

The University of New Mexico



Audit Report 2014

For the year ended June 30, 2014



UNM

THE UNIVERSITY OF NEW MEXICO

June 30, 2014

BOARD OF REGENTS AND PRINCIPAL OFFICERS

Board of Regents

Appointed Members

	<i>Title:</i>	<i>Term Expires:</i>
Jack L. Fortner	President	12/20/2016
Conrad D. James	Vice President	12/31/2018
Bradley C. Hosmer	Secretary/Treasurer	12/20/2016
James H. Koch	Member	12/31/2014
J.E. Gene Gallegos	Member	12/31/2014
Suzanne Quillen	Member	12/31/2018
Heidi N. Overton	Student Member	12/31/2014

Ex officio Members

The Honorable Susana Martinez	Governor of the State of New Mexico
Dr. Jose Z. Garcia	Secretary of Higher Education

Advisors

Richard Holder	President, Faculty Senate
Isaac Romero	President, Associated Students of the University of New Mexico
Priscila Poliana	President, Graduate & Professional Student Association
Gene Henley	President, Staff Council
Randy Royster	President, UNM Alumni Association
Don Duszynski	President, UNM Retiree Association
Angie Gonzales Carver	President, UNM Parent Association
Carl Alongi	Chair, UNM Foundation

Principal Administrative Officials

University

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

UNM Hospitals

Stephen W. McKernan	Chief Executive Officer & Vice President for Hospital Operations
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Principal Financial Officials

Main Campus

Andrew Cullen	Associate Vice President of Budget, Planning and Analysis
Elizabeth Metzger	University Controller

Health Sciences Center

Ava J. Lovell	Senior Executive Officer for Finance & Administration, HSC
Robert Fondino	Chief Budget & Facilities Officer, HSC

UNM Hospitals

Ella B. Watt	Chief Financial Officer
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THE UNIVERSITY OF NEW MEXICO

June 30, 2014

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KPMG LLP
Two Park Square, Suite 700
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Albuquerque, NM 87110-8179

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico (the University), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We have also audited the budget comparisons (schedule 6 through 8) presented as supplemental information for the years ended June 30, 2014 and 2013 as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles and the preparation and fair presentation of these budget comparisons in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in the budgetary schedules (schedule 6 through 8), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements and budget comparisons based on our audits. 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 constitutes 25 percent, 19 percent, and 34 percent, respectively, of the assets, net position, and revenues of the primary institution total as of and for the year ended June 30, 2014 and which constitutes 24 percent, 20 percent, and 35 percent, respectively, of the assets, net position, and revenues of the primary institution totals as of and for the year ended June 30, 2013. In addition, we did not audit the financial statements of certain discretely presented component units, the UNM Medical Group, Inc. and Sandoval Regional Medical Center (SRMC), which constitutes 46 percent, 23 percent, and 76 percent, respectively, of the assets, net position, and revenues of the discretely presented component units total as of and for the year ended June 30, 2014 and which constitutes 51 percent, 27 percent, and 74 percent, respectively, of the assets, net position, and revenues of the discretely presented component units total as of and for the year ended June 30, 2013. Those statements 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 clinical operations and component units, is based solely on the reports of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component units, of the University of New Mexico, as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows, where applicable, thereof for the years then ended in accordance 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 comparisons for the years ended June 30, 2014 and 2013 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in the budgetary schedules (schedule 6 through 8), which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in note 2(D) to the financial statements, effective July 1, 2013, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Reporting of Items Previously Recognized as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the Schedule of Funding Progress and Employer Contributions (schedule 1) on pages 2–22 and 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,



and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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 discretely presented component unit combining schedules (schedule 2 through 5), schedule of pledged collateral (schedule 9), schedule of individual deposit and investment accounts (schedule 10), schedule of expenditures of federal awards (schedule 11), and schedule of pledged revenues (schedule 12) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The discretely presented component unit combining schedules (schedule 2 through 5), schedule of pledged collateral (schedule 9), schedule of individual deposit and investment accounts (schedule 10), and schedule of expenditures of federal awards (schedule 11) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the report of other auditors, discretely presented component unit combining schedules (schedule 2 through 5), schedule of pledged collateral (schedule 9), schedule of individual deposit and investment accounts (schedule 10), and schedule of expenditures of federal awards (schedule 11) are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of pledged revenues (schedule 12) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
November 6, 2014

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THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

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, 2014, 2013, and 2012. 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 2014, 2013, and 2012. The MD&A does not include information of the discretely presented component units, for which separately issued financial statements are available.

About the Financial Statements

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

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

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

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

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

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Statement of Net Position

A comparison of the University's assets, deferred outflows of resources, liabilities, and net position at June 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
Assets			
Current assets	\$ 767,576,688	\$ 720,739,601	\$ 757,371,046
Capital assets, net	1,175,435,571	1,213,835,313	1,240,034,831
Other noncurrent assets	554,634,003	491,121,043	422,732,254
Total assets	\$ 2,497,646,262	\$ 2,425,695,957	\$ 2,420,138,131
Deferred Outflows of Resources	\$ 13,103,421	\$ 14,034,453	\$ 19,244,367
Liabilities			
Current liabilities	\$ 292,279,807	\$ 257,020,319	\$ 245,991,979
Noncurrent liabilities	600,444,111	620,353,173	646,158,831
Total liabilities	\$ 892,723,918	\$ 877,373,492	\$ 892,150,810
Net Position			
Net investment in capital assets	\$ 634,054,729	\$ 659,260,450	\$ 674,173,608
Restricted - nonexpendable	332,481,783	294,875,284	270,707,204
Restricted - expendable	74,853,494	67,042,185	57,065,935
Unrestricted	576,635,759	541,178,999	545,284,941
Total net position	\$ 1,618,025,765	\$ 1,562,356,918	\$ 1,547,231,688

Assets

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

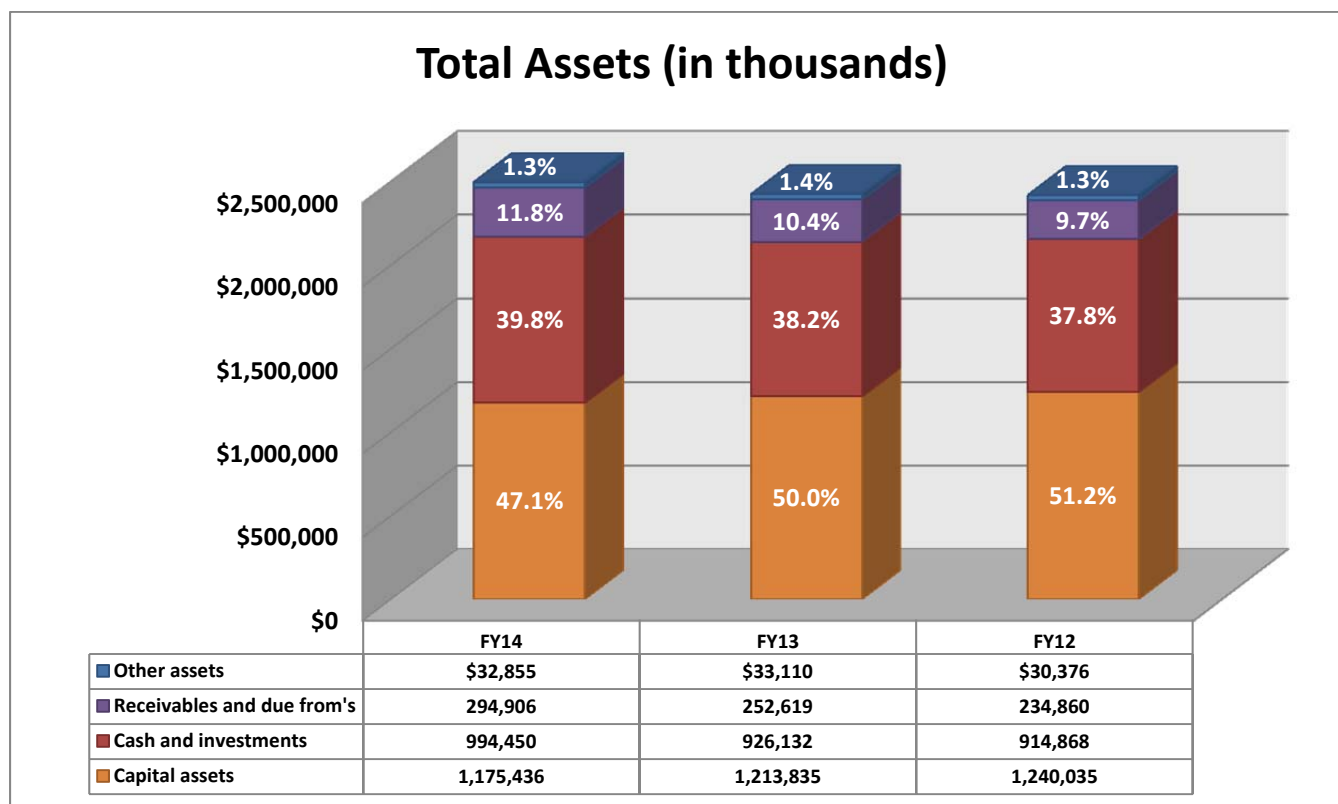
Noncurrent assets of the University primarily consist of endowments and capital assets, net of accumulated depreciation.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

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



Total assets increased by \$72.0 million from FY13 to FY14 and \$5.6 million from FY12 to FY13. The increase in total assets from FY13 to FY14 included increases of \$68.3 million in cash and investments and \$42.3 million in receivables and due from's offset by a decrease of \$38.4 million in net capital assets. The increase in cash and investments was primarily the result of an increase of \$29.9 million in the University's share of the Consolidated Investment Fund (CIF), a unitized investment pool consisting of gifted endowment funds, and an increase of \$24.0 million in the University's share of the assets in the state land grant permanent fund. The increase in receivables and due from's was primarily the result of an increase of \$28.7 million in patient receivables, largely due to the implementation of the New Mexico Medicaid program called "Centennial Care," and an increase of \$20.3 million in due from the UNM Foundation as a result of a change in the Treasury Operating Agreement, which allows the UNM Foundation to invest nonendowed gifts and endowed spending distributions until spent by the University. The decrease in net capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$37.8 million.

The increase of \$5.6 million in total assets from FY12 to FY13 included increases of \$17.8 million in receivables and due from's and \$11.3 million in cash and investments offset by a decrease of \$26.2 million in net capital assets. The increase in receivables and due from's was primarily the result of the issuance of a promissory note payable to UNM from Lobo Development Corporation, a discretely presented component unit of the University, in the amount of \$27.8 million. The increase in cash and investments was primarily the result of an increase of \$17.2 million in the University's share of the assets in the state land grant permanent fund. The decrease in net capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$25.0 million.

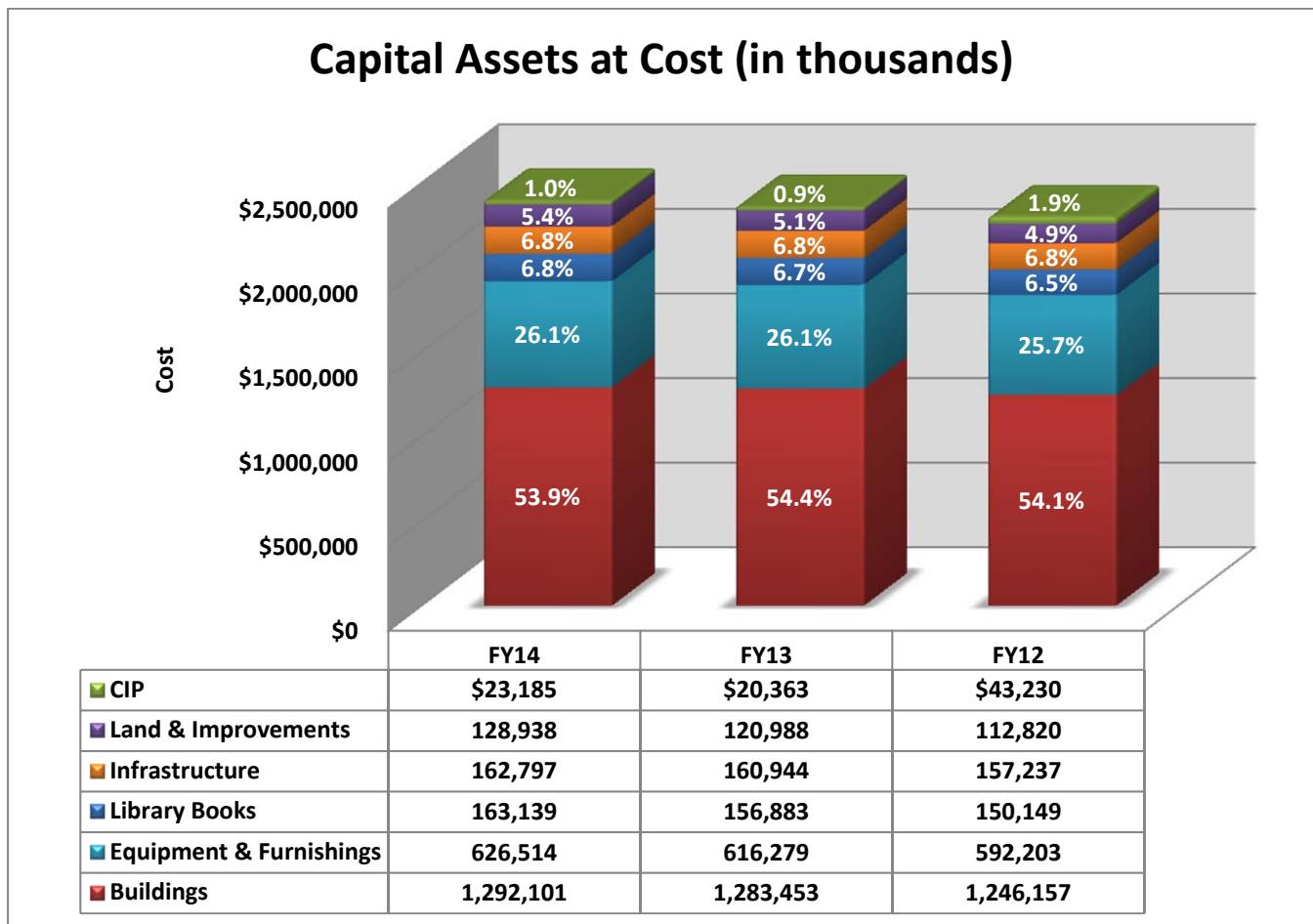
THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Capital Assets and Debt Activity: Capital assets are the largest category of noncurrent assets and are shown net of accumulated depreciation, at \$1.18 billion, \$1.21 billion, and \$1.24 billion as of June 30, 2014, 2013, and 2012, respectively. During FY14, the largest increase within capital assets for the University was Buildings. Overall, the University increased Buildings by \$7.5 million in FY14, compared to net increases of \$35.6 million in FY13 and \$45.5 million in FY12. The University's increase in Buildings in FY14 was due to renovations to existing buildings. The major renovations completed during FY14 were renovations totaling \$4.2 million to Logan Hall (Psychology) and \$1.8 million in renovations to the Collaborative Teaching and Learning Building. Other major capital projects completed in FY14 include the Baseball Facility Renovation, the Atrisco Heritage School Clinic, and the Math Learning Lab (MaLL).

The University's increase in Buildings in FY13 was primarily due to construction of new buildings as well as renovations to existing buildings. The major constructed addition was the \$7.6 million Collaborative Teaching and Learning Building. The major renovations completed during FY13 were renovations totaling \$14.2 million to the Innovation, Discovery, and Training Complex and the \$4.8 million renovation to 1650 University Towers.



Ongoing major projects include the 1650 University Tenant Improvement, the Biology Building Renovation (Caster Hall Phase 3), Clark Hall Renovations (Chemistry), Science and Math Learning Center Phase 2, the McKinnon Family Tennis Center, and the North Golf Course.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

The 1650 University Tenant Improvement project has been a major undertaking moving multiple Health Sciences Center entities into this five-story building. One of the major tenants will be Project Echo, which is a telehealth program that supports healthcare in rural counties of New Mexico via video conferencing. Tenants also include the Financial Services Department, Care NM, Communications and Marketing, Compliance, and Poison Control.

Castetter Hall Phase 3 (\$3.85 million) is funded by State of New Mexico GOB and STB appropriations and will finish out shell space on the first and third floors. It will also provide space for programs currently housed in the Biology Annex, which is scheduled for demolition after this current project is completed.

The \$16 million renovation of Clark Hall requires an elaborate plan for infrastructure upgrades including HVAC, elevators, and energy efficiency in addition to adding new research laboratory facilities, teaching spaces, and offices.

The Science and Math Learning Center project adds 12,450 gross square feet to the existing building that will house two large undergraduate teaching laboratories and 11 faculty offices. The McKinnon Family Tennis Center project is phase one of a three-phase project. This phase adds six new playing courts. Renovations at the North Golf Course include renovations to the irrigation system intended to save thousands of gallons of water annually and improvements to the public trail system – a highly utilized feature of the golf course.

Other new projects currently in the planning or design phase are the Los Alamos Science Labs Renovation (\$750,000), the Taos Student Services Center (\$3.68 million), and the Taos Civic Plaza Renovation (\$4.0 million).

Capital assets for Clinical Operations, which includes the University of New Mexico Hospital (Hospital) and the University of New Mexico Behavioral Operations (UNM Psychiatric Center and UNM Children's Psychiatric Center), net of accumulated depreciation, were \$247.9 million, \$261.8 million, and \$277.3 million as of June 30, 2014, 2013, and 2012, respectively. Within Clinical Operations during FY14, the largest changes in capital assets were increases of \$9.2 million in major moveable equipment, \$2.6 million in building service equipment, and \$2.2 million in construction in progress. For the Hospital, the largest capital expenditure was the completion of the installation of the final new room for Interventional Radiology which included a single-plane angiography lab. The next largest expenditure was for upgrades to operating rooms. This included surgical imaging equipment, which enables physicians to have instant access to previously stored patient radiological images and be able to record images during surgical procedures. In addition, operating room surgical suite integration equipment was installed in the six pediatric operating rooms. Another group of capital purchases was for replacement of the nurse call system, Phase 2 implementation of Lawson Financial System, new ultrasound equipment, new incubators, and new ventilators. For the Behavioral Operations, capital expenditures included improvements to several of the Children's Behavioral cottages, HVAC upgrade, elevator replacement, fire alarm replacement, and fire sprinkler upgrades.

Within Clinical Operations during FY13, the largest changes in capital assets were increases of \$14.3 million in major moveable equipment and \$4.3 million in building service equipment and a decrease of \$5.1 million in construction in progress. During FY13, the Hospital recorded additional capital related to completion of Phase I Lawson implementation as well as the Cerner Surginet module expansion. In addition, the Hospital installed a bi-plane X-ray system and an ultrasound system.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Building improvements included main operating room flooring replacement, interventional radiology renovations, and way-finding signage. Building service equipment included assets for the interventional radiology renovation, replacement of the domestic soil pipes, and assets related to the emergency department triage room renovation. For the Behavioral Operations, capital expenditures included an air-cooled chiller, a ropes course, and a fiber optics infrastructure improvement project.

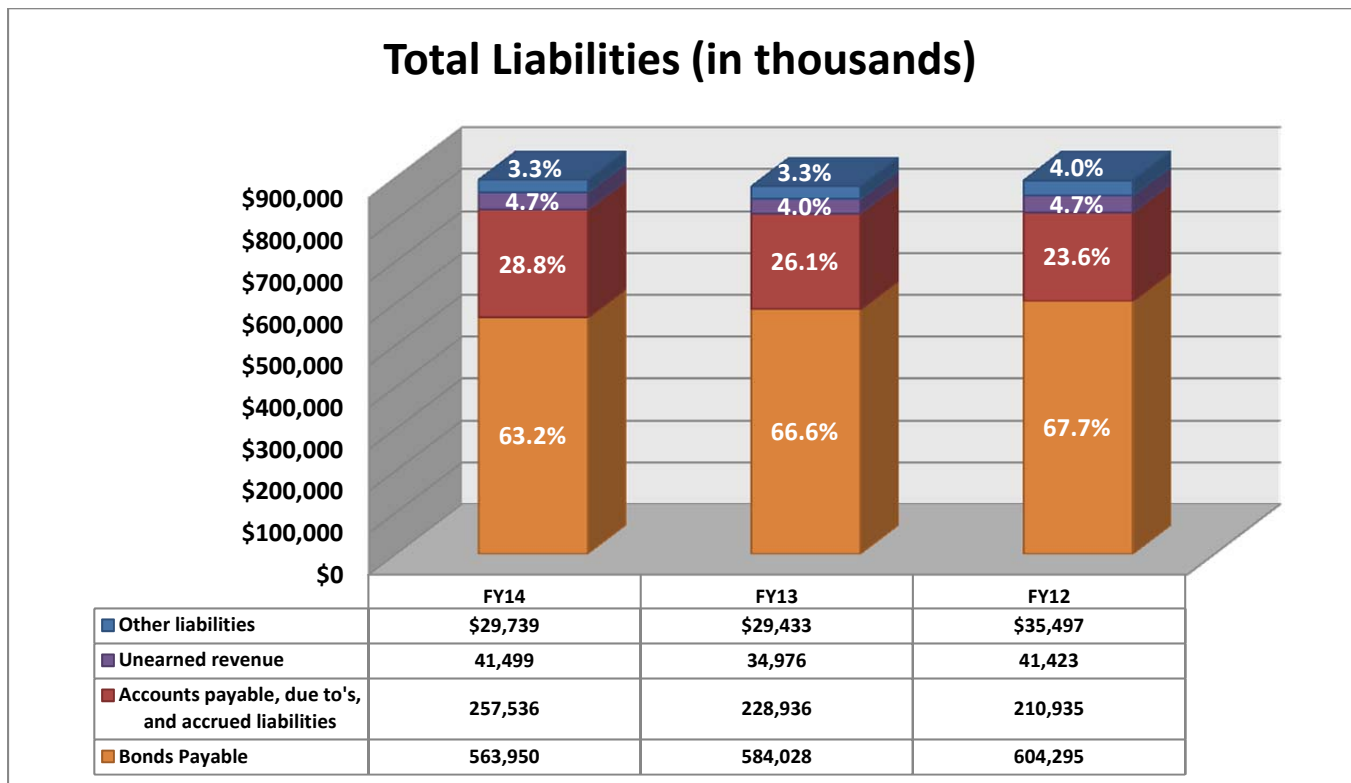
UNM's bonds payable totaled \$561.4 million, \$581.1 million, and \$600.9 million at June 30, 2014, 2013, and 2012, respectively. The current portion of this debt was \$19.9 million, \$19.0 million, and \$18.3 million at June 30, 2014, 2013, and 2012, respectively. Included in those totals are Federal Housing Administration (FHA) insured Hospital Mortgage Revenue Bonds, Series 2004. The loan guarantee is considered federal assistance subject to the requirements of Office of Management and Budget (OMB) Circular A-133 and the Single Audit Act. Accordingly, the loan guarantee is considered a federal award for purposes of UNM's June 30, 2014, 2013, and 2012 Single Audit.

Liabilities

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

Noncurrent liabilities of the University primarily consist of the noncurrent portion of bonds payable and the net Other Post Employment Benefits (OPEB) obligation.

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



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Total liabilities increased \$15.4 million from FY13 to FY14 and decreased \$14.8 million from FY12 to FY13. The increase in total liabilities from FY13 to FY14 included increases of \$28.6 million in accounts payable, due to's, and accrued liabilities and \$6.5 million in unearned revenue offset by a decrease of \$20.1 million in bonds payable. The increase in accounts payable, due to's, and accrued liabilities was primarily the result of a \$22.0 million increase in the amount payable to vendors and employees, a \$4.3 million increase in the amount due to a fiduciary fund, a \$1.8 million increase in the net OPEB obligation, and a \$1.8 million increase in accrued compensated absences. The increase in unearned revenue was primarily the result of a \$4.7 million increase in advances on contracts and grants. The decrease in bonds payable was the result of principal payments on bonds in FY14 without the issuance of any new bonds.

The decrease in total liabilities from FY12 to FY13 included decreases of \$20.3 million in bonds payable and \$6.4 million in unearned revenue offset by an increase of \$18.0 million in accounts payable, due to's, and accrued liabilities. The decrease in bonds payable was the result of principal payments on bonds in FY13 without the issuance of any new bonds. The decrease in unearned revenue was primarily the result of a \$3.8 million decrease in prepayments of tickets to public and athletic events and a \$3.6 million decrease in advances on contracts and grants. The increase in accounts payable, due to's, and accrued liabilities was primarily the result of an \$8.7 million increase in the amount payable to vendors and employees, a \$5.2 million increase in due to component units, and a \$2.0 million increase in accrued compensated absences.

Net Position

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

THE UNIVERSITY OF NEW MEXICO

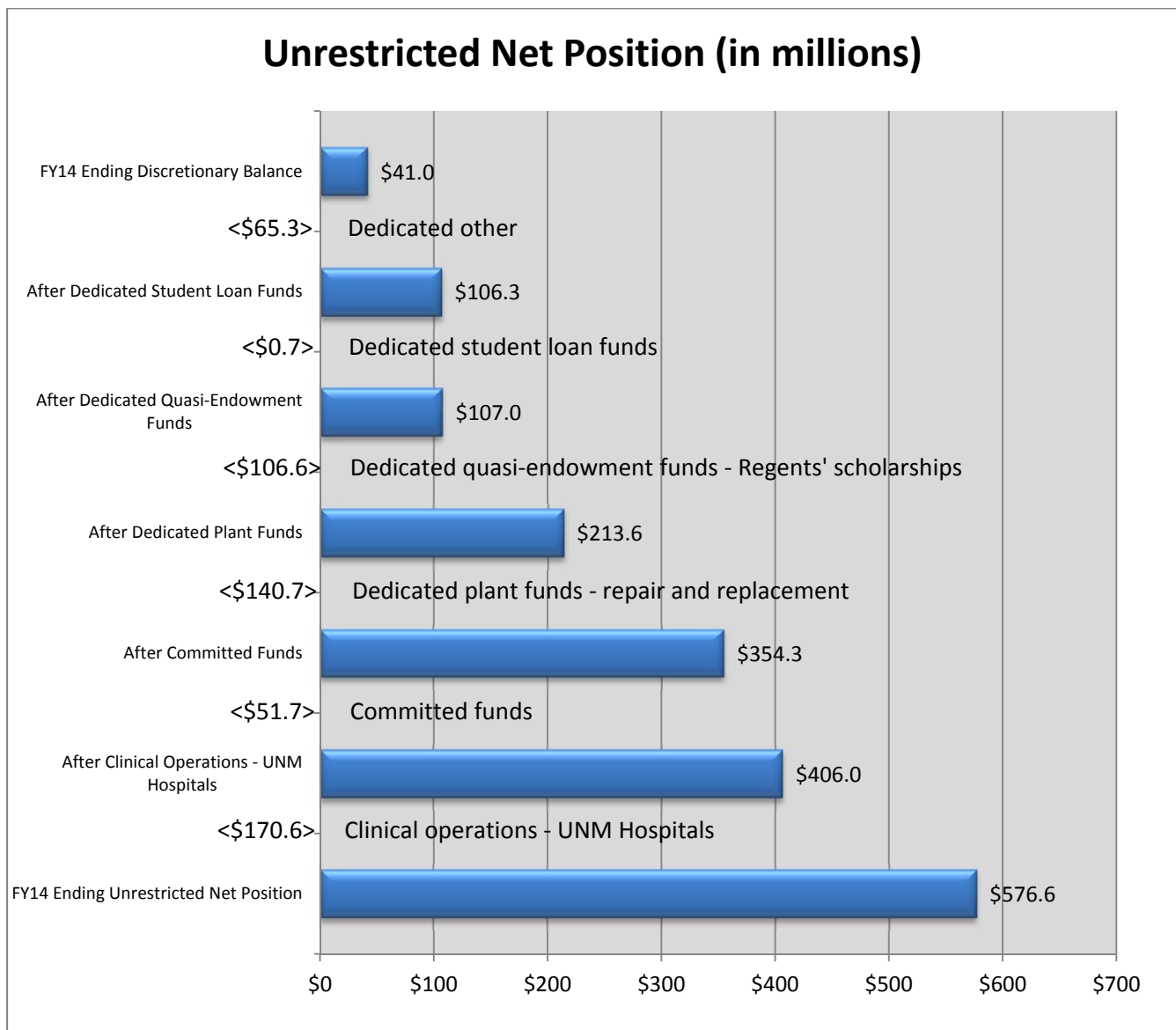
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

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

- 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 position:



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position

A comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
Operating Revenues			
Tuition and fees, net	\$ 138,115,447	\$ 130,300,603	\$ 129,904,915
Grants and contracts	262,058,256	264,911,978	261,455,733
Patient services, net	115,588,076	94,724,446	97,498,895
Sales and services, net	211,747,386	219,032,452	194,838,143
Other operating revenues	42,061,604	41,387,857	38,741,274
Clinical operations, net	555,626,111	539,463,018	526,617,721
Total operating revenues	\$ 1,325,196,880	\$ 1,289,820,354	\$ 1,249,056,681
Operating Expenses			
Instruction	\$ 267,251,445	\$ 255,178,768	\$ 239,991,979
Research	170,779,418	169,427,660	163,124,198
Public service	315,148,991	300,456,308	271,771,111
Academic support	48,652,384	46,039,723	46,292,389
Student services	28,790,932	25,738,176	23,955,995
Institutional support	61,494,708	56,232,354	53,068,952
Operation of plant	148,907,606	148,821,576	145,523,650
Student aid and activities	57,066,830	58,745,976	59,778,814
Intercollegiate athletics	30,809,738	30,216,179	31,358,703
Auxiliary enterprises	49,729,746	57,297,244	52,368,913
Other operating expenses	50,171,114	48,273,912	44,823,036
Clinical operations	660,303,468	648,287,991	604,992,629
Total operating expenses	\$ 1,889,106,380	\$ 1,844,715,867	\$ 1,737,050,369
Nonoperating Revenues (Expenses)			
Appropriations	\$ 300,150,920	\$ 288,190,626	\$ 271,922,046
Federal pell grants	54,015,619	54,884,892	57,428,783
Gifts	27,923,651	26,768,949	28,933,854
Investment income	70,178,886	45,472,407	8,174,001
Other nonoperating revenues	46,180,849	20,783,130	33,808,799
Clinical operations	113,540,859	111,750,754	80,041,760
Net nonoperating revenues	\$ 611,990,784	\$ 547,850,758	\$ 480,309,243
Income (loss) before capital contributions	48,081,284	(7,044,755)	(7,684,445)
Capital contributions	7,587,563	22,169,985	15,840,983
Change in net position	\$ 55,668,847	\$ 15,125,230	\$ 8,156,538
Net position - beginning of year	1,562,356,918	1,547,231,688	1,539,075,150
Net position - end of year	\$ 1,618,025,765	\$ 1,562,356,918	\$ 1,547,231,688

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

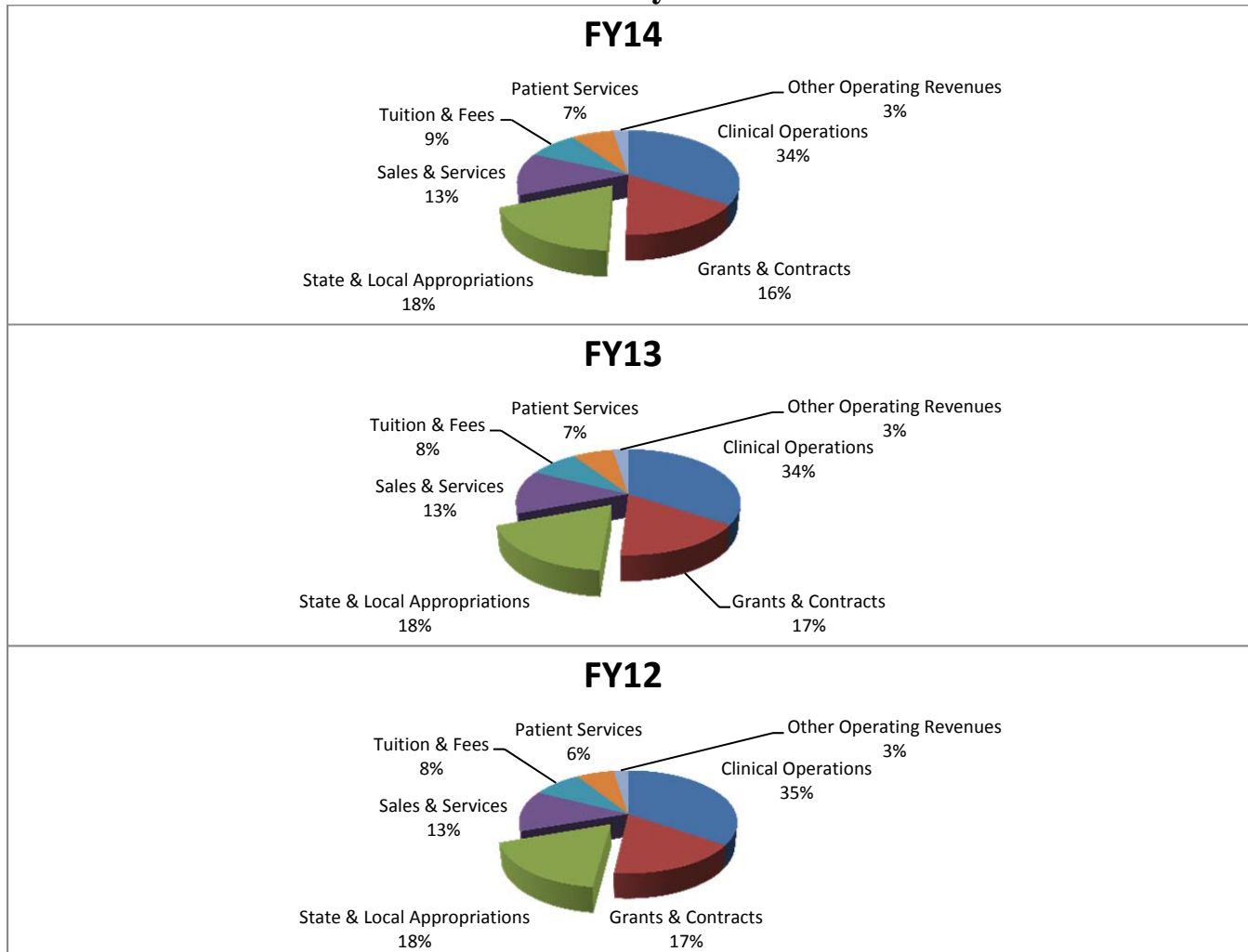
Year Ended June 30, 2014

Revenues

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

Although State of New Mexico appropriations are considered nonoperating revenues in the basic financial statements, the University uses these funds to support all instruction and general programs. If state and local appropriations were included in operating revenues, they would comprise 18% of total operating revenues for fiscal years 2014, 2013, and 2012. The following charts depict operating revenues (with state and local appropriations) by source:

Revenues by Source



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Operating Revenues: Operating revenues for the University increased by 2.7% for 2014 over 2013 and increased by 3.3% for 2013 over 2012. Revenues from patient services and Clinical Operations are a significant portion of the University's total net operating revenues. It comprised 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 increased by 5.8% from FY13 to FY14 and increased by 1.6% from FY12 to FY13.

