audited financial statements, which can be obtained at their separate administrative offices.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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(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 and liabilities and disclosure of contingent assets and liabilities 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.

Patient receivables: Clinical Operations receives payment 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. Clinical Operations reserve progressive percentages 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>2012</u>	<u>2011</u>
Medicare and Medicaid	50%	49%
Other third-party payors	35%	36%
Others	15%	15%
	<u>100%</u>	<u>100%</u>

Investments: Stocks, bonds, real estate, and similar investments are generally reported at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. 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.

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 twenty quarters. The target annual distribution rate shall be 5% of the average unit market value. If, in any given twenty-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 twenty-quarter rolling period. If in any twenty-quarter rolling

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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period the distribution exceeds 5% of the current market value, the Consolidated Investment Fund 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 moveable 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. 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 equipment ranges from 3 to 15 years. 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 \$4,561,507 and \$4,513,543 at June 30, 2012 and 2011, respectively.

As an institute of higher education in existence for over 100 years, the University of New Mexico 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 have not been capitalized and are reported as other noncurrent assets in the statements of net assets.

Bonds Payable: Bonds payable are special obligations of the Regents of the University of New Mexico 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 Stand-by 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.

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Derivatives: The University follows GASB Statement 53, *Accounting and 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 53 are reported as deferred inflows and outflows. 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, considered investments, the other four swaps are considered hedging derivatives. Additional information about the swap agreements is provided in note 12.

Annual leave plan: Employees are allowed to accumulate 252 hours of 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 on retirement from the University. Also under the revised plan, employees 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 assets: Are classified as follows:

Invested in capital assets, net of related debt represent 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 invested in capital assets, net of related debt. Unspent bond proceeds for the University were \$13,265,043 and \$26,666,120 at June 30, 2012 and 2011, respectively. The Hospital had unspent bond proceeds of \$13,500,000 at June 30, 2012 and 2011, reserved for debt service as required by the trustee.

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. *Restricted expendable* net assets are resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. *Restricted nonexpendable* net assets consist 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 assets, which may contain multiple year contractual commitments, consist 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.

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June 30, 2012 and 2011

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 Statement 33, *Accounting and Financial Reporting for Non-exchange 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 levied by Bernalillo 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 assets. 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 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 hospital and clinical operations provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as net 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.

Deferred 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.

The University pledges substantially all unrestricted revenues, excluding state appropriations and revenues from clinical operations and patient services, to satisfy its bond obligations. Pledged revenues for the University were \$435,777,932 and \$499,853,578 as of June 30, 2012 and 2011.

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 Non-expendable Trust*

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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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) *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 Internal Revenue Code (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 University of New Mexico Hospital and the University of New Mexico Behavioral Operations 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 these entities' exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

(E) *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 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 on-going 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 on-going 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 economic development. The agreement continues in force indefinitely. Any party may choose to withdraw with sixty days' written notice. At such time, the remaining parties have forty-five days to agree to maintain the NMURC or the JPA will terminate on the date of withdrawal.
- (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.
- (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

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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.

(F) *Reclassifications*

Certain 2011 amounts have been reclassified in order to be consistent with the 2012 presentation.

(G) *Deferred Bond Issuance Costs*

The deferred bond issuance costs represent the bond issuance costs of the Hospital and SRMC for the Federal Housing Administration (FHA) Insured Hospital Mortgage Revenue Bonds. The bond issuance costs are amortized over the terms of the related indebtedness using the effective interest method.

(H) *Impact of Recently Issued Accounting Standards*

- (1) GASB Statement 60 – The GASB issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement will improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. GASB Statement 60 is effective for periods beginning after December 15, 2011, and the provisions of this Statement generally are required to be applied retroactively for all periods presented. The University has evaluated GASB Statement 60 and does not believe that it will have an impact on its financial statements.
- (2) GASB Statement 61 – The GASB issued GASB Statement 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This Statement amends the requirements of Statement 14, *The Financial Reporting Entity*, and Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. GASB Statement 61 is effective for periods beginning after June 15, 2012, and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 61 will have on the financial statements.
- (3) GASB Statement 63 – The GASB issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also identifies net position as the residual of all other elements presented in a statement of financial position. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. GASB Statement 63 is effective for periods beginning after December 15, 2011, and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 63 will have on the financial statements.
- (4) GASB Statement 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in

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financial reporting. GASB Statement 65 is effective for periods beginning after December 15, 2012, and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 65 will have on the financial statements.

- (5) GASB Statement 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The University provides substantially all of its employees with pension benefits through the state’s multiple employer cost sharing defined benefit retirement plan administered by the Educational Retirement Board (ERB). GASB Statement 68 requires cost-sharing employers participating in the ERB program, such as the University, to record their proportionate share, as defined in GASB Statement 68, of ERB’s unfunded pension liability. The University has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by ERB. The requirement of GASB Statement 68 to record a portion of ERB’s unfunded liability will negatively impact the University’s future unrestricted net position. GASB Statement 68 is effective for periods beginning after June 15, 2014, and earlier application is encouraged. At this time, management is unable to estimate the magnitude of this impact. Information regarding ERB’s current funding status can be found in their financial report.

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(3) Cash, Cash Equivalents and Investments

(A) Cash and Cash Equivalents

University cash accounts are held in demand and time deposits at various financial institutions. The carrying amounts of the primary institution's operating accounts at June 30, 2012 and 2011 were \$190,464,607 and \$259,175,872 respectively. New Mexico statutes require financial institutions to pledge qualifying collateral to UNM to cover at least 50% of uninsured deposits. All collateral is held by third parties in safekeeping. The University 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, 2012 and 2011 these funds were collateralized by government agency securities held in the University's name. None of these balances were uninsured and/or uncollateralized as of June 30, 2012 and 2011.

The Component Units' cash accounts held in demand and time deposits at various institutions had carrying amounts totaling \$109,747,949 and \$189,734,572 at June 30, 2012 and 2011, respectively. These amounts are invested in overnight sweep accounts and are collateralized at various levels of the invested balance. At June 30, 2012 and 2011 these funds were collateralized by government back securities held in the Component Unit's name. At June 30, 2012 and 2011 the total component unit deposits that were not insured or collateralized were \$11,163,186 and \$2,673,347 respectively.

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(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 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

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 the UNM Foundation and UNM 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, 2012 and 2011, UNM's portion of the CIF was \$184,610,276 and \$192,584,388, respectively.

Consolidated Investment Fund

	<u>2012</u>	<u>2011</u>
Units:		
Foundation	576,030	572,831
University of New Mexico	733,737	769,344
	<u>1,309,767</u>	<u>1,342,175</u>
Fair Value (in millions):		
Foundation	\$ 144.9	\$ 143.4
University of New Mexico	184.6	192.6
	<u>\$ 329.5</u>	<u>\$ 336.0</u>

Other long-term investments consist of 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 (GIC's). Such construction projects are reported as capital assets in the accompanying Statements of Net Assets (see note 6). The bond obligations are reported as bonds payable in the accompanying Statements of Net Assets (see notes 11 & 12).

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Also reported in the other long term investments category is UNM's ownership share of the New Mexico State Land Grant Permanent Fund; the assets of which are managed by the State Investment Council (SIC).

The State constitution provides for twenty one beneficiaries of the Land Grant Permanent Fund, of which UNM is one. The valuation of each beneficiary's share is calculated by the New Mexico State Investment Council and investment income, gains and losses are distributed accordingly. As of June 30, 2012 and 2011 the value of UNM's share of the Land Grant Permanent Fund was \$165,888,093 and \$167,884,460, respectively.

Total University investments by type at June 30, 2012 and June 30, 2011 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments (Restricted)	FY 12 Fair Value
Primary Institution 2012				
Cash	\$ 2,708,035	\$ -	\$ -	\$ 2,708,035
Money Market	22,353,248	-	18,655,469	41,008,717
Money Market Account	-	5,771,266	-	5,771,266
Repurchase Agreements	-	-	13,430,719	13,430,719
U.S. Treasury Securities	86,474,928	-	-	86,474,928
U.S. Government Agencies	100,572,654	-	-	100,572,654
Corporate Bonds/Notes	92,112,263	-	-	92,112,263
Municipal Bonds	10,125,874	-	-	10,125,874
International Bonds	7,345,765	-	-	7,345,765
Mutual Funds - Fixed	-	63,094,088	-	63,094,088
Mutual Funds - Equity	-	129,039,914	-	129,039,914
Equity	-	-	18,192,491	18,192,491
Exchange Traded Funds	-	15,006,533	-	15,006,533
Illiquid Real Assets	-	21,375,861	-	21,375,861
Private Equity	-	40,727,653	-	40,727,653
Marketable Alternatives	-	56,459,492	-	56,459,492
Land Grant Permanent Fund	-	-	165,888,093	165,888,093
CIF due/to from UNM	-	(1,933,599)	1,933,599	-
<i>University of New Mexico Foundation, Inc</i> <i>Investments held in Consolidated Investment</i> <i>Fund</i>	-	(144,930,931)	-	(144,930,931)
Total Investments	\$ 321,692,767	\$ 184,610,277	\$ 218,100,371	\$ 724,403,415

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments (Restricted)	FY 11 Fair Value
Primary Institution 2011				
Cash	\$ 1,445,095	\$ -	\$ -	\$ 1,445,095
Money Market	22,360,533	-	14,713,922	37,074,455
Money Market Account	-	16,159,219	-	16,159,219
Certificate of Deposit	-	-	1,009,725	1,009,725
Repurchase Agreements	-	-	13,433,669	13,433,669
U.S. Treasury Securities	100,881,800	-	-	100,881,800
U.S. Government Agencies	90,076,018	-	-	90,076,018
Corporate Bonds/Notes	48,801,681	-	-	48,801,681
Municipal Bonds	5,535,125	-	-	5,535,125
International Bonds	7,680,690	-	-	7,680,690
Mutual Funds - Fixed	-	57,878,253	-	57,878,253
Mutual Funds - Equity	-	139,387,991	-	139,387,991
Equity	-	-	16,703,040	16,703,040
Exchange Traded Funds	-	18,497,607	-	18,497,607
Illiquid Real Assets	-	16,371,852	-	16,371,852
Private Equity	-	35,209,107	-	35,209,107
Marketable Alternatives	-	56,190,736	-	56,190,736
Land Grant Permanent Fund	-	-	167,884,460	167,884,460
CIF due/to from UNM	-	(3,717,653)	3,717,653	-
<i>University of New Mexico Foundation, Inc</i> <i>Investments held in Consolidated Investment</i> <i>Fund</i>	-	(143,392,723)	-	(143,392,723)
Total Investments	\$ 276,780,942	\$ 192,584,389	\$ 217,462,469	\$ 686,827,800

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Total Component Unit investments by type at June 30, 2012 and June 30, 2011 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments (Restricted)	FY12 Fair Value
Component Units 2012				
Money Market Account	\$ -	\$ 1,687,791	\$ -	\$ 1,687,791
Certificate of Deposit	1,109,288	-	-	1,109,288
U.S. Government Agencies	-	-	13,952,514	13,952,514
Corporate Bonds/Notes	100,831	-	11,656,133	11,756,964
Municipal Bonds	-	-	5,388,529	5,388,529
International Bonds	-	-	1,654,114	1,654,114
Mutual Funds	7,111,538	-	3,102,554	10,214,092
Mutual Fund - Fixed	-	27,748,533	-	27,748,533
Mutual Fund - Equity	-	56,751,248	-	56,751,248
Equity	-	-	154,136	154,136
Exchange Traded Funds	-	6,599,814	-	6,599,814
Illiquid Real Assets	-	9,401,020	-	9,401,020
Private Equity	-	17,911,862	-	17,911,862
Marketable Alternative	45,179	24,830,663	-	24,875,842
Real Estate	212,452	-	212,557	425,009
Other	-	-	178,198	178,198
Total Investments	\$ 8,579,288	\$ 144,930,931	\$ 36,298,735	\$ 189,808,954

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments (Restricted)	FY11 Fair Value
Component Units 2011				
Money Market Account	\$ -	\$ 5,309,974	\$ -	\$ 5,309,974
Certificate of Deposit	1,111,288	-	-	1,111,288
U.S. Treasury Securities	-	-	3,838,957	3,838,957
U.S. Government Agencies	-	-	6,020,416	6,020,416
Corporate Bonds/Notes	-	-	8,609,369	8,609,369
Municipal Bonds	-	-	5,237,768	5,237,768
Mutual Funds	3,122,940	-	4,337,636	7,460,576
Mutual Fund - Fixed	-	24,702,038	-	24,702,038
Mutual Fund - Equity	-	59,489,831	-	59,489,831
Equity	3,299,671	-	136,824	3,436,495
Exchange Traded Funds	-	7,894,651	-	7,894,651
Illiquid Real Assets	-	6,987,393	-	6,987,393
Private Equity	-	15,027,003	-	15,027,003
Marketable Alternative	-	23,981,833	-	23,981,833
Real Estate	-	-	239,700	239,700
Other	29,753	-	305,835	335,588
Total Investments	\$ 7,563,652	\$ 143,392,723	\$ 28,726,505	\$ 179,682,880

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 - For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, 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.

As of June 30, 2012 and 2011 the primary institution had no investments subject to custodial credit risk; the component units had exposure to custodial credit risk in the amount of \$6,163,997 and \$9,549,576, respectively.

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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. A summary of the investments as June 30, 2012 and 2011 and their exposure to interest rate risk are as follows:

	2012	Fair Value	Investment Maturities			
			Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Primary Institution</i>						
Items subject to interest rate risk:						
Money Market	\$	41,008,717	\$ 41,008,717	\$ -	\$ -	\$ -
Repurchase Agreements		13,430,719	13,430,719	-	-	-
U.S. Treasury Securities		86,474,928	22,999,094	63,475,834	-	-
U.S. Gov't Agencies		100,572,654	41,851,805	55,935,135	2,785,714	-
Corporate Bonds/Notes		92,112,263	25,181,247	66,931,016	-	-
Municipal Bonds		10,125,874	2,396,505	7,729,369	-	-
International Bonds		7,345,765	4,860,265	2,485,500	-	-
	\$	351,070,920	\$ 151,728,352	\$ 196,556,854	\$ 2,785,714	\$ -
Items not subject to interest rate risk:						
Cash	\$	2,708,035				
Money Market Account	\$	5,771,266				
Mutual Funds -Fixed		63,094,088				
Mutual Funds -Equity		129,039,914				
Equity		18,192,491				
Exchange Traded Funds		15,006,533				
Illiquid Real Assets		21,375,861				
Private Equity		40,727,653				
Marketable Alternatives		56,459,492				
Land Grant Permanent Fund		165,888,093				
University of New Mexico Foundation, Inc		(144,930,931)				
Investments held in Consolidated Investment Fund						
	\$	373,332,495				
Total Investments	\$	724,403,415				

	2011	Fair Value	Investment Maturities			
			Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Primary Institution</i>						
Items subject to interest rate risk:						
Money Market	\$	37,074,455	\$ 36,958,725	\$ 115,730	\$ -	\$ -
Repurchase Agreements		13,433,669	13,433,669	-	-	-
U.S. Treasury Securities		100,881,800	24,609,570	76,272,230	-	-
U.S. Gov't Agencies		90,076,018	31,737,862	58,338,156	-	-
Corporate Bonds/Notes		48,801,682	2,893,141	45,908,541	-	-
Municipal Bonds		5,535,126	4,422,091	1,113,035	-	-
International Bonds		7,680,690	2,414,677	5,266,013	-	-
	\$	303,483,440	\$ 116,469,735	\$ 187,013,705	\$ -	\$ -
Items not subject to interest rate risk:						
Cash	\$	1,445,095				
Money Market Account		16,159,219				
Certificates of Deposit		1,009,725				
Mutual Funds - Fixed		57,878,253				
Mutual Funds - Equity		139,387,989				
Equity		16,703,040				
Exchange Traded Funds		18,497,607				
Illiquid Real Assets		16,371,852				
Private Equity		35,209,107				
Marketable Alternatives		56,190,736				
Land Grant Permanent Fund		167,884,460				
University of New Mexico Foundation, Inc		(143,392,723)				
Investments held in Consolidated Investment Fund						
	\$	383,344,360				
Total Investments	\$	686,827,800				

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2012	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Component Units</i>					
Items subject to interest rate risk:					
Certificates of Deposit	\$ 1,109,288	\$ 1,109,288	\$ -	\$ -	\$ -
U.S. Gov't Agencies	13,952,514	1,635,932	12,316,582	-	-
Corporate Bonds/Notes	11,756,964	5,563,079	6,193,885	-	-
Municipal Bonds	5,388,529	801,836	1,417,509	932,512	2,236,672
International Bonds	1,654,114	852,286	801,828	-	-
	<u>\$ 33,861,409</u>	<u>\$ 9,962,421</u>	<u>\$ 20,729,804</u>	<u>\$ 932,512</u>	<u>\$ 2,236,672</u>
Items not subject to interest rate risk:					
Money Market Account	\$ 1,687,791				
Mutual Funds	10,214,092				
Mutual Funds - Fixed	27,748,533				
Mutual Funds - Equity	56,751,248				
Equity	154,136				
Exchange Traded Funds	6,599,814				
Illiquid Real Assets	9,401,020				
Private Equity	17,911,862				
Marketable Alternatives	24,875,842				
Real Estate	425,009				
Other	178,198				
	<u>\$ 155,947,545</u>				
Total Investments	<u>\$ 189,808,954</u>				

2011	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Component Units</i>					
Items subject to interest rate risk:					
Certificates of Deposit	\$ 1,111,288	\$ 817,592	\$ 293,696	\$ -	\$ -
U.S. Treasury Securities	3,838,957	2,199,722	1,639,235	-	-
U.S. Gov't Agencies	6,020,416	-	6,020,416	-	-
Corporate Bonds/Notes	8,609,369	1,217,856	7,338,934	52,579	-
Municipal Bonds	5,237,768	1,938,594	67,927	769,563	2,461,684
	<u>\$ 24,817,798</u>	<u>\$ 6,173,764</u>	<u>\$ 15,360,208</u>	<u>\$ 822,142</u>	<u>\$ 2,461,684</u>
Items not subject to interest rate risk:					
Money Market Account	\$ 5,309,974				
Mutual Funds	7,460,576				
Mutual Funds - Fixed	24,702,038				
Mutual Funds - Equity	59,489,831				
Equity	3,436,495				
Exchange Traded Funds	7,894,651				
Illiquid Real Assets	6,987,393				
Private Equity	15,027,003				
Marketable Alternatives	23,981,833				
Real Estate	390,500				
Other	184,788				
	<u>\$ 154,865,082</u>				
Total Investments	<u>\$ 179,682,880</u>				

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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. A summary of the investments at June 30, 2012 and 2011 and their exposure to credit risk are as follows:

Primary Institution 2012

Items subject to credit risk:

Credit Rating	Money Market	Repurchase Agreements	U.S.				Fair Value 2012
			Government Agencies	Corporate Bonds/Notes	International Bonds	Municipal Bonds	
Moody's -Aaa	\$ -	\$ -	\$ 85,755,885	\$ 5,435,226	\$ 7,345,765	\$ 2,598,745	\$ 101,135,621
S&P AAA	-	-	-	-	-	610,634	610,634
Moody's -Aa1	-	-	-	3,399,375	-	2,915,526	6,314,901
Moody's -Aa2	-	-	-	9,521,980	-	1,435,697	10,957,677
Moody's -Aa3	-	-	-	20,428,200	-	1,640,410	22,068,610
Moody's -A1	-	-	-	14,227,792	-	924,862	15,152,654
Moody's -A2	-	-	-	30,242,224	-	-	30,242,224
Moody's -A3	-	-	-	4,995,361	-	-	4,995,361
Moody's -Baa1	-	13,430,719	-	937,296	-	-	14,368,015
Not Rated	41,008,717	-	14,816,769	2,924,809	-	-	58,750,295
Total items subject to credit risk	\$ 41,008,717	\$ 13,430,719	\$ 100,572,654	\$ 92,112,263	\$ 7,345,765	\$ 10,125,874	\$ 264,595,992

Items not subject to credit risk:

	Fair Value 2012
Cash	\$ 2,708,035
Money Market Account	5,771,266
U.S. Treasury Securities	86,474,928
Mutual Funds - Fixed	63,094,088
Mutual Funds - Equity	129,039,914
Equity	18,192,491
Exchange Traded Funds	15,006,533
Illiquid Real Assets	21,375,861
Private Equity	40,727,653
Marketable Alternatives	56,459,492
Land Grant Permanent Fund	165,888,093
Total items not subject to credit risk	\$ 604,738,354

University of New Mexico Foundation, Inc.
Investments held in Consolidated Investment Fund - Not Rated
\$ (144,930,931)
Total Investments
\$ 724,403,415

Primary Institution 2011

Items subject to credit risk:

Credit Rating	Money Market	Repurchase Agreements	U.S.				Fair Value 2011
			Government Agencies	Corporate Bonds/Notes	International Bonds	Municipal Bonds	
Fitch - AAA	\$ -	\$ -	\$ 19,362,034	\$ -	\$ -	\$ -	\$ 19,362,034
Moody's -Aaa	-	-	60,154,059	1,502,639	7,168,035	831,120	69,655,853
S&P AAA	-	-	-	-	-	1,234,817	1,234,817
Moody's -Aa1	-	-	-	2,194,475	-	381,975	2,576,450
Moody's -Aa2	-	-	-	9,424,605	-	630,013	10,054,618
Moody's -Aa3	-	13,433,669	-	6,248,581	-	541,771	20,224,021
Moody's -A1	-	-	-	6,441,368	-	912,969	7,354,337
Moody's -A2	-	-	-	20,312,026	-	-	20,312,026
Not Rated	37,074,455	-	10,559,925	-	-	1,002,460	48,636,840
Total items subject to credit risk	\$ 37,074,455	\$ 13,433,669	\$ 90,076,018	\$ 48,801,681	\$ 7,680,690	\$ 5,535,125	\$ 202,601,638

Items not subject to credit risk:

	Fair Value 2011
Cash	\$ 1,445,095
Money Market Account	16,159,219
Certificate of Deposit	1,009,725
U.S. Treasury Securities	100,881,800
Mutual Funds - Fixed	57,878,253
Mutual Funds - Equity	139,387,991
Equity	16,703,040
Exchange Traded Funds	18,497,607
Illiquid Real Assets	16,371,852
Private Equity	35,209,107
Marketable Alternatives	56,190,736
Land Grant Permanent Fund	167,884,460
Total items not subject to credit risk	\$ 627,618,885

University of New Mexico Foundation, Inc.
Investments held in Consolidated Investment Fund - Not Rated
\$ (143,392,723)
Total Investments
\$ 686,827,800

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Component Units 2012

Items subject to credit risk:

