

Audit Report 2017
for the fiscal year ended June 30, 2017



**THE UNIVERSITY OF
NEW MEXICO®**

THE UNIVERSITY OF NEW MEXICO

June 30, 2017

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THE UNIVERSITY OF NEW MEXICO

June 30, 2017

BOARD OF REGENTS AND PRINCIPAL OFFICERS

Board of Regents

Appointed Members

	<i>Title:</i>	<i>Term Expires:</i>
Robert M. Doughty	President	12/31/2020
Marron Lee	Vice President	12/31/2020
Thomas Clifford	Member	Recess Appointment
Bradley C. Hosmer	Member	12/31/2016
Suzanne Quillen	Member	12/31/2018
Alex Romero	Member	Recess Appointment
Garrett Adcock	Student Member	Recess Appointment

Ex officio Members

The Honorable Susana Martinez	Governor of the State of New Mexico
Dr. Barbara Damron	Secretary of Higher Education

Advisors

Pamela Pyle	President, Faculty Senate
Noah Brooks	President, Associated Students of the University of New Mexico
Alaa Elmaoued	President, Graduate & Professional Student Association
Danelle Callan	President, Staff Council
Harold Lavender	President, UNM Alumni Association
Donna Smith	President, UNM Retiree Association
Laurie Moye	President, UNM Parent Association
Michelle Coons	Chair, UNM Foundation

Principal Administrative Officials

University

Chaouki Abdallah	Interim President
David W. Harris	Executive Vice President for Administration, COO and CFO
Craig White	Interim Provost and Executive Vice President for Academic Affairs
Dr. Paul Roth	Chancellor for Health Sciences

UNM Hospitals

Stephen W. McKernan	Chief Executive Officer
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Principal Financial Officials

Main Campus

Elizabeth Metzger	University Controller
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Health Sciences Center

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

Ella B. Watt	Chief Financial Officer
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Report of Independent Auditors

The Board of Regents
University of New Mexico
and
Mr. Timothy Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico (the University or UNM), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the departmental financial statements of the UNM Hospitals, UNM Behavioral Operations UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), collectively known as the clinical operations of the University (Clinical operations), which constitute 32%, 62% and 57% (including all clinical and patient revenue), respectively, of the assets, net position, and revenues of the primary institution totals as of and for the year ended June 30, 2017. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it related to the amounts included for such Clinical operations (including all clinical and patient revenues), is based solely on the reports of the other auditors. We conducted our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Policy

As discussed in Note 2(D) to the financial statements, effective July 1, 2016, the State of New Mexico changed its policy regarding the presentation of the University's (a component unit of the State of New Mexico) beneficial interest in the LGPF within the State's Comprehensive Annual Financial Report (CAFR). Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 2(D) to the financial statements, effective July 1, 2017, the University adopted Governmental Accounting Standards Board (GASB) *Statement No. 80, Blending Requirements for Certain Component Units – An amendment to GASB Statement No. 14*, resulting in retroactively adjusting the financial statements for all prior periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of the University's Proportionate Share of Net Pension Liability and Employer Contributions-Pensions on page 95; Schedule of Funding Progress and Employer Contributions – Other Postemployment Benefits on page 96; Schedule of Changes in the University's Net OPEB Liability and Related Ratios- Other Postemployment Benefits on page 97; Schedule of University Contributions-Other Postemployment Benefits on page 98 and Schedule of Investment Returns-Other Postemployment Benefits on page 99 be presented to the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit and that of the other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying discretely presented component unit combining schedules (schedules 12 through 15), budget comparisons (schedules 16 through 18), schedule of pledge collateral (schedule 19), schedule of individual deposit and investment accounts (schedule 20), schedule of expenditures of federal awards (schedule 21), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information, such as the schedule of pledged revenues – University only (schedule 22) 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 (schedules 12 through 15), budget comparison (schedules 16 through 18), schedule of pledged collateral (schedule 19), schedule of individual deposit and investment accounts (schedule 20), and schedule of expenditures of federal awards (schedule 21), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the discretely presented component unit combining schedules (schedules 12 through 15), budget comparison (schedules 16 through 18), schedule of pledged collateral (schedule 19), schedule of individual deposit and investment accounts (schedule 20), and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (schedule 21) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of pledged revenues- University only (schedule 22) 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 October 18, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 University's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
October 18, 2017

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

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, 2017, 2016, and 2015. 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 2017, 2016, and 2015. The MD&A does not include information of the discretely presented component units, for which separately issued financial statements are available.

About the Financial Statements

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

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

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

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

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

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2017

Statement of Net Position

A comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2017, 2016, and 2015 is as follows:

	2017	As Adjusted 2016	As Adjusted 2015
Assets			
Current assets	\$ 1,076,343,707	\$ 1,071,068,996	\$ 1,002,619,460
Capital assets, net	1,303,030,355	1,295,243,929	1,321,746,507
Other noncurrent assets	438,826,028	570,367,672	524,796,879
Total assets	\$ 2,818,200,090	\$ 2,936,680,597	\$ 2,849,162,846
Deferred Outflows of Resources	\$ 193,812,390	\$ 135,375,765	\$ 93,655,965
Liabilities			
Current liabilities	\$ 382,036,732	\$ 375,624,128	\$ 340,496,453
Noncurrent liabilities	1,908,710,548	1,769,141,532	1,611,816,087
Total liabilities	\$ 2,290,747,280	\$ 2,144,765,660	\$ 1,952,312,540
Deferred Inflows of Resources	\$ 12,832,686	\$ 27,188,619	\$ 100,823,842
Net Position			
Net investment in capital assets	\$ 717,706,485	\$ 682,293,155	\$ 682,414,756
Restricted - nonexpendable	127,750,666	321,532,137	332,253,960
Restricted - expendable	86,828,676	79,473,415	71,922,435
Unrestricted	(223,853,313)	(183,196,624)	(196,908,722)
Total net position	\$ 708,432,514	\$ 900,102,083	\$ 889,682,429

Assets

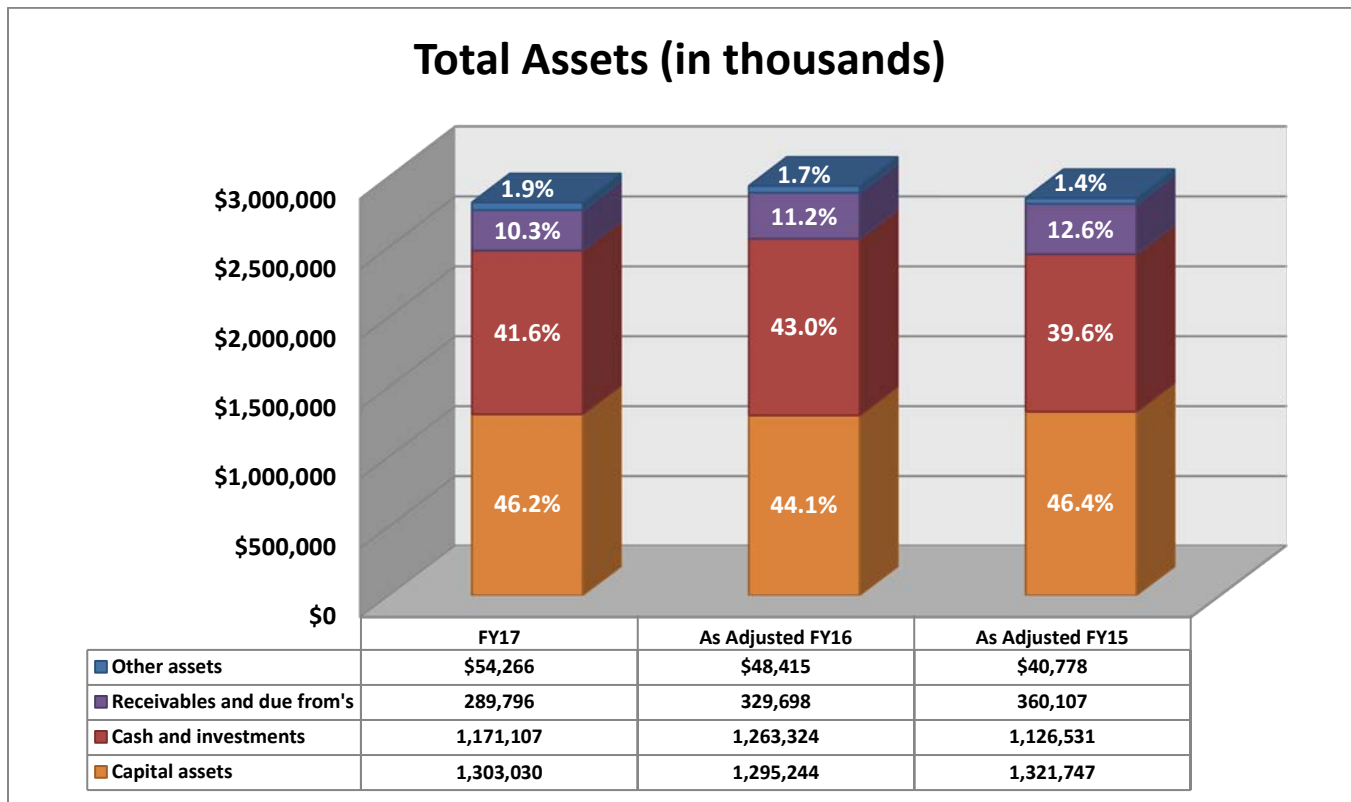
Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant current assets of the University are cash and cash equivalents, net receivables, and short-term investments consisting of certificates of deposit, U.S. Treasury Bills, 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, 2017

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



Total assets decreased by \$118.5 million from FY16 to FY17 and increased by \$87.5 million from FY15 to FY16. The decrease in total assets from FY16 to FY17 included decreases of \$92.2 million in cash and investments and \$39.9 million in receivables and due from's offset by an increase of \$7.8 million in net capital assets. The decrease in cash and investments was mostly the result of the removal of the \$202.7 million asset related to the University's beneficial interest in the state's land grant permanent fund due to a change in accounting policy by the State of New Mexico (see note 2(D)). Other significant changes in cash and investments were a \$43.9 million increase in noncurrent, restricted cash and cash equivalents for bond proceeds received from the 2017 UNM Bond issuance and a \$35.1 million increase in cash and cash equivalents at the University of New Mexico Hospital (Hospital) due to the implementation of a new billing system that resulted in improved collections of receivables. The decrease in receivables and due from's was largely comprised of decreases of \$28.3 million in estimated third-party payor settlements and \$11.5 million in patient receivables due to the improved collections of receivables at the Hospital. The increase in net capital assets was primarily the result of an increase of \$47.3 million in construction in progress due to the commencement of several major capital projects at the University.

The increase in total assets from FY15 to FY16 included an increase of \$136.8 million in cash and investments offset by decreases of \$30.4 million in receivables and due from's and \$26.5 million in net capital assets. The increase in cash and investments was largely comprised of an increase of \$85.4 million in short-term investments primarily as a result of a change in the Callable Funds Agreement with the UNM Foundation, dated July 27, 2015, which called for a transfer of all nonendowed gifts and endowed spending distributions to UNM when received rather than when spent by UNM, and an increase of \$62.6 million in cash and cash equivalents primarily due to \$55.2 million of unspent bond

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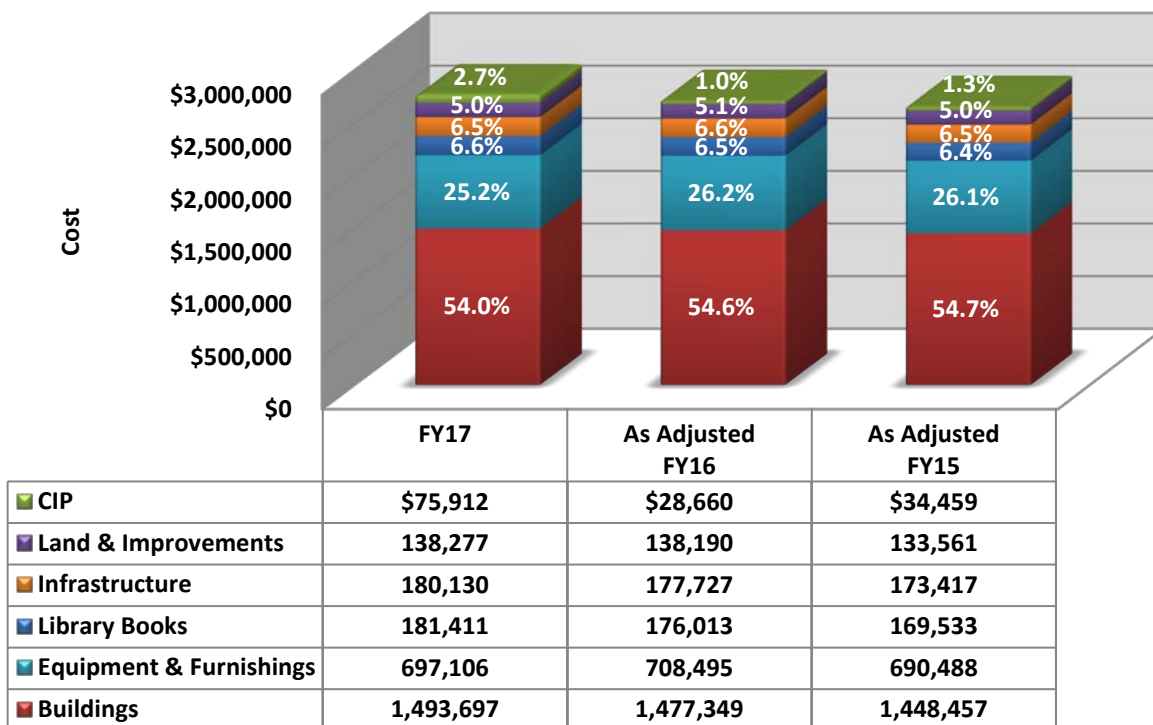
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2017

proceeds from the 2016 UNM Bond issuance. The decrease in receivables and due from's was largely comprised of a decrease of \$43.0 million due from UNM Foundation as a result of the change to the Callable Funds Agreement. The decrease in net capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$27.0 million.

Capital Assets and Debt Activity: Capital assets are the largest category of noncurrent assets and are shown net of accumulated depreciation, at \$1.30 billion, \$1.30 billion, and \$1.32 billion as of June 30, 2017, 2016, and 2015, respectively. During FY17, the largest increase within capital assets for the University was Construction in Progress (CIP), which increased by \$46.8 million. The major additions to CIP during FY17 were \$16.2 million for the Domenici Center for Health Sciences Education Phase 3, \$10.7 million for Farris Engineering Center renovations, \$7.7 million for the McKinnon Center for Management, and \$6.7 million for the clinical buildout at the Cancer Center.

During FY16, the largest increase within capital assets for the University was Buildings, which increased by \$36.1 million. The University's increase in Buildings in FY16 was due to renovations/additions to existing buildings as well as the purchase of a building. The major renovations/additions completed during FY16 were \$15.6 million to Clark Hall (Chemistry) and \$5.7 million to the Science and Math Learning Center. The purchase of the UNM West Building for \$11.0 million was also completed in FY16.

Capital Assets at Cost (in thousands)



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

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

- **Physics and Astronomy Interdisciplinary Science Building:** The \$65.7 million project will include upper division class labs, general classrooms and resource areas, offices for faculty, graduate students, and staff, and research spaces. Construction is estimated to be completed in the summer of 2019.
- **Johnson Center Expansion and Renovation:** Johnson Center is a recreational and fitness center. The \$35 million expansion and renovation will primarily impact the southeast corner of the existing building to provide greater utility of the facility and new and renovated amenities. Construction is estimated to be completed in the fall of 2019.
- **Domenici Center for Health Sciences Education Phase 3:** The \$27.3 million project, with an expected occupancy date of January 2018, is the final phase of the building. The 3-story addition will connect to the existing building and includes classrooms of varying capacities for nursing, pharmacy, and medicine classes.
- **Farris Engineering Center:** The \$25.9 million project, with an expected occupancy date of November 2017, provides for a comprehensive renovation of the existing space. The renovation includes offices, labs, computer research rooms, administrative suites, and student study and event areas.
- **McKinnon Center for Management:** The \$24.7 million project at the Anderson School of Management, slated for completion in the spring of 2018, will provide classrooms, class labs, faculty and staff offices, support spaces, and student services spaces.

Capital assets for the Hospital and the University of New Mexico Behavioral Health Operations (BHO), net of accumulated depreciation, were \$225.2 million, \$232.5 million, and \$239.3 million as of June 30, 2017, 2016, and 2015, respectively. Within the Hospital and BHO during FY17, the largest capital increase was within buildings and building improvements, which increased by \$3.4 million, and the largest capital decrease was within major moveable equipment, which decreased by \$22.0 million. The larger building improvement projects that were capitalized included renovation of the orthopedic rehabilitation clinic, renovations in the main hospital for installation of MRI equipment, and plumbing replacements for the older sections of the hospital needed due to aging of the facility. The decrease in equipment was primarily a result of a change in policy related to the capitalization of operating instruments and other small operating room equipment. The Hospital did a review of these items and noted that the actual useful lives were less than 3 years as a result of high volumes in the operating room and, as a result, increased wear and tear on these items. These items are now being expensed when purchased.

Within the Hospital and BHO during FY16, the largest capital increases were within major moveable equipment, which increased by \$12.6 million, and buildings and building improvements, which increased by \$4.4 million. For the Hospital, the larger major moveable equipment purchases included a new patient financial billing system, a Gammacell 3000 blood irradiator, a Selenia Dimensions 3D mammography system, and several microscopes. The larger building improvement projects that were capitalized included renovations in the main hospital laboratory, rehabilitation, 4th floor outpatient pharmacy, and the endoscopy procedure rooms. For BHO, capital expenditures included improvements to the children's facility courtyard.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2017

Bonds payable totaled \$691.1 million, \$673.1 million, and \$639.2 million at June 30, 2017, 2016, and 2015, respectively. The current portion of this debt was \$26.5 million, \$25.3 million, and \$23.8 million at June 30, 2017, 2016, and 2015, respectively. Included in those totals are Federal Housing Administration (FHA) insured Hospital Mortgage Revenue Bonds. The loan guarantee is considered federal assistance subject to the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Accordingly, the loan guarantee is considered a federal award for purposes of UNM's June 30, 2017, 2016, and 2015 Single Audit.

Deferred Outflows of Resources

Deferred outflows of resources increased by \$58.4 million from FY16 to FY17 and \$41.7 million from FY15 to FY16. Deferred outflows of resources include deferred outflows related to pensions, interest rate swaps that are deemed cash flow hedges, and deferred losses on bond refundings. The most significant deferred outflow of resources is related to pensions. The recognition of a deferred outflow of resources related to pensions resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*, which was effective beginning in FY15. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pensions. The amount recognized as a deferred outflow of resources related to pensions was \$179.4 million, \$115.4 million, and \$80.4 million as of June 30, 2017, 2016, and 2015, respectively.

Liabilities

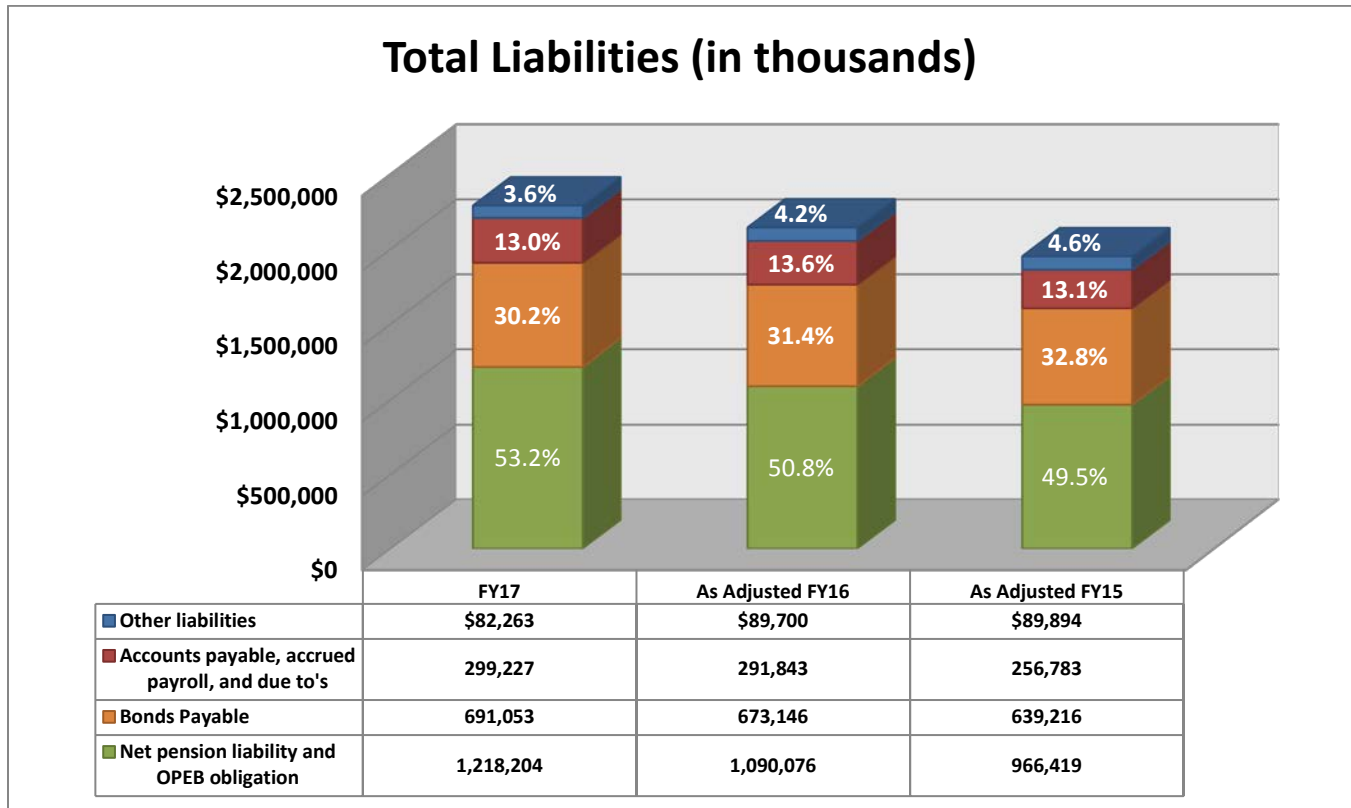
Current liabilities are generally defined as amounts due within one year. The most significant current liabilities of the University are accounts payable, accrued payroll, unearned revenue, and accrued compensated absences.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

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



Total liabilities increased by \$146.0 million from FY16 to FY17 and \$192.5 million from FY15 to FY16. The increase in total liabilities from FY16 to FY17 included increases of \$128.1 million in net pension liability and OPEB obligation, \$17.9 million in bonds payable, and \$7.4 million in accounts payable, accrued payroll, and due to's. The increase in net pension liability and OPEB obligation was comprised of an increase in the net pension liability of \$125.6 million due to an overall increase in the net pension liability of the pension plan as reported by the State of New Mexico Educational Retirement Board as well as an increase in the University's proportionate share of that overall liability, and an increase of \$2.5 million in the net OPEB obligation as determined by an actuarial study performed for the fiscal year ended June 30, 2017. The increase in bonds payable was the result of the issuance of the Series 2017 Subordinate Lien System Improvement Revenue Bonds, which provided funding for new capital projects at the University. The increase in accounts payable, accrued payroll, and due to's was largely a result of a \$14.2 million increase in accounts payable at the Hospital, primarily due to payables outstanding at June 30, 2017 for medical supplies, including pharmaceuticals, purchased services, and minor equipment purchases.

The increase in total liabilities from FY15 to FY16 included increases of \$123.7 million in net pension liability and OPEB obligation, \$33.9 million in bonds payable, and \$35.1 million in accounts payable, accrued payroll, and due to's. The increase in net pension liability and OPEB obligation was comprised of an increase in the net pension liability of \$130.5 million due to an overall increase in the net pension liability of the pension plan as well as an increase in the University's proportionate share of that overall liability, and a decrease of \$6.8 million in the net OPEB obligation as a result of the termination of the OPEB plan at the Hospital and BHO. The increase in bonds payable was the result of the issuance of the Series 2016A and 2016B Subordinate Lien System Refunding Revenue Bonds to refund certain

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

maturities of the Series 2007 Bonds and to provide additional funding for capital projects. The increase in accounts payable, accrued payroll, and due to's was primarily comprised of a \$17.6 million increase in estimated third-party payor settlements, primarily due to the increase in intergovernmental transfers due to the State of New Mexico, and a \$16.3 million increase in the amount payable to vendors and employees.

Deferred Inflows of Resources

Deferred inflows of resources decreased by \$14.4 million from FY16 to FY17 and \$73.6 million from FY15 to FY16. Deferred inflows of resources include deferred inflows related to pensions and deferred gains on bond refundings. The most significant deferred inflow of resources is related to pensions. The recognition of a deferred inflow of resources related to pensions resulted from the implementation of GASB Statement No. 68. The amount recognized as a deferred inflow of resources related to pensions was \$12.0 million, \$26.3 million, and \$99.9 million as of June 30, 2017, 2016, and 2015, respectively.