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 enables them to receive care throughout UNM HSC locations. This program is available to Bernalillo County residents who meet certain income and asset thresholds. Patients applying for coverage under UNM Care must apply for coverage under Medicaid or the Health Insurance Exchange (HIX), if eligible. Patients may continue to receive UNM Care until they receive Medicaid eligibility or notification of coverage under the Exchange. Patients certified under Medicaid or the Exchange may continue to qualify for UNM Care as a secondary coverage for copays and deductibles if they meet the income guidelines. If a patient has access to insurance coverage under the Exchange, or through other coverage options, such as an employer or spouse, the patient would be expected to obtain coverage through that source prior to eligibility for UNM Care. UNM HSC uses the same sliding income scale as the Affordable Care Act to determine if insurance coverage is considered affordable. If coverage is determined not affordable, patients may be granted a hardship waiver and would not be required to pursue coverage under HIX. These patients would qualify for UNM Care.

Approximately 36% of the patients who previously qualified for UNM Care are now covered under full Medicaid, 7% are covered under Limited Medicaid coverage - Family Planning and approximately 1% are now covered under the HIX. The remainder, approximately 10,000 enrollees are still covered under UNM Care. The income threshold for UNM Care is 300% of the federal poverty level, and patients may apply for this program at various locations throughout the UNM HSC and various community locations. As of June 30, 2014, 2013, and 2012, there were approximately 20,200, 26,500, and 32,500 active enrollees, respectively. UNM HSC does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments.

UNM HSC also provides services to patients who are either uninsured or under-insured and who do not meet the criteria for financial assistance. 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, liens are not placed on property or assets, and judgments are not filed against the patients. These accounts are fully reserved and recorded as a provision for uncollectible accounts. Provision expenses recorded for fiscal years 2014, 2013, and 2012 were \$137.2 million, \$103.5 million, and \$100.9 million, respectively.

UNM HSC incurs costs associated with providing charity care and other services for which payment is not received. As of June 30, 2014, the estimated cost of care for providing these services was \$229.5 million compared to \$241.7 million in FY13 and \$221.6 million in FY12.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

UNM's unrestricted (formula funded) credit hour production for the 2013-14 academic year grew slightly to 637,043. Record or near record rates of completion and persistence have been achieved and contributed to stable enrollment. Emphasis on student performance and outcomes will be the focus as UNM anticipates stable enrollment through strategic efforts. Additional enrollment and tuition rate increases in academic functions of the University were as follows:

	<u>Fall 2013</u>	<u>Fall 2012</u>	<u>Fall 2011</u>
Enrollment change (headcount)	-1.3%	-0.1%	0.6%
Tuition rate change (full-time resident undergraduate)	6.6%	4.1%	5.5%

Nonoperating Revenues/Expenses: Net nonoperating revenues increased by 11.7% from FY13 to FY14 and increased by 14.1% from FY12 to FY13. Nonoperating revenues are primarily driven by state appropriations, federal pell grants, gifts received by the University, and investment income/loss. The major reason for the increase in nonoperating revenues in FY14 was a \$24.7 million increase in investment income due to continued improvement in the investment market. Other significant changes in net nonoperating revenues were increases of \$13.1 million in in state appropriations and \$3.5 million in state lottery scholarships.

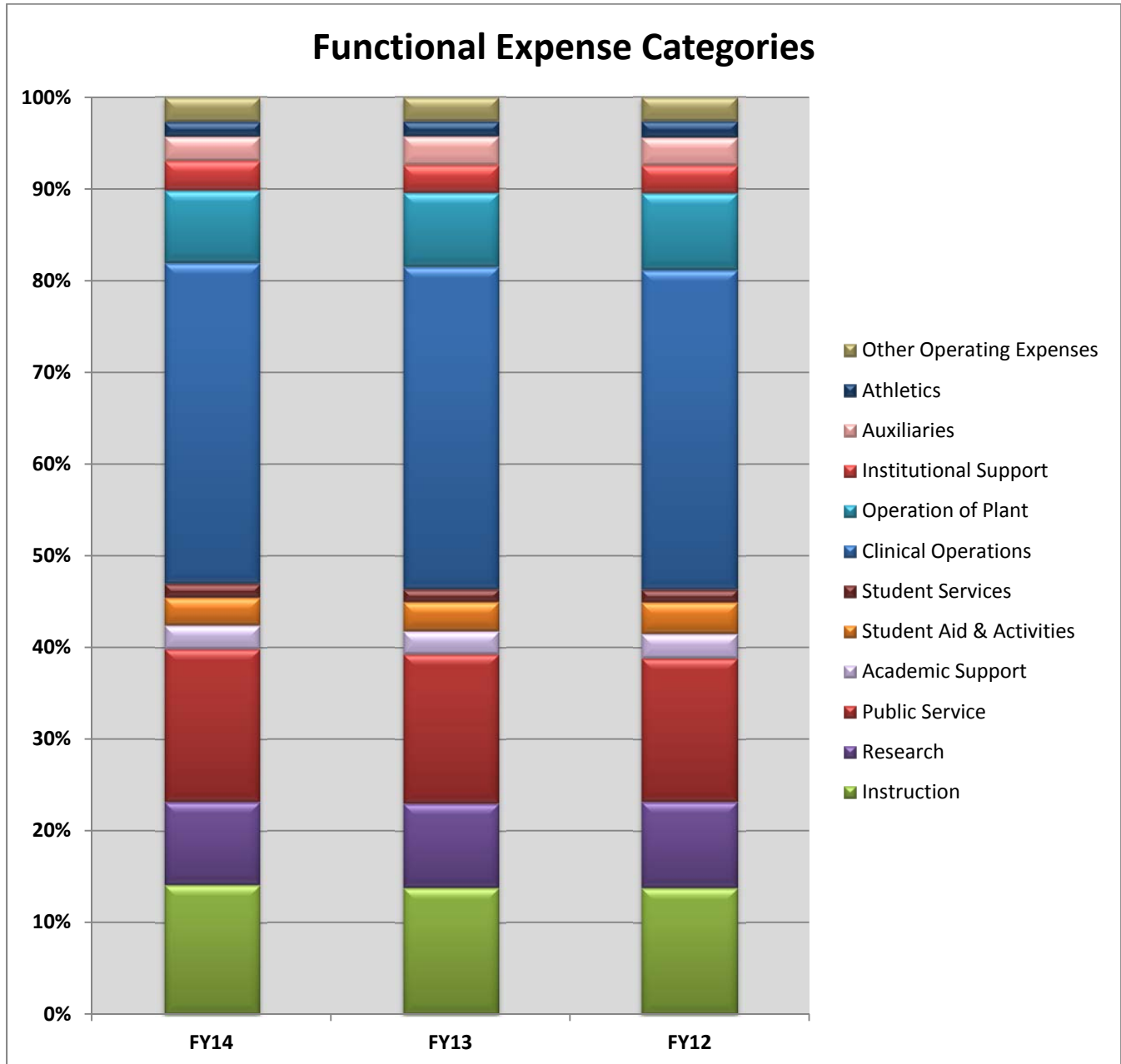
The major reason for the increase in nonoperating revenues in FY13 was a \$37.3 million increase in investment income. Other significant changes in net nonoperating revenues were increases of \$33.0 million in the net nonoperating revenues of Clinical Operations and \$14.9 million in state appropriations.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2014

Expenses

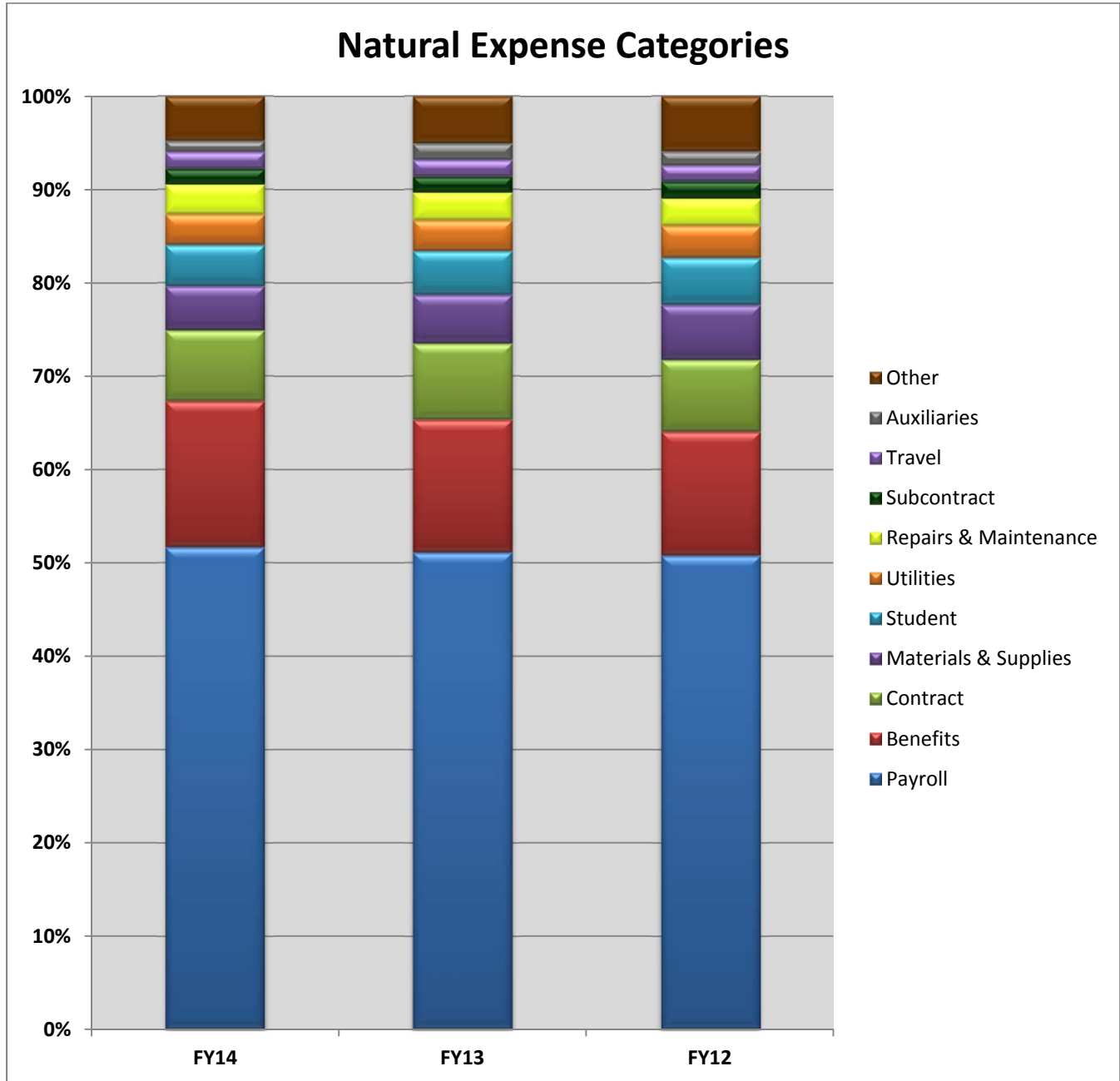
Operating Expenses: GASB standards allow public universities to present operating expenses in either a functional or natural format. UNM chose to present expenses on the statement of revenues, expenses, and changes in net position by the major functions of the University. The chart below shows the distribution of operating expenses by functional category (smaller categories have been combined) for the years ended June 30, 2014, 2013, and 2012:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2014

The chart below shows total expenses by natural category (excluding Clinical Operations and component units) for the years ended June 30, 2014, 2013, and 2012:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

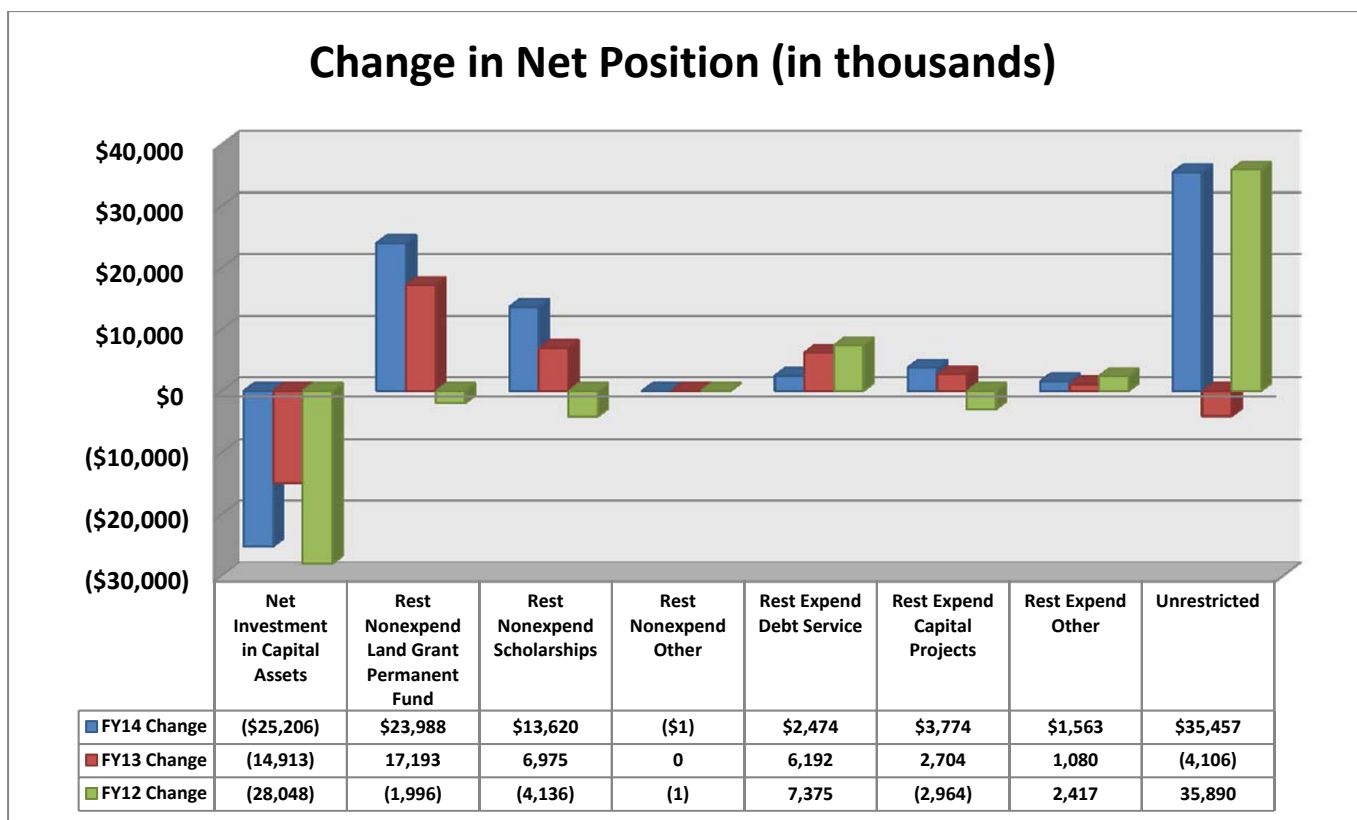
Year Ended June 30, 2014

Changes in Net Position

The University's total change in net position showed net increases of \$55.7 million for FY14, \$15.1 million for FY13, and \$8.5 million for FY12. The major changes in net position in FY14 include increases of \$35.5 million in unrestricted net position and \$24.0 million in the net position of the land grant permanent fund and a \$25.2 million decrease in net investments in capital assets. Some of the major reasons for the increase in unrestricted net position in FY14 include \$16.4 million in net investment income on the University's share of the CIF, an increase of \$16.9 million in the net position of plant funds used for unrestricted capital projects and equipment, and an increase of \$14.8 million in the unrestricted net position of Clinical Operations. The increase in the net position of the land grant permanent fund was due to the recognition of \$24.0 million in net unrealized gains in FY14. The decrease in the net position of net investments in capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$37.8 million.

The major changes in net position in FY13 included a \$17.2 million increase in the net position of the land grant permanent fund and a \$14.9 million decrease in net investments in capital assets. The increase in the net position of the land grant permanent fund was due to the recognition of \$17.2 million in net unrealized gains in FY13. The decrease in the net position of net investments in capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$25.0 million. Unrestricted net position decreased by \$4.1 million with the most significant changes being a decrease of \$12.5 million in the net position of unrestricted plant funds and an increase of \$10.4 million in the unrestricted net position of Clinical Operations.

The chart below shows the changes in net position by category for the fiscal years ended June 30, 2014, 2013, and 2012:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Statement of Cash Flows

A comparison of the University's changes in cash and cash equivalents for the years ended June 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
Cash provided by (used in):			
Operating activities	\$ (477,563,226)	\$ (439,075,011)	\$ (425,174,418)
Noncapital financing activities	528,221,895	511,335,676	486,520,302
Capital and related financing activities	(93,367,468)	(121,190,894)	(105,692,419)
Investing activities	42,668,538	44,633,924	(24,364,730)
Net decrease in cash and cash equivalents	(40,261)	(4,296,305)	(68,711,265)
Cash and cash equivalents — beginning of year	186,168,302	190,464,607	259,175,872
Cash and cash equivalents — end of year	\$ 186,128,041	\$ 186,168,302	\$ 190,464,607

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

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

Fiduciary Fund

Effective July 1, 2013, the University established the University of New Mexico Welfare Benefit Trust (Trust), a voluntary employees' beneficiary association (VEBA) trust. The Trust is tax exempt under section 501(c)(9) of the Internal Revenue Code and is a blended component unit of the University presented as a fiduciary fund (exhibits D and E). The trust was established to provide a funding vehicle to which participants and the University contribute to prefund, in part, the cost of other postemployment benefits for eligible retirees of the University. In order for a retiree of the University to be eligible for other postemployment benefits, the employee must contribute to the Trust for at least five continuous years immediately prior to retirement. The University matches the employees' contributions to the Trust. In FY14, the University and employee contributions were \$2.1 million each, and the Trust earned \$6,592 in net investment income.

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Year Ended June 30, 2014

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.

Two of the more significant events in FY14 for the Main Campus were the State Instruction and General (I&G) General Fund appropriation increase for operations of \$10.7 million, or 6.3%, and a 3% and 1% faculty and staff compensation increase, respectively. The salary increases were possible, in large part, due to a Regent approved 6.6% tuition and fee increase that was supported campuswide. State funding for Research and Public Service Projects (RPSP's) was once again mixed, with increases to individual programs that resulted in a 0.4% increase overall to these critical programs.

In terms of overall FY14 Main Campus Revenues, there was modest growth totaling approximately \$23.8 million, or 3.38%, over FY13. The growth was mainly attributable to the increased state funding and tuition and fee increases referenced above. For Main Campus, actual expenditures were greater than budgeted expenditures, with departments across campus expending balances that had accumulated over several years. These expenditures have been committed to one-time purchases such as equipment replacement and facility remodels/upgrades and is a welcome activity as the University puts its resources to work following the economic downturn.

At HSC, significant budgetary changes from original to revised in FY14 included: (a) an increase in earned facilities and administrative (F&A) cost recovery of \$1.6 million, (b) the Housestaff revenue budget was increased by \$2.4 million due to an increase in funding from the U.S. Department of Veterans Affairs (VA), (c) salary expense increased by approximately \$1.1 million for one-time supplemental payments of \$1,000 per eligible staff member, and (d) Housestaff compensation costs increased by about \$2 million. These increases were offset by budget reductions in overall unrestricted expenses in the amount of \$1.7 million.

HSC's original unrestricted revenue budget to actual was an overall increase of \$5.8 million, or 1.5%. Significant categories include: (a) actual F&A revenue was \$1.8 million greater than budget, (b) actual tuition and fee revenue was approximately \$1.0 million greater than budget, (c) actual patient revenue was approximately \$2.1 million greater than budget, (d) actual cigarette tax for research was \$706 thousand greater than budget, and (e) actual net other operating revenue was \$200 thousand greater than budget. HSC's original restricted budget to actual was an overall revenue decrease of contract and grant revenue of \$14.0 million due to actual expenses coming in less than original budget.

HSC's original unrestricted expenses and transfers budget to actual was an overall net increase of \$5.6 million, or 1.4%. Significant categories include: (a) actuals for instruction and general were \$2.1 million greater than budget, (b) actuals for research were \$4.3 million less than budget, (c) actuals

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Year Ended June 30, 2014

for public service were \$7.6 million greater than budget, (d) actuals for independent operations were \$806 thousand greater than budget, and (e) actuals for student aid grants and stipends were \$632 thousand less than budget.

Overall, the University's change in net position on a budgetary basis for unrestricted and restricted funds was an increase of \$2.1 million (schedule 6), which for FY14 can be attributed primarily to the increase in Main Campus tuition & fee revenues, the increase in state appropriations, and to a lesser extent an increase in sales and services revenues. These revenue increases were partially offset with overall expenditure increases in numerous budget categories. The University's change in net position on a budgetary basis for unrestricted I&G funds was a decrease of \$3.5 million (schedule 7), which was driven largely by the increases in salaries and other one-time operational expenditures after several years of reduced spending in I&G as departments were forced to reduce expenditure levels to absorb state budget cuts.

Endowments

At June 30, 2014, endowment assets totaled \$622.3 million, including \$415.2 million in the Consolidated Investment Fund (CIF) and \$207.1 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 CIF.

The CIF finished the year with a return on investment of 16.7%, as compared to 11.3% 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 24.4% and 22.6%, respectively. Private equity investments returned 23.7%, real assets returned 19.7%, fixed income investments returned 4.4%, and marketable alternatives returned 7.9%.

Sponsored Programs

The University 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 FY14, federal and state agencies, industry, foundations, and national laboratories awarded \$308.2 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 \$152.1 million, and the HSC was awarded \$156.1 million.

The majority of contracts and grants, 67%, were awarded by federal agencies, while the remaining came from the following sources: State of New Mexico, 12%; foundations, 9%; industry, 5%; national laboratories, 2%; and other, 5%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

Factors Impacting Future Periods

With the goal of creating an innovation ecosystem in downtown Albuquerque, Innovate ABQ, a collaborative initiative between UNM, STC.UNM, government, and the business community, was launched in 2013. Innovate ABQ is a project that includes financial contributions from UNM, STC.UNM, the City of Albuquerque, the County of Bernalillo, the U.S. Economic Development Administration, and the New Mexico Educators Federal Credit Union. It will create an integrated community that is multidimensional. Research and commercial labs, science and technology companies, educational programs, business services, support services, and commercial and retail businesses will share space and a business incubator in a way that allows people to work together and be an essential part of the community that is connected to UNM. The mission is to strengthen the economic base in the mid-Rio Grande region and throughout the State of New Mexico by creating more knowledge-worker jobs for graduates from New Mexico educational institutions and providing more experienced workers in the community. In June 2014, the UNM Board of Regents authorized the acquisition of a seven-acre property in downtown Albuquerque, which will be the physical site for Innovate ABQ and the heart of a larger innovation district. Master planning for the site has commenced.

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.

In March 2014, the state legislature passed SB 347, a law aimed at putting the state's lottery scholarship fund back on a solvent track. Students who have completed three or more semesters (legacy students) will continue to get full tuition scholarship awards for up to eight semesters. Nonlegacy students' scholarship awards will be calculated based on a sector tuition average and the amount of money available in the scholarship fund. The Higher Education Department will calculate a uniform percentage of tuition for each student across each sector (research, comprehensive, two year). Awards for non-legacy students have also been reduced from eight semesters to seven, and the full-time status for these students in four-year institutions increases from 12 to 15 credit hours per semester. In May 2014, the Higher Education Department announced that the lottery scholarship will cover all of the average tuition costs for students at UNM for the 2014 fall semester.

Beginning in FY14, the Patient Protection and Affordable Care Act (PPACA) required changes to Medicare Disproportionate share hospital (DSH) payments. The Hospital receives 25% of the DSH payment previously received using the traditional formula as part of the "base" DRG payments for each Medicare inpatient discharge. The remaining 75% flows into a separate funding pool and is distributed based on each DSH-eligible hospital's ratio of uncompensated care relative to the total for all DSH-eligible hospitals. This portion of the Medicare DSH funding is paid as a flat amount on each Medicare inpatient discharge. This pool is reduced as uninsured populations decline. The national uninsured rate decreased from 16% to 13%. The estimated impact associated with the federal fiscal year 2015 Medicare Disproportionate share will be a reduction of \$2.3 million.

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Year Ended June 30, 2014

PPACA was enacted on March 23, 2010. PPACA expanded Medicaid eligibility provisions, Medicare and Medicaid reforms, and private insurance market reforms. PPACA includes legislation on Health Exchanges. Health Exchanges are expected to facilitate the purchase of health insurance for qualified individuals and small employers. Federal subsidies for premiums under Health Exchanges became available beginning January 2014. On July 22, 2014, the D.C. Circuit Court of Appeals in Washington ruled that the text of PPACA forbids income-tax subsidies for low and middle income Americans whose insurance is provided through one of the federally run insurance exchanges (*Halbig v. Burwell*). The Circuit Court ruled that tax credits can only be provided on coverage purchased through an exchange established by the state. Thirty-six states currently use the federally run insurance exchanges, including New Mexico. On the same day, the 4th U.S. Circuit Court of Appeals in Virginia upheld the subsidies provided for coverage purchased on federal exchanges (*King v. Burwell*). In August 2014, plaintiffs in the Virginia case petitioned the Supreme Court to hear the case. If accepted by the Supreme Court, a ruling may not be made until after the next re-enrollment period for 2015. New Mexico will continue to utilize the federal health exchange for the next enrollment period and will be impacted by any subsequent court rulings. CMS has also identified a significant number of enrollees nationally that have not provided all required documentation to support enrollment on the federal health exchange. If documentation is not provided, patients will be removed from the federal health exchange as of September 30, 2014. The number of New Mexico enrollees impacted is not known at this time.

In January 2009, the Department of Health and Human Services (HHS) published final rules on the adoption of International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10) as the Health Insurance Portability and Accountability Act of 1996 (HIPAA) standard code set to replace ICD-9. This 2009 ICD-10 final rule established October 1, 2013 as the compliance date for ICD-10 coding of diagnosis and procedure codes. In September 2012, HHS published a delay in the ICD-10 compliance date from October 1, 2013 to October 1, 2014. On April 1, 2014, the Protecting Access to Medicare Act of 2014 (PAMA) was signed delaying the transition to ICD-10 for at least one year. On July 31, 2014, HHS issued a final rule establishing October 1, 2015 as the compliance date for ICD-10. The Hospital is in the process of upgrading its patient financial billing systems in order to prepare for ICD-10. The Hospital has submitted a request for proposal for computer assisted coding software and expects to have this software implemented within the next 12 months in preparation for ICD-10. The Hospital has incurred \$881 thousand in costs associated with the patient billing upgrade and the remaining estimated costs for preparing for the implementation of ICD-10 is expected to be \$3.2 million.

The Bernalillo County mill levy the Hospital receives is based on property values. It is possible that the amount of the mill levy may remain flat or potentially decrease as a result of reduced property values and slowdowns in the building construction industry. The Hospital's facilities are leased from Bernalillo County (the County) by UNM under the 1999 lease agreement, as described under Note 1 to the financial statements. Section IV. Term of this agreement provides for either party to the lease to reopen the terms and conditions by giving notices in the first three months of 2006, 2014, 2022, 2030, and 2038. On March 25, 2014, the County Commission approved Administrative Resolution AR 2014-21 to open negotiations with UNM on the lease agreement and to establish a taskforce to provide healthcare expertise to the County in support of the negotiations. The County is expected to receive recommendations from the taskforce in September 2014. It is likely the County will request the Hospital to expand or add services based on the priorities identified by the taskforce. Behavioral Health services expansion is expected to be a key part of this request, as this has been a topic of high concern in the local community. The Hospital may be expected to partner with Bernalillo County, the City of Albuquerque, State and other community providers to better address the needs of behavioral

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Year Ended June 30, 2014

health patients.

The Hospital plans to build out the second and fourth floors of the existing Cancer Center clinic. The build out will add multidisciplinary cancer clinics integrating surgical oncology specialties as well as provide for expansion of chemotherapy infusion. New cancer service lines to be added or expanded as a result of the finish out include hematologic malignancies, bone marrow and stem cell transplantation program, clinical trials program, experimental therapeutics, an adolescent and young adult oncology Program (Ages 16-39) as well as a Cancer Survivorship Program. The costs for the build out are estimated to be \$11.6 million. The Hospital plans to construct one primary care clinic in the North Valley and renovate a building purchased in FY14 as a family medicine clinic in Northeast Heights. The costs for the construction and renovation are estimated to be \$10 million.

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, 2014 and 2013, 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://fsd.unm.edu/annual-reports.html> and select the Annual Audit Report link.

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THE UNIVERSITY OF NEW MEXICO

BASIC FINANCIAL STATEMENTS

Statements of Net Position as of June 30, 2014 and 2013

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2014	2013	2014	2013
ASSETS				
Current assets				
Cash and cash equivalents (note 3)	\$ 186,128,041	\$ 186,168,302	\$ 34,832,097	\$ 42,676,391
Cash and cash equivalents – restricted (note 3)	-	-	34,025,846	16,774,954
Short-term investments (note 3)	303,756,778	294,759,998	10,423,562	9,221,633
Accounts receivable, net (note 4)	54,323,730	69,696,970	2,432,816	2,220,691
Patient receivables, net (note 4)	100,772,411	72,063,982	31,596,796	29,088,552
Notes receivable, net (note 5)	5,754,619	5,076,326	-	-
Due from component units	52,741,600	34,831,944	-	-
Estimated third-party payor settlements	35,457,838	30,148,551	-	-
Other receivables, net (note 4)	4,738,908	4,131,792	4,657,924	2,351,077
Inventories	17,056,911	17,292,759	1,758,042	1,583,139
Due from The University of New Mexico	-	-	6,399,404	5,944,740
Other current assets	6,845,852	6,568,977	2,995,156	4,254,293
Total current assets	\$ 767,576,688	\$ 720,739,601	\$ 129,121,643	\$ 114,115,470
Noncurrent assets				
Cash and cash equivalents (note 3)	\$ -	\$ -	\$ 1,957,580	\$ 3,599,830
Notes receivable, net – noncurrent (note 5)	10,211,214	7,837,500	-	-
Investments (note 3)	297,496,450	262,122,562	232,810,462	194,315,065
Land grant permanent fund (note 3)	207,068,445	183,080,869	-	-
Due from component units	30,905,349	28,831,766	-	-
Derivative instruments – interest rate swaps overlay (note 12)	1,905,994	2,150,888	-	-
Other noncurrent assets	7,046,551	7,097,458	6,938,964	4,303,783
Capital assets, net (note 6)	1,175,435,571	1,213,835,313	168,606,132	173,105,434
Total noncurrent assets	\$ 1,730,069,574	\$ 1,704,956,356	\$ 410,313,138	\$ 375,324,112
Total assets	\$ 2,497,646,262	\$ 2,425,695,957	\$ 539,434,781	\$ 489,439,582
DEFERRED OUTFLOWS OF RESOURCES				
Interest rate swaps (note 12)	\$ 10,581,948	\$ 11,089,443	\$ -	\$ -
Loss on defeased bonds	2,521,473	2,945,010	-	-
Total deferred outflows of resources	\$ 13,103,421	\$ 14,034,453	\$ -	\$ -
LIABILITIES				
Current liabilities				
Accounts payable and accrued payroll (note 7)	\$ 136,751,688	\$ 114,797,929	\$ 14,717,351	\$ 14,711,736
Advance funding received	-	-	4,734,806	477,987
Due to The University of New Mexico (note 11)	-	-	52,741,600	34,831,944
Due to component units	6,399,404	5,944,740	-	-
Due to fiduciary fund	4,282,586	-	-	-
Estimated third-party payor settlements	18,659,485	18,089,165	-	-
Accrued compensated absences (note 8)	48,493,643	46,720,237	-	-
Other accrued liabilities (note 9)	9,993,592	12,205,897	2,515,093	2,238,199
Unearned revenue (note 10)	41,499,126	34,976,487	802,562	1,122,772
Bonds payable – current portion (notes 11 and 12)	19,847,934	19,043,652	11,545,000	4,700,000
Long-term debt – current portion (note 11)	-	-	931,388	907,119
Annuities payable (note 11)	-	-	345,046	386,043
Deposits and funds held for others	6,352,349	5,242,212	-	-
Total current liabilities	\$ 292,279,807	\$ 257,020,319	\$ 88,332,846	\$ 59,375,800
Noncurrent liabilities (note 11)				
Bonds payable – noncurrent (notes 11 and 12)	\$ 544,101,986	\$ 564,984,670	\$ 131,880,000	\$ 138,725,000
Due to The University of New Mexico (note 11)	-	-	30,905,349	28,831,766
Long-term debt (note 11)	-	-	7,350,745	8,282,133
Student loan program (note 11)	12,525,368	12,780,539	-	-
Net OPEB obligation (notes 11 and 16)	32,955,183	31,178,183	-	-
Derivative instruments – interest rate swaps (notes 11 and 12)	10,581,948	11,089,443	-	-
Annuities payable (note 11)	-	-	2,503,129	3,190,992
Other noncurrent liabilities (note 11)	279,626	320,338	-	-
Total noncurrent liabilities	\$ 600,444,111	\$ 620,353,173	\$ 172,639,223	\$ 179,029,891
Total liabilities	\$ 892,723,918	\$ 877,373,492	\$ 260,972,069	\$ 238,405,691
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	\$ -	\$ -	\$ 772,093	\$ 758,103
Total deferred inflows of resources	\$ -	\$ -	\$ 772,093	\$ 758,103

Statements of Net Position as of June 30, 2014 and 2013

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2014	2013	2014	2013
NET POSITION				
Net investment in capital assets	\$ 634,054,729	\$ 659,260,450	\$ 5,111,539	\$ 1,831,473
Restricted for:				
Nonexpendable:				
Land grant permanent fund	207,068,445	183,080,869	-	-
Scholarships	119,404,531	105,784,144	-	-
Grants, bequests, and contributions	6,008,807	6,010,271	175,043,273	149,834,769
Expendable:				
Scholarships	2,720,350	2,386,741	-	-
Grants, bequests, and contributions	18,321,223	17,091,658	-	-
Debt service	47,029,803	44,555,924	24,097,925	10,094,083
Capital projects	6,782,118	3,007,862	-	-
Other	-	-	21,265,567	18,387,721
Unrestricted (note 18)	576,635,759	541,178,999	52,172,315	70,127,742
Total net position	\$ 1,618,025,765	\$ 1,562,356,918	\$ 277,690,619	\$ 250,275,788

See accompanying notes to the basic financial statements.