Credit Rating	U.S Government Agencies	Corporate Bonds/Notes	International Bonds	Municipal Bonds	Fair Value 2012
Moody's -Aaa	\$ 26,592	\$ 749,720	\$ -	\$ 743,077	\$ 1,519,389
S&P AAA	13,624,871	-	1,654,114	536,393	15,815,378
S&P AA	301,051	3,955,424	-	817,161	5,073,636
Moody's -Aa1	-	53,658	-	427,187	480,845
Moody's -Aa2	-	-	-	1,469,082	1,469,082
Moody's -Aa3	-	-	-	618,446	618,446
S&P - A	-	6,304,893	-	490,575	6,795,468
Moody's -A1	-	26,247	-	160,960	187,207
Moody's -A3	-	50,987	-	25,830	76,817
S&P BBB	-	464,904	-	-	464,904
Moody's -Baa2	-	50,300	-	11,998	62,298
Not Rated	-	100,831	-	87,820	188,651
Items subject to credit risk	\$ 13,952,514	\$ 11,756,964	\$ 1,654,114	\$ 5,388,529	\$ 32,752,121

Fair Value 2012

Items not subject to credit risk:

Money Market Account	\$ 1,687,791
Certificate of Deposit	1,109,288
Mutual Funds	10,214,092
Mutual Funds - Fixed	27,748,533
Mutual Funds - Equity	56,751,248
Equity	154,136
Exchange Traded Funds	6,599,814
Illiquid Real Assets	9,401,020
Private Equity	17,911,862
Marketable Alternative	24,875,842
Real Estate	425,009
Other	178,198
Total items not subject to credit risk	\$ 157,056,833
Total Investments	\$ 189,808,954

Component Units 2011

Items subject to credit risk:

Credit Rating	U.S Government Agencies	Corporate Bonds/Notes	International Bonds	Municipal Bonds	Fair Value 2011
Moody's -Aaa	\$ 25,216	\$ 437,206	\$ -	\$ 719,351	\$ 1,181,773
Moody's -Aa1	-	475,113	-	678,901	1,154,014
S&P AA-	-	-	-	301,887	301,887
Moody's -Aa2	-	822,262	-	1,770,363	2,592,625
Moody's -Aa3	-	2,362,715	-	621,212	2,983,927
S & P - A	-	105,015	-	-	105,015
Moody's -A1	-	1,629,929	-	698,290	2,328,219
S & P - A-	-	-	-	100,630	100,630
Moody's -A2	-	1,828,871	-	23,678	1,852,549
Moody's -A3	-	601,321	-	24,637	625,958
Moody's -MIG-1	-	-	-	201,183	201,183
Not Rated	5,995,200	-	-	86,246	6,081,446
Items subject to credit risk	\$ 6,020,416	\$ 8,609,369	\$ -	\$ 5,237,768	\$ 19,867,553

Fair Value 2011

Items not subject to credit risk:

Money Market Account	\$ 5,309,974
Certificate of Deposit	1,111,288
U.S. Treasury Securities	3,838,957
Mutual Funds	7,460,576
Mutual Funds - Fixed	24,702,038
Mutual Funds - Equity	59,489,831
Equity	3,436,495
Exchange Traded Funds	7,894,651
Illiquid Real Assets	6,987,393
Private Equity	15,027,003
Marketable Alternative	23,981,833
Real Estate	239,700
Other	335,588
Total items not subject to credit risk	\$ 159,815,327
Total Investments	\$ 179,682,880

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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. A summary of the investments at June 30, 2012 and 2011 and their exposure to foreign currency risk are as follows:

Primary Institution

Currency	Foreign Government	Foreign Government
	Bonds 2012	Bonds 2011
Australian Dollar	\$ 2,642,575	\$ 2,414,677
Canadian Dollar	4,703,190	2,321,865
Euro	-	2,431,493
N/A	-	512,655
Total	<u>\$ 7,345,765</u>	<u>\$ 7,680,690</u>

Component Units

Currency	Foreign Government	Foreign Government
	Bonds 2012	Bonds 2011
Australian Dollar	\$ 852,287	\$ -
Canadian Dollar	801,827	-
Swiss Franc	-	422,534
N/A	-	346,937
Total	<u>\$ 1,654,114</u>	<u>\$ 769,471</u>

Concentration of Credit Risk - Concentration 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.

At June 30, 2012, the University does have a policy to limit its exposure to concentrated credit risk. It states that investments shall be diversified with the intent to minimize the risk of large investment losses. As of June 30, 2012 and 2011, the University did not have any investments in one issuer that represented more than 5% of total investments.

Investment Income - At June 30, 2012 and 2011, investment income consisted of the following:

	<u>2012</u>	<u>2011</u>
Primary Institution Investment Income (Loss)		
<i>Investment Revenue</i>		
Investment income	\$ 2,793,184	\$ 4,421,043
Land Grant Permanent Fund distributions	9,603,795	9,663,955
<i>Realized Gains/(Losses)</i>		
Endowments-Consolidated Investment Fund	3,791,756	3,427,556
Non-Endowment Investments	451,896	(200,632)
<i>Unrealized Gains/(Losses)</i>		
Land Grant Permanent Fund	(1,996,368)	26,286,385
Endowments-Consolidated Investment Fund	(5,826,977)	25,881,457
Non-Endowment Investments	(643,285)	1,000,416
	<u>\$ 8,174,001</u>	<u>\$ 70,480,180</u>
Component Units Investment Income	<u>\$ 1,832,771</u>	<u>\$ 26,590,386</u>

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June 30, 2012 and 2011

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

Accounts receivable, patient receivables, and other receivables are shown net of allowances for doubtful accounts in the accompanying statements of net assets. At June 30, 2012 and 2011, receivables consisted of the following:

	<u>2012</u>	<u>2011</u>
Primary Institution accounts receivable		
Contracts and grants	\$ 33,500,720	\$ 31,897,586
HSC health services	3,406,248	4,368,710
Sales and services	8,921,313	8,827,862
Auxiliaries	8,651,256	8,168,574
Tuition and fees	12,901,312	10,686,752
State Lottery scholarships	16,676,465	-
State of New Mexico bonds	1,877,780	2,314,767
Other	1,512,897	6,045,953
	<u>\$ 87,447,991</u>	<u>\$ 72,310,204</u>
Less: Allowances for doubtful accounts	<u>(15,740,438)</u>	<u>(14,708,697)</u>
	<u>\$ 71,707,553</u>	<u>\$ 57,601,507</u>
Component Units accounts receivable, net	<u>\$ 2,094,259</u>	<u>\$ 1,819,398</u>
Primary Institution patient receivables, net		
Patient receivables	\$ 261,579,917	\$ 273,011,446
Less: Allowance for doubtful accounts	<u>(184,593,155)</u>	<u>(197,482,778)</u>
	<u>\$ 76,986,762</u>	<u>\$ 75,528,668</u>
Component Units patient receivables, net		
Patient receivables	\$ 61,751,191	\$ 59,344,890
Less: Allowance for doubtful accounts	<u>(42,569,953)</u>	<u>(38,705,491)</u>
	<u>\$ 19,181,238</u>	<u>\$ 20,639,399</u>
Primary Institution other receivables		
Bernalillo County Treasurer	\$ 1,518,927	\$ 1,427,689
Other receivables	<u>7,367,613</u>	<u>3,589,689</u>
	<u>\$ 8,886,540</u>	<u>\$ 5,017,378</u>
Component Units other receivables	<u>\$ 3,320,040</u>	<u>\$ -</u>

(5) Notes Receivable

Current notes receivable are shown net of allowance for doubtful accounts in the accompanying statements of net assets. At June 30, 2012 and 2011, notes receivable consisted of the following:

	<u>2012</u>	<u>2011</u>
Primary Institution notes receivable, net		
Current notes receivable		
Student loans	<u>\$ 3,886,028</u>	<u>\$ 3,033,952</u>
Noncurrent notes receivable		
Student loans	<u>\$ 8,307,450</u>	<u>\$ 9,585,371</u>

Federal Perkins Loans make up approximately 68% and 75% of the student loans at June 30, 2012 and 2011, respectively. Under this program, the federal government provides funds for approximately 75% of the total contribution for student loans, with the University providing the balance. Under certain conditions, such loans can be forgiven at

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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.

(6) Capital Assets (in thousands)

	Year Ended June 30, 2012				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
University capital assets not being depreciated					
Land	\$ 43,268	\$ 237	\$ -	\$ (595)	\$ 42,910
Construction in-progress	52,716	33,931	(53,771)	-	32,876
	<u>\$ 95,984</u>	<u>\$ 34,168</u>	<u>\$ (53,771)</u>	<u>\$ (595)</u>	<u>\$ 75,786</u>
University depreciable capital assets					
Land improvements	\$ 55,436	\$ -	\$ 449	\$ -	\$ 55,885
Infrastructure	153,396	-	3,841	-	157,237
Buildings	1,021,709	-	49,481	(4,001)	1,067,189
Equipment and furnishings	237,316	13,487	-	(27,887)	222,916
Library books	143,394	6,755	-	-	150,149
Total depreciable capital assets	<u>\$ 1,611,251</u>	<u>\$ 20,242</u>	<u>\$ 53,771</u>	<u>\$ (31,888)</u>	<u>\$ 1,653,376</u>
Less: Accumulated depreciation for					
Land improvements	\$ (31,487)	\$ (1,569)	\$ -	\$ -	\$ (33,056)
Infrastructure	(59,855)	(7,327)	-	-	(67,182)
Buildings	(325,659)	(28,498)	-	2,207	(351,950)
Equipment and furnishings	(183,298)	(21,072)	-	26,929	(177,441)
Library books	(129,682)	(7,084)	-	-	(136,766)
Total accumulated depreciation	<u>\$ (729,981)</u>	<u>\$ (65,550)</u>	<u>\$ -</u>	<u>\$ 29,136</u>	<u>\$ (766,395)</u>
University depreciable capital assets, net	<u>\$ 881,270</u>	<u>\$ (45,308)</u>	<u>\$ 53,771</u>	<u>\$ (2,752)</u>	<u>\$ 886,981</u>
Capital asset summary					
University capital assets not being depreciated	\$ 95,984	\$ 34,168	\$ (53,771)	\$ (595)	\$ 75,786
University depreciable capital assets at cost	1,611,251	20,242	53,771	(31,888)	1,653,376
University total cost of capital assets	<u>\$ 1,707,235</u>	<u>\$ 54,410</u>	<u>\$ -</u>	<u>\$ (32,483)</u>	<u>\$ 1,729,162</u>
Less: Accumulated depreciation	(697,222)	(63,645)	-	28,313	(732,554)
Less: Accumulated depreciation – Auxiliaries	(32,759)	(1,905)	-	823	(33,841)
University capital assets, net	<u>\$ 977,254</u>	<u>\$ (11,140)</u>	<u>\$ -</u>	<u>\$ (3,347)</u>	<u>\$ 962,767</u>
Clinical Operations capital assets	\$ 576,418	\$ 20,617	\$ -	\$ (24,400)	\$ 572,635
Less: Accumulated depreciation	(284,805)	(34,842)	-	24,279	(295,368)
Clinical Operations capital assets, net	<u>\$ 291,613</u>	<u>\$ (14,225)</u>	<u>\$ -</u>	<u>\$ (121)</u>	<u>\$ 277,267</u>
Primary Institution capital assets, net	<u>\$ 1,268,867</u>	<u>\$ (25,365)</u>	<u>\$ -</u>	<u>\$ (3,468)</u>	<u>\$ 1,240,034</u>
Component Units capital assets, net	<u>\$ 41,218</u>	<u>\$ 89,984</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ 131,197</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, 2012 and 2011, the University capitalized interest expense of \$673,898 and \$2,952,394, respectively.

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	Year Ended June 30, 2011				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
University capital assets not being depreciated					
Land	\$ 40,091	\$ 3,177	\$ -	\$ -	\$ 43,268
Construction in-progress	114,351	76,891	(138,526)	-	52,716
Fabricated equipment in-progress	89	-	(89)	-	-
	<u>\$ 154,531</u>	<u>\$ 80,068</u>	<u>\$ (138,615)</u>	<u>\$ -</u>	<u>\$ 95,984</u>
University depreciable capital assets					
Land improvements	\$ 38,433	\$ -	\$ 17,003	\$ -	\$ 55,436
Infrastructure	146,848	-	6,548	-	153,396
Buildings	906,952	-	114,975	(218)	1,021,709
Equipment and furnishings	234,066	13,514	89	(10,353)	237,316
Library books	136,946	6,448	-	-	143,394
Total depreciable capital assets	<u>\$ 1,463,245</u>	<u>\$ 19,962</u>	<u>\$ 138,615</u>	<u>\$ (10,571)</u>	<u>\$ 1,611,251</u>
Less: Accumulated depreciation for					
Land improvements	\$ (29,935)	\$ (1,552)	\$ -	\$ -	\$ (31,487)
Infrastructure	(52,503)	(7,352)	-	-	(59,855)
Buildings	(298,923)	(26,897)	-	161	(325,659)
Equipment and furnishings	(175,880)	(17,196)	-	9,778	(183,298)
Library books	(122,632)	(7,050)	-	-	(129,682)
Total accumulated depreciation	<u>\$ (679,873)</u>	<u>\$ (60,047)</u>	<u>\$ -</u>	<u>\$ 9,939</u>	<u>\$ (729,981)</u>
University depreciable capital assets, net	<u>\$ 783,372</u>	<u>\$ (40,085)</u>	<u>\$ 138,615</u>	<u>\$ (632)</u>	<u>\$ 881,270</u>
Capital asset summary					
University capital assets not being depreciated	\$ 154,531	\$ 80,068	\$ (138,615)	\$ -	\$ 95,984
University depreciable capital assets at cost	1,463,245	19,962	138,615	(10,571)	1,611,251
University total cost of capital assets	<u>\$ 1,617,776</u>	<u>\$ 100,030</u>	<u>\$ -</u>	<u>\$ (10,571)</u>	<u>\$ 1,707,235</u>
Less: Accumulated depreciation	(648,534)	(58,343)	-	9,655	(697,222)
Less: Accumulated depreciation – Auxiliaries	(31,339)	(1,704)	-	284	(32,759)
University capital assets, net	<u>\$ 937,903</u>	<u>\$ 39,983</u>	<u>\$ -</u>	<u>\$ (632)</u>	<u>\$ 977,254</u>
Clinical Operations capital assets	\$ 575,330	\$ 29,352	\$ -	\$ (28,264)	\$ 576,418
Less: Accumulated depreciation	(277,829)	(35,261)	-	28,285	(284,805)
Clinical Operations capital assets, net	<u>\$ 297,501</u>	<u>\$ (5,909)</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 291,613</u>
Primary Institution capital assets, net	<u>\$ 1,235,404</u>	<u>\$ 34,074</u>	<u>\$ -</u>	<u>\$ (611)</u>	<u>\$ 1,268,867</u>
Component Units capital assets, net	<u>\$ 7,135</u>	<u>\$ 34,084</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 41,218</u>

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June 30, 2012 and 2011

(7) Accounts Payable and Accrued Payroll

At June 30, 2012 and 2011, accounts payable and accrued payroll consisted of the following:

	<u>2012</u>	<u>2011</u>
Primary Institution accounts payable and accrued payroll		
Trade payables	\$ 12,693,367	\$ 14,375,872
Clinical operations – trade payables	29,649,320	28,813,721
Accrued payroll	31,578,788	32,525,124
Clinical operations – accrued payroll	10,758,498	21,712,107
Self-insurance reserve	16,857,384	17,085,947
Clinical operations – self-insurance reserve	4,545,187	4,567,733
	<u>\$106,082,544</u>	<u>\$119,080,504</u>
Component Units accounts payable and accrued payroll	<u>\$ 26,642,898</u>	<u>\$ 9,129,517</u>

(8) Accrued Compensated Absences

During the years ended June 30, 2012 and 2011, the following changes occurred in accrued compensated absences:

<u>Fiscal Year</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
2012	\$42,389,240	\$58,780,153	\$ (56,450,389)	\$ 44,719,004
2011	41,495,487	53,560,370	(52,666,617)	42,389,240

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

(9) Other Accrued Liabilities - Current

At June 30, 2012 and 2011, other accrued liabilities consisted of the following:

	<u>2012</u>	<u>2011</u>
Primary Institution other accrued liabilities		
Bond interest	\$ 1,682,964	\$ 3,157,931
Clinical operations – bond interest	4,119,659	4,224,150
Other	4,711,597	8,335,387
Clinical operations – other	913,541	2,948,541
	<u>\$ 11,427,761</u>	<u>\$ 18,666,009</u>
Component Units other accrued liabilities	<u>\$ 1,842,052</u>	<u>\$ 3,474,262</u>

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(10) Deferred Revenue

At June 30, 2012 and 2011, deferred revenue consisted of the following:

	<u>2012</u>	<u>2011</u>
Primary Institution deferred revenue		
Contracts and grants	\$ 20,599,332	\$ 20,259,790
Prepaid tuition and fees	7,735,464	8,394,457
Prepaid auxiliary operations sales	7,364,563	3,919,658
Gifts	2,541,628	3,477,520
Sales and services	2,993,609	1,335,462
Other	188,364	267,060
	<u>\$ 41,422,960</u>	<u>\$ 37,653,947</u>
Component Units deferred revenue	<u>\$ 1,753,039</u>	<u>\$ 1,844,283</u>

(11) Noncurrent Liabilities

At June 30, 2012 and 2011, noncurrent liabilities consisted of the following:

	<u>Year Ended June 30, 2012</u>					
	Beginning			Ending	Current	Non-current
	Balance	Additions	Deductions	Balance	Portion	Portion
Primary Institution noncurrent liabilities						
Bonds payable	\$ 622,388,638	\$ 41,225,859	\$ (62,687,728)	\$ 600,926,769	\$ 18,274,310	\$ 582,652,459
Student loan programs	13,417,222	261,633	(508,419)	13,170,436	-	13,170,436
Net OPEB obligation	26,647,000	4,051,183	-	30,698,183	-	30,698,183
Derivative instruments-int rate swaps	8,016,390	7,859,430	-	15,875,820	-	15,875,820
Other	629,499	-	(236,113)	393,386	-	393,386
	<u>\$ 671,098,749</u>	<u>\$ 53,398,105</u>	<u>\$ (63,432,260)</u>	<u>\$ 661,064,594</u>	<u>\$ 18,274,310</u>	<u>\$ 642,790,284</u>
Component Units noncurrent liabilities						
Bonds payable	\$ 143,425,000	\$ -	\$ -	\$ 143,425,000	\$ 1,540,000	\$ 141,885,000
Deferred annuities payable	2,753,151	597,433	-	3,350,584	364,033	2,986,551
Due to University of New Mexico	21,245,124	17,415,824	-	38,660,948	35,655,307	3,005,641
	<u>\$ 167,423,275</u>	<u>\$ 18,013,257</u>	<u>\$ -</u>	<u>\$ 185,436,532</u>	<u>\$ 37,559,340</u>	<u>\$ 147,877,192</u>
	<u>Year Ended June 30, 2011</u>					
	Beginning			Ending	Current	Non-current
	Balance	Additions	Deductions	Balance	Portion	Portion
Primary Institution noncurrent liabilities						
Bonds payable	\$ 639,671,984	\$ -	\$ (17,283,346)	\$ 622,388,638	\$ 17,676,584	\$ 604,712,054
Student loan programs	13,744,223	240,127	(567,128)	13,417,222	-	13,417,222
Net OPEB obligation	16,890,000	9,757,000	-	26,647,000	-	26,647,000
Derivative instruments-int rate swaps	8,831,474	0	(815,084)	8,016,390	-	8,016,390
Other	638,359	-	(8,860)	629,499	-	629,499
	<u>\$ 679,776,040</u>	<u>\$ 9,997,127</u>	<u>\$ (18,674,418)</u>	<u>\$ 671,098,749</u>	<u>\$ 17,676,584</u>	<u>\$ 653,422,165</u>
Component Units noncurrent liabilities						
Bonds payable	\$ -	\$ 143,425,000	\$ -	\$ 143,425,000	\$ -	\$ 143,425,000
Deferred annuities payable	2,868,319	49,629	(164,797)	2,753,151	377,663	2,375,488
Due to University of New Mexico	10,358,802	10,886,322	-	21,245,124	18,312,604	2,932,520
	<u>\$ 13,227,121</u>	<u>\$ 154,360,951</u>	<u>\$ (164,797)</u>	<u>\$ 167,423,275</u>	<u>\$ 18,690,267</u>	<u>\$ 148,733,008</u>

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June 30, 2012 and 2011

(12) Bonds Payable

(A) Primary Institution

The bonds are collateralized by substantially all unrestricted revenues, excluding state appropriations and revenues from clinical operations and patient services. At June 30, 2012 and 2011, bonds payable consisted of the following:

	<u>2012</u>	<u>2011</u>
Subordinate Lien System Improvement Revenue Bonds Series 2012 with interest ranging from 2.0% to 5.0% – final maturity 2032	\$ 34,485,000	\$ -
Subordinate Lien System Improvement Revenue Bonds Series 2007 A&B with interest ranging from 4.0% to 5.95% – final maturity 2036	133,385,000	135,080,000
Subordinate Lien System Improvement Revenue Bonds Series 2005 with interest ranging from 3.0% to 5.0% – final maturity 2035	118,330,000	120,255,000
FHA Insured Hospital Mortgage Revenue Bonds Series 2004 with interest ranging from 2.00% to 5.00% – final maturity 2031	169,645,000	174,435,000
Subordinate Lien System Refunding Revenue Bonds Series 2003A with interest ranging from 2.00% to 5.25% – final maturity 2018.	9,560,000	10,585,000
Subordinate Lien System Revenue Bonds (Taxable) Series 2003B with interest ranging from 1.35% to 5.625% – final maturity 2024	4,594,250	5,585,000
Subordinate Lien System Revenue Bonds Series 2003C with interest ranging from 4.5% to 4.6% – final maturity 2033	5,180,750	4,450,000
Subordinate Lien System Refunding & Improvement Revenue Bonds Series 2002A with interest ranging from 2.5% to 5.25% – final maturity 2032	-	45,525,000
Subordinate Lien System Refunding Revenue Bonds Series 2002B Variable Rate Demand Bonds - rates reset weekly Weekly rate as of June 30, 2012 was .17% final maturity 2026	23,520,000	24,890,000
Subordinate Lien System Refunding Revenue Bonds Series 2002C Variable Rate Demand Bonds - rates reset weekly Weekly rate as of June 30, 2012 was .17% final maturity 2030	36,025,000	36,390,000
Subordinate Lien System Improvement Revenue Bonds Series 2001 Variable Rate Demand Bonds - rates reset weekly Weekly rate as of June 30, 2012 was .18% Ceiling of 12% – final maturity 2026	37,270,000	39,185,000
System Revenue Bonds Series 2000B with interest ranging from 5.5% to 6.35% – final maturity 2019	2,758,130	3,304,714
System Revenue Refunding Bonds Series 1992A with interest ranging from 5.60% to 6.25% – final maturity 2021	19,200,000	20,830,000
	<u>\$ 593,953,130</u>	<u>\$ 620,514,714</u>
Add: Bond premium	13,636,321	9,841,464
Deferred amount on refunding	616,449	-
Less: Loss on defeased bonds	(3,368,547)	(3,792,080)
Bond discounts	(1,934,258)	(2,111,730)
Current portion of bonds payable	(18,274,310)	(17,676,584)
Bond insurance and surety premiums	(1,018,405)	(1,062,254)
Original issue discount	(957,921)	(1,001,476)
Noncurrent bonds payable	<u>\$ 582,652,459</u>	<u>\$ 604,712,054</u>

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Future debt service as of June 30, 2012 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2013	\$ 18,274,310	\$ 28,280,783	\$ 46,555,093
2014	19,043,652	27,567,762	46,611,414
2015	19,847,934	26,775,970	46,623,904
2016	20,730,532	25,893,472	46,624,004
2017	21,697,969	24,933,275	46,631,244
2018-2022	127,378,733	105,534,599	232,913,332
2023-2027	152,355,000	71,667,595	224,022,595
2028-2032	129,400,000	38,030,532	167,430,532
2033-2037	85,225,000	6,573,950	91,798,950
	<u>\$ 593,953,130</u>	<u>\$ 355,257,938</u>	<u>\$ 949,211,068</u>

Defeased Bonds:

The University has defeased certain System Revenue Bonds as follows:

On October 1, 1992, the University of New Mexico 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, 2012 is \$6,954,062.