Net Position

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

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2017

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, 2017, 2016, and 2015 is as follows:

	2017	As Adjusted 2016	As Adjusted 2015
Operating Revenues			
Tuition and fees, net	\$ 137,853,002	\$ 134,062,423	\$ 134,670,377
Net patient service	1,191,251,143	1,128,191,265	1,160,774,701
Grants and contracts	290,846,921	283,390,471	276,246,674
Sales and services, net	137,165,947	127,798,497	127,434,592
Other operating revenues	50,398,307	50,611,051	58,108,340
Total operating revenues	\$ 1,807,515,320	\$ 1,724,053,707	\$ 1,757,234,684
Operating Expenses			
Instruction	\$ 287,623,696	\$ 283,970,438	\$ 281,251,273
Research	185,366,040	179,490,350	170,395,392
Public service	1,372,593,320	1,291,993,362	1,182,014,396
Academic support	51,558,702	48,698,278	49,868,586
Student services	30,753,833	31,056,068	29,641,098
Institutional support	68,971,014	69,265,751	67,491,787
Operation of plant	178,791,724	180,588,803	186,597,761
Student aid and activities	40,646,572	45,174,753	47,964,206
Intercollegiate athletics	34,912,783	33,378,182	31,825,352
Auxiliary enterprises	52,398,459	50,479,013	53,232,478
Other operating expenses	60,827,319	59,410,368	57,367,612
Total operating expenses	\$ 2,364,443,462	\$ 2,273,505,366	\$ 2,157,649,941
Nonoperating Revenues			
Appropriations	\$ 310,042,329	\$ 334,373,192	\$ 329,808,587
Mill levies	102,906,316	102,001,880	99,329,955
Federal pell grants	45,387,905	48,624,312	50,691,119
Gifts	33,197,799	32,592,493	29,507,264
Investment income	31,934,028	5,048,486	25,654,929
Other nonoperating revenues and expenses, net	12,573,351	11,892,610	(3,196,060)
Net nonoperating revenues	\$ 536,041,728	\$ 534,532,973	\$ 531,795,794
Income (loss) before capital contributions	(20,886,414)	(14,918,686)	131,380,537
Capital contributions	31,946,774	25,338,340	24,622,466
Change in net position	\$ 11,060,360	\$ 10,419,654	\$ 156,003,003
Net position - beginning of year	900,102,083	889,682,429	1,685,645,759
Impact of change in accounting pronouncement	(202,729,929)	0	(951,966,333)
Net position - end of year	\$ 708,432,514	\$ 900,102,083	\$ 889,682,429

THE UNIVERSITY OF NEW MEXICO

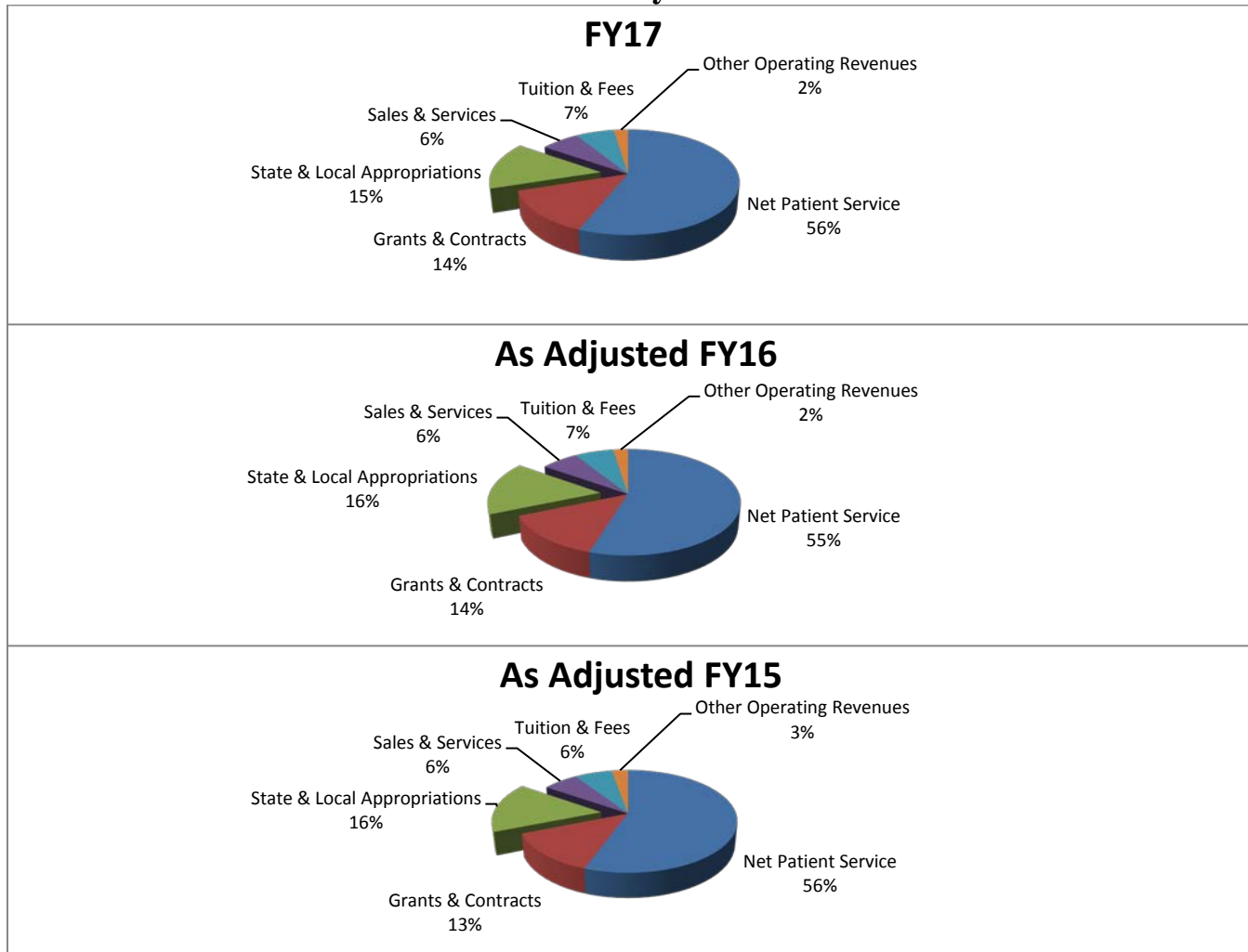
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2017

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 15%, 16%, and 16% of total operating revenues for fiscal years 2017, 2016, and 2015, respectively. 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, 2017

Operating Revenues: Operating revenues for the University increased by 4.8% from 2016 to 2017 and decreased by 1.9% from 2015 to 2016. Net patient service revenues are a significant portion of the University's total net operating revenues. It is comprised of gross patient revenues, net of contractual allowances, charity care, provision for doubtful accounts, and any third-party cost report settlements. Net patient service revenues increased by 5.6% from FY16 to FY17 and decreased by 2.8% from FY15 to FY16.

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

As of June 30, 2017, 2016, and 2015, there were approximately 6,700, 6,800, and 7,000 active enrollees in UNM Care, respectively. The income threshold for UNM Care is 300% of the federal poverty level, and patients may apply for this program at various locations throughout the UNM HSC and various community locations. UNM HSC does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments.

UNM HSC provides care to patients who are either uninsured or underinsured and who do not meet the criteria for financial assistance. 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 2017, 2016, and 2015 were \$142.1 million, \$102.6 million, and \$108.1 million, respectively.

UNM HSC incurs costs associated with providing charity care and other services for which payment is not received. As of June 30, 2017, the estimated cost of care for providing these services was \$110.0 million compared to \$97.9 million in FY16 and \$124.7 million in FY15.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2017

Tuition and fees are also a significant component of the University's total net operating revenues. UNM's total credit hour production for 2016-17 was 669,378. This represents stable output at just over a 1% decrease in credit hour totals compared to the previous year. Record degree production, record retention, and record completion rates continue to drive stability and enhance foundational enrollment planning. Strategic focus on increasing distance opportunities for adult students continues to be a priority along with consistent student success improvements. Changes in enrollment and tuition and fees rates in academic functions of the University were as follows:

	Fall 2016	Fall 2015	Fall 2014
Enrollment change (headcount)	-1.1%	-1.4%	-2.5%
Tuition and fees rate change (full-time resident undergraduate)	4.3%	3.4%	0%

Nonoperating Revenues/Expenses: Net nonoperating revenues increased by 0.3% from FY16 to FY17 and 0.5% from FY15 to FY16. Nonoperating revenues are primarily driven by state appropriations, the Bernalillo County mill levy, federal pell grants, gifts received by the University, and investment income/loss. The major reason for the increase in net nonoperating revenues in FY17 was a \$26.9 million increase in investment income due to strengthened market conditions. Other significant changes in net nonoperating revenues were decreases of \$24.8 million in state appropriations and \$3.2 million in federal pell grants.

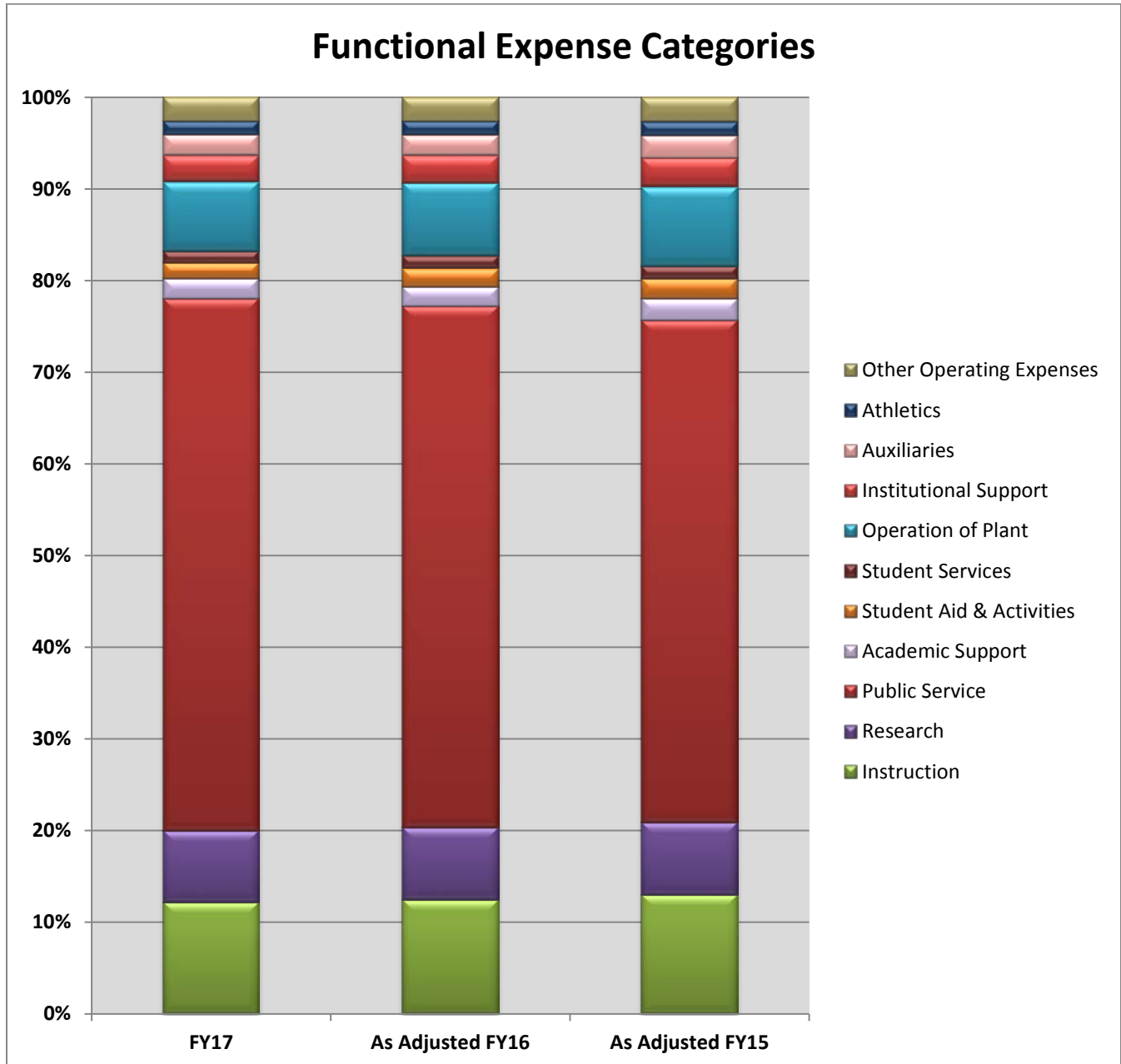
The major reasons for the increase in net nonoperating revenues in FY16 were a \$10.4 million decrease in interest expense on capital asset-related debt as a result of recent refundings of certain bonds, a \$6.8 million gain related to the reversal of the OPEB liability at the Hospital and BHO due to termination of the plan, a \$4.6 million increase in state appropriations, and a \$3.1 million increase in gifts to the University. Other significant changes in net nonoperating revenues were decreases of \$20.6 million in investment income due to weakened investment market conditions and \$2.1 million in federal pell grants.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2017

Expenses

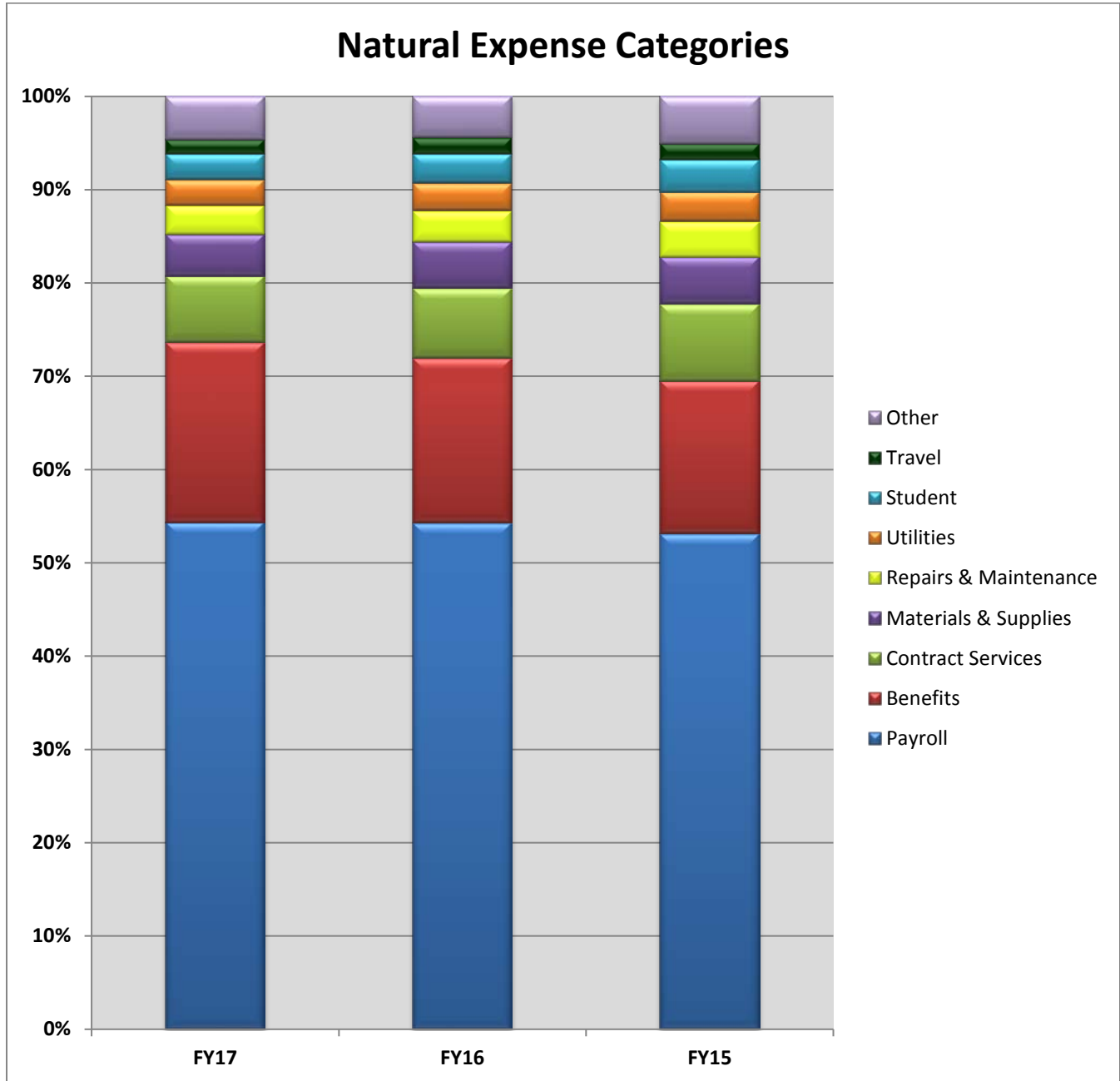
Operating Expenses: GASB standards allow public universities to present operating expenses in either a functional or natural format. UNM chose to present expenses on the statement of revenues, expenses, and changes in net position by the major functions of the University. The chart below shows the distribution of operating expenses by functional category (smaller categories have been combined) for the years ended June 30, 2017, 2016, and 2015:



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2017

The chart below shows total expenses by natural category (excluding Hospital, BHO, and component units) for the years ended June 30, 2017, 2016, and 2015:



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

Changes in Net Position

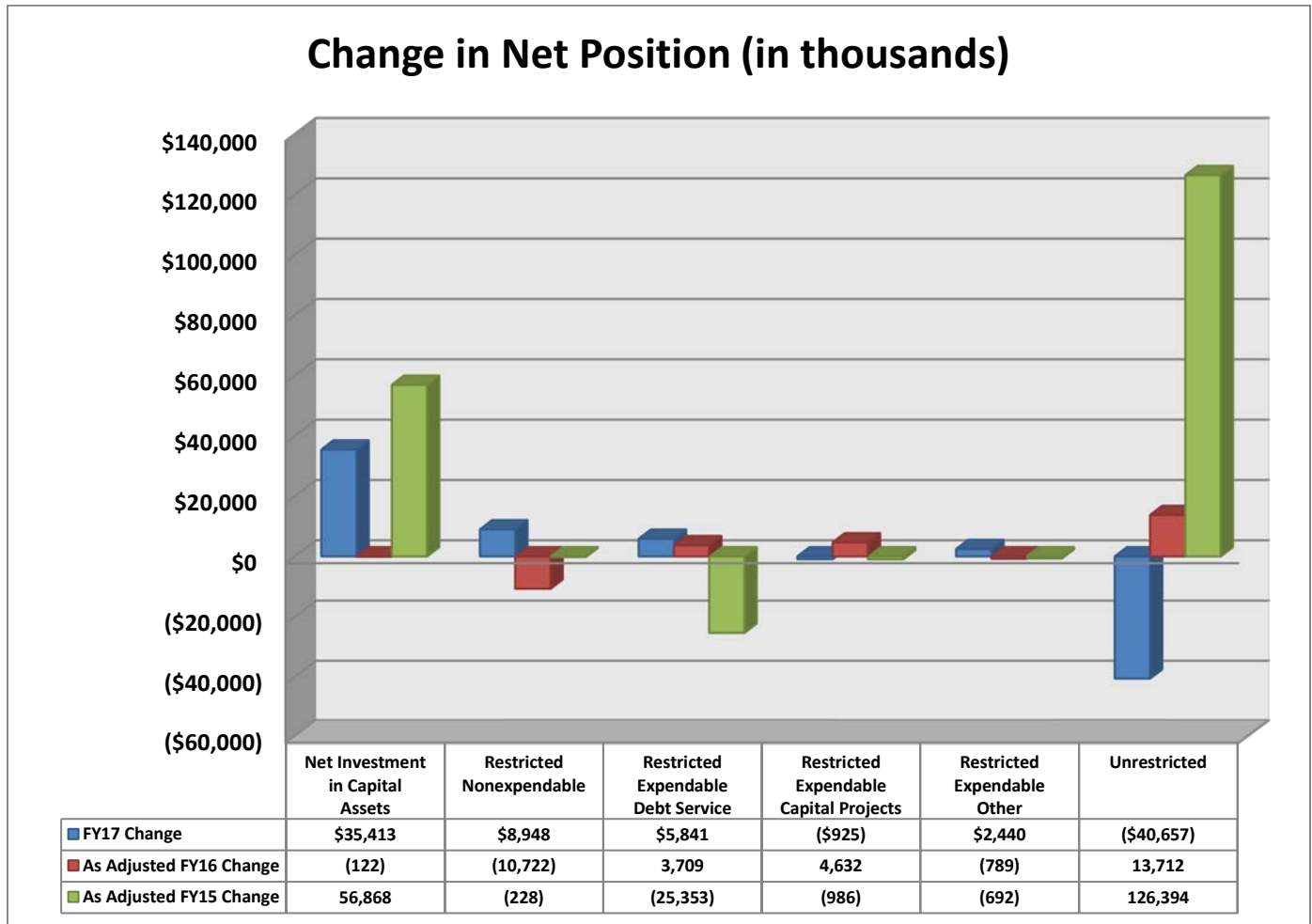
The University's total change in net position showed a net decrease of \$191.7 million for FY17, a net increase of \$10.4 million for FY16, and a net decrease of \$796.0 million for FY15. The major changes in net position in FY17 included decreases of \$202.7 million in the net position of the land grant permanent fund and \$40.7 million in unrestricted net position and increases of \$35.4 million in net investments in capital assets and \$8.9 million in the net position of true endowments restricted for scholarships. The decrease in the net position of the land grant permanent fund was the result of the removal of the \$202.7 million asset related to the University's beneficial interest in the state's land grant permanent fund due to a change in accounting policy by the State of New Mexico (see note 2(D)). The most significant reason for the decrease in unrestricted net position was the additional pension expense of \$48.1 million reported by the University per the requirements of GASB Statement No. 68. Other significant changes to unrestricted net position were increases of \$16.8 million at the Hospital and \$13.1 million at the University of New Mexico Medical Group, a blended component unit of the University, and a decrease of \$7.0 million due to net expenditures on unrestricted capital projects at the University. The increase in the net position of net investments in capital assets was primarily the result of a \$47.3 million increase in construction in progress due to the commencement of several major capital projects. The increase in the net position of true endowments restricted for scholarships was largely due to the recognition of \$11.6 million in net investment income on the true endowments.

The major changes in net position in FY16 included increases of \$13.7 million in unrestricted net position and \$4.6 million restricted for capital projects and a decrease of \$6.8 million in the net position of the land grant permanent fund. The most significant change in unrestricted net position was the additional pension expense of \$20.1 million reported by the University per the requirements of GASB Statement No. 68. Other significant changes to unrestricted net position were a gain of \$6.8 million on the reversal of the OPEB liability at the Hospital and BHO and a net investment loss of \$5.6 million on the University's share of the Consolidated Investment Fund (CIF). The increase in the net position of restricted capital projects was the result of the recognition of revenue for several capital projects including the HSC Domenici Center Phase 3 and infrastructure upgrades at the Valencia Campus. The decrease in the net position of the land grant permanent fund was due to the recognition of \$6.8 million in net unrealized losses in FY16.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2017

The chart below shows the changes in net position by category for the fiscal years ended June 30, 2017, 2016, and 2015. For better comparability, it excludes the restatement of the FY15 beginning net position as a result of the implementation of GASB Statement No. 68, which decreased unrestricted net position by \$952.0 million, and the restatement of the FY17 beginning net position as a result of the elimination of the University's beneficial interest in the land grant permanent fund, which decreased unrestricted net position by \$202.7 million:



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2017

Statement of Cash Flows

A comparison of the University's changes in cash and cash equivalents for the years ended June 30, 2017, 2016, and 2015 is as follows:

	2017	As Adjusted 2016	As Adjusted 2015
Cash provided by (used in):			
Operating activities	\$ (350,164,177)	\$ (407,459,827)	\$ (316,254,268)
Noncapital financing activities	508,144,343	590,709,805	515,215,927
Capital and related financing activities	(75,184,788)	(45,642,425)	(175,042,106)
Investing activities	8,404,458	(75,041,211)	35,008,238
Net increase (decrease) in cash and cash equivalents	91,199,836	62,566,342	58,927,791
Cash and cash equivalents — beginning of year	361,428,189	298,861,847	239,934,056
Cash and cash equivalents — end of year	\$ 452,628,025	\$ 361,428,189	\$ 298,861,847

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

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

Fiduciary Fund

The University of New Mexico Welfare Benefit Trust (VEBA Trust), a voluntary employees' beneficiary association (VEBA) trust, is a blended component unit of the University presented as a fiduciary fund (exhibits D and E). The VEBA Trust was established to provide a funding vehicle to which participants and the University contribute to prefund, in part, the cost of OPEB for eligible retirees of the University. The University matches the employees' contributions to the VEBA Trust. In FY17, the University and employee contributions were \$2.6 million each, and the VEBA Trust earned \$2.2 million in net investment income. In FY16, the University and employee contributions were \$2.9 million each, and the VEBA Trust earned \$0.7 million in net investment income.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

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.