THE UNIVERSITY OF NEW MEXICO

BASIC FINANCIAL STATEMENTS

Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2014	2013	2014	2013
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$73,683,881 in 2014 and \$68,084,560 in 2013)	\$ 138,115,447	\$ 130,300,603	\$ -	\$ -
Patient services (net of provision for doubtful accounts of \$118,629 in 2014 and \$-21,625 in 2013) (note 13)	115,588,076	94,724,446	202,787,626	165,906,158
Federal grants and contracts	198,622,116	201,827,455	-	-
State and local grants and contracts	29,845,455	28,261,342	-	-
Nongovernmental grants, contracts, bequests, and contributions	33,590,685	34,823,181	29,122,964	26,838,866
Sales and services	165,762,889	166,412,680	23,377,288	15,641,457
Auxiliary enterprises (net of scholarship allowances of \$6,869,098 in 2014 and \$6,740,647 in 2013)	45,984,497	52,619,772	-	-
Other operating revenues	42,061,604	41,387,857	15,956,953	17,750,587
Clinical operations (note 13)				
University of New Mexico Hospital (net of provision for doubtful accounts of \$136,033,949 in 2014 and \$102,205,099 in 2013)	526,889,023	511,978,414	-	-
University of New Mexico Behavioral Operations (net of provision for doubtful accounts of \$1,010,777 in 2014 and \$1,319,624 in 2013)	28,737,088	27,484,604	-	-
Total operating revenues	\$ 1,325,196,880	\$ 1,289,820,354	\$ 271,244,831	\$ 226,137,068
OPERATING EXPENSES				
Educational and general				
Instruction	\$ 267,251,445	\$ 255,178,768	\$ -	\$ -
Research	170,779,418	169,427,660	-	-
Public service	315,148,991	300,456,308	-	-
Academic support	48,652,384	46,039,723	-	-
Student services	28,790,932	25,738,176	-	-
Institutional support	61,494,708	56,232,354	-	-
Operation and maintenance of plant	88,052,766	85,916,850	-	-
Depreciation expense	60,854,840	62,904,726	-	-
Student aid	48,925,437	50,407,120	-	-
Student activities	8,141,393	8,338,856	-	-
Intercollegiate athletics	30,809,738	30,216,179	-	-
Auxiliary enterprises	49,729,746	57,297,244	-	-
Other operating expenses	50,171,114	48,273,912	256,232,730	238,579,176
Distributions to The University of New Mexico	-	-	30,455,098	27,897,237
Clinical operations				
University of New Mexico Hospital	610,850,461	600,286,292	-	-
University of New Mexico Behavioral Operations	49,453,007	48,001,699	-	-
Total operating expenses	\$ 1,889,106,380	\$ 1,844,715,867	\$ 286,687,828	\$ 266,476,413
Operating loss	\$ (563,909,500)	\$ (554,895,513)	\$ (15,442,997)	\$ (40,339,345)

Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2014	2013	2014	2013
NONOPERATING REVENUES (EXPENSES)				
State appropriations	\$ 292,498,633	\$ 279,358,642	\$ 815,300	\$ 815,300
Local appropriations	7,652,287	8,831,984	7,982,814	20,832,519
Federal pell grants	54,015,619	54,884,892	-	-
State lottery scholarships	37,990,538	34,501,721	-	-
Gifts	27,923,651	26,768,949	-	-
Federal bond subsidy	-	-	2,158,940	2,225,243
Investment income (note 3)	70,178,886	45,472,407	33,174,074	18,624,863
Other nonoperating revenues and expenses, net	26,405,533	4,509,499	(1,196,018)	(1,186,809)
Interest on capital asset-related debt	(18,047,515)	(18,120,387)	(7,558,553)	(6,892,025)
Loss on disposal of capital assets	(167,707)	(107,703)	-	-
Distributions to The University of New Mexico	-	-	(250,000)	-
Clinical operations (note 13)				
University of New Mexico Hospital	93,011,652	92,779,633	-	-
University of New Mexico Behavioral Operations	20,529,207	18,971,121	-	-
Net nonoperating revenues	<u>\$ 611,990,784</u>	<u>\$ 547,850,758</u>	<u>\$ 35,126,557</u>	<u>\$ 34,419,091</u>
Income (loss) before capital contributions	\$ 48,081,284	\$ (7,044,755)	\$ 19,683,560	\$ (5,920,254)
Capital appropriations	\$ 7,284,714	\$ 15,253,720	\$ -	\$ -
Capital grants and gifts	675	5,897,875	-	-
Federal stabilization grant	163,222	145,125	-	-
Capital contributions	-	(1,000,000)	-	1,000,000
Contributions to permanent endowments	-	-	7,731,271	9,543,766
Clinical operations				
University of New Mexico Hospital	138,952	1,873,265	-	-
Total capital contributions	<u>\$ 7,587,563</u>	<u>\$ 22,169,985</u>	<u>\$ 7,731,271</u>	<u>\$ 10,543,766</u>
Change in net position	\$ 55,668,847	\$ 15,125,230	\$ 27,414,831	\$ 4,623,512
NET POSITION				
Net position at beginning of year (as restated, note 2(D))	1,562,356,918	1,547,231,688	250,275,788	245,652,276
Net position at end of year	<u>\$ 1,618,025,765</u>	<u>\$ 1,562,356,918</u>	<u>\$ 277,690,619</u>	<u>\$ 250,275,788</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 138,236,988	\$ 134,235,443
Grants and contracts	266,369,415	270,454,085
Insurance and patients	653,137,773	642,911,608
Sales and services	170,122,620	164,214,482
Auxiliary enterprise charges	45,230,056	46,643,507
Payments to suppliers	(450,319,594)	(440,321,223)
Payments to employees	(1,006,249,050)	(961,606,398)
Payments for benefits	(193,675,018)	(178,364,050)
Payments for utilities	(42,091,882)	(39,782,908)
Payments for scholarships and fellowships	(55,334,474)	(57,016,765)
Loans issued to students	(3,390,778)	(5,802,108)
Collection of loans to students	1,850,463	1,949,772
Payments to State of New Mexico for intergovernmental transfer	(9,018,014)	(21,033,597)
Other receipts	7,568,269	4,443,141
	<u>\$ (477,563,226)</u>	<u>\$ (439,075,011)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 304,924,618	\$ 291,141,266
Local appropriations	7,652,287	8,831,984
Federal pell grant	53,982,575	54,852,759
State lottery scholarships	56,249,094	32,919,630
Drawdowns of federal direct loan proceeds	133,905,125	138,847,515
Disbursements of federal direct loans to students	(135,733,724)	(136,097,030)
Bernalillo County mill levy	91,939,840	91,281,146
Land and permanent fund	773,393	739,042
Gifts	10,873,053	23,597,035
Federal stabilization grants	163,727	142,302
Other nonoperating receipts	3,491,907	5,080,027
	<u>\$ 528,221,895</u>	<u>\$ 511,335,676</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments on bonds	\$ (25,786,723)	\$ (25,989,098)
Capital appropriations	5,342,522	16,817,127
Capital gifts and grants	182,716	7,194,140
Capital contribution to Lobo Energy, Inc.	-	(1,000,000)
Principal payments of bonds	(19,043,652)	(18,274,310)
Loan issued to Lobo Development Corporation	-	(27,800,000)
Collection of loan to Lobo Development Corporation	583,314	95,531
Cash received from disposal of capital assets	145,293	1,289,297
Purchase of capital assets	(53,084,816)	(70,973,329)
Other payments	(1,706,122)	(2,550,252)
	<u>\$ (93,367,468)</u>	<u>\$ (121,190,894)</u>

EXHIBIT C

Statements of Cash Flows for the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	\$ 461,865,613	\$ 329,275,660
Purchase of investments	(470,008,669)	(315,767,439)
Distributions from land grant permanent fund	8,749,529	8,993,750
Investment income	42,062,065	22,131,953
Net cash provided by investing activities	\$ 42,668,538	\$ 44,633,924
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents – beginning of year	186,168,302	190,464,607
Cash and cash equivalents – end of year	\$ 186,128,041	\$ 186,168,302
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (563,909,500)	\$ (554,895,513)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	92,686,085	95,789,758
Bad debt expense	139,465,622	105,656,680
Changes in assets and liabilities		
Accounts receivable	(3,573,826)	2,714,720
Patient receivables	(165,753,155)	(98,601,942)
Estimated third-party payor settlements	(5,309,287)	(3,724,190)
Notes receivable	(1,223,407)	(3,470,833)
Inventories	235,848	(671,358)
Other assets	(767,550)	30,616
Due from component units	347,109	5,592,562
Due to component units	3,511,831	2,441,778
Accounts payable	22,462,016	8,370,628
Accrued expenses and compensated absences	232,243	7,528,479
Other current liabilities	(295,911)	(493,086)
Estimated third-party payor liability	570,320	865,357
Unearned revenue	3,758,336	(6,208,667)
Net cash used in operating activities	\$ (477,563,226)	\$ (439,075,011)

See accompanying notes to the basic financial statements.

University of New Mexico Retiree Welfare Benefit Trust
Statement of Fiduciary Net Position as of June 30, 2014

	<u>2014</u>
ASSETS	
Due from The University of New Mexico	\$ 4,282,586
Total assets	<u>\$ 4,282,586</u>
NET POSITION	
Net position	\$ 4,282,586
Total net position	<u>\$ 4,282,586</u>

See accompanying notes to the basic financial statements.

University of New Mexico Retiree Welfare Benefit Trust
Statement of Changes in Fiduciary Net Position for the year ended June 30, 2014

	<u>2014</u>
ADDITIONS	
University of New Mexico contributions	\$ 2,137,997
Employee contributions	2,137,997
Investment income	6,592
Total revenues	<u>\$ 4,282,586</u>
Increase in fund net position	\$ 4,282,586
Net position at beginning of year	-
Net position at end of year	<u>\$ 4,282,586</u>

See accompanying notes to the basic financial statements.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

The University has adopted GASB Statement 39, *Determining Whether Certain Organizations Are Component Units — an amendment of GASB Statement 14*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. 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. GASB Statement 61 modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for blending component units within the primary government in certain circumstances. As required by GASB Statements 14, 39, and 61, these basic financial statements present the University and its component units.

The following entities are presented in the financial statements as component units based on criteria as set forth in GASB Statements 14, 39, and 61:

Discretely Presented Component Units

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

The University of New Mexico Foundation, Inc. (Foundation) is a nonprofit corporation, organized to solicit, receive, hold, invest, and transfer funds for the benefit of the University of New Mexico. The majority of the University's investments are managed by the Foundation. The University of New Mexico Foundation, Inc., Two Woodward Center, 700 Lomas Blvd. NE, Suite 203, Albuquerque, NM 87131.

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

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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

- **STC.UNM**

STC.UNM (formerly known as Science & Technology Corporation @ UNM) is a nonprofit corporation formed under the auspices of the 1989 New Mexico University Research Park Act and the New Mexico Nonprofit Corporation Act. The business of the corporation is to manage the commercialization of technologies developed by the University's faculty and manage the real estate development of the Science & Technology Park at The University of New Mexico on the South Campus. STC.UNM, 801 University Blvd. SE, Suite 101, Albuquerque, NM 87106.

- **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, MSC04 2680, 1 University of New Mexico, 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 nonprofit corporation that was organized to promote, advance, and support the clinical, scientific, educational, research, and charitable purposes of the School of Medicine (SOM) and the University of New Mexico Health Sciences Center (HSC). 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 OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

Blended Component Unit

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

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

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 (HSC) and are included in the Primary Institution financial statement information.

The discretely presented 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.

(B) *Basis of Accounting*

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

(C) *Significant Accounting Policies*

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

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

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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

Patient receivables: Clinical Operations receive 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>2014</u>	<u>2013</u>
Medicare and Medicaid	59%	48%
Other third-party payors	27%	33%
Others	14%	19%
	<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 20 quarters. The target annual distribution rate shall be 5% of the average unit market value. If, in any given 20-quarter rolling period, total return is less than target annual distribution, actual distribution shall not be less than 4% of the average unit market value for such 20-quarter rolling period. If in any 20-quarter rolling period the distribution exceeds 5% of the current market value, the CIF Investment Committee will determine the actual distribution.

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

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

Capital assets: Capital assets are recorded at original cost, or fair value if donated. Per Section 12-6-10 NMSA 1978, the University's capitalization policy for movable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The University includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. In compliance with New Mexico Administrative Code, Title 2 Public Finance, Chapter 20 Accounting by Governmental Entities, Part 1 Accounting and Control of Fixed Assets of State Government, Section 9, software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements and infrastructure, 5 years for library books, and a range of 3 to 15 years for equipment. Loaned equipment from private and federal sources is not owned by the University, and is

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not an asset. This equipment is monitored by the University and totals \$3,863,541 and \$4,120,822 at June 30, 2014 and 2013, respectively.

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

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

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

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

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

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

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employee's hourly wage, for accumulated unused sick leave exceeding 600 hours for full-time employees, 450 hours for employees with a FTE between 0.75 and full-time, and 300 hours for employees with a FTE between 0.5 and 0.75, not to exceed 440 hours.

Net position:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Unspent bond proceeds for the University were \$641,678 and \$5,323,120 at June 30, 2014 and 2013, respectively. The Hospital had unspent bond proceeds of \$13,500,000 at June 30, 2014 and 2013, reserved for debt service as required by the trustee.

Restricted net position represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. *Restricted expendable* net position is resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. *Restricted nonexpendable* net position consists of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal.

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

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

Revenues: 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 Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Gifts are recognized when all applicable eligibility requirements have been met. Investment income is recognized in the period when it is earned. The mill levy is recognized in the period it is 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 position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprises charges, the University has recorded a scholarship allowance.

Net patient 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.

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The 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 clinical operations 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.

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

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

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

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

(D) Changes in Accounting Policies and Statements

Effective July 1, 2013, the University adopted 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, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The impact of this Statement to the University is the requirement of debt issuance costs to be expensed as incurred rather than capitalized and amortized as under previous guidance. In accordance with GASB Statement No. 65, the University restated the Net Position as of July 1, 2012 to remove bond issuance costs.

The following summarizes the impact of the restatement to previously reported balances:

	2013 as Previously Reported	Write Off 2013 Bond Cost Expense to Beginning Net Position	Write Off Bond Issuance Cost Asset	2013 as Restated
2013 Statement of Revenues, Expenses, and Changes in Net Position				
Amortization of bond issuance costs	\$ 354,027	\$ (354,027)	\$ -	\$ -
Net nonoperating revenues	547,496,731	354,027	-	547,850,758
Increase in net position	14,771,203	354,027	-	15,125,230
Net position at beginning of year	1,550,810,477	(354,027)	(3,224,762)	1,547,231,688
2013 Statement of Net Position				
Bond issuance costs	\$ 3,224,762	\$ -	\$ (3,224,762)	\$ -
Total net position	1,565,581,680	-	(3,224,762)	1,562,356,918

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(E) *Income Taxes*

As an instrumentality of the State of New Mexico, the income generated by the University in the exercise of its essential governmental functions is excluded from federal income tax under 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).

(F) *Joint Powers Agreements*

- (1) The Regents of The University of New Mexico and the Board of County Commissioners of the County of Bernalillo entered into a lease agreement for operation and lease of county healthcare facilities, effective July 1, 1999, amended June 2004 and terminating June 20, 2040. The purpose of the agreement is to operate and maintain UNM Hospital and UNM Behavioral Operations in accordance with the provisions of the Hospital Funding Act for the term of the agreement. The agreement continues in force until rescinded or terminated by either party. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (2) The University has entered into Joint Powers Agreements with fifty-two (52) Municipal School Districts (the Districts) throughout the State of New Mexico. The University and the Districts have formed an organization for promoting their mutual educational purposes known as the New Mexico Research and Study Council (Council). The purpose of this agreement is to create a mechanism by which the Districts can jointly and cooperatively undertake any activities in their function of providing public educational services. The University has entered into this agreement in order to facilitate such joint activities. This agreement remains in force until terminated. The Council may be terminated by a two-thirds vote of all current parties. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (3) The Regents of the University of New Mexico, the Regents of New Mexico State University, and the Regents of the New Mexico Institute of Mining and Technology entered into an agreement to form the New Mexico University Research Consortium (NMURC) effective May 4, 2006. The purpose of the Research Consortium is to promote statewide cooperation in attracting research resources to New Mexico, managing them for the state's higher education research facilities, other New Mexico research facilities and for the benefit of New Mexico economic development. The agreement continues in force indefinitely. Any party may choose to withdraw with 60 days' written notice. At such time, the remaining parties have 45 days to agree to maintain the NMURC or the 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 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

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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.

(G) *Reclassifications*

Certain 2013 amounts have been reclassified in order to be consistent with the 2014 presentation.

(H) *Impact of Recently Issued Accounting Standards*

- (1) 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.
- (2) GASB Statement 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. The University is currently evaluating the impact GASB Statement 69 will have on its financial statements.
- (3) GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The objective of this Statement is to address the amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. This Statement amends paragraph 137 of GASB Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provision of GASB Statement 68. The University is currently evaluating the impact GASB Statement 71 will have on its financial statements.

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(3) Cash, Cash Equivalents, and Investments

(A) Cash and Cash Equivalents

The Primary Institution's cash accounts are held in demand and time deposits at various financial institutions and had carrying amounts totaling \$186,128,041 and \$186,168,302 at June 30, 2014 and 2013, respectively. New Mexico statutes require financial institutions to pledge qualifying collateral to the Primary Institution to cover at least 50% of uninsured deposits. All collateral is held by third parties in safekeeping. The Primary Institution is at risk to the extent that its funds are uninsured or uncollateralized. These amounts are invested in overnight sweep accounts and are collateralized at 102% of the invested balance. At June 30, 2014 and 2013, these funds were collateralized by government agency securities held in the Primary Institution's name. At June 30, 2014, the total primary institution's deposits that were not insured or collateralized were \$1,454,320. At June 30, 2013, none of the primary institution's deposits uninsured and/or uncollateralized.

The Component Units' cash accounts held in demand and time deposits at various institutions had carrying amounts totaling \$70,815,523 and \$63,051,175 at June 30, 2014 and 2013, respectively. Certain amounts are invested in overnight sweep accounts and are collateralized at various levels of the invested balance. At June 30, 2014 and 2013, these funds were collateralized by government back securities held in the component unit's name. At June 30, 2014 and 2013, the total component unit deposits that were not insured or collateralized were \$33,430,921 and \$21,617,743, respectively.

(B) Investments

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

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

Temporary investments also include unspent bond proceeds that are dedicated to various facilities construction projects on campus. Bond proceeds may be invested in all of the securities allowed for temporary funds, as well as Repurchase Agreements and Guaranteed Investment Contracts (GICs). Such construction projects are reported as capital assets in the accompanying statements of net position (note 6). The bond obligations are reported as bonds payable in the accompanying statements of net position (notes 11 and 12).

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The CIF is a unitized internal investment pool consisting of gifted endowment funds of the University and gifted endowment funds of the UNM Foundation. The CIF operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for an annual distribution. The investment of the CIF endowment funds is in accordance with the laws of 1991, chapter 69 of the State of New Mexico. In accordance with UNM and the Foundation's Memorandum, the endowment assets of UNM and the UNM Foundation are commingled for investment purposes, whenever possible, in the CIF. The investment of UNM and the UNM Foundation endowment funds is in accordance with Sections 6-8-10 and 46-9-12, NMSA 1978. At June 30, 2014 and 2013, UNM's portion of the CIF was \$226,163,175 and \$196,179,490, respectively.

Consolidated Investment Fund

	<u>2014</u>	<u>2013</u>
Units:		
Foundation	568,158	579,131
University of New Mexico	679,611	700,367
	<u>1,247,769</u>	<u>1,279,498</u>
Fair Value (in millions):		
Foundation	\$ 189.1	\$ 162.2
University of New Mexico	226.1	196.2
	<u>\$ 415.2</u>	<u>\$ 358.4</u>

Other long-term investments primarily consist of debt service, debt service reserve, and plant renewal and replacement funds. 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 21 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, 2014 and 2013, the value of UNM's share of the Land Grant Permanent Fund was \$207,068,445 and \$183,080,869, respectively.

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Total Primary Institution investments by type at June 30, 2014 and 2013 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments	Assets Held for the Benefit of the UNM Retiree Welfare Benefit Trust	Fair Value
Primary Institution 2014					
Cash	\$ 117,044	\$ -	\$ -	\$ -	\$ 117,044
Money Market	10,898,720	-	26,027,416	358,276	37,284,412
Money Market Account	-	1,705,249	-	-	1,705,249
Certificate of Deposit	-	-	1,746,544	3,541,966	5,288,510
Repurchase Agreements	-	-	13,417,413	-	13,417,413
U.S. Treasury Securities	85,722,986	-	-	-	85,722,986
U.S. Government Agencies	79,507,347	-	9,098,737	-	88,606,084
Corporate Bonds/Notes	107,264,165	-	-	-	107,264,165
Municipal Bonds	16,346,274	-	-	-	16,346,274
International Bonds	-	-	-	-	-
Mutual Funds — Fixed	-	60,142,009	-	-	60,142,009
Mutual Funds — Equity	-	183,153,447	-	-	183,153,447
Equity	-	-	21,113,513	-	21,113,513
Exchange Traded Funds	-	17,244,838	-	-	17,244,838
Illiquid Real Assets	-	25,645,542	-	-	25,645,542
Private Equity	-	49,713,322	-	-	49,713,322
Marketable Alternatives	-	77,561,935	-	-	77,561,935
Land Grant Permanent Fund	-	-	207,068,445	-	207,068,445
CIF due to/from UNM	-	70,348	(70,348)	-	-
<i>University of New Mexico Foundation, Inc</i>					
<i>Investments held in Consolidated Investment Fund</i>		(189,073,515)	-	-	(189,073,515)
Total Investments	\$ 299,856,536	\$ 226,163,175	\$ 278,401,720	\$ 3,900,242	\$ 808,321,673

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments	Assets Held for the Benefit of the UNM Retiree Welfare Benefit Trust	Fair Value
Primary Institution 2013					
Cash	\$ 96,588	\$ -	\$ -	\$ -	\$ 96,588
Money Market	25,263,413	-	23,592,974	-	48,856,387
Money Market Account	-	5,199,214	-	-	5,199,214
Certificate of Deposit	-	-	1,500,270	-	1,500,270
Repurchase Agreements	-	-	13,425,294	-	13,425,294
U.S. Treasury Securities	81,003,535	-	-	-	81,003,535
U.S. Government Agencies	79,808,599	-	4,940,484	-	84,749,083
Corporate Bonds/Notes	89,835,224	-	-	-	89,835,224
Municipal Bonds	16,372,364	-	-	-	16,372,364
International Bonds	2,380,275	-	-	-	2,380,275
Mutual Funds — Fixed	-	58,501,931	-	-	58,501,931
Mutual Funds — Equity	-	149,100,865	-	-	149,100,865
Equity	-	-	19,098,190	-	19,098,190
Exchange Traded Funds	-	13,208,959	-	-	13,208,959
Illiquid Real Assets	-	24,138,998	-	-	24,138,998
Private Equity	-	41,193,321	-	-	41,193,321
Marketable Alternatives	-	70,442,222	-	-	70,442,222
Land Grant Permanent Fund	-	-	183,080,869	-	183,080,869
CIF due to/from UNM	-	(3,385,860)	3,385,860	-	-
<i>University of New Mexico Foundation, Inc</i>					
<i>Investments held in Consolidated Investment Fund</i>		(162,220,160)	-	-	(162,220,160)
Total Investments	\$ 294,759,998	\$ 196,179,490	\$ 249,023,941	\$ -	\$ 739,963,429

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Total Component Unit investments by type at June 30, 2014 and 2013 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments	Fair Value
Component Units 2014				
Money Market Account	\$ -	\$ 808,498	\$ 3,480,942	\$ 4,289,440
Certificate of Deposit	1,115,756	-	-	1,115,756
U.S. Treasury Securities	-	-	410,078	410,078
U.S. Government Agencies	-	-	10,526,852	10,526,852
Corporate Bonds/Notes	25,376	-	18,909,188	18,934,564
Municipal Bonds	-	-	4,842,839	4,842,839
International Bonds	-	-	-	-
Other Bonds	-	-	1,034,985	1,034,985
Mutual Funds	8,971,608	-	3,593,269	12,564,877
Mutual Funds — Fixed	-	27,385,010	-	27,385,010
Mutual Funds — Equity	-	83,396,932	-	83,396,932
Equity	-	-	202,575	202,575
Exchange Traded Funds	-	7,852,250	-	7,852,250
Illiquid Real Assets	-	11,677,419	-	11,677,419
Private Equity	-	22,636,422	-	22,636,422
Marketable Alternative	79,370	35,316,984	-	35,396,354
Real Estate	231,452	-	333,811	565,263
Other	-	-	402,408	402,408
Total Investments	\$ 10,423,562	\$ 189,073,515	\$ 43,736,947	\$ 243,234,024

	Temporary Investments	Consolidated Investment Fund	Other Long-Term Investments	Fair Value
Component Units 2013				
Money Market Account	\$ -	\$ 820,767	\$ 1,677,025	\$ 2,497,792
Certificate of Deposit	1,113,230	-	49,923	1,163,153
U.S. Government Agencies	-	-	14,176,793	14,176,793
Corporate Bonds/Notes	25,862	-	6,631,135	6,656,997
Municipal Bonds	-	-	4,715,966	4,715,966
International Bonds	-	-	767,932	767,932
Mutual Funds	7,797,644	-	3,227,435	11,025,079
Mutual Funds — Fixed	-	26,479,361	-	26,479,361
Mutual Funds — Equity	-	67,486,577	-	67,486,577
Equity	-	-	203,575	203,575
Exchange Traded Funds	-	5,978,687	-	5,978,687
Illiquid Real Assets	-	10,925,881	-	10,925,881
Private Equity	-	18,645,071	-	18,645,071
Marketable Alternative	63,395	31,883,816	-	31,947,211
Real Estate	221,502	-	291,333	512,835
Other	-	-	353,788	353,788
Total Investments	\$ 9,221,633	\$ 162,220,160	\$ 32,094,905	\$ 203,536,698

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

As of June 30, 2014 and 2013, the primary institution had no investments subject to custodial credit risk; the component units had exposure to custodial credit risk in the amount of \$19,413,786 and \$6,916,910, respectively.

Interest rate risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does have policies to mitigate exposure to interest rate risk by prohibiting certain high-risk investments and investment practices and by establishing duration and maturity guidelines for investments. A summary of the investments as of June 30, 2014 and 2013 and their exposure to interest rate risk are as follows:

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June 30, 2014 and 2013

<i>Primary Institution 2014</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
Items subject to interest rate risk:					
Money Market	\$ 37,284,412	\$ 37,284,412	\$ -	\$ -	\$ -
Certificates of Deposit	5,288,510	3,208,367	2,080,143	-	-
Repurchase Agreements	13,417,413	-	-	-	13,417,413
U.S. Treasury Securities	85,722,986	6,966,945	78,756,041	-	-
U.S. Government Agencies	88,606,084	12,347,120	69,948,918	6,310,046	-
Corporate Bonds/Notes	107,264,165	8,901,425	98,362,740	-	-
Municipal Bonds	16,346,274	1,354,924	14,991,350	-	-
International Bonds	-	-	-	-	-
	<u>\$ 353,929,844</u>	<u>\$ 70,063,193</u>	<u>\$ 264,139,192</u>	<u>\$ 6,310,046</u>	<u>\$ 13,417,413</u>
Items not subject to interest rate risk:					
Cash	\$ 117,044				
Money Market Account	1,705,249				
Mutual Funds — Fixed	60,142,009				
Mutual Funds — Equity	183,153,447				
Equity	21,113,513				
Exchange Traded Funds	17,244,838				
Illiquid Real Assets	25,645,542				
Private Equity	49,713,322				
Marketable Alternatives	77,561,935				
Land Grant Permanent Fund	207,068,445				
<i>University of New Mexico Foundation, Inc</i>					
<i>Investments held in Consolidated Investment Fund</i>	(189,073,515)				
	<u>\$ 454,391,829</u>				
Total Investments	<u>\$ 808,321,673</u>				

<i>Primary Institution 2013</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
Items subject to interest rate risk:					
Money Market	\$ 48,856,387	\$ 48,856,387	\$ -	\$ -	\$ -
Certificates of Deposit	1,500,270	1,500,270	-	-	-
Repurchase Agreements	13,425,294	13,425,294	-	-	-
U.S. Treasury Securities	81,003,535	12,291,180	68,712,355	-	-
U.S. Government Agencies	84,749,083	22,778,313	58,828,615	3,142,155	-
Corporate Bonds/Notes	89,835,224	20,060,490	69,774,734	-	-
Municipal Bonds	16,372,364	1,226,720	15,145,644	-	-
International Bonds	2,380,275	2,380,275	-	-	-
	<u>\$ 338,122,432</u>	<u>\$ 122,518,929</u>	<u>\$ 212,461,348</u>	<u>\$ 3,142,155</u>	<u>\$ -</u>
Items not subject to interest rate risk:					
Cash	\$ 96,588				
Money Market Account	5,199,214				
Mutual Funds — Fixed	58,501,931				
Mutual Funds — Equity	149,100,865				
Equity	19,098,190				
Exchange Traded Funds	13,208,959				
Illiquid Real Assets	24,138,998				
Private Equity	41,193,321				
Marketable Alternatives	70,442,222				
Land Grant Permanent Fund	183,080,869				
<i>University of New Mexico Foundation, Inc</i>					
<i>Investments held in Consolidated Investment Fund</i>	(162,220,160)				
	<u>\$ 401,840,997</u>				
Total Investments	<u>\$ 739,963,429</u>				

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June 30, 2014 and 2013

<i>Component Units 2014</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
Items subject to interest rate risk:					
Certificates of Deposit	\$ 1,115,756	\$ 819,060	\$ 296,696	\$ -	\$ -
U.S. Treasury Securities	410,078	-	410,078	-	-
U.S. Government Agencies	10,526,852	1,146,506	9,147,520	-	232,826
Corporate Bonds/Notes	18,934,564	1,734,920	16,186,147	1,013,497	-
Municipal Bonds	4,842,839	622,123	2,122,756	1,270,220	827,740
International Bonds	-	-	-	-	-
Other Bonds	1,034,985	-	-	834,401	200,584
	<u>\$ 36,865,074</u>	<u>\$ 4,322,609</u>	<u>\$ 28,163,197</u>	<u>\$ 3,118,118</u>	<u>\$ 1,261,150</u>
Items not subject to interest rate risk:					
Money Market Account	\$ 4,289,440				
Mutual Funds	12,564,877				
Mutual Funds — Fixed	27,385,010				
Mutual Funds — Equity	83,396,932				
Equity	202,575				
Exchange Traded Funds	7,852,250				
Illiquid Real Assets	11,677,419				
Private Equity	22,636,422				
Marketable Alternatives	35,396,354				
Real Estate	565,263				
Other	402,408				
	<u>\$ 206,368,950</u>				
Total Investments	\$ 243,234,024				

<i>Component Units 2013</i>	Fair Value	Investment Maturities			
		Less than 1 Year	1—5 Years	6—10 Years	Greater than 10 Years
Items subject to interest rate risk:					
Certificates of Deposit	\$ 1,163,153	\$ 1,163,153	\$ -	\$ -	\$ -
U.S. Government Agencies	14,176,793	244,635	13,932,158	-	-
Corporate Bonds/Notes	6,656,997	4,299,476	2,357,521	-	-
Municipal Bonds	4,715,966	196,954	1,803,888	888,762	1,826,362
International Bonds	767,932	767,932	-	-	-
	<u>\$ 27,480,841</u>	<u>\$ 6,672,150</u>	<u>\$ 18,093,567</u>	<u>\$ 888,762</u>	<u>\$ 1,826,362</u>
Items not subject to interest rate risk:					
Money Market Account	\$ 2,497,792				
Mutual Funds	11,025,079				
Mutual Funds — Fixed	26,479,361				
Mutual Funds — Equity	67,486,577				
Equity	203,575				
Exchange Traded Funds	5,978,687				
Illiquid Real Assets	10,925,881				
Private Equity	18,645,071				
Marketable Alternatives	31,947,211				
Real Estate	512,835				
Other	353,788				
	<u>\$ 176,055,857</u>				
Total Investments	\$ 203,536,698				

Credit risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information, as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk. The University does have a policy to limit its exposure to credit risk that states that investments should have an average credit quality of A1/A+ or better and security ratings of investment grade. A summary of the investments at June 30, 2014 and 2013 and their exposure to credit risk are as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

Primary Institution 2014

Items subject to credit risk:

Credit Rating	Money Market	Repurchase Agreements	U.S. Government Agencies	Corporate Bonds/Notes	International Bonds	Municipal Bonds	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ 78,507,477	\$ 1,504,994	\$ -	\$ 2,474,559	\$ 82,487,030
S&P — AAA	-	-	-	-	-	-	-
Moody's — Aa1	-	-	-	5,216,994	-	4,564,192	9,781,186
S&P — AA+	-	-	-	-	-	152,552	152,552
Moody's — Aa2	-	-	-	2,960,755	-	4,806,177	7,766,932
S&P — AA	-	-	-	-	-	500,155	500,155
Moody's — Aa3	-	-	-	16,205,063	-	2,200,404	18,405,467
Moody's — A1	-	-	-	14,530,427	-	1,648,235	16,178,662
Moody's — A2	-	-	-	19,167,819	-	-	19,167,819
Moody's — A3	-	-	-	14,244,565	-	-	14,244,565
Moody's — Baa1	-	13,417,413	-	24,603,757	-	-	38,021,170
Moody's — Baa2	-	-	-	8,047,878	-	-	8,047,878
Moody's — Baa3	-	-	-	781,913	-	-	781,913
Not Rated	37,284,412	-	10,098,607	-	-	-	47,383,019
Total items subject to credit risk	\$ 37,284,412	\$ 13,417,413	\$ 88,606,084	\$ 107,264,165	\$ -	\$ 16,346,274	\$ 262,918,348