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.

Current Refunding:

The Series 2012 Subordinate Lien System Refunding Revenue Bonds were issued by the University for the purpose of providing moneys used to finance (1) the refunding of various maturities of the University of New Mexico Subordinate Lien System Improvement Revenue Bonds, Series 2002A; (2) the funding of the debt service reserve account for the Bonds; and (3) the payment of costs of issuance relating to the Bonds. The refunding of the 2002A bonds is expected to lower the overall debt service requirements of the University. The refunded Series 2002A Bonds were called for redemption on June 1, 2012, the earliest optional redemption date.

Sources of Funds

Bond Proceeds	\$ 35,215,000
Reoffering Premium	5,680,967
Transfers from Prior Issue Debt Service Reserve Fund	3,426,987
Payments from 2002A Reserve Fund Forward Delivery Agreement	1,305,000
Total Sources of Funds	<u>\$ 45,627,954</u>

Uses of Funds

Deposit to Refunding Fund	\$ 44,465,434
Deposit to Debt Service Reserve Fund	946,680
Costs of Issuance	265,000
Underwriter's Discount	249,199
Contingency	1,641
Total Uses of Funds	<u>\$ 45,927,954</u>

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Cash Flow Differential

Prior Refunded Debt Service	Refunding Debt Service	Refunding Savings
\$ 70,197,625	\$ 54,638,211	\$ 15,559,414

Economic Gain / (Loss)

Principal amount of 2012 bonds	\$ 35,215,000
Original issue premium	5,680,967
Present value of future Debt Service Expense	\$ 40,895,967
Present value of 2002A Debt Service Expense	56,081,888
Net Economic Gain	\$ 15,185,921

Standby Purchase Agreements:

Standby Purchase Agreements provide 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, 2012 and 2011 were \$812,299 and \$891,017, respectively. A schedule including the provider and maturities is presented below, as of June 30, 2012.

J.P. Morgan (1)				
Liquidity Expiration	Series 2001	Series 2002B	Series 2002C	Grand Total
12/31/2014	\$ 37,270,000	\$ 23,520,000	\$ 36,025,000	\$ 96,815,000

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 but not including the amortization commencement date, the base rate in effect and (ii) from and after the amortization commencement date, the base rate in effect plus 1%; provided that from and after the occurrence of an event of default, the bank rate shall mean the default rate.

Base Rate: means, for any day, an interest rate per annum equal to the highest of (i) the sum of one and one-half percent (1.50%) plus the prime rate for such day, (ii) the sum of two percent (2.00%) plus the Federal Funds Rate for such day, and (iii), eight and one-half percent (8.5%). Each change in the base rate shall take effect at the time of any change in the prime rate or Federal Funds Rate.

Liquidity Fees

	2001	2002B	2002C	Total
FY12	\$ 317,003	\$ 200,732	\$ 294,564	\$ 812,299
FY11	\$ 379,530	\$ 207,572	\$ 303,915	\$ 891,017

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Interest Rate Swap Agreements:

On June 30, 2012, the University had the following derivative instruments outstanding:

Item/ Counter-party	Type	Objective	Effective Date	Maturity Date	Terms	Current Year Fair Value	Prior Year Fair Value	Current Year Notional Amount	Prior Year Notional Amount
Hedging Derivatives									
A- JPMorgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	11/1/2002	6/1/2026	Receive SIFMA USD - Pay 4.16% Fixed	\$ (1,950,793)	\$ (1,221,046)	\$ 9,317,500	\$ 9,796,250
B- JPMorgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	11/13/2002	6/1/2030	Receive SIFMA USD - Pay 3.94% Fixed	\$ (7,650,028)	\$ (3,118,901)	\$ 36,025,000	\$ 36,390,000
C- JPMorgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds	1/30/2003	6/1/2026	Receive SIFMA USD - Pay 3.83% Fixed	\$ (4,306,361)	\$ (2,436,791)	\$ 23,520,000	\$ 24,890,000
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)	11/13/2002	6/1/2026	Receive SIFMA USD - Pay 4.185% Fixed	\$ (1,968,638)	\$ (1,239,652)	\$ 9,317,500	\$ 9,796,250
Investment Derivatives									
E- JPMorgan	Pay- Variable/Receive Variable interest rate swap	Hedge against falling SIFMA rates related to the 2001 System Imprv Rev Bonds (Swap Overlays)	9/15/2006	6/1/2026	Receive 63.55% of 5 year LIBOR swap rate + .31% - Pay SIFMA	\$ 558,304	\$ 716,136	\$ 18,635,000	\$ 19,592,500
F- JPMorgan	Pay- Variable/Receive Variable interest rate swap	Hedge against falling SIFMA rates related to the 2002C Refunding Rev Bonds (Swap Overlays)	9/15/2006	6/1/2030	Receive 63.55% of 5 year LIBOR swap rate + .38% - Pay SIFMA	\$ 1,182,659	\$ 1,355,193	\$ 36,025,000	\$ 36,390,000

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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 counter party to make the required periodic payments. The credit ratings for each of the counterparties are as follows:

<u>Entity</u>	<u>Moody's</u>		<u>S & P</u>		<u>Fitch</u>	
	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>
JP Morgan	Aa3	P-1	A+	A1	A+	F1
RBC Royal Bank	Aa3	P-1	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 (SIFMA) swap index decreases, the University's net payment on the underlying swaps increases. Alternatively, on its pay-variable (SIFMA), received-variable (LIBOR) overlay interest rate swaps, as LIBOR and the Securities Industry and Financial Markets Association (SIFMA) swap index increases, the University's net payment on the overlay swaps increases. VRDO bonds do not pay SIFMA, they are re-priced every week.

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 (LIBOR) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (LIBOR) other than the weekly rate the University pays on the VRDO bonds. At June 30, 2012, the interest rate on the University's variable-rate hedged debt is 0.18%, while the 63.55% of 5 Yr. LIBOR + 0.31% is 0.9271%.

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% ("knock out provision"). The 180-day SIFMA is defined as the weighted average rate taken off 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 knock-out option.

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

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 counter-parties, 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.

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<u>Rating</u>	<u>Swap MTM Threshold for Party's A & 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 <	0

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, 2012; therefore, no collateral has been posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2012, 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 of 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>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total</u>
2013	\$4,260,000	\$ 145,223	\$ 2,863,206	\$ 7,268,429
2014	4,450,000	245,271	2,571,395	7,266,666
2015	4,620,000	374,446	2,225,582	7,220,028
2016	4,820,000	496,736	1,884,407	7,201,143
2017	4,650,000	601,787	1,563,561	6,815,348
2018	4,840,000	673,537	1,302,297	6,815,834
2019	5,570,000	712,503	1,087,122	7,369,625
2020	6,320,000	718,737	899,262	7,937,999
2021	6,580,000	696,013	732,583	8,008,596
2022	6,855,000	651,559	592,879	8,099,438
2023	7,155,000	587,590	476,184	8,218,774
2024	7,465,000	511,895	368,558	8,345,453
2025	7,770,000	419,451	278,474	8,467,925
2026	9,900,000	316,535	195,356	10,411,891
2027	2,900,000	175,134	105,196	3,180,330
2028	3,030,000	132,931	75,342	3,238,273
2029	3,160,000	87,547	46,729	3,294,276
2030	2,470,000	39,026	19,266	2,528,292

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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, 2012. 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 asset titled "deferred outflow of resources." Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset asset. The fair value change in fiscal year 2012 for the hedge instruments was a \$7,859,430 increase to the liability and an equal offsetting increase to the asset. For fiscal year 2011, the change was an \$815,805 decrease to the liability and an equal offsetting decrease to the asset. 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, 2012 was recorded to investment unrealized losses in the amount of \$330,367. As of June 30, 2011, the fair value change for swaps E and F was recorded to unrealized gains in the amount of \$1,219,154.

(B) Component Units

The bonds are guaranteed by a Federal Housing Administration (FHA) commitment for mortgage insurance on September 17, 2010 under the HUD 242 program. Additionally, SRMC is entitled to interest expense subsidy from the U.S. Treasury equal to 35% on Build America Bonds (Series 2010A) and 45% subsidy on Recovery Zone Economic Development Bonds (Series 2010 B). This lowers the all in true cost after the subsidy to 3.33%. The bond subsidy payments are recognized as nonoperating revenues.

Additionally, in fiscal year 2011, the Regents of UNM made an equity contribution of \$46 million to SRMC as part of the requirements of the FHA guarantee. These funds are to sustain the preopening operational costs and working capital needs of SRMC. The terms of the Bonds issued are as follows:

	<u>2012</u>	<u>2011</u>
Taxable Revenue Build America Bonds	\$ 133,425,000	\$ 133,425,000
Series 2010 A with fixed-interest rate		
4.5% – final maturity 2037		
Taxable Revenue Recovery Zone Economic Development Bonds	10,000,000	10,000,000
Series 2010 A with fixed-interest rate of		
5.0% – final maturity 2038		
	<u>\$ 143,425,000</u>	<u>\$ 143,425,000</u>

Future debt service as of June 30, 2012 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2013	\$ 1,540,000	\$ 3,252,063	\$ 4,792,063
2014	3,160,000	6,399,725	9,559,725
2015	3,310,000	6,255,838	9,565,838
2016	3,470,000	6,105,088	9,575,088
2017	3,635,000	5,947,138	9,582,138
2018-2022	20,980,000	27,086,201	48,066,201
2023-2027	26,525,000	21,828,964	48,353,964
2028-2032	33,545,000	15,180,889	48,725,889
2033-2037	42,430,000	6,771,026	49,201,026
2038-2039	4,830,000	359,125	5,189,125
	<u>\$ 143,425,000</u>	<u>\$ 99,186,057</u>	<u>\$ 242,611,057</u>

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(13) Patient Services and Clinical Operations Revenues

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

Primary Institution	2012	2011
Charges at established rates	\$ 118,948,963	\$ 120,654,588
Contractual adjustments	(19,784,289)	(16,710,749)
Provision for doubtful accounts, net	(1,665,779)	(1,395,408)
Net patient services revenues	<u>\$ 97,498,895</u>	<u>\$ 102,548,431</u>

Below is a summary of the clinical operations revenues:

Clinical Operations	2012	2011
Operating revenues		
Charges at established rates	\$1,346,640,930	\$1,306,744,395
Charity care	(266,207,717)	(254,244,453)
Contractual adjustments	(473,435,341)	(471,771,171)
Provision for doubtful accounts, net	(99,221,748)	(68,119,958)
Net patient services revenues	<u>\$ 507,776,124</u>	<u>\$ 512,608,813</u>
Other operating revenues	18,841,597	10,312,338
Total operating revenues	<u>\$ 526,617,721</u>	<u>\$ 522,921,151</u>
Nonoperating revenues (expenses)		
Bernalillo County mill levy	\$ 90,165,589	\$ 89,315,995
State appropriations	11,333,800	12,409,600
Investment income	3,547,542	4,187,645
Bequests and contributions	2,773,217	3,258,343
Equity in earnings of TriCore and TriCore Lab Service Corp	1,429,949	1,382,920
Land grant permanent fund earnings	800,825	842,491
Capital initiatives	(20,194,800)	(33,817,612)
Interest on capital asset-related debt	(7,958,752)	(8,133,709)
Other nonoperating expenses	(1,855,610)	(1,830,156)
Net nonoperating revenues	<u>\$ 80,041,760</u>	<u>\$ 67,615,517</u>

Below is a summary of net patient services revenues of the component units:

Component Units	2012	2011
Charges at established rates	\$ 358,717,693	\$ 343,478,626
Charity care	(58,590,253)	(57,227,342)
Contractual adjustments	(143,872,303)	(129,156,204)
Provision for doubtful accounts, net	(28,553,888)	(28,285,858)
Net patient services revenues	<u>\$ 127,701,249</u>	<u>\$ 128,809,222</u>

The Hospital is reimbursed from the Medicare and Medicaid programs for certain reimbursable items 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 intermediary and the Medicaid audit agent. Cost reports through 2009 have been final settled for the Medicaid programs. Cost reports through 2007 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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(14) Leases

At June 30, 2012 and 2011, the University and the clinical operations had various lease arrangements summarized as follows:

(A) University and clinical operations as Lessees

(a) Capital Leases

Any existing capital leases are immaterial, and accordingly, there are no capital leases recorded at June 30, 2012 and 2011.

(b) Operating Leases

The University's rent expense for operating leases amounted to \$3,496,024 and \$5,322,522 for the years ended June 30, 2012 and 2011, respectively.

The clinical operations are committed under various leases for building and office space and data processing equipment. Rental expenses on operating leases and other nonlease equipment were \$8,849,000 and \$7,052,000 in 2012 and 2011, respectively, and includes amounts paid to the University of \$3,838,944 and \$2,243,584 in 2012 and 2011, respectively, which is eliminated in the government-wide financial statements.

(c) Minimum Lease Payments

The following is a schedule of future minimum lease payments for Primary Institution operating leases at June 30, 2012:

Year ending June 30	Lease Payments
2013	\$6,723,496
2014	4,982,517
2015	3,303,116
2016	1,401,887
2017	725,124
2018-2022	2,393,491
2023-2027	129,439
2028-2032	129,439
2033-2037	25,892
2038	2,190
	<u>\$19,816,591</u>

(B) University as Lessor

The University is lessor of various properties under operating lease agreements. For the years ended June 30, 2012 and 2011, respectively, total lease income, which includes annually renewable lease agreements, was \$5,569,375 and \$5,734,665.

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The following is a schedule of minimum future lease income under lease terms exceeding one year as of June 30, 2012:

Year ending June 30	Lease Income
2013	\$4,570,551
2014	3,184,713
2015	2,767,588
2016	2,729,033
2017	2,675,481
2018-2022	1,275,782
2023-2027	533,630
2028-2032	310,862
2033-2037	310,862
2038-	1,395,986
	<u>\$19,754,488</u>

(15) Risk Management

The University currently is a party to various litigation claims 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. During fiscal year 2011-2012, the University paid Risk Management \$19,030,075 in insurance premiums. During fiscal year 2010-2011, the University paid Risk Management \$14,988,251 in insurance premiums. The University's exposure is limited to \$1,000 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.

As a part of the University of New Mexico, the Hospital 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 Hospital's sovereign immunity for claims arising out of negligence out of the operation of the Hospital, the treatment of the Hospital's patients, and the healthcare services provided by Hospital 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. 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 Hospital 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 Hospital. As a result of the foregoing, the Hospital is fully covered for claims and/or lawsuits relating to medical malpractice or professional liability.

Effective July 1, 2009, the University began self-insuring its health and dental benefits. Under the plans, all eligible employees are provided access to the provider networks of Lovelace Health Plan and Presbyterian Health Plan for health services, and Delta Dental for dental services. Lovelace Health Plan and Presbyterian Health Plan provide

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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, invoices received but not yet paid, and catastrophic claims not covered by our excess claims carriers. At June 30, 2012 and 2011, the estimated amount of the University's claims and accrued invoices was \$16.9 and \$17.1 million, respectively, which is included in accrued payroll. The liability for claims incurred but not reported was based on the actuarial analysis calculated using information provided by Healthcare Analytics.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2011-2012	\$17,085,947	\$61,747,506	\$(61,976,069)	\$16,857,384
2010-2011	16,533,884	57,442,371	(56,890,308)	17,085,947

The UNM Hospital sponsors a self-insured health plan in which UNM Behavioral Operations also participate, as all employees are under the centralized umbrella of UNM 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, 2012 and 2011, the estimated amount of the Hospital's claims and accrued invoices was \$4.1 million and \$4.2 million, respectively, which is included in accrued payroll. As the Hospital receives all cash and pays all obligations of UNM Behavioral Operations, the estimated amount of the UNM Behavioral Operations' claims and accrued invoices recorded in the Hospital's accrued payroll was approximately \$409,749 and \$411,553 at June 30, 2012 and 2011. The liability for claims incurred but not reported was based on an actuarial analysis calculated using information provided by BCBSNM.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2011-2012	\$ 4,567,733	\$ 31,238,162	\$ (31,260,708)	\$4,545,187
2010-2011	3,186,531	31,420,133	(30,038,931)	4,567,733

(16) Retirement Plans and Postemployment Benefits

(A) University

Plan Description

Substantially all of the University's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined-benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers, and other employees of State public 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 website at www.nmerb.org.

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Funding Policy

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The University has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012, the University contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013, the University will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The University's contributions to ERB for the fiscal years ended June 30, 2012, 2011, and 2010, were \$35,670,518, \$42,725,054, and \$42,968,211, respectively, which equal the amount of the required contributions for each fiscal year.

Postemployment Benefits

Vesting in Retirement Benefits: A member becomes vested once he/she has met service requirements and has made contributions to the retirement plan for at least five years. Service requirements are satisfied by five or more years of "earned service credit" (actual service) or an "allowed service credit."

Determination of Benefits: The annual benefit is equal to 2.35% of the average of the five highest consecutive years' salary multiplied by the number of years of service (earned and allowed credit). Benefit may be reduced by election of an option that guarantees continuous income to a surviving beneficiary. The benefit may also be reduced if the member has less than 25 years of service and is less than age 60.

Eligibility for Retirement Benefits: Eligibility requires that one of the following criteria be met:

If hired before July 1, 2010,

- Age and earned service credits equal 75 or more
- Earned service credit and/or allowed service credit total 25 years or more
- Age 65 with at least 5 years of earned service credit

If hired on or after July 1, 2010,

- Age and earned service credits equal 80 or more
- Earned service credit and/or allowed service credit total 30 years or more
- Age 67 with at least 5 years of earned service credit

Allowed Service Credit: Up to five years of allowed service credit may be purchased by an administrator, teacher, or employee in one of the following: any public educational system in the United States, any U.S. Military Dependent school, any accredited private school or Federal Education program in New Mexico. The cost of purchase is based on actuarial cost and ranges from approximately 18% of current full-time earnings to as much as 68% of current full-time earnings for each year of service purchased. Up to five years of active military service may be purchased if payment is made within three years of the effective date of coverage under the Educational Retirement Act. The cost of purchase is 10.5% of member's average annual salary for all years of covered employment for each year purchased.

Alternative Retirement Plan

Certain eligible employees may choose to participate in the Alternative Retirement Plan (ARP), a defined-contribution plan, in lieu of the Educational Retirement Act. The benefit received upon retirement is based on the amount contributed by the employee during their career, subject to any investment gains or losses. Employees are 100% vested in both the employee and employer contributions upon enrollment in the ARP program. Employees can make an annual election to switch ARP providers. After seven years of participation in the ARP plan,

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employees can make a one-time switch to the ERA defined-benefit plan. ARP participants are eligible to retire when all of the following criteria are met:

- At least age 59½ at the time of application for retirement
- Completion of 5 consecutive years of service with the University immediately prior to retirement
- Have been actively enrolled in health, dental, and life insurance by a local group health insurance policy for at least 4 of the last 5 years and are presently enrolled in one of UNM's health insurance plans during the last 12 consecutive months of employment at UNM
- Must be on UNM's payroll the month prior to retirement with active insurance

(B) Clinical Operations

The Clinical Operations (University of New Mexico Hospital and University of New Mexico Behavioral 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 Clinical Operations also have a deferred compensation plan, called the UNM Hospitals 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.

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 on a percentage-of-salary 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 hospital assets, and are under the direction of a Plan Administrator. In 2012, a Roth 403(b) defined contribution plan option was added.

The University of New Mexico Hospital also has a defined-benefit plan that covers all employees who were members of the clerical and service worker collective bargaining unit as of June 30, 1977 and had completed a year of service prior to June 30, 1977. The plan provides monthly pension benefits based on service before July 1, 1977. The name of the plan is University of New Mexico/BCMC Retirement Plan B. There are currently 119 participants included in this plan. Actuarial pension data for this plan may be obtained by writing to UNM Hospital's Human Resources Department, P.O. Box 80600, Albuquerque, NM 87198-0600.

A small portion (approximately 75) of the Clinical Operations' full-time employees participates in the 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.

Total employer expense under the plans was \$13,498,745 and \$11,302,000 in 2012 and 2011, respectively. Total employee contributions under the plans were \$16,857,071 and \$15,803,000 in 2012 and 2011, respectively.

(C) Other Postemployment Benefits

Plan Description. The University, UNM Hospital and UNM Behavioral Operations are single employers that offer employees and their eligible dependents retiree benefits. The UNM Hospital and UNM Behavioral Operations employees and retirees participate under the same benefit plan. Therefore, for the purpose of this consolidated note, "the Hospital" refers to these two reporting entities. For the University, the authority to establish and amend the benefit provisions and contribution requirements rests with the Board of Regents. For the Hospital, the authority to

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establish and amend the benefit provisions rests with the Human Resource Administrator and the Chief Executive officer.

Retirees of the University are offered a choice of two medical plans, including prescription drugs: a fully insured plan through United Healthcare and a minimum premium plan through Lovelace Health Plan. Medicare retirees (for retirees 65 years of age and over) are offered a choice of three fully insured medical plans, including prescription drugs, of which two are through Lovelace Health Plan and one is through Presbyterian Health Plans. Medicare retirees are also offered two Medicare Advantage plans, and a Supplemental plan administered by AARP/United Healthcare. Retirees are also offered two self-funded dental plans, and basic life insurance benefits through age 65. The University pays the same percentage of the premium for medical, dental, and life insurance that the employee was eligible for at the time of retirement, until age 65 when some coverage may change.

For the University, at the valuation date of July 1, 2011, there were a total of 2,512 retirees, 959 active fully eligible and 6,505 not fully eligible plan participants.

Eligible retired employees of the Hospital 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.

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

- The employee reaches the minimum age of 50; and
- 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 70 (hire date prior to July 1, 2009) and 75 (hire date after July 1, 2009).

For the Hospital, at the date of valuation July 1, 2011, there were a total of 28 retirees, 496 active fully eligible and 4,772 not fully eligible plan participants.