At the beginning of the fiscal year, State General Fund appropriations for Main Campus decreased approximately 2.5% over the FY16 original budget. However, the Regents approved a 4.3% base tuition and fee increase. New funding was allocated for academic affairs initiatives, student recruitment, capital projects, and fixed costs. New funding for these initiatives came from the tuition and fee increase, but more importantly, as the result of internal budget reallocations.

However, the University experienced a 5% mid-year rescission from the state. In addition, Main Campus experienced a 1.07% decrease in the Fall semester student headcount which resulted in a tuition and fee revenue shortfall of \$1.775 million dollars. These two events required Main Campus to pullback funding from departments to make up the shortfall.

At HSC, notable activities that impacted the budget for FY17 were an increase in patient volume and related clinical revenues of \$12.2 million, an increase in sponsored contracts and grants revenues of \$11.0 million, and a mid-year rescission of state appropriated funding of \$4.7 million. In total, revenues increased by \$7.8 million, or 1.2%, over FY16.

Significant changes in expenses at HSC were an increase in clinical expenses of \$10.8 million due to the increase in patient volume and an increase in research contracts and grants expenses of \$13.2 million. Overall, the HSC budgeted a net loss of \$8.4 million due to planned use of reserves to absorb the FY17 mid-year rescission and other approved uses of reserves.

Overall, the University's change in net position on a budgetary basis for unrestricted and restricted funds was an increase of \$24.2 million (schedule 16), which for FY17 can be directly attributed to the University's 2017 Bond Issue. The University's change in net position on a budgetary basis for unrestricted Instruction & General (I&G) funds was a net decrease of \$460,061 (schedule 17), primarily due to activity at the Main and Gallup campuses.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2017

Factors Impacting Future Periods

In recent years, the State of New Mexico has been experiencing significant budget shortfalls, largely related to reduced oil and gas tax revenues. In September 2016, in anticipation of state appropriation reductions to the University, the University imposed a moratorium on the hiring of new or replacement staff for regular and temporary positions at its main and branch campuses. The FY18 approved budget includes a continuation of this moratorium, as well as other cost cutting measures and consolidation efforts.

In FY17, the University issued the 2017 Series Subordinate Lien System Improvement Revenue Bonds. Proceeds from this bond issuance will be used for several capital projects, which include the Physics and Astronomy Interdisciplinary Sciences Building (PAIS), the Biology Annex renovation, the Art Annex renovation, the Student Health and Counseling (SHAC) renovation, and Smith Plaza renovations.

In May 2017, BlueCross BlueShield of New Mexico (BCBS NM) provided notice to the Hospital that it would be terminating its Medicare Advantage Amendment effective September 1, 2017. The letter identified the Hospital as a provider with rates higher than the BCBS NM Medicare Plan fee schedule. The termination was provided without cause. The Hospital would be allowed to continue to furnish covered services to BCBS NM Medicare Advantage PPO members as a non-participating provider. The Hospital has continued to negotiate with BCBS NM to ensure an adequate network for the Medicare Advantage PPO members. BCBS NM has issued an extension to the termination to November 1, 2017, to allow BCBS NM and the Hospital additional time to agree upon and contractualize new terms under which the Medicare Advantage amendment may continue. Payments to the Hospital under the BCBS NM Medicare Advantage amendment are estimated at \$24.6 million annually.

The Hospital is the only Level I Trauma Center in the state and is at physical capacity to treat adult patients. As such, the Hospital engaged the services of a national architectural and engineering firm with experience in designing teaching hospitals to identify location, size, phasing, and staging for a replacement hospital. The initial plan for the UNM Hospitals Modern Medical Facility has been received and is being evaluated. In August 2017, the Hospital received approval from the UNM Regents to move forward with Phase II planning for the Modern Medical Facility, development of design, and architectural plans.

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, 2017 and 2016, and the results of its operations, cash flows, and variances from the budgets for the years then ended for the University of New Mexico.

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

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

To download additional copies of this report, or to obtain prior year copies of this report, go to <http://fsd.unm.edu/annual-reports.html> 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, 2017 and 2016

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2017	As Adjusted 2016	2017	As Adjusted 2016
ASSETS				
Current assets				
Cash and cash equivalents (note 3)	\$ 341,454,754	\$ 295,516,574	\$ 9,405,374	\$ 9,751,939
Cash and cash equivalents – restricted (note 3)	7,073,824	6,037,858	2,678,110	3,893,462
Short-term investments (note 3)	413,988,425	414,480,183	10,301,349	10,060,790
Accounts receivable, net (note 4)	63,748,722	67,976,483	1,836,071	1,638,615
Patient receivables, net (note 4)	160,091,471	171,620,039	-	-
Due from component units	7,211,175	7,757,227	-	-
Due from The University of New Mexico	-	-	103,486	108,382
Notes receivable (note 5)	5,116,617	2,789,693	-	-
Estimated third-party payor settlements	30,972,822	59,285,921	-	-
Other receivables (note 4)	9,055,119	7,417,156	-	-
Inventories	23,871,255	22,855,993	-	28,849
Other current assets	13,759,523	15,331,869	718,273	399,702
Total current assets	\$ 1,076,343,707	\$ 1,071,068,996	\$ 25,042,663	\$ 25,881,739
Noncurrent assets				
Cash and cash equivalents (note 3)	\$ 4,961,539	\$ 4,664,762	\$ -	\$ -
Cash and cash equivalents – restricted (note 3)	99,137,908	55,208,995	-	-
Due from component units	4,654,233	3,577,933	-	-
Notes receivable – noncurrent (note 5)	8,946,215	9,273,235	-	-
Investments (note 3)	304,490,453	284,685,759	209,256,577	192,283,008
Derivative instruments – interest rate swaps overlay (note 12)	882,408	1,591,991	-	-
Land grant permanent fund (note 3)	-	202,729,929	-	-
Other noncurrent assets	15,753,272	8,635,068	6,957,852	5,338,078
Capital assets, net (note 6)	1,303,030,355	1,295,243,929	38,525	63,227
Total noncurrent assets	\$ 1,741,856,383	\$ 1,865,611,601	\$ 216,252,954	\$ 197,684,313
Total assets	\$ 2,818,200,090	\$ 2,936,680,597	\$ 241,295,617	\$ 223,566,052
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (note 16)	\$ 179,407,977	\$ 115,413,699	\$ -	\$ -
Interest rate swaps (note 12)	8,604,249	13,350,038	-	-
Loss on bond refundings	5,800,164	6,612,028	-	-
Total deferred outflows of resources	\$ 193,812,390	\$ 135,375,765	\$ -	\$ -
LIABILITIES				
Current liabilities				
Accounts payable and accrued payroll (note 7)	\$ 195,671,042	\$ 176,433,533	\$ 1,934,625	\$ 1,949,837
Bonds payable – current portion (notes 11 and 12)	26,486,923	25,257,969	-	-
Long-term debt – current portion (note 11)	1,081,349	981,891	-	-
Due to component units	103,486	108,382	-	-
Due to The University of New Mexico (note 11)	-	-	7,211,175	7,757,227
Unearned revenue (note 10)	45,910,854	46,238,980	656,170	766,399
Accrued compensated absences (note 8)	55,744,653	55,099,658	-	-
Estimated third-party payor settlements	41,475,617	53,807,045	-	-
Deposits and funds held for others	5,515,476	8,495,144	-	-
Other accrued liabilities (note 9)	10,047,332	9,201,526	791,221	1,202,534
Total current liabilities	\$ 382,036,732	\$ 375,624,128	\$ 10,593,191	\$ 11,675,997
Noncurrent liabilities (note 11)				
Bonds payable – noncurrent (notes 11 and 12)	\$ 664,566,046	\$ 647,888,081	\$ -	\$ -
Long-term debt (note 11)	5,150,676	5,412,548	-	-
Due to The University of New Mexico (note 11)	-	-	4,654,233	3,577,933
Student loan program (note 11)	11,964,382	12,202,926	-	-
Derivative instruments – interest rate swaps (notes 11 and 12)	8,604,249	13,350,038	-	-
Net pension liability (notes 11 and 16)	1,193,850,905	1,068,222,984	-	-
Net OPEB obligation (notes 11 and 17)	24,353,100	21,853,100	-	-
Other noncurrent liabilities (note 11)	221,190	211,855	1,881,966	2,089,450
Total noncurrent liabilities	\$ 1,908,710,548	\$ 1,769,141,532	\$ 6,536,199	\$ 5,667,383
Total liabilities	\$ 2,290,747,280	\$ 2,144,765,660	\$ 17,129,390	\$ 17,343,380
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (note 16)	\$ 11,982,792	\$ 26,290,547	\$ -	\$ -
Gain on bond refundings	849,894	898,072	-	-
Unearned revenue	-	-	841,208	836,759
Total deferred inflows of resources	\$ 12,832,686	\$ 27,188,619	\$ 841,208	\$ 836,759

See accompanying notes to the basic financial statements.

(Continued)

EXHIBIT A

Statements of Net Position as of June 30, 2017 and 2016

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2017	As Adjusted 2016	2017	As Adjusted 2016
NET POSITION				
Net investment in capital assets	\$ 717,706,485	\$ 682,293,155	\$ 38,525	\$ 63,227
Restricted for:				
Nonexpendable:				
Land grant permanent fund	-	202,729,929	-	-
Scholarships	121,745,606	112,795,918	-	-
Grants, bequests, and contributions	6,005,060	6,006,290	189,528,599	172,831,532
Expendable:				
Scholarships	2,834,679	2,612,592	-	-
Grants, bequests, and contributions	19,067,154	16,949,678	-	-
Debt service	55,324,357	49,483,509	-	-
Capital projects	9,502,486	10,427,636	-	-
Other	100,000	-	19,447,040	19,270,662
Unrestricted (note 19)	(223,853,313)	(183,196,624)	14,310,855	13,220,492
Total net position	\$ 708,432,514	\$ 900,102,083	\$ 223,325,019	\$ 205,385,913

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, 2017 and 2016

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2017	As Adjusted 2016	2017	As Adjusted 2016
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$80,038,072 in 2017 and \$78,826,363 in 2016)	\$ 137,853,002	\$ 134,062,423	\$ -	\$ -
Net patient service (note 13)	1,191,251,143	1,128,191,265	-	-
Federal grants and contracts	211,039,219	211,693,510	-	-
State and local grants and contracts	41,037,684	38,880,092	-	-
Nongovernmental grants, contracts, bequests, and contributions	38,770,018	32,816,869	31,433,758	25,244,856
Sales and services	93,049,225	85,881,112	3,469,870	3,006,405
Auxiliary enterprises (net of scholarship allowances of \$9,554,127 in 2017 and \$9,463,534 in 2016)	44,116,722	41,917,385	-	-
Other operating revenues	50,398,307	50,611,051	8,782,076	9,041,955
Total operating revenues	\$ 1,807,515,320	\$ 1,724,053,707	\$ 43,685,704	\$ 37,293,216
OPERATING EXPENSES				
Educational and general				
Instruction	\$ 287,623,696	\$ 283,970,438	\$ -	\$ -
Research	185,366,040	179,490,350	-	-
Public service	1,372,593,320	1,291,993,362	-	-
Academic support	51,558,702	48,698,278	-	-
Student services	30,753,833	31,056,068	-	-
Institutional support	68,971,014	69,265,751	-	-
Operation and maintenance of plant	74,682,268	75,867,795	-	-
Depreciation expense	104,109,456	104,721,008	-	-
Student aid	30,428,374	34,609,222	-	-
Student activities	10,218,198	10,565,531	-	-
Intercollegiate athletics	34,912,783	33,378,182	-	-
Auxiliary enterprises	52,398,459	50,479,013	-	-
Distributions to The University of New Mexico	-	-	36,716,240	28,292,544
Other operating expenses	60,827,319	59,410,368	21,277,020	22,566,506
Total operating expenses	\$ 2,364,443,462	\$ 2,273,505,366	\$ 57,993,260	\$ 50,859,050
Operating loss	\$ (556,928,142)	\$ (549,451,659)	\$ (14,307,556)	\$ (13,565,834)

See accompanying notes to the basic financial statements.

(Continued)

EXHIBIT B

Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and 2016

	PRIMARY INSTITUTION		DISCRETELY PRESENTED COMPONENT UNITS	
	2017	As Adjusted 2016	2017	As Adjusted 2016
NONOPERATING REVENUES (EXPENSES)				
State appropriations	\$ 301,844,838	\$ 326,681,386	\$ -	\$ -
Local appropriations	8,197,491	7,691,806	-	-
County mill levies	102,906,316	102,001,880	-	-
Federal pell grants	45,387,905	48,624,312	-	-
State lottery scholarships	33,713,336	33,716,721	-	-
Gifts	33,197,799	32,592,493	-	-
Federal bond subsidy	1,911,061	1,960,076	-	-
Investment income (loss) (note 3)	31,934,028	5,048,486	23,159,663	(2,304,928)
Interest on capital asset-related debt	(23,587,823)	(22,445,688)	-	-
Loss on disposal of capital assets	(127,899)	(12,139)	-	-
Other nonoperating revenues and expenses, net	664,676	(1,326,360)	(579,529)	(255,088)
Net nonoperating revenues (expenses)	\$ 536,041,728	\$ 534,532,973	\$ 22,580,134	\$ (2,560,016)
Income (loss) before capital contributions	\$ (20,886,414)	\$ (14,918,686)	\$ 8,272,578	\$ (16,125,850)
Capital appropriations	\$ 31,946,774	\$ 25,189,601	\$ -	\$ -
Capital grants and gifts	-	148,739	-	-
Contributions to permanent endowments	-	-	9,666,528	11,837,524
Total capital contributions	\$ 31,946,774	\$ 25,338,340	\$ 9,666,528	\$ 11,837,524
Change in net position	\$ 11,060,360	\$ 10,419,654	\$ 17,939,106	\$ (4,288,326)
NET POSITION				
Net position at beginning of year	900,102,083	889,682,429	205,385,913	209,674,239
Impact of change in accounting pronouncement (note 2(D))	(202,729,929)	-	-	-
Net position at end of year	\$ 708,432,514	\$ 900,102,083	\$ 223,325,019	\$ 205,385,913

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, 2017 and 2016

	<u>2017</u>	<u>As Adjusted 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tuition and fees	\$ 138,487,277	\$ 134,882,586
Cash received from grants and contracts	285,385,651	291,906,224
Cash received from insurance and patients	1,339,723,079	1,231,734,456
Cash received from sales and services	41,349,159	40,787,364
Cash received from auxiliary enterprise charges	43,368,783	41,969,943
Cash payments to employees	(1,168,542,296)	(1,147,688,475)
Cash payments for benefits	(228,132,035)	(228,484,309)
Cash payments to suppliers	(648,088,289)	(671,915,336)
Cash payments for utilities	(37,808,967)	(39,232,205)
Cash payments for scholarships and fellowships	(37,995,311)	(42,425,039)
Cash payments to State of New Mexico for intergovernmental transfer	(74,023,917)	(12,220,335)
Loans issued to students	(195,957)	(1,484,136)
Collection of loans to students	2,147,386	2,099,192
Other cash payments	(5,838,740)	(7,389,757)
Net cash used in operating activities	\$ (350,164,177)	\$ (407,459,827)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from state appropriations	\$ 301,693,886	\$ 326,775,621
Cash received from local appropriations	8,197,491	7,691,806
Cash received from county mill levies	103,092,314	101,929,289
Cash received from federal pell grants	46,061,721	48,004,174
Cash received from state lottery scholarships	33,713,336	37,117,743
Cash received from gifts and the University of New Mexico Foundation	31,284,140	71,938,720
Drawdowns of federal direct loan proceeds	110,296,071	115,185,199
Disbursements of federal direct loans to students	(114,483,206)	(114,955,752)
Other nonoperating cash payments	(11,711,410)	(2,976,995)
Net cash provided by noncapital financing activities	\$ 508,144,343	\$ 590,709,805
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	\$ 46,237,931	\$ 179,075,134
Cash received from capital appropriations	35,977,099	24,242,832
Cash received from federal bond subsidy	2,884,824	1,979,526
Cash received from disposal of capital assets	681,851	216,315
Purchases of capital assets	(108,442,315)	(76,093,567)
Principal payments on bonds	(25,257,969)	(144,690,532)
Interest payments on bonds	(22,610,529)	(27,445,096)
Other cash payments	(4,655,680)	(2,927,037)
Net cash used in capital and related financing activities	\$ (75,184,788)	\$ (45,642,425)

See accompanying notes to the basic financial statements.

(Continued)

EXHIBIT C

Statements of Cash Flows for the years ended June 30, 2017 and 2016

	2017	As Adjusted 2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 325,709,177	\$ 393,199,407
Purchases of investments	(321,121,137)	(475,043,967)
Distributions from land grant permanent fund and land maintenance fund	10,995,164	9,888,203
Investment income	2,997,974	832,084
Investment in Lovelace UNM Rehab Hospital	(6,174,000)	-
Cash payments for mortgage reserve funds	(4,002,720)	(3,916,938)
Net cash provided by (used in) investing activities	\$ 8,404,458	\$ (75,041,211)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents – beginning of year	361,428,189	298,861,847
Cash and cash equivalents – end of year	\$ 452,628,025	\$ 361,428,189
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (556,928,142)	\$ (549,451,659)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	104,109,456	104,721,008
Provision for doubtful accounts	144,541,577	104,850,154
Other items	3,323,609	(59,847)
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable	6,231,723	(6,683,361)
Patient receivables	(130,254,751)	(99,840,504)
Estimated third-party payor settlements receivables	29,919,311	(20,321,987)
Notes receivable	2,187,230	647,497
Inventories	(1,015,262)	(210,194)
Other assets	(2,754,280)	(891,783)
Due from component units	286,860	(52,693)
Due to component units	103,486	-
Accounts payable	8,845,749	10,393,912
Accrued expenses and compensated absences	9,940,288	5,796,356
Other current liabilities	(399,881)	1,087,144
Estimated third-party payor settlements liability	(13,937,640)	17,816,567
Unearned revenue	(1,689,398)	2,870,870
Net pension liability	125,627,921	130,468,219
Deferred outflows of resources	(63,994,278)	(35,337,840)
Deferred inflows of resources	(14,307,755)	(73,261,686)
Net cash used in operating activities	\$ (350,164,177)	\$ (407,459,827)

See accompanying notes to the basic financial statements.

University of New Mexico Retiree Welfare Benefit Trust
 Statements of Fiduciary Net Position as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 443,533	\$ 418,779
Investments	24,334,661	16,617,328
Interest receivable	4,346	8,362
Total assets	<u>\$ 24,782,540</u>	<u>\$ 17,044,469</u>
LIABILITIES		
Accounts payable	\$ 426,806	\$ -
Unsettled transactions	-	125,680
Total liabilities	<u>\$ 426,806</u>	<u>\$ 125,680</u>
NET POSITION		
Net position restricted for postemployment benefits other than pensions	\$ 24,355,734	\$ 16,918,789
Total net position	<u>\$ 24,355,734</u>	<u>\$ 16,918,789</u>

See accompanying notes to the basic financial statements.

University of New Mexico Retiree Welfare Benefit Trust
 Statements of Changes in Fiduciary Net Position for the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ADDITIONS		
University of New Mexico contributions	\$ 2,628,394	\$ 2,875,747
Employee contributions	2,628,394	2,875,747
Investment income:		
Net increase in fair value of investments	1,906,358	600,602
Interest and dividends	313,989	98,062
Less investment expense	(35,190)	(14,210)
Net investment income	<u>2,185,157</u>	<u>684,454</u>
Total additions	<u>\$ 7,441,945</u>	<u>\$ 6,435,948</u>
DEDUCTIONS		
Administrative expenses	\$ 5,000	\$ 7,874
Total deductions	<u>\$ 5,000</u>	<u>\$ 7,874</u>
Net increase in net position	\$ 7,436,945	\$ 6,428,074
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS		
Net position at beginning of year	16,918,789	10,490,715
Net position at end of year	<u>\$ 24,355,734</u>	<u>\$ 16,918,789</u>

See accompanying notes to the basic financial statements.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

(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 (State) and such others as the Board of Regents may determine with the means of acquiring a thorough knowledge of the various branches of literature, science, and the arts.

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

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

(A) Basis of Presentation

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

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

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

Component units that are blended generally include those in which 1) the component unit provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University, 2) the component unit's governing body is substantively the same as the governing body of the University and there is either a financial benefit or burden relationship between the University and the component unit or management of the University has operational responsibility for the component unit, or 3) the University is the sole corporate member of the component unit. Based on the criteria set forth in GASB Statements 14, 39, 61, and 80, the entities presented below have been determined to be component units of the University. Summary financial statement information for the blended and discretely presented component units is provided in schedules 6 through 15.

Blended Component Units

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

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

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determined to be a component unit, because the University appoints a voting majority of the VEBA Trust's board and is able to impose its will on the VEBA Trust.

- **STC.UNM**

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

- **Lobo Development Corporation**

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

- **Lobo Energy, Inc.**

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

- **University of New Mexico Medical Group**

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

- **Sandoval Regional Medical Center**

Sandoval Regional Medical Center (SRMC) is a teaching hospital located in Sandoval County that was formed by the UNM Regents in August 2009 and is a New Mexico nonprofit corporation organized under and pursuant to the New Mexico University Research Park and Economic Development Act. SRMC was determined to be a component unit, because the University appoints a voting majority of SRMC's board and is able to impose its will on SRMC. Sandoval Regional Medical Center, PO Box 80600, Albuquerque, NM 87198-0600.

- **Innovate ABQ, Inc.**

Innovate ABQ, Inc. is a nonprofit corporation established under the provisions of the New Mexico Nonprofit Corporation Act and the State of New Mexico University Research Park and Economic Development Act and is operated exclusively for charitable, scientific, and educational purposes under Section 501(c)(3) of the IRC. Innovate ABQ, Inc., a public/private partnership, is a research and high technology business district located between the main University campus and downtown Albuquerque, New Mexico that serves as a catalyst for a new innovation economy in New Mexico and other educational initiatives for the University. Innovate ABQ was

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determined to be a component unit, because the University appoints a voting majority of Innovate ABQ's board and is able to impose its will on Innovate ABQ. Innovate ABQ, Inc., 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

Discretely Presented Component Units

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

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

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

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

- **University of New Mexico Lobo Club**

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

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

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

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

The Hospital, BHO, and the component units, with the exception of the VEBA Trust, 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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

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.

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

	<u>2017</u>	<u>2016</u>
Medicare and Medicaid	65%	60%
Other third-party payors	21%	25%
Others	<u>14%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

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

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

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

Assets held by others, which are neither in the possession of nor under the control of the University, are not reflected in the accompanying basic financial statements. The most significant example is assets held by the Sandia

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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 not an asset. This equipment is monitored by the University and totals \$3,861,690 and \$3,861,790 at June 30, 2017 and 2016, respectively.

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

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

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

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

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

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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.

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

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

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

Net position:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Unspent bond proceeds for the University were \$106,734,974 and \$60,636,302 at June 30, 2017 and 2016, respectively. The Hospital and SRMC had no unspent bond proceeds at June 30, 2017 and 2016, respectively. Unamortized prepaid bond insurance for the University was \$275,880 and \$239,457 at June 30, 2017 and 2016, respectively.

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

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

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

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

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as a) appropriations, b) gifts, c) investment income, and d) mill levy. These revenue streams are recognized under GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Gifts are recognized when all applicable eligibility requirements have been met. Investment income is recognized in the period when it is earned. The mill levy is recognized in the period it is collected by the County.

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

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

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

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

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

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

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

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

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

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

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(D) Changes in Accounting Policies and Statements

Effective July 1, 2016, the State changed its policy regarding the presentation of the Land Grant Permanent Fund (LGPF) within the State's CAFR. The State's institutions of higher education have a beneficial interest in the LGPF. Previously, the State presented the University's LGPF beneficial interest as an asset in the educational institution enterprise fund. Consistent with this presentation, the University recorded its LGPF beneficial interest as an asset in its stand-alone financial statements. The presentation of the LGPF as an asset in educational institution enterprise fund and as an asset on the University's stand-alone financial statements is an acceptable presentation in accordance with US generally accepted accounting principles (GAAP). However, with the adoption of the State's new policy on July 1, 2016, the University's beneficial interest in the LGPF will now be presented within a special revenue fund in the State CAFR and will no longer be presented in the educational institution enterprise fund. GAAP requires consistency between the State CAFR presentation and the presentation in the University's stand-alone financial statements. As a result, this change in policy will no longer permit institutions of higher education to record their respective beneficial interests in LGPF as an asset within their stand-alone financial statements. Accordingly, the University has removed its respective beneficial interest in the LGPF as of July 1, 2016. The following table presents the impact of the change in accounting principle on the University's net position:

Net position as previously reported at June 30, 2016	\$ 900,102,083
Impact of eliminating the University's LGPF beneficial interest	<u>(202,729,929)</u>
Net position as reported at July 1, 2016	<u>\$ 697,372,154</u>

This change in presentation does not impact the University's beneficial interest in the LGPF assets, and the University will continue to receive its beneficial interest in the earnings of the LGPF as required by law. See note 21 for additional disclosures regarding the University's beneficial interest in the LGPF.