Items not subject to credit risk:

Cash	\$ 117,044
Money Market Account	1,705,249
Certificate of Deposit	5,288,510
U.S. Treasury Securities	85,722,986
Mutual Funds — Fixed	60,142,009
Mutual Funds — Equity	183,153,447
Equity	21,113,513
Exchange Traded Funds	17,244,838
Illiquid Real Assets	25,645,542
Private Equity	49,713,322
Marketable Alternatives	77,561,935
Land Grant Permanent Fund	207,068,445
Total items not subject to credit risk	\$ 734,476,840

University of New Mexico Foundation, Inc.
Investments held in Consolidated Investment Fund — Not Rated
Total Investments

\$ (189,073,515)
\$ 808,321,673

Primary Institution 2013

Items subject to credit risk:

Credit Rating	Money Market	Repurchase Agreements	U.S. Government Agencies	Corporate Bonds/Notes	International Bonds	Municipal Bonds	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ 77,308,959	\$ 1,420,865	\$ 2,380,275	\$ 3,239,371	\$ 84,349,470
S&P — AAA	-	-	-	-	-	1,337,485	1,337,485
Moody's — Aa1	-	-	-	5,462,229	-	3,505,256	8,967,485
Moody's — Aa2	-	-	-	5,869,447	-	5,108,773	10,978,220
Moody's — Aa3	-	-	-	17,015,752	-	1,546,519	18,562,271
Moody's — A1	-	-	-	20,039,712	-	1,634,960	21,674,672
Moody's — A2	-	-	-	20,998,130	-	-	20,998,130
Moody's — A3	-	-	-	12,211,641	-	-	12,211,641
Moody's — Baa1	-	13,425,294	-	2,848,336	-	-	16,273,630
Moody's — Baa2	-	-	-	3,213,595	-	-	3,213,595
Moody's — Baa3	-	-	-	755,517	-	-	755,517
Not Rated	48,856,387	-	7,440,124	-	-	-	56,296,511
Total items subject to credit risk	\$ 48,856,387	\$ 13,425,294	\$ 84,749,083	\$ 89,835,224	\$ 2,380,275	\$ 16,372,364	\$ 255,618,627

Items not subject to credit risk:

Cash	\$ 96,588
Money Market Account	5,199,214
Certificate of Deposit	1,500,270
U.S. Treasury Securities	81,003,535
Mutual Funds — Fixed	58,501,931
Mutual Funds — Equity	149,100,865
Equity	19,098,190
Exchange Traded Funds	13,208,959
Illiquid Real Assets	24,138,998
Private Equity	41,193,321
Marketable Alternatives	70,442,222
Land Grant Permanent Fund	183,080,869
Total items not subject to credit risk	\$ 646,564,962

University of New Mexico Foundation, Inc.
Investments held in Consolidated Investment Fund — Not Rated
Total Investments

\$ (162,220,160)
\$ 739,963,429

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Component Units 2014

Items subject to credit risk:

Credit Rating	U.S. Government Agencies	Corporate Bonds/Notes	Other Bonds	International Bonds	Municipal Bonds	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ -	\$ -	\$ 919,072	\$ 919,072
S&P — AAA	10,294,026	-	-	-	251,763	10,545,789
S&P — AA	-	1,755,008	-	-	1,046,215	2,801,223
Moody's — Aa1	-	399,351	-	-	395,452	794,803
Moody's — Aa2	-	363,614	-	-	1,116,166	1,479,780
Moody's — Aa3	-	618,985	-	-	443,023	1,062,008
S&P — A	-	5,149,330	-	-	239,804	5,389,134
Moody's -A1	-	2,141,964	-	-	109,385	2,251,349
Moody's — A2	-	2,159,738	-	-	59,173	2,218,911
Moody's — A3	-	2,199,005	-	-	59,805	2,258,810
S&P - BBB+	-	25,376	-	-	-	25,376
Moody's — Baa1	-	1,272,708	-	-	5,894	1,278,602
Moody's — Baa2	-	1,223,973	211,493	-	-	1,435,466
Moody's — Baa3	-	208,774	-	-	-	208,774
Not Rated	232,826	1,416,738	823,492	-	197,087	2,670,143
Total items subject to credit risk	\$ 10,526,852	\$ 18,934,564	\$ 1,034,985	\$ -	\$ 4,842,839	\$ 35,339,240

Items not subject to credit risk:

Money Market Account	\$ 4,289,440
Certificate of Deposit	1,115,756
U.S. Treasury Securities	410,078
Mutual Funds	12,564,877
Mutual Funds — Fixed	27,385,010
Mutual Funds — Equity	83,396,932
Equity	202,575
Exchange Traded Funds	7,852,250
Illiquid Real Assets	11,677,419
Private Equity	22,636,422
Marketable Alternative	35,396,354
Real Estate	565,263
Other	402,408
Total items not subject to credit risk	\$ 207,894,784
Total Investments	\$ 243,234,024

Component Units 2013

Items subject to credit risk:

Credit Rating	U.S. Government Agencies	Corporate Bonds/Notes	Other Bonds	International Bonds	Municipal Bonds	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ -	\$ -	\$ 698,374	\$ 698,374
S&P — AAA	14,176,793	436,440	-	767,932	533,380	15,914,545
S&P — AA	-	2,151,076	-	-	519,452	2,670,528
Moody's — Aa1	-	-	-	-	437,760	437,760
Moody's — Aa2	-	-	-	-	1,467,550	1,467,550
Moody's — Aa3	-	-	-	-	527,801	527,801
S&P — A	-	4,043,619	-	-	236,173	4,279,792
Moody's — A2	-	-	-	-	86,063	86,063
Moody's — A3	-	-	-	-	25,327	25,327
Moody's — Baa2	-	-	-	-	11,638	11,638
Not Rated	-	25,862	-	-	172,448	198,310
Total items subject to credit risk	\$ 14,176,793	\$ 6,656,997	\$ -	\$ 767,932	\$ 4,715,966	\$ 26,317,688

Items not subject to credit risk:

Money Market Account	\$ 2,497,792
Certificate of Deposit	1,163,153
Mutual Funds	11,025,079
Mutual Funds — Fixed	26,479,361
Mutual Funds — Equity	67,486,577
Equity	203,575
Exchange Traded Funds	5,978,687
Illiquid Real Assets	10,925,881
Private Equity	18,645,071
Marketable Alternative	31,947,211
Real Estate	512,835
Other	353,788
Total items not subject to credit risk	\$ 177,219,010
Total Investments	\$ 203,536,698

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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. In order to mitigate foreign currency risk, University policy allows for currency forwards to be implemented as a hedge to the global fixed income portfolio when deemed appropriate. In addition, University policy states that the portfolio will not invest more than 5% of the total market value of its investments (measured at the time of purchase) in the debt obligations of any single fixed income issuer; however, securities issued and guaranteed by Organization for Economic Cooperation and Development (OECD) nations may be held without limitation. A summary of the investments at June 30, 2014 and 2013 and their exposure to foreign currency risk are as follows:

Primary Institution

Currency	Foreign Government Bonds 2014	Foreign Government Bonds 2013
Canadian Dollar	\$ -	\$ 2,380,275
Total	\$ -	\$ 2,380,275

Component Units

Currency	Foreign Government Bonds 2014	Foreign Government Bonds 2013
Canadian Dollar	\$ -	\$ 767,932
Total	\$ -	\$ 767,932

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.

The University does have a policy to limit its exposure to concentrated credit risk that states that investments shall be diversified with the intent to minimize the risk of large investment losses. For the fiscal year ended June 30, 2014, the University has 10.82% of its investments in Blackrock US Equity Fund (held at Northern Trust) and 8.68% in Blackrock World Ex US (also held at Northern Trust).

Investment Income — At June 30, 2014 and 2013, investment income consisted of the following:

	<u>2014</u>	<u>2013</u>
Primary Institution Investment Income		
<i>Investment Revenue</i>		
Investment income	\$ 1,775,216	\$ 824,420
Land Grant Permanent Fund distributions	8,749,529	8,993,750
<i>Realized Gains</i>		
Endowments — Consolidated Investment Fund	29,662,933	5,661,963
Non-Endowment investments	471,694	56,923
<i>Unrealized Gains</i>		
Land Grant Permanent Fund	23,987,576	17,192,776
Endowments — Consolidated Investment Fund	4,282,067	12,044,406
Non-Endowment investments	1,249,871	698,169
Primary Institution Investment Income	\$ 70,178,886	\$ 45,472,407
Component Units Investment Income	\$ 33,174,074	\$ 18,624,863

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June 30, 2014 and 2013

(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 position. At June 30, 2014 and 2013, receivables consisted of the following:

	<u>2014</u>	<u>2013</u>
Primary Institution accounts receivable, net		
Contracts and grants	\$ 34,267,979	\$ 29,554,636
HSC health services	2,575,981	3,388,504
Sales and services	6,468,024	10,372,943
Auxiliaries	11,406,767	10,532,574
Tuition and fees	13,327,546	12,489,258
State lottery scholarships	-	18,258,556
State of New Mexico bonds	2,864,686	891,372
Other	3,155,588	1,309,005
	<u>\$ 74,066,571</u>	<u>\$ 86,796,848</u>
Less: Allowances for doubtful accounts	<u>(19,742,841)</u>	<u>(17,099,878)</u>
	<u>\$ 54,323,730</u>	<u>\$ 69,696,970</u>
Component Units accounts receivable, net	<u>\$ 2,432,816</u>	<u>\$ 2,220,691</u>
Primary Institution patient receivables, net		
Patient receivables	\$ 320,703,669	\$ 250,952,345
Less: Allowance for doubtful accounts	<u>(219,931,258)</u>	<u>(178,888,363)</u>
	<u>\$ 100,772,411</u>	<u>\$ 72,063,982</u>
Component Units patient receivables, net		
Patient receivables	\$ 80,887,416	\$ 94,235,663
Less: Allowance for doubtful accounts	<u>(49,290,620)</u>	<u>(65,147,111)</u>
	<u>\$ 31,596,796</u>	<u>\$ 29,088,552</u>
Primary Institution other receivables, net		
Bernalillo County Treasurer	\$ 1,547,352	\$ 1,466,926
Other receivables	3,191,556	2,664,866
	<u>\$ 4,738,908</u>	<u>\$ 4,131,792</u>
Component Units other receivables, net	<u>\$ 4,657,924</u>	<u>\$ 2,351,077</u>

(5) Notes Receivable

Notes receivable are shown net of allowance for doubtful accounts in the accompanying statements of net position. At June 30, 2014 and 2013, notes receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
Primary Institution notes receivable, net		
Current		
Student loans	<u>\$ 5,754,619</u>	<u>\$ 5,076,326</u>
Noncurrent		
Student loans	<u>\$ 10,211,214</u>	<u>\$ 7,837,500</u>

Federal Perkins Loans make up approximately 60% of the student loans at June 30, 2014 and 2013, respectively. Under this program, the federal government provides funds for approximately 75% of the total contribution for student loans, with the University providing the remaining balance. Under certain conditions, such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal

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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, 2014				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
University capital assets not being depreciated					
Land	\$ 45,928	\$ -	\$ 3,463	\$ -	\$ 49,391
Construction in progress	15,129	17,634	(17,058)	-	15,705
Total capital assets not being depreciated	<u>\$ 61,057</u>	<u>\$ 17,634</u>	<u>\$ (13,595)</u>	<u>\$ -</u>	<u>\$ 65,096</u>
University depreciable capital assets					
Land improvements	\$ 60,978	\$ -	\$ 4,239	\$ -	\$ 65,217
Infrastructure	160,944	-	1,853	-	162,797
Buildings	1,102,750	-	7,503	-	1,110,253
Equipment and furnishings	228,372	12,906	-	(13,195)	228,083
Library books	156,883	6,256	-	-	163,139
Total depreciable capital assets	<u>\$ 1,709,927</u>	<u>\$ 19,162</u>	<u>\$ 13,595</u>	<u>\$ (13,195)</u>	<u>\$ 1,729,489</u>
Less: Accumulated depreciation for					
Land improvements	\$ (34,878)	\$ (2,111)	\$ -	\$ -	\$ (36,989)
Infrastructure	(74,694)	(7,604)	-	-	(82,298)
Buildings	(381,296)	(29,589)	-	-	(410,885)
Equipment and furnishings	(184,547)	(15,031)	-	12,843	(186,735)
Library books	(143,583)	(6,519)	-	-	(150,102)
Total accumulated depreciation	<u>\$ (818,998)</u>	<u>\$ (60,854)</u>	<u>\$ -</u>	<u>\$ 12,843</u>	<u>\$ (867,009)</u>
University depreciable capital assets, net	<u>\$ 890,929</u>	<u>\$ (41,692)</u>	<u>\$ 13,595</u>	<u>\$ (352)</u>	<u>\$ 862,480</u>
Capital asset summary					
University capital assets not being depreciated	\$ 61,057	\$ 17,634	\$ (13,595)	\$ -	\$ 65,096
University depreciable capital assets at cost	1,709,927	19,162	13,595	(13,195)	1,729,489
University total cost of capital assets	<u>\$ 1,770,984</u>	<u>\$ 36,796</u>	<u>\$ -</u>	<u>\$ (13,195)</u>	<u>\$ 1,794,585</u>
Less: Accumulated depreciation	(783,932)	(59,262)	-	12,606	(830,588)
Less: Accumulated depreciation – Auxiliaries	(35,066)	(1,592)	-	237	(36,421)
University capital assets, net	<u>\$ 951,986</u>	<u>\$ (24,058)</u>	<u>\$ -</u>	<u>\$ (352)</u>	<u>\$ 927,576</u>
Clinical Operations capital assets	\$ 587,926	\$ 17,887	\$ -	\$ (3,724)	\$ 602,089
Less: Accumulated depreciation	(326,077)	(31,665)	-	3,513	(354,229)
Clinical Operations capital assets, net	<u>\$ 261,849</u>	<u>\$ (13,778)</u>	<u>\$ -</u>	<u>\$ (211)</u>	<u>\$ 247,860</u>
Primary Institution capital assets, net	<u>\$ 1,213,835</u>	<u>\$ (37,836)</u>	<u>\$ -</u>	<u>\$ (563)</u>	<u>\$ 1,175,436</u>
Component Units capital assets, net	<u>\$ 173,105</u>	<u>\$ (4,474)</u>	<u>\$ -</u>	<u>\$ (25)</u>	<u>\$ 168,606</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, 2014 and 2013, the University capitalized interest expense of \$44,458 and \$274,636, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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	Year Ended June 30, 2013				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
University capital assets not being depreciated					
Land	\$ 42,910	\$ 512	\$ 2,506	\$ -	\$ 45,928
Construction in progress	32,876	29,807	(47,554)	-	15,129
Total capital assets not being depreciated	<u>\$ 75,786</u>	<u>\$ 30,319</u>	<u>\$ (45,048)</u>	<u>\$ -</u>	<u>\$ 61,057</u>
University depreciable capital assets					
Land improvements	\$ 55,885	\$ -	\$ 5,093	\$ -	\$ 60,978
Infrastructure	157,237	-	3,707	-	160,944
Buildings	1,067,189	-	36,248	(687)	1,102,750
Equipment and furnishings	222,916	16,468	-	(11,012)	228,372
Library books	150,149	6,734	-	-	156,883
Total depreciable capital assets	<u>\$ 1,653,376</u>	<u>\$ 23,202</u>	<u>\$ 45,048</u>	<u>\$ (11,699)</u>	<u>\$ 1,709,927</u>
Less: Accumulated depreciation for					
Land improvements	\$ (33,056)	\$ (1,822)	\$ -	\$ -	\$ (34,878)
Infrastructure	(67,182)	(7,512)	-	-	(74,694)
Buildings	(351,950)	(29,493)	-	147	(381,296)
Equipment and furnishings	(177,441)	(17,261)	-	10,155	(184,547)
Library books	(136,766)	(6,817)	-	-	(143,583)
Total accumulated depreciation	<u>\$ (766,395)</u>	<u>\$ (62,905)</u>	<u>\$ -</u>	<u>\$ 10,302</u>	<u>\$ (818,998)</u>
University depreciable capital assets, net	<u>\$ 886,981</u>	<u>\$ (39,703)</u>	<u>\$ 45,048</u>	<u>\$ (1,397)</u>	<u>\$ 890,929</u>
Capital asset summary					
University capital assets not being depreciated	\$ 75,786	\$ 30,319	\$ (45,048)	\$ -	\$ 61,057
University depreciable capital assets at cost	1,653,376	23,202	45,048	(11,699)	1,709,927
University total cost of capital assets	<u>\$ 1,729,162</u>	<u>\$ 53,521</u>	<u>\$ -</u>	<u>\$ (11,699)</u>	<u>\$ 1,770,984</u>
Less: Accumulated depreciation	(732,554)	(61,258)	-	9,880	(783,932)
Less: Accumulated depreciation – Auxiliaries	(33,841)	(1,647)	-	422	(35,066)
University capital assets, net	<u>\$ 962,767</u>	<u>\$ (9,384)</u>	<u>\$ -</u>	<u>\$ (1,397)</u>	<u>\$ 951,986</u>
Clinical Operations capital assets	\$ 572,635	\$ 16,850	\$ -	\$ (1,559)	\$ 587,926
Less: Accumulated depreciation	(295,368)	(32,442)	-	1,733	(326,077)
Clinical Operations capital assets, net	<u>\$ 277,267</u>	<u>\$ (15,592)</u>	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ 261,849</u>
Primary Institution capital assets, net	<u>\$ 1,240,034</u>	<u>\$ (24,976)</u>	<u>\$ -</u>	<u>\$ (1,223)</u>	<u>\$ 1,213,835</u>
Component Units capital assets, net	<u>\$ 131,197</u>	<u>\$ 42,502</u>	<u>\$ -</u>	<u>\$ (594)</u>	<u>\$ 173,105</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

(7) Accounts Payable and Accrued Payroll

At June 30, 2014 and 2013, accounts payable and accrued payroll consisted of the following:

	<u>2014</u>	<u>2013</u>
Primary Institution accounts payable and accrued payroll		
Trade payables	\$ 14,048,495	\$ 9,078,930
Clinical operations – trade payables	47,146,055	29,980,442
Accrued payroll	35,830,489	35,187,255
Clinical operations – accrued payroll	12,929,736	16,300,751
Self-insurance reserve	22,555,358	20,626,007
Clinical operations – self-insurance reserve	4,241,555	3,624,544
	<u>\$136,751,688</u>	<u>\$114,797,929</u>
 Component Units accounts payable and accrued payroll	 <u>\$ 14,717,351</u>	 <u>\$ 14,711,736</u>

(8) Accrued Compensated Absences

During the years ended June 30, 2014 and 2013, 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>
2014	\$46,720,237	\$54,093,346	\$ (52,319,940)	\$ 48,493,643
2013	44,719,004	52,320,552	(50,319,319)	46,720,237

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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

(9) Other Accrued Liabilities — Current

At June 30, 2014 and 2013, other accrued liabilities consisted of the following:

	<u>2014</u>	<u>2013</u>
Primary Institution other accrued liabilities		
Bond interest	\$ 1,596,527	\$ 1,641,330
Clinical operations – bond interest	3,908,150	4,020,600
Other	4,411,391	4,925,359
Clinical operations – other	77,524	1,618,608
	<u>\$ 9,993,592</u>	<u>\$ 12,205,897</u>
 Component Units other accrued liabilities	 <u>\$ 2,515,093</u>	 <u>\$ 2,238,199</u>

(10) Unearned Revenue

At June 30, 2014 and 2013, unearned revenue consisted of the following:

	<u>2014</u>	<u>2013</u>
Primary Institution unearned revenue		
Contracts and grants	\$ 21,680,010	\$ 16,982,821
Prepaid tuition and fees	8,860,699	9,940,596
Prepaid auxiliary operations sales	3,378,645	3,262,876
Gifts	5,067,003	2,303,821
Sales and services	2,366,047	2,275,842
Other	146,722	210,531
	<u>\$ 41,499,126</u>	<u>\$ 34,976,487</u>
 Component Units unearned revenue	 <u>\$ 802,562</u>	 <u>\$ 1,122,772</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

(11) Noncurrent Liabilities

At June 30, 2014 and 2013, noncurrent liabilities consisted of the following:

	Year Ended June 30, 2014					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution noncurrent liabilities						
Bonds payable	\$ 584,028,322	\$ -	\$ (20,078,402)	\$ 563,949,920	\$ 19,847,934	\$ 544,101,986
Student loan programs	12,780,539	570,350	(825,521)	12,525,368	-	12,525,368
Net OPEB obligation	31,178,183	1,777,000	-	32,955,183	-	32,955,183
Derivative instruments — interest rate swaps	11,089,443	-	(507,495)	10,581,948	-	10,581,948
Other	320,338	-	(40,712)	279,626	-	279,626
	<u>\$ 639,396,825</u>	<u>\$ 2,347,350</u>	<u>\$ (21,452,130)</u>	<u>\$ 620,292,045</u>	<u>\$ 19,847,934</u>	<u>\$ 600,444,111</u>
Component Units noncurrent liabilities						
Bonds payable	\$ 143,425,000	\$ -	\$ -	\$ 143,425,000	\$ 11,545,000	\$ 131,880,000
Annuities payable	3,577,035	59,462	(788,322)	2,848,175	345,046	2,503,129
Due to University of New Mexico	63,663,710	19,983,239	-	83,646,949	52,741,600	30,905,349
Long-term debt	9,189,252	-	(907,119)	8,282,133	931,388	7,350,745
	<u>\$ 219,854,997</u>	<u>\$ 20,042,701</u>	<u>\$ (1,695,441)</u>	<u>\$ 238,202,257</u>	<u>\$ 65,563,034</u>	<u>\$ 172,639,223</u>
Year Ended June 30, 2013						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution noncurrent liabilities						
Bonds payable	\$ 604,295,316	\$ -	\$ (20,266,994)	\$ 584,028,322	\$ 19,043,652	\$ 564,984,670
Student loan programs	13,170,436	401,850	(791,747)	12,780,539	-	12,780,539
Net OPEB obligation	30,698,183	480,000	-	31,178,183	-	31,178,183
Derivative instruments — interest rate swaps	15,875,820	-	(4,786,377)	11,089,443	-	11,089,443
Other	393,386	-	(73,048)	320,338	-	320,338
	<u>\$ 664,433,141</u>	<u>\$ 881,850</u>	<u>\$ (25,918,166)</u>	<u>\$ 639,396,825</u>	<u>\$ 19,043,652</u>	<u>\$ 620,353,173</u>
Component Units noncurrent liabilities						
Bonds payable	\$ 143,425,000	\$ -	\$ -	\$ 143,425,000	\$ 4,700,000	\$ 138,725,000
Annuities payable	3,350,584	234,403	(7,952)	3,577,035	386,043	3,190,992
Due to University of New Mexico	38,660,948	28,536,831	(3,534,069)	63,663,710	34,831,944	28,831,766
Long-term debt	-	10,000,000	(810,748)	9,189,252	907,119	8,282,133
	<u>\$ 185,436,532</u>	<u>\$ 38,771,234</u>	<u>\$ (4,352,769)</u>	<u>\$ 219,854,997</u>	<u>\$ 40,825,106</u>	<u>\$ 179,029,891</u>

A promissory note payable to UNM from Lobo Development Corporation, a discretely presented component unit of the University, was issued on April 1, 2013 and is included in Due to University of New Mexico. Principal and interest payments are due monthly on the first day of each month. This note bears interest at 3% and matures May 1, 2020. The outstanding principal balance at June 30, 2014 is \$27,121,155, of which \$601,056 is due within one year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

(12) Bonds Payable

(A) Primary Institution

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 \$526,525,041 and \$487,809,520 as of June 30, 2014 and 2013.

At June 30, 2014 and 2013, bonds payable consisted of the following:

	<u>2014</u>	<u>2013</u>
Subordinate Lien System Improvement Revenue Bonds Series 2012 with interest ranging from 2.0% to 5.0% – final maturity 2032	\$ 31,890,000	\$ 33,200,000
Subordinate Lien System Improvement Revenue Bonds Series 2007 A&B with interest ranging from 4.0% to 5.95% – final maturity 2036	129,780,000	131,620,000
Subordinate Lien System Improvement Revenue Bonds Series 2005 with interest ranging from 3.0% to 5.0% – final maturity 2035	113,480,000	115,950,000
FHA Insured Hospital Mortgage Revenue Bonds Series 2004 with interest ranging from 2.00% to 5.00% – final maturity 2031	159,420,000	164,660,000
Subordinate Lien System Refunding Revenue Bonds Series 2003A with interest ranging from 2.00% to 5.25% – final maturity 2018	7,345,000	8,480,000
Subordinate Lien System Revenue Bonds Series 2003B with interest ranging from 4.5% to 4.6% – final maturity 2033	5,435,000	5,037,650
Subordinate Lien System Revenue Bonds (Taxable) Series 2003C with interest ranging from 1.35% to 5.625% – final maturity 2024	3,785,000	4,467,350
Subordinate Lien System Refunding Revenue Bonds Series 2002B Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2013 was 0.06% final maturity 2026	20,600,000	22,090,000
Subordinate Lien System Refunding Revenue Bonds Series 2002C Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2013 was 0.06% final maturity 2030	34,315,000	35,190,000
Subordinate Lien System Improvement Revenue Bonds Series 2001 Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2013 was 0.06% Ceiling of 12% – final maturity 2026	33,190,000	35,275,000
System Revenue Bonds Series 2000B with interest ranging from 5.5% to 6.35% – final maturity 2019	1,775,168	2,248,820
System Revenue Refunding Bonds Series 1992A with interest ranging from 5.60% to 6.25% – final maturity 2021	15,620,000	17,460,000
	<u>\$ 556,635,168</u>	<u>\$ 575,678,820</u>
Add: Bond premium	11,086,689	12,320,155
Less: Bond discounts	(1,510,489)	(1,598,144)
Current portion of bonds payable	(19,847,934)	(19,043,652)
Bond insurance and surety premiums	(1,167,394)	(1,222,441)
Original issue discount	(1,094,054)	(1,150,068)
Noncurrent bonds payable	<u>\$ 544,101,986</u>	<u>\$ 564,984,670</u>

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Future debt service as of June 30, 2014 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2015	\$ 19,847,934	\$ 26,775,970	\$ 46,623,904
2016	20,730,533	25,893,472	46,624,005
2017	21,697,969	24,933,275	46,631,244
2018	22,711,923	23,917,989	46,629,912
2019	24,141,809	23,001,411	47,143,220
2020–2024	139,900,000	92,082,030	231,982,030
2025–2029	148,760,000	57,513,934	206,273,934
2030–2034	133,595,000	24,103,587	157,698,587
2035–2036	25,250,000	1,692,725	26,942,725
	<u>\$ 556,635,168</u>	<u>\$ 299,914,393</u>	<u>\$ 856,549,561</u>

Defeased Bonds:

The University has defeased certain System Revenue Bonds as follows:

On October 1, 1992, the University defeased \$3,095,000 of the 1986A series, \$24,765,000 of the 1989 series, and \$4,825,000 of the 1991 series. Sinking fund moneys in the amount of \$36,650,538 from the 1992A Refunding Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments. The refunding resulted in debt service savings to the University. The remaining principal outstanding in the escrow account at June 30, 2014 is \$6,354,740.

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.

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Standby Purchase Agreements:

SBPA 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, 2014 and 2013 were \$607,781 and \$639,052, respectively. A schedule including the provider and maturities is presented below, as of June 30, 2014:

JP Morgan (1)				
Liquidity Expiration	Series 2001	Series 2002B	Series 2002C	Grand Total
12/31/2014	\$ 33,190,000	\$ 20,600,000	\$ 34,315,000	\$ 88,105,000

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.
- (2) 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
FY14	\$ 230,668	\$ 144,350	\$ 232,763	\$ 607,781
FY13	\$ 245,311	\$ 155,237	\$ 238,504	\$ 639,052

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Interest Rate Swap Agreements:

On June 30, 2014, the University had the following derivative instruments outstanding:

Item/ Counterparty	Type	Objective	Effective Date	Maturity Date	Terms	Current Year Fair Value	Prior Year Fair Value	Current Year Notional Amount	Prior Year Notional Amount
Hedging Derivatives									
A - JP Morgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.16% Fixed	\$ (1,261,178)	\$ (1,374,915)	\$ 8,297,500	\$ 8,818,750
B - JP Morgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.94% Fixed	\$ (5,344,178)	\$ (5,417,266)	\$ 34,315,000	\$ 35,190,000
C - JP Morgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.83% Fixed	\$ (2,702,069)	\$ (2,907,052)	\$ 20,600,000	\$ 22,090,000
D - RBC Royal Bank	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.185% Fixed	\$ (1,274,523)	\$ (1,390,210)	\$ 8,297,500	\$ 8,818,750
Investment Derivatives									
E - JP Morgan	Pay- Variable/Receive Variable interest rate swap	Hedge against falling SIFMA rates related to the 2001 System Imprv Rev Bonds (Swap Overlays)	8/15/2006	6/1/2026	Receive 63.55% of 5- year LIBOR swap rate + .31% - Pay SIFMA	\$ 620,793	\$ 714,018	\$ 16,595,000	\$ 17,637,500
F - JP Morgan	Pay- Variable/Receive Variable interest rate swap	Hedge against falling SIFMA rates related to the 2002C Refunding Rev Bonds (Swap Overlays)	8/15/2006	6/1/2030	Receive 63.55% of 5- year LIBOR swap rate + .31% - Pay SIFMA	\$ 1,285,201	\$ 1,436,870	\$ 34,315,000	\$ 35,190,000

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

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correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Risks

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

Entity	Moody's		S & P		Fitch	
	L/T Rating	S/T Rating	L/T Rating	S/T Rating	L/T Rating	S/T Rating
JP Morgan	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 Association (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 SIFMA swap index increases, the University's net payment on the overlay swaps increases. Variable-rate demand obligation (VRDO) bonds do not pay SIFMA, they are repriced every week.

Basis risk. The variable-rate debt hedged by the University's derivative instruments are 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, 2014, the interest rate on the University's variable-rate hedged debt is 0.06%, while the 63.55% of five year LIBOR + 0.31% is 1.192%.

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

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

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

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Commitments

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

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

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions, net of the effect of applicable netting arrangements. If the University or the counterparty does not post collateral, the derivative instrument may be terminated. The University's credit rating is AA/Aa2 at June 30, 2014; therefore, no collateral has been posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2014, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates on hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total</u>
2015	4,620,000	52,863	2,747,605	\$ 7,420,468
2016	4,820,000	125,228	2,489,385	7,434,613
2017	4,650,000	232,062	2,167,864	7,049,926
2018	4,840,000	333,068	1,861,841	7,034,909
2019	5,570,000	411,591	1,584,871	7,566,462
2020	6,320,000	451,596	1,343,853	8,115,449
2021	6,580,000	469,737	1,111,368	8,161,105
2022	6,855,000	453,810	926,446	8,235,256
2023	7,155,000	425,345	752,703	8,333,048
2024	7,465,000	383,463	590,686	8,439,149
2025	7,770,000	321,530	451,686	8,543,216
2026	9,900,000	247,863	321,660	10,469,523
2027	2,900,000	138,142	179,180	3,217,322
2028	3,030,000	106,951	127,302	3,264,253
2029	3,160,000	71,783	78,257	3,310,040
2030	2,470,000	32,110	33,098	2,535,208

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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, 2014. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, the University has recorded an offsetting deferred outflow of resources. Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset to the deferred outflow of resources. The fair value change in fiscal year 2014 for the hedge instruments was a \$507,495 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. For fiscal year 2013, the change was a \$4,786,377 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2014 was recorded to unrealized losses in the amount of \$244,894. As of June 30, 2013, the fair value change for swaps E and F was recorded to unrealized gains in the amount of \$409,924.

(B) Component Units

The bonds, issued by SRMC, are guaranteed by an FHA commitment for mortgage insurance on September 17, 2010 under the HUD 242 program. Additionally, SRMC is entitled to an interest expense subsidy from the U.S. Treasury equal to 35% on Build America Bonds (Series 2010A) and a 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>2014</u>	<u>2013</u>
Taxable Revenue Build America Bonds	\$ 133,425,000	\$ 133,425,000
Series 2010A with fixed-interest rate of 4.5% – final maturity 2036		
Taxable Revenue Recovery Zone Economic Development Bonds	10,000,000	10,000,000
Series 2010A with fixed-interest rate of 5.0% – final maturity 2037		
	<u>\$ 143,425,000</u>	<u>\$ 143,425,000</u>

Future debt service as of June 30, 2014 for the bonds is as follows:

Year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,545,000	\$ 6,278,144	\$ 17,823,144
2016	3,380,000	5,945,725	9,325,725
2017	3,540,000	5,791,938	9,331,938
2018	3,715,000	5,630,612	9,345,612
2019	3,890,000	5,461,525	9,351,525
2020–2024	22,440,000	24,474,200	46,914,200
2025–2029	28,375,000	18,850,213	47,225,213
2030–2034	35,885,000	11,737,738	47,622,738
2035–2038	30,655,000	2,981,038	33,636,038
	<u>\$ 143,425,000</u>	<u>\$ 87,151,133</u>	<u>\$ 230,576,133</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	2014	2013
Charges at established rates	\$ 118,713,215	\$ 98,060,447
Contractual adjustments	(3,006,510)	(3,357,626)
Recovery (provision) for doubtful accounts, net	(118,629)	21,625
Net patient services revenues	<u>\$ 115,588,076</u>	<u>\$ 94,724,446</u>

Below is a summary of the clinical operations revenues:

Clinical Operations	2014	2013
Operating revenues		
Charges at established rates	\$1,520,100,156	\$1,445,006,543
Charity care	(225,823,617)	(275,458,321)
Contractual adjustments	(623,758,405)	(537,956,769)
Provision for doubtful accounts, net	(137,044,726)	(103,524,723)
Net patient services revenues	<u>\$ 533,473,408</u>	<u>\$ 528,066,730</u>
Other operating revenues	22,152,703	11,396,288
Total operating revenues	<u>\$ 555,626,111</u>	<u>\$ 539,463,018</u>
Nonoperating revenues (expenses)		
Bernalillo County mill levy	\$ 92,020,266	\$ 91,229,145
State appropriations	12,520,200	11,724,600
Capital appropriation	30,000	577,000
Capital grants and gifts	108,952	1,296,265
Investment income	41,060,298	13,681,081
Bequests and contributions	2,646,202	1,704,952
Equity in earnings of TriCore and TriCore Lab Service Corp	(372,177)	1,441,087
Land grant permanent fund earnings	877,738	732,598
Capital initiatives	(26,000,000)	-
Interest on capital asset-related debt	(7,566,691)	(7,770,258)
Other nonoperating expenses	(1,644,977)	(992,451)
Net nonoperating revenues	<u>\$ 113,679,811</u>	<u>\$ 113,624,019</u>

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

Component Units	2014	2013
Charges at established rates	\$ 558,239,391	\$ 492,560,348
Charity care	(55,958,322)	(67,146,991)
Contractual adjustments	(241,412,384)	(205,089,872)
Provision for doubtful accounts, net	(58,081,059)	(54,417,327)
Net patient services revenues	<u>\$ 202,787,626</u>	<u>\$ 165,906,158</u>

The Hospital is reimbursed by the Medicare and Medicaid programs on a prospective payment basis for hospital services, with certain items reimbursed at an interim rate with final settlement determined after submission of annual cost reports by the Hospital. The annual cost reports are subject to audit by the Medicare Administrative Contractor and the Medicaid audit agent. Cost reports through 2011 have been final settled for the Medicaid programs. Cost reports through 2009, except for 2005, have been final settled for the Medicare program. Retroactively calculated contractual

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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.