Funding Policy. The University and the Hospital do not use a trust fund to administer the financing and payment of benefits. The retired employees that elect to participate in postemployment benefits are required to make contributions in the form of monthly premiums based on current rates established under the medical and dental plans.

The University and Hospital fund the plans on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense of the University for fiscal year 2012 was \$8,480,000, net of retiree contributions. The pay-as-you-go expense of the Hospital for fiscal year 2012 was \$277,500, net of retiree contributions.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuations, the unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% annual discount rate. Currently, the plans are considered to be unfunded as there are no assets, and retiree benefits are expected to be paid annually on a cash basis. The actuarial valuation assumes an annual healthcare cost trend on a select and ultimate basis: pre-65 medical benefits/stop loss fees on a select basis at 10% and on an ultimate basis at 5%, post-65 medical benefits on a select basis at 9% and on an ultimate basis at 5%, prescription drug benefits on a select basis at 8% and on an ultimate basis at 5%, administrative fees on a select and ultimate basis at 5%, and dental benefits on a select and ultimate basis at 5%. The select trend rates are reduced 0.5% each year until reaching the ultimate trend. The unfunded actuarial accrued liability (UAAL) is amortized

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over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payroll. Payroll is projected to increase 2% per year.

Annual OPEB Cost and Net OPEB Obligation. The Primary Institution's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's and Hospital's annual OPEB costs for the year, the amounts actually contributed to the plans, and changes in the University's and Hospital's net OPEB obligations:

	<u>University</u>	<u>Hospital</u>	<u>Total</u>
Annual required contribution	\$ 14,095,000	\$ 1,699,905	\$ 15,794,905
Interest on net OPEB obligation	891,000	401,363	1,292,363
Adjustment to annual required contribution	(917,000)	(439,457)	(1,356,457)
Annual OPEB cost (expense)	14,069,000	1,661,811	15,730,811
Contributions made	8,480,000	277,511	8,757,511
Increase in net OPEB obligation	5,589,000	1,384,300	6,973,300
Adjustment to 2011 Estimate	-	(2,922,117)	(2,922,117)
Net OPEB obligation beginning of year	19,790,000	6,857,000	26,647,000
Net OPEB obligation end of year	<u>\$ 25,379,000</u>	<u>\$ 5,319,183</u>	<u>\$ 30,698,183</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for fiscal year 2012 is as follows:

	<u>University</u>	<u>Hospital</u>	<u>Total</u>
Annual OPEB Cost	\$ 14,069,000	\$ 1,661,811	\$ 15,730,811
% of Annual OPEB Cost Contributed	60.3%	16.7%	55.7%
Net OPEB Obligation	\$ 25,379,000	\$ 5,319,183	\$ 30,698,183

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plans were not funded. The University's actuarial accrued liability (AAL), the present value of all future expected postretirement health payments and administrative costs attributable to past service, was \$152,643,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of the full \$152,643,000, or a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$489,385,374, and the ratio of the UAAL to the covered payroll was 31.2%.

The Hospital's AAL was \$3,935,000, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$3,935,000 or a funded ratio of 0%. The covered payroll was \$237,524,770 and the ratio of the UAAL to the covered payroll was 1.7%.

Actuarial valuations of an ongoing plan involve 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions 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 and employer contributions (Schedule 1), presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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(17) Commitments and Contingencies

(A) Commitments

In addition to the lease commitments in Note 14, the Primary Institution had commitments totaling \$81,828,532 at June 30, 2012. These commitments consisted of the following:

	<u>2012</u>
Materials and Services	\$ 61,883,646
Construction Projects	19,944,886
Total	<u>\$ 81,828,532</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.

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 Federal Housing Administration (FHA) Regulatory Agreement. Future Mortgage Reserve Fund contributions are summarized as follows:

	<u>Annual Contribution</u>
2013	\$ 2,325,566
2014	2,420,313
2015	2,518,921
2016	2,621,545
2017	2,728,351
	<u>\$ 12,614,696</u>

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(18) Unrestricted Net Assets – Committed and Dedicated

Unrestricted net assets are subject to contractual commitments and dedications to support the missions of the University in current and future years. The net assets 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 following is a breakdown of the University's unrestricted net assets as of June 30 (unaudited):

	<u>2012</u>	<u>2011</u>
Unrestricted net assets	\$ 545,284,942	\$ 513,354,149
Less:		
Working capital – patient care operations		
Clinical operations – UNMH's	<u>145,088,971</u>	<u>138,376,765</u>
Total working capital – patient care operations	145,088,971	138,376,765
Committed	59,355,339	53,074,964
Dedicated		
Plant funds – repair and replacement	137,301,880	119,797,581
Quasi endowment funds – Regents' scholarships	85,845,797	89,862,049
Student loan funds	707,028	696,809
Other	<u>99,484,595</u>	<u>75,172,596</u>
Total dedicated	323,339,300	285,529,035
Ending discretionary funds balance	<u><u>\$ 17,501,332</u></u>	<u><u>\$ 36,373,385</u></u>

REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress and Employer Contributions

The schedule of funding progress and the schedule of employer contributions present multiyear trend information for the past three actuarial valuations comparing the actuarial value of plan assets to the actuarial accrued liability, and the actual contributions of UNM to the annual required contributions.

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
University						
7/1/2011	\$ -	\$ 152,643,000	\$ 152,643,000	0%	\$ 489,385,374	31.2%
7/1/2009	\$ -	\$ 131,868,000	\$ 131,868,000	0%	\$ 485,663,779	27.2%
7/1/2007	\$ -	\$ 91,344,000	\$ 91,344,000	0%	\$ 438,870,293	20.8%
Clinical Operations						
7/1/2011	\$ -	\$ 3,935,000	\$ 3,935,000	0%	\$ 237,524,770	1.7%
7/1/2009	\$ -	\$ 20,287,000	\$ 20,287,000	0%	\$ 234,708,560	8.6%
7/1/2008	\$ -	\$ 5,767,000	\$ 5,767,000	0%	\$ 249,548,339	2.3%

Schedule of Employer Contributions - OPEB

Actuarial Valuation Date	Annual Required Contributions (ARC)	Actual Contributions	% Contributed
University			
7/1/2011	\$ 14,095,000	\$ 8,480,000	60%
7/1/2009	\$ 12,213,000	\$ 5,276,000	43%
7/1/2007	\$ 8,179,000	\$ 5,261,000	64%
Clinical Operations			
7/1/2011	\$ 1,699,905	\$ 277,511	16%
7/1/2009	\$ 3,038,884	\$ 131,884	4%
7/1/2008	\$ 784,000	\$ 109,000	14%

Summary of Key Actuarial Methods and Assumptions

Valuation Date	July 1, 2011		
Actuarial Cost Method	Unit Credit Actuarial Cost Method		
Amortization Method	30 Years		
Discount Rate	4.5%		
Projected Payroll Growth Rate	2%		
Healthcare Cost Trend Rate	Select	Ultimate	
	Pre-65 medical	10%	5%
	Post-65 medical	9%	5%
	Prescription drug	8%	5%
	Administrative fees	5%	5%
	Dental	5%	5%

The select trend rates are reduced 0.5% each year until reaching the ultimate trend.

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Combining Statement of Net Assets as of June 30, 2012 – Discretely Presented Component Units

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corp
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,737,055	\$ 956,119	\$ 686,704	\$ 3,329,162	\$ 1,328,930
Cash and cash equivalents – restricted	3,787,845	-	-	-	-
Short-term investments	-	1,193,870	489,792	-	-
Accounts receivable, net	435,187	1,118,858	322,695	128,358	7,000
Patient receivables, net	-	-	-	-	-
Other receivables, net	-	-	-	-	-
Inventories	-	20,359	-	-	-
Due from The University of New Mexico	-	50,665	-	-	-
Due from affiliates	-	-	-	-	-
Other current assets	264,213	12,605	4,500	9,155	-
Total current assets	<u>\$ 7,224,300</u>	<u>\$ 3,352,476</u>	<u>\$ 1,503,691</u>	<u>\$ 3,466,675</u>	<u>\$ 1,335,930</u>
Noncurrent assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	152,326,411	-	4,150	-	-
Due from affiliates	-	-	-	-	-
Deferred bond issuance costs	-	-	-	-	-
Other noncurrent assets	4,045,844	-	-	-	-
Capital assets, net	123,477	-	72,735	-	-
Total noncurrent assets	<u>\$ 156,495,732</u>	<u>\$ -</u>	<u>\$ 76,885</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u>\$ 163,720,032</u>	<u>\$ 3,352,476</u>	<u>\$ 1,580,576</u>	<u>\$ 3,466,675</u>	<u>\$ 1,335,930</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 899,820	\$ 40,426	\$ 471,167	\$ 3,551	\$ 174,667
Due to The University of New Mexico	2,218,117	428,165	261,122	2,705,826	-
Due to affiliates	-	-	-	-	-
Deferred revenue	90,169	1,022,520	1,550	633,600	-
Bonds payable – current	-	-	-	-	-
Deferred annuities payable	364,033	-	-	-	-
Other current liabilities	1,384,256	-	457,796	-	-
Total current liabilities	<u>\$ 4,956,395</u>	<u>\$ 1,491,111</u>	<u>\$ 1,191,635</u>	<u>\$ 3,342,977</u>	<u>\$ 174,667</u>
Noncurrent liabilities					
Bonds payable – noncurrent	\$ -	\$ -	\$ -	\$ -	\$ -
Due to The University of New Mexico	3,005,641	-	-	-	-
Due to affiliates	-	-	-	-	-
Deferred annuities payable	2,986,551	-	-	-	-
Total noncurrent liabilities	<u>\$ 5,992,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 10,948,587</u>	<u>\$ 1,491,111</u>	<u>\$ 1,191,635</u>	<u>\$ 3,342,977</u>	<u>\$ 174,667</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 123,477	\$ -	\$ 72,735	\$ -	\$ -
Restricted nonexpendable	134,963,059	-	-	-	-
Restricted expendable	15,696,708	452,038	-	35,943	-
Unrestricted	1,988,201	1,409,327	316,206	87,755	1,161,263
Total net assets	<u>\$ 152,771,445</u>	<u>\$ 1,861,365</u>	<u>\$ 388,941</u>	<u>\$ 123,698</u>	<u>\$ 1,161,263</u>

SCHEDULE 2

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total before Eliminations	Component Unit Eliminations	Total
\$ 776,834	\$ 1,867,986	\$ 23,682,204	\$ 1,055,438	\$ 36,420,432	\$ -	\$ 36,420,432
-	-	-	69,370,137	73,157,982	-	73,157,982
-	6,895,626	-	-	8,579,288	-	8,579,288
19,400	62,761	-	-	2,094,259	-	2,094,259
-	-	19,181,238	-	19,181,238	-	19,181,238
-	-	3,320,040	-	3,320,040	-	3,320,040
-	-	-	-	20,359	-	20,359
-	-	733,493	-	784,158	-	784,158
-	-	3,584,631	-	3,584,631	(3,584,631)	-
-	7,120	-	461,324	758,917	-	758,917
<u>\$ 796,234</u>	<u>\$ 8,833,493</u>	<u>\$ 50,501,606</u>	<u>\$ 70,886,899</u>	<u>\$ 147,901,304</u>	<u>\$ (3,584,631)</u>	<u>\$ 144,316,673</u>
\$ -	\$ -	\$ 169,535	\$ -	\$ 169,535	\$ -	\$ 169,535
-	-	28,899,105	-	181,229,666	-	181,229,666
-	-	-	-	-	-	-
-	-	-	3,405,386	3,405,386	-	3,405,386
30	-	368,060	-	4,413,934	-	4,413,934
-	-	1,240,785	129,759,992	131,196,989	-	131,196,989
<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 30,677,485</u>	<u>\$ 133,165,378</u>	<u>\$ 320,415,510</u>	<u>\$ -</u>	<u>\$ 320,415,510</u>
<u>\$ 796,264</u>	<u>\$ 8,833,493</u>	<u>\$ 81,179,091</u>	<u>\$ 204,052,277</u>	<u>\$ 468,316,814</u>	<u>\$ (3,584,631)</u>	<u>\$ 464,732,183</u>
\$ 182,033	\$ 3,550	\$ 4,455,365	\$ 20,412,319	\$ 26,642,898	\$ -	\$ 26,642,898
-	-	29,834,022	208,055	35,655,307	-	35,655,307
-	-	-	3,584,631	3,584,631	(3,584,631)	-
-	5,200	-	-	1,753,039	-	1,753,039
-	-	-	1,540,000	1,540,000	-	1,540,000
-	-	-	-	364,033	-	364,033
-	-	-	-	1,842,052	-	1,842,052
<u>\$ 182,033</u>	<u>\$ 8,750</u>	<u>\$ 34,289,387</u>	<u>\$ 25,745,005</u>	<u>\$ 71,381,960</u>	<u>\$ (3,584,631)</u>	<u>\$ 67,797,329</u>
\$ -	\$ -	\$ -	\$ 141,885,000	\$ 141,885,000	\$ -	\$ 141,885,000
-	-	-	-	3,005,641	-	3,005,641
-	-	-	-	-	-	-
-	-	-	-	2,986,551	-	2,986,551
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,885,000</u>	<u>\$ 147,877,192</u>	<u>\$ -</u>	<u>\$ 147,877,192</u>
<u>\$ 182,033</u>	<u>\$ 8,750</u>	<u>\$ 34,289,387</u>	<u>\$ 167,630,005</u>	<u>\$ 219,259,152</u>	<u>\$ (3,584,631)</u>	<u>\$ 215,674,521</u>
\$ -	\$ -	\$ 1,240,785	\$ 2,163,000	\$ 3,599,997	\$ -	\$ 3,599,997
-	-	-	-	134,963,059	-	134,963,059
-	32,593	-	37,124,103	53,341,385	-	53,341,385
614,231	8,792,150	45,648,919	(2,864,831)	57,153,221	-	57,153,221
<u>\$ 614,231</u>	<u>\$ 8,824,743</u>	<u>\$ 46,889,704</u>	<u>\$ 36,422,272</u>	<u>\$ 249,057,662</u>	<u>\$ -</u>	<u>\$ 249,057,662</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Assets as of June 30, 2011 – Discretely Presented Component Units

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corp
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,041,378	\$ 1,244,649	\$ 1,234,685	\$ 4,069,477	\$ 1,072,098
Cash and cash equivalents – restricted	3,378,570	-	-	-	-
Short-term investments	-	1,248,888	-	-	-
Accounts receivable, net	376,280	998,107	120,582	205,787	-
Patient receivables, net	-	-	-	-	-
Inventories	-	21,646	-	-	-
Due from The University of New Mexico	-	121,190	-	-	-
Due from affiliates	-	-	-	-	-
Other current assets	315,905	4,185	4,500	1,015	-
Total current assets	<u>\$ 6,112,133</u>	<u>\$ 3,638,665</u>	<u>\$ 1,359,767</u>	<u>\$ 4,276,279</u>	<u>\$ 1,072,098</u>
Noncurrent assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	151,384,353	-	8,113	-	-
Due from affiliates	-	-	-	-	-
Deferred bond issuance costs	-	-	-	-	-
Other noncurrent assets	4,046,374	-	-	-	-
Capital assets, net	37,448	-	71,733	198	-
Total noncurrent assets	<u>\$ 155,468,175</u>	<u>\$ -</u>	<u>\$ 79,846</u>	<u>\$ 198</u>	<u>\$ -</u>
Total assets	<u>\$ 161,580,308</u>	<u>\$ 3,638,665</u>	<u>\$ 1,439,613</u>	<u>\$ 4,276,477</u>	<u>\$ 1,072,098</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,001,321	\$ 56,961	\$ 484,918	\$ 110,335	\$ 100,965
Due to The University of New Mexico	2,705,518	684,017	306,736	3,023,600	400,269
Due to affiliates	-	14,595	-	-	-
Deferred revenue	8,454	840,242	2,050	993,537	-
Deferred annuities payable	377,663	-	-	-	-
Other current liabilities	332,032	-	182,342	-	-
Total current liabilities	<u>\$ 4,424,988</u>	<u>\$ 1,595,815</u>	<u>\$ 976,046</u>	<u>\$ 4,127,472</u>	<u>\$ 501,234</u>
Noncurrent liabilities					
Bonds payable – noncurrent	\$ -	\$ -	\$ -	\$ -	\$ -
Due to The University of New Mexico	2,932,520	-	-	-	-
Due to affiliates	-	-	-	-	-
Deferred annuities payable	2,375,488	-	-	-	-
Total noncurrent liabilities	<u>\$ 5,308,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 9,732,996</u>	<u>\$ 1,595,815</u>	<u>\$ 976,046</u>	<u>\$ 4,127,472</u>	<u>\$ 501,234</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 37,448	\$ -	\$ 71,734	\$ 198	\$ -
Restricted nonexpendable	138,362,463	-	-	-	-
Restricted expendable	11,222,906	496,275	-	35,943	-
Unrestricted	2,224,495	1,546,575	391,833	112,864	570,864
Total net assets	<u>\$ 151,847,312</u>	<u>\$ 2,042,850</u>	<u>\$ 463,567</u>	<u>\$ 149,005</u>	<u>\$ 570,864</u>

SCHEDULE 3

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total before Eliminations	Component Unit Eliminations	Total
\$ 583,079	\$ 1,978,152	\$ 1,419,218	\$ 135,748	\$ 13,778,484	\$ -	\$ 13,778,484
-	-	-	161,295,642	164,674,212	-	164,674,212
-	6,948,461	-	-	8,197,349	-	8,197,349
-	118,642	-	-	1,819,398	-	1,819,398
-	-	20,639,399	-	20,639,399	-	20,639,399
-	-	-	-	21,646	-	21,646
-	-	-	-	121,190	-	121,190
-	-	5,315,884	-	5,315,884	(5,315,884)	-
-	19,342	1,557,218	-	1,902,165	(14,595)	1,887,570
<u>\$ 583,079</u>	<u>\$ 9,064,597</u>	<u>\$ 28,931,719</u>	<u>\$ 161,431,390</u>	<u>\$ 216,469,727</u>	<u>\$ (5,330,479)</u>	<u>\$ 211,139,248</u>
\$ -	\$ -	\$ 11,281,876	\$ -	\$ 11,281,876	\$ -	\$ 11,281,876
-	-	20,093,065	-	171,485,531	-	171,485,531
-	-	3,520,187	-	3,520,187	(3,520,187)	-
-	-	-	3,619,632	3,619,632	-	3,619,632
30	-	197,453	-	4,243,857	-	4,243,857
-	-	1,208,656	39,899,863	41,217,898	-	41,217,898
<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 36,301,237</u>	<u>\$ 43,519,495</u>	<u>\$ 235,368,981</u>	<u>\$ (3,520,187)</u>	<u>\$ 231,848,794</u>
<u>\$ 583,109</u>	<u>\$ 9,064,597</u>	<u>\$ 65,232,956</u>	<u>\$ 204,950,885</u>	<u>\$ 451,838,708</u>	<u>\$ (8,850,666)</u>	<u>\$ 442,988,042</u>
\$ 195,750	\$ 5,640	\$ 4,280,908	\$ 2,892,719	\$ 9,129,517	\$ -	\$ 9,129,517
-	-	11,192,464	-	18,312,604	-	18,312,604
-	-	-	5,315,884	5,330,479	(5,330,479)	-
-	-	-	-	1,844,283	-	1,844,283
-	-	-	-	377,663	-	377,663
-	-	-	2,959,888	3,474,262	-	3,474,262
<u>\$ 195,750</u>	<u>\$ 5,640</u>	<u>\$ 15,473,372</u>	<u>\$ 11,168,491</u>	<u>\$ 38,468,808</u>	<u>\$ (5,330,479)</u>	<u>\$ 33,138,329</u>
\$ -	\$ -	\$ -	\$ 143,425,000	\$ 143,425,000	\$ -	\$ 143,425,000
-	-	-	-	2,932,520	-	2,932,520
-	-	-	3,520,187	3,520,187	(3,520,187)	-
-	-	-	-	2,375,488	-	2,375,488
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,945,187</u>	<u>\$ 152,253,195</u>	<u>\$ (3,520,187)</u>	<u>\$ 148,733,008</u>
<u>\$ 195,750</u>	<u>\$ 5,640</u>	<u>\$ 15,473,372</u>	<u>\$ 158,113,678</u>	<u>\$ 190,722,003</u>	<u>\$ (8,850,666)</u>	<u>\$ 181,871,337</u>
\$ -	\$ -	\$ 1,208,656	\$ 4,083,846	\$ 5,401,882	\$ -	\$ 5,401,882
-	-	-	-	138,362,463	-	138,362,463
-	31,903	-	39,133,729	50,920,756	-	50,920,756
387,359	9,027,054	48,550,928	3,619,632	66,431,604	-	66,431,604
<u>\$ 387,359</u>	<u>\$ 9,058,957</u>	<u>\$ 49,759,584</u>	<u>\$ 46,837,207</u>	<u>\$ 261,116,705</u>	<u>\$ -</u>	<u>\$ 261,116,705</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2012 –
Discretely Presented Component Units

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corp
REVENUES					
Operating revenues					
Fees	\$ -	\$ 2,175,588	\$ 387,219	\$ 109,629	\$ 1,980,178
Patient services	-	-	-	-	-
Grants, bequests, and contributions	17,299,760	217,284	-	4,669,314	-
Operational support	5,210,319	-	1,551,000	-	-
Other operating revenues	894,259	29,325	2,535,356	38,865	-
Total operating revenues	<u>\$ 23,404,338</u>	<u>\$ 2,422,197</u>	<u>\$ 4,473,575</u>	<u>\$ 4,817,808</u>	<u>\$ 1,980,178</u>
EXPENSES					
Operating expenses					
General and administrative	\$ 9,280,165	\$ 1,914,954	\$ 1,407,539	\$ 415,263	\$ 252,242
Program expenses	-	612,313	3,165,385	4,441,754	1,147,828
Total operating expenses	<u>\$ 9,280,165</u>	<u>\$ 2,527,267</u>	<u>\$ 4,572,924</u>	<u>\$ 4,857,017</u>	<u>\$ 1,400,070</u>
Net operating income (loss)	<u>\$ 14,124,173</u>	<u>\$ (105,070)</u>	<u>\$ (99,349)</u>	<u>\$ (39,209)</u>	<u>\$ 580,108</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	\$ 1,612,231	\$ (18,264)	\$ 5,673	\$ 13,902	\$ 10,291
Distributions to the University of New Mexico	(25,336,191)	-	-	-	-
Other nonoperating revenues	-	(58,151)	19,050	-	-
Interest expense	-	-	-	-	-
Total nonoperating revenues	<u>\$ (23,723,960)</u>	<u>\$ (76,415)</u>	<u>\$ 24,723</u>	<u>\$ 13,902</u>	<u>\$ 10,291</u>
Income (loss) before other revenues	<u>\$ (9,599,787)</u>	<u>\$ (181,485)</u>	<u>\$ (74,626)</u>	<u>\$ (25,307)</u>	<u>\$ 590,399</u>
Contributions to permanent endowments	\$ 10,523,920	\$ -	\$ -	\$ -	\$ -
Total other revenues	<u>\$ 10,523,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net assets	\$ 924,133	\$ (181,485)	\$ (74,626)	\$ (25,307)	\$ 590,399
Net assets at beginning of year	151,847,312	2,042,850	463,567	149,005	570,864
Net assets at end of year	<u>\$ 152,771,445</u>	<u>\$ 1,861,365</u>	<u>\$ 388,941</u>	<u>\$ 123,698</u>	<u>\$ 1,161,263</u>