The University adopted GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement is applicable to the VEBA Trust, a blended component unit of the University that is presented as a fiduciary fund in the University's financial statements, and resulted in enhanced note disclosures (note 17) and schedules of required supplemental information (schedules 3 through 5) related to the VEBA Trust.

The University adopted GASB Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*, by adding criterion that requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion in this Statement resulted in the blending of six component units of the University that were previously presented discretely; STC.UNM, Innovate ABQ, Inc., Lobo Development Corporation, Lobo Energy, Inc., UNM Medical Group, Inc., and UNM Sandoval Regional Medical Center, Inc. Changes were applied retroactively by adjusting the financial statements for all prior periods presented.

(E) Income Taxes

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

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

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

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University of New Mexico Retiree Welfare Benefit Trust is exempt from federal income tax under Section 501(c)(9) of the IRC.

(F) *Joint Powers Agreements*

- (1) The Regents of The University of New Mexico and the Board of County Commissioners of the County of Bernalillo entered into a lease agreement for operation and lease of county healthcare facilities, effective July 1, 1999, amended June 2004 and terminating June 20, 2040. The purpose of the agreement is to operate and maintain UNM Hospital and UNM Behavioral Health Operations in accordance with the provisions of the Hospital Funding Act for the term of the agreement. The agreement continues in force until rescinded or terminated by either party. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (2) The University has entered into Joint Powers Agreements with fifty-two (52) Municipal School Districts (the Districts) throughout the State of New Mexico. The University and the Districts have formed an organization for promoting their mutual educational purposes known as the New Mexico Research and Study Council (Council). The purpose of this agreement is to create a mechanism by which the Districts can jointly and cooperatively undertake any activities in their function of providing public educational services. The University has entered into this agreement in order to facilitate such joint activities. This agreement remains in force until terminated. The Council may be terminated by a two-thirds vote of all current parties. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an ongoing relationship.
- (3) The Regents of the University of New Mexico, the Regents of New Mexico State University, and the Regents of the New Mexico Institute of Mining and Technology entered into an agreement to form the New Mexico University Research Consortium (NMURC) effective May 4, 2006. The purpose of the Research Consortium is to promote statewide cooperation in attracting research resources to New Mexico, managing them for the state's higher education research facilities, other New Mexico research facilities and for the benefit of New Mexico economic development. The agreement continues in force indefinitely. Any party may choose to withdraw with 60 days' written notice. At such time, the remaining parties have 45 days to agree to maintain the NMURC or the Joint Powers Agreement will terminate on the date of withdrawal.
- (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 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 2016 amounts have been reclassified in order to be consistent with the 2017 presentation.

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(H) *Impact of Recently Issued Accounting Standards*

- (1) *GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about define-benefit OPEB also are addressed. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. GASB Statement 75 is effective for periods beginning after June 15, 2017 (fiscal year 2018), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 75 will have on its financial statements.
- (2) *GASB Statement 81 – Irrevocable Split-Interest Agreements.* Split-interest agreements are defined as a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that 1) a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement, 2) a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests, and 3) a government recognize revenue when the resources become applicable to the reporting period. GASB Statement 81 is effective for periods beginning after December 15, 2016 (fiscal year 2018), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 81 will have on its financial statements.
- (3) *GASB Statement 83 – Certain Asset Retirement Obligations.* An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset, such as the decommissioning of nuclear reactors, removal and disposal of wind turbines in wind farms, dismantling and removal of sewage treatment plants, and removal and disposal of x-ray machines. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable and that the measurement be based on the best estimate of the current value of outlays expected to be incurred. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB Statement 83 is effective for periods beginning after June 15, 2018 (fiscal year 2019), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 83 will have on its financial statements.
- (4) *GASB Statement 84 – Fiduciary Activities.* This Statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It describes four fiduciary funds that should be reported, if applicable: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB Statement 84 is effective for periods beginning after December 15, 2018 (fiscal year 2020), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 84 will have on its financial statements.
- (5) *GASB Statement 85 – Omnibus 2017.* This Statement addresses various practice issues that have been identified during implementation and application of certain GASB Statements. The topics addressed include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB Statement 85 is effective for periods beginning after June 15, 2017 (fiscal year 2018), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 85 will have on its financial statements.

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- (6) GASB Statement 86 – *Certain Debt Extinguishment Issues*. This Statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt as Statement No. 7 establishes when the proceeds of refunding debt are used to extinguish debt. This Statement also requires that for extinguished debt, any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt when calculating the difference between the reacquisition price and the net carrying amount for the debt. GASB Statement 86 is effective for periods beginning after June 15, 2017 (fiscal year 2018), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 86 will have on its financial statements.
- (7) GASB Statement 87 – *Leases*. This Statement defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This Statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. GASB Statement 87 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 87 will have on its financial statements.

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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 \$353,490,117 and \$306,219,194 at June 30, 2017 and 2016, 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, 2017 and 2016, these funds were collateralized by a government agency securities held in the primary institution's name, or a letter of credit (LOC) issued by the Federal Reserve. At June 30, 2017 and June 30, 2016, the total primary institution's deposits were fully insured and/or collateralized.

During FY17, the primary institution swept excess checking balances into overnight commercial paper issued by U.S. Bank. As of June 30, 2017, this cash equivalent has a carrying amount of \$77,060,709 and is subject to custodial credit risk.

During FY17 and FY16, the primary institution invested bond proceeds to be used for future capital projects in a guaranteed investment contract held at another financial institution. This cash equivalent had a carrying amount of \$99,137,908 and \$55,208,995 at June 30, 2017 and 2016, respectively, and is subject to custodial credit risk.

A summary of cash and cash equivalents at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>As Adjusted 2016</u>
Demand and time deposits	\$ 271,773,575	\$ 300,729,076
Commercial paper	77,060,709	-
Guaranteed investment contracts	99,137,908	55,208,995
Money markets	8,373,637	-
VEBA Trust	443,533	418,779
Other (includes petty cash and component units' cash held by UNM)	(3,717,804)	5,490,118
	<u>\$ 453,071,558</u>	<u>\$ 361,846,968</u>

The discretely presented component units' cash accounts held in demand and time deposits at various institutions had carrying amounts totaling \$12,083,484 and \$13,645,401 at June 30, 2017 and 2016, respectively. Certain amounts are invested in overnight sweep accounts and are collateralized at various levels of the invested balance. At June 30, 2017 and 2016, these funds were collateralized by government-backed securities held in the component unit's name. At June 30, 2017 and June 30, 2016, the total discretely presented component units' public deposits were fully insured and/or collateralized.

(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

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- Corporate bonds (minimum BBB/Baa2 rating or better) per issue
- Industrial floaters
- U.S. Treasuries
- Municipal bonds — both taxable and tax-exempt (minimum A/A2 rating or better) per issue
- Global fixed-income securities: non-dollar denominated securities

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

Long-term investments primarily consist of debt service, debt service reserve, and plant renewal and replacement funds. Bond obligations are reported as bonds payable in the accompanying statements of net position (notes 11 and 12).

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, 2017 and 2016, UNM's portion of the CIF was \$221,716,876 and \$208,100,929, respectively.

Consolidated Investment Fund

	<u>2017</u>	<u>2016</u>
Units:		
UNM Foundation	560,264	573,990
University of New Mexico	610,047	638,750
	<u>1,170,311</u>	<u>1,212,740</u>
Fair Value (in millions):		
UNM Foundation	\$ 203.6	\$ 187.0
University of New Mexico	221.7	208.1
	<u>\$ 425.3</u>	<u>\$ 395.1</u>

Other long-term investments primarily consist of debt service, debt service reserve, and plant renewal and replacement funds. Effective July 1, 2016, UNM's beneficial interest in the LGPF is no longer reported as an asset in UNM's statement of net position due to a change in the State's policy regarding its presentation (note 2(D)). UNM continues to receive its beneficial interest in the earnings of the LGPF as required by law, which is reported as investment income in UNM's statement of revenues, expenses, and changes in net position. At June 30, 2016, UNM reported an asset valued at \$202,729,929 for its beneficial interest in the LGPF.

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Total primary institution investments by type at June 30, 2017 and 2016 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long- Term Investments	VEBA Trust	Fair Value
Primary Institution 2017					
Cash	\$ 6,488,238	\$ -	\$ -	\$ -	\$ 6,488,238
Money Market	1,662,267	1,861,019	29,304,146	607,111	33,434,543
Certificate of Deposit	-	-	2,138,765	1,120,982	3,259,747
Guaranteed Investment Contract	-	-	99,137,908	-	99,137,908
U.S. Government Obligations	234,376,980	-	23,540,900	-	257,917,880
Corporate Bonds/Notes	156,088,590	-	4,780,194	-	160,868,784
Municipal Bonds	11,783,984	-	527,209	-	12,311,193
Mutual Funds — Equity/Fixed	662,831	274,814,836	-	21,428,775	296,906,442
Equity	1,146,202	-	22,482,363	-	23,628,565
Exchange-Traded Funds	1,759,063	8,483,708	-	-	10,242,771
Alternative Investments	20,270	140,181,051	-	1,177,793	141,379,114
Guaranteed Investment Contract (cash equivalent)	-	-	(99,137,908)	-	(99,137,908)
University of New Mexico Foundation, Inc Investments held in Consolidated Investment Fund	-	(203,623,738)	-	-	(203,623,738)
Total Investments	\$ 413,988,425	\$ 221,716,876	\$ 82,773,577	\$ 24,334,661	\$ 742,813,539

	Temporary Investments	Consolidated Investment Fund	Other Long- Term Investments	VEBA Trust	Fair Value
As Adjusted Primary Institution 2016					
Cash	\$ 244,192	\$ -	\$ -	\$ -	\$ 244,192
Money Market	7,749,570	9,494,657	25,985,717	2,255,291	45,485,235
Certificate of Deposit	-	-	1,826,423	5,280,437	7,106,860
Guaranteed Investment Contract	-	-	55,208,995	-	55,208,995
U.S. Government Obligations	239,700,792	-	21,168,762	-	260,869,554
Corporate Bonds/Notes	147,759,529	-	6,103,024	-	153,862,553
Municipal Bonds	15,886,356	-	460,020	-	16,346,376
Mutual Funds — Equity/Fixed	491,949	233,978,506	-	7,875,556	242,346,011
Equity	946,385	-	21,040,884	-	21,987,269
Exchange-Traded Funds	1,570,009	11,468,939	-	-	13,038,948
Alternative Investments	131,401	140,198,681	-	1,206,044	141,536,126
Land Grant Permanent Fund	-	-	202,729,929	-	202,729,929
Guaranteed Investment Contract (cash equivalent)	-	-	(55,208,995)	-	(55,208,995)
University of New Mexico Foundation, Inc Investments held in Consolidated Investment Fund	-	(187,039,854)	-	-	(187,039,854)
Total Investments	\$ 414,480,183	\$ 208,100,929	\$ 279,314,759	\$ 16,617,328	\$ 918,513,199

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June 30, 2017 and 2016

Total discretely presented component unit investments by type at June 30, 2017 and 2016 are as follows:

	Temporary Investments	Consolidated Investment Fund	Other Long- Term Investments	Fair Value
<i>Discretely Presented Component Units 2017</i>				
Money Market	\$ -	\$ 890,928	\$ -	\$ 890,928
U.S. Government Obligations	1,126,432	-	-	1,126,432
Mortgage-/Asset-Backed Bonds	725,026	-	-	725,026
Corporate Bonds/Notes	446,501	-	-	446,501
Municipal Bonds	-	-	3,173,719	3,173,719
Mutual Funds — Equity/Fixed	3,153,566	131,562,379	1,684,757	136,400,702
Equity	4,089,449	-	228,967	4,318,416
Exchange-Traded Funds	-	4,061,414	-	4,061,414
Alternative Investments	760,375	67,109,017	545,396	68,414,788
Total Investments	\$ 10,301,349	\$ 203,623,738	\$ 5,632,839	\$ 219,557,926

	Temporary Investments	Consolidated Investment Fund	Other Long- Term Investments	Fair Value
<i>As Adjusted Discretely Presented Component Units 2016</i>				
Money Market	\$ -	\$ 4,494,300	\$ -	\$ 4,494,300
Mortgage-/Asset-Backed Bonds	713,827	-	-	713,827
U.S. Government Obligations	1,213,305	-	-	1,213,305
Corporate Bonds/Notes	444,266	-	-	444,266
Municipal Bonds	33,184	-	2,923,856	2,957,040
Mutual Funds — Equity/Fixed	2,409,506	110,753,701	1,708,703	114,871,910
Equity	4,499,258	-	188,670	4,687,928
Exchange-Traded Funds	-	5,428,821	-	5,428,821
Alternative Investments	747,444	66,363,032	421,925	67,532,401
Total Investments	\$ 10,060,790	\$ 187,039,854	\$ 5,243,154	\$ 202,343,798

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

At June 30, 2017 and 2016, the primary institution had no exposure to custodial credit risk with the exception of the Guaranteed Investment Contracts as previously mentioned in the Cash and Cash Equivalents section. At June 30, 2017 and 2016, the discretely presented component units had exposure to custodial credit risk in the amounts of \$10,195,108 and \$10,387,960, respectively.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does have policies to mitigate exposure to interest rate risk by prohibiting certain high-risk investments and investment practices and by establishing duration and maturity guidelines for investments. A summary of the investments at June 30, 2017 and 2016 and their exposure to interest rate risk are as follows:

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<i>Primary Institution 2017</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	\$ 22,053,488	\$ 22,053,488	\$ -	\$ -	\$ -
Certificates of Deposit	3,259,747	3,259,747	-	-	-
Guaranteed Investment Contract	99,137,908	30,272,819	68,865,089	-	-
U.S. Treasury Securities	138,903,657	24,204,569	114,699,088	-	-
U.S. Government Agencies	119,014,223	6,140,151	112,874,072	-	-
Corporate Bonds/Notes	160,868,784	39,708,328	121,160,456	-	-
Municipal Bonds	12,311,193	4,837,424	7,473,769	-	-
Mutual Funds — Fixed	6,825,101	-	69,470	6,755,631	-
	<u>\$ 562,374,101</u>	<u>\$ 130,476,526</u>	<u>\$ 425,141,944</u>	<u>\$ 6,755,631</u>	<u>\$ -</u>
Items not subject to interest rate risk:					
Cash	\$ 6,488,238				
Money Market	11,381,055				
Mutual Funds — Equity/Fixed	290,081,341				
Equity	23,628,565				
Exchange-Traded Funds	10,242,771				
Alternative Investments	141,379,114				
	<u>\$ 483,201,084</u>				
Guaranteed Investment Contract (cash equivalent)	(99,137,908)				
University of New Mexico Foundation, Inc. Investments held in Consolidated Investment Fund	(203,623,738)				
Total Investments	<u>\$ 742,813,539</u>				

<i>As Adjusted Primary Institution 2016</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	\$ 28,579,397	\$ 28,579,397	\$ -	\$ -	\$ -
Certificates of Deposit	7,106,860	5,983,349	1,123,511	-	-
Guaranteed Investment Contract	55,208,995	1,849,496	53,359,499	-	-
U.S. Treasury Securities	127,505,695	5,964,215	113,374,297	8,167,183	-
U.S. Government Agencies	133,363,859	35,611,116	88,887,949	8,864,794	-
Corporate Bonds/Notes	153,862,553	31,555,002	122,307,551	-	-
Municipal Bonds	16,346,376	7,114,898	8,312,344	919,134	-
	<u>\$ 521,973,735</u>	<u>\$ 116,657,473</u>	<u>\$ 387,365,151</u>	<u>\$ 17,951,111</u>	<u>\$ -</u>
Items not subject to interest rate risk:					
Cash	\$ 244,192				
Money Market Account	16,905,838				
Mutual Funds — Equity/Fixed	242,346,011				
Equity	21,987,269				
Exchange-Traded Funds	13,038,948				
Alternative Investments	141,536,126				
Land Grant Permanent Fund	202,729,929				
	<u>\$ 638,788,313</u>				
Guaranteed Investment Contract (cash equivalent)	(55,208,995)				
University of New Mexico Foundation, Inc. Investments held in Consolidated Investment Fund	(187,039,854)				
Total Investments	<u>\$ 918,513,199</u>				

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June 30, 2017 and 2016

<i>Discretely Presented Component Units 2017</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:					
U.S. Government Securities	\$ 1,126,432	\$ 107,931	\$ 904,378	\$ 31,569	\$ 82,554
Mortgage-/Asset-Backed Bonds	725,026	-	145,883	20,222	558,921
Corporate Bonds/Notes	446,501	42,914	303,374	100,213	-
Municipal Bonds	3,173,719	127,309	1,029,627	1,402,095	614,688
Mutual Funds — Fixed	471,998	471,998	-	-	-
	<u>\$ 5,943,676</u>	<u>\$ 750,152</u>	<u>\$ 2,383,262</u>	<u>\$ 1,554,099</u>	<u>\$ 1,256,163</u>
Items not subject to interest rate risk:					
Money Market	\$ 890,928				
Mutual Funds — Equity/Fixed	135,928,704				
Equity	4,318,416				
Exchange-Traded Funds	4,061,414				
Alternative Investments	68,414,788				
	<u>\$ 213,614,250</u>				
Total Investments	<u>\$ 219,557,926</u>				

<i>As Adjusted Discretely Presented Component Units 2016</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:					
U.S. Government Securities	\$ 1,213,305	\$ -	\$ 1,033,317	\$ 47,660	\$ 132,328
Mortgage-/Asset-Backed Bonds	713,827	-	126,651	27,011	560,165
Corporate Bonds/Notes	444,266	64,352	162,462	99,006	118,446
Municipal Bonds	2,957,040	392,340	992,408	1,181,040	391,252
	<u>\$ 5,328,438</u>	<u>\$ 456,692</u>	<u>\$ 2,314,838</u>	<u>\$ 1,354,717</u>	<u>\$ 1,202,191</u>
Items not subject to interest rate risk:					
Money Market Account	\$ 4,494,300				
Mutual Funds — Equity/Fixed	114,871,910				
Equity	4,687,928				
Exchange-Traded Funds	5,428,821				
Alternative Investments	67,532,401				
	<u>\$ 197,015,360</u>				
Total Investments	<u>\$ 202,343,798</u>				

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, 2017 and 2016 and their exposure to credit risk are as follows:

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June 30, 2017 and 2016

Primary Institution 2017

Items subject to credit risk:

Credit Rating	Money Market	Guaranteed Investment Contract	U.S. Government Agencies	Corporate Bonds/Notes	Municipal Bonds	Mutual Funds - Fixed	Fair Value
Moody's — Aaa	\$ 607,112	\$ -	\$ 96,467,703	\$ 3,028,199	\$ 978,001	\$ 2,526,550	\$ 103,607,565
Moody's — Aa1	-	-	-	1,992,760	1,235,584	-	3,228,344
Moody's — Aa2	-	-	-	7,821,644	2,641,921	-	10,463,565
Moody's — Aa3	-	-	-	6,196,662	5,077,550	-	11,274,212
Moody's — A1	-	-	-	34,529,732	724,377	-	35,254,109
Moody's — A2	-	-	-	13,899,241	-	-	13,899,241
Moody's — A3	-	-	-	30,894,393	-	-	30,894,393
Moody's — Baa1	-	-	-	42,775,233	-	-	42,775,233
Moody's — Baa2	-	-	-	14,950,726	-	-	14,950,726
S&P — AAA	-	-	10,247,437	-	100,104	69,079	10,416,620
S&P — AA+	-	-	1,493,625	-	-	-	1,493,625
S&P — AA	-	-	2,876,764	1,415,011	301,933	152,637	4,746,345
S&P — A	-	-	-	1,972,944	1,251,723	-	3,224,667
S&P — BBB	-	-	-	1,392,239	-	-	1,392,239
S&P — B	-	-	-	-	-	27,044	27,044
Not Rated	18,208,309	99,137,908	7,928,694	-	-	4,049,791	129,324,702
Total items subject to credit risk	\$ 18,815,421	\$ 99,137,908	\$ 119,014,223	\$ 160,868,784	\$ 12,311,193	\$ 6,825,101	\$ 416,972,630

Items not subject to credit risk:

Cash	\$ 6,488,238
Money Market	14,619,122
Certificate of Deposit	3,259,747
U.S. Treasury Securities	138,903,657
Mutual Funds — Equity/Fixed	290,081,341
Equity	23,628,565
Exchange-Traded Funds	10,242,771
Alternative Investments	141,379,114
Total items not subject to credit risk	\$ 628,602,555
Guaranteed Investment Contact (cash equivalent)	(99,137,908)
University of New Mexico Foundation, Inc. Investments held in Consolidated Investment Fund	\$ (203,623,738)
Total Investments not subject to credit risk	\$ 742,813,539

As Adjusted Primary Institution 2016

Items subject to credit risk:

Credit Rating	Money Market	Guaranteed Investment Contract	U.S. Government Agencies	Corporate Bonds/Notes	Municipal Bonds	Mutual Funds - Fixed	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ 112,195,097	\$ 1,487,131	\$ 2,072,781	\$ -	\$ 115,755,009
Moody's — Aa1	-	-	-	2,004,920	3,195,066	-	5,199,986
Moody's — Aa2	-	-	-	7,206,155	2,611,045	-	9,817,200
Moody's — Aa3	-	-	-	15,830,863	6,865,772	-	22,696,635
Moody's — A1	-	-	-	23,324,047	736,186	-	24,060,233
Moody's — A2	-	-	-	22,363,486	-	-	22,363,486
Moody's — A3	-	-	-	23,128,531	-	-	23,128,531
Moody's — Baa1	-	-	-	37,511,232	-	-	37,511,232
Moody's — Baa2	-	-	-	14,903,164	-	-	14,903,164
S&P — AAA	-	-	-	-	230,819	-	230,819
S&P — AA	-	-	11,550,577	1,729,691	101,992	-	13,382,260
S&P — A	-	-	-	2,911,915	127,209	-	3,039,124
S&P — BBB	-	-	-	1,461,418	-	-	1,461,418
Not Rated	28,579,397	55,208,995	9,618,185	-	405,506	-	93,812,083
Total items subject to credit risk	\$ 28,579,397	\$ 55,208,995	\$ 133,363,859	\$ 153,862,553	\$ 16,346,376	\$ -	\$ 387,361,180

Items not subject to credit risk:

Cash	\$ 244,192
Money Market	16,905,838
Certificate of Deposit	7,106,860
U.S. Treasury Securities	127,505,695
Mutual Funds — Equity/Fixed	242,346,011
Equity	21,987,269
Exchange-Traded Funds	13,038,948
Alternative Investments	141,536,126
Land Grant Permanent Fund	202,729,929
Total items not subject to credit risk	\$ 773,400,868
Guaranteed Investment Contact (cash equivalent)	(55,208,995)
University of New Mexico Foundation, Inc. Investments held in Consolidated Investment Fund	\$ (187,039,854)
Total Investments not subject to credit risk	\$ 918,513,199

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Discretely Presented Component Units 2017

Items subject to credit risk:

Credit Rating	U.S. Government Agencies	Corporate Bonds/Notes	Mortgage-/Asset-Backed Bonds	Municipal Bonds	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ -	\$ 695,283	\$ 695,283
Moody's — Aa1	-	-	-	207,970	207,970
Moody's — Aa2	-	-	-	1,176,299	1,176,299
Moody's — Aa3	-	-	-	326,926	326,926
Moody's — A1	-	-	-	20,057	20,057
Moody's — A2	-	-	-	30,985	30,985
Moody's — A3	-	-	-	61,588	61,588
S&P — AAA	-	-	145,883	-	145,883
S&P — AA+	118,662	-	-	-	118,662
S&P — AA-	-	25,103	-	-	25,103
S&P — A	-	15,746	-	-	15,746
S&P — A-	-	143,773	-	-	143,773
S&P — BBB+	-	202,435	-	-	202,435
S&P — BBB	-	59,444	-	-	59,444
US Government Guaranteed	1,007,770	-	-	-	1,007,770
Not Rated	-	-	579,143	654,611	1,233,754
Total items subject to credit risk	\$ 1,126,432	\$ 446,501	\$ 725,026	\$ 3,173,719	\$ 5,471,678

Items not subject to credit risk:

Money Market Account	\$ 890,928
Mutual Funds — Equity/Fixed Equity	136,400,702
Exchange-Traded Funds	4,318,416
Marketable Alternatives	4,061,414
Total items not subject to credit risk	\$ 68,414,788
Total Investments	\$ 219,557,926

As Adjusted Discretely Presented Component Units 2016

Items subject to credit risk:

Credit Rating	U.S. Government Agencies	Corporate Bonds/Notes	Mortgage-/Asset-Backed Bonds	Municipal Bonds	Fair Value
Moody's — Aaa	\$ -	\$ -	\$ -	\$ 651,091	\$ 651,091
Moody's — Aa1	-	-	-	148,347	148,347
Moody's — Aa2	-	-	-	986,539	986,539
Moody's — Aa3	-	-	-	607,509	607,509
Moody's — A1	-	-	-	10,356	10,356
Moody's — A2	-	-	-	32,101	32,101
Moody's — A3	-	-	-	63,702	63,702
S&P — AAA	-	-	120,287	-	120,287
S&P — AA+	121,981	26,212	-	-	148,193
S&P — A	-	16,253	-	-	16,253
S&P — A-	-	100,136	-	-	100,136
S&P — BBB+	-	181,983	-	33,184	215,167
S&P — BBB	-	102,520	-	-	102,520
S&P — BBB-	-	17,162	-	-	17,162
Not Rated	1,091,324	-	593,540	424,211	2,109,075
Total items subject to credit risk	\$ 1,213,305	\$ 444,266	\$ 713,827	\$ 2,957,040	\$ 5,328,438

Items not subject to credit risk:

Money Market Account	\$ 4,494,300
Mutual Funds — Equity/Fixed Equity	114,871,910
Exchange-Traded Funds	4,687,928
Alternative Investments	5,428,821
Total items not subject to credit risk	\$ 67,532,401
Total Investments	\$ 202,343,798

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June 30, 2017 and 2016

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. In order to mitigate foreign currency risk, University policy allows for currency forwards to be implemented as a hedge to the global fixed income portfolio when deemed appropriate. In addition, University policy states that the portfolio will not invest more than 5% of the total market value of its investments (measured at the time of purchase) in the debt obligations of any single fixed income issuer; however, securities issued and guaranteed by Organization for Economic Cooperation and Development (OECD) nations may be held without limitation. At June 30, 2017 and 2016, the University had no investments subject to foreign currency risk.