(14) Leases

At June 30, 2014 and 2013, 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, 2014 and 2013.

(b) Operating Leases

The University's rent expense for operating leases amounted to \$7,023,440 and \$4,988,156 for the years ended June 30, 2014 and 2013, 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 \$10,466,000 and \$9,168,000 in 2014 and 2013, respectively, and includes amounts paid to the University of \$3,862,178 and \$3,856,313 in 2014 and 2013, 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, 2014:

Year ending June 30	Lease Payments
2015	\$ 5,206,248
2016	4,253,029
2017	4,057,657
2018	3,376,938
2019	3,287,952
2020–2024	6,342,067
2025–2029	2,926,181
2030–2034	108,449
2035–2039	1,255
2040	1,031
	<u>\$29,560,807</u>

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(B) *University as Lessor*

The University is lessor of various properties under operating lease agreements. For the years ended June 30, 2014 and 2013, respectively, total lease income, which includes annually renewable lease agreements, was \$7,458,147 and \$5,584,139.

The following is a schedule of minimum future lease income under lease terms exceeding one year as of June 30, 2014:

Year ending June 30	Lease Income
2015	\$ 4,798,794
2016	3,962,137
2017	3,555,333
2018	2,938,257
2019	2,882,022
2020–2024	1,720,727
2025–2029	341,580
2030–2034	341,580
2035–2039	338,004
2040 and thereafter	5,596,922
	<u>\$26,475,356</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 2014, the University paid Risk Management \$16,698,691 in insurance premiums. During fiscal year 2013, the University paid Risk Management \$19,030,076 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. Effective July 1, 2014, the University determined to self-insure the case of Maria Cummings, et al. vs. Board of Regents.

As a part of the University, 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

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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 administrative claim payment services for the University's health plans and Delta Dental for the dental plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR), invoices received but not yet paid, and catastrophic claims not covered by the University's excess claims carriers. At June 30, 2014 and 2013, the estimated amount of the University's claims and accrued invoices was \$22.6 million and \$20.6 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
2014	\$20,626,007	\$67,960,786	\$(66,031,435)	\$22,555,358
2013	16,857,384	64,682,654	(60,914,031)	20,626,007

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, 2014 and 2013, the estimated amount of the Hospital's claims and accrued invoices was \$4.0 million and \$3.2 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' IBNR and accrued invoices recorded in the Hospital's accrued payroll was approximately \$346,000 and \$280,000 at June 30, 2014 and 2013. The liability for IBNR was based on actuarial analysis calculated using information provided by BCBSNM.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2014	\$ 3,494,795	\$ 37,021,605	\$ (36,274,845)	\$4,241,555
2013	4,545,187	33,425,794	(34,476,186)	3,494,795

(16) Retirement Plans and Postemployment Benefits

(A) University

Plan Description

Substantially all of the University's full-time employees participate in an educational 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, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial

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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.

Funding Policy

Member Contributions: Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.1% of their gross salary in fiscal year 2014 and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions: The University contributed 13.15% of gross covered salary in fiscal year 2014. In fiscal year 2015, the University will contribute 13.9% of gross covered salary.

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, 2014, 2013, and 2012 were \$55,181,427, \$44,136,383, and \$35,670,518, 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 60 years of age.

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 a 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, less a 3% administrative fee that is paid to the ERB. Employees can make an annual election to switch ARP providers. After seven years of participation in the

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ARP plan, employees can make a onetime switch to the ERB defined-benefit plan. ARP participants can apply for a distribution of their ARP contributions upon separation from the University.

(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's Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department.

The expense for the defined-contribution plan was \$13,722,000, \$12,282,000, and \$12,787,000 in fiscal years 2014, 2013, and 2012, respectively. Total employee contributions under this plan were \$13,602,000, \$13,959,000, and \$14,564,000 in fiscal years 2014, 2013, and 2012, respectively. In 2012, a Roth 403b defined contribution plan option was added. Total employee contributions were \$651,000, \$383,000, and \$5,000 in fiscal years 2014, 2013, and 2012, respectively.

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's Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department.

There was no expense for the deferred compensation plan in 2014, 2013, and 2012, respectively, as the Clinical Operations do not contribute to this plan. Total employee contributions under this plan were \$2,672,000, \$2,402,000, and \$2,288,000 in 2014, 2013, and 2012, respectively.

In addition, the Clinical Operations have a 401(a) defined-contribution plan, called the UNM Hospital 401(a) Plan, which was established for the purpose of providing retirement benefits for eligible participants and their beneficiaries. The 401(a) plan allows for tax-deferred employer contributions on a percentage-of-salary basis. The plan was established by the UNM Hospital's 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.

The expense for the 401(a) defined-contribution plan was \$371,000, \$370,000, and \$349,000 in fiscal years 2014, 2013, and 2012, respectively. Only the Clinical Operations contribute to this plan.

A small portion (approximately 67) 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 ERB is the administrator of the plan, which is a cost-sharing multiple-employer defined-benefit retirement plan. The Clinical Operations' contributions to ERB for the fiscal years ended June 30, 2014, 2013, and 2012, were \$391,000, \$366,000, and \$363,000, respectively, which equal the amount of the required contributions for each fiscal year.

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(17) Other Postemployment Benefits

Plan Description

University. The University offers employees and their eligible dependents retiree benefits. The authority to establish and amend the benefit provisions and contribution requirements rests with the Board of Regents.

In order for a retiree of the University to be eligible for other postemployment benefits, the employee must contribute to a Voluntary Employees' Beneficiary Association (VEBA) Trust for at least five continuous years immediately prior to retirement. If hired prior to July 1, 2013 and retiring prior to July 1, 2018, employees must continually contribute to the VEBA Trust. Employees were automatically enrolled into the VEBA Trust upon its establishment unless they requested to opt out. Opportunities to opt out will occur annually during the benefits open enrollment period. The University matches the employees' contributions to the VEBA Trust. Contribution percentages are as follows:

VEBA Trust contribution as a % of payroll			
	Employee	UNM	Total
FY 2014	0.50%	0.50%	1.00%
FY 2015	0.75%	0.75%	1.50%
FY 2016 and after	1.00%	1.00%	2.00%

Eligible retirees of the University receive healthcare coverage through one self-insured medical plan, including prescription drugs, administered by Lovelace Insurance Company, Presbyterian Health Plan, and Express Scripts. Eligible Medicare retirees (for retirees 65 years of age and over) receive healthcare coverage through one of four fully insured medical/prescription plans: Lovelace Senior Plan, Presbyterian Senior Plan, United Healthcare Medicare Prescription Drug Plan, and AARP Preferred Medicare Supplement Plan. Eligible retirees are also offered two self-funded dental plans, and basic life insurance benefits through age 65.

For the University, at the valuation date of July 1, 2013, there were a total of 2,642 retirees and 7,784 active participants.

Clinical Operations. The UNM Hospital and UNM Behavioral Operations employees and retirees participate under the same benefit plan. The authority to establish and amend the benefit provisions rests with the Human Resource Administrator and the Chief Executive Officer.

Eligible retired employees of the Clinical Operations are offered combined medical/prescription drug benefits through the Clinical Operations' self-insured health plan administered by Blue Cross and Blue Shield of New Mexico. Eligible retired employees are also offered dental insurance through the Clinical Operations' self-insured dental plan insurance.

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

- The employee reaches the minimum age of 50
- The employee has at least five years of continuous employment
- The employee has a combined age plus year of service sum of at least 70 (hire date prior to July 1, 2009), 75 (hire date after July 1, 2009), and 80 (hire date after July 1, 2011).

For the Clinical Operations, at the date of valuation July 1, 2013, there were a total of 25 retirees, 618 active fully eligible plan participants, and 5,415 not fully eligible plan participants.

Funding Policy

University. In the July 1, 2013 actuarial valuation, the University's plan is considered to be unfunded. However, effective July 1, 2013, the University began funding its OPEB benefits with a VEBA Trust in which plan assets are established and dedicated to providing benefits to retirees and beneficiaries in accordance with the terms of the plan. Since the plan assets started accumulating as of July 1, 2013, they are not recognized in the current actuarial valuation. However, the plan assets will be reflected in future actuarial valuations.

Retiree contributions for medical and dental are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the University. Retirees are required to contribute a percentage of

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the premium based on their preretirement annual salary. The University currently funds its plan 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 2014 was \$8,779,000, net of retiree contributions.

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

The Clinical Operations do not use a trust fund to administer the financing and payment of benefits. Instead, the Clinical Operations fund the plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by the retiree contribution. Expected monthly claim costs were developed from a combination of historical claim experience and manual claim cost developed using a representative database. Nonclaim expenses are based on the current amounts charged to employees. The Clinical Operations’ pay-as-you-go expense for the period of July 1, 2013 to June 30, 2014 is approximately \$57,000. The pay-as-you-go expense includes the medical and dental claims, administration expenses, and implicit subsidy and is net of any retiree contributions.

Actuarial Methods and Assumptions

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 (AALs) and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuations, the unit credit actuarial cost method was used. The actuarial assumptions included a 7% and 4.5% annual discount rate for the University and Clinical Operations, respectively. In the July 1, 2013 actuarial valuations, 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. Effective July 1, 2013, the University funds its OPEB benefits with a VEBA Trust, allowing it to use a preferred discount rate of 7% representing the average long-term rate of return for the trust. The discount rate changed from 4.5% to 7%, which is based on the 2% of salary VEBA contribution (1% employee, 1% University), resulting in a decrease in the AAL for the University. 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 8% for the University and 9% for the Clinical Operations and on an ultimate basis at 5%, prescription drug benefits on a select basis at 7% 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 over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payroll. Payroll is projected to increase 2% and 1.5% per year for the University and Clinical Operations, respectively.

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 UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

	<u>University</u>	<u>Clinical Operations</u>	<u>Total</u>
Annual required contribution	\$ 9,809,000	\$ 609,000	\$ 10,418,000
Interest on net OPEB obligation	1,777,000	261,000	2,038,000
Adjustment to annual required contribution	<u>(1,557,000)</u>	<u>(286,000)</u>	<u>(1,843,000)</u>
Annual OPEB cost (expense)	10,029,000	584,000	10,613,000
Contributions made	<u>8,779,000</u>	<u>57,000</u>	<u>8,836,000</u>
Increase in net OPEB obligation	1,250,000	527,000	1,777,000
Net OPEB obligation beginning of year	<u>25,386,000</u>	<u>5,792,183</u>	<u>31,178,183</u>
Net OPEB obligation end of year	<u>\$ 26,636,000</u>	<u>\$ 6,319,183</u>	<u>\$ 32,955,183</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for fiscal year 2014 is as follows:

	<u>University</u>	<u>Clinical Operations</u>	<u>Total</u>
Annual OPEB Cost	\$ 10,029,000	\$ 584,000	\$ 10,613,000
% of Annual OPEB Cost Contributed	87.5%	9.8%	83.3%
Net OPEB Obligation	\$ 26,636,000	\$ 6,319,183	\$ 32,955,183

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plans were not funded. The University's AAL, the present value of all future expected postretirement health payments and administrative costs attributable to past service, was \$94,680,000, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$94,680,000, or a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$539,654,502, and the ratio of the UAAL to the covered payroll was 17.5%.

The Clinical Operations' AAL was \$3,804,250, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$3,804,250 or a funded ratio of 0%. The covered payroll was \$271,548,181 and the ratio of the UAAL to the covered payroll was 1.4%.

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, the healthcare cost trend, and the discount rate. 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 AALs for benefits.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

(18) Commitments and Contingencies

(A) Commitments

In addition to the lease commitments in note 14, the Primary Institution had commitments totaling \$50,433,642 at June 30, 2014. These commitments consisted of the following:

	<u>2014</u>
Materials and services	\$ 42,894,935
Construction projects	7,538,707
Total	<u>\$ 50,433,642</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 FHA Regulatory Agreement. Future Mortgage Reserve Fund contributions are summarized as follows:

	<u>Annual Contribution</u>
2015	\$ 2,518,921
2016	2,621,545
2017	2,728,351
	<u>\$ 7,868,817</u>

Fiscal year 2017 is scheduled to be the final year of required contributions, at which time the mortgage reserve fund will be fully funded.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

(19) Unrestricted Net Position – Committed and Dedicated

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

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

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

	<u>2014</u>	<u>2013</u>
Unrestricted net position	\$ 576,635,759	\$ 541,178,999
Less:		
Working capital – patient care operations		
Clinical operations – UNM Hospitals	<u>170,656,649</u>	<u>155,851,806</u>
Total working capital – patient care operations	170,656,649	155,851,806
Committed	51,704,404	48,200,888
Dedicated		
Plant funds – repair and replacement	140,682,789	124,849,304
Quasi-endowment funds – Regents' scholarships	106,567,758	90,120,871
Student loan funds	728,685	716,149
Other	<u>65,295,029</u>	<u>92,045,411</u>
Total dedicated	313,274,261	307,731,735
Ending discretionary funds balance	<u><u>\$ 41,000,445</u></u>	<u><u>\$ 29,394,570</u></u>

(20) Subsequent Event

Effective July 11, 2014, STC.UNM purchased and closed on the property located at 101 Broadway Boulevard NE in Albuquerque, New Mexico in the amount of \$6,650,000 to support the Innovate ABQ concept of an innovation and research hub near downtown Albuquerque. Funds to purchase the site were either committed or secured from private donation, U.S. Department of Commerce Economic Development Agency grant award, City of Albuquerque commitment, and funding from the University of New Mexico. STC.UNM had recorded an advance funding received balance of \$4,468,087 as of June 30, 2014 which was held in restricted cash until July 11, 2014 when the entire amount was applied toward the purchase of the property.

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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						
7/1/2013	\$ -	\$ 94,680,000	\$ 94,680,000	0%	\$ 539,654,502	17.5%
7/1/2012	\$ -	\$ 94,156,000	\$ 94,156,000	0%	\$ 525,889,398	17.9%
7/1/2011	\$ -	\$ 152,643,000	\$ 152,643,000	0%	\$ 489,385,374	31.2%
Clinical Operations						
7/1/2013	\$ -	\$ 3,804,250	\$ 3,804,250	0%	\$ 271,548,181	1.4%
7/1/2012	\$ -	\$ 4,034,000	\$ 4,034,000	0%	\$ 260,548,507	1.5%
7/1/2011	\$ -	\$ 3,935,000	\$ 3,935,000	0%	\$ 237,524,770	1.7%

Schedule of Employer Contributions - OPEB

Actuarial Valuation Date	Annual Required Contributions (ARC)	Actual Contributions	% Contributed
University			
7/1/2013	\$ 9,809,000	\$ 8,779,000	89%
7/1/2012	\$ 9,162,000	\$ 9,376,000	102%
7/1/2011	\$ 14,095,000	\$ 8,480,000	60%
Clinical Operations			
7/1/2013	\$ 609,000	\$ 57,000	9%
7/1/2012	\$ 606,000	\$ 110,000	18%
7/1/2011	\$ 1,699,905	\$ 277,511	16%

Summary of Key Actuarial Methods and Assumptions

Valuation Date	July 1, 2013
Actuarial Cost Method	Unit Credit Actuarial Cost Method
Amortization Method	30 Years
Discount Rate	7% University, 4.5% Clinical Operations
Projected Payroll Growth Rate	2% University, 1.5% Clinical Operations

	Select	Ultimate
Healthcare Cost Trend Rate	8% University, 9% Clinical Operations	5%
Pre-65 Medical/Stop Loss Fees	7%	5%
Prescription Drug/Post Medicare Medical	5%	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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THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Position as of June 30, 2014 – Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	UNM Lobo Club	Lobo Development Corporation
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,011,949	\$ 1,209,066	\$ 797,604	\$ 3,807,917	\$ 595,085
Cash and cash equivalents – restricted	8,940,778	-	4,468,087	-	-
Short-term investments	-	1,461,261	638,071	-	-
Accounts receivable, net	833,215	803,035	503,309	71,350	-
Patient receivables, net	-	-	-	-	-
Other receivables, net	-	-	-	-	-
Inventories	-	49,331	-	-	-
Due from The University of New Mexico	-	69,838	-	-	-
Due from affiliates	-	-	-	-	-
Other current assets	1,883,810	46,289	-	9,628	-
Total current assets	<u>\$ 13,669,752</u>	<u>\$ 3,638,820</u>	<u>\$ 6,407,071</u>	<u>\$ 3,888,895</u>	<u>\$ 595,085</u>
Noncurrent assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	209,146,841	-	14,795	-	-
Other noncurrent assets	6,201,464	-	-	-	-
Capital assets, net	112,632	-	32,688	-	26,775,511
Total noncurrent assets	<u>\$ 215,460,937</u>	<u>\$ -</u>	<u>\$ 47,483</u>	<u>\$ -</u>	<u>\$ 26,775,511</u>
Total assets	<u>\$ 229,130,689</u>	<u>\$ 3,638,820</u>	<u>\$ 6,454,554</u>	<u>\$ 3,888,895</u>	<u>\$ 27,370,596</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,149,609	\$ 24,209	\$ 441,193	\$ 2,611	\$ 26,534
Advance funding received	266,719	-	4,468,087	-	-
Due to The University of New Mexico	20,386,988	544,508	269,468	3,050,165	601,056
Due to affiliates	-	-	-	-	-
Unearned revenue	-	802,562	-	-	-
Bonds payable – current	-	-	-	-	-
Long-term debt – current	-	-	-	-	-
Annuities payable	345,046	-	-	-	-
Other current liabilities	1,746,737	-	768,356	-	-
Total current liabilities	<u>\$ 23,895,099</u>	<u>\$ 1,371,279</u>	<u>\$ 5,947,104</u>	<u>\$ 3,052,776</u>	<u>\$ 627,590</u>
Noncurrent liabilities					
Bonds payable – noncurrent	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	-	-	-
Due to The University of New Mexico	4,385,250	-	-	-	26,520,099
Annuities payable	2,503,129	-	-	-	-
Total noncurrent liabilities	<u>\$ 6,888,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,520,099</u>
Total liabilities	<u>\$ 30,783,478</u>	<u>\$ 1,371,279</u>	<u>\$ 5,947,104</u>	<u>\$ 3,052,776</u>	<u>\$ 27,147,689</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	\$ -	\$ -	\$ -	\$ 772,093	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,093</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 112,632	\$ -	\$ 32,688	\$ -	\$ (345,644)
Restricted nonexpendable	175,043,273	-	-	-	-
Restricted expendable	20,794,512	445,573	-	23,107	-
Unrestricted	2,396,794	1,821,968	474,762	40,919	568,551
Total net position	<u>\$ 198,347,211</u>	<u>\$ 2,267,541</u>	<u>\$ 507,450</u>	<u>\$ 64,026</u>	<u>\$ 222,907</u>

SCHEDULE 2

Lobo Energy, Inc.	The University of New Mexico Alumni Association	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Component Unit Eliminations	Total
\$ 1,307,269	\$ 1,039,797	\$ 19,473,694	\$ 4,589,716	\$ 34,832,097	\$ -	\$ 34,832,097
-	-	-	20,616,981	34,025,846	-	34,025,846
-	8,324,230	-	-	10,423,562	-	10,423,562
189,844	32,063	-	-	2,432,816	-	2,432,816
-	-	25,471,178	6,125,618	31,596,796	-	31,596,796
-	-	14,700	4,643,224	4,657,924	-	4,657,924
-	-	-	1,708,711	1,758,042	-	1,758,042
-	-	4,198,961	2,130,605	6,399,404	-	6,399,404
-	-	2,040,000	-	2,040,000	(2,040,000)	-
5,548	14,540	8,511	1,026,830	2,995,156	-	2,995,156
<u>\$ 1,502,661</u>	<u>\$ 9,410,630</u>	<u>\$ 51,207,044</u>	<u>\$ 40,841,685</u>	<u>\$ 131,161,643</u>	<u>\$ (2,040,000)</u>	<u>\$ 129,121,643</u>
\$ -	\$ -	\$ 1,957,580	\$ -	\$ 1,957,580	\$ -	\$ 1,957,580
15,000	-	20,152,884	3,480,942	232,810,462	-	232,810,462
30	-	737,470	-	6,938,964	-	6,938,964
11,030,097	-	2,563,899	128,091,305	168,606,132	-	168,606,132
<u>\$ 11,045,127</u>	<u>\$ -</u>	<u>\$ 25,411,833</u>	<u>\$ 131,572,247</u>	<u>\$ 410,313,138</u>	<u>\$ -</u>	<u>\$ 410,313,138</u>
<u>\$ 12,547,788</u>	<u>\$ 9,410,630</u>	<u>\$ 76,618,877</u>	<u>\$ 172,413,932</u>	<u>\$ 541,474,781</u>	<u>\$ (2,040,000)</u>	<u>\$ 539,434,781</u>
\$ 83,854	\$ 18,783	\$ 3,894,699	\$ 9,075,859	\$ 14,717,351	\$ -	\$ 14,717,351
-	-	-	-	4,734,806	-	4,734,806
-	-	26,470,391	1,419,024	52,741,600	-	52,741,600
-	-	-	2,040,000	2,040,000	(2,040,000)	-
-	-	-	-	802,562	-	802,562
-	-	-	11,545,000	11,545,000	-	11,545,000
931,388	-	-	-	931,388	-	931,388
-	-	-	-	345,046	-	345,046
-	-	-	-	2,515,093	-	2,515,093
<u>\$ 1,015,242</u>	<u>\$ 18,783</u>	<u>\$ 30,365,090</u>	<u>\$ 24,079,883</u>	<u>\$ 90,372,846</u>	<u>\$ (2,040,000)</u>	<u>\$ 88,332,846</u>
\$ -	\$ -	\$ -	\$ 131,880,000	\$ 131,880,000	\$ -	\$ 131,880,000
7,350,745	-	-	-	7,350,745	-	7,350,745
-	-	-	-	30,905,349	-	30,905,349
-	-	-	-	2,503,129	-	2,503,129
<u>\$ 7,350,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,880,000</u>	<u>\$ 172,639,223</u>	<u>\$ -</u>	<u>\$ 172,639,223</u>
<u>\$ 8,365,987</u>	<u>\$ 18,783</u>	<u>\$ 30,365,090</u>	<u>\$ 155,959,883</u>	<u>\$ 263,012,069</u>	<u>\$ (2,040,000)</u>	<u>\$ 260,972,069</u>
\$ -	\$ -	\$ -	\$ -	\$ 772,093	\$ -	\$ 772,093
\$ -	\$ -	\$ -	\$ -	\$ 772,093	\$ -	\$ 772,093
\$ 2,747,964	\$ -	\$ 2,563,899	\$ -	\$ 5,111,539	\$ -	\$ 5,111,539
-	-	-	-	175,043,273	-	175,043,273
-	-	-	24,100,300	45,363,492	-	45,363,492
1,433,837	9,391,847	43,689,888	(7,646,251)	52,172,315	-	52,172,315
<u>\$ 4,181,801</u>	<u>\$ 9,391,847</u>	<u>\$ 46,253,787</u>	<u>\$ 16,454,049</u>	<u>\$ 277,690,619</u>	<u>\$ -</u>	<u>\$ 277,690,619</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Position as of June 30, 2013 – Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	UNM Lobo Club	Lobo Development Corporation
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,450,576	\$ 1,153,253	\$ 710,679	\$ 3,605,589	\$ 681,952
Cash and cash equivalents – restricted	3,618,286	-	-	-	-
Short-term investments	-	1,303,541	540,179	-	-
Accounts receivable, net	638,310	1,140,910	326,224	53,831	-
Patient receivables, net	-	-	-	-	-
Other receivables, net	-	-	-	-	-
Inventories	-	33,160	-	-	-
Due from The University of New Mexico	-	98,663	-	-	-
Due from affiliates	-	-	-	-	-
Other current assets	106,576	134,360	4,500	450	-
Total current assets	<u>\$ 7,813,748</u>	<u>\$ 3,863,887</u>	<u>\$ 1,581,582</u>	<u>\$ 3,659,870</u>	<u>\$ 681,952</u>
Noncurrent assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	169,758,451	-	14,725	-	-
Due from affiliates	-	-	-	-	-
Other noncurrent assets	3,378,982	-	-	-	20,000
Capital assets, net	137,335	-	49,868	-	27,484,795
Total noncurrent assets	<u>\$ 173,274,768</u>	<u>\$ -</u>	<u>\$ 64,593</u>	<u>\$ -</u>	<u>\$ 27,504,795</u>
Total assets	<u>\$ 181,088,516</u>	<u>\$ 3,863,887</u>	<u>\$ 1,646,175</u>	<u>\$ 3,659,870</u>	<u>\$ 28,186,747</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 971,134	\$ 123,797	\$ 296,480	\$ 43,872	\$ 30,824
Advance funding received	477,987	-	-	-	-
Due to The University of New Mexico	2,770,079	558,672	258,614	2,752,527	583,314
Due to affiliates	-	-	-	-	-
Unearned revenue	-	1,122,772	500	-	-
Bonds payable – current	-	-	-	-	-
Long-term debt – current	-	-	-	-	-
Annuities payable	386,043	-	-	-	-
Other current liabilities	1,583,718	-	654,481	-	-
Total current liabilities	<u>\$ 6,188,961</u>	<u>\$ 1,805,241</u>	<u>\$ 1,210,075</u>	<u>\$ 2,796,399</u>	<u>\$ 614,138</u>
Noncurrent liabilities					
Bonds payable – noncurrent	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	-	-	-
Due to The University of New Mexico	1,710,611	-	-	-	27,121,155
Due to affiliates	-	-	-	-	-
Annuities payable	3,190,992	-	-	-	-
Total noncurrent liabilities	<u>\$ 4,901,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,121,155</u>
Total liabilities	<u>\$ 11,090,564</u>	<u>\$ 1,805,241</u>	<u>\$ 1,210,075</u>	<u>\$ 2,796,399</u>	<u>\$ 27,735,293</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	\$ -	\$ -	\$ -	\$ 758,103	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,103</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 137,335	\$ -	\$ 49,868	\$ -	\$ (199,674)
Restricted nonexpendable	149,834,769	-	-	-	-
Restricted expendable	17,916,757	434,163	-	35,943	-
Unrestricted	2,109,091	1,624,483	386,232	69,425	651,128
Total net position	<u>\$ 169,997,952</u>	<u>\$ 2,058,646</u>	<u>\$ 436,100</u>	<u>\$ 105,368</u>	<u>\$ 451,454</u>

SCHEDULE 3

Lobo Energy, Inc.	The University of New Mexico Alumni Association	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Component Unit Eliminations	Total
\$ 4,419,152	\$ 1,115,022	\$ 21,396,402	\$ 6,143,766	\$ 42,676,391	\$ -	\$ 42,676,391
-	-	-	13,156,668	16,774,954	-	16,774,954
-	7,377,913	-	-	9,221,633	-	9,221,633
5,667	55,749	-	-	2,220,691	-	2,220,691
-	-	23,071,804	6,016,748	29,088,552	-	29,088,552
-	-	16,591	2,334,486	2,351,077	-	2,351,077
-	-	-	1,549,979	1,583,139	-	1,583,139
-	-	4,547,491	1,298,586	5,944,740	-	5,944,740
-	-	36,266	2,498,459	2,534,725	(2,534,725)	-
-	23,293	-	3,985,114	4,254,293	-	4,254,293
<u>\$ 4,424,819</u>	<u>\$ 8,571,977</u>	<u>\$ 49,068,554</u>	<u>\$ 36,983,806</u>	<u>\$ 116,650,195</u>	<u>\$ (2,534,725)</u>	<u>\$ 114,115,470</u>
\$ -	\$ -	\$ 3,599,830	\$ -	\$ 3,599,830	\$ -	\$ 3,599,830
-	-	22,864,864	1,677,025	194,315,065	-	194,315,065
-	-	2,040,000	-	2,040,000	(2,040,000)	-
30	-	904,771	-	4,303,783	-	4,303,783
7,908,104	-	1,039,469	136,485,863	173,105,434	-	173,105,434
<u>\$ 7,908,134</u>	<u>\$ -</u>	<u>\$ 30,448,934</u>	<u>\$ 138,162,888</u>	<u>\$ 377,364,112</u>	<u>\$ (2,040,000)</u>	<u>\$ 375,324,112</u>
<u>\$ 12,332,953</u>	<u>\$ 8,571,977</u>	<u>\$ 79,517,488</u>	<u>\$ 175,146,694</u>	<u>\$ 494,014,307</u>	<u>\$ (4,574,725)</u>	<u>\$ 489,439,582</u>
\$ 501,850	\$ 1,831	\$ 2,978,295	\$ 9,763,153	\$ 14,711,236	\$ -	\$ 14,711,236
-	-	-	-	477,987	-	477,987
-	-	27,045,529	863,209	34,831,944	-	34,831,944
-	-	2,498,459	36,266	2,534,725	(2,534,725)	-
-	-	-	-	1,123,272	-	1,123,272
-	-	-	4,700,000	4,700,000	-	4,700,000
907,119	-	-	-	907,119	-	907,119
-	-	-	-	386,043	-	386,043
-	-	-	-	2,238,199	-	2,238,199
<u>\$ 1,408,969</u>	<u>\$ 1,831</u>	<u>\$ 32,522,283</u>	<u>\$ 15,362,628</u>	<u>\$ 61,910,525</u>	<u>\$ (2,534,725)</u>	<u>\$ 59,375,800</u>
\$ -	\$ -	\$ -	\$ 138,725,000	\$ 138,725,000	\$ -	\$ 138,725,000
8,282,133	-	-	-	8,282,133	-	8,282,133
-	-	-	-	28,831,766	-	28,831,766
-	-	-	2,040,000	2,040,000	(2,040,000)	-
-	-	-	-	3,190,992	-	3,190,992
<u>\$ 8,282,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,765,000</u>	<u>\$ 181,069,891</u>	<u>\$ (2,040,000)</u>	<u>\$ 179,029,891</u>
<u>\$ 9,691,102</u>	<u>\$ 1,831</u>	<u>\$ 32,522,283</u>	<u>\$ 156,127,628</u>	<u>\$ 242,980,416</u>	<u>\$ (4,574,725)</u>	<u>\$ 238,405,691</u>
\$ -	\$ -	\$ -	\$ -	\$ 758,103	\$ -	\$ 758,103
\$ -	\$ -	\$ -	\$ -	\$ 758,103	\$ -	\$ 758,103
\$ 804,475	\$ -	\$ 1,039,469	\$ -	\$ 1,831,473	\$ -	\$ 1,831,473
-	-	-	-	149,834,769	-	149,834,769
-	-	-	10,094,941	28,481,804	-	28,481,804
1,837,376	8,570,146	45,955,736	8,924,125	70,127,742	-	70,127,742
<u>\$ 2,641,851</u>	<u>\$ 8,570,146</u>	<u>\$ 46,995,205</u>	<u>\$ 19,019,066</u>	<u>\$ 250,275,788</u>	<u>\$ -</u>	<u>\$ 250,275,788</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2014 –
Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	UNM Lobo Club	Lobo Development Corporation
REVENUES					
Operating revenues					
Sales and services	\$ -	\$ 2,475,246	\$ -	\$ 163,633	\$ 2,761,184
Patient services	-	-	-	-	-
Grants, bequests, and contributions	22,829,875	291,611	-	6,001,478	-
Operational support	8,263,933	-	2,042,946	-	-
Other operating revenues	464,794	55,599	1,738,999	15,647	-
Total operating revenues	<u>\$ 31,558,602</u>	<u>\$ 2,822,456</u>	<u>\$ 3,781,945</u>	<u>\$ 6,180,758</u>	<u>\$ 2,761,184</u>
EXPENSES					
Operating expenses					
General and administrative	\$ 12,134,671	\$ 2,085,829	\$ 1,382,370	\$ 351,392	\$ 1,194,527
Program expenses	-	656,723	2,434,073	5,900,559	731,703
Distributions to the University of New Mexico	30,455,098	-	-	-	-
Total operating expenses	<u>\$ 42,589,769</u>	<u>\$ 2,742,552</u>	<u>\$ 3,816,443</u>	<u>\$ 6,251,951</u>	<u>\$ 1,926,230</u>
Net operating income (loss)	<u>\$ (11,031,167)</u>	<u>\$ 79,904</u>	<u>\$ (34,498)</u>	<u>\$ (71,193)</u>	<u>\$ 834,954</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Local appropriations	-	-	-	-	-
Federal bond subsidy	-	-	-	-	-
Investment income	31,649,155	177,711	93,327	29,851	9,656
Other nonoperating revenues	-	(48,720)	12,521	-	-
Interest expense	-	-	-	-	(823,157)
Distributions to the University of New Mexico	-	-	-	-	(250,000)
Total nonoperating revenues	<u>\$ 31,649,155</u>	<u>\$ 128,991</u>	<u>\$ 105,848</u>	<u>\$ 29,851</u>	<u>\$ (1,063,501)</u>
Income (loss) before other revenues	<u>\$ 20,617,988</u>	<u>\$ 208,895</u>	<u>\$ 71,350</u>	<u>\$ (41,342)</u>	<u>\$ (228,547)</u>
Contributions to permanent endowments	\$ 7,731,271	\$ -	\$ -	\$ -	\$ -
Total other revenues	<u>\$ 7,731,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	<u>\$ 28,349,259</u>	<u>\$ 208,895</u>	<u>\$ 71,350</u>	<u>\$ (41,342)</u>	<u>\$ (228,547)</u>
Net position at beginning of year	<u>169,997,952</u>	<u>2,058,646</u>	<u>436,100</u>	<u>105,368</u>	<u>451,454</u>
Net position at end of year	<u>\$ 198,347,211</u>	<u>\$ 2,267,541</u>	<u>\$ 507,450</u>	<u>\$ 64,026</u>	<u>\$ 222,907</u>