SCHEDULE 4

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total
\$ 2,917,325	\$ -	\$ -	\$ -	\$ 7,569,939
-	-	127,701,249	-	127,701,249
-	-	-	-	22,186,358
-	-	-	-	6,761,319
-	465,382	3,267,815	-	7,231,002
<u>\$ 2,917,325</u>	<u>\$ 465,382</u>	<u>\$ 130,969,064</u>	<u>\$ -</u>	<u>\$ 171,449,867</u>
\$ 138,741	\$ 71,041	\$ 134,024,305	\$ 6,347,010	\$ 153,851,260
2,556,572	609,992	-	-	12,533,844
<u>\$ 2,695,313</u>	<u>\$ 681,033</u>	<u>\$ 134,024,305</u>	<u>\$ 6,347,010</u>	<u>\$ 166,385,104</u>
\$ 222,012	\$ (215,651)	\$ (3,055,241)	\$ (6,347,010)	\$ 5,064,763
\$ 4,860	\$ (29,403)	\$ 185,361	\$ 48,120	\$ 1,832,771
-	-	-	-	(25,336,191)
-	10,840	-	2,112,249	2,083,988
-	-	-	(6,228,294)	(6,228,294)
<u>\$ 4,860</u>	<u>\$ (18,563)</u>	<u>\$ 185,361</u>	<u>\$ (4,067,925)</u>	<u>\$ (27,647,726)</u>
\$ 226,872	\$ (234,214)	\$ (2,869,880)	\$ (10,414,935)	\$ (22,582,963)
\$ -	\$ -	\$ -	\$ -	\$ 10,523,920
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,523,920</u>
\$ 226,872	\$ (234,214)	\$ (2,869,880)	\$ (10,414,935)	\$ (12,059,043)
387,359	9,058,957	49,759,584	46,837,207	261,116,705
<u>\$ 614,231</u>	<u>\$ 8,824,743</u>	<u>\$ 46,889,704</u>	<u>\$ 36,422,272</u>	<u>\$ 249,057,662</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2011 –
Discretely Presented Component Units

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corp
REVENUES					
Operating revenues					
Fees	\$ -	\$ 2,327,990	\$ 237,285	\$ 101,796	\$ 1,098,315
Patient services	-	-	-	-	-
Grants, bequests, and contributions	17,988,073	256,746	-	5,299,212	-
Operational support	5,289,070	-	1,606,000	-	-
Other operating revenues	691,138	29,180	3,095,933	26,004	-
Total operating revenues	<u>\$ 23,968,281</u>	<u>\$ 2,613,916</u>	<u>\$ 4,939,218</u>	<u>\$ 5,427,012</u>	<u>\$ 1,098,315</u>
EXPENSES					
Operating expenses					
General and administrative	\$ 9,517,512	\$ 1,878,218	\$ 1,451,375	\$ 381,186	\$ 28,976
Program expenses	-	605,765	3,771,022	5,134,811	592,576
Total operating expenses	<u>\$ 9,517,512</u>	<u>\$ 2,483,983</u>	<u>\$ 5,222,397</u>	<u>\$ 5,515,997</u>	<u>\$ 621,552</u>
Net operating income (loss)	<u>\$ 14,450,769</u>	<u>\$ 129,933</u>	<u>\$ (283,179)</u>	<u>\$ (88,985)</u>	<u>\$ 476,763</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	\$ 24,056,008	\$ 195,126	\$ -	\$ 45,887	\$ 8,232
Distributions to the University of New Mexico	(53,903,667)	-	-	-	-
Other nonoperating revenues	-	(14,095)	12,983	-	-
Total nonoperating revenues	<u>\$ (29,847,659)</u>	<u>\$ 181,031</u>	<u>\$ 12,983</u>	<u>\$ 45,887</u>	<u>\$ 8,232</u>
Income (loss) before other revenues	<u>\$ (15,396,890)</u>	<u>\$ 310,964</u>	<u>\$ (270,196)</u>	<u>\$ (43,098)</u>	<u>\$ 484,995</u>
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions to permanent endowments	15,021,730	-	-	-	-
Total other revenues	<u>\$ 15,021,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net assets	<u>\$ (375,160)</u>	<u>\$ 310,964</u>	<u>\$ (270,196)</u>	<u>\$ (43,098)</u>	<u>\$ 484,995</u>
Net assets at beginning of year	152,222,472	1,731,886	733,763	192,103	85,869
Net assets at end of year	<u>\$ 151,847,312</u>	<u>\$ 2,042,850</u>	<u>\$ 463,567</u>	<u>\$ 149,005</u>	<u>\$ 570,864</u>

SCHEDULE 5

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total
\$ 2,884,800	\$ -	\$ -	\$ -	\$ 6,650,186
-	-	128,809,222	-	128,809,222
-	-	-	-	23,544,031
-	-	-	-	6,895,070
-	474,531	2,716,651	-	7,033,437
<u>\$ 2,884,800</u>	<u>\$ 474,531</u>	<u>\$ 131,525,873</u>	<u>\$ -</u>	<u>\$ 172,931,946</u>
\$ 141,785	\$ 82,010	\$ 107,898,802	\$ 1,499,153	\$ 122,879,017
2,527,133	565,681	-	-	13,196,988
<u>\$ 2,668,918</u>	<u>\$ 647,691</u>	<u>\$ 107,898,802</u>	<u>\$ 1,499,153</u>	<u>\$ 136,076,005</u>
\$ 215,882	\$ (173,160)	\$ 23,627,071	\$ (1,499,153)	\$ 36,855,941
\$ 5,552	\$ 1,096,272	\$ 116,497	\$ 1,066,812	\$ 26,590,386
-	-	-	-	(53,903,667)
-	11,257	-	1,660,822	1,670,967
<u>\$ 5,552</u>	<u>\$ 1,107,529</u>	<u>\$ 116,497</u>	<u>\$ 2,727,634</u>	<u>\$ (25,642,314)</u>
\$ 221,434	\$ 934,369	\$ 23,743,568	\$ 1,228,481	\$ 11,213,627
\$ -	\$ -	\$ -	\$ 46,000,000	\$ 46,000,000
-	-	-	-	15,021,730
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,000,000</u>	<u>\$ 61,021,730</u>
\$ 221,434	\$ 934,369	\$ 23,743,568	\$ 47,228,481	\$ 72,235,357
165,925	8,124,588	26,016,016	(391,274)	188,881,348
<u>\$ 387,359</u>	<u>\$ 9,058,957</u>	<u>\$ 49,759,584</u>	<u>\$ 46,837,207</u>	<u>\$ 261,116,705</u>

Budget Comparison – Unrestricted and Restricted – All Operations
For the year ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	<u>Final Budget vs Actuals Favorable/ (Unfavorable)</u>
Unrestricted and Restricted Beginning Net Assets	\$ 212,363,818	\$ 333,869,537	\$ 333,501,274	\$ (368,263)
Unrestricted and Restricted Revenues:				
Tuition and Fees	\$ 178,803,667	\$ 185,572,700	\$ 187,117,777	\$ 1,545,077
Federal Government Appropriations	29,700,674	62,217,772	59,440,578	(2,777,194)
State Government Appropriations	274,936,447	274,860,686	274,872,606	11,920
Local Government Appropriations	6,525,506	6,605,506	7,150,324	544,818
Federal Government Contracts/Grants	170,913,785	177,876,570	174,243,877	(3,632,693)
State Government Contracts/Grants	80,207,837	84,594,747	75,699,142	(8,895,605)
Local Government Contracts/Grants	7,948,877	5,871,367	2,062,481	(3,808,886)
Private Contracts/Grants	40,264,241	51,386,552	46,228,841	(5,157,711)
Endowments and Private Gifts	4,880,544	1,948,887	1,582,550	(366,337)
Land and Permanent Fund	7,678,028	9,800,000	9,648,656	(151,344)
Sales and Services	340,952,457	315,126,564	293,960,387	(21,166,177)
Other	145,019,298	145,934,812	129,207,390	(16,727,422)
Total Unrestricted and Restricted Revenues	<u>\$ 1,287,831,361</u>	<u>\$ 1,321,796,163</u>	<u>\$ 1,261,214,609</u>	<u>\$ (60,581,554)</u>
Unrestricted and Restricted Expenditures:				
Instruction	\$ 255,628,342	\$ 259,300,930	\$ 241,795,083	\$ 17,505,847
Academic Support	49,427,545	51,972,794	48,137,547	3,835,247
Student Services	27,976,916	29,216,280	27,067,566	2,148,714
Institutional Support	58,065,146	58,852,360	52,869,959	5,982,401
Operations and Maintenance	48,568,668	52,059,150	47,941,921	4,117,229
Student Social and Cultural	8,282,766	8,883,568	7,528,507	1,355,061
Research	172,784,799	186,504,150	168,754,144	17,750,006
Public Service	296,607,137	289,599,882	274,522,417	15,077,465
Internal Services	2,584,741	5,148,521	(2,992,836)	8,141,357
Student Aid, Grants and Stipends	99,782,895	135,457,084	122,717,853	12,739,231
Auxiliary Services	57,057,178	57,902,906	52,900,997	5,001,909
Intercollegiate Athletics	31,845,000	34,055,000	31,274,413	2,780,587
Independent Operations	105,413,776	73,658,875	73,539,290	119,585
Capital Outlay	77,775,982	70,969,458	64,985,508	5,983,950
Building Renewal & Replacement	10,168,240	10,168,240	6,175,130	3,993,110
Retirement of Indebtedness	37,470,909	37,733,258	41,135,312	(3,402,054)
Total Unrestricted and Restricted Expenditures	<u>\$ 1,339,440,040</u>	<u>\$ 1,361,482,456</u>	<u>\$ 1,258,352,811</u>	<u>\$ 103,129,645</u>
Net Transfers	<u>\$ 8,477,430</u>	<u>\$ 6,500,485</u>	<u>\$ 5,843,201</u>	<u>\$ (657,284)</u>
Change in Net Assets (Budgetary Basis)	<u>\$ (43,131,249)</u>	<u>\$ (33,185,808)</u>	<u>\$ 8,704,999</u>	<u>\$ 41,890,807</u>
Ending Net Assets	<u>\$ 169,232,569</u>	<u>\$ 300,683,729</u>	<u>\$ 342,206,273</u>	<u>\$ 41,522,544</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, E. Each individual item of transfer between funds and/or functions.

See accompanying Independent Auditor's Report.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE 7

Budget Comparison - Unrestricted - Instruction & General
For the year ended June 30, 2012

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Unrestricted Beginning Net Assets	\$ 30,710,217	\$ 57,034,867	\$ 57,034,867	\$ -
Unrestricted Revenues:				
Tuition and Fees	\$ 152,354,432	\$ 159,656,305	\$ 161,854,384	\$ 2,198,079
Federal Government Appropriations	-	-	77,855	77,855
State Government Appropriations	237,903,100	237,947,481	238,005,505	58,024
Local Government Appropriations	6,525,506	6,605,506	7,150,324	544,818
Federal Government Contracts/Grants	250,000	192,500	175,122	(17,378)
State Government Contracts/Grants	-	98,630	114,957	16,327
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	43,150	111,887	68,737
Endowments and Private Gifts	3,390,000	-	-	-
Land and Permanent Fund	7,678,028	9,800,000	9,603,795	(196,205)
Sales and Services	1,175,275	760,300	907,306	147,006
Other	52,329,245	58,931,345	55,518,300	(3,413,045)
Total Unrestricted Revenues	<u>\$ 461,605,586</u>	<u>\$ 474,035,217</u>	<u>\$ 473,519,435</u>	<u>\$ (515,782)</u>
Unrestricted Expenditures:				
Instruction	\$ 239,100,127	\$ 239,405,455	\$ 225,636,428	\$ 13,769,027
Academic Support	48,644,796	51,106,386	47,449,621	3,656,765
Student Services	26,799,491	26,981,906	23,588,975	3,392,931
Institutional Support	57,687,693	58,463,433	52,736,383	5,727,050
Operations and Maintenance	48,511,203	52,001,685	47,929,080	4,072,605
Total Unrestricted Expenditures	<u>\$ 420,743,310</u>	<u>\$ 427,958,865</u>	<u>\$ 397,340,487</u>	<u>\$ 30,618,378</u>
Net Transfers	<u>\$ (54,701,718)</u>	<u>\$ (68,975,433)</u>	<u>\$ (70,139,189)</u>	<u>\$ (1,163,756)</u>
Change in Net Assets (Budgetary Basis)	<u>\$ (13,839,442)</u>	<u>\$ (22,899,081)</u>	<u>\$ 6,039,759</u>	<u>\$ 28,938,840</u>
Ending Net Assets	<u>\$ 16,870,775</u>	<u>\$ 34,135,786</u>	<u>\$ 63,074,626</u>	<u>\$ 28,938,840</u>

See accompanying Independent Auditor's Report.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE 8

Budget Comparison - Restricted - Instruction & General
For the year ended June 30, 2012

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Restricted Beginning Net Assets	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	67,489	67,489	69,575	2,086
State Government Appropriations	40,139	40,139	131,292	91,153
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	12,959,258	14,401,850	13,228,185	(1,173,665)
State Government Contracts/Grants	2,882,385	3,014,078	1,811,411	(1,202,667)
Local Government Contracts/Grants	1,389,757	982,528	201,067	(781,461)
Private Contracts/Grants	1,484,279	4,044,939	4,276,713	231,774
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>\$ 18,823,307</u>	<u>\$ 22,551,023</u>	<u>\$ 19,718,243</u>	<u>\$ (2,832,780)</u>
Restricted Expenditures:				
Instruction	\$ 16,528,215	\$ 19,895,475	\$ 16,158,655	\$ 3,736,820
Academic Support	782,749	866,408	687,926	178,482
Student Services	1,177,425	2,234,374	3,478,591	(1,244,217)
Institutional Support	377,453	388,927	133,576	255,351
Operations and Maintenance	57,465	57,465	12,841	44,624
Total Restricted Expenditures	<u>\$ 18,923,307</u>	<u>\$ 23,442,649</u>	<u>\$ 20,471,589</u>	<u>\$ 2,971,060</u>
Net Transfers	\$ 100,000	\$ 891,626	\$ 753,346	\$ (138,280)
Change in Net Assets (Budgetary Basis)	\$ -	\$ -	\$ -	\$ -
Ending Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

THE UNIVERSITY OF NEW MEXICO

Reconciliation of Budgetary Basis to Financial Statement Basis
 Unrestricted and Restricted - All Operations
 For the year ended June 30, 2012

Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 1,261,214,609
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	550,213,407
University of New Mexico Behavioral Operations (amount not in budgetary basis)	30,599,056
Scholarship allowance (amount not in budgetary basis)	(69,747,301)
Endowment fund items (amount not in budgetary basis)	(84,122)
Land grant permanent fund endowment income (amount not in budgetary basis)	(1,996,367)
Adjustments subsequent to Actuals submission to HED (amount not in budgetary basis)	216,803
Revenue/expenditure classification differences	(359,430)
Other	(56,302)
Total reconciling items	<u>\$ 508,785,744</u>
Total reconciled unrestricted and restricted revenues per Budgetary Basis	<u>\$ 1,770,000,353</u>

Basic Financial Statements

Operating revenues	\$ 1,249,056,680
Nonoperating revenues	478,441,583
Nonoperating revenues netted in other nonoperating revenues and expenses	26,661,107
Other revenues	15,840,983
Total unrestricted and restricted revenues per Financial Statements	<u>\$ 1,770,000,353</u>

Difference	<u>\$ -</u>
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Total Unrestricted and Restricted Expenditures:

Budgetary Basis	\$ 1,258,352,811
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	547,681,387
University of New Mexico Behavioral Operations (amount not in budgetary basis)	26,665,499
Scholarship allowance (amount not in budgetary basis)	(69,747,301)
Endowment fund items (amount not in budgetary basis)	2,236,522
Depreciation expense (amount not in budgetary basis)	65,549,289
Capitalized expenditures (amount not in financial statements)	(53,987,935)
Bond principal payments (amount not in financial statements)	(13,616,484)
Revenue/expenditure classification differences	(359,430)
Other	(930,543)
Total reconciling items	<u>\$ 503,491,004</u>
Total reconciled unrestricted and restricted expenditures per Budgetary Basis	<u>\$ 1,761,843,815</u>

Basic Financial Statements

Operating expenditures	\$ 1,737,050,368
Nonoperating expenditures	21,743,185
Nonoperating expenditures netted in other nonoperating revenues and expenses	3,050,262
Total unrestricted and restricted expenditures per Financial Statements	<u>\$ 1,761,843,815</u>

Difference	<u>\$ -</u>
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See accompanying Independent Auditor's Report.

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2012 - Primary Institution

Pledged Collateral					
Financial Institution	CUSIP Identification	Maturity Date	Type of Securities	Account Type	Account Name
Bank of America				Checking	General Depository
				Checking	Gallup Campus Depository
	31391YX28	2/1/29	FNM Adj Rt MBS		
	31391YX44	12/1/27	FNM Adj Rt MBS		
	31391YXX0	3/1/29	FNM Adj Rt MBS		
	31391YXZ5	3/1/29	FNM Adj Rt MBS		
	31404LV64	6/1/28	FNMA		
	31404LV80	6/1/33	FNMA		
	31405FH39	1/1/33	FNMA		
	31405FHQ8	6/1/33	FNMA		
	31405FW5	10/1/33	FNMA		
	31405FHZ8	10/1/32	FNMA		
	31410GZC0	3/1/37	FNMA		
	31415VYB5	10/1/35	FNMA		
	31416BL63	2/1/38	FNMA		
	31416BL71	9/1/37	FNMA		
	31416W7L0	11/1/40	FNMA		
	31416WZ39	10/1/40	FNMA		
	31418P3U7	3/1/37	FNMA		
	31418QZL0	5/1/34	FNMA		
	31419GB94	10/1/40	FNMA		
	31419JMS1	11/1/40	FNMA		
	36230UCZ0	1/15/41	GNMA		
Bank of America*				Checking	UNMH Operating Account
					Consolidated Overnight Investment
	31404AQY3		FNMA		
	31404LV80		FNMA		
	31405FHQ8		FNMA		
	31405FW5		FNMA		
	31410GZC0		FNMA		
	31415VYB5		FNMA		
	31416BL63		FNMA		
	31416BL71		FNMA		
	31416W7L0		FNMA		
	31416WZ39		FNMA		
	31418P3U7		FNMA		
	31418Q7L0		FNMA		
	31419GB94		FNMA		
	36230UCZ0		FNMA		
US Bank				Checking	Taos Harwood Depository
				Checking	Taos Education Center Depository
				Checking	Valencia Campus Depository
				Checking	UNM Hospital Change Campaign
Los Alamos National Bank				Checking	Los Alamos Campus Depository
Total Primary Institution					
				Cash on Hand	Behavioral Operations
				Cash on Hand	UNMH Petty Cash
				Cash on Hand	Gallup Campus Petty Cash
				Cash on Hand	Los Alamos Campus Petty Cash
				Cash on Hand	Valencia Campus Petty Cash
				Cash on Hand	Taos Education Center Petty Cash
				Cash on Hand	Taos Harwood Petty Cash
					Total Petty Cash - Primary Institution
					Component Unit deposits held by UNM
					Net non-depository cash and cash equivalents
				Total Cash and Cash Equiv. Primary Institution	

* UNM Hospital

See accompanying Independent Auditor's Report.

SCHEDULE 9

							50%	
Total Book	Bank	FDIC	Uninsured	Collateral	Fair Value of	Over (under)		
Balance	Balance	Insurance*	Public Funds	Requirement	Collateral	Collateralized		
\$ 114,719,486	\$ 112,801,754	\$ 52,250,000	\$ 60,551,754	\$ 30,275,877	\$ -	\$ (30,275,877)		
198	-	-	-	-	-	-		
					2,128	2,128		
					154	154		
					2,223,417	2,223,417		
					944,656	944,656		
					116	116		
					254	254		
					133	133		
					917,467	917,467		
					505,071	505,071		
					193	193		
					857,900	857,900		
					1,813,768	1,813,768		
					4,285,288	4,285,288		
					2,099,331	2,099,331		
					18,577,450	18,577,450		
					9,086,135	9,086,135		
					1,145,328	1,145,328		
					2,615,550	2,615,550		
					2,544,913	2,544,913		
					7,772,199	7,772,199		
					37,841,543	37,841,543		
\$ 114,719,684	\$ 112,801,754	\$ 52,250,000	\$ 60,551,754	\$ 30,275,877	\$ 93,232,994	\$ 62,957,117		
\$ 34,143,783	\$ 48,830,000	\$ 48,830,000	\$ -	\$ -	\$ -	\$ -		
54,332,465	54,332,465	250,000	54,082,465	27,041,233	-	(27,041,233)		
					372	372		
					4,144	4,144		
					2,697,520	2,697,520		
					1,946	1,946		
					1,057,114	1,057,114		
					1,058,552	1,058,552		
					4,212,359	4,212,359		
					437,482	437,482		
					3,735,031	3,735,031		
					36,452,941	36,452,941		
					201,037	201,037		
					512,156	512,156		
					12,285,665	12,285,665		
					7,259,959	7,259,959		
\$ 88,476,248	\$ 103,162,465	\$ 49,080,000	\$ 54,082,465	\$ 27,041,233	\$ 69,916,278	\$ 42,875,045		
\$ 2,358	\$ 2,116	\$ 2,116	\$ -	\$ -	\$ -	\$ -		
9,466	8,710	8,710	-	-	-	-		
4,891	3,950	3,950	-	-	-	-		
16,862	16,862	16,862	-	-	-	-		
\$ 33,577	\$ 31,638	\$ 31,638	\$ -	\$ -	\$ -	\$ -		
\$ 2,404	\$ 2,404	\$ 2,404	\$ -	\$ -	\$ -	\$ -		
\$ 2,404	\$ 2,404	\$ 2,404	\$ -	\$ -	\$ -	\$ -		
\$ 203,231,913	\$ 215,998,261	\$ 101,364,042	\$ 114,634,219	\$ 57,317,110	\$ 163,149,272	\$ 105,832,162		
\$ 3,337								
31,655								
4,250								
2,500								
5,000								
3,000								
850								
\$ 50,592								
(3,635,188)								
(9,182,710)								
\$ 190,464,607								

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2012 - Component Units

Pledged Collateral					
Financial Institution	CUSIP Identification	Maturity Date	Type of Securities	Account Type	Account Name
Wells Fargo Bank				Checking	UNMMG Operating Account
				Checking	UNMMG Pathology
				Checking	UNMMG Cancer Center
				Savings	UNMMG Savings
	31409VDH3	3/01/2036	FNMA		
	31410AHK5	7/01/2036	FNMA		
	31410EN46	6/01/2036	FNMA		
	31411VT25	4/01/2037	FNMA		
	31414EMS0	6/01/2038	FNMA		
	31415RGN8	7/01/2038	FNMA		
	31411AU86	11/1/2036	FNMA		
	36202DPS4	9/20/2031	GNMA		
	36202DT68	8/20/2032	GNMA		
UNMMG Money Market					
Total Cash and Cash Equiv. UNMMG					
Wells Fargo Bank				Checking	SRMC Operating Account
					SRMC Payroll Account
					SRMC Capital Projects Account
SRMC Money Market					
Total Cash and Cash Equiv. SRMC					
Wells Fargo				Cash	UNM Foundation Operating
				Cash	Development
	31292K5Q6	11/1/2040	FHG-3		
	3138AALE9	4/1/2041	FN-30		
Foundation Money Market					
Foundation deposits held by UNM					
Total Cash and Cash Equiv. Foundation					
Compass Bank				Checking	Business Checking
Lobo Development deposits held by UNM					
Total Cash and Cash Equiv. Lobo Development					
Compass Bank				Checking	Business Checking
Lobo Energy deposits held by UNM					
Total Cash and Cash Equiv. Lobo Energy					
Bank of the West				Checking	Operating
Total STC.UNM					
STC Money Market					
STC.UNM Petty Cash					
Total Cash and Cash Equiv. STC.UNM					
Component Units - Public Money Entities					
Alumni					
ASM					
Lobo Club					
Component Units - Non--Public Money Entities					
Total Component Units					

* FDIC Insurance (If account is non-interest bearing transaction account, all deposits are covered per Dodd-Frank Insurance Provision)
See accompanying Independent Auditor's Report.