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

The University does have a policy to limit its exposure to concentrated credit risk; the policy states that investments shall be diversified with the intent to minimize the risk of large investment losses. For the fiscal year ended June 30, 2017, the University had 9.34% of its investments in guaranteed investment contracts held at Bayern Landesbank.

Investment Income — At June 30, 2017 and 2016, investment income consisted of the following:

	<u>2017</u>	<u>As Adjusted 2016</u>
Primary Institution Investment Income		
<i>Investment Revenue</i>		
Investment income	\$ 2,941,864	\$ 1,834,842
Land Grant Permanent Fund distributions	10,995,164	9,888,203
<i>Realized Gains (Losses)</i>		
Endowments — Consolidated Investment Fund	(641,250)	1,283,444
Nonendowment investments	326,106	265,566
<i>Unrealized Gains (Losses)</i>		
Land Grant Permanent Fund	-	(6,813,158)
Endowments — Consolidated Investment Fund	23,858,376	(6,046,371)
Nonendowment investments	(5,546,232)	4,635,960
Primary Institution Investment Income	<u>\$ 31,934,028</u>	<u>\$ 5,048,486</u>
Discretely Presented Component Units		
Investment Income	<u>\$ 23,159,663</u>	<u>\$ (2,304,928)</u>

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June 30, 2017 and 2016

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

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

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

The investments valued using NAV include the following strategies:

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

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June 30, 2017 and 2016

A summary of fair value measurements at June 30, 2017 and 2016 are as follows:

<i>Primary Institution 2017</i>	<u>Fair Value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments held by the Primary Institution:				
Certificates of Deposit	\$ 3,259,747	\$ -	\$ 3,259,747	\$ -
U.S. Treasury Securities	138,903,657	138,903,657	-	-
U.S. Government Agencies	119,014,223	-	119,014,223	-
Corporate Bonds/Notes	160,868,784	-	160,868,784	-
Municipal Bonds	12,311,193	-	12,311,193	-
Mutual Funds — Fixed	50,141,726	50,141,726	-	-
Mutual Funds — Equity	15,266,505	15,266,505	-	-
Equity	6,166,573	1,166,573	-	5,000,000
Exchange-Traded Funds	10,242,771	10,242,771	-	-
Total	\$ 516,175,179	\$ 215,721,232	\$ 295,453,947	\$ 5,000,000
	<u>Fair Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Investments measured at the NAV:				
Marketable Alternatives	\$ 81,709,759	\$ -	Monthly/Quarterly/ Annually	2 to 90 days
Private Equity	39,171,442	41,478,891	-	-
Illiquid Funds	9,886,519	1,746,977	-	-
Real Estate funds	10,611,394	667,556	-	-
Mutual Funds — Fixed	35,867,764	-	-	1 to 30 days
Mutual Funds — Equity	195,630,447	-	-	1 to 2 days
Total	\$ 372,877,325	\$ 43,893,424		
Investments measured at the amortized cost:				
Guaranteed Investment Contract	\$ 99,137,908			
Money Market	33,434,543			
Total	\$ 132,572,451			
Other:				
Cash	\$ 6,488,238			
Equity	17,461,992			
Guaranteed Investment Contract (cash equivalent)	(99,137,908)			
University of New Mexico Foundation, Inc.				
Investments held in Consolidated Investment Fund	(203,623,738)			
Total Investments	\$ 742,813,539			

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

<i>As Adjusted Primary Institution 2016</i>	<u>Fair Value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments held by the Primary Institution:				
Certificates of Deposit	\$ 7,106,860	\$ -	\$ 7,106,860	\$ -
U.S. Treasury Securities	127,505,695	127,505,695	-	-
U.S. Government Agencies	133,363,859	-	133,363,859	-
Corporate Bonds/Notes	153,862,553	-	153,862,553	-
Municipal Bonds	16,346,376	-	16,346,376	-
Mutual Funds	491,949	491,949	-	-
Mutual Funds — Fixed	42,354,727	42,354,727	-	-
Equity	5,946,385	946,385	-	5,000,000
Exchange-Traded Funds	13,038,948	13,038,948	-	-
Real Estate	72,289	72,289	-	-
Total	\$ 500,089,641	\$ 184,409,993	\$ 310,679,648	\$ 5,000,000

	<u>Fair Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Investments measured at the NAV:				
Marketable Alternatives	\$ 80,010,697	\$ -	Monthly/Quarterly/ Annually	2 to 90 days
Private Equity	44,404,114	25,408,958	-	-
Illiquid Real Asset Funds	4,615,351	2,273,351	-	-
Real Estate Funds	12,433,675	693,748	-	-
Mutual Funds — Fixed	29,910,157	-	-	5 to 60 days
Mutual Funds — Equity	169,589,178	-	-	1 to 2 days
Total	\$ 340,963,172	\$ 28,376,057		

Investments measured at the amortized cost:	
Guaranteed Investment Contract	\$ 55,208,995
Money Market	45,485,235
Total	\$ 100,694,230

Other:	
Cash	\$ 244,192
Equity	16,040,884
Land Grant Permanent Fund	202,729,929
Guaranteed Investment Contract (cash equivalent)	(55,208,995)
University of New Mexico Foundation, Inc.	
Investments held in Consolidated Investment Fund	(187,039,854)
Total Investments	\$ 918,513,199

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

<i>Discretely Presented Component Units 2017</i>	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held by the Component Units:				
Mortgage-/Asset-Backed Bonds	\$ 725,026	\$ -	\$ 725,026	\$ -
U.S. Government Agencies	1,126,432	-	1,126,432	-
Corporate Bonds/Notes	446,501	-	446,501	-
Municipal Bonds	3,173,719	-	3,173,719	-
Mutual Funds	1,382,149	1,382,149	-	-
Mutual Funds — Fixed	21,610,202	21,610,202	-	-
Mutual Funds — Equity	2,582,983	2,582,983	-	-
Equity	4,318,416	4,318,416	-	-
Exchange-Traded Funds	4,061,414	4,061,414	-	-
Real Estate	394,159	394,159	-	-
Alternative Investments	140,806	140,806	-	-
Other	365,792	365,792	-	-
Total	\$ 40,327,599	\$ 34,855,921	\$ 5,471,678	\$ -

Investments measured at the NAV:	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Marketable Alternatives	\$ 38,948,462	\$ -	Monthly/Quarterly/ Annually	2 to 90 days
Private Equity	18,752,583	19,855,945	-	-
Illiquid Real Asset Funds	4,732,983	836,278	-	-
Real Estate funds	5,080,003	319,559	-	-
Mutual Funds — Fixed	17,171,010	-	Daily-monthly	1 to 30 days
Mutual Funds — Equity	93,654,358	-	Daily	1 to 2 days
Total	\$ 178,339,399	\$ 21,011,782		

Investments measured at the amortized cost:

Money Market	\$ 890,928
Total	\$ 890,928
Total Investments	\$ 219,557,926

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

<i>As Adjusted Discretely Presented Component Units 2016</i>	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held by the Component Units:				
Mortgage-/Asset-Backed Bonds	\$ 713,827	\$ -	\$ 713,827	\$ -
U.S. Government Agencies	1,213,305	-	1,213,305	-
Corporate Bonds/Notes	444,266	-	444,266	-
Municipal Bonds	2,957,040	-	2,957,040	-
Mutual Funds	3,304,583	3,304,583	-	-
Mutual Funds — Fixed	20,048,606	20,048,606	-	-
Mutual Funds — Equity	813,626	813,626	-	-
Equity	4,687,928	4,687,928	-	-
Exchange-Traded Funds	5,428,821	5,428,821	-	-
Real Estate	424,609	424,609	-	-
Other	234,994	226,013	8,981	-
Total	\$ 40,271,605	\$ 34,934,186	\$ 5,337,419	\$ -

	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Investments measured at the NAV:				
Marketable Alternatives	\$ 37,783,960	\$ -	Monthly/Quarterly/ Annually	2 to 90 days
Private Equity	21,018,683	12,026,060	-	-
Illiquid Real Asset Funds	2,184,676	1,075,977	-	-
Real Estate funds	5,885,479	328,351	-	-
Mutual Funds — Fixed	14,157,970	-	Daily-monthly	5 to 60 days
Mutual Funds — Equity	76,547,125	-	Daily	1 to 2 days
Total	\$ 157,577,893	\$ 13,430,388		

Investments measured at the amortized cost:

Money Market	\$ 4,494,300
Total	\$ 4,494,300
Total Investments	\$ 202,343,798

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

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

Accounts receivable and patient receivables are shown net of allowances for doubtful accounts in the accompanying statements of net position. At June 30, 2017 and 2016, receivables consisted of the following:

	<u>2017</u>	<u>As Adjusted 2016</u>
Accounts receivable, net		
Primary Institution:		
Contracts and grants	\$ 37,757,714	\$ 36,499,078
Tuition and fees	14,823,761	14,070,048
Auxiliaries	11,845,807	11,706,612
Sales and services	8,498,886	10,094,346
State of New Mexico bonds	7,923,346	11,953,671
HSC health services	2,009,250	2,526,847
Other	1,627,321	2,230,111
Total accounts receivable	<u>\$ 84,486,085</u>	<u>\$ 89,080,713</u>
Less: Allowance for doubtful accounts	<u>(20,737,363)</u>	<u>(21,104,230)</u>
Total accounts receivable, net	<u>\$ 63,748,722</u>	<u>\$ 67,976,483</u>
Discretely Presented Component Units		
	<u>\$ 1,836,071</u>	<u>\$ 1,638,615</u>
Patient receivables, net		
Primary Institution:		
Patient receivables	\$ 556,310,527	\$ 543,995,524
Less: Allowance for doubtful accounts and contractual adjustments	<u>(396,219,056)</u>	<u>(372,375,485)</u>
Total patient receivables, net	<u>\$ 160,091,471</u>	<u>\$ 171,620,039</u>
Other receivables		
Primary Institution:		
Interest receivable	\$ 1,758,178	\$ 2,595,735
Bernalillo County mill levy	1,561,032	1,739,691
Other receivables	<u>5,735,909</u>	<u>3,081,730</u>
Total other receivables	<u>\$ 9,055,119</u>	<u>\$ 7,417,156</u>

(5) Notes Receivable

At June 30, 2017 and 2016, notes receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Primary Institution:		
Student loans, current	\$ 5,116,617	\$ 2,789,693
Student loans, noncurrent	<u>8,946,215</u>	<u>9,273,235</u>
Total notes receivable	<u>\$ 14,062,832</u>	<u>\$ 12,062,928</u>

Federal Perkins Loans make up approximately 59% and 71% of the student loans at June 30, 2017 and 2016, respectively. Under this program, the federal government provides funds for approximately 75% of the total contribution for student loans, with the University providing the remaining balance. Under certain conditions, such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University 10% for the amounts canceled on loans originated prior to July 1, 1993 under the Federal Perkins Loan Program.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

(6) Capital Assets (in thousands)

	Year Ended June 30, 2017				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Primary Institution:					
Capital assets not being depreciated					
Land	\$ 58,284	\$ -	\$ -	\$ -	\$ 58,284
Construction in progress	28,660	68,934	(21,682)	-	75,912
Fabricated equipment in progress	31	1,099	(4)	-	1,126
Total capital assets not being depreciated	<u>\$ 86,975</u>	<u>\$ 70,033</u>	<u>\$ (21,686)</u>	<u>\$ -</u>	<u>\$ 135,322</u>
Depreciable capital assets					
Land improvements	\$ 79,906	\$ -	\$ 87	\$ -	\$ 79,993
Infrastructure	177,727	-	2,403	-	180,130
Buildings	1,477,349	3,695	14,515	(1,862)	1,493,697
Equipment and furnishings	708,464	33,633	4,681	(50,798)	695,980
Library books	176,013	5,398	-	-	181,411
Total depreciable capital assets	<u>\$ 2,619,459</u>	<u>\$ 42,726</u>	<u>\$ 21,686</u>	<u>\$ (52,660)</u>	<u>\$ 2,631,211</u>
Less: Accumulated depreciation for					
Land improvements	\$ (50,380)	\$ (2,672)	\$ -	\$ -	\$ (53,052)
Infrastructure	(98,792)	(8,210)	-	-	(107,002)
Buildings	(583,730)	(39,382)	-	1,432	(621,680)
Equipment and furnishings	(515,144)	(47,593)	-	50,364	(512,373)
Library books	(163,144)	(6,252)	-	-	(169,396)
Total accumulated depreciation	<u>\$ (1,411,190)</u>	<u>\$ (104,109)</u>	<u>\$ -</u>	<u>\$ 51,796</u>	<u>\$ (1,463,503)</u>
Total depreciable capital assets, net	<u>\$ 1,208,269</u>	<u>\$ (61,383)</u>	<u>\$ 21,686</u>	<u>\$ (864)</u>	<u>\$ 1,167,708</u>
Capital asset summary					
Capital assets not being depreciated	\$ 86,975	\$ 70,033	\$ (21,686)	\$ -	\$ 135,322
Depreciable capital assets at cost	2,619,459	42,726	21,686	(52,660)	2,631,211
Total cost of capital assets	\$ 2,706,434	\$ 112,759	\$ -	\$ (52,660)	\$ 2,766,533
Less: Accumulated depreciation	(1,411,190)	(104,109)	-	51,796	(1,463,503)
Capital assets, net	<u>\$ 1,295,244</u>	<u>\$ 8,650</u>	<u>\$ -</u>	<u>\$ (864)</u>	<u>\$ 1,303,030</u>
Discretely Presented Component Units:					
Capital assets, net	<u>\$ 63</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</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, 2017 and 2016, the University capitalized interest expense of \$57,235 and \$0, respectively.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

	As Adjusted Year Ended June 30, 2016				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Primary Institution:					
Capital assets not being depreciated					
Land	\$ 55,460	\$ -	\$ 2,824	\$ -	\$ 58,284
Construction in progress	34,460	38,420	(44,184)	(36)	28,660
Fabricated equipment in-progress	-	31	-	-	31
Total capital assets not being depreciated	<u>\$ 89,920</u>	<u>\$ 38,451</u>	<u>\$ (41,360)</u>	<u>\$ (36)</u>	<u>\$ 86,975</u>
Depreciable capital assets					
Land improvements	\$ 78,102	\$ -	\$ 1,804	\$ -	\$ 79,906
Infrastructure	173,417	-	4,310	-	177,727
Buildings	1,448,456	90	28,803	-	1,477,349
Equipment and furnishings	690,487	32,794	6,443	(21,260)	708,464
Library books	169,533	6,480	-	-	176,013
Total depreciable capital assets	<u>\$ 2,559,995</u>	<u>\$ 39,364</u>	<u>\$ 41,360</u>	<u>\$ (21,260)</u>	<u>\$ 2,619,459</u>
Less: Accumulated depreciation for					
Land improvements	\$ (47,374)	\$ (3,006)	\$ -	\$ -	\$ (50,380)
Infrastructure	(90,530)	(8,262)	-	-	(98,792)
Buildings	(544,584)	(40,130)	-	984	(583,730)
Equipment and furnishings	(489,061)	(46,941)	-	20,858	(515,144)
Library books	(156,620)	(6,524)	-	-	(163,144)
Total accumulated depreciation	<u>\$ (1,328,169)</u>	<u>\$ (104,863)</u>	<u>\$ -</u>	<u>\$ 21,842</u>	<u>\$ (1,411,190)</u>
Total depreciable capital assets, net	<u>\$ 1,231,826</u>	<u>\$ (65,499)</u>	<u>\$ 41,360</u>	<u>\$ 582</u>	<u>\$ 1,208,269</u>
Capital asset summary					
Capital assets not being depreciated	\$ 89,920	\$ 38,451	\$ (41,360)	\$ (36)	\$ 86,975
Depreciable capital assets at cost	<u>2,559,995</u>	<u>39,364</u>	<u>41,360</u>	<u>(21,260)</u>	<u>2,619,459</u>
Total cost of capital assets	\$ 2,649,915	\$ 77,815	\$ -	\$ (21,296)	\$ 2,706,434
Less: Accumulated depreciation	<u>(1,328,169)</u>	<u>(104,863)</u>	<u>-</u>	<u>21,842</u>	<u>(1,411,190)</u>
Capital assets, net	<u>\$ 1,321,746</u>	<u>\$ (27,048)</u>	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 1,295,244</u>
Discretely Presented Component Units:					
Capital assets, net	<u>\$ 88</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63</u>

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

(7) Accounts Payable and Accrued Payroll

At June 30, 2017 and 2016, accounts payable and accrued payroll consisted of the following:

	<u>2017</u>	<u>As Adjusted 2016</u>
Primary Institution:		
Trade payables	\$ 107,749,896	\$ 94,129,807
Accrued payroll	61,204,749	63,219,247
Self-insurance reserve	26,716,397	19,084,479
Total accounts payable and accrued payroll	<u>\$ 195,671,042</u>	<u>\$ 176,433,533</u>
Discretely Presented Component Units	<u>\$ 1,934,625</u>	<u>\$ 1,949,837</u>

(8) Accrued Compensated Absences

During the years ended June 30, 2017 and 2016, the following changes occurred in accrued compensated absences for the primary institution:

<u>Fiscal Year</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
2017	\$ 55,099,658	\$ 63,027,354	\$ (62,382,359)	\$ 55,744,653
As Adjusted 2016	53,007,479	61,539,550	(59,447,371)	55,099,658

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, 2017 and 2016

(9) Other Accrued Liabilities — Current

At June 30, 2017 and 2016, other accrued liabilities consisted of the following:

	<u>2017</u>	<u>As Adjusted 2016</u>
Primary Institution:		
Bond interest	\$ 5,693,399	\$ 4,479,286
Royalty sharing	684,771	1,022,124
Other	3,669,162	3,700,116
Total other accrued liabilities, current	<u>\$ 10,047,332</u>	<u>\$ 9,201,526</u>
Discretely Presented Component Units	<u>\$ 791,221</u>	<u>\$ 1,202,534</u>

(10) Unearned Revenue

At June 30, 2017 and 2016, unearned revenue consisted of the following:

	<u>2017</u>	<u>2016</u>
Primary Institution:		
Contracts and grants	\$ 27,303,314	\$ 28,326,271
Prepaid tuition and fees	7,425,890	6,336,126
Gifts	6,609,295	5,248,024
Prepaid auxiliary operations sales	4,092,723	5,036,601
Sales and services	478,709	1,141,053
Other	923	150,905
Total unearned revenue	<u>\$ 45,910,854</u>	<u>\$ 46,238,980</u>
Discretely Presented Component Units	<u>\$ 656,170</u>	<u>\$ 766,399</u>

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

(11) Noncurrent Liabilities

At June 30, 2017 and 2016, noncurrent liabilities consisted of the following:

	Year Ended June 30, 2017					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution:						
Bonds payable	\$ 673,146,050	\$ 46,237,931	\$ (28,331,012)	\$ 691,052,969	\$ 26,486,923	\$ 664,566,046
Long-term debt	6,394,439	1,000,000	(1,162,414)	6,232,025	1,081,349	5,150,676
Student loan programs	12,202,926	609,604	(848,148)	11,964,382	-	11,964,382
Derivative instruments — interest rate swaps	13,350,038	-	(4,745,789)	8,604,249	-	8,604,249
Net pension liability	1,068,222,984	192,309,630	(66,681,709)	1,193,850,905	-	1,193,850,905
Net OPEB obligation	21,853,100	2,500,000	-	24,353,100	-	24,353,100
Other	211,855	9,335	-	221,190	-	221,190
Total	\$ 1,795,381,392	\$ 242,666,500	\$(101,769,072)	\$ 1,936,278,820	\$ 27,568,272	\$ 1,908,710,548
Discretely Presented Component Units:						
Due to University of New Mexico	\$ 11,335,160	\$ 830,248	\$ (300,000)	\$ 11,865,408	\$ 7,211,175	\$ 4,654,233
Other	2,089,450	-	(207,484)	1,881,966	-	1,881,966
Total	\$ 13,424,610	\$ 830,248	\$(507,484)	\$ 13,747,374	\$ 7,211,175	\$ 6,536,199
As Adjusted Year Ended June 30, 2016						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution:						
Bonds payable	\$ 639,216,282	\$ 179,075,134	\$(145,145,366)	\$ 673,146,050	\$ 25,257,969	\$ 647,888,081
Long-term debt	7,350,745	-	(956,306)	6,394,439	981,891	5,412,548
Student loan programs	12,232,657	305,187	(334,918)	12,202,926	-	12,202,926
Derivative instruments — interest rate swaps	11,151,419	2,198,619	-	13,350,038	-	13,350,038
Net pension liability	937,754,765	207,258,998	(76,790,779)	1,068,222,984	-	1,068,222,984
Net OPEB obligation	28,664,283	-	(6,811,183)	21,853,100	-	21,853,100
Other	237,774	-	(25,919)	211,855	-	211,855
Total	\$ 1,636,607,925	\$ 388,837,938	\$(230,064,471)	\$ 1,795,381,392	\$ 26,239,860	\$ 1,769,141,532
Discretely Presented Component Units:						
Due to University of New Mexico	\$ 54,256,881	\$ 250,634	\$ (43,172,355)	\$ 11,335,160	\$ 7,757,227	\$ 3,577,933
Other	2,308,853	-	(219,403)	2,089,450	-	2,089,450
Total	\$ 56,565,734	\$ 250,634	\$(43,391,758)	\$ 13,424,610	\$ 7,757,227	\$ 5,667,383

A promissory note payable to UNM from Lobo Development Corporation, a blended component unit of the University, was issued on April 1, 2013 and is eliminated from the consolidated financial statements. A Loan Revision Agreement was issued on January 1, 2016 to reduce the principal as a result of the sale of one of the three buildings to UNM. Principal and interest payments are due monthly on the first day of each month. This note bears interest at 3% and matures May 1, 2020. The outstanding principal balance at June 30, 2017 is \$14,689,109, of which \$382,358 is due within one year.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

(12) Bonds Payable

(A) University

The University pledges substantially all unrestricted revenues, excluding state appropriations, to satisfy its bond obligations. Pledged revenues for the University were \$514,249,430 and \$493,182,806 as of June 30, 2017 and 2016 (see Schedule 22).

At June 30, 2017 and 2016, bonds payable for the University consisted of the following:

	<u>2017</u>	<u>2016</u>
Subordinate Lien System Improvement Revenue Bonds Series 2017 with interest ranging from 3.25% to 5.0% – final maturity 2047	\$ 40,900,000	\$ -
Subordinate Lien System Refunding & Improvement Revenue Bonds Series 2016A with interest ranging from 2.0% to 5.0% – final maturity 2046	157,450,000	158,435,000
Subordinate Lien System Refunding & Improvement Revenue Bonds Series 2016B with interest ranging from 0.72% to 2.48% – final maturity 2024	7,870,000	8,030,000
Subordinate Lien System Improvement Revenue Bonds Series 2014A with interest ranging from 3.0% to 5.0% – final maturity 2033	7,195,000	8,475,000
Subordinate Lien System Improvement Revenue Bonds Series 2014B with interest ranging from 0.496% to 3.28% – final maturity 2024	2,635,000	3,005,000
Subordinate Lien System Improvement Revenue Bonds Series 2014C with interest ranging from 1.5% to 5.0% – final maturity 2035	92,855,000	95,475,000
Subordinate Lien System Improvement Revenue Bonds Series 2012 with interest ranging from 2.0% to 5.0% – final maturity 2032	27,715,000	29,165,000
Subordinate Lien System Improvement Revenue Bonds Series 2007 A&B with interest ranging from 4.0% to 5.95% – final maturity 2036	2,920,000	5,010,000
Subordinate Lien System Refunding Revenue Bonds Series 2002B (Variable) with a synthetic fixed interest rate of 3.83% achieved through an interest rate exchange agreement – final maturity 2026	16,150,000	17,450,000
Subordinate Lien System Refunding Revenue Bonds Series 2002C (Variable) with a synthetic fixed interest rate of 3.94% achieved through an interest rate exchange agreement – final maturity 2030	31,475,000	32,460,000
Subordinate Lien System Improvement Revenue Bonds Series 2001 Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2017 was 0.91% Ceiling of 12% – final maturity 2026	26,390,000	28,755,000
System Revenue Bonds Series 2000A with interest ranging from 5.5% to 6.35% – final maturity 2019	538,733	921,702
System Revenue Refunding Bonds Series 1992A with interest ranging from 5.60% to 6.25% – final maturity 2021	9,410,000	11,600,000
	<u>\$423,503,733</u>	<u>\$398,781,702</u>
Add: Bond premiums	39,168,007	36,917,132
Less: Bond discounts	(3,771)	(17,784)
Current portion of bonds payable	(17,166,923)	(16,177,969)
Noncurrent bonds payable	<u>\$445,501,046</u>	<u>\$419,503,081</u>

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017 and 2016

Future debt service for the University as of June 30, 2017 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2018	\$ 17,166,923	\$ 19,389,680	\$ 36,556,603
2019	18,651,810	18,026,779	36,678,589
2020	19,930,000	16,760,213	36,690,213
2021	20,800,000	15,897,690	36,697,690
2022	21,440,000	14,984,722	36,424,722
2023–2027	114,700,000	59,687,409	174,387,409
2028–2032	101,020,000	36,928,870	137,948,870
2033–2037	67,305,000	17,384,850	84,689,850
2038–2042	20,255,000	7,814,726	28,069,726
2043–2047	22,235,000	2,876,250	25,111,250
	<u>\$ 423,503,733</u>	<u>\$ 209,751,189</u>	<u>\$ 633,254,922</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, 2017 was \$4,825,000.