SCHEDULE 4

Lobo Energy, Inc.	The University of New Mexico Alumni Association	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total
\$ 3,290,454	\$ 9,738	\$ 14,677,033	\$ -	\$ 23,377,288
-	-	149,136,104	53,651,522	202,787,626
-	-	-	-	29,122,964
-	-	-	-	10,306,879
-	451,735	2,483,781	439,519	5,650,074
<u>\$ 3,290,454</u>	<u>\$ 461,473</u>	<u>\$ 166,296,918</u>	<u>\$ 54,091,041</u>	<u>\$ 271,244,831</u>
\$ 370,781	\$ 91,907	\$ 168,055,895	\$ 59,373,188	\$ 245,040,560
813,099	656,013	-	-	11,192,170
-	-	-	-	30,455,098
<u>\$ 1,183,880</u>	<u>\$ 747,920</u>	<u>\$ 168,055,895</u>	<u>\$ 59,373,188</u>	<u>\$ 286,687,828</u>
\$ 2,106,574	\$ (286,447)	\$ (1,758,977)	\$ (5,282,147)	\$ (15,442,997)
\$ -	\$ -	\$ 815,300	\$ -	\$ 815,300
-	-	-	7,982,814	7,982,814
-	-	-	2,158,940	2,158,940
(335,353)	1,092,390	202,259	255,078	33,174,074
-	15,758	-	(1,175,577)	(1,196,018)
(231,271)	-	-	(6,504,125)	(7,558,553)
-	-	-	-	(250,000)
<u>\$ (566,624)</u>	<u>\$ 1,108,148</u>	<u>\$ 1,017,559</u>	<u>\$ 2,717,130</u>	<u>\$ 35,126,557</u>
\$ 1,539,950	\$ 821,701	\$ (741,418)	\$ (2,565,017)	\$ 19,683,560
\$ -	\$ -	\$ -	\$ -	\$ 7,731,271
\$ -	\$ -	\$ -	\$ -	\$ 7,731,271
\$ 1,539,950	\$ 821,701	\$ (741,418)	\$ (2,565,017)	\$ 27,414,831
2,641,851	8,570,146	46,995,205	19,019,066	250,275,788
<u>\$ 4,181,801</u>	<u>\$ 9,391,847</u>	<u>\$ 46,253,787</u>	<u>\$ 16,454,049</u>	<u>\$ 277,690,619</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2013 –
Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	UNM Lobo Club	Lobo Development Corporation
REVENUES					
Operating revenues					
Sales and services	\$ -	\$ 2,563,774	\$ -	\$ 164,457	\$ 1,213,330
Patient services	-	-	-	-	-
Grants, bequests, and contributions	21,129,198	292,542	-	5,417,126	-
Operational support	6,464,018	-	1,586,144	-	-
Other operating revenues	731,996	28,070	2,189,443	20,737	-
Total operating revenues	<u>\$ 28,325,212</u>	<u>\$ 2,884,386</u>	<u>\$ 3,775,587</u>	<u>\$ 5,602,320</u>	<u>\$ 1,213,330</u>
EXPENSES					
Operating expenses					
General and administrative	\$ 10,128,821	\$ 2,146,418	\$ 1,288,939	\$ 313,641	\$ 686,568
Program expenses	-	607,874	2,512,936	5,305,402	1,096,959
Distributions to the University of New Mexico	27,897,237	-	-	-	-
Total operating expenses	<u>\$ 38,026,058</u>	<u>\$ 2,754,292</u>	<u>\$ 3,801,875</u>	<u>\$ 5,619,043</u>	<u>\$ 1,783,527</u>
Net operating income (loss)	<u>\$ (9,700,846)</u>	<u>\$ 130,094</u>	<u>\$ (26,288)</u>	<u>\$ (16,723)</u>	<u>\$ (570,197)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Local appropriations	-	-	-	-	-
Federal bond subsidy	-	-	-	-	-
Investment income	17,383,587	103,723	59,457	(1,607)	4,768
Other nonoperating revenues	-	(36,536)	13,990	-	-
Interest expense	-	-	-	-	(144,380)
Total nonoperating revenues	<u>\$ 17,383,587</u>	<u>\$ 67,187</u>	<u>\$ 73,447</u>	<u>\$ (1,607)</u>	<u>\$ (139,612)</u>
Income (loss) before other revenues	<u>\$ 7,682,741</u>	<u>\$ 197,281</u>	<u>\$ 47,159</u>	<u>\$ (18,330)</u>	<u>\$ (709,809)</u>
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions to permanent endowments	9,543,766	-	-	-	-
Total other revenues	<u>\$ 9,543,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	<u>\$ 17,226,507</u>	<u>\$ 197,281</u>	<u>\$ 47,159</u>	<u>\$ (18,330)</u>	<u>\$ (709,809)</u>
Net position at beginning 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>
Net position at end of year	<u>\$ 169,997,952</u>	<u>\$ 2,058,646</u>	<u>\$ 436,100</u>	<u>\$ 105,368</u>	<u>\$ 451,454</u>

SCHEDULE 5

Lobo Energy, Inc.	The University of New Mexico Alumni Association	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total
\$ 2,912,243	\$ 18,676	\$ 8,768,977	\$ -	\$ 15,641,457
-	-	146,978,983	18,927,175	165,906,158
-	-	-	-	26,838,866
-	-	-	-	8,050,162
-	481,788	5,977,147	271,244	9,700,425
<u>\$ 2,912,243</u>	<u>\$ 500,464</u>	<u>\$ 161,725,107</u>	<u>\$ 19,198,419</u>	<u>\$ 226,137,068</u>
\$ 173,795	\$ 61,688	\$ 162,314,492	\$ 49,206,822	\$ 226,321,184
1,473,580	1,261,241	-	-	12,257,992
-	-	-	-	27,897,237
<u>\$ 1,647,375</u>	<u>\$ 1,322,929</u>	<u>\$ 162,314,492</u>	<u>\$ 49,206,822</u>	<u>\$ 266,476,413</u>
\$ 1,264,868	\$ (822,465)	\$ (589,385)	\$ (30,008,403)	\$ (40,339,345)
\$ -	\$ -	\$ 815,300	\$ -	\$ 815,300
-	-	-	20,832,519	20,832,519
-	-	-	2,225,243	2,225,243
6,272	584,598	(120,414)	604,479	18,624,863
-	(16,730)	-	(1,147,533)	(1,186,809)
(243,520)	-	-	(6,504,125)	(6,892,025)
<u>\$ (237,248)</u>	<u>\$ 567,868</u>	<u>\$ 694,886</u>	<u>\$ 16,010,583</u>	<u>\$ 34,419,091</u>
\$ 1,027,620	\$ (254,597)	\$ 105,501	\$ (13,997,820)	\$ (5,920,254)
\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
-	-	-	-	9,543,766
<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,543,766</u>
\$ 2,027,620	\$ (254,597)	\$ 105,501	\$ (13,997,820)	\$ 4,623,512
614,231	8,824,743	46,889,704	33,016,886	245,652,276
<u>\$ 2,641,851</u>	<u>\$ 8,570,146</u>	<u>\$ 46,995,205</u>	<u>\$ 19,019,066</u>	<u>\$ 250,275,788</u>

Budget Comparison – Unrestricted and Restricted – All Operations
For the year ended June 30, 2014

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Unrestricted and Restricted Beginning Net Position	\$ 274,243,875	\$ 323,101,893	\$ 323,101,893	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Fees	\$ 194,182,538	\$ 196,718,149	\$ 196,303,464	\$ (414,685)
Federal Government Appropriations	64,879,429	65,024,627	57,393,651	(7,630,976)
State Government Appropriations	305,158,080	305,158,025	305,880,993	722,968
Local Government Appropriations	4,383,598	4,483,598	5,098,596	614,998
Federal Government Contracts/Grants	187,607,416	190,764,041	157,637,666	(33,126,375)
State Government Contracts/Grants	89,943,046	93,300,794	90,259,925	(3,040,869)
Local Government Contracts/Grants	8,753,187	8,671,550	4,278,971	(4,392,579)
Private Contracts/Grants	45,848,778	46,332,629	46,290,071	(42,558)
Endowments and Private Gifts	9,696,521	9,822,027	10,254,800	432,773
Land and Permanent Fund	-	-	-	-
Sales and Services	323,760,282	318,466,580	322,662,092	4,195,512
Other	160,259,211	155,403,915	145,444,720	(9,959,195)
Total Unrestricted and Restricted Revenues	<u>\$ 1,394,472,086</u>	<u>\$ 1,394,145,935</u>	<u>\$ 1,341,504,949</u>	<u>\$ (52,640,986)</u>
Unrestricted and Restricted Expenditures:				
Instruction	\$ 291,410,239	\$ 291,270,439	\$ 268,215,887	\$ 23,054,552
Academic Support	57,019,918	58,219,444	54,919,425	3,300,019
Student Services	34,110,489	34,094,560	29,987,783	4,106,777
Institutional Support	62,756,373	62,265,405	61,570,822	694,583
Operations and Maintenance	52,264,586	50,195,210	49,640,026	555,184
Student Social and Cultural	9,423,626	9,478,422	8,362,265	1,116,157
Research	191,324,286	195,861,801	166,865,302	28,996,499
Public Service	319,453,231	322,310,628	317,111,250	5,199,378
Internal Services	2,569,975	6,107,144	2,238,402	3,868,742
Student Aid, Grants and Stipends	143,915,940	145,854,740	131,553,454	14,301,286
Auxiliary Services	61,357,470	61,357,470	50,310,389	11,047,081
Intercollegiate Athletics	34,056,101	31,556,101	30,801,464	754,637
Independent Operations	77,014,981	77,771,516	77,028,169	743,347
Capital Outlay	134,246,652	59,875,106	52,820,319	7,054,787
Building Renewal & Replacement	12,000,000	11,000,000	9,793,020	1,206,980
Retirement of Indebtedness	36,744,477	35,499,477	32,935,349	2,564,128
Total Unrestricted and Restricted Expenditures	<u>\$ 1,519,668,344</u>	<u>\$ 1,452,717,463</u>	<u>\$ 1,344,153,326</u>	<u>\$ 108,564,137</u>
Net Transfers	<u>\$ 7,390,974</u>	<u>\$ 5,005,092</u>	<u>\$ 4,698,880</u>	<u>\$ (306,212)</u>
Change in Net Position (Budgetary Basis)	<u>\$ (117,805,284)</u>	<u>\$ (53,566,436)</u>	<u>\$ 2,050,503</u>	<u>\$ 55,616,939</u>
Ending Net Position	<u>\$ 156,438,591</u>	<u>\$ 269,535,457</u>	<u>\$ 325,152,396</u>	<u>\$ 55,616,939</u>

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

See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE 7

Budget Comparison - Unrestricted - Instruction & General
For the year ended June 30, 2014

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Unrestricted Beginning Net Position	\$ 40,821,238	\$ 54,813,604	\$ 54,813,604	\$ -
Unrestricted Revenues:				
Tuition and Fees	\$ 175,981,503	\$ 178,362,334	\$ 177,685,454	\$ (676,880)
Federal Government Appropriations	70,000	70,000	70,930	930
State Government Appropriations	264,102,655	264,102,600	264,129,502	26,902
Local Government Appropriations	4,356,700	4,456,700	5,098,596	641,896
Federal Government Contracts/Grants	179,626	179,626	377,635	198,009
State Government Contracts/Grants	20,000	20,000	2,284	(17,716)
Local Government Contracts/Grants	2,539,386	2,558,786	2,590,091	31,305
Private Contracts/Grants	-	-	-	-
Endowments and Private Gifts	8,228,869	8,228,869	8,749,529	520,660
Land and Permanent Fund	-	-	-	-
Sales and Services	1,942,757	823,505	981,600	158,095
Other	52,817,447	58,647,842	54,187,450	(4,460,392)
Total Unrestricted Revenues	<u>\$ 510,238,943</u>	<u>\$ 517,450,262</u>	<u>\$ 513,873,071</u>	<u>\$ (3,577,191)</u>
Unrestricted Expenditures:				
Instruction	\$ 273,718,821	\$ 274,494,266	\$ 256,770,753	\$ 17,723,513
Academic Support	56,134,301	56,950,681	54,256,287	2,694,394
Student Services	28,776,633	29,023,289	28,768,665	254,624
Institutional Support	62,386,089	61,895,121	61,468,964	426,157
Operations and Maintenance	52,207,121	50,137,745	49,630,214	507,531
Total Unrestricted Expenditures	<u>\$ 473,222,965</u>	<u>\$ 472,501,102</u>	<u>\$ 450,894,883</u>	<u>\$ 21,606,219</u>
Net Transfers	<u>\$ (51,491,364)</u>	<u>\$ (61,222,257)</u>	<u>\$ (66,436,820)</u>	<u>\$ (5,214,563)</u>
Change in Net Position (Budgetary Basis)	<u>\$ (14,475,386)</u>	<u>\$ (16,273,097)</u>	<u>\$ (3,458,632)</u>	<u>\$ 12,814,465</u>
Ending Net Position	<u>\$ 26,345,852</u>	<u>\$ 38,540,507</u>	<u>\$ 51,354,972</u>	<u>\$ 12,814,465</u>

See accompanying independent auditors' report.

Budget Comparison - Restricted - Instruction & General
For the year ended June 30, 2014

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Restricted Beginning Net Position	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	61,254	61,254	33,688	(27,566)
State Government Appropriations	29,577	29,577	19,960	(9,617)
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	14,369,982	13,558,664	8,742,252	(4,816,412)
State Government Contracts/Grants	2,723,932	3,296,777	2,118,457	(1,178,320)
Local Government Contracts/Grants	311,881	354,181	142,090	(212,091)
Private Contracts/Grants	6,394,060	5,672,492	2,099,532	(3,572,960)
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>\$ 23,890,686</u>	<u>\$ 22,972,945</u>	<u>\$ 13,155,979</u>	<u>\$ (9,816,966)</u>
Restricted Expenditures:				
Instruction	\$ 17,691,418	\$ 16,776,173	\$ 11,445,134	\$ 5,331,039
Academic Support	885,617	1,268,763	663,138	605,625
Student Services	5,333,856	5,071,271	1,219,118	3,852,153
Institutional Support	370,284	370,284	101,858	268,426
Operations and Maintenance	57,465	57,465	9,812	47,653
Total Restricted Expenditures	<u>\$ 24,338,640</u>	<u>\$ 23,543,956</u>	<u>\$ 13,439,060</u>	<u>\$ 10,104,896</u>
Net Transfers	\$ 447,954	\$ 571,011	\$ 283,081	\$ (287,930)
Change in Net Position (Budgetary Basis)	\$ -	\$ -	\$ -	\$ -
Ending Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

Reconciliation of Budgetary Basis to Financial Statement Basis
 Unrestricted and Restricted - All Operations
 For the year ended June 30, 2014

Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 1,341,504,949
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	603,790,940
University of New Mexico Behavioral Operations (amount not in budgetary basis)	39,864,226
Scholarship allowance (amount not in budgetary basis)	(80,552,979)
Endowment fund items (amount not in budgetary basis)	38,152,711
Land grant permanent fund endowment income (amount not in budgetary basis)	23,987,576
Investment in Plant items (amount not in budgetary basis)	857,682
Revenue/expenditure classification differences	207,853
Other	(1,211,975)
Total reconciling items	<u>\$ 625,096,034</u>
Total reconciled unrestricted and restricted revenues per Budgetary Basis	<u>\$ 1,966,600,983</u>

Basic Financial Statements

Operating revenues	\$ 1,325,196,880
Nonoperating revenues	603,800,473
Nonoperating revenues netted in other nonoperating revenues and expenses	30,016,067
Capital contributions	7,587,563
Total unrestricted and restricted revenues per Financial Statements	<u>\$ 1,966,600,983</u>

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

Budgetary Basis	\$ 1,344,153,326
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	594,572,767
University of New Mexico Behavioral Operations (amount not in budgetary basis)	38,610,881
Scholarship allowance (amount not in budgetary basis)	(80,552,979)
Endowment fund items (amount not in budgetary basis)	2,839,758
Investment in Plant items (amount not in financial statements)	176,018
Depreciation expense (amount not in budgetary basis)	60,854,840
Capitalized expenditures (amount not in financial statements)	(36,181,902)
Bond principal payments (amount not in financial statements)	(13,803,652)
Revenue/expenditure classification differences	207,853
Other	55,226
Total reconciling items	<u>\$ 566,778,810</u>
Total reconciled unrestricted and restricted expenditures per Budgetary Basis	<u>\$ 1,910,932,136</u>

Basic Financial Statements

Operating expenditures	\$ 1,889,106,380
Nonoperating expenditures	18,215,222
Nonoperating expenditures netted in other nonoperating revenues and expenses	3,610,534
Total unrestricted and restricted expenditures per Financial Statements	<u>\$ 1,910,932,136</u>

Difference	<u>\$ -</u>
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See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2014 - Primary Institution

Financial Institution	Account Type	Account Name	Book Balance	Bank Balance
Bank of America	Checking	General Depository	\$ 94,579,591	\$ 93,402,177
		General Depository	1,257,630	1,257,630
	MMDA	General Depository		
		General Depository		
	Checking	Gallup Campus Depository	1,060	-
		\$ 95,838,281	\$ 94,659,807	
		Less FDIC Insurance		500,000
		Uninsured Public Funds		\$ 94,159,807
		Collateral Requirement (50%)		\$ 47,079,904
		Fair Value of Collateral (see schedule)		\$ 93,327,624
		Over (Under) Collateralized		\$ 46,247,720
Bank of America*	Checking	UNMH Operating Account	\$ 106,274,565	\$ 113,640,879
		UNMH Operating Account		500,000
	MMDA	UNMH Operating Account		
		UNMH Operating Account		
	Checking	UNMH Operating Account		
		UNMH Operating Account		
		\$ 113,140,879		
		Less FDIC Insurance		500,000
		Uninsured Public Funds		\$ 113,140,879
		Collateral Requirement (50%)		\$ 56,570,440
		Fair Value of Collateral (see schedule)		\$ 112,518,742
		Over (Under) Collateralized		\$ 55,948,302
US Bank	Checking	Taos Education Center Depository	\$ 16,528	\$ 14,625
		Taos Education Center Depository		
	Checking	Valencia Campus Depository	42,113	3,207
		Valencia Campus Depository		
		\$ 58,641	\$ 17,832	
		Less FDIC Insurance		17,832
		Uninsured Public Funds		\$ -
Los Alamos National Bank	Checking	Los Alamos Campus Depository	\$ 5,331	\$ 5,327
		Los Alamos Campus Depository		
	Checking	Los Alamos Campus Depository		
		Los Alamos Campus Depository		
		\$ 5,331	\$ 5,327	
		Less FDIC Insurance		5,327
		Uninsured Public Funds		\$ -
		Total Petty Cash - Primary Institution	\$ 196,408	
		Component Unit deposits held by UNM	(4,141,742)	
		Net nondepository cash and cash equivalents	(12,103,443)	
Total Cash and Cash Equiv. Primary Institution			\$ 186,128,041	\$ 208,323,845

* UNM Hospital

See accompanying independent auditor's report.

SCHEDULE 9

CUSIP Identification	Maturity Date	Type of Securities	Amount	CUSIP Identification	Maturity Date	Type of Securities	Amount
Main Campus*				UNM Hospital**			
31294KSF3	7/1/2018	FGPC	2,045	3128M8UY8	6/1/2041	FGPC	5,945,814
3132GUBR4	6/1/2042	FGPC	99,397	3128NGR31	8/1/2035	FHLMC	1,477
31371KVP3	10/1/2022	FNMS	133,007	3128QLQ7	12/1/2035	FHLMC	864,227
31371KXT3	1/1/2018	FNMS	91,065	31294KNX9	2/1/2018	FGPC	4,816
31387FB29	9/1/2029	FNMS	54	3132GRHL8	2/1/2042	FGPC	3,660,794
31389MPQ4	3/1/2017	FNMS	848	31371KXT3	1/1/2018	FNMA	7,232
3138E6VE3	2/1/2042	FNMS	2,523,182	3138E6VE3	2/1/2042	FNMA	8,740,303
3138EGJZ8	10/1/2038	FNMS	6,260,434	3138EGJZ8	10/1/2038	FNMA	4,058,869
3138EGRE6	5/1/2040	FNMS	1,065,911	3138EGRE6	5/1/2040	FNMA	2,666,132
3138EHXR8	2/1/2042	FNMS	8,589,348	3138EHXR8	2/1/2042	FNMA	1,529,518
3138ELCB7	6/1/2043	FNMS	4,721,383	3138ELCB7	6/1/2043	FNMA	4,782,676
3138MQTB9	12/1/2042	FNMS	76,574	3138MFR41	11/1/2042	FNMA	6,128,967
3138X6P41	10/1/2043	FNMS	8,616,068	3138MQTB9	12/1/2042	FNMA	6,650,834
3138XGS95	2/1/2044	FNMS	5,922,923	3138WA6L6	2/1/2044	FNMA	4,795,806
31391Y3N5	2/1/2018	FNMS	119,662	3138WTQN9	6/1/2043	FNMA	8,274,832
31404LV80	6/1/2033	FNMS	177,572	3138X6P41	10/1/2043	FNMA	1,338,864
31405FHQ8	6/1/2033	FNMS	826,527	3139WVD0	1/1/2018	FNMA	236,418
31410GZC0	3/1/2037	FNMS	1,114,260	31391Y3N5	2/1/2018	FNMA	100,905
31416VEC4	5/1/2038	FNMS	693,747	31391YX44	12/1/2027	FNMA	1,580
31416XBU3	11/1/2040	FNMS	4,570,707	31402HRL7	7/1/2018	FNMA	92
31417B6D4	6/1/2042	FNMS	1,140,509	31402XNG7	9/1/2018	FNMA	1,459
31417CSK2	8/1/2042	FNMS	10,309,479	31404AQY3	10/1/2028	FNMA	141
31417CVA0	8/1/2042	FNMS	12,965,832	31404LV64	6/1/2028	FNMA	56
31417DDN0	10/1/2042	FNMS	478,118	31404LV80	6/1/2033	FNMA	2,342,519
31417EY70	2/1/2043	FNMS	7,867,447	31404LX39	10/1/2028	FNMA	159,797
31417GXA9	6/1/2043	FNMS	174,033	31405FH39	1/1/2033	FNMA	382,458
31418QZL0	5/1/2034	FNMS	184,641	31405FHP0	6/1/2033	FNMA	883,047
31419A4N4	2/1/2041	FNMS	138,962	31405FHQ8	6/1/2033	FNMA	1,253,032
31419ADV6	12/1/2035	FNMS	49,414	31405FHW5	10/1/2033	FNMA	1,117,421
31419AGL5	4/1/2037	FNMS	462,069	31405MA64	7/1/2034	FNMA	47,437
31419B5X9	9/1/2040	FNMS	54,702	31410GZC0	3/1/2037	FNMA	1,599,475
31419DVV8	10/1/2040	FNMS	5,445,639	31416BL71	9/1/2037	FNMA	23,730
31419EBC2	9/1/2040	FNMS	421,736	31417AR50	12/1/2041	FNMA	14,303
31419EJE0	10/1/2040	FNMS	198,460	31417B6D4	6/1/2042	FNMA	5,064,807
31419FAU0	4/1/2041	FNMS	327,284	31417CSK2	8/1/2042	FNMA	3,588,060
31419G6B5	10/1/2040	FNMS	114,708	31417CVA0	8/1/2042	FNMA	6,294,132
31419GA79	10/1/2040	FNMS	54,626	31417DDN0	10/1/2042	FNMA	9,217,780
31419HFF4	10/1/2040	FNMS	5,886	31417EY70	2/1/2043	FNMA	5,404,311
31419HH47	11/1/2040	FNMS	2,143,074	31419A4N4	2/1/2041	FNMA	3,742,624
31419HJK9	10/1/2040	FNMS	28,961	31419GA79	10/1/2040	FNMA	1,316,106
31419HJX1	10/1/2040	FNMS	1,119,058	31419HFF4	10/1/2040	FNMA	824
31419HKN1	10/1/2040	FNMS	891	31419HUV2	10/1/2040	FNMA	10,275,067
31419HUV2	10/1/2040	FNMS	502,323				
31419JMR6	11/1/2040	FNMS	847,245				
31419KHC2	11/1/2040	FNMS	2,687,813				
			\$ 93,327,624				\$ 112,518,742

* Pledged collateral is held by the Bank of America, NA in the University's name

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

THE UNIVERSITY OF NEW MEXICO

Schedule of Deposits & Pledged Collateral as of June 30, 2014 - Component Units

Financial Institution	Account Type	Account Name	Total Book Balance	Bank Balance
UNM Medical Group (UNMMG)				
Wells Fargo Bank	Checking	UNMMG Operating Account	\$ 20,313,446	\$ 20,582,727
	Checking	UNMMG Pathology	18,373	18,373
	Checking	UNMMG Cancer Center	35,974	35,974
	Checking	UNMMG Truman RX	75,000	75,000
	Savings	UNMMG Savings	523,557	523,557
			\$ 20,966,350	\$ 21,235,631
		Less FDIC Insurance		629,347
		Uninsured Public Funds		\$ 20,606,284
		Collateral Requirement (50%)		10,303,142
		Fair Value of Collateral (see schedule)		35,890,987
		Over (Under) Collateralized		\$ 25,587,845
		Other	UNMMG Petty Cash	\$ 6,351
	Other	UNMMG Money Market	\$ 458,573	\$ 458,573
Total Cash and Cash Equiv. UNMMG			\$ 21,431,274	\$ 21,694,204
UNM Foundation				
Wells Fargo Bank	Cash	UNM Foundation Operating	\$ 863,142	\$ 972,872
	Cash	Development	3,272,203	2,644,402
			\$ 4,135,345	\$ 3,617,274
		Less FDIC Insurance		250,000
		Uninsured Public Funds		\$ 3,367,274
		Collateral Requirement (50%)		1,683,637
		Fair Value of Collateral (see schedule)		3,232,166
	Over (Under) Collateralized		\$ 1,548,529	
New Mexico Educator's Federal Credit Union	Cash	General Fund	\$ 150,143	\$ 150,143
		Less FDIC Insurance		150,143
		Uninsured Public Funds		\$ -
	Other	Foundation Money Market	\$ 6,666,474	\$ 6,666,478
Foundation deposits held by UNM			\$ 765	
Total Cash and Cash Equiv. Foundation			\$ 10,952,727	\$ 10,433,895
Lobo Development				
Compass Bank	Checking	Business Checking	\$ (4,657)	\$ 77,648
		Less FDIC Insurance		77,648
		Uninsured Public Funds		\$ -
	Other	Lobo Development deposits held by UNM	\$ 599,742	\$ -
Total Cash and Cash Equiv. Lobo Development			\$ 595,085	\$ 77,648
Lobo Energy				
Compass Bank	Checking	Business Checking	\$ 7,652	\$ 7,652
		Less FDIC Insurance		7,652
		Uninsured Public Funds		\$ -
	Other	Lobo Energy deposits held by UNM	\$ 1,299,617	\$ -
Total Cash and Cash Equiv. Lobo Energy			\$ 1,307,269	\$ 7,652
Component Units - Public Money Entities			\$ 34,286,355	\$ 32,213,399
UNM Alumni Association				
			\$ 1,039,797	\$ 1,050,699
ASM Foundation				
			1,209,066	1,228,078
UNM Lobo Club				
			3,807,917	494,122
Sandoval Regional Medical Center				
			25,206,697	26,221,398
STC.UNM				
			5,265,691	5,545,230
			\$ 36,529,168	\$ 34,539,527
		Less FDIC Insurance (\$250k per entity)		1,250,000
Component Units - Non--Public Money Entities			\$ 36,529,168	\$ 33,289,527
Total Component Units			\$ 70,815,523	\$ 66,752,926

* FDIC Insurance (If account is noninterest bearing transaction account, all deposits are covered per Dodd-Frank Insurance Provision)
See accompanying independent auditor's report.

SCHEDULE 9

CUSIP Identification	Maturity Date	Type of Securities	Amount
UNM Medical Group***			
3138W6RL2	6/1/2043	FNMA	359,914
3138AW4D2	11/1/2041	FNMA	3,728,084
3138W7GG3	3/1/2043	FNMA	29,666,522
3138X3XU1	9/1/2043	FNMA	2,136,467
			<u>\$ 35,890,987</u>

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

CUSIP Identification	Maturity Date	Type of Securities	Amount
UNM Foundation****			
3132JQKC3	11/1/2043	FN-30	2,405,543
36179NVN5	12/1/2043	FN-30	826,623
31418VX98	7/1/2040	FN-30	-
3138W32F9	3/1/2043	FN-30	-
			<u>\$ 3,232,166</u>

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

THE UNIVERSITY OF NEW MEXICO

Schedule of Individual Deposit and Investment Accounts as of June 30, 2014 - Primary Institution

Individual Deposit Accounts

Name of Bank/Broker	Account Type	Balance per bank statement	Reconciled Balance per books
Bank of America	General Depository	\$ 93,402,177	94,579,591
	Money Market Deposit Account - Public Funds	1,257,630	1,257,630
	Gallup Campus Depository	-	1,060
	UNMH Operating Account	113,640,879	106,274,565
	Money Market Deposit Account - Public Funds	Sweep	
Los Alamos National Bank	Los Alamos Campus Depository	5,327	5,331
US Bank	Taos Education Center Depository	14,625	16,528
	Valencia Campus Depository	3,207	42,113
Other	UNM Petty Cash	Cash on Hand	196,408
	UNMH Petty Cash	Cash on Hand	
	Component Unit deposits held by UNM		(4,141,742)
	Net non-depository cash and cash equivalents		(12,103,443)
Primary Institution – Cash		\$ 208,323,845	186,128,041

See accompanying independent auditor's report.

SCHEDULE 10

Individual Investment Accounts

Name of Bank/Broker	Account Type	Balance per bank statement	Reconciled Balance per books		
Bank of Albuquerque	Bldg, Renewal & Replacement	Money Market	\$ 124,195	124,195	
		Certificates of Deposit	1,746,544	1,746,544	
	Retirement of Indebtedness	Cash	101,862	101,862	
		Money Market	1,236	1,236	
		U.S. Gov't Agencies	948,893	948,893	
Fidelity Investments	ASM Endowment Account	Cash	15,182	15,182	
		Money Market	2,482,124	2,482,124	
Morgan Stanley Smith Barney	Bond Proceeds	Money Market	258,178	258,178	
		U.S. Gov't Agencies	999,870	999,870	
	Operating Investment Account	Money Market	1,088,744	1,088,744	
		U.S. Treasury Securities	69,804,104	69,804,104	
		U.S. Gov't Agencies	62,579,803	62,579,803	
		Corporate Bonds	102,624,384	102,624,384	
		Municipal Bonds	16,346,274	16,346,274	
	VEBA Investment Account	Money Market	358,276	358,276	
		Certificates of Deposit	3,541,966	3,541,966	
	UNMH Short Term Investment Accounts	Money Market	137,439	137,439	
U.S. Treasury Securities		15,918,882	15,918,882		
U.S. Gov't Agencies		18,272,595	18,272,595		
Northern Trust	Primary Institution CIF	Money Market	1,705,249	1,705,249	
		Mutual Funds - Fixed	60,142,009	60,142,009	
		Mutual Funds - Equity	183,153,447	183,153,447	
		Exchange Traded Funds	17,244,838	17,244,838	
		Illiquid Real Assests	25,645,542	25,645,542	
		Private Equity	49,713,322	49,713,322	
		Marketable Alternatives	77,561,935	77,561,935	
		Due to/frm UNM	70,348	70,348	
Wells Fargo	Bldg, Renewal & Replacement	Money Market	4,650,696	4,650,696	
		U.S. Gov't Agencies	1,742,555	1,742,555	
	Retirement of Indebtedness	Money Market	229,718	229,718	
		Corporate Bonds	4,639,781	4,639,781	
		U.S. Gov't Agencies	1,939,798	1,939,798	
	UNMH Trust Accounts (Long term)	Money Market	27,953,806	27,953,806	
		U.S. Gov't Agencies	2,122,570	2,122,570	
		Repurchase Agreement	13,417,413	13,417,413	
	Investment in TLSC	UNMH Other Investments	Equity	5,564,633	5,564,633
	Investment in TriWest		Equity	5,000,000	5,000,000
Investment in TRL (TriCore)	Equity		10,548,880	10,548,880	
	Other	Due to/frm UNM	(70,348)	(70,348)	
	Less: Foundation Interest in CIF		(189,073,515)	(189,073,515)	
		\$ 601,253,228	601,253,228		
Land Grant Permanent Fund	See Note Below	\$ 207,068,445	207,068,445		
		\$ 808,321,673	808,321,673		

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, 2014 - 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			
Wells Fargo Bank	UNMMG Operating Accounting	Checking \$ 20,712,074	20,442,793
		Money Market 458,573	458,573
	UNMMG Savings	Savings 523,557	523,557
	UNMMG Petty Cash	-	6,351
UNMMG – Cash		\$ 21,694,204	21,431,274
University of New Mexico Foundation, Inc.			
Bank of America	Scholarship Fund	Money Market \$ 30,147	30,146
	Scholarship Trust	Money Market 84,973	84,970
NM Educator's FCU	General Fund	Cash 150,143	150,143
Southwest Securities	Charitable Trust Fund	Money Market 16,834	16,834
UBS Financial Services	Endowed Chair	Money Market 180,923	180,923
	Endowed Professorship	Money Market 57,367	57,367
Wells Fargo	Operating	Cash 972,872	863,142
	Gift	Cash 2,644,402	3,272,203
	Irrevocable Trust Fund	Money Market 89,293	89,293
Vanguard	Operating	Money Market 1,295,788	1,295,788
Other*	UNM Operating	Cash -	765
Morgan Stanley	Short Term Investments	Money Market 4,911,153	4,911,153
University of New Mexico Foundation, Inc. – Cash		\$ 10,433,895	10,952,727
Lobo Development Corporation			
Compass Bank	Business Checking	Checking \$ 77,648	(4,657)
Other*	UNM Operating	Cash -	599,742
Lobo Development Corporation – Cash		\$ 77,648	595,085
Lobo Energy, Inc.			
Compass Bank	Business Checking	Checking \$ 7,652	7,652
Other*	UNM Operating	Cash -	1,299,617
Bank of Albuquerque	Escrow	Money Market -	-
Lobo Energy, Inc. – Cash		\$ 7,652	1,307,269
Component Units – Public Money Entities		\$ 32,213,399	34,286,355
	UNM Alumni Association	\$ 1,050,699	1,039,797
	ASM Foundation	1,228,078	1,209,066
	UNM Lobo Club	494,122	3,807,917
	Sandoval Regional Medical Center	26,221,398	25,206,697
	STC.UNM	5,545,230	5,265,691
Component Units – Non-Public Money Entities		\$ 34,539,527	36,529,168
Total Component Units – Cash		\$ 66,752,926	70,815,523

* Held by Primary Institution in General Depository Account

See accompanying independent auditor's report.