SCHEDULE 9

							50%	
Total Book	Bank	FDIC	Uninsured	Collateral	Fair Value of	Over (under)		
Balance	Balance	Insurance*	Public Funds	Requirement	Collateral	Collateralized		
\$ 22,896,695	\$ 27,569,187	\$ 27,569,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
77,946	77,946	77,946	-	-	-	-	-	-
33,171	33,171	33,171	-	-	-	-	-	-
521,716	521,716	250,000	271,716	135,858	-	-	-	(135,858)
					1,610,505			1,610,505
					1,220,697			1,220,697
					2,481,534			2,481,534
					2,356,470			2,356,470
					3,561,885			3,561,885
					1,371,510			1,371,510
					5,527,134			5,527,134
					66,262			66,262
					107,193			107,193
\$ 23,529,528	\$ 28,202,020	\$ 27,930,304	\$ 271,716	\$ 135,858	\$ 18,303,190	\$ 18,303,190	\$ 18,167,332	\$ 18,167,332
\$ 322,211	\$ 322,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 23,851,739	\$ 28,524,231	\$ 27,930,304	\$ 271,716	\$ 135,858	\$ 18,303,190	\$ 18,303,190	\$ 18,167,332	\$ 18,167,332
\$ 624,704	\$ 624,704	\$ 624,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,113	8,113	8,113	-	-	-	-	-	-
422,621	422,621	422,621	-	-	-	-	-	-
\$ 1,055,438	\$ 1,055,438	\$ 1,055,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 69,370,137	\$ 69,370,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 70,425,575	\$ 70,425,575	\$ 1,055,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,234,597	\$ 1,279,638	\$ 650,000	\$ 629,638	\$ 314,819	\$ -	\$ -	\$ -	\$ (314,819)
3,243,511	2,751,037	465,364	2,285,673	1,142,837	-	-	-	(1,142,837)
					2,331,387			2,331,387
					897,231			897,231
\$ 4,478,108	\$ 4,030,675	\$ 1,115,364	\$ 2,915,311	\$ 1,457,656	\$ 3,228,618	\$ 3,228,618	\$ 1,770,962	\$ 1,770,962
\$ 2,038,638	\$ 2,038,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,154	8,154	-	-	-	-	-	-	-
\$ 6,524,900	\$ 6,077,475	\$ 1,115,364	\$ 2,915,311	\$ 1,457,656	\$ 3,228,618	\$ 3,228,618	\$ 1,770,962	\$ 1,770,962
\$ 28,326	\$ 82,027	\$ 82,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 28,326	\$ 82,027	\$ 82,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,300,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,328,930	\$ 82,027	\$ 82,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 81,049	\$ 86,922	\$ 86,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 81,049	\$ 86,922	\$ 86,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 695,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 776,834	\$ 86,922	\$ 86,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 671,099	\$ 706,332	\$ 706,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 671,099	\$ 706,332	\$ 706,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 15,505	\$ 15,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 686,704	\$ 721,837	\$ 706,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 103,594,682	\$ 105,918,067	\$ 30,976,387	\$ 3,187,027	\$ 1,593,514	\$ 21,531,808	\$ 21,531,808	\$ 19,938,294	\$ 19,938,294
\$ 1,867,986	\$ 1,893,443	\$ 469,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
956,119	1,016,771	1,016,771	-	-	-	-	-	-
3,329,162	3,373,765	251,225	-	-	-	-	-	-
\$ 6,153,267	\$ 6,283,979	\$ 1,737,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 109,747,949	\$ 112,202,046	\$ 32,714,180	\$ 3,187,027	\$ 1,593,514	\$ 21,531,808	\$ 21,531,808	\$ 19,938,294	\$ 19,938,294

THE UNIVERSITY OF NEW MEXICO

Schedule of Individual Deposit and Investment Accounts as of June 30, 2012 - Primary Institution

Individual Deposit Accounts

Name of Bank/Broker		Account Type	Balance per bank statement	Reconciled Balance per books
Bank of America	General Depository	Checking	\$ 112,801,754	114,719,486
	Gallup Campus Depository	Checking	-	198
	UNMH Operating Account	Checking	48,830,000	34,143,783
	UNMH Consolidated Automated Overnight Investment	Repo Agreement	54,332,465	54,332,465
Los Alamos National Bank	Los Alamos Campus Depository	Checking	2,404	2,404
US Bank	Taos Harwood Depository	Checking	2,116	2,358
	Taos Education Center Depository	Checking	8,710	9,466
	Valencia Campus Depository	Checking	3,950	4,891
	UNMH Change Campaign	Checking	16,862	16,862
Other	UNM Petty Cash	Cash on Hand	-	15,600
	UNMH/OCO Petty Cash	Cash on Hand	-	34,992
	Component Unit deposits held by UNM			(3,635,188)
	Net non-depository cash and cash equivalents			(9,182,710)
Primary Institution – Cash			\$ 215,998,261	190,464,607

SCHEDULE 10

Individual Investment Accounts

Name of Bank/Broker	Account Type	Account Type	Balance per bank statement	Reconciled Balance per books
Bank of Albuquerque	Bldg, Renewal & Replacement	Money Market	\$ 1,601,400	1,601,400
	Retirement of Indebtedness	Money Market	946,687	946,687
Fidelity Investments	ASM Endowment Account	Cash	92,000	92,000
		Money Market	1,788,924	1,788,924
Morgan Stanley Smith Barney	Bond Proceeds	Money Market	319,611	319,611
		U.S. Treasury Securities	6,747,208	6,747,208
	Operating Investment Account	U.S. Gov't Agencies	6,724,514	6,724,514
		Cash	2,612,241	2,612,241
		Money Market	6,552,155	6,552,155
		U.S. Treasury Securities	67,083,893	67,083,893
		U.S. Gov't Agencies	67,021,118	67,021,118
		Corporate Bonds	89,187,454	89,187,454
		Municipal Bonds	10,125,874	10,125,874
	International Bonds	7,345,765	7,345,765	
	Retirement of Indebtedness	Money Market	3,632	3,632
	UNMH Investment Account	Cash	3,794	3,794
		Money Market	2,696,006	2,696,006
U.S. Treasury Securities		12,643,827	12,643,827	
		U.S. Gov't Agencies	18,734,767	18,734,767
Northern Trust	Primary Institution CIF	Cash	5,771,267	5,771,267
		Mutual Funds	52,641,270	52,641,270
		Equity	144,046,446	144,046,446
		Alternative Investments	129,015,824	129,015,824
Wells Fargo	Bldg, Renewal & Replacement	Money Market	350,183	350,183
		U.S. Gov't Agencies	2,785,714	2,785,714
		Corporate Bonds	2,924,809	2,924,809
	Endowment Account	Money Market	293,121	293,121
		Equity	535,387	535,387
	Retirement of Indebtedness	Money Market	6,709,447	6,709,447
	UNMH Investment Account	Money Market Deposits	330,030	383,869
		Money Market	19,363,681	19,363,681
		Repurchase Agreement	13,430,719	13,430,719
		U.S. Gov't Agencies	5,306,541	5,306,541
Investment in TLSC	UNMH Investment Account	Equity	6,872,695	6,872,695
Investment in TriWest		Equity	2,612,500	2,612,500
Investment in TRL (TriCore)		Equity	8,171,909	8,171,909
	Less: Foundation Interest in CIF		(144,930,931)	(144,930,931)
			\$ 558,461,483	558,515,322
Land Grant Permanent Fund		See Note Below	\$ 165,888,093	165,888,093
			\$ 724,349,576	724,403,415

Note: The University has an undivided interest in the State of New Mexico Land Grant Permanent Fund. For further detail for the types of investments held in the Land Grant Permanent Fund, please refer to the separately issued June 30, 2011 financial statements of the State Investment Council.

THE UNIVERSITY OF NEW MEXICO

Schedule of Individual Deposit and Investment Accounts as of June 30, 2012 - Component Units

Individual Deposit Accounts

Name of Bank/Broker	Account Type		Balance per bank statement	Reconciled Balance per books
Component Units – Public Money Entities				
UNMMG				
Morgan Stanley Smith Barney	UNMMG Board Designated Assets	Money Market	\$ 322,211	322,211
Wells Fargo Bank	UNMMG Operating Accounting	Checking	27,680,304	23,007,812
	UNMMG Pathology	Checking	-	-
	UNMMG Cancer Center	Checking	-	-
	UNMMG Savings	Savings	521,716	521,716
UNMMG – Cash			\$ 28,524,231	23,851,739
SRMC				
Bank of America	Money Market Certificate of Deposit	Money Market - CD	\$ 4,585,966	4,585,966
Wells Fargo Bank	SRMC Operating Account	Checking	623,354	623,354
	SRMC Payroll Account		8,113	8,113
	SRMC Capital Projects		422,621	422,621
	Secured Institutional Money Market	Money Market	64,784,171	64,784,171
Other*	Petty Cash	Cash	1,350	1,350
SRMC – Cash			\$ 70,425,575	70,425,575
University of New Mexico Foundation, Inc.				
Bank of America	Scholarship Fund	Money Market	\$ 11,225	11,224
	Scholarship Trust	Money Market	31,492	31,485
Southwest Securities	Charitable Trust Fund	Money Market	12,406	12,406
UBS Financial Services	Endowed Chair	Money Market	123,637	123,637
	Endowed Professorship	Money Market	9,622	9,622
Wells Fargo	Operating	Cash	1,279,638	1,234,597
	Development	Cash	2,751,037	3,243,511
	Charitable Trust Fund	Money Market	55,075	55,075
Vanguard	Operating	Money Market	1,795,189	1,795,189
Other*	UNM Operating	Cash	8,154	8,154
University of New Mexico Foundation, Inc. – Cash			\$ 6,077,475	6,524,900
Lobo Development, Inc.				
Compass Bank	Business Checking	Checking	\$ 82,027	28,326
Other*	UNM Operating	Cash	-	1,300,604
Lobo Development, Inc. – Cash			\$ 82,027	1,328,930
Lobo Energy, Inc.				
Compass Bank	Business Checking	Checking	\$ 86,922	81,049
Other*	UNM Operating	Cash	-	695,785
Lobo Energy, Inc. – Cash			\$ 86,922	776,834
STC.UNM				
Bank of the West	Operating	Checking	\$ 706,332	671,099
	Merchant	Checking	15,505	15,505
Other	Petty Cash	Cash	-	100
STC.UNM – Cash			\$ 721,837	686,704
Component Units – Public Money Entities			\$ 105,918,067	103,594,682
	Alumni		1,893,443	1,867,986
	ASM		1,016,771	956,119
	Lobo Club		3,373,765	3,329,162
Component Units – Non-Public Money Entities			\$ 6,283,979	6,153,267
Total Component Units – Cash			\$ 112,202,046	109,747,949

* - Held by Primary Institution in General Depository Account

SCHEDULE 10

Individual Investment Accounts

Name of Bank/Broker	Account Type	Account Type	Balance per bank statement	Reconciled Balance per books
Component Units – Public Money Entities				
UNMMG				
Morgan Stanley Smith Barney	UNMMG Investment Account	U.S. Gov't Obligations	\$ 13,925,922	13,925,922
		Corporate Bonds	11,474,940	11,474,940
		Municipal Bonds	1,844,129	1,844,129
		International Bonds	1,654,114	1,654,114
		UNMMG – Investments	\$ 28,899,105	28,899,105
SRMC				
		SRMC – Investments	\$ -	-
University of New Mexico Foundation, Inc.				
Bank of America	Scholarship Fund	Mutual Funds, Fixed	\$ 12,226	12,226
	Scholarship Trust	Mutual Funds, Equity	554,426	554,426
		Mutual Funds, Fixed	876,623	876,623
		Domestic Corporate Bonds	181,192	181,192
Southwest Securities	Charitable Trust Fund	Mutual Funds, Equity	106,250	106,250
		Mutual Funds, Fixed	221,275	221,275
		Domestic Corporate Stock	149,986	149,986
UBS Financial Services	Endowed Chair	Municipal Bonds	3,106,305	3,106,305
	Endowed Professorship	Municipal Bonds	438,095	438,095
Wells Fargo	Charitable Trust Fund	US Agency Bonds	26,592	26,592
		Domestic Corporate Bonds	181,192	181,192
		Mutual Funds, Equity	849,145	849,145
		Mutual Funds, Fixed	301,418	301,418
		Other	178,198	178,198
		Real Estate	212,557	212,557
Other	Endowments	Consolidated Investment Fund	144,930,931	144,930,931
		University of New Mexico Foundation, Inc. – Investments	\$ 152,326,411	152,326,411
Lobo Development				
		Lobo Development – Investments	\$ -	-
Lobo Energy				
		Lobo Development – Investments	\$ -	-
STC.UNM				
Wells Fargo	Balanced Appreciation	Mutual Funds, Fixed (Domestic)	\$ 66,213	66,213
		Mutual Funds, Fixed (Int'l)	31,374	31,374
		Mutual Funds, Equity (Domestic)	163,936	163,936
		Mutual Funds, Equity (Int'l)	115,505	115,505
		Other	45,179	45,179
		Real Assets	67,585	67,585
Other		Private Equity	4,150	4,150
		STC.UNM – Investments	\$ 493,942	493,942
Component Units – Public Money Entities				
		Alumni	6,895,626	6,895,626
		ASM	1,193,870	1,193,870
		LoboClub	-	-
Component Units – Non-Public Money Entities				
		Component Units – Non-Public Money Entities	\$ 8,089,496	8,089,496
Total Component Unit – Investments				
		Total Component Unit – Investments	\$ 189,808,954	189,808,954

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	FEDERAL CFDA NUMBER	EXPENDITURES
Research and Development Programs		
Department of Agriculture	10	\$ 414,690
Department of Commerce	11	\$ 123,141
Department of Defense		
DARPA	12	\$ 895,770
DTRA	12	7,259,648
Department of the Air Force	12	5,486,013
Department of the Army	12	3,682,783
Department of the Navy	12	2,073,244
Other Departments	12	794,570
Total Department of Defense		<u>\$ 20,192,028</u>
Department of the Interior	15	\$ 1,711,538
Department of Justice	16	\$ 763,600
Department of Transportation	20	\$ 1,674,014
National Aeronautics & Space Administration	43	\$ 2,102,957
National Foundation on the Arts & the Humanities	45	\$ 13,414
National Science Foundation	47	\$ 27,769,716
Department of Veterans Affairs	64	\$ 746,434
U.S. Environmental Protection Agency	66	\$ 341,448
Nuclear Regulatory Commission	77	\$ 34,535
Department of Energy	81	\$ 10,578,505
Department of Education	84	\$ 293,732
Department of Health & Human Services		
AHRQ	93	\$ 674,116
Centers for Disease Control and Prevention	93	1,755,892
Health Resources & Services Admin	93	1,496,020
Indian Health Services	93	555,708
National Institutes of Health	93	74,937,442
Other Departments	93	1,357,598
Total Department of Health & Human Services		<u>\$ 80,776,776</u>
Other Agencies		\$ 14,757
Subtotal Research and Development – Non-ARRA		<u>\$ 147,551,285</u>
Research and Development Programs American Recovery and Reinvestment Act (ARRA)		
Department of Agriculture		
ARRA – Wildland Fire Management	10.688	\$ 49,388
Total Department of Agriculture		<u>\$ 49,388</u>
Department of Justice		
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants	16.803	\$ 11,730
Total Department of Justice		<u>\$ 11,730</u>
National Science Foundation		
ARRA – Arithmetic Differential	47.049	\$ 18,597
ARRA – Trans-NSF Recovery Act Research Support	47.082	4,726,946
Total National Science Foundation		<u>\$ 4,745,543</u>

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	FEDERAL CFDA NUMBER	EXPENDITURES
Department of Energy		
ARRA – Department of Energy	81.000	\$ 212,160
ARRA – Basic Energy Sciences University and Science Education	81.049	211,647
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis (B)	81.122	53,513
Total Department of Energy		<u>\$ 477,320</u>
Department of Education		
ARRA – SFSF – What Works & Innovation Fund	84.396	\$ 147,316
Total Department of Education		<u>\$ 147,316</u>
Department of Health & Human Services		
ARRA – Trans-NIH Recovery Act Research Support	93.701	\$ 14,814,210
ARRA – Prevention and Wellness – Leveraging National Organizations	93.731	55,562
Total Department of Health & Human Services		<u>\$ 14,869,772</u>
<i>Subtotal Research and Development – ARRA</i>		<u>\$ 20,301,069</u>
<i>Total Research and Development Cluster</i>		<u>\$ 167,852,354</u>
<i>Student Financial Assistance Programs</i>		
Department of Education		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 441,189
Federal Work-Study Program	84.033	2,605,437
Pell Grants	84.063	57,428,782
Academic Competitiveness Grants	84.375	(275)
TEACH Grant Program	84.379	589,034
Total Department of Education		<u>\$ 61,064,167</u>
Department of Health & Human Services		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	\$ 276,791
Total Department of Health & Human Services		<u>\$ 276,791</u>
<i>Total Student Financial Assistance Cluster</i>		<u>\$ 61,340,958</u>

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
<i>Other Programs</i>		
Community Food Projects	10.225	\$ 6,499
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	194,409
Collaborative Forest Restoration (B)	10.679	48,571
Department of Commerce	11.000	51,007
Census Bureau Data Products	11.001	24,167
Investments for Public Works and Economic Development Facilities	11.300	(1,077)
Public Telecommunications Facilities Planning and Construction	11.550	400,133
ARRA – Broadband Technology Opportunities Program (BTOP)	11.557	179,791
Low-Power Television and Translator Upgrade Program	11.559	56,503
Department of Defense	12.000	66,734
Language Grant Program	12.900	55,110
Mathematical Sciences Grants Program	12.901	26,357
Department of the Interior	15.000	734,958
Water Resources on Indian Lands	15.037	1,875
Cultural Resource Management	15.224	4,865
Bureau of Reclamation	15.500	111,251
Wildlife Conservation and Restoration	15.625	6,948
Outdoor Recreation Acquisition Development and Planning	15.916	4,961
Native American Graves Protection and Repatriation Act	15.922	43,224
Department of Justice	16.000	13,873
Desegregation of Public Education	16.100	121,648
Crime Victim Assistance	16.575	76,496
Department of Labor	17.000	68,956
Community Based Job Training Grants (B)	17.269	387,213
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	3,886
Consultation Agreements	17.504	38,545
Department of State	19.000	23,818
Academic Exchange Programs - Scholars	19.401	30,417
Department of Transportation	20.000	905,737
Low Income Taxpayer Clinics	21.008	84,326
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	135,808
Promotion of the Arts_Grants to Organizations and Individuals	45.024	50,046
Promotion of the Arts_Partnership Agreements	45.025	(5)
Promotion of the Humanities Division of Preservation and	45.149	154,549
Promotion of the Humanities_Professional Development	45.163	114,847
Museums for America	45.301	30,225
Education and Human Resources	47.076	120,496
Small Business Administration	59.000	13,686
Small Business Development Centers	59.037	60,151
Department of Veterans Affairs	64.000	39,622
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	50,129
Department of Energy	81.000	392,172
ARRA – State Energy Conservation	81.041	62,267
Basic Energy Sciences University and Science Education	81.049	122,770
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	13,886
Federal Emergency Management Agency	83.000	122,981
Department of Education	84.000	805,449
Adult Education - Basic Grants to States	84.002	430,789
ARRA – Title I Grants to Local Educational Agencies	84.010	(1,437)
Title I State Agency Program for Neglected and Delinquent Children	84.013	173,386
National Resource Center	84.015A	151,907
Fellowships	84.015B	322,333
Higher Education Institutional Aid	84.031	2,159,395
Higher Education Institutional Aid (B)	84.031C	113,616

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	FEDERAL CFDA NUMBER	EXPENDITURES
TRIO Student Support Services	84.042	\$ 681,347
TRIO Upward Bound	84.047	638,890
Career and Technical Education -- Basic Grants to States	84.048	121,856
TRIO Educational Opportunity Centers	84.066	199,856
Fund for the Improvement of Postsecondary Education	84.116	99,821
Improvement of Postsecondary Education	84.116Z	235,749
Migrant Education High School Equivalency Program	84.141	483,946
Migrant Education College Assistance Migrant Program	84.149	438,276
Special Education Preschool Grants	84.173	111,977
Fund for the Improvement of Education	84.215	11,806
McNair Post-Baccalaureate Achievement	84.217	242,084
Tech-Prep Education	84.243	9,251
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children	84.326	942,512
Child Care Access Means Parents in School (B)	84.335	311,771
Transition to Teaching (B)	84.350	125,423
School Leadership (B)	84.363	171,408
English Language Acquisition Grants (A,B)	84.365	8,946
ARRA - State Fiscal Stabilization Fund (SFSF) Cluster	84.394, 84.394A, 84.397	121,381
National Writing Project	84.928A	8,689
Department of Health & Human Services	93.000	828,269
Medical Reserve Corps Small Grant Program (B)	93.008	76
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	167,645
Maternal and Child Health Federal Consolidated Programs	93.110	229,088
Preventive Medicine Residency Program	93.117	402,471
Emergency Medical Services for Children	93.127	132,496
National AIDS Education and Training Centers	93.145	295,472
Disabilities Prevention	93.184	20,979
Urban Indian Health Services	93.193	69,347
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	198,006
Geriatric Academic Career Awards (C)	93.250	69,123
Poison Center Support and Enhancement Grant Program	93.253	269,297
Department of Health and Human Services	93.257	179,853
Drug Abuse and Addiction Research Programs	93.279	1,260
Centers for Disease Control and Prevention Investigations	93.283	95,298
Minority Health and Health Disparities Research	93.307	11,065
Nurse Education, Practice and Retention Grants	93.359	517,146
Cancer Treatment Research	93.395	68,781
ARRA – Public Health Traineeship Program	93.405	(1,323)
Affordable Care Act (ACA) Family to Family Health Information Centers	93.504	68,187
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	223,485
Affordable Care Act (ACA) Tribal Maternal, Infant, and Early Childhood Home Visiting Program	93.508	26,533
State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges	93.525	23,639
Community Services Block Grant Discretionary	93.573	233,650
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,885
Head Start	93.600	20,910
Developmental Disabilities Basic Support and Advocacy	93.630	7,837
Developmental Disabilities University Affiliated Programs	93.632	549,322
ARRA – Head Start	93.708	16,895
Children's Health Insurance Program	93.767	322,558
Medical Assistance Program	93.778	1,727,387
Cardiovascular Diseases Research	93.837	66,644
Blood Diseases and Resources Research	93.839	14,510
Kidney Diseases Urology and Hematology Research	93.849	(100)
Clinical Research Related to Neurological Disorders	93.853	116,496
Pharmacology Physiology and Biological Chemistry	93.859	930,121
Child Health and Human Development Extramural Research	93.865	(615)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	FEDERAL CFDA NUMBER	EXPENDITURES
Grants for Training in Primary Care Medicine and Dentistry	93.884	\$ 718,012
Project Grants for Renovation or Construction of Non-Acute	93.887	2,213,021
National Bioterrorism Hospital Preparedness Program	93.889	50,000
Grants to Provide Outpatient Early Intervention Services	93.918	697,621
Research and Demonstration Projects for Indian Health	93.933	293,610
Comprehensive Residential Drug Prevention and Treatment	93.937	2,890
Block Grants for Community Mental Health Services	93.958	59,567
Block Grants for Prevention and Treatment of Substance	93.959	1,643,302
Public Health Traineeships	93.964	4,626
Health Professions Recruitment Program for Indians	93.970	27,181
Maternal and Child Health Services Block Grant to the States	93.994	340,692
Program Development and Innovation Grants	94.007	23,349
Cooperating Technical Partners	97.045	2,973
Total Other Programs		\$ 28,355,795
TOTAL FEDERAL AWARDS		\$ 257,549,107

Reconciliation to Exhibit B - Statement of Revenues, Expenditures, and Changes in Net Assets

Federal awards revenue (per Exhibit B):

Federal grants and contracts revenue	\$ 202,562,810
Federal pell grant revenue	57,428,783
Portion of capital grants and gifts revenue that is federal	11,148,974
Federal stabilization grant revenue	267,975
Portion of clinical operations revenue that is federal	2,158,536
Total federal awards revenue	273,567,078

Reconciling items:

Fee for service federal contract revenues - not reportable on schedule 11	(15,043,049)
Residual balances on federal grants and contracts	(974,922)
Total federal expenditures per schedule 11	\$ 257,549,107

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THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2012

Note 1: Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note 2: Student Financial Aid

Perkins loans advanced to students in fiscal year 2012 totaled \$414,046. Perkins loans outstanding at June 30, 2011 totaled \$10,484,225. Federal Direct loans advanced to students in fiscal year 2012 totaled \$142,860,501.