On March 1, 2016, the University defeased \$113,375,000 of the 2007A tax-exempt series revenue bonds. An escrow account was funded in the amount of \$120,925,885 from the 2016A Refunding and Improvement Revenue Bonds, and that amount was placed in an irrevocable trust to provide for all future debt service payments. The refunding resulted in debt service savings to the University. There is no remaining principal outstanding in the escrow account at June 30, 2017.

On March 1, 2016, the University defeased \$7,480,000 of the 2007B taxable series revenue bonds. An escrow account was funded in the amount of \$8,087,834 from the 2016B Refunding and Improvement Revenue Bonds, and that amount was placed in an irrevocable trust to provide for all future debt service payments. There is no remaining principal outstanding in the escrow account at June 30, 2017.

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

Standby Purchase Agreements:

A SBPA provides liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. Liquidity fees for the years ended June 30, 2017 and 2016 were \$318,190 and \$239,731, respectively. An agreement with U.S. Bank was entered into on December 31, 2014 for a three year term expiring December 29, 2017. The University has entered into negotiations with U.S. Bank for a possible three year extension of the agreement. A schedule including the provider and maturities is presented below, as of June 30, 2017:

U.S. Bank				
Liquidity Expiration	Series 2001	Series 2002B	Series 2002C	Grand Total
<u>12/29/2017</u>	<u>\$ 26,390,000</u>	<u>\$ 16,150,000</u>	<u>\$ 31,475,000</u>	<u>\$74,015,000</u>

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

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

Liquidity Fees

	2001	2002B	2002C	Total
FY17	<u>\$ 116,954</u>	<u>\$ 71,862</u>	<u>\$ 129,374</u>	<u>\$ 318,190</u>
FY16	<u>\$ 88,116</u>	<u>\$ 54,142</u>	<u>\$ 97,473</u>	<u>\$ 239,731</u>

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

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

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

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

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

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Interest Rate Swap Agreements:

As of June 30, 2017, 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	\$ (853,808)	\$ (1,338,940)	\$ 6,597,500	\$ 7,188,750
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	\$ (4,943,295)	\$ (7,564,146)	\$ 31,475,000	\$ 32,460,000
C - JP Morgan	Pay-fixed/Receive-variable interest rate swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.83% Fixed	\$ (1,945,172)	\$ (3,097,897)	\$ 16,150,000	\$ 17,450,000
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	\$ (861,974)	\$ (1,349,055)	\$ 6,597,500	\$ 7,188,750
Investment Derivatives									
E - JP Morgan	Pay-variable/Receive-variable interest rate swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Swap Overlays)	8/15/2006	6/1/2026	Receive 63.55% of 5-year LIBOR swap rate + .31% -Pay SIFMA	\$ 207,703	\$ 384,450	\$ 13,195,000	\$ 14,377,500
F - JP Morgan	Pay-variable/Receive-variable interest rate swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Swap Overlays)	8/15/2006	6/1/2030	Receive 63.55% of 5-year LIBOR swap rate + .31% -Pay SIFMA	\$ 674,705	\$ 1,207,541	\$ 31,475,000	\$ 32,460,000

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

Risks

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

<u>Entity</u>	<u>Moody's</u>		<u>S & P</u>		<u>Fitch</u>	
	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>
JP Morgan	Aa3	P1	A+	A1	AA-	F1+
RBC Royal Bank	A1	P1	AA-	A1+	AA	F1+

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

Basis risk. The variable-rate debt hedged by the University's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (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 index (SIFMA) the University pays on the VRDO bonds. At June 30, 2017, the interest rate on the University's variable-rate hedged debt (SIFMA) is 0.91%, while the 63.55% of five year LIBOR + 0.31% is 1.44%.

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, 2017; therefore, no collateral has been posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2017, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates on hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total</u>
2018	\$ 4,840,000	\$ 362,674	\$ 1,813,185	\$ 7,015,859
2019	5,570,000	366,628	1,659,247	7,595,875
2020	6,320,000	378,450	1,465,586	8,164,036
2021	6,580,000	375,217	1,269,595	8,224,812
2022	6,855,000	362,541	1,080,400	8,297,941
2023	7,155,000	331,068	913,384	8,399,452
2024	7,465,000	291,725	749,348	8,506,073
2025	7,770,000	241,148	593,874	8,605,022
2026	9,900,000	183,483	440,070	10,523,553
2027	2,900,000	102,306	250,852	3,253,158
2028	3,030,000	78,373	184,458	3,292,831
2029	3,160,000	52,078	117,667	3,329,745
2030	2,470,000	23,218	50,882	2,544,100
	<u>\$ 74,015,000</u>	<u>\$ 3,148,909</u>	<u>\$ 10,588,548</u>	<u>\$ 87,752,457</u>

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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, 2017. 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 2017 for the hedge instruments was a \$4,745,789 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. For fiscal year 2016, the change was a \$2,198,619 increase to the liability and an equal offsetting increase 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, 2017 was recorded to unrealized losses in the amount of \$709,583. As of June 30, 2016, the fair value change for swaps E and F was recorded to unrealized losses in the amount of \$523,646.

(B) *University of New Mexico Hospital*

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

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

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

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

The Regents granted the GNMA issuer in respect of the UNMH HUD-insured bonds a security interest in all of UNM Hospital's revenues, cash (with the exception of the proceeds of the UNM Hospital mill levy and state appropriations), accounts receivable, contract rights, and the proceeds of the same. In addition, in that certain regulatory agreement signed by the Regents, that is still in effect today, the University agreed and committed to HUD that it would not "assign, transfer, dispose of, or encumber any personal property of the project including revenues from any source..." As a result, of the \$866,616,450 in cash and short-term investments held by the primary institution as of June 30, 2017, \$416,759,469 is cash reserves of UNM Hospital subject to the security interest granted by the Regents to the bond Trustee and to the restrictions in the regulatory agreement. Lastly, in accordance with the terms of the lease under which the University leases a portion of the UNM Hospital facility from Bernalillo County, all reserves of the UNM Hospital covered by the lease are restricted to use for operation and maintenance of the UNM Hospital.

The refinancing of the 2004 Series bonds during fiscal year 2015 reduced the Hospital's total debt service payments by approximately \$56.7 million through 2032 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$15.9 million.

The 2015 Series bonds were issued as special limited obligations of the Hospital and are secured primarily by fully modified mortgage backed securities in the aggregate principal amount of \$109,585,926 (GNMA Securities), issued by

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Prudential Huntoon Paige Associates, Ltd. (Lender), guaranteed as to principal and interest by the Government National Mortgage Association (GNMA), with respect to the mortgage note.

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

Interest expense associated with the bonds payable was approximately \$3,171,000 and \$3,183,000 for the years ended June 30, 2017 and 2016, respectively. Interest income earned from the investment of the bond proceeds was approximately \$21,667 and \$1,946 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, bonds payable for the Hospital consisted of the following:

	<u>2017</u>	<u>2016</u>
FHA Insured Hospital Mortgage Revenue Bonds Series 2015 with interest ranging from 0.484% to 3.532% – final maturity 2032	\$103,425,000	\$108,965,000
Less: Current portion of bonds payable	(5,605,000)	(5,540,000)
Noncurrent bonds payable	<u>\$ 97,820,000</u>	<u>\$103,425,000</u>

Future debt service for the Hospital as of June 30, 2017 for the bonds is as follows:

Year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,605,000	\$ 3,120,623	\$ 8,725,623
2019	5,700,000	3,040,023	8,740,023
2020	5,815,000	2,937,537	8,752,537
2021	5,950,000	2,818,446	8,768,446
2022	6,105,000	2,676,657	8,781,657
2023–2027	33,670,000	10,492,272	44,162,272
2028–2032	40,580,000	4,052,264	44,632,264
	<u>\$ 103,425,000</u>	<u>\$ 29,137,822</u>	<u>\$ 132,562,822</u>

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(C) UNM Sandoval Regional Medical Center

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

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

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

Effective October 1, 2010, SRMC entered into a financing agreement with the Lender and the Trustee. Under the Financing Agreement, the Lender agreed to originate a mortgage note in favor of the Lender and secured by a leasehold mortgage on the project. The mortgage note is insured by the FHA pursuant to Section 242 of the National Housing Act of 1934 and to provide security for the bonds, the Trustee will use the proceeds of the bonds to purchase from the Lender the GNMA Securities. SRMC has agreed to use the proceeds of the mortgage note to acquire, construct, and equip the construction of SRMC.

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 were to sustain the preopening operational costs and working capital needs of SRMC.

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

As of June 30, 2017 and 2016, the balance of the mortgage note equaled the balance of the GNMA securities.

SRMC is eligible to receive cash subsidy payments from the United States Department of Treasury equal to 35% of the interest payable on the Build America Bonds (Series 2010A), and 45% of the interest payable on the Recovery Zone Economic Development Bonds (Series 2010B), payable on or about each respective interest payment date, which payments lower the overall true cost of the bonds to 3.33%. Pursuant to the Budget Control Act of 2011, as postponed by the American Taxpayer Relief Act of 2012, the budget sequestration impact was a reduction of 7.2%, effective March 1, 2013. For Federal fiscal year 2016, beginning October 1, 2015, the sequestration percentage was reduced to 6.8%. This had the overall effect of changing the subsidy payment from the United States Department of Treasury equal to 32.62% of the interest payable on the Build America Bonds (Series 2010A) and 41.94% of the interest payable on the Recovery Zone Economic Development Bonds (Series 2010B).

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At June 30, 2017 and 2016, bonds payable for SRMC consisted of the following:

	<u>2017</u>	<u>2016</u>
Taxable Revenue Build America Bonds	\$115,220,000	\$118,760,000
Series 2010A with fixed-interest rate of 4.5% – final maturity 2036		
Taxable Revenue Recovery Zone Economic Development Bonds	9,740,000	9,740,000
Series 2010B with fixed-interest rate of 5.0% – final maturity 2037		
	<u>\$124,960,000</u>	<u>\$128,500,000</u>
Less: Current portion of bonds payable	<u>(3,715,000)</u>	<u>(3,540,000)</u>
Noncurrent bonds payable	<u>\$121,245,000</u>	<u>\$124,960,000</u>

Future debt service for SRMC as of June 30, 2017 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2018	\$ 3,715,000	\$ 5,630,613	\$ 9,345,613
2019	3,890,000	5,461,525	9,351,525
2020	4,075,000	5,284,338	9,359,338
2021	4,275,000	5,098,713	9,373,713
2022	4,475,000	4,904,200	9,379,200
2023–2027	25,835,000	21,259,287	47,094,287
2028–2032	32,670,000	14,784,687	47,454,687
2033–2037	41,320,000	6,594,337	47,914,337
2038	4,705,000	117,625	4,822,625
	<u>\$ 124,960,000</u>	<u>\$ 69,135,325</u>	<u>\$ 194,095,325</u>

The bonds are subject to various redemption provisions as set forth in the trust indenture, including Special Mandatory Redemption, Scheduled Mandatory Redemption, and Optional Redemption. The Special Mandatory Redemption provisions are contingent on various events, including but not limited to circumstances that result in the trust estate receiving early payments on the GNMA Securities, or in the event the balance of GNMA Securities after completion of the construction are less than the amount of outstanding bonds. SRMC completed final endorsement of the project on June 18, 2014. The balance of the GNMA Securities was less than the amount of the outstanding bonds by \$3.7 million. As a result, on July 15, 2014, a special mandatory redemption occurred in the amounts of \$3.48 million for the Series 2010A bonds and \$260,000 for the Series 2010B bonds.

On July 20, 2016, the scheduled mandatory bond redemption payment was made by SRMC on the Series 2010A; a principal payment of \$1.745 million and an interest payment of \$2.672 million. On January 20, 2017 a principal payment of \$1.795 million and an interest payment of \$2.633 million were made. No principal payment was due on the Series 2010B bonds, but interest payments of \$243,500 were made on both dates.

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

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(D) Primary Institution

At June 30, 2017 and 2016, bonds payable for the primary institution consisted of the following:

	2017			As Adjusted 2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
University	\$ 17,166,923	\$445,501,046	\$462,667,969	\$ 16,177,969	\$419,503,081	\$435,681,050
University of New Mexico Hospital	5,605,000	97,820,000	103,425,000	5,540,000	103,425,000	108,965,000
UNM Sandoval Regional Medical Center	3,715,000	121,245,000	124,960,000	3,540,000	124,960,000	128,500,000
Total	<u>\$ 26,486,923</u>	<u>\$664,566,046</u>	<u>\$691,052,969</u>	<u>\$ 25,257,969</u>	<u>\$647,888,081</u>	<u>\$673,146,050</u>

(13) Patient Service Revenues

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

	2017	As Adjusted 2016
Primary Institution:		
Charges at established rates	\$ 2,650,944,649	\$ 2,457,290,567
Charity care	(77,582,050)	(89,750,428)
Contractual adjustments	(1,240,038,798)	(1,136,719,558)
Provision for doubtful accounts	(142,072,658)	(102,629,316)
Net patient service revenues	<u>\$ 1,191,251,143</u>	<u>\$ 1,128,191,265</u>

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

(14) Leases

At June 30, 2017 and 2016, the University, the Hospital, and BHO had various lease arrangements summarized as follows:

(A) University, Hospital, and BHO as Lessees

(a) Capital Leases

Any existing capital leases are immaterial, and accordingly, there are no capital leases recorded at June 30, 2017 and 2016.

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(b) Operating Leases

The University's rent expense for operating leases amounted to \$6,675,027 and \$6,321,789 for the years ended June 30, 2017 and 2016, respectively.

The Hospital and BHO are committed under various leases for building and office space and data processing equipment. Rental expenses on operating leases and other non-lease equipment were \$11,125,884 and \$10,556,279 in 2017 and 2016, respectively, and includes amounts paid to the University of \$3,948,543 and \$3,555,547 in 2017 and 2016, respectively, which are eliminated in these basic financial statements.

(c) Minimum Lease Payments

The following is a schedule of future minimum lease payments for primary institution operating leases at June 30, 2017:

Year ending June 30	Lease Payments
2018	\$ 6,006,434
2019	5,771,331
2020	4,894,838
2021	1,615,300
2022	1,437,463
2023–2027	4,969,366
2028–2032	191,069
2033–2037	53,815
2038–2042	23,943
2043 and thereafter	14,086
	<u>\$ 24,977,645</u>

(B) *University as Lessor*

The University is lessor of various properties under operating lease agreements. For the years ended June 30, 2017 and 2016, respectively, total lease income, which includes annually renewable lease agreements, was \$6,268,810 and \$7,014,991.

The following is a schedule of minimum future lease income under lease terms exceeding one year as of June 30, 2017:

Year ending June 30	Lease Income
2018	\$ 5,573,680
2019	4,079,637
2020	3,693,889
2021	3,831,464
2022	3,866,627
2023–2027	7,942,418
2028–2032	5,040,427
2033–2037	5,052,816
2038–2042	5,055,697
2043 and thereafter	11,569,652
	<u>\$ 55,706,307</u>

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(15) Risk Management

The University currently is a party to various litigation claims brought in the ordinary course of business. The University participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability, auto liability, medical malpractice, physical damage, and workers' compensation insurance. The Risk Management program liability insurance coverage includes most employee liability claims; those claims falling outside this state program are in limited amounts and are covered by the University from its operating budget either by direct payment or by the procurement of insurance coverage from a private carrier. The University paid Risk Management \$22,184,281 and \$21,483,244 in insurance premiums during fiscal years 2017 and 2016, respectively. The University's exposure is limited to \$2,500 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, the University administration believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the University.

As a part of the University, the Hospital has immunity from tort liability except as waived by the New Mexico Legislature. In this connection, under the New Mexico Tort Claims Act (NMTCA), the New Mexico Legislature waived the State's and the 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 NMTCA 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, professional, or general liability claims.

The NMTCA provides that total liability for all claims that arise out of a single occurrence shall not exceed \$750,000 set forth as follows: (a) \$200,000 for real property; (b) up to \$300,000 for past and future medical and medically related expenses; and (c) up to \$400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant. While the language of the NMTCA does not expressly provide for third-party claims such as loss of consortium, the New Mexico appellate court decisions have allowed claimants to seek loss of consortium. As a result, if loss of consortium claims are presented, those claims cannot exceed \$350,000 in the aggregate. Thus, it appears that if a claim presents both direct claims and third-party claims, the maximum exposure of the Public Liability Fund, and, therefore, UNM Hospitals, cannot exceed \$1,100,000. The NMTCA prohibits the award of punitive or exemplary damages against the Hospital.

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

Effective July 1, 2009, the University began self-insuring its health and dental benefits for employees, and effective July 1, 2016, the University began self-insuring its student health benefits. Under the plans, all eligible employees are provided access to the provider networks of Blue Cross Blue Shield, Presbyterian Health Plan, and UNM Health Plan for health services and Delta Dental for dental services. Blue Cross Blue Shield of New Mexico, Presbyterian Health Plan, and UNM Health provide administrative claim payment services for the University's health plans and Delta Dental for the dental plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR), invoices received but not yet paid, and catastrophic claims not covered by the University's excess claims carriers. At June 30, 2017 and 2016, the estimated amount of the University's claims and accrued invoices was \$18.2 million and \$15.5 million, respectively, which is included in accrued payroll. The liability for claims incurred but not reported was based on the actuarial analysis performed by Aon Hewitt.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2017	\$ 15,480,749	\$ 75,360,243	\$ (72,678,202)	\$ 18,162,790
2016	18,842,981	68,877,466	(72,239,698)	15,480,749

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The Hospital sponsors a self-insured health plan in which BHO also participates, as all employees are under the centralized umbrella of the Hospital. Blue Cross Blue Shield of New Mexico and HMO New Mexico (BCBSNM and HMONM) provide administrative claim payment services for the Hospital's plan. Liabilities are based on an estimate of claims that have been incurred but not reported and claims received but not yet paid. At June 30, 2017 and 2016, the estimated amount of the Hospital's claims and accrued invoices was \$7.9 million and \$3.3 million, respectively, which is included in accrued payroll. As the Hospital receives all cash and pays all obligations of BHO, the estimated amount of BHO's IBNR and accrued invoices recorded in the Hospital's accrued payroll was approximately \$673,000 and \$284,000 at June 30, 2017 and 2016, respectively. The liability for IBNR was based on actuarial analysis calculated using information provided by BCBSNM.

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

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2017	\$ 3,603,730	\$ 42,736,852	\$ (37,786,975)	\$ 8,553,607
2016	3,920,543	40,204,573	(40,521,386)	3,603,730

(16) Retirement Plans and Postemployment Benefits

(A) University

General Information about the Pension Plan

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

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded. Substantially all of the University's full-time employees and a small portion (39) of the full-time employees of the Hospital and BHO (collectively referred to as Clinical Operations for the purposes of this footnote) participate in the Plan.

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

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Summary of Plan Provisions for Retirement Eligibility: For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

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

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

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

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

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

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

Benefit Options: The Plan has three benefit options available.

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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

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

Contributions: For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. The University's contributions to ERB for the fiscal years ended June 30, 2017, 2016, and 2015 were \$66,821,651, \$65,089,594, and \$64,475,614, respectively, which equal the amount of the required contributions for each fiscal year. The Clinical Operations' contributions to ERB for the fiscal years ended June 30, 2017, 2016, and 2015 were \$319,196, \$338,154, and \$357,206, respectively, which equal the amount of the required contributions for each fiscal year.

Alternative Retirement Plan

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

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the

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ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

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

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

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

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

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

ARP Contributions: For the year ended June 30, 2017, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

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

Employer contributions reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The University's 3% contributions remitted for fiscal years ended June 30, 2017, 2016, and 2015 were \$4,223,146, \$3,937,843, and \$3,808,815, respectively.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. At June 30, 2017, the University and Clinical Operations reported liabilities of \$1,187,753,368 and \$6,097,537, respectively, for their proportionate shares of the net pension liability. At June 30, 2016, the University and Clinical Operations reported liabilities of \$1,062,373,366 and \$5,849,618, respectively, for their proportionate shares of the net pension liability. The proportion of the net pension liability is based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the University's proportion was 16.50475 percent, which was an increase of 0.10318 percent from its proportion measured as of June 30, 2015. At June 30, 2015, the University's proportion was 16.40157 percent, which was an increase of 0.07362 percent from its proportion measured as of June 30, 2014. At June 30, 2016, the Clinical Operations' proportion was 0.08473 percent, which was a decrease of 0.00558 percent from its proportion measured as of June 30, 2015. At June 30, 2015, the Clinical Operations' proportion was 0.09031 percent, which was a decrease of 0.01705 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2017, the University and Clinical Operations recognized pension expense of \$115,768,303 and a pension benefit of \$491,000, respectively. For the year ended June 30, 2016, the University and Clinical

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Operations recognized pension expense of \$87,245,436 and \$382,863, respectively. At June 30, 2017 and 2016, the University and Clinical Operations reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year Ended June 30, 2017					
	Deferred Outflows of Resources			Deferred Inflows of Resources		
	University	Clinical Operations	Total	University	Clinical Operations	Total
Differences between expected and actual experience	\$ 5,152,915	\$ 26,453	\$ 5,179,368	\$ 11,297,033	\$ 59,913	\$ 11,356,946
Changes of assumptions	24,177,897	124,120	24,302,017	-	-	-
Net difference between projected and actual earnings on pension plan investments	70,898,987	-	70,898,987	-	53,677	53,677
Changes in proportion and differences between University and Clinical Operations contributions and proportionate share of contributions	11,886,758	-	11,886,758	-	572,169	572,169
University and Clinical Operations contributions subsequent to the measurement date	66,821,651	319,196	67,140,847	-	-	-
Total	\$178,938,208	\$ 469,769	\$179,407,977	\$ 11,297,033	\$ 685,759	\$ 11,982,792

	Year Ended June 30, 2016					
	Deferred Outflows of Resources			Deferred Inflows of Resources		
	University	Clinical Operations	Total	University	Clinical Operations	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 19,695,458	\$ 117,908	\$ 19,813,366
Changes of assumptions	36,540,680	201,200	36,741,880	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	4,782,007	92,294	4,874,301
Changes in proportion and differences between University and Clinical Operations contributions and proportionate share of contributions	13,244,071	-	13,244,071	-	1,602,880	1,602,880
University and Clinical Operations contributions subsequent to the measurement date	65,089,594	338,154	65,427,748	-	-	-
Total	\$114,874,345	\$ 539,354	\$115,413,699	\$ 24,477,465	\$ 1,813,082	\$ 26,290,547

The \$67,140,847 reported as deferred outflows of resources related to pensions resulting from University and Clinical Operations contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The \$65,427,748 reported as deferred outflows of resources related to pensions resulting from University and Clinical Operations contributions subsequent to the measurement date of June 30, 2015 was recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts

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reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u> <u>June 30</u>	<u>University</u>	<u>Clinical</u> <u>Operations</u>	<u>Total</u>
2018	24,945,646	(482,942)	24,462,704
2019	23,664,962	(240,357)	23,424,605
2020	34,919,503	99,355	35,018,858
2021	17,289,414	88,758	17,378,172
Total	<u>\$100,819,525</u>	<u>\$ (535,186)</u>	<u>\$100,284,339</u>

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Composed of 3% inflation, plus 0.75% productivity increase rate, plus a step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75% real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability incidence	Approved rates applied to eligible members with at least 10 years of service.