SCHEDULE 10

Individual Investment 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 Investment Account	U.S. Gov't Obligations	\$ 10,294,026	10,294,026
		Corporate Bonds	8,321,076	8,321,076
		Other Government Bonds	1,537,782	1,537,782
	UNMMG – Investments		\$ 20,152,884	20,152,884
University of New Mexico Foundation, Inc.				
Bank of America	Scholarship Fund	Mutual Funds, Fixed	\$ 145,672	145,672
		Mutual Funds, Equity	464,280	464,280
	Scholarship Trust	Mutual Funds, Equity	866,245	866,245
		Mutual Funds, Fixed	244,274	244,274
		Real Estate	107,463	107,463
		Other	148,066	148,066
Southwest Securities	Charitable Trust Fund	Mutual Funds, Equity	390,270	390,270
		Domestic Corporate Stock	172,780	172,780
UBS Financial Services	Endowed Chair	Municipal Bonds	2,936,625	2,936,625
	Endowed Professorship	Municipal Bonds	368,433	368,433
Wells Fargo	Charitable Trust Fund	Mutual Funds, fixed	375,153	375,153
		Mutual Funds, equity	1,107,373	1,107,373
		Other	254,342	254,342
		Real Estate	226,349	226,349
Morgan Stanley Smith Barney	Short Term Investments	US Treasury Notes	410,078	410,078
	Short Term Investments	US Agency Bonds	232,826	232,826
	Short Term Investments	Domestic Corporate Bonds	10,588,112	10,588,112
	Short Term Investments	Other Bonds	1,034,985	1,034,985
Other	Endowments	Consolidated Investment Fund	189,073,515	189,073,515
	University of New Mexico Foundation, Inc. – Investments		\$ 209,146,841	209,146,841
Lobo Development Corporation				
	Lobo Development Corporation – Investments		\$ -	-
Lobo Energy, Inc.				
	Equity method Investment		15,000	15,000
	Lobo Energy, Inc. – Investments		\$ 15,000	15,000
Component Units – Public Money Entities				
			\$ 229,314,725	229,314,725
		UNM Alumni Association	\$ 8,324,230	8,324,230
		ASM Foundation	1,461,261	1,461,261
		UNM Lobo Club	-	-
		Sandoval Regional Medical Center	3,480,942	3,480,942
		STC.UNM	652,866	652,866
Component Units – Non-Public Money Entities				
			\$ 13,919,299	13,919,299
Total Component Units – Investments				
			\$ 243,234,024	243,234,024

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
MAJOR PROGRAM				
<i>STUDENT FINANCIAL ASSISTANCE CLUSTER</i>				
Department of Education				
Direct Awards				
Federal Supplemental Educational Opportunity Grants	84.007		\$ -	\$ 796,445
Federal Work-Study Program	84.033		-	2,283,109
Federal Pell Grant Program	84.063		-	54,015,619
Teacher Education Assistance for College and Higher Education	84.379		-	387,550
		Total Department of Education Direct Awards	-	57,482,723
		Total Department of Education	-	57,482,723
Department of Health & Human Services				
Direct Awards				
Scholarships for Health Professions Students from Disadvantaged	93.925		-	923,608
		Total Department of Health & Human Services Direct Awards	-	923,608
		Total Department of Health & Human Services	-	923,608
<i>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</i>				
			-	58,406,331
TOTAL MAJOR PROGRAMS				
			\$ -	\$ 58,406,331
NONMAJOR PROGRAMS				
<i>RESEARCH AND DEVELOPMENT CLUSTER</i>				
Department of Agriculture				
Direct Awards				
Agricultural Research_Basic and Applied Research	10.001		\$ -	\$ 11,415
Plant and Animal Disease Pest Control and Animal Care	10.025		-	33,570
Hispanic Serving Institutions Education Grants	10.223		-	163,102
Agriculture and Food Research Initiative (AFRI)	10.310		-	220
Foreign Agricultural Market Development and Promotion	10.600		-	2,175
ARRA - Wildland Fire Management	10.688		-	933
		Total Department of Agriculture Direct Awards	-	211,415
Pass-Through Awards				
Agricultural Research_Basic and Applied Research	10.001	The Cadmus Group, Inc.	-	99,721
Agricultural Research_Basic and Applied Research	10.001	University of Arizona	-	(1)
	10.001	subtotal	-	99,720
ARRA - Biotechnology Risk Assessment Research	10.219	Biomedical Research Institute of New Mexico	-	43,767
Integrated Programs (B)	10.303	University of Nebraska	-	59,011
Agriculture and Food Research Initiative (AFRI)	10.310	New Mexico Consortium Inc	-	171,920
		Total Department of Agriculture Pass-Through Awards	-	374,418
		Total Department of Agriculture	-	585,833
Department of Commerce				
Direct Awards				
Measurement and Engineering Research and Standards	11.609		-	(1,733)
		Total Department of Commerce Direct Awards	-	(1,733)
Pass-Through Awards				
Unallied Science Program	11.472	North Pacific Research Board	-	83,550
ARRA - State Broadband Data and Development Grant Program	11.558	New Mexico Department of Information Technology	-	661,249
		Total Department of Commerce Pass-Through Awards	-	744,799
		Total Department of Commerce	-	743,066
Department of Defense				
Direct Awards				
Department of Defense	12.000		1,461,723	3,576,200
Aquatic Plant Control	12.100		-	319,889
ARRA - Basic and Applied Scientific Research	12.300		54,791	100,820
Basic and Applied Scientific Research	12.300		-	657,006
	12.300	subtotal	54,791	757,826

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		706,618	2,774,746
Military Medical Research and Development	12.420		-	1,038,049
Basic Scientific Research	12.431		229,626	678,713
Centers for Academic Excellence	12.598		-	465,822
Basic, Applied, and Advanced Research in Science and Engineering	12.630		-	828,843
Air Force Defense Research Sciences Program	12.800		1,519,422	5,982,096
ARRA - Air Force Defense Research Sciences Program	12.800		-	31,976
	12.800 subtotal		1,519,422	6,014,072
Research and Technology Development	12.910		-	620,258
		Total Department of Defense Direct Awards	3,972,180	17,074,418
Pass-Through Awards				
ARRA - Department of Defense	12.000	Magnolia Optical Technologies	-	93,568
Department of Defense	12.000	Alion Science and Technology Corporation	-	111,094
Department of Defense	12.000	Applied Technology Associates	-	120,394
Department of Defense	12.000	Bechtel Marino Propulsion Corporation	-	14,289
Department of Defense	12.000	CFD Research Corporation	-	317,682
Department of Defense	12.000	Charles River Analytics, Inc.	-	202,780
Department of Defense	12.000	Go Green Termite, Inc.	-	31,418
Department of Defense	12.000	International Business Machines Corporation	-	136,209
Department of Defense	12.000	Leidos Inc	-	69,022
Department of Defense	12.000	Modus Operandi, Inc.	-	136,390
Department of Defense	12.000	North Wind Services, LLC	-	46,851
Department of Defense	12.000	SA Photonics, Inc.	-	36,523
Department of Defense	12.000	Sandia National Laboratories	-	243,876
Department of Defense	12.000	State University of New York	-	47,460
Department of Defense	12.000	Tanner Research Inc.	-	6,592
Department of Defense	12.000	USU Research Foundation (Utah State University)	-	4,290
	12.000 subtotal		-	1,618,438
Procurement Technical Assistance For Business Firms	12.002	Lynntech, Inc.	-	90,283
Aquatic Plant Control	12.100	TechFlow Scientific	-	192,498
Basic and Applied Scientific Research	12.300	Colorado State University	-	24,910
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351	Pennsylvania State University	7,197	101,108
Basic Scientific Research	12.431	BAE Systems	187,474	293,073
Basic Scientific Research	12.431	North Carolina State University	-	54,130
Basic Scientific Research	12.431	Raytheon BBN Technologies Corp	-	153,790
Basic Scientific Research	12.431	University of Central Florida Research Foundation Inc	-	318,917
Basic Scientific Research	12.431	University of Texas - Brownsville	-	25,229
	12.431 subtotal		187,474	845,139
Research and Technical Assistance	12.615	New Mexico Institute of Mining and Technology	-	98,931
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Institute of American Indian Arts	-	20,718
Air Force Defense Research Sciences Program	12.800	Applied Technology Associates	-	54,905
Air Force Defense Research Sciences Program	12.800	Columbia University	-	169,129
Air Force Defense Research Sciences Program	12.800	Five Focal LLC	-	58,821
Air Force Defense Research Sciences Program	12.800	i2C Solution LLC	-	56,569
Air Force Defense Research Sciences Program	12.800	Kansas State University	-	154,667
Air Force Defense Research Sciences Program	12.800	Leidos Inc	-	34,233
Air Force Defense Research Sciences Program	12.800	Redondo Optics Inc	-	3,289
Air Force Defense Research Sciences Program	12.800	TechFlow Scientific	-	31,815
Air Force Defense Research Sciences Program	12.800	Texas A&M University	-	18,527
Air Force Defense Research Sciences Program	12.800	Thermo Dynamic Films	-	289,594
Air Force Defense Research Sciences Program	12.800	UES, Inc	-	(402)
Air Force Defense Research Sciences Program	12.800	University of Arizona	-	78,036
Air Force Defense Research Sciences Program	12.800	University of Texas at El Paso	-	24,721
	12.800 subtotal		-	973,904
Research and Technology Development	12.910	SA Photonics, Inc.	-	27,300
		Total Department of Defense Pass-Through Awards	194,671	3,993,229
		Total Department of Defense	4,166,851	21,067,647
Department of Housing and Urban Development				
Pass-Through Awards				
Department of Housing and Urban Development	14.000	University of Louisville	-	21,151
		Total Department of Housing and Urban Development Pass-Through Awards	-	21,151
		Total Department of Housing and Urban Development	-	21,151

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of the Interior				
Direct Awards				
Department of the Interior	15.000		-	122,154
Cultural Resource Management	15.224		-	36,793
Fish, Wildlife and Plant Conservation Resource Management	15.231		28,124	107,817
Environmental Quality and Protection Resource Management	15.236		-	35,175
Applied Science Program Cooperative Agreements Related to Coal	15.255		-	108,102
National Park Service Centennial Challenge.	15.406		-	24,033
Fish and Wildlife Coordination Act	15.517		-	47,937
Upper Colorado and San Juan River Basins Endangered Fish	15.529		-	138,373
Lower Colorado River Multi-Species Conservation Program.	15.538		-	51,787
SECURE Water Act - Research Agreements	15.560		-	3,638
Fish and Wildlife Management Assistance	15.608		-	26,294
Wildlife Conservation and Restoration	15.625		-	110,034
Endangered Species Conservation Recovery	15.657		-	9,980
Geological Survey Research and Data Acquisition	15.808		-	408,078
Cooperative Research and Training Programs - Resources of the	15.945		-	206,568
National Park Service Conservation, Protection, Outreach and Educ	15.954		-	26,553
		Total Department of the Interior Direct Awards	28,124	1,463,316
Pass-Through Awards				
Cultural Resource Management	15.224	NatureServe	-	688
Water 2025 (B)	15.507	Northern Arizona University	-	12,568
Lower Colorado River Multi-Species Conservation Program	15.538	Arizona State University	-	(1,568)
State Wildlife Grants	15.634	New Mexico Game and Fish Department	-	99,537
Endangered Species Conservation Recovery	15.657	Alaska Dept of Fish & Game	-	5,578
Cooperative Research Units Program (B)	15.812	New Mexico State University	-	6,112
		Total Department of the Interior Pass-Through Awards	-	122,915
		Total Department of the Interior	28,124	1,586,231
Department of Justice				
Direct Awards				
Criminal Justice Statistics Development	16.550		-	24,096
Justice Research Development and Evaluation Project	16.560		-	533,633
		Total Department of Justice Direct Awards	-	557,729
Pass-Through Awards				
Justice Research Development and Evaluation Project	16.560	New Mexico Public Safety Department	-	11,954
Project Safe Neighborhoods	16.609	St. Bonaventure Indian Mission and School	-	4,364
Protecting Inmates and Safeguarding Communities Discretionary	16.735	Bernalillo County	-	1,936
Forensic DNA Backlog Reduction Program	16.741	New Mexico Public Safety Department	-	76,006
		Total Department of Justice Pass-Through Awards	-	94,260
		Total Department of Justice	-	651,989
Department of Labor				
Pass-Through Awards				
Youthbuild	17.274	Santa Fe Community College	-	145,616
		Total Department of Labor Pass-Through Awards	-	145,616
		Total Department of Labor	-	145,616
Department of Transportation				
Direct Awards				
Aviation Research Grants	20.108		-	102,001
Public Transportation Research	20.514		-	5,656
		Total Department of Transportation Direct Awards	-	107,657
Pass-Through Awards				
Department of Transportation	20.000	Ecosystems Management, Inc.	-	38,378
Department of Transportation	20.000	New Mexico Department of Transportation	452	1,398,145
		20.000 subtotal	452	1,436,523
Highway Research and Development Program (B)	20.200	New Mexico Department of Transportation	-	54,842
State and Community Highway Safety	20.600	New Mexico Department of Transportation	-	158,461
National Highway Traffic Safety Administration (NHTSA)	20.614	New Mexico Department of Transportation	-	266,152
		Total Department of Transportation Pass-Through Awards	452	1,915,978
		Total Department of Transportation	452	2,023,635
National Aeronautics & Space Administration				
Direct Awards				
National Aeronautics and Space Administration	43.000		-	(7,801)
Aerospace Education Services Program	43.001		115,189	2,572,631
Technology Transfer	43.002		-	62,115
Cross Agency Support	43.009		21,603	53,599
		Total National Aeronautics & Space Administration Direct Awards	136,792	2,680,544

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Pass-Through Awards				
National Aeronautics and Space Administration	43.000	Jet Propulsion Lab	-	252,283
National Aeronautics and Space Administration	43.000	New Mexico State University	-	126,972
National Aeronautics and Space Administration	43.000	Smithsonian Astrophysical Observatory	-	22,152
National Aeronautics and Space Administration	43.000	University of California Los Angeles	-	10,217
	43.000	subtotal	-	411,624
Aerospace Education Services Program	43.001	Jet Propulsion Lab	-	(2,146)
Aerospace Education Services Program	43.001	Smithsonian Astrophysical Observatory	-	12,575
Aerospace Education Services Program	43.001	University of Maryland	-	57,658
	43.001	subtotal	-	68,087
Education	43.008	New Mexico State University	-	25,000
		Total National Aeronautics & Space Administration Pass-Through Awards	-	504,711
		Total National Aeronautics & Space Administration	136,792	3,185,255
National Foundation on the Arts & Humanities				
Direct Awards				
Promotion of the Humanities_Research	45.161		-	58,909
		Total National Foundation on the Arts & Humanities Direct Awards	-	58,909
Pass-Through Awards				
Promotion of the Humanities_Office of Digital Humanities	45.169	State of New Mexico	-	30,114
		Total National Foundation on the Arts & Humanities Pass-Through Awards	-	30,114
		Total National Foundation on the Arts & Humanities	-	89,023
National Science Foundation				
Direct Awards				
Social Behavioral and Economic Sciences	47.000		-	3,065
Engineering Grants	47.041		70,101	1,810,614
ARRA - Mathematical and Physical Sciences	47.049		-	52,858
Mathematical and Physical Sciences	47.049		157,182	3,856,831
	47.049	subtotal	157,182	3,909,689
Geosciences	47.050		28,777	1,203,793
Computer and Information Science and Engineering	47.070		34,305	1,198,477
Biological Sciences	47.074		41,705	4,940,152
Social Behavioral and Economic Sciences	47.075		16,984	198,362
Education and Human Resources	47.076		153,355	1,412,147
Polar Programs	47.078		-	413,562
International Science and Engineering (OISE) (B)	47.079		135,389	576,459
Office of Cyberinfrastructure (B)	47.080		4,015,904	9,570,932
Office of Experimental Program to Stimulate Competitive Research	47.081		26,457	31,810
ARRA - Trans-NSF Recovery Act Research Support	47.082		128,649	645,786
		Total National Science Foundation Direct Awards	4,808,808	25,914,848
Pass-Through Awards				
National Science Foundation	47.000	National Ecological Observatory Network	-	4,201
National Science Foundation	47.000	Yale University	-	(572)
	47.000	subtotal	-	3,629
Engineering Grants	47.041	Arizona State University	-	261,013
Engineering Grants	47.041	Iowa State University	-	181,577
Engineering Grants	47.041	K&A Wireless LLC	-	2,310
Engineering Grants	47.041	Regents of the University of California	-	15,520
Engineering Grants	47.041	Rensselaer Polytechnic Institute	-	566,288
Engineering Grants	47.041	SKInfrared LLC	-	48,895
Engineering Grants	47.041	University of Rochester	-	3,481
Engineering Grants	47.041	University of Texas Austin	-	429,300
	47.041	subtotal	-	1,508,384
Science and Education Problem Assessment and Experimental Project	47.046	New Mexico State University	-	510
Mathematical and Physical Sciences	47.049	Associated Universities Inc	-	14,976
Mathematical and Physical Sciences	47.049	University of California Santa Cruz	-	101,634
	47.049	subtotal	-	116,610
Geosciences	47.050	Consortium for Ocean Leadership	-	41,360
Geosciences	47.050	University of Arizona	-	4,283
Geosciences	47.050	University of South Florida	-	43,814
	47.050	subtotal	-	89,457
Computer and Information Science and Engineering	47.070	Santa Fe Institute	-	18,495
Biological Sciences	47.074	Northern Arizona University	-	26,404
Biological Sciences	47.074	The Board of Trustees of Western Illinois University	-	17,729
Biological Sciences	47.074	University of California Los Angeles	-	42,382
Biological Sciences	47.074	University of Kansas Center for Research	-	1,209
Biological Sciences	47.074	University of Puerto Rico	-	9,389
Biological Sciences	47.074	University of Wisconsin - Madison	-	15,942
	47.074	subtotal	-	113,055

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Social Behavioral and Economic Sciences	47.075	Boston University	-	1,331
Social Behavioral and Economic Sciences	47.075	Gallaudet University	-	104,875
Social Behavioral and Economic Sciences	47.075	New Mexico State University	-	45,838
	47.075	subtotal	-	152,044
Education and Human Resources	47.076	Arizona State University	-	13,429
Education and Human Resources	47.076	Biological Sciences Curriculum Study	-	15,707
Education and Human Resources	47.076	Colorado State University	-	19,503
Education and Human Resources	47.076	Ideum Inc	-	5,804
Education and Human Resources	47.076	JF Drake State Technical College	-	122,575
Education and Human Resources	47.076	New Mexico State University	-	13,500
Education and Human Resources	47.076	Tennessee Technological University	-	12,370
	47.076	subtotal	-	202,888
Polar Programs	47.078	University of Colorado	-	177,302
Office of Cyberinfrastructure (B)	47.080	University of California, Santa Barbara	-	36,827
ARRA - Trans-NSF Recovery Act Research Support	47.082	California Institute of Technology	-	3,000
ARRA - Trans-NSF Recovery Act Research Support	47.082	University of Michigan	-	30,345
	47.082	subtotal	-	33,345
		Total National Science Foundation Pass-Through Awards	-	2,452,546
		Total National Science Foundation	4,808,808	28,367,394
Department of Veterans Affairs				
Direct Awards				
Department of Veterans Affairs	64.000		-	592,048
		Total Department of Veterans Affairs Direct Awards	-	592,048
Pass-Through Awards				
Department of Veterans Affairs	64.000	Biomedical Research Institute of New Mexico	-	3,628
		Total Department of Veterans Affairs Pass-Through Awards	-	3,628
		Total Department of Veterans Affairs	-	595,676
Environmental Protection Agency				
Pass-Through Awards				
Environmental Protection Agency	66.000	New Mexico Environment Department	-	6,062
Regional Wetland Program Development Grants	66.461	New Mexico Environment Department	-	43,773
Science To Achieve Results (STAR) Research Program	66.509	University of Washington	-	18,821
		Total Environmental Protection Agency Pass-Through Awards	-	68,656
		Total Environmental Protection Agency	-	68,656
Department of Energy				
Direct Awards				
ARRA - Basic Energy Sciences University and Science Education	81.049		-	42,008
Basic Energy Sciences University and Science Education	81.049		228,140	3,184,608
	81.049	subtotal	228,140	3,226,616
Renewable Energy Research and Development	81.087		-	155,684
Fossil Energy Research and Development	81.089		-	261,996
Inertial Fusion Science_Support of Stockpile Stewardship	81.112		-	244,450
Defense Nuclear Nonproliferation Research (B)	81.113		17,184	114,108
Nuclear Energy Research, Development and Demonstration	81.121		-	125,205
		Total Department of Energy Direct Awards	245,324	4,128,059
Pass-Through Awards				
ARRA - Department of Energy	81.000	Sandia National Laboratories	-	11,363
Department of Energy	81.000	Battelle Memorial Institute	-	274,341
Department of Energy	81.000	Brookhaven Science Associates LLC	-	95,279
Department of Energy	81.000	Honeywell Corporation	-	375
Department of Energy	81.000	Lawrence Berkeley National Laboratory	-	45,144
Department of Energy	81.000	Lawrence Livermore National Laboratory	-	41,883
Department of Energy	81.000	Los Alamos National Laboratory	227,250	493,026
Department of Energy	81.000	Los Alamos National Security, LLC	-	936,685
Department of Energy	81.000	MIND Research Network	-	338,487
Department of Energy	81.000	Sandia National Laboratories	445,734	2,508,989
	81.000	subtotal	672,984	4,745,572
State Energy Conservation	81.041	New Mexico Energy Minerals and Natural Resources I	-	49,999
ARRA - Basic Energy Sciences University and Science Education	81.049	Johns Hopkins University	-	7,672
Basic Energy Sciences University and Science Education	81.049	Lawrence Berkeley National Laboratory	-	175,439
Basic Energy Sciences University and Science Education	81.049	RNET Technologies, Inc.	-	57,346

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Basic Energy Sciences University and Science Education	81.049	T3 Scientific LLC	-	27,091
Basic Energy Sciences University and Science Education	81.049	Washington University	-	133,104
	81.049	subtotal	-	400,652
Office of Scientific and Technical Information	81.064	Los Alamos National Laboratory	-	143,724
Renewable Energy Research and Development	81.087	Arizona State University	-	24,084
Renewable Energy Research and Development	81.087	Northeastern University	-	141,283
	81.087	subtotal	-	165,367
Inertial Fusion Science_Support of Stockpile Stewardship	81.112	New Mexico Game and Fish Department	-	71,035
Defense Nuclear Nonproliferation Research (B)	81.113	Trustees of Purdue University	-	97,429
ARRA - Electricity Delivery and Energy Reliability, Research,	81.122	Public Service Company of NM	-	(11,543)
National Nuclear Security Administration (NNSA) Minority Serving	81.123	Los Alamos National Laboratory	-	24,001
		Total Department of Energy Pass-Through Awards	672,984	5,686,236
		Total Department of Energy	918,308	9,814,295
Department of Education				
Direct Awards				
TRIO Upward Bound	84.047		-	276,349
Graduate Assistance in Areas of National Need	84.200		-	137,647
		Total Department of Education Direct Awards	-	413,996
Pass-Through Awards				
Fund for the Improvement of Postsecondary Education	84.116	New Mexico State University	-	6,095
ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in	84.396	Utah State University	-	163,222
Race to the Top - Early Learning Challenge	84.412	New Mexico Children Youth and Family Department	75,624	113,358
Race to the Top - Early Learning Challenge	84.412	New Mexico Department of Health	-	30,496
	84.412	subtotal	75,624	143,854
		Total Department of Education Pass-Through Awards	75,624	313,171
		Total Department of Education	75,624	727,167
United States Institute of Peace				
Direct Awards				
Annual Grant Competition	91.001		-	39,486
		Total United States Institute of Peace Direct Awards	-	39,486
		Total United States Institute of Peace	-	39,486
Department of Health & Human Services				
Direct Awards				
Department of Health & Human Services	93.000		502,705	3,116,443
Maternal and Child Health Federal Consolidated Programs	93.110		-	963,550
Biological Response to Environmental Health Hazards	93.113		30,768	1,848,387
Oral Diseases and Disorders Research	93.121		-	647,974
Emergency Medical Services for Children	93.127		-	257,810
HIV Demonstration Program for Children Adolescents and	93.153		-	505,205
Health Program for Toxic Substances and Disease Registry	93.161		360,481	1,445,653
ARRA - Human Genome Research	93.172		-	346,458
Research Related to Deafness and Communication Disorders	93.173		-	183,920
Research and Training in Alternative Medicine	93.213		103,456	471,369
Health Services Research and Development Grants	93.226		-	462,481
Mental Health Research Grants	93.242		252,403	1,391,636
Family Planning Personnel Training	93.260		-	5,939
Occupational Safety and Health Program	93.262		-	171,710
Alcohol Research Programs	93.273		356,787	5,166,636
Drug Abuse and Addiction Research Programs	93.279		435,255	2,514,283
Mental Health Research Career/Scientist Development Awards	93.281		-	591
Discovery and Applied Research for Technological Innovations to	93.286		70,227	544,789
Minority Health and Health Disparities Research	93.307		33,705	2,264,963
NIH Roadmap Initiative	93.310		168,589	1,317,455
National Center for Advancing Translational Sciences	93.350		-	4,019,297
Research Infrastructure Programs	93.351		-	187,807
Nursing Research	93.361		220,107	532,508
National Center for Research Resources	93.389		-	(4,329)
Cancer Cause and Prevention Research	93.393		629,162	1,844,555
Cancer Detection and Diagnosis Research	93.394		41,813	826,263
Cancer Treatment Research	93.395		-	215,806
Cancer Biology Research	93.396		24,631	1,197,240
Cancer Centers Support	93.397		382,463	3,342,114
Cancer Research Manpower	93.398		-	640,814
Cancer Control	93.399		-	1,009,078
Health Promotion and Disease Prevention Research Centers: PPHF	93.542		4,536	736,101
Health Care Innovation Awards (HCIA)	93.610		462,709	2,182,962
ARRA - DHHS/NIH/NCRR	93.701		5,778	24,849
Cardiovascular Diseases Research	93.837		56,391	1,653,976
Lung Diseases Research	93.838		-	778,963
Blood Diseases and Resources Research	93.839		-	98,421
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		629,410	1,795,483
Clinical Research Related to Neurological Disorders	93.853		169,675	2,423,427
Allergy Immunology and Transplantation Research	93.855		813,177	5,874,052
Pharmacology Physiology and Biological Chemistry	93.859		1,587,792	9,663,521
Child Health and Human Development Extramural Research	93.865		247,016	1,332,640
ARRA - Aging Research	93.866		52,993	258,137

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Vision Research	93.867		-	967,501
Health Professions Recruitment Program for Indians	93.970		-	192
Cooperative Agreements for State-Based Diabetes Control	93.988		-	22,888
International Research and Research Training	93.989		141,973	188,452
		Total Department of Health & Human Services Direct Awards	7,784,002	65,439,970
Pass-Through Awards				
ARRA - Department of Health & Human Services	93.000	Feinstein Institute for Medical Research	-	5,476
ARRA - Department of Health & Human Services	93.000	Leidos Inc	-	612,953
ARRA - Department of Health & Human Services	93.000	St. Jude Children's Research Hospital	-	142,220
Department of Health & Human Services	93.000	Albuquerque Area Indian Health Board Inc	-	59,445
Department of Health & Human Services	93.000	Altarum Institute	-	3,077
Department of Health & Human Services	93.000	Baystate Medical Center	-	151,801
Department of Health & Human Services	93.000	Biomedical Research Institute of New Mexico	-	13,977
Department of Health & Human Services	93.000	Children's Hospital of Philadelphia	-	8,886
Department of Health & Human Services	93.000	Dystonia Coalition	-	38,003
Department of Health & Human Services	93.000	Emory University	-	402
Department of Health & Human Services	93.000	Evotec (US) Inc.	-	9,628
Department of Health & Human Services	93.000	Family Service Agency of San Francisco	-	185,432
Department of Health & Human Services	93.000	Feinstein Institute for Medical Research	-	39,583
Department of Health & Human Services	93.000	Georgetown University	-	14,059
Department of Health & Human Services	93.000	Kesselman	-	(1,111)
Department of Health & Human Services	93.000	Leidos Inc	-	192,246
Department of Health & Human Services	93.000	Leidos, Inc.	-	11,472
Department of Health & Human Services	93.000	National Association of Chronic Disease Directors	-	15,424
Department of Health & Human Services	93.000	National Congress of American Indians	-	83,740
Department of Health & Human Services	93.000	Native American Professional Parent Resources Inc	-	24,040
Department of Health & Human Services	93.000	New Mexico Human Services Department	-	90,521
Department of Health & Human Services	93.000	New Mexico Medical Review Association	-	90,808
Department of Health & Human Services	93.000	New Mexico State University	-	13,321
Department of Health & Human Services	93.000	Patient Centered Outcomes Research Institute	136,032	446,081
Department of Health & Human Services	93.000	Regents of the University of California	-	15,574
Department of Health & Human Services	93.000	Synergy Enterprises Inc	-	90,957
Department of Health & Human Services	93.000	The Children's Mercy Hospital	-	24,046
Department of Health & Human Services	93.000	The Colorado Foundation for Public Health & the Env	-	143
Department of Health & Human Services	93.000	University of Utah	-	27,283
	93.000	subtotal	136,032	2,409,487
Public Health Emergency Preparedness	93.069	New Mexico Department of Health	-	25,132
Environmental Public Health and Emergency Response	93.070	New Mexico Department of Health	-	14,311
Comprehensive Community Mental Health Services for	93.104	New Mexico Children Youth and Family Department	-	380,855
Maternal and Child Health Federal Consolidated Programs	93.110	New Mexico Department of Health	-	247,518
Maternal and Child Health Federal Consolidated Programs	93.110	Oregon Health & Science University	-	28,517
Maternal and Child Health Federal Consolidated Programs	93.110	The American Academy of Pediatrics	-	48,824
Maternal and Child Health Federal Consolidated Programs	93.110	University of California Los Angeles	-	11,413
	93.110	subtotal	-	336,272
Biological Response to Environmental Health Hazards	93.113	Lovelace Biomedical & Environmental Research Inst	-	(365)
Biological Response to Environmental Health Hazards	93.113	University of California Los Angeles	-	76,310
Biological Response to Environmental Health Hazards	93.113	University of Texas at El Paso	-	28,827
	93.113	subtotal	-	104,772
Injury Prevention and Control Research and State Grants	93.136	New Mexico Department of Health	-	20,856
Human Genome Research	93.172	Harvard University	-	412,260
Disabilities Prevention	93.184	University of Colorado	-	32,158
Research and Training in Alternative Medicine	93.213	Oregon Research Institute	-	604
Health Services Research and Development Grants	93.226	Nova Southeastern University	-	2,440
Epidemiology Cooperative Agreements	93.231	New Mexico Department of Health	-	72,941
Mental Health Research Grants	93.242	Georgia State University	-	32,597
Mental Health Research Grants	93.242	MIND Research Network	-	73,701
	93.242	subtotal	-	106,298