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 of \$183,399,000, which is considered subject to continuing compliance requirements under OMB Circular A-133.

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 of \$143,425,000. Of that amount, \$111,415,780 has been expended for construction purposes and is considered subject to continuing compliance requirements under OMB Circular A-133.

Note 4: Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
Uc Riverside	10.219	\$ 8,934
Comm Action Agency of S. NM	11.557	44,066
Gonzaga University	12.000	3,720
SWCA Environmental Consultants	12.100	9,011
Animas Biological Studies LLC	12.300	5,832
Jet Propulsion Laboratory	12.300	7,903
Science Applic Intern Corp	12.300	60,432
University of Michigan	12.300	153,075
Virginia Polytechnic Institute	12.300	101,890
Aduro Biotech	12.351	157,109
AFRL/RDF	12.351	140,000
Applied Research Associates	12.351	14,241
Dr. James Bartholomew	12.351	128,681
Duke University	12.351	29,186
Georgia Tech	12.351	20,762
Los Alamos Natl Labs	12.351	60,411
Nm State Univ	12.351	99,016
Nm Tech	12.351	143,151
NMC Inc	12.351	6,860
Penn State University	12.351	2,120
Physics Materials & Applied Mat	12.351	74,584
Submission Science LLC	12.351	126,389
Systems Engineering & Analysis	12.351	96,509
The Microbe Company LLC	12.351	60,920
The Ohio State University	12.351	162,586

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
Univ of Texas San Antonio	12.351	\$ 68,223
University Of Florida	12.351	560,076
University of Nebraska	12.351	39,717
University Of Texas Austin	12.351	93,808
BBN Technologies	12.431	21,110
Colorado State University	12.431	230,444
University of Delaware	12.431	69,752
University Of Illinois	12.431	134,084
Virginia Polytechnic Institute	12.431	38,093
Columbia University	12.800	121,675
NE Univ @ Boston	12.800	29,166
Nm Tech	12.800	14,127
Sandia National Labs	12.800	(254)
St. Louis University	12.800	69,068
University Of Hawaii	12.800	23,704
University of Virginia	12.800	32,911
Wake Forest University	12.800	58,927
Auburn University	20.000	81,540
University Of Arizona	43.000	8,077
Arizona State University	43.001	2,745
Texas A&M University	43.001	47,146
University Of Texas Austin	43.001	81,099
University of North Texas	45.149	106,378
The Palace of the Governors	45.301	9,938
Duke University	47.000	7,435
Research Analysis & Engineering	47.000	12,465
Uc Santa Barbara	47.000	144
Inst of American Indian Arts	47.041	53,298
Nm State Univ	47.041	22,062
North Carolina State University	47.041	35,718
Rensselaer Pi	47.041	10,275
Santa Fe Complex	47.041	23,026
Harvard University	47.049	119,219
University Of Arizona	47.049	164,855
Nm Tech	47.050	25,272
Michigan St. Univ	47.074	38,866
Nm State Univ	47.074	2,592
Universitat Hamburg	47.074	4,985
USDA Forest Service	47.075	10,740
Central Arizona College	47.076	9,802
Central New Mexico Comm College	47.076	11,197
Chandler Gilbert Community Coll	47.076	25,682
Glendale Community College	47.076	17,678
J.F. Drake State Technical Coll	47.076	20,000

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
San Juan Community College	47.076	\$ 15,117
Santa Fe Productions	47.076	103,544
SW Indian Polytechnic Institute	47.076	50,500
Iowa State University	47.079	34,016
Univ of Wisconsin-Madison	47.079	3,082
University of Virginia	47.079	93,289
Cornell University	47.080	18,549
Dine College	47.080	40,656
Duke University	47.080	89,028
Eastern Nm University	47.080	12,229
KU Research & Graduate Studies	47.080	129,709
Minnick & Associates	47.080	49,163
Nm Highlands University	47.080	209,202
NM Museum of Nat. History	47.080	114,053
Nm State Univ	47.080	738,432
Nm Tech	47.080	594,488
Northern NM Network	47.080	31,321
Uc Santa Barbara	47.080	792,874
University of California	47.080	17,864
University Of Illinois	47.080	22,169
University of Tennessee	47.080	693,805
Utah State University	47.080	17,446
UT-Battelle, LLC	47.080	155,876
Nm Tech	47.081	290,161
Minnick & Associates	47.082	7,262
Navajo Technical College	47.082	248,069
Northern New Mexico College	47.082	250,000
Virginia Polytechnic Institute	47.082	143,581
Western Nm University	47.082	15,546
Los Alamos Commerce & Dev Corp	59.037	21,689
SW Research & Info Center	66.000	8,165
Eastern Nm University	81.000	34,108
Nm State Univ	81.000	54,470
Nm Tech	81.000	86,206
University Of Washington	81.049	127,993
Washington State University	81.049	26,811
Star Cryoelectronics	81.113	8,394
Nm State Univ	84.031	5,298
Central New Mexico Comm College	84.031C	29,791
Arizona State University	84.116	12,523
ISTEC Inc	84.337A	4,516
Nm State Univ	84.397	(602)
Aduro Biotech	93.000	123,439
Arizona State University	93.000	26,933

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
Baylor University	93.000	\$ 138,287
Colorado State University	93.000	63,385
Lovelace Biomed Environ Rsrch I	93.000	744,139
One Lambda Inc.	93.000	50,000
Oregon Research Institute	93.000	77,098
Univ of Texas San Antonio	93.000	170,102
University of Louisville	93.000	7,415
Luna Community College	93.107	68,709
Nm State Univ	93.107	50,493
Emory University	93.113	11,645
SW Research & Info Center	93.113	4,426
Universidad San Francisco de Qu	93.113	53,951
University of Texas Houston	93.113	332
University of Texas-MD Anderson	93.113	43,613
SW Research & Info Center	93.161	127,082
Yale University	93.161	30,104
Emory University	93.242	82,499
Mind Institute	93.242	69,433
University of North Carolina	93.242	1,354
University Of Arizona	93.253	18,000
Nm State Univ	93.262	9,906
Klein Buendel	93.273	35,238
Mind Institute	93.273	195,241
Okinawa Inst of Science & Tech	93.273	33,650
Pacific Institute for Research	93.273	75,693
Rutgers, University of NJ	93.273	47,800
Stellenbosch University	93.273	584,396
University of Cape Town	93.273	179,183
University of Colorado	93.273	89,662
University of Missouri	93.273	65,077
Life Link Inc	93.279	25,000
Na Nizoozhi Ctr Inc	93.279	1,906
University Of Arizona	93.279	7,112
University of Colorado	93.279	81,115
Zuni Pueblo	93.279	209,786
University Of Texas Austin	93.286	4,924
Emory University	93.310	55,093
Los Alamos Natl Labs	93.310	70,459
Jemez Pueblo	93.350	8,990
Mind Institute	93.350	14,896
NCIRE Northern Calif Institute	93.350	22,715
Los Alamos National Security	93.389	426,911
UC Irvine	93.393	6,472
Nm State Univ	93.395	48,250

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
Amer Soc for Clinical Pathology	93.397	\$ 5,025
Harvard University	93.397	44,394
Lovelace Biomed Environ Rsrch I	93.397	45,007
University of Alabama	93.397	7,578
University of Louisville	93.397	10,017
California Inst of Technology	93.701	100,067
Florida State University	93.701	48,838
Hidalgo Medical Svcs Dental Pro	93.701	220,355
Indiana University	93.701	(149)
Johns Hopkins University	93.701	96,623
Klein Buendel	93.701	82,303
Mind Institute	93.701	13,469
Queen Mary, Univ of London	93.701	18,934
Univ of Kentucky Research Fdn	93.701	6,751
University of California Davis	93.701	119,291
University Of Pennsylvania	93.701	60,020
University of Virginia	93.701	19,075
Mind Institute	93.837	22,870
Presbyterian Healthcare Svcs	93.837	3,170
University of British Columbia	93.839	64,933
Brigham and Womens Hospital	93.847	4,241
Medical Univ of South Carolina	93.847	105,460
Tufts University	93.847	169,722
University of Heidelberg	93.847	293,629
University Of Pennsylvania	93.847	124,981
Mind Institute	93.853	26,435
Catholic University	93.855	79,902
Colorado State University	93.855	38,557
Hospital & Health Admin - Kenya	93.855	92,044
Klein Buendel	93.855	197,460
Lovelace Biomed Environ Rsrch I	93.855	282,634
St Jude Childrens Research Hosp	93.855	49,788
Universidad Del Desarrollo	93.855	467,961
University of Colorado	93.855	16,564
University Of Pittsburgh	93.855	11,594
Boston University	93.859	30,064
Central New Mexico Comm College	93.859	15,010
Los Alamos Natl Labs	93.859	710,030
Nm State Univ	93.859	6,699
Research Foundation SUNY	93.859	182,486
Sandia National Labs	93.859	167,209
University of Delaware	93.859	91,669
University Of Pennsylvania	93.859	31,113
University of Texas-MD Anderson	93.859	17,201

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
Drexel University	93.865	\$ 67,140
Mind Institute	93.865	159,997
Pediatric Radiologists	93.865	2,000
University of Texas-MD Anderson	93.865	108,980
University Of Utah	93.865	24,213
Mind Institute	93.866	101,637
Hospital & Health Admin - Kenya	93.989	43,934
Kenya Medical Research Institut	93.989	6,000
TOTAL PASSED THROUGH TO SUBRECIPIENTS		<u>\$ 18,651,485</u>

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
Los Alamos National Security, LLC	10.001	\$ 54,520
University of Arizona	10.001	2,068
YMCA	10.225	6,499
University of Nebraska	10.303	87,086
New Mexico Human Services Department	10.561	194,842
Middle Rio Grande Conservancy District	10.679	48,571
New Mexico State Library	11.557	179,791
Avacore Technologies	12.000	790
Gulf South Research Corporation	12.000	22,026
Magnolia Optical Technologies	12.000	13,912
Management Sciences	12.000	12,947
Management Sciences, Inc.	12.000	11,824
New Mexico Military Affairs Department	12.000	71,129
Polaris Sensor Technologies, Inc.	12.000	121,280
Precision Photonics Corp	12.000	84,263
SRI International	12.000	2,243
Stanford University	12.000	4,800
State University of New York	12.000	80,234
Stellar Science Ltd Co	12.000	31,005
Universal Technology	12.000	20,770
University of Tennessee	12.000	200,645
Lynntech, Inc.	12.002	58,750
Ecosphere Environmental Services	12.100	26,798
Gulf South Research Corporation	12.100	60,791
TechFlow Scientific	12.100	39,984
New Mexico Institute of Mining and Technology	12.114	12,896
Bryn Mawr College	12.300	65,851
Colorado State University	12.300	158,846
Duke University	12.300	16,367
Los Alamos National Security, LLC	12.300	10,412
Modus Operandi, Inc.	12.300	36,319
Ultra Communications Inc	12.300	43,335
University of Houston	12.300	26,946
University of Virginia	12.300	142,945
Colorado State University	12.351	199,653
Pennsylvania State University	12.351	75,564
New Mexico Military Affairs Department	12.401	44,032
Animas Biological Studies LLC	12.420	26,572
BAE Systems	12.431	196,841
Southwest Sciences	12.431	22,151

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
State of Maryland	12.431	\$ 36,508
University of California, Santa Barbara	12.431	56,760
R. Christopher Goodwin & Associates, Inc.	12.560	1,246
Institute of American Indian Arts	12.630	14,611
Columbia University	12.800	139
Henry M Jackson Foundation	12.800	(254)
Kansas State University	12.800	146,138
Redondo Optics Inc	12.800	59,864
RNET Technologies, Inc.	12.800	319,953
TechFlow Scientific	12.800	64,256
Thermo Dynamic Films	12.800	54,764
University of Arizona	12.800	209,242
University of Dayton	12.800	24,967
University of Virginia	12.800	128,421
BAE Systems	12.910	49,407
Five Focal LLC	12.910	50,921
Northwest Research Associates	12.910	29,894
Solid State Scientific Corporation	12.910	1,088
Navajo Nation	15.000	676,078
New Mexico Energy Minerals and Natural Resources Dept	15.000	73,533
American Indian Law Center Inc	15.037	1,875
Kansas State University	15.529	23,108
Arizona State University	15.538	7,687
New Mexico Game and Fish Department	15.611	20,558
New Mexico Energy Minerals and Natural Resources Dept	15.625	6,948
New Mexico Game and Fish Department	15.625	26,874
New Mexico Game and Fish Department	15.634	48,847
Alaska Dept of Fish & Game	15.657	15,228
State of Arizona	15.808	18,343
Florida Supreme Court	16.000	244
New Mexico Children Youth and Family Department	16.000	10,221
New Mexico Public Safety Department	16.000	10,016
New Mexico Public Safety Department	16.100	161,408
Mississippi State University	16.560	22,520
University of Nevada System	16.560	45,538
New Mexico Crime Victims Reparation Commission	16.575	76,496
St. Bonaventure Indian Mission and School	16.609	583
New Mexico Public Safety Department	16.741	309,169
New Mexico Public Safety Department	16.803	11,730
Del-Jen Inc	17.000	36,900

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
New Mexico Department of Transportation	17.000	\$ 32,056
Santa Fe Community College	17.282	3,886
First Choice Community Healthcare	17.504	38,545
Institute of International Education Inc	19.401	30,417
New Mexico Department of Transportation	20.000	2,098,536
New Mexico Traffic Safety Bureau	20.000	208,106
New Mexico Department of Transportation	20.200	43,177
Jet Propulsion Lab	43.000	141,421
Maryland Aerospace, Inc.	43.000	22,786
New Mexico State University	43.000	160,313
Smithsonian Astrophysical Observatory	43.000	10,911
University of California Los Angeles	43.000	7,397
Jet Propulsion Lab	43.001	84,246
New Mexico State University	43.001	8,792
Planetary Science Institute	43.001	29,893
University of Colorado	43.002	19,228
Washington University	43.002	454
Rutgers University	45.024	15,000
New Mexico Arts Division	45.025	(5)
New Mexico Arts Division	45.163	5,794
New Mexico State University	47.000	5,055
University of Notre Dame	47.000	3,282
Yale University	47.000	12,404
Arizona State University	47.041	106,430
Iowa State University	47.041	207,581
Rensselaer Polytechnic Institute	47.041	557,338
Thermo Dynamic Films	47.041	32,541
University of Rochester	47.041	80,952
New Mexico State University	47.046	529,773
Drake University	47.049	4,848
University of California Santa Cruz	47.049	113,983
University of Oklahoma	47.070	11,106
The Board of Trustees of Western Illinois University	47.074	36,498
University of California Los Angeles	47.074	77,354
University of Kansas Center for Research	47.074	22,554
University of Puerto Rico	47.074	47,927
Boston University	47.075	37,960
Gallaudet University	47.075	115,468
New Mexico State University	47.075	64,545
Rand Corp	47.075	16,127

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
Arizona State University	47.076	\$ 124,629
Colorado State University	47.076	12,550
Ideum Inc	47.076	25,704
New Mexico State University	47.076	15,053
University of Arizona	47.076	(1,357)
University of Colorado	47.078	66,519
Titan Optics & Engineering	47.082	45,933
University of Arizona	47.082	(1,003)
Santa Fe Community College	59.000	13,686
Santa Fe Community College	59.037	60,151
Biomedical Research Institute of New Mexico	64.000	10,154
ERRG, Incorporated	66.000	8,745
Lovelace Biomedical & Environmental Research Inst	66.000	(1)
New Mexico Environment Department	66.000	130,420
University of Washington	66.509	46,505
Ballard Power Systems Inc.	81.000	232,746
Battelle Memorial Institute	81.000	409,850
Brookhaven Science Associates LLC	81.000	122,045
Fermi Laboratory	81.000	61,783
Johns Hopkins University	81.000	12,253
Lawrence Berkeley National Laboratory	81.000	127,803
Lawrence Livermore National Laboratory	81.000	28,887
Los Alamos National Laboratory	81.000	877,525
Los Alamos National Security, LLC	81.000	454,407
MIND Research Network	81.000	479,876
National Renewable Energy Laboratory	81.000	14,698
Regional Development Corp	81.000	47,616
Rensselaer Polytechnic Institute	81.000	72,861
Sandia National Laboratories	81.000	2,742,153
University of Oregon	81.000	32,250
New Mexico Energy Minerals and Natural Resources Dept	81.041	62,267
Colorado State University	81.049	211
Duke University	81.049	13,362
MIND Research Network	81.049	97,770
New Mexico Consortium Inc	81.049	19,116
State of Arizona	81.049	79,624
T3 Scientific LLC	81.049	75,111
Thermo Dynamic Films	81.049	49,872
University of Florida	81.049	24,407
Northeastern University	81.087	115,063

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
Texas A&M University	81.113	\$ (775)
Trustees of Purdue University	81.113	174,193
Los Alamos National Laboratory	81.117	1,900
Washington State University	81.121	75,725
Public Service Company of NM	81.122	53,513
Los Alamos National Laboratory	81.123	18,844
Los Alamos National Security, LLC	81.123	13,886
MIND Research Network	83.000	122,981
Gallup McKinley County School District	84.000	70,109
Navajo Nation	84.000	166,276
New Mexico Higher Education Department	84.000	42,577
NM Public Education Department	84.000	152,364
Northern New Mexico College	84.000	152,921
New Mexico Higher Education Department	84.002	430,789
Albuquerque Public Schools	84.010	(1,437)
Northern New Mexico College	84.031	212,675
NM Public Education Department	84.048	121,856
East Tennessee State University	84.116	41,319
University of Iowa	84.116	18,426
NM Public Education Department	84.173	111,977
Region IX Education Cooperative	84.215	11,806
NM Public Education Department	84.243	9,251
Washington University	84.305	2,323
NM Public Education Department	84.326	829,067
NM Public Education Department	84.350	125,423
Albuquerque Public Schools	84.363	171,408
Wingate Board of Education, Inc	84.365	8,946
New Mexico Higher Education Department	84.394	(2,907)
New Mexico Higher Education Department	84.394A	(10,588)
Utah State University	84.396	147,316
New Mexico Department of Finance & Administration	84.397	135,511
NM Public Education Department	84.397	(1,357)
National Writing Project Corp	84.928A	8,689
Albuquerque Area Indian Health Board Inc	93.000	59,701
Albuquerque Public Schools	93.000	13,102
Amercian College of Radiology Imaging Network - ACRIN	93.000	429
American Cancer Society Inc	93.000	(8,663)
Bernalillo County	93.000	7,942
Biomedical Research Institute of New Mexico	93.000	15,618
Case Western Reserve University	93.000	1,707

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
Casia Software LLC	93.000	\$ (8,746)
Duke University	93.000	15,561
General Hospital Corp	93.000	10,503
Georgetown University	93.000	14,342
Hidalgo Medical Services	93.000	48,139
Houston Academy of Medicine - Texas Medical Center	93.000	19,247
Klein Buendel Inc	93.000	36,945
Lovelace Respiratory Research Institute	93.000	72
Mescalero Apache Schools	93.000	23,297
National Childhood Cancer Foundation	93.000	9,148
New Mexico Cancer Care Alliance	93.000	289
New Mexico Developmental Disabilities Planning Cncl	93.000	64,321
New Mexico Human Services Department	93.000	97,950
NM Developmental Disabilities Planning Council	93.000	(9,128)
North Central Cancer Treatment Group	93.000	18
OptumHealth New Mexico	93.000	18,722
SAIC	93.000	16,231
Senior Scientific	93.000	(10,089)
State of Maryland	93.000	(137)
University of California Irvine	93.000	23,037
University of California Los Angeles	93.000	2,573
University of Pittsburgh	93.000	(4,886)
University of South Florida	93.000	20,590
Wayne State University	93.000	11,556
National Association of County & City Health Official	93.008	76
New Mexico Children Youth and Family Department	93.104	349,043
Pueblo of San Felipe	93.104	23,383
University of California Los Angeles	93.110	(228)
University of Colorado	93.110	14,956
Lovelace Biomedical & Environmental Research Inst	93.113	22,023
Rosalind Franklin University of Medicine Science	93.113	6,419
University of California Los Angeles	93.113	91,816
University of Texas at El Paso	93.113	3,203
University of Colorado	93.145	240,915
University of Colorado	93.184	20,979
Albuquerque Area Indian Health Board Inc	93.193	69,347
MIND Research Network	93.242	6,139
Stanford University	93.242	59,013
American Psychiatric Association	93.243	(319)
Mescalero Apache Tribal Council	93.243	140,635