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The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	35%
Fixed income	28%
Alternatives	36%
Cash	1%
Total	100%

Discount rate: A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

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

Sensitivity of the University's and Clinical Operations' proportionate shares of the net pension liability to changes in the discount rate: The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the University's and Clinical Operations' net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>Year Ended June 30, 2017</u>		
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
University's proportionate share of the net pension liability	\$ 1,573,151,753	\$ 1,187,753,368	\$ 867,981,589
Clinical Operations' proportionate share of the net pension liability	8,076,048	6,097,537	4,455,934
Total	\$ 1,581,227,801	\$ 1,193,850,905	\$ 872,437,523

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	Year Ended June 30, 2016		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	\$ 1,429,494,338	\$ 1,062,373,366	\$ 753,953,532
Clinical Operations' proportionate share of the net pension liability	7,871,054	5,849,618	4,151,404
Total	\$ 1,437,365,392	\$ 1,068,222,984	\$ 758,104,936

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

(B) Clinical Operations

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

The expense for the defined-contribution plan was \$16,279,000 and \$14,032,000 in fiscal years 2017 and 2016, respectively. Total employee contributions under this plan were \$17,764,000 and \$16,651,000 in fiscal years 2017 and 2016, respectively. The Hospital also offers a Roth 403b defined-contribution plan option. Total employee contributions were \$1,372,000 and \$1,192,000 in fiscal years 2017 and 2016, respectively.

The Clinical Operations also have a deferred compensation plan, called the UNM Hospital 457(b) Deferred Compensation Plan, which provides employees with an additional retirement savings plan. The Clinical Operations do not contribute to this plan. Employees can make voluntary contributions to this plan. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department. There was no expense for the deferred compensation plan in 2017 and 2016, respectively, as the Clinical Operations do not contribute to this plan. Total employee contributions under this plan were \$2,924,000 and \$2,888,000 in fiscal years 2017 and 2016, 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 in set amounts determined by position grade. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. All assets of the plan are held in a trust fund, are not considered Clinical Operations assets, and are under the direction of a plan administrator. The expense for the 401(a) defined-contribution plan was \$557,000 and \$521,000 in fiscal years 2017 and 2016, respectively. Only the Clinical Operations contribute to this plan.

A small portion (39) of the Clinical Operations' full-time employees participates in the ERB defined-benefit plan authorized under the Educational Retirement Act as described above.

(17) Other Postemployment Benefits

Plan Description

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

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

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

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

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

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

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

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

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

Preretirement salary		FY 2016	FY 2017	FY 2018
\$35,000 and above	Retiree	50%	55%	60%
	UNM	50%	45%	40%
\$25,000 to \$34,999	Retiree	40%	45%	50%
	UNM	60%	55%	50%
\$24,999 and below	Retiree	30%	35%	40%
	UNM	70%	65%	60%

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

Investments

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

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

The following was the adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Allocation</u>	
	<u>Target</u>	<u>Maximum</u>
Large Cap US Equity	25%	40%
Small/Mid Cap US Equity	10%	20%
Non-US Dvlp Markets Equity	15%	20%
Non-US Emrg Markets Equity	15%	20%
US Core Bonds	35%	45%
Liquid Alternatives	0%	15%
Total	100%	

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.26 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the University

The components of the net OPEB liability of the University at June 30, 2017 were as follows:

Total OPEB liability	\$ 154,799,700
Plan fiduciary net position	23,912,200
University's net OPEB liability	<u>\$ 130,887,500</u>
Plan fiduciary net position as a percentage of the total OPEB liability	15.45%

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

Inflation	3.0%
Salary Increases	2.0%
Discount rate	Blended rate - 6.42%
Healthcare Cost Trend Rates	Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after seven years Dental: 4.0%

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

Discount rate: The discount rate used to measure the total OPEB liability was 6.42%, which is a blended rate of the University's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.58% on the last Friday prior to the measurement date of June 30, 2017. A blended discount rate was calculated based on separating the projected future payments between those paid from the VEBA Trust and those paid from general assets. The VEBA Trust assets were projected using the expected employer and employee payroll contributions and the expected long-term rate of return. Payments from the VEBA Trust were assumed to begin when the projected asset amount is fully-funded and all future projected benefit payments will be paid from the VEBA Trust. The discount rate used in the prior year was 6.14%, which is a blended rate of the University's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 2.85% on the last Friday prior to the measurement date of June 30, 2016.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the University, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.42%) or 1-percentage-point higher (7.42%) than the current discount rate:

	Year Ended June 30, 2017		
	1% Decrease (5.42%)	Current Discount Rate (6.42%)	1% Increase (7.42%)
Net OPEB liability	\$ 152,950,400	\$ 130,887,500	\$ 112,937,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the University, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%) or 1-percentage-point higher (Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates:

	Year Ended June 30, 2017		
	1% Decrease (Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%)	Current Discount Rate (Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%)	1% Increase (Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%)
Net OPEB liability	\$ 111,913,100	\$ 130,887,500	\$ 154,461,200

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Annual OPEB Cost and Net OPEB Obligation

The University's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the VEBA Plan, and changes in the University's net OPEB obligation:

Annual required contribution	\$ 11,130,300
Interest on net OPEB obligation	1,578,000
Adjustment to annual required contribution	<u>(1,491,000)</u>
Annual OPEB cost (expense)	11,217,300
Contributions made	<u>10,242,200</u>
Increase (decrease) in net OPEB obligation	975,100
Net OPEB obligation beginning of year	<u>23,378,000</u>
Net OPEB obligation end of year	<u>\$ 24,353,100</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the VEBA Plan, and the OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 11,217,300	91.3%	\$ 24,353,100
6/30/2016	12,056,500	87.4%	23,378,000
6/30/2015	11,807,400	140.5%	21,853,100

Funding Policy: The contribution requirements of VEBA Plan members and the University are established and may be amended by the Board of Regents. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits through contributions to the VEBA Trust. In the most recent actuarial valuation, projected total contributions to the VEBA Plan for fiscal year 2017 were \$10,242,200, including \$4,882,200 for total benefit payments and an additional \$5,360,000 to prefund benefits through contributions to the VEBA Trust.

Funded Status and Funding Progress: As of July 1, 2016, the most recent actuarial valuation date, the VEBA Plan was 13.8% funded. The University's AAL, the present value of all future expected postretirement health payments and administrative costs attributable to past service, was \$123,210,000, and the actuarial value of assets was \$17,044,500, resulting in an UAAL of \$106,165,500. The covered payroll (annual payroll of active employees covered by the VEBA Plan) was \$559,049,063, and the ratio of the UAAL to the covered payroll was 19.0%.

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 2), presented as required supplemental information following the notes to the basic 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.

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

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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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.75% annual discount rate, which is a blended rate of the University's 4.5% general rate of return for unfunded assets and the University's 8% fully funded rate of return. The actuarial valuation assumes an annual healthcare cost trend rate for pre-Medicare medical and prescription drug benefits of 6.5% initially, reduced by decrements to a rate of 5% after six years. For post-Medicare medical and prescription drug benefits, the annual healthcare cost trend rate was 8.5% initially, reduced by decrements to a rate of 5% after seven years. For dental benefits, the annual healthcare cost trend rate was 4%. These rates included a 3% inflation assumption. The unfunded actuarial accrued liability (UAAL) is amortized over the maximum acceptable period of 30 years and is calculated assuming an open, level percentage of projected payroll. Payroll is projected to increase 2% per annum.

(18) Commitments and Contingencies

(A) Commitments

In addition to the lease commitments in note 14, the University had commitments totaling \$88,078,454 at June 30, 2017. These commitments consisted of the following:

	<u>2017</u>
Materials and services	\$ 41,873,207
Construction projects	<u>46,205,247</u>
Total commitments	<u>\$ 88,078,454</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 2004 FHA Regulatory Agreement. On May 14, 2015, a new mortgage reserve fund was established for the 2015 series bonds.

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

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

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(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>2017</u>	<u>As Adjusted 2016</u>
Unrestricted net position	\$ (223,853,313)	\$ (183,196,624)
Less:		
Working capital – patient care operations		
Clinical operations – UNM Hospitals	<u>201,273,634</u>	<u>187,428,075</u>
Total working capital – patient care operations	201,273,634	187,428,075
Net pension and OPEB obligations		
Pension	(1,020,112,193)	(971,976,486)
OPEB	<u>(24,353,100)</u>	<u>(21,853,100)</u>
Total net pension and OPEB obligations	(1,044,465,293)	(993,829,586)
Committed		
HSC capital initiatives	203,605,605	217,325,259
Blended component units	69,763,379	54,049,955
Other	<u>110,121,815</u>	<u>64,830,438</u>
Total committed	383,490,799	336,205,652
Dedicated		
Plant funds – repair and replacement	89,296,421	88,064,429
Quasi-endowment funds – Regents' scholarships	100,107,629	95,326,062
Student loan funds	796,463	773,564
Other	<u>32,234,628</u>	<u>71,549,549</u>
Total dedicated	222,435,141	255,713,604
Ending discretionary funds balance	<u><u>\$ 13,412,406</u></u>	<u><u>\$ 31,285,631</u></u>

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(20) Capital Initiatives

In fiscal year 2015, the Hospital and the UNM HSC entered into an MOU to collaborate on strategic capital projects. Per the agreement, funding is set aside and committed for the development of clinical facilities. Capital project disbursements from capital initiatives funds in fiscal years 2017 and 2016 and the ending balances for each year are reflected in the table below.

As of June 30, 2017, the ending balance of \$203,605,605 was comprised of cash. As of June 30, 2016, the ending balance of \$217,325,259 was comprised of cash.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Contributions to Fund</u>	<u>Capital Project Disbursements from Fund</u>	<u>Ending Balance</u>
2017	\$ 217,325,259	\$ -	\$ (13,719,654)	\$ 203,605,605
2016	221,925,844	-	(4,600,585)	217,325,259

(21) Beneficial Interest in New Mexico Land Grant Permanent Fund

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

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

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The University's beneficial interest and income received from this beneficial interest for the years ending June 30, 2017 and 2016 are as follows:

	<u>As of June 30</u>	
	<u>2017</u>	<u>2016</u>
Balance of the University's beneficial interest in the LGPF	\$ 222,204,983	\$ 202,729,929
	<u>For the Years Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Income received from the University's beneficial interest in the LGPF	\$ 8,832,907	\$ 9,138,569

(22) Subsequent Events

Management has evaluated subsequent events through October 18, 2017 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended June 30, 2017. This date represents the date the financial statement audit report was available to be issued. The University is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION – PENSION**Schedule of Proportionate Share of Net Pension Liability and Employer Contributions**

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

Schedule of Proportionate Share of Net Pension Liability - ERB Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
University's and Clinical Operations' proportion of the net pension liability (asset)	16.58948%	16.49188%	16.43531%
University's and Clinical Operations' proportionate share of the net pension liability (asset)	\$ 1,193,850,906	\$ 1,068,222,984	\$ 937,754,765
University's and Clinical Operations' covered payroll	\$ 470,690,396	\$ 450,281,155	\$ 446,728,272
University's and Clinical Operations' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	253.64%	237.23%	209.92%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

Schedule of Employer Contributions - ERB Plan

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

Notes to Schedules:**Changes of benefit terms and assumptions**

There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

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
7/1/2016	\$ 17,044,500	\$ 123,210,000	\$ 106,165,500	13.8%	\$ 559,049,063	19.0%
7/1/2014	\$ 3,903,900	\$ 119,240,800	\$ 115,336,900	3.3%	\$ 509,475,300	22.6%
7/1/2013	\$ -	\$ 94,680,000	\$ 94,680,000	0.0%	\$ 539,654,500	17.5%

Schedule of Employer Contributions - OPEB

Actuarial Valuation Date	Annual Required Contributions (ARC)	Actual Contributions	% Contributed
7/1/2016	\$ 11,130,300	\$ 10,242,200	92.0%
7/1/2014	\$ 11,712,000	\$ 16,590,300	141.7%
7/1/2013	\$ 9,809,000	\$ 8,779,000	89.5%

Summary of Key Actuarial Methods and Assumptions

Valuation Date	January 1, 2017
Actuarial Cost Method	Projected unit credit cost method
Amortization Period	30 years
Discount Rate	Blended rate - 6.75%
Projected Payroll Growth Rate	2%
Healthcare Cost Trend Rate	Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5% after seven years Dental: 4%

REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 3,526,500
Interest	9,469,800
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(6,444,700)
Benefit payments	(4,841,600)
Net change in total OPEB liability	<u>\$ 1,710,000</u>
Total OPEB liability – beginning	<u>153,089,700</u>
Total OPEB liability – ending (a)	<u><u>\$ 154,799,700</u></u>
Plan fiduciary net position	
Contributions – employer	\$ 2,626,200
Contributions – member	2,625,900
Net investment income	6,457,200
Benefit payments	(4,841,600)
Administrative expense	-
Net change in plan fiduciary net position	<u>\$ 6,867,700</u>
Plan fiduciary net position – beginning	<u>17,044,500</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 23,912,200</u></u>
University's net OPEB liability – ending (a) - (b)	\$ 130,887,500
Plan fiduciary net position as a percentage of the total OPEB liability	15.45%
Covered-employee payroll	\$ 559,049,100
University's net OPEB liability as a percentage of covered-employee payroll	23.41%

Notes to Schedule:

Changes of assumptions: In 2017, the assumed discount rate increased from 6.14% at June 30, 2016 to 6.42% as of June 30, 2017.

REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of University Contributions

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

	<u>2017</u>
Actuarially determined contribution	\$ 5,252,100
Contributions in relation to the actuarially determined contribution	5,252,100
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 559,049,100
Contributions as a percentage of covered-employee payroll	0.94%

Notes to Schedule:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

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

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

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

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Position as of June 30, 2017 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,053,737	\$ 1,077,268	\$ 3,541,662
Cash and cash equivalents – restricted	-	100,000	-
Short-term investments	683,101	-	-
Accounts receivable, net	653,753	-	-
Patient receivables, net	-	-	-
Due from The University of New Mexico	-	-	-
Due from affiliates	-	-	-
Estimated third-party payor settlements	-	-	-
Other receivables, net	-	-	-
Inventories	-	-	-
Other current assets	-	5,223	2,896
Total current assets	<u>\$ 2,390,591</u>	<u>\$ 1,182,491</u>	<u>\$ 3,544,558</u>
Noncurrent assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	20,371	-	-
Other noncurrent assets	-	-	-
Capital assets, net	16,556	6,920,667	16,537,383
Total noncurrent assets	<u>\$ 36,927</u>	<u>\$ 6,920,667</u>	<u>\$ 16,537,383</u>
Total assets	<u>\$ 2,427,518</u>	<u>\$ 8,103,158</u>	<u>\$ 20,081,941</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 377,143	\$ 2,953	\$ 17,522
Bonds payable – current	-	-	-
Long-term debt – current	-	-	73,189
Due to The University of New Mexico	371,296	-	382,358
Due to affiliates	-	-	-
Accrued compensated absences	-	-	-
Estimated third-party payor settlements	-	-	-
Other current liabilities	684,771	25,000	-
Total current liabilities	<u>\$ 1,433,210</u>	<u>\$ 27,953</u>	<u>\$ 473,069</u>
Noncurrent liabilities			
Bonds payable – noncurrent	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	746,288
Due to The University of New Mexico	-	-	14,306,752
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,053,040</u>
Total liabilities	<u>\$ 1,433,210</u>	<u>\$ 27,953</u>	<u>\$ 15,526,109</u>
NET POSITION			
Net investment in capital assets	\$ 16,556	\$ 6,920,667	\$ 1,028,796
Restricted expendable	-	100,000	-
Unrestricted	977,752	1,054,538	3,527,036
Total net position	<u>\$ 994,308</u>	<u>\$ 8,075,205</u>	<u>\$ 4,555,832</u>

See accompanying independent auditors' report.

SCHEDULE 6

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ 615,388	\$ 27,497,144	\$ 22,860,739	\$ 56,645,938	\$ -	\$ 56,645,938
-	-	6,973,824	7,073,824	-	7,073,824
-	-	-	683,101	-	683,101
10,450	-	-	664,203	-	664,203
-	30,532,845	9,902,199	40,435,044	-	40,435,044
-	4,216,331	-	4,216,331	(4,216,331)	-
-	176,136	39,114	215,250	(215,250)	-
-	-	1,087,669	1,087,669	-	1,087,669
-	2,731,919	199,340	2,931,259	-	2,931,259
-	-	2,471,328	2,471,328	-	2,471,328
17,900	-	364,789	390,808	-	390,808
<u>\$ 643,738</u>	<u>\$ 65,154,375</u>	<u>\$ 43,899,002</u>	<u>\$ 116,814,755</u>	<u>\$ (4,431,581)</u>	<u>\$ 112,383,174</u>
\$ -	\$ 4,961,539	\$ -	\$ 4,961,539	\$ -	\$ 4,961,539
-	18,431,604	9,505,792	27,957,767	-	27,957,767
-	7,517,063	-	7,517,063	-	7,517,063
9,391,114	2,554,083	107,320,532	142,740,335	-	142,740,335
<u>\$ 9,391,114</u>	<u>\$ 33,464,289</u>	<u>\$ 116,826,324</u>	<u>\$ 183,176,704</u>	<u>\$ -</u>	<u>\$ 183,176,704</u>
<u>\$ 10,034,852</u>	<u>\$ 98,618,664</u>	<u>\$ 160,725,326</u>	<u>\$ 299,991,459</u>	<u>\$ (4,431,581)</u>	<u>\$ 295,559,878</u>
\$ 53,133	\$ 5,821,016	\$ 9,889,226	\$ 16,160,993	\$ -	\$ 16,160,993
-	-	3,715,000	3,715,000	-	3,715,000
1,008,160	-	-	1,081,349	-	1,081,349
-	32,201,148	1,866,005	34,820,807	(34,820,807)	-
-	39,114	176,136	215,250	(215,250)	-
-	-	1,804,821	1,804,821	-	1,804,821
-	-	2,807,228	2,807,228	-	2,807,228
-	-	-	709,771	-	709,771
<u>\$ 1,061,293</u>	<u>\$ 38,061,278</u>	<u>\$ 20,258,416</u>	<u>\$ 61,315,219</u>	<u>\$ (35,036,057)</u>	<u>\$ 26,279,162</u>
\$ -	\$ -	\$ 121,245,000	\$ 121,245,000	\$ -	\$ 121,245,000
4,404,388	-	-	5,150,676	-	5,150,676
-	-	-	14,306,752	(14,306,752)	-
<u>\$ 4,404,388</u>	<u>\$ -</u>	<u>\$ 121,245,000</u>	<u>\$ 140,702,428</u>	<u>\$ (14,306,752)</u>	<u>\$ 126,395,676</u>
<u>\$ 5,465,681</u>	<u>\$ 38,061,278</u>	<u>\$ 141,503,416</u>	<u>\$ 202,017,647</u>	<u>\$ (49,342,809)</u>	<u>\$ 152,674,838</u>
\$ 3,978,566	\$ 2,554,083	\$ (17,639,468)	\$ (3,140,800)	\$ 14,689,109	\$ 11,548,309
-	-	16,562,124	16,662,124	-	16,662,124
590,605	58,003,303	20,299,254	84,452,488	(14,689,109)	69,763,379
<u>\$ 4,569,171</u>	<u>\$ 60,557,386</u>	<u>\$ 19,221,910</u>	<u>\$ 97,973,812</u>	<u>\$ -</u>	<u>\$ 97,973,812</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Net Position as of June 30, 2016 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,114,568	\$ 85,859	\$ 3,054,053
Cash and cash equivalents – restricted	100,000	-	-
Short-term investments	623,350	-	-
Accounts receivable, net	927,937	965	-
Patient receivables, net	-	-	-
Due from The University of New Mexico	-	-	-
Due from affiliates	-	-	-
Estimated third-party payor settlements	-	-	-
Other receivables, net	-	-	-
Inventories	-	-	-
Other current assets	-	-	3,096
Total current assets	<u>\$ 2,765,855</u>	<u>\$ 86,824</u>	<u>\$ 3,057,149</u>
Noncurrent assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	444	-	-
Other noncurrent assets	-	-	-
Capital assets, net	21,047	6,884,654	14,661,863
Total noncurrent assets	<u>\$ 21,491</u>	<u>\$ 6,884,654</u>	<u>\$ 14,661,863</u>
Total assets	<u>\$ 2,787,346</u>	<u>\$ 6,971,478</u>	<u>\$ 17,719,012</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 458,100	\$ 187	\$ 25,486
Bonds payable – current	-	-	-
Long-term debt – current	-	-	-
Due to The University of New Mexico	463,834	-	371,072
Due to affiliates	-	-	-
Accrued compensated absences	-	-	-
Estimated third-party payor settlements	-	-	-
Other current liabilities	1,022,124	-	-
Total current liabilities	<u>\$ 1,944,058</u>	<u>\$ 187</u>	<u>\$ 396,558</u>
Noncurrent liabilities			
Bonds payable – noncurrent	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	-
Due to The University of New Mexico	-	-	14,689,110
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,689,110</u>
Total liabilities	<u>\$ 1,944,058</u>	<u>\$ 187</u>	<u>\$ 15,085,668</u>
NET POSITION			
Net investment in capital assets	\$ 21,047	\$ 6,884,654	\$ (398,319)
Restricted expendable	-	-	-
Unrestricted	822,241	86,637	3,031,663
Total net position	<u>\$ 843,288</u>	<u>\$ 6,971,291</u>	<u>\$ 2,633,344</u>

See accompanying independent auditors' report.

SCHEDULE 7

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ 462,954	\$ 23,788,644	\$ 16,748,235	\$ 45,254,313	\$ -	\$ 45,254,313
-	-	5,937,858	6,037,858	-	6,037,858
-	-	-	623,350	-	623,350
9,600	-	-	938,502	-	938,502
-	28,279,121	11,600,655	39,879,776	-	39,879,776
-	5,282,463	-	5,282,463	(5,282,463)	-
-	197,804	47,567	245,371	(245,371)	-
-	-	826,489	826,489	-	826,489
-	312,756	1,118,368	1,431,124	-	1,431,124
-	-	2,401,084	2,401,084	-	2,401,084
-	-	776,323	779,419	-	779,419
<u>\$ 472,554</u>	<u>\$ 57,860,788</u>	<u>\$ 39,456,579</u>	<u>\$ 103,699,749</u>	<u>\$ (5,527,834)</u>	<u>\$ 98,171,915</u>
\$ -	\$ 4,664,762	\$ -	\$ 4,664,762	\$ -	\$ 4,664,762
-	18,113,621	7,411,546	25,525,611	-	25,525,611
-	800,690	-	800,690	-	800,690
9,940,425	3,284,128	114,356,360	149,148,477	-	149,148,477
<u>\$ 9,940,425</u>	<u>\$ 26,863,201</u>	<u>\$ 121,767,906</u>	<u>\$ 180,139,540</u>	<u>\$ -</u>	<u>\$ 180,139,540</u>
<u>\$ 10,412,979</u>	<u>\$ 84,723,989</u>	<u>\$ 161,224,485</u>	<u>\$ 283,839,289</u>	<u>\$ (5,527,834)</u>	<u>\$ 278,311,455</u>
\$ 43,903	\$ 5,805,942	\$ 9,255,111	\$ 15,588,729	\$ -	\$ 15,588,729
-	-	3,540,000	3,540,000	-	3,540,000
981,891	-	-	981,891	-	981,891
-	30,681,140	1,344,644	32,860,690	(32,860,690)	-
-	47,567	197,804	245,371	(245,371)	-
-	-	1,607,103	1,607,103	-	1,607,103
-	-	1,201,016	1,201,016	-	1,201,016
-	-	-	1,022,124	-	1,022,124
<u>\$ 1,025,794</u>	<u>\$ 36,534,649</u>	<u>\$ 17,145,678</u>	<u>\$ 57,046,924</u>	<u>\$ (33,106,061)</u>	<u>\$ 23,940,863</u>
\$ -	\$ -	\$ 124,960,000	\$ 124,960,000	\$ -	\$ 124,960,000
5,412,548	-	-	5,412,548	-	5,412,548
-	-	-	14,689,110	(14,689,110)	-
<u>\$ 5,412,548</u>	<u>\$ -</u>	<u>\$ 124,960,000</u>	<u>\$ 145,061,658</u>	<u>\$ (14,689,110)</u>	<u>\$ 130,372,548</u>
<u>\$ 6,438,342</u>	<u>\$ 36,534,649</u>	<u>\$ 142,105,678</u>	<u>\$ 202,108,582</u>	<u>\$ (47,795,171)</u>	<u>\$ 154,313,411</u>
\$ 3,545,986	\$ 3,284,128	\$ (14,143,640)	\$ (806,144)	\$ 15,060,182	\$ 14,254,038
-	-	13,426,714	13,426,714	-	13,426,714
428,651	44,905,212	19,835,733	69,110,137	(15,060,182)	54,049,955
<u>\$ 3,974,637</u>	<u>\$ 48,189,340</u>	<u>\$ 19,118,807</u>	<u>\$ 81,730,707</u>	<u>\$ -</u>	<u>\$ 81,730,707</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
REVENUES			
Operating revenues			
Net patient service	\$ -	\$ -	\$ -
Nongovernmental grants, bequests, and contributions	-	1,469,553	-
Sales and services	-	-	2,716,720
Operational support	2,034,000	-	-
Other operating revenues	2,143,224	97,268	20,406
Total operating revenues	<u>\$ 4,177,224</u>	<u>\$ 1,566,821</u>	<u>\$ 2,737,126</u>
EXPENSES			
Operating expenses			
General and administrative	\$ 1,446,085	\$ 268,437	\$ 366,625
Depreciation expense	8,413	93,405	439,806
Program expenses	2,685,059	157,155	98,644
Total operating expenses	<u>\$ 4,139,557</u>	<u>\$ 518,997</u>	<u>\$ 905,075</u>
Net operating income (loss)	<u>\$ 37,667</u>	<u>\$ 1,047,824</u>	<u>\$ 1,832,051</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	\$ -	\$ -	\$ -
Sandoval county mill levy	-	-	-
Federal bond subsidy	-	-	-
Investment income	64,009	-	44,930
Interest expense	-	-	(463,836)
Distributions to the University of New Mexico	-	-	(375,000)
Other nonoperating revenues and expenses, net	49,344	56,090	884,343
Net nonoperating revenues (expenses)	<u>\$ 113,353</u>	<u>\$ 56,090</u>	<u>\$ 90,437</u>
Income before capital contributions	<u>\$ 151,020</u>	<u>\$ 1,103,914</u>	<u>\$ 1,922,488</u>
Capital contributions	\$ -	\$ -	\$ -
Total capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	\$ 151,020	\$ 1,103,914	\$ 1,922,488
Net position at beginning of year	<u>843,288</u>	<u>6,971,291</u>	<u>2,633,344</u>
Net position at end of year	<u>\$ 994,308</u>	<u>\$ 8,075,205</u>	<u>\$ 4,555,832</u>

See accompanying independent auditors' report.