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Substance Abuse and Mental Health Services-Projects of Regional	93.243	New Mexico Department of Health	-	4,184
Substance Abuse and Mental Health Services-Projects of Regional	93.243	OptumHealth New Mexico	-	282,937
Substance Abuse and Mental Health Services-Projects of Regional	93.243	Pueblo of San Felipe	-	199,773
	93.243	subtotal	-	486,894
Occupational Safety and Health Program	93.262	University of Texas Health Center at Tyler	-	133,640
Alcohol Research Programs	93.273	MIND Research Network	-	71,707
Alcohol Research Programs	93.273	Pacific Institute for Research & Evaluation	-	111,267
Alcohol Research Programs	93.273	Portland State University	-	18,712
Alcohol Research Programs	93.273	Rutgers University	-	2,870
Alcohol Research Programs	93.273	San Diego State University Foundation	-	1,042
Alcohol Research Programs	93.273	University of North Carolina	137,504	1,343,227
Alcohol Research Programs	93.273	University of Washington	-	470
	93.273	subtotal	137,504	1,549,295
Drug Abuse and Addiction Research Programs	93.279	MIND Research Network	-	123,173
Drug Abuse and Addiction Research Programs	93.279	OptumHealth New Mexico	25,866	189,578
Drug Abuse and Addiction Research Programs	93.279	Rutgers University	-	26,254
Drug Abuse and Addiction Research Programs	93.279	University of California Los Angeles	-	70,518
Drug Abuse and Addiction Research Programs	93.279	University of Massachusetts	-	77
	93.279	subtotal	25,866	409,600
Centers for Disease Control and Prevention Investigations	93.283	New Mexico Department of Health	-	167,928
Centers for Disease Control and Prevention Investigations	93.283	University of California Los Angeles	-	25,236
	93.283	subtotal	-	193,164
Minority Health and Health Disparities Research	93.307	Association of American Medical Colleges	-	134,352
NIH Roadmap Initiative	93.310	Carnegie Mellon University	-	133,131
Nurse Education, Practice and Retention Grants	93.359	El Pueblo Health Services Inc	-	270,834
Cancer Cause and Prevention Research	93.393	East Central Ministries	-	86,359
Cancer Cause and Prevention Research	93.393	Group Health Cooperative	-	35,572
Cancer Cause and Prevention Research	93.393	Klein Buendel Inc	-	19,161
Cancer Cause and Prevention Research	93.393	Lawrence Berkeley National Laboratory	-	90,937
Cancer Cause and Prevention Research	93.393	Northern California Institute for Research & Education	-	(115)
Cancer Cause and Prevention Research	93.393	Sloan Kettering Institute for Cancer Research	-	7,135
Cancer Cause and Prevention Research	93.393	University of South Carolina	-	39,693
	93.393	subtotal	-	278,742
Cancer Detection and Diagnosis Research	93.394	Fred Hutchinson Cancer Research Center	-	30,330
Cancer Detection and Diagnosis Research	93.394	Lovelace Biomedical & Environmental Research Inst	-	38,928
Cancer Detection and Diagnosis Research	93.394	Lovelace Respiratory Research Institute	-	51,903
Cancer Detection and Diagnosis Research	93.394	Regents of the University of Minnesota	-	16,000
Cancer Detection and Diagnosis Research	93.394	University of Colorado	-	8,972
Cancer Detection and Diagnosis Research	93.394	William Marsh Rice University	-	32,071
	93.394	subtotal	-	178,204
Cancer Treatment Research	93.395	Brigham & Women's Hospital	-	44,850
Cancer Treatment Research	93.395	Duke University	-	14,425
Cancer Treatment Research	93.395	Gynecologic Oncology Group	-	112,639
Cancer Treatment Research	93.395	New Mexico Cancer Care Alliance	-	41,679
Cancer Treatment Research	93.395	University of Utah	-	18,581
Cancer Treatment Research	93.395	Washington University	-	17,241
Multiple CFDA numbers	93.395	North Central Cancer Treatment Group	-	63
	93.395	subtotal	-	249,478
Cancer Centers Support	93.397	Dana-Farber Cancer Institute	-	16,570
Cancer Centers Support	93.397	Methodist Hospital Research Institute	-	212,338
Cancer Centers Support	93.397	University of Southern California	(42)	112,192
Cancer Centers Support	93.397	University of Texas HSC Houston	-	108,150
	93.397	subtotal	(42)	449,250
Cancer Research Manpower	93.398	West Virginia University Research Corporation	-	6,946
Cancer Control	93.399	Fred Hutchinson Cancer Research Center	-	308,860
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood	93.505	New Mexico Children Youth and Family Department	-	341,191
Affordable Care Act (ACA) Tribal Maternal, Infant, and Early	93.508	Pueblo of San Felipe	-	48,001
State Court Improvement Program	93.586	New Mexico Administrative Office of the Courts	-	41,661
Health Care Innovation Awards (HCIA)	93.610	Feinstein Institute for Medical Research	-	77,091
ARRA - DHHS/NIH/NCRR	93.701	New Mexico Department of Health	-	39,392
Cardiovascular Diseases Research	93.837	National Jewish Health	-	32,732
Cardiovascular Diseases Research	93.837	University of Texas Austin	-	264,899
Cardiovascular Diseases Research	93.837	University of Washington	-	54,444
Cardiovascular Diseases Research	93.837	University of Wisconsin	-	28,873
Cardiovascular Diseases Research	93.837	VisionQuest Biomedical, LLC	-	4,416
	93.837	subtotal	-	385,364

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Blood Diseases and Resources Research	93.839	Washington University	-	75
ARRA - Arthritis Musculoskeletal and Skin Diseases Research	93.846	Sloan Kettering Institute for Cancer Research	-	33,940
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Case Western Reserve University	-	154,642
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	George Washington University	-	466,108
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Rosalind Franklin University of Medicine Science	-	7,263
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Utah	-	41,799
	93.847	subtotal	-	669,812
Kidney Diseases Urology and Hematology Research	93.849	The Children's Mercy Hospital	-	6,399
Clinical Research Related to Neurological Disorders	93.853	Johns Hopkins University	-	14,134
Clinical Research Related to Neurological Disorders	93.853	MIND Research Network	-	33,229
Clinical Research Related to Neurological Disorders	93.853	Oregon Health & Science University	-	26,558
Clinical Research Related to Neurological Disorders	93.853	Regents of the University of California	-	352,331
Clinical Research Related to Neurological Disorders	93.853	University of Arizona	-	58,720
Clinical Research Related to Neurological Disorders	93.853	University of Cincinnati	-	21,145
Clinical Research Related to Neurological Disorders	93.853	University of Rochester	-	9,823
Clinical Research Related to Neurological Disorders	93.853	University of Washington	-	38,958
Clinical Research Related to Neurological Disorders	93.853	Yale University	-	(3,415)
	93.853	subtotal	-	551,483
Allergy Immunology and Transplantation Research	93.855	Boston University	-	87,239
Allergy Immunology and Transplantation Research	93.855	Los Alamos National Laboratory	-	158,621
Allergy Immunology and Transplantation Research	93.855	State University of New York	-	47,787
Allergy Immunology and Transplantation Research	93.855	University of Maryland	-	13,673
Allergy Immunology and Transplantation Research	93.855	University of San Francisco	-	51,996
	93.855	subtotal	-	359,316
Microbiology and Infectious Diseases Research	93.856	University of Notre Dame	-	209,297
Pharmacology Physiology and Biological Chemistry	93.859	Boston University	-	63,042
Pharmacology Physiology and Biological Chemistry	93.859	General Hospital Corp	-	418
Pharmacology Physiology and Biological Chemistry	93.859	Louisiana State University	-	119,492
Pharmacology Physiology and Biological Chemistry	93.859	MIND Research Network	-	759,054
Pharmacology Physiology and Biological Chemistry	93.859	New Mexico State University	-	590,413
Pharmacology Physiology and Biological Chemistry	93.859	Univ of Nevada Las Vegas	146,371	508,602
Pharmacology Physiology and Biological Chemistry	93.859	University of Illinois	-	276,749
Pharmacology Physiology and Biological Chemistry	93.859	University of Texas Medical Branch	-	14,899
	93.859	subtotal	146,371	2,332,669
Child Health and Human Development Extramural Research	93.865	Brown University	-	8,448
Child Health and Human Development Extramural Research	93.865	MIND Research Network	-	(2,775)
Child Health and Human Development Extramural Research	93.865	Research Triangle Institute	-	197,860
Child Health and Human Development Extramural Research	93.865	RTI International	-	295,814
	93.865	subtotal	-	499,347
Aging Research	93.866	University of California, Santa Barbara	-	554,163
Aging Research	93.866	University of Colorado	-	11,497
ARRA - Aging Research	93.866	Biomedical Research Institute of New Mexico	-	64,235
	93.866	subtotal	-	629,895
Vision Research	93.867	Jaeb Center for Health Research, Inc.	-	2,161
Vision Research	93.867	VisionQuest Biomedical, LLC	-	9,822
	93.867	subtotal	-	11,983
Cooperative Agreements for State-Based Comprehensive Research and Demonstration Projects for Indian Health	93.919	New Mexico Department of Health	-	224
Cooperative Agreements to Support State-Based Infant Block Grants for Prevention and Treatment of Substance Preventive Health and Health Services Block Grant	93.933	Black Hills Center for American Indian Health	-	33,652
	93.946	New Mexico Department of Health	-	21,202
	93.959	New Mexico Human Services Department	-	177,798
	93.991	New Mexico Department of Health	-	13,149
		Total Department of Health & Human Services Pass-Through Awards	445,731	15,183,717
		Total Department of Health & Human Services	8,229,733	80,623,687
Department of Homeland Security				
Pass-Through Awards				
Cooperating Technical Partners	97.045	New Mexico Department of Homeland Security	-	73,215
		Total Department of Homeland Security Pass-Through Awards	-	73,215
		Total Department of Homeland Security	-	73,215
United States Agency for International Development				
Pass-Through Awards				
USAID Development Partnerships for University Cooperation and	98.012	University of California-Davis	-	5,127
		Total United States Agency for International Development Pass-Through Awards	-	5,127
		Total United States Agency for International Development	-	5,127
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			18,364,692	150,414,149

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
OTHER PROGRAMS				
Department of Agriculture				
Direct Awards				
Plant and Animal Disease Pest Control and Animal Care	10.025		-	39,511
		Total Department of Agriculture Direct Awards	-	39,511
Pass-Through Awards				
Community Food Projects	10.225	YMCA	-	756
ARRA - State Administrative Matching Grants for the Supplemental	10.561	New Mexico Human Services Department	-	407,863
Cooperative Forestry Assistance	10.664	New Mexico Energy Minerals and Natural Resources I	-	3,300
Rural Development Grants	10.769	Northwest New Mexico Council of Governments	-	34,486
		Total Department of Agriculture Pass-Through Awards	-	446,405
		Total Department of Agriculture	-	485,916
Department of Commerce				
Direct Awards				
Investments for Public Works and Economic Development Facilities	11.300		-	2,534
		Total Department of Commerce Direct Awards	-	2,534
		Total Department of Commerce	-	2,534
Department of Defense				
Pass-Through Awards				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Technology Student Association	-	10,839
		Total Department of Defense Pass-Through Awards	-	10,839
		Total Department of Defense	-	10,839
Department of Housing and Urban Development				
Pass-Through Awards				
Sustainable Communities Regional Planning Grant Program	14.703	University of Louisville	-	33,566
		Total Department of Housing and Urban Development Pass-Through Awards	-	33,566
		Total Department of Housing and Urban Development	-	33,566
Department of the Interior				
Direct Awards				
Department of the Interior	15.000		-	3,142
Indian Adult Education	15.026		-	513,031
Cultural Resource Management	15.224		-	13,013
Miscellaneous	15.900		-	1,421
Native American Graves Protection and Repatriation Act	15.922		-	1,612
		Total Department of the Interior Direct Awards	-	532,219
Pass-Through Awards				
Department of the Interior	15.000	Navajo Nation	-	29,701
Bureau of Indian Affairs	15.100	Navajo Nation	-	609,716
Wildlife Conservation and Restoration	15.625	New Mexico Energy Minerals and Natural Resources I	-	9,087
		Total Department of the Interior Pass-Through Awards	-	648,504
		Total Department of the Interior	-	1,180,723
Department of Justice				
Direct Awards				
Department of Justice	16.000		-	8,258
Desegregation of Public Education	16.100		-	12
		Total Department of Justice Direct Awards	-	8,270
Pass-Through Awards				
Crime Victim Assistance	16.575	New Mexico Crime Victims Reparation Commission	-	66,697
Project Safe Neighborhoods	16.609	New Mexico Public Safety Department	-	3,623
Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	New Mexico Public Safety Department	-	(146)
		Total Department of Justice Pass-Through Awards	-	70,174
		Total Department of Justice	-	78,444
Department of Labor				
Pass-Through Awards				
Department of Labor	17.000	Del-Jen Inc	-	67,165
ARRA - Program of Competitive Grants for Worker Training and	17.275	New Mexico Department of Workforce Solutions	-	(4)
Trade Adjustment Assistance Community College and Career	17.282	Santa Fe Community College	-	95,454
Consultation Agreements	17.504	First Choice Community Healthcare	-	47,600
		Total Department of Labor Pass-Through Awards	-	210,215
		Total Department of Labor	-	210,215
Department of Transportation				
Pass-Through Awards				
Department of Transportation	20.000	New Mexico Department of Transportation	-	20,561
State and Community Highway Safety	20.600	New Mexico Department of Transportation	-	57,307
Minimum Penalties for Repeat Offenders for Driving While	20.608	New Mexico Department of Transportation	-	91,678
		Total Department of Transportation Pass-Through Awards	-	169,546
		Total Department of Transportation	-	169,546

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of the Treasury				
Direct Awards				
Low Income Taxpayer Clinics	21.008		-	122,840
		Total Department of the Treasury Direct Awards	-	122,840
		Total Department of the Treasury	-	122,840
National Aeronautics & Space Administration				
Pass-Through Awards				
National Aeronautics and Space Administration	43.000	New Mexico State University	-	107,500
		Total National Aeronautics & Space Administration Pass-Through Awards	-	107,500
		Total National Aeronautics & Space Administration	-	107,500
National Foundation on the Arts & Humanities				
Direct Awards				
Promotion of the Arts_Grants to Organizations and Individuals	45.024		-	13,960
Promotion of the Humanities Division of Preservation and Museums for America	45.149 45.301		69,912 16,704	117,937 132,384
		Total National Foundation on the Arts & Humanities Direct Awards	86,616	264,281
Pass-Through Awards				
Promotion of the Humanities_Professional Development	45.163	New Mexico Arts Division	-	182
		Total National Foundation on the Arts & Humanities Pass-Through Awards	-	182
		Total National Foundation on the Arts & Humanities	86,616	264,463
National Science Foundation				
Direct Awards				
Engineering Grants	47.041		-	4,639
Mathematical and Physical Sciences	47.049		-	398,600
Biological Sciences	47.074		7,477	88,597
Education and Human Resources	47.076		86,852	1,298,324
ARRA - Trans-NSF Recovery Act Research Support	47.082		-	51,055
		Total National Science Foundation Direct Awards	94,329	1,841,215
Pass-Through Awards				
Education and Human Resources	47.076	New Mexico Institute of Mining and Technology	-	7,094
		Total National Science Foundation Pass-Through Awards	-	7,094
		Total National Science Foundation	94,329	1,848,309
Small Business Administration				
Pass-Through Awards				
Small Business Development Centers	59.037	Santa Fe Community College	(10,244)	50,020
		Total Small Business Administration Pass-Through Awards	(10,244)	50,020
		Total Small Business Administration	(10,244)	50,020
Department of Veterans Affairs				
Direct Awards				
Department of Veterans Affairs	64.000		-	187,058
		Total Department of Veterans Affairs Direct Awards	-	187,058
		Total Department of Veterans Affairs	-	187,058
Environmental Protection Agency				
Pass-Through Awards				
Environmental Protection Agency	66.000	Environmental Education Association of New Mexico	-	5,000
Chesapeake Bay Program	66.466	University of Maryland	-	2,948
		Total Environmental Protection Agency Pass-Through Awards	-	7,948
		Total Environmental Protection Agency	-	7,948
Nuclear Regulatory Commission				
Direct Awards				
U.S. Nuclear Regulatory Commission Scholarship and Fellowship	77.008		-	195,018
		Total Nuclear Regulatory Commission Direct Awards	-	195,018
		Total Nuclear Regulatory Commission	-	195,018
Department of Energy				
Direct Awards				
Basic Energy Sciences University and Science Education	81.049		-	48,928
Nuclear Energy Research, Development and Demonstration	81.121		-	93,534
		Total Department of Energy Direct Awards	-	142,462
Pass-Through Awards				
Department of Energy	81.000	Los Alamos National Laboratory	-	19,789
Department of Energy	81.000	Los Alamos National Security, LLC	-	33,954
Department of Energy	81.000	Regional Development Corp	-	98,726
Department of Energy	81.000	Sandia National Laboratories	-	106,653
		81.000 subtotal	-	259,122
Office of Environmental Waste Processing	81.104	Regional Development Corp	-	18,874
		Total Department of Energy Pass-Through Awards	-	277,996
		Total Department of Energy	-	420,458

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Education				
Direct Awards				
National Resource Center	84.015A		-	132,707
Fellowships	84.015B		-	276,159
Higher Education Institutional Aid	84.031		394,339	3,456,525
Higher Education Institutional Aid (B)	84.031C		494,476	935,571
TRIO Student Support Services	84.042		-	730,138
TRIO Upward Bound	84.047		-	1,085,348
TRIO Educational Opportunity Centers	84.066		-	221,359
Fund for the Improvement of Postsecondary Education	84.116		-	2,983
Migrant Education High School Equivalency Program	84.141		-	403,543
Migrant Education College Assistance Migrant Program	84.149		-	817,173
Bilingual Education Professional Development	84.195N		-	(6,489)
McNair Post-Baccalaureate Achievement	84.217		-	194,154
Special Education Technical Assistance and Dissemination to	84.326		-	91,697
Child Care Access Means Parents in School (B)	84.335		-	217,792
Total Department of Education Direct Awards			888,815	8,558,660
Pass-Through Awards				
Department of Education	84.000	NM Public Education Department	-	485,188
Adult Education - Basic Grants to States	84.002	New Mexico Higher Education Department	-	417,945
Title I Grants to Local Educational Agencies	84.010	Central Consolidated School District 22	-	10,841
Special Education Grants to States	84.027	New Mexico Department of Health	-	30,155
Special Education Grants to States	84.027	NM Public Education Department	-	142,347
	84.027	subtotal	-	172,502
Higher Education Institutional Aid	84.031	Northern New Mexico College	-	472,185
Career and Technical Education -- Basic Grants to States	84.048	NM Public Education Department	-	324,911
Special Education-Grants for Infants and Families	84.181	New Mexico Department of Health	-	1,183,377
Special Education-Grants for Infants and Families	84.181	NM Public Education Department	-	(1,874)
	84.181	subtotal	-	1,181,503
Ready-To-Learn Television	84.295	Corporation for Public Broadcasting	-	47,861
Educational Technology State Grants	84.318	Northern New Mexico College	-	(1,351)
Special Education - Personnel Development to Improve Services and	84.325	New Mexico State University	-	11,212
School Leadership (B)	84.363	Albuquerque Public Schools	-	172,619
Race to the Top - Early Learning Challenge	84.412	New Mexico Children Youth and Family Department	-	773,973
National Writing Project	84.928A	National Writing Project Corp	-	1,363
Total Department of Education Pass-Through Awards			-	4,070,752
Total Department of Education			888,815	12,629,412
Department of Health & Human Services				
Direct Awards				
Department of Health & Human Services	93.000		-	426,592
Area Health Education Centers Point of Service Maintenance	93.107		263,682	339,346
Maternal and Child Health Federal Consolidated Programs	93.110		-	4,687
Preventive Medicine Residency Program	93.117		-	231,733
Emergency Medical Services for Children	93.127		-	126,887
Substance Abuse and Mental Health Services-Projects of Regional	93.243		20,891	467,429
Poison Center Support and Enhancement Grant Program	93.253		-	119,818
Department of Health and Human Services	93.257		-	173,552
Discovery and Applied Research for Technological Innovations to	93.286		-	8,219
Nurse Education, Practice and Retention Grants	93.359		-	860,797
Affordable Care Act (ACA) Expansion of Physician Assistant	93.514		-	47,710
Developmental Disabilities University Affiliated Programs	93.632		-	517,171
Health Careers Opportunity Program	93.822		-	637,822
Pharmacology Physiology and Biological Chemistry	93.859		-	587,919
Grants for Training in Primary Care Medicine and Dentistry	93.884		-	342,815
Grants to Provide Outpatient Early Intervention Services	93.918		-	749,038
Public Health Traineeships	93.964		-	1,987
Health Professions Recruitment Program for Indians	93.970		-	158,604
Total Department of Health & Human Services Direct Awards			284,573	5,802,126
Pass-Through Awards				
Department of Health & Human Services	93.000	CDC Foundation	-	197,522
Department of Health & Human Services	93.000	Center for Public Service Communications	-	39,036
Department of Health & Human Services	93.000	Houston Academy of Medicine - Texas Medical Cente	-	47,146
Department of Health & Human Services	93.000	New Mexico Coalition of Sexual Assault Programs Inc	-	70,853
Department of Health & Human Services	93.000	New Mexico Developmental Disabilities Planning Cncl	-	56,389
Department of Health & Human Services	93.000	New Mexico Health Insurance Exchange	-	269,525
Department of Health & Human Services	93.000	New Mexico Human Services Department	-	(3,725)
Department of Health & Human Services	93.000	NM Developmental Disabilities Planning Council	-	67,228
Department of Health & Human Services	93.000	University of South Florida	-	(20,682)
Department of Health & Human Services	93.000	Utah State University	-	283,252
	93.000	subtotal	-	1,006,544
Medical Reserve Corps Small Grant Program (B)	93.008	National Association of County & City Health Official	-	6,979
Environmental Public Health and Emergency Response	93.070	New Mexico Department of Health	-	318
Hospital Preparedness Program (HPP) and Public Health Emergency	93.074	New Mexico Department of Health	-	59,977

THE UNIVERSITY OF NEW MEXICO

SCHEDULE 11

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Maternal and Child Health Federal Consolidated Programs	93.110	New Mexico Department of Health	-	69
Maternal and Child Health Federal Consolidated Programs	93.110	University of California Los Angeles	-	(3,039)
	93.110	subtotal	-	(2,970)
National AIDS Education and Training Centers	93.145	University of Colorado	-	208,649
Substance Abuse and Mental Health Services-Projects of Regional	93.243	Mescalero Apache Tribal Council	-	212,078
Substance Abuse and Mental Health Services-Projects of Regional	93.243	New Mexico Department of Health	-	(735)
	93.243	subtotal	-	211,343
Childhood Immunization Grants	93.268	New Mexico Department of Health	-	218,439
Centers for Disease Control and Prevention Investigations	93.283	New Mexico Department of Health	-	168,195
National Public Health Improvement Initiative	93.292	Association of Maternal & Child Health Programs	-	759
Tribal Self-Governance Program: Planning and Negotiation	93.444	Crownpoint Healthcare Facility	-	395
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood	93.505	New Mexico Children Youth and Family Department	-	1,510,867
The Affordable Care Act: Building Epidemiology, Laboratory, and	93.521	New Mexico Department of Health	-	926,267
ACA - Teaching Health Center Graduate Medical Education	93.530	Hidalgo Medical Services	-	710
Multiple CFDA numbers	93.544	New Mexico Department of Health	-	25,932
State Court Improvement Program	93.586	New Mexico Administrative Office of the Courts	-	103,637
Child Care Mandatory and Matching Funds of the Child Care and	93.596	New Mexico Children Youth and Family Department	-	977,851
ARRA - Head Start	93.708	New Mexico Children Youth and Family Department	-	8,353
Children's Health Insurance Program	93.767	New Mexico Department of Health	-	483,008
Children's Health Insurance Program	93.767	New Mexico Human Services Department	-	388,615
	93.767	subtotal	-	871,623
Medical Assistance Program	93.778	New Mexico Human Services Department	-	2,428,630
National Bioterrorism Hospital Preparedness Program (B)	93.889	New Mexico Department of Health	-	(9)
HIV Care Formula Grants	93.917	New Mexico Department of Health	-	301,002
Cooperative Agreements for State-Based Comprehensive	93.919	New Mexico Department of Health	-	23,822
Block Grants for Prevention and Treatment of Substance	93.959	New Mexico Human Services Department	-	19,742
Block Grants for Prevention and Treatment of Substance	93.959	Optum	-	201,918
	93.959	subtotal	-	221,660
Preventive Health Services Sexually Transmitted Diseases	93.977	New Mexico Department of Health	-	82,007
Maternal and Child Health Services Block Grant to the	93.994	New Mexico Department of Health	-	74,574
Maternal and Child Health Services Block Grant to the States	93.994	New Mexico Department of Health	-	513,429
	93.994	subtotal	-	588,003
Total Department of Health & Human Services Pass-Through Awards			-	9,948,983
Total Department of Health & Human Services			284,573	15,751,109
TOTAL OTHER PROGRAMS			1,344,089	33,755,918
TOTAL NONMAJOR PROGRAMS			\$ 19,708,781	\$ 184,170,067
TOTAL FEDERAL AWARDS			\$ 19,708,781	\$ 242,576,398

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

Federal awards revenue (per Exhibit B):	
Federal grants and contracts revenue	\$ 198,622,116
Federal pell grant revenue	54,015,619
Portion of capital grants and gifts revenue that is federal	675
Federal stabilization grant revenue	163,222
Portion of clinical operations revenue that is federal	814,597
Total federal awards revenue	253,616,229
Reconciling items:	
Fee for service federal contract revenues - not reportable on schedule 11	(9,671,744)
Residual balances on federal grants and contracts	(1,368,087)
Total federal expenditures per schedule 11	\$ 242,576,398

THE UNIVERSITY OF NEW MEXICO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

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 2014 totaled \$3,573,019. Perkins loans outstanding at June 30, 2013 totaled \$9,645,526. Federal Direct loans advanced to students in fiscal year 2014 totaled \$135,733,724.

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, which is considered subject to continuing compliance requirements under OMB Circular A-133.



KPMG LLP
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Albuquerque, NM 87110-8179

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico (the University) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which have collectively comprise the University's basic financial statements, and have issued our report thereon dated November 6, 2014. Our report includes a reference to other auditors who 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

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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



Compliance and Other Matters

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

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of finding and questioned costs as items 2014-001 through 2014-004.

The University's Response to Findings

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

Purpose of this Report

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

KPMG LLP

Albuquerque, New Mexico
November 6, 2014



KPMG LLP
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Independent Auditors' Report on Compliance for Each Major Federal Program; Report 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

Report on Compliance for Each Major Federal Program

We have audited the University of New Mexico's (the University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2014. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.



Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

KPMG LLP

Albuquerque, New Mexico
November 6, 2014

THE UNIVERSITY OF NEW MEXICO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2014

Finding 2013-001. Journal Entry Approval Process – Lobo Development Corporation

Current Status: Resolved.

Finding 2013-002. Equipment and Real Property Management – Sandoval Regional Medical Center

Current Status: Resolved.

Finding 2013-003. Charity Care – UNM Behavioral Operations

Current Status: Resolved.

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THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2014

Section I – Summary of Auditor Results

Basic Financial Statements

Type of auditor report issued: **Unmodified**

Internal control over financial reporting:

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

Noncompliance material to basic
financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major 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: **Unmodified**

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 program:

Student Financial Assistance Cluster – Various CFDA numbers

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, 2014

Section II – Basic Financial Statement Findings

2014-001. Terminated Employee Documentation Process (Other Matter)

Condition

In accordance with current University policy, it is the responsibility of campus departments to complete required documentation to notify the responsible employment area (faculty contracts main & HSC, Human Resources, Student Employment, School of Medicine, Office of Graduate Studies and Graduate Medical Education) when employees terminate University employment. However, we noted that departments are not providing this notification on a timely basis. This causes several potential issues. For instance, the terminated employees could continue to receive paychecks. Additionally, Banner system access remains active until the appropriate University Banner Security Administrators (BSAs), such as Finance Systems Management, are notified of the change in employment status. In connection with our testwork, we noted that system access was not timely disabled for 5 of 40 terminations sampled. Mitigating controls exist, limiting terminated employees' ability to record finance transactions in Banner Finance. Additionally, KPMG verified that none of the sampled employees had recorded any activity in Banner Finance subsequent to their termination.

We also noted that the University did not have an operating procedure in place that sets forth the expectations for timely deactivation of terminated employee passwords. The industry standard is for passwords to be deactivated within a reasonable time, or five working days of termination.

Criteria

The status of terminated employees should be updated in University's systems on a timely basis. Based on industry standards, the appropriate disabling of access within Banner would occur within a reasonable time, or five working days of termination.

Effect

There is an increased risk that an employee has continued access to Banner, and would continue to receive paychecks subsequent to terminating employment until the termination documentation is submitted to the employment area.

Cause

Departments are not complying with existing University policies to timely notify the appropriate employment area of final employment dates for terminating employees. In addition, University does not have operating procedures that specify requirements for BSAs to disable access to Banner in a timely manner.

Recommendation

The University should develop a procedure to enforce timely documentation of terminated employees. This documentation and disabling of user access within Banner should take place within a reasonable time, or five working days of termination of employment.

University Response

Management acknowledges the importance of timely removals of access to University systems and applications and believes its staff perform these functions with the highest diligence possible given the information available to them. The 5 employees identified as exceptions noted did not access Banner after their last dates of employment nor did any receive payments for compensation for which they were not entitled. Additional programming enhancements were made during the course of FY14 to provide data more timely for monitoring of pending employee departures. Management will develop a written standard and work with the appropriate employment areas to reinforce the importance of processing employment terminations of employees timely.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

2014-002. Review of Census Data Submitted to Actuary (Other Matter)

Condition

The University does not have an operating procedure in place for reviewing the completeness and accuracy of the census data before submission to the University's actuary for determination of the OPEB obligation. Due to the lack of review, KPMG noted approximately 140 exceptions in our testing of the completeness and accuracy of the census data. The exceptions identified had an immaterial effect on the OPEB obligation.

Criteria

Appropriate review of the completeness and accuracy over the submitted census data should occur before submission to the University's actuary.

Effect

There is an increased risk that data submitted to the actuary is incorrect and could result in a misstatement in the OPEB obligation.

Cause

The query utilized to accumulate the data appears to have improperly included 80 individuals who were ineligible to receive OPEB benefits and excluded one individual that was eligible to receive OPEB benefits. In addition, payroll data for 60 current year retirees was not updated prior to running the query.

Recommendation

The University should develop an operating procedure for reviewing the census data before submission to the actuary to ensure that the data is complete and accurate.

University Response

The University will develop an operating procedure to accurately identify all employees and retirees in Eligible Benefit Categories as of each year end. This procedure will include a sample validation of data in all categories to determine accuracy of the data submitted to the actuaries. The University will certify the accuracy and completeness of the data prior to submission to the actuary.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

2014-003. Voluntary Employee Benefit Association (VEBA) (Other Matter)

Condition

The University established a VEBA plan effective July 1, 2013. Both the University and University employees contribute to the VEBA to provide funding for payment of future retiree healthcare benefits. The VEBA is a separate legal entity and VEBA contributions are to be held in a separate trust and should not be comingled with University funds. Both the University and University employees contributed to the VEBA throughout fiscal year 2014. The funds were separately accounted for and separately invested. However, we noted that the funds were held in the University's name under the University's tax identification number rather than being invested in the VEBA's name utilizing the VEBA's tax identification number. Subsequent to June 30, 2014, the VEBA funds were invested in a separate account utilizing the VEBA tax identification number.

Criteria

Based on the VEBA documents, VEBA assets must be held in a separate VEBA trust account utilizing the VEBA tax identification number.

Effect

The VEBA funds were held in the University's name.

Cause

University personnel responsible for investing the VEBA funds were not aware that a separate VEBA tax identification number existed prior to receiving the IRS notification of approval of the tax exempt status of the VEBA trust.

Recommendation

We recommend that all funds designated for the VEBA be promptly deposited into VEBA accounts held in the name of the VEBA trust.

University Response

Upon receipt of the IRS notification of approval of the tax exempt status of the University of New Mexico Retiree Welfare Benefit Trust, the University began the process of transferring the VEBA investment into the name of the University of New Mexico Retiree Welfare Benefit Trust. All VEBA funds were separately invested and accounted for while held in the name of the University of New Mexico.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

2014-004. Expenses – Lobo Energy, Inc. (Other Matter)

Condition and Criteria

In establishing a system of internal controls, specific to expenditures, one effective internal control is to have the proper level of authority sign and approve checks. Per company policy, checks in any amount up to \$10,000 require only one signature (that of either the President/CEO or Vice President). Checks for amounts in excess of \$10,000 require two signatures; the second signature must be that of the UNM Executive Vice President on the Lobo Energy Board of Directors.

Of the 19 items tested requiring two signatures, four items did not possess the requisite two signatures.

Effect

Weaknesses in internal controls could result in inappropriate or unapproved expenditures being incurred.

Cause

Established policies and procedures for review and approval of expenditures were not consistently being followed.

Recommendation

We recommend that Lobo Energy improve the expenditures process to ensure that payments are submitted for review and authorization in a timely fashion in accordance with the company's policy.

University Response

Expense invoices and other supporting documents will be submitted to either the President or Vice President for proper review and signature.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

None

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Revenues for the year ended June 30, 2014 Unaudited

	Tuition and Fees	Patient Services	Clinical Operations	Grants and Contracts
Revenues	\$ 138,115,447	\$ 115,588,076	\$ 669,305,922	\$ 316,237,097
Excluded Revenues:				
State appropriations				
Local appropriations				
Patient services		115,588,076		
Restricted funds	14,388,000			
Federal grants & contracts				245,209,589
State grants & contracts				29,396,257
Nongovernmental grants & contracts				32,170,058
Facilities and administrative cost recovery				(44,400,631)
University of New Mexico Hospital			620,039,627	
University of New Mexico Behavioral Operations			49,266,295	
Total Excluded Revenues	<u>\$ 14,388,000</u>	<u>\$ 115,588,076</u>	<u>\$ 669,305,922</u>	<u>\$ 262,375,273</u>
Pledged Revenues	<u>\$ 123,727,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,861,824</u>

Resources Available to Cover Debt Service

Pledged Revenues	\$ 526,525,041
Less FY14 Debt Service:	
Interest payments on debts	25,786,723
Principal repayments on debts	<u>19,043,652</u>
Excess of Pledged Revenues over Debt Service	<u>\$ 481,694,666</u>
Future average annual debt service through year ended June 30, 2036	\$ 38,934,071
Future highest annual debt service year ended June 30, 2019	\$ 47,143,220

See accompanying independent auditors' report.

SCHEDULE 12

Sales, Services, and Auxiliary Enterprises	Appropriations	Investments	Capital	Gifts	Other	Total
\$ 211,747,386	\$ 300,150,920	\$ 70,178,886	\$ 7,285,389	\$ 27,923,651	\$ 106,457,675	\$ 1,962,990,449
	292,498,633					292,498,633
	7,652,287					7,652,287
						115,588,076
5,686,476		1,765,841	7,285,389	1,199,445	58,720,066	89,045,217
						245,209,589
						29,396,257
						32,170,058
						(44,400,631)
						620,039,627
						49,266,295
\$ 5,686,476	\$ 300,150,920	\$ 1,765,841	\$ 7,285,389	\$ 1,199,445	\$ 58,720,066	\$ 1,436,465,408
\$ 206,060,910	\$ -	\$ 68,413,045	\$ -	\$ 26,724,206	\$ 47,737,609	\$ 526,525,041

THE UNIVERSITY OF NEW MEXICO

EXIT CONFERENCE
June 30, 2014

The financial statements were prepared by the financial officials of the University of New Mexico. An exit conference was conducted on October 16, 2014, 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
Robert G. Frank	President
David W. Harris	Executive Vice President for Administration, COO and CFO
Elizabeth Metzger	University Controller
Keith Mellor	Executive Project Director, Credit, Collections & Merchant Services
Ella B. Watt	Chief Financial Officer, UNM Hospitals
Dorothy Anderson	Vice President, Human Resources
Michael Duran	Chief HR Operations Officer, Human Resources
Helen Gonzales	Chief Compliance Officer, Compliance Office
Manilal Patel	Director, Internal Audit
Staff	University Internal Audit Department

KPMG LLP

John Kennedy	Partner
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MOSS ADAMS LLP

DeVon Wiens	Partner
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