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
OptumHealth New Mexico	93.243	\$ 273,168
Pueblo of San Felipe	93.243	47,604
San Felipe Tribal Enterprise	93.243	16,028
University of Colorado	93.262	6,644
University of Texas Health Center at Tyler	93.262	116,082
Loyola University Chicago	93.273	31,546
MIND Research Network	93.273	2,248
Portland State University	93.273	5,189
Rutgers University	93.273	15,377
San Diego State University Foundation	93.273	389,109
Talaria, Inc.	93.273	102,670
University of Colorado	93.273	85,815
University of North Carolina	93.273	1,115,062
California Institute of Technology	93.279	49,775
MIND Research Network	93.279	162,695
OptumHealth New Mexico	93.279	69,931
SIMmersion LLC	93.279	40,825
University of Massachusetts	93.279	31,507
Association for Prevention Teaching & Research	93.283	24,897
Association of American Medical Colleges	93.283	1,077
New Mexico Department of Health	93.283	85,000
University of California	93.283	2,950
University of California Los Angeles	93.283	2,467
University of Colorado	93.283	9,221
University of California-Davis	93.286	(7,240)
Harvard University	93.361	19,218
MIND Research Network	93.361	25,354
ABQMR, INC.	93.389	36,308
Carnegie Mellon University	93.389	34,572
MIND Research Network	93.389	746,610
New Mexico State University	93.389	784,769
Group Health Cooperative	93.393	25,113
Lawrence Berkeley National Laboratory	93.393	89,655
Northern California Institute for Research & Education	93.393	68,337
University of North Carolina	93.393	75,698
University of Utah	93.393	1,035
Fred Hutchinson Cancer Research Center	93.394	26,686
Lovelace Respiratory Research Institute	93.394	55,797
Senior Scientific	93.394	84,736
SRI International	93.394	1,557

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
University of Colorado	93.394	\$ 24,047
Eastern Cooperative Oncology Group	93.395	41,330
Gynecologic Oncology Group	93.395	112,617
National Childhood Cancer Foundation	93.395	18,011
Senior Scientific	93.395	77,345
Southwest Oncology Group	93.395	27,451
University of Michigan	93.395	183,922
Baylor College of Medicine	93.397	63,209
Fred Hutchinson Cancer Research Center	93.397	731
Methodist Hospital Research Institute	93.397	220,557
SAIC	93.397	740,557
University of Southern California	93.397	112,109
University of Texas HSC Houston	93.397	23,704
University of Washington	93.397	9,573
Northwestern University	93.398	44,214
West Virginia University Research Corporation	93.398	11,356
Fred Hutchinson Cancer Research Center	93.399	283,541
Rapid City Regional Hospital	93.399	26,567
University of Washington	93.399	25,497
New Mexico Children Youth and Family Department	93.505	223,485
Pueblo of San Felipe	93.508	26,533
Albuquerque Indian Health	93.525	23,639
New Mexico Human Services Department	93.525	27,349
New Mexico Children Youth and Family Department	93.573	233,650
New Mexico Children Youth and Family Department	93.596	1,885
Navajo Nation	93.600	20,910
New Mexico Corrections Department	93.630	7,837
Biomedical Research Institute of New Mexico	93.701	15,626
Feinstein Institute for Medical Research	93.701	83,578
Johns Hopkins University	93.701	12,281
Medical College of Wisconsin	93.701	176
MIND Research Network	93.701	45,784
National Childhood Cancer Foundation	93.701	111,811
New Mexico State University	93.701	200,414
Northwestern University	93.701	10,128
SAIC	93.701	(6,708)
St. Jude Children's Research Hospital	93.701	34,217
The Children's Mercy Hospital	93.701	(146)
University of California Los Angeles	93.701	6,259
University of California-Davis	93.701	15,924

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
University of Texas at El Paso	93.701	\$ 1,488
University of Texas Medical Branch	93.701	(1,148)
Utah State University	93.701	29,528
VisionQuest Biomedical, LLC	93.701	10,632
Wayne State University	93.701	44,015
West Virginia University Research Corporation	93.701	23,498
New Mexico Children Youth and Family Department	93.708	16,895
NALEO Educational Fund Inc	93.731	55,562
New Mexico Human Services Department	93.767	322,558
New Mexico Human Services Department	93.778	1,732,982
Harvard University	93.837	255,750
National Jewish Health	93.837	79,662
New England Medical Center	93.837	2,467
Pratt Medical Group Inc	93.837	64,177
University of Texas Austin	93.837	185,186
University of Washington	93.837	123,936
Johns Hopkins Bloomberg School of Public Health	93.838	3,656
Johns Hopkins University	93.838	2,898
Lovelace Biomedical & Environmental Research Inst	93.838	16,874
National Jewish Health	93.838	3,124
Sandia National Laboratories	93.838	9,683
New Mexico Cancer Care Alliance	93.839	14,510
Washington University	93.839	10,119
Sloan Kettering Institute for Cancer Research	93.846	19,074
University of Iowa	93.846	1,090
Case Western Reserve University	93.847	145,106
George Washington University	93.847	2,120
University of Pittsburgh	93.847	113
University of Texas Medical Branch	93.847	13,611
VisionQuest Biomedical, LLC	93.847	35,535
The Children's Mercy Hospital	93.849	44,729
University of North Carolina	93.849	(100)
MIND Research Network	93.853	11,313
Mount Sinai School of Medicine	93.853	66,574
Oregon Health & Science University	93.853	33,950
Regents of the University of Minnesota	93.853	4,284
University of California	93.853	242,522
University of Cincinnati	93.853	138,480
University of Kansas Center for Research	93.853	17,934
University of North Carolina	93.853	49,922

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 5: Amounts included in SEFA that are passed through to UNM from other prime contractors:

GRANTOR	CFDA NUMBER	EXPENDITURES
Yale University	93.853	\$ 8,977
Biomedical Research Institute of New Mexico	93.855	4,229
State University of New York	93.855	162,856
University of Alabama at Birmingham	93.855	30,065
University of Nevada System	93.855	150,537
University of Wisconsin	93.855	41,368
Lovelace Biomedical & Environmental Research Inst	93.856	224,064
University of Notre Dame	93.856	166,678
Boston University	93.859	9,373
K&A Wireless LLC	93.859	13,942
Louisiana State University	93.859	19,451
Rules-Based Medicine Inc.	93.859	81,969
University of Illinois	93.859	206,946
Brown University	93.865	35,373
MIND Research Network	93.865	25,395
Research Triangle Institute	93.865	65,195
RTI International	93.865	8,513
Biomedical Research Institute of New Mexico	93.866	6,823
University of California, Santa Barbara	93.866	684,258
University of Colorado	93.866	10,347
University of Connecticut	93.867	58,348
VisionQuest Biomedical, LLC	93.867	129,190
New Mexico Department of Health	93.889	50,000
University of South Florida	93.928	118,992
Albuquerque Area Indian Health Board Inc	93.933	85,348
National Congress of American Indians	93.933	164,237
St Louis University	93.933	64,755
Utah State University	93.933	228,855
University of Washington	93.937	2,890
OPTUM	93.958	59,567
New Mexico Human Services Department	93.959	20,025
OPTUM	93.959	1,623,277
New Mexico Department of Health	93.994	340,692
Federal Emergency Management Agency	97.000	2,727
Eurasia Foundation	98.001	1
University of California-Davis	98.012	12,029

**AMOUNTS INCLUDED IN SEFA THAT ARE PASSED THROUGH TO UNM
FROM OTHER PRIME CONTRACTORS**

\$ 38,823,511



KPMG LLP
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PO Box 3990
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Regents
University of New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the business-type 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, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 7, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of two departments: UNM Hospital and the UNM Behavioral Operations, and two discretely presented component units: UNM Medical Group, Inc. and Sandoval Regional Medical Center, as described in our report on the University's financial statements.

Internal Control over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 was not designed to identify all deficiencies in internal control over financial reporting 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 University'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 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 accompanying schedule of findings and questioned costs as items 2012-01 through 2012-05.

The University's responses to the findings identified in our audit, and those of other auditors, are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, the Department of Finance and Administration, the Legislative Finance Committee, the State Auditor, the cognizant audit agency, other federal 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 7, 2012



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Regents
University of New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the University of New Mexico's (the University) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants



applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, the Department of Finance and Administration, the Legislative Finance Committee, the State Auditor, the cognizant audit agency, 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 7, 2012

THE UNIVERSITY OF NEW MEXICO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2012

Finding 2009-01. Financial Statements and General Ledger Closing Process – Lobo Club

Current Status: Resolved.

Finding 2009-05. Agency Account Reconciliation - Lobo Club

Current Status: Resolved.

Finding 2010-04. Restricted Contributions Payable Reconciliation – Lobo Club

Current Status: Resolved.

Finding 2010-05. Lack of Supporting Documentation – Lobo Club

Current Status: Resolved.

Finding 2011-01. System Conversion – Lobo Club

Current Status: Resolved.

Finding 2011-02. Capitalization Thresholds and Annual Inventory of Capital Assets – Lobo Club

Current Status: Resolved.

Finding 2011-03. Journal Entries – The Robert O. Anderson Schools of Management Foundation

Current Status: Resolved.

Finding 2011-04. Excluded Provider – UNM School of Medicine

Current Status: Resolved.

Finding 2011-05. Delinquent Reports

Current Status: Resolved.

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THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2012

Section I—Summary of Auditor’s Results

Basic Financial Statements

Type of auditor’s report issued: **Unqualified**

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 programs:

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

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

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

Mortgage Insurance – Hospitals and SRMC – CFDA 14.128

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

\$3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section II—Basic Financial Statement Findings

None

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Section III—Federal Award Findings and Questioned Costs

None

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section IV—Other Findings, as required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2012-01. Expense Approval Process – Lobo Club

Condition

We noted four instances where the Lobo Club did not follow its operating procedure for preapproval of credit card transactions above \$500 and one instance where dual approval of a gift-in-kind transaction was not obtained.

Criteria

Preapproval of credit card transactions above \$500 and all gift-in-kind transactions.

Effect

There is increased risk that unauthorized expenses are incurred or gift-in-kind benefits that do not have value to the Lobo Club are provided to donors.

Cause

Operating procedures are not being consistently applied to ensure all expenses and gift-in-kind transactions are preapproved.

Recommendation

The Lobo Club should continue to follow its operating procedure for preapproval of credit card transactions and dual approval of gift-in-kind transactions. In addition, the Lobo Club should consider utilization of a checklist or an independent secondary review of the respective transactions to ensure all required approvals have been obtained and evidence of approvals is maintained in the files.

University Response

The finance committee of the Lobo Club will be meeting to discuss the operating procedure for preapprovals and a limit and/or type of expense that would require pre-approval. The process for obtaining and approving gift-in-kind has been addressed with staff and there are several controls in place that will eliminate the issue of having forms without dual approval.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

2012-02. Capitalization of Interest – Sandoval Regional Medical Center

Condition

For the year ended June 30, 2011, interest costs of approximately \$4.3 million were improperly capitalized.

Criteria

Generally accepted accounting principles (GAAP) require interest costs on taxable bonds be calculated by applying a borrowing rate to incurred qualifying expenditures, which treatment is substantially different from tax-exempt bond interest.

Effect

Interest expense was understated, and construction in progress was overstated by approximately \$4.3 million in the 2011 financial statements.

Cause

SRMC did not follow the interest capitalization requirements for taxable borrowings, which were applicable to the Build America Bonds, as the bonds are taxable.

Recommendation

We recommend that SRMC revise their interest capitalization calculations to comply with GAAP.

University Response

SRMC has adopted and implemented a policy regarding the capitalization of interest that is consistent with GAAP. Executive Level review by the CFO of the capitalization of interest and the underlying calculations is required under the new policy to ensure adherence to the policy.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

2012-03. Cutoff of Accounts Payable and Accrued Liabilities – Sandoval Regional Medical Center

Condition

As of June 30, 2012, SRMC did not properly accrue for approximately \$12,645,000 of goods and services received during fiscal year 2012.

Criteria

Proper internal controls over financial reporting include the design and implementation of procedures to ensure transactions are recorded in the proper period as required under the accrual basis of accounting.

Effect

As of June 30, 2012, accounts payable was understated by approximately \$12,645,000, of which approximately \$12,561,000 was related to construction in progress.

Cause

SRMC set a closing date for fiscal year 2012 of July 9, 2012. The majority of the amount that was not accrued for were for invoices that were date stamped July 9, 2012 or later. Due to the closing date set by SRMC, many of the invoices that came subsequent to that date were not accrued, and there was no postclosing process to ensure invoices were properly accrued.

Recommendation

We recommend that SRMC establish proper internal controls over cutoff at each reporting period, with special attention to the year-end cutoff.

University Response

During FY 2012, SRMC was in a preopening/under construction scenario. As such, many processes, including the Purchase Order, Receiving, and Accounting processes were manual in nature. Thus, several items for which invoices were not received until 30-45 days after year end were inappropriately recorded in period one of the following fiscal year. Beginning in July of 2012, SRMC went live on the Lawson accounting system and now maintains a process whereby items that have been received but not invoiced can be properly accrued into the proper accounting period.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

2012-04. Purchasing, authorization and approvals – UNM Hospital

Condition

The following exceptions were identified through testing a sample of purchases during the year:

- HVAC and fire prevention services were procured from General Services Administration-approved (GSA) suppliers. Five of the invoices tested, totaling \$346,958.51 did not contain sufficient detail on the invoices to permit recalculation to ensure pricing was compliant with the appropriate GSA labor and materials pricing.
- Seven facilities and maintenance invoices tested, totaling \$98,968.07 had invoice dates and service dates where work was provided to UNMH prior to the issuance of a purchase order.
- One construction invoice tested, in the amount of \$139,500, did not have services inspected and validated prior to approval to pay.
- One construction invoice tested, in the amount of \$138,422, was not approved by the using department prior to payment.
- Two construction invoices tested, totaling \$18,406.00, were for door installations that should have been processed under the capital procurement policy; however, they were processed as operating purchases.

Criteria

- UNMH has the ability to purchase goods and services from qualified contractors that possess a current GSA contract pursuant to [13-1-129 NMSA 1978], as long as the vendor is willing to pass equal to or better pricing to UNMH.
- In accordance with UNMH's Purchase Approval Policy, preapproval through submission of purchase requisitions and purchase orders must be obtained prior to the purchase and payment of goods and/or services.
- UNMH requires the Facilities Services Department to approve invoices for construction services, certifying that the work has been performed according to the specifications provided to the contractor, prior to payment.
- Prior to payment, the New Mexico State Procurement Code 13-1-158 Payment for Purchases states the following: "No Warrant, check or other negotiable instruments shall be issued in payment for any purchase of services, construction, or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications...".
- The Audit Act (Section 12-6-10 NMSA 1978) requires and UNMH's policy requires that assets with a value of \$5,000 and a useful life of three years be capitalized. Further, UNMH procurement guidelines require that capital procurements be routed through a capital committee charged with control and approval of capital procurements.

Effect

UNMH was charged for services and materials at rates higher than the GSA contract. UNMH could potentially incur substantial costs for substandard work, for work that was not performed, or that damaged existing property, or for materials that were not received. Consequently, UNMH could be exposed to the risk of unnecessary, unauthorized or fraudulent costs. Additionally, capital costs were incurred without proper oversight or evaluation of the UNMH Capital Committee's authorization or control.

Cause

UNMH staff did not follow the established policies and procedures.

Recommendation

The procurement and purchasing processes and policies should be reviewed with facilities department

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

management to ensure compliance with established internal controls. Purchasing should report infractions to the administrator in accordance with the General Purchasing policy. UNMH may consider updating purchasing policies to explicitly state that using departments must certify that services, construction or items of tangible personal property have been received and meet specifications through inspection of the acquired services and property, and such certification in the form of a proper signature authorization must be present on the invoice prior to payment.

University Response

Management is revising the Purchasing policies to require separate listings of materials and labor on quotes and invoices. The Facilities department will validate that quotes received that reference the vendor's GSA contract will have pricing equivalent to or better than the GSA contract. The Facilities department is developing a "contract specialist" position that will be responsible for ensuring all required documentation is obtained prior to the submission of a purchase order (PO). Upon receipt of the purchase requisition reviewed by facilities, the Purchasing department will validate the documentation is complete and verify the GSA pricing prior to issuing the PO.

Management will revise the Purchasing policies to clearly state that a purchase order is required prior to the delivery of goods and/or services and require a signature on the invoice as authorization to pay for the purchase of services or a three-way match (purchase order, receiver, and matching invoice) for goods prior to the payment of all invoices. The Purchasing department will track purchase orders that are completed after the fact and report to Administration. Additional approval will be required by the area administrator prior to the issuance of a purchase order in the event of emergency purchases.

Stamps have been obtained and distributed that state, "I certify that work has been completed satisfactorily and in accordance with contract/quote terms including, but not limited to, pricing and scope. Invoice is approved for payment." This statement along with signature and date will be required for service and capital project invoices to be paid.

Management has provided education on the "Capital Assets – Fixed and Major Movable Equipment" policy at the September 20, 2012 Capital Committee / Executive Director meeting. Management reviewed with all attendees what qualifies as capital and the procedures to process capital purchase requisitions. Attendees were required to acknowledge attendance at this training session through signature on a roster.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

2012-05. Kronos signoff without review of timesheets and edits – UNM Hospital

Condition

In the testing of three employees' Kronos records, there were multiple instances of deleted lunches entered at the beginning of the shift. Another day tested for this employee had five call back punches that occurred within a 4-hour window, which allowed for the employee to be credited with two hours at double time for each punch that occurred for a total of ten hours. Another employee tested was eligible for on-call pay; however, the Kronos editor for the department did not enter the appropriate pay code to allow payment of the on-call. The individual's time card was approved by management and the employee did not receive the on-call pay.

Criteria

UNM HSC Policy number HR 205-Kronos Time System requires the department supervisor, manager, director and/or administrator to approve all edits and time worked for their direct reports.

Effect

Without review of individual time cards by management, unauthorized edits may be approved for payment and unnecessary costs may be incurred by the organization. In addition, employees may not be appropriately reimbursed for time worked.

Cause

Management is not reviewing hours worked and hours paid in detail before electronically approving time cards in Kronos.

Recommendation

It is recommended that Management require electronic signoff in the Kronos system at the time card level and not allow global sign off by department management.

University Response

Management will provide education to departments on the proper use of on-call pay. Departments will be required to write up specific departmental procedures regarding on-call use. The Kronos policy will be modified to require electronic review and signoff at the individual time card level by department management (removing the option for global signoff). Periodic Kronos audits will be conducted to verify proper use of pay types and that no global signoffs have occurred.

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THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Revenues for the year ended June 30, 2012 Unaudited

	Tuition and Fees	Patient Services	Clinical Operations	Contracts and Grants
Revenues	\$ 129,904,915	\$ 97,498,895	\$ 606,846,282	\$ 319,152,491
Excluded Revenues:				
State Appropriations				
Local Appropriations				
Patient Services		97,498,895		
Restricted Funds	13,190,543			
Federal Contracts & Grants				253,358,526
State Contracts & Grants				26,159,641
Local Contracts & Grants				30,005,901
Facilities and Administrative Cost Recovery				(44,763,107)
University of New Mexico Hospital			565,929,842	
University of New Mexico Behavioral Operations			40,916,440	
Total Excluded Revenues	<u>\$ 13,190,543</u>	<u>\$ 97,498,895</u>	<u>\$ 606,846,282</u>	<u>\$ 264,760,961</u>
Pledged Revenues	<u>\$ 116,714,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,391,530</u>

Resources Available to Cover Debt Service

Pledged Revenues	\$ 435,777,933
Less FY12 Debt Service:	
Interest Payments on Debts	29,248,548
Principal Repayments on Debts	<u>61,776,584</u>
Excess of Pledged Revenues over Debt Service	<u>\$ 344,752,801</u>
Future average annual debt service through year ended June 30, 2036	\$ 39,550,461
Future highest annual debt service year ended June 30, 2021	\$ 46,647,789

See accompanying Independent Auditor's Report.

SCHEDULE 12

Sales, Services and Auxiliary Enterprises							
Enterprises	Appropriations	Investments	Capital	Gifts	Other	Total	
\$ 194,838,143	\$ 271,922,046	\$ 8,174,001	\$ 15,386,207	\$ 28,933,854	\$ 94,293,258	\$ 1,766,950,092	
	264,468,603					264,468,603	
	7,453,443					7,453,443	
						97,498,895	
5,439,011		1,304,464	15,386,207	2,886,547	51,937,203	90,143,975	
						253,358,526	
						26,159,641	
						30,005,901	
						(44,763,107)	
						565,929,842	
						40,916,440	
\$ 5,439,011	\$ 271,922,046	\$ 1,304,464	\$ 15,386,207	\$ 2,886,547	\$ 51,937,203	\$ 1,331,172,159	
\$ 189,399,132	\$ -	\$ 6,869,537	\$ -	\$ 26,047,307	\$ 42,356,055	\$ 435,777,933	

THE UNIVERSITY OF NEW MEXICO

EXIT CONFERENCE
June 30, 2012

The financial statements were prepared by the financial officials of the University of New Mexico. An exit conference was conducted on October 18, 2012, in which the contents of this report were discussed with the following:

UNIVERSITY OF NEW MEXICO

J.E. Gene Gallegos	Chair, UNM Board of Regents Audit Committee
Bradley C. Hosmer	Vice Chair, UNM Board of Regents Audit Committee
James H. Koch	UNM Board of Regents Audit Committee
David W. Harris	Executive Vice President for Administration, COO and CFO
Ava J. Lovell	Senior Executive Officer – Finance and Administration, HSC
Elizabeth Metzger	Interim University Controller
Ella B. Watt	Chief Financial Officer, UNM Hospitals
K. Lee Peifer	Interim Senior Associate University Counsel
Troy Clark	Vice President of Financial Services, SRMC
Staff	University Internal Audit Department

KPMG LLP

Cynthia Reinhart	Partner
Jennifer Hall	Senior Manager
Jaime Clark	Senior Manager
Francisco Archuleta	Senior Audit Associate

MOSS ADAMS LLP

Steve Keene	Southwest Unit Managing Partner
Brandon Fryar	Partner
Purvi Mody Harville	Senior Manager