SCHEDULE 8

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 180,880,089	\$ 77,423,291	\$ 258,303,380	\$ -	\$ 258,303,380
-	-	-	1,469,553	-	1,469,553
2,171,815	21,360,187	-	26,248,722	(3,547,365)	22,701,357
-	-	-	2,034,000	(2,034,000)	-
-	15,024,195	1,334,578	18,619,671	(814,732)	17,804,939
<u>\$ 2,171,815</u>	<u>\$ 217,264,471</u>	<u>\$ 78,757,869</u>	<u>\$ 306,675,326</u>	<u>\$ (6,396,097)</u>	<u>\$ 300,279,229</u>
\$ 245,113	\$ 213,048,345	\$ 75,128,306	\$ 290,502,911	\$ (128,835,813)	\$ 161,667,098
549,311	1,066,056	8,360,558	10,517,549	-	10,517,549
633,324	-	-	3,574,182	(304,645)	3,269,537
<u>\$ 1,427,748</u>	<u>\$ 214,114,401</u>	<u>\$ 83,488,864</u>	<u>\$ 304,594,642</u>	<u>\$ (129,140,458)</u>	<u>\$ 175,454,184</u>
\$ 744,067	\$ 3,150,070	\$ (4,730,995)	\$ 2,080,684	\$ 122,744,361	\$ 124,825,045
\$ -	\$ 1,172,000	\$ -	\$ 1,172,000	\$ -	\$ 1,172,000
-	-	6,271,254	6,271,254	-	6,271,254
-	-	1,911,061	1,911,061	-	1,911,061
7,641	1,400	31,128	149,108	-	149,108
(157,174)	-	(5,712,288)	(6,333,298)	446,731	(5,886,567)
-	-	-	(375,000)	375,000	-
-	8,044,576	2,332,943	11,367,296	(884,343)	10,482,953
<u>\$ (149,533)</u>	<u>\$ 9,217,976</u>	<u>\$ 4,834,098</u>	<u>\$ 14,162,421</u>	<u>\$ (62,612)</u>	<u>\$ 14,099,809</u>
\$ 594,534	\$ 12,368,046	\$ 103,103	\$ 16,243,105	\$ 122,681,749	\$ 138,924,854
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 594,534	\$ 12,368,046	\$ 103,103	\$ 16,243,105	\$ 122,681,749	\$ 138,924,854
3,974,637	48,189,340	19,118,807	81,730,707	-	81,730,707
<u>\$ 4,569,171</u>	<u>\$ 60,557,386</u>	<u>\$ 19,221,910</u>	<u>\$ 97,973,812</u>	<u>\$ 122,681,749</u>	<u>\$ 220,655,561</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016 – Blended Component Units

	<u>STC.UNM</u>	<u>Innovate ABQ, Inc.</u>	<u>Lobo Development Corporation</u>
REVENUES			
Operating revenues			
Net patient service	\$ -	\$ -	\$ -
Nongovernmental grants, bequests, and contributions	250,000	-	-
Sales and services	-	-	2,714,102
Operational support	2,034,000	-	-
Other operating revenues	2,634,045	22,425	49
Total operating revenues	<u>\$ 4,918,045</u>	<u>\$ 22,425</u>	<u>\$ 2,714,151</u>
EXPENSES			
Operating expenses			
General and administrative	\$ 1,425,616	\$ 63,401	\$ 354,106
Depreciation expense	51,411	64,025	559,703
Program expenses	3,175,624	141,221	136,590
Total operating expenses	<u>\$ 4,652,651</u>	<u>\$ 268,647</u>	<u>\$ 1,050,399</u>
Net operating income (loss)	<u>\$ 265,394</u>	<u>\$ (246,222)</u>	<u>\$ 1,663,752</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	\$ -	\$ -	\$ -
Sandoval county mill levy	-	-	-
Federal bond subsidy	-	-	-
Investment income	(10,052)	-	29,815
Interest expense	-	-	(585,276)
Distributions to the University of New Mexico	-	-	(380,000)
Other nonoperating revenues and expenses, net	53,406	-	156,546
Net nonoperating revenues (expenses)	<u>\$ 43,354</u>	<u>\$ -</u>	<u>\$ (778,915)</u>
Income (loss) before capital contributions	<u>\$ 308,748</u>	<u>\$ (246,222)</u>	<u>\$ 884,837</u>
Capital contributions	<u>\$ (7,217,513)</u>	<u>\$ 7,217,513</u>	<u>\$ -</u>
Total capital contributions	<u>\$ (7,217,513)</u>	<u>\$ 7,217,513</u>	<u>\$ -</u>
Change in net position	\$ (6,908,765)	\$ 6,971,291	\$ 884,837
Net position at beginning of year	<u>7,752,053</u>	<u>-</u>	<u>1,748,507</u>
Net position at end of year	<u>\$ 843,288</u>	<u>\$ 6,971,291</u>	<u>\$ 2,633,344</u>

See accompanying independent auditors' report.

SCHEDULE 9

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 177,185,317	\$ 76,623,662	\$ 253,808,979	\$ -	\$ 253,808,979
-	-	-	250,000	-	250,000
2,171,065	17,270,032	-	22,155,199	(3,970,628)	18,184,571
-	-	-	2,034,000	(2,034,000)	-
-	10,454,123	551,557	13,662,199	-	13,662,199
<u>\$ 2,171,065</u>	<u>\$ 204,909,472</u>	<u>\$ 77,175,219</u>	<u>\$ 291,910,377</u>	<u>\$ (6,004,628)</u>	<u>\$ 285,905,749</u>
\$ 127,877	\$ 204,522,165	\$ 70,949,371	\$ 277,442,536	\$ (126,103,634)	\$ 151,338,902
549,313	1,081,340	8,456,101	10,761,893	-	10,761,893
649,300	-	-	4,102,735	(346,059)	3,756,676
<u>\$ 1,326,490</u>	<u>\$ 205,603,505</u>	<u>\$ 79,405,472</u>	<u>\$ 292,307,164</u>	<u>\$ (126,449,693)</u>	<u>\$ 165,857,471</u>
<u>\$ 844,575</u>	<u>\$ (694,033)</u>	<u>\$ (2,230,253)</u>	<u>\$ (396,787)</u>	<u>\$ 120,445,065</u>	<u>\$ 120,048,278</u>
\$ -	\$ 1,256,900	\$ -	\$ 1,256,900	\$ -	\$ 1,256,900
-	-	6,152,531	6,152,531	-	6,152,531
-	-	1,960,076	1,960,076	-	1,960,076
6,717	263,265	11,883	301,628	-	301,628
(180,061)	-	(5,869,675)	(6,635,012)	585,276	(6,049,736)
(642,000)	-	-	(1,022,000)	1,022,000	-
-	-	(20,812)	189,140	-	189,140
<u>\$ (815,344)</u>	<u>\$ 1,520,165</u>	<u>\$ 2,234,003</u>	<u>\$ 2,203,263</u>	<u>\$ 1,607,276</u>	<u>\$ 3,810,539</u>
<u>\$ 29,231</u>	<u>\$ 826,132</u>	<u>\$ 3,750</u>	<u>\$ 1,806,476</u>	<u>\$ 122,052,341</u>	<u>\$ 123,858,817</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 29,231	\$ 826,132	\$ 3,750	\$ 1,806,476	\$ 122,052,341	\$ 123,858,817
3,945,406	47,363,208	19,115,057	79,924,231	-	79,924,231
<u>\$ 3,974,637</u>	<u>\$ 48,189,340</u>	<u>\$ 19,118,807</u>	<u>\$ 81,730,707</u>	<u>\$ 122,052,341</u>	<u>\$ 203,783,048</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Cash Flows as of June 30, 2017 – Blended Component Units

	STC.UNM	Innovate ABQ, Inc.	Lobo Development Corporation
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from insurance and patients	\$ -	\$ -	\$ -
Cash payments to employees	-	-	(228,353)
Cash payments for benefits	-	-	-
Cash payments to suppliers	(1,902,754)	(428,049)	(244,680)
Other cash receipts (payments)	1,712,051	1,592,786	2,737,126
Net cash provided by (used in) operating activities	\$ (190,703)	\$ 1,164,737	\$ 2,264,093
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from state appropriations	\$ -	\$ -	\$ -
Cash received from Sandoval County mill levy	-	-	-
Other nonoperating cash receipts	-	-	-
Net cash provided by noncapital financing activities	\$ -	\$ -	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from federal bond subsidy	\$ -	\$ -	\$ -
Principal payments of bonds	-	-	-
Interest payments on bonds	-	-	-
Other cash receipts (payments)	(23,730)	(73,328)	(1,821,414)
Net cash provided by (used in) capital and related financing activities	\$ (23,730)	\$ (73,328)	\$ (1,821,414)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	\$ 940,697	\$ -	\$ -
Purchases of investments	(955,541)	-	-
Investment income	68,446	-	44,930
Cash payments for mortgage reserve fund	-	-	-
Other cash receipts (payments)	-	-	-
Net cash provided by (used in) investing activities	\$ 53,602	\$ -	\$ 44,930
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents – beginning of year	\$ (160,831)	\$ 1,091,409	\$ 487,609
Cash and cash equivalents – end of year	\$ 1,214,568	\$ 85,859	\$ 3,054,053
	\$ 1,053,737	\$ 1,177,268	\$ 3,541,662

See accompanying independent auditors' report.

SCHEDULE 10

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 205,410,241	\$ 80,466,779	\$ 285,877,020	\$ -	\$ 285,877,020
(517,541)	(23,535,008)	(28,985,440)	(53,266,342)	-	(53,266,342)
-	(5,023,497)	-	(5,023,497)	-	(5,023,497)
(369,566)	(23,557,965)	(40,147,941)	(66,650,955)	119,032	(66,531,923)
2,170,965	(143,581,911)	362,226	(135,006,757)	151,081,893	16,075,136
<u>\$ 1,283,858</u>	<u>\$ 9,711,860</u>	<u>\$ 11,695,624</u>	<u>\$ 25,929,469</u>	<u>\$ 151,200,925</u>	<u>\$ 177,130,394</u>
\$ -	\$ 1,172,000	\$ -	\$ 1,172,000	\$ -	\$ 1,172,000
-	-	6,278,593	6,278,593	-	6,278,593
-	-	4,760	4,760	-	4,760
<u>\$ -</u>	<u>\$ 1,172,000</u>	<u>\$ 6,283,353</u>	<u>\$ 7,455,353</u>	<u>\$ -</u>	<u>\$ 7,455,353</u>
\$ -	\$ -	\$ 2,884,824	\$ 2,884,824	\$ -	\$ 2,884,824
-	-	(3,540,000)	(3,540,000)	-	(3,540,000)
-	-	(5,791,938)	(5,791,938)	-	(5,791,938)
(1,139,065)	-	(2,320,275)	(5,377,812)	308,460	(5,069,352)
<u>\$ (1,139,065)</u>	<u>\$ -</u>	<u>\$ (8,767,389)</u>	<u>\$ (11,824,926)</u>	<u>\$ 308,460</u>	<u>\$ (11,516,466)</u>
\$ -	\$ (316,583)	\$ -	\$ 624,114	\$ -	\$ 624,114
-	-	-	(955,541)	-	(955,541)
7,641	(388,000)	31,128	(235,855)	-	(235,855)
-	-	(2,094,246)	(2,094,246)	-	(2,094,246)
-	(6,174,000)	-	(6,174,000)	-	(6,174,000)
<u>\$ 7,641</u>	<u>\$ (6,878,583)</u>	<u>\$ (2,063,118)</u>	<u>\$ (8,835,528)</u>	<u>\$ -</u>	<u>\$ (8,835,528)</u>
\$ 152,434	\$ 4,005,277	\$ 7,148,470	\$ 12,724,368	\$ 151,509,385	\$ 164,233,753
462,954	28,453,406	22,686,093	55,956,933	-	55,956,933
<u>\$ 615,388</u>	<u>\$ 32,458,683</u>	<u>\$ 29,834,563</u>	<u>\$ 68,681,301</u>	<u>\$ 151,509,385</u>	<u>\$ 220,190,686</u>

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Cash Flows as of June 30, 2016 – Blended Component Units

	<u>STC.UNM</u>	<u>Innovate ABQ, Inc.</u>	<u>Lobo Development Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from insurance and patients	\$ -	\$ -	\$ -
Cash payments to employees	-	-	(199,442)
Cash payments for benefits	-	-	-
Cash payments to suppliers	(1,889,186)	(196,158)	(293,749)
Other cash receipts (payments)	1,978,961	22,425	2,749,014
Net cash provided by (used in) operating activities	<u>\$ 89,775</u>	<u>\$ (173,733)</u>	<u>\$ 2,255,823</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from state appropriations	\$ -	\$ -	\$ -
Cash received from Sandoval County mill levy	-	-	-
Other nonoperating cash receipts (payments)	-	259,592	-
Net cash provided by (used in) noncapital financing activities	<u>\$ -</u>	<u>\$ 259,592</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from federal bond subsidy	\$ -	\$ -	\$ -
Principal payments of bonds	-	-	-
Interest payments on bonds	-	-	-
Other cash receipts (payments)	(237,841)	-	(1,423,986)
Net cash provided by (used in) capital and related financing activities	<u>\$ (237,841)</u>	<u>\$ -</u>	<u>\$ (1,423,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	\$ 414,656	\$ -	\$ -
Purchases of investments	(428,921)	-	-
Investment income	111,926	-	429,815
Cash payments for mortgage reserve fund	-	-	-
Net cash provided by (used in) investing activities	<u>\$ 97,661</u>	<u>\$ -</u>	<u>\$ 429,815</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents – beginning of year	\$ (50,405)	\$ 85,859	\$ 1,261,652
	1,264,973	-	1,792,401
Cash and cash equivalents – end of year	<u>\$ 1,214,568</u>	<u>\$ 85,859</u>	<u>\$ 3,054,053</u>

See accompanying independent auditors' report.

SCHEDULE 11

Lobo Energy, Inc.	UNM Medical Group, Inc.	UNM Sandoval Regional Medical Center, Inc.	Total before Eliminations	Eliminations	Total
\$ -	\$ 194,481,396	\$ 76,206,571	\$ 270,687,967	\$ -	\$ 270,687,967
(514,265)	(22,883,344)	(28,246,457)	(51,843,508)	-	(51,843,508)
-	(5,270,630)	-	(5,270,630)	-	(5,270,630)
(287,096)	(21,533,166)	(38,172,064)	(62,371,419)	83,530	(62,287,889)
2,171,209	(141,267,873)	(1,896,023)	(136,242,287)	147,231,195	10,988,908
<u>\$ 1,369,848</u>	<u>\$ 3,526,383</u>	<u>\$ 7,892,027</u>	<u>\$ 14,960,123</u>	<u>\$ 147,314,725</u>	<u>\$ 162,274,848</u>
\$ -	\$ 1,256,900	\$ -	\$ 1,256,900	\$ -	\$ 1,256,900
-	-	6,151,869	6,151,869	-	6,151,869
(642,000)	-	20	(382,388)	(7,894,096)	(8,276,484)
<u>\$ (642,000)</u>	<u>\$ 1,256,900</u>	<u>\$ 6,151,889</u>	<u>\$ 7,026,381</u>	<u>\$ (7,894,096)</u>	<u>\$ (867,715)</u>
\$ -	\$ -	\$ 1,979,526	\$ 1,979,526	\$ -	\$ 1,979,526
-	-	(3,380,000)	(3,380,000)	-	(3,380,000)
-	-	(5,945,725)	(5,945,725)	-	(5,945,725)
(1,136,367)	-	(1,054,233)	(3,852,427)	1,653,617	(2,198,810)
<u>\$ (1,136,367)</u>	<u>\$ -</u>	<u>\$ (8,400,432)</u>	<u>\$ (11,198,626)</u>	<u>\$ 1,653,617</u>	<u>\$ (9,545,009)</u>
\$ -	\$ (215,698)	\$ -	\$ 198,958	\$ -	\$ 198,958
-	-	-	(428,921)	-	(428,921)
6,717	(824,151)	11,883	(263,810)	(400,000)	(663,810)
-	-	(2,007,061)	(2,007,061)	-	(2,007,061)
<u>\$ 6,717</u>	<u>\$ (1,039,849)</u>	<u>\$ (1,995,178)</u>	<u>\$ (2,500,834)</u>	<u>\$ (400,000)</u>	<u>\$ (2,900,834)</u>
\$ (401,802)	\$ 3,743,434	\$ 3,648,306	\$ 8,287,044	\$ 140,674,246	\$ 148,961,290
864,756	24,709,972	19,037,787	47,669,889	-	47,669,889
<u>\$ 462,954</u>	<u>\$ 28,453,406</u>	<u>\$ 22,686,093</u>	<u>\$ 55,956,933</u>	<u>\$ 140,674,246</u>	<u>\$ 196,631,179</u>

Combining Statement of Net Position as of June 30, 2017 – Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,096,039	\$ 2,116,184	\$ 3,482,143	\$ 711,008	\$ 9,405,374
Cash and cash equivalents – restricted	2,678,110	-	-	-	2,678,110
Short-term investments	-	2,126,778	-	8,174,571	10,301,349
Accounts receivable, net	1,237,927	554,245	41,659	2,240	1,836,071
Due from The University of New Mexico	-	103,486	-	-	103,486
Other current assets	624,565	68,585	6,610	18,513	718,273
Total current assets	<u>\$ 7,636,641</u>	<u>\$ 4,969,278</u>	<u>\$ 3,530,412</u>	<u>\$ 8,906,332</u>	<u>\$ 25,042,663</u>
Noncurrent assets					
Investments	\$ 209,256,577	\$ -	\$ -	\$ -	\$ 209,256,577
Other noncurrent assets	6,957,852	-	-	-	6,957,852
Capital assets, net	38,525	-	-	-	38,525
Total noncurrent assets	<u>\$ 216,252,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,252,954</u>
Total assets	<u>\$ 223,889,595</u>	<u>\$ 4,969,278</u>	<u>\$ 3,530,412</u>	<u>\$ 8,906,332</u>	<u>\$ 241,295,617</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,909,501	\$ 999	\$ 14,097	\$ 10,028	\$ 1,934,625
Advance funding received	125,845	-	-	-	125,845
Due to The University of New Mexico	3,517,677	1,093,498	2,600,000	-	7,211,175
Unearned revenue	-	656,170	-	-	656,170
Annuities payable	280,112	-	-	-	280,112
Other current liabilities	385,264	-	-	-	385,264
Total current liabilities	<u>\$ 6,218,399</u>	<u>\$ 1,750,667</u>	<u>\$ 2,614,097</u>	<u>\$ 10,028</u>	<u>\$ 10,593,191</u>
Noncurrent liabilities					
Due to The University of New Mexico	\$ 4,654,233	\$ -	\$ -	\$ -	\$ 4,654,233
Annuities payable	1,881,966	-	-	-	1,881,966
Total noncurrent liabilities	<u>\$ 6,536,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,536,199</u>
Total liabilities	<u>\$ 12,754,598</u>	<u>\$ 1,750,667</u>	<u>\$ 2,614,097</u>	<u>\$ 10,028</u>	<u>\$ 17,129,390</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	\$ -	\$ -	\$ 841,208	\$ -	\$ 841,208
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,208</u>	<u>\$ -</u>	<u>\$ 841,208</u>
NET POSITION					
Net investment in capital assets	\$ 38,525	\$ -	\$ -	\$ -	\$ 38,525
Restricted nonexpendable	189,528,599	-	-	-	189,528,599
Restricted expendable	18,905,964	541,076	-	-	19,447,040
Unrestricted	2,661,909	2,677,535	75,107	8,896,304	14,310,855
Total net position	<u>\$ 211,134,997</u>	<u>\$ 3,218,611</u>	<u>\$ 75,107</u>	<u>\$ 8,896,304</u>	<u>\$ 223,325,019</u>

See accompanying independent auditors' report.

Combining Statement of Net Position as of June 30, 2016 – Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,591,688	\$ 1,603,802	\$ 3,723,250	\$ 833,199	\$ 9,751,939
Cash and cash equivalents – restricted	3,893,462	-	-	-	3,893,462
Short-term investments	-	1,962,749	-	8,098,041	10,060,790
Accounts receivable, net	984,757	595,052	55,600	3,206	1,638,615
Due from The University of New Mexico	-	108,382	-	-	108,382
Inventories	-	28,849	-	-	28,849
Other current assets	301,810	81,773	3,209	12,910	399,702
Total current assets	<u>\$ 8,771,717</u>	<u>\$ 4,380,607</u>	<u>\$ 3,782,059</u>	<u>\$ 8,947,356</u>	<u>\$ 25,881,739</u>
Noncurrent assets					
Investments	\$ 192,283,008	\$ -	\$ -	\$ -	\$ 192,283,008
Other noncurrent assets	5,338,078	-	-	-	5,338,078
Capital assets, net	63,227	-	-	-	63,227
Total noncurrent assets	<u>\$ 197,684,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,684,313</u>
Total assets	<u>\$ 206,456,030</u>	<u>\$ 4,380,607</u>	<u>\$ 3,782,059</u>	<u>\$ 8,947,356</u>	<u>\$ 223,566,052</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,834,440	\$ 10,394	\$ 10,130	\$ 94,873	\$ 1,949,837
Advance funding received	147,393	-	-	-	147,393
Due to The University of New Mexico	3,776,869	1,080,358	2,900,000	-	7,757,227
Unearned revenue	-	766,399	-	-	766,399
Annuities payable	337,890	-	-	-	337,890
Other current liabilities	717,251	-	-	-	717,251
Total current liabilities	<u>\$ 6,813,843</u>	<u>\$ 1,857,151</u>	<u>\$ 2,910,130</u>	<u>\$ 94,873</u>	<u>\$ 11,675,997</u>
Noncurrent liabilities					
Due to The University of New Mexico	\$ 3,577,933	\$ -	\$ -	\$ -	\$ 3,577,933
Annuities payable	2,089,450	-	-	-	2,089,450
Total noncurrent liabilities	<u>\$ 5,667,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,667,383</u>
Total liabilities	<u>\$ 12,481,226</u>	<u>\$ 1,857,151</u>	<u>\$ 2,910,130</u>	<u>\$ 94,873</u>	<u>\$ 17,343,380</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	\$ -	\$ -	\$ 836,759	\$ -	\$ 836,759
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 836,759</u>	<u>\$ -</u>	<u>\$ 836,759</u>
NET POSITION					
Net investment in capital assets	\$ 63,227	\$ -	\$ -	\$ -	\$ 63,227
Restricted nonexpendable	172,831,532	-	-	-	172,831,532
Restricted expendable	18,773,332	497,330	-	-	19,270,662
Unrestricted	2,306,713	2,026,126	35,170	8,852,483	13,220,492
Total net position	<u>\$ 193,974,804</u>	<u>\$ 2,523,456</u>	<u>\$ 35,170</u>	<u>\$ 8,852,483</u>	<u>\$ 205,385,913</u>

See accompanying independent auditors' report.

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017 –
Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
REVENUES					
Operating revenues					
Nongovernmental grants, bequests, and contributions	\$ 26,645,574	\$ 309,826	\$ 4,478,358	\$ -	\$ 31,433,758
Sales and services	-	3,284,309	176,256	9,305	3,469,870
Operational support	7,769,859	-	-	-	7,769,859
Other operating revenues	295,976	21,423	18,466	676,352	1,012,217
Total operating revenues	<u>\$ 34,711,409</u>	<u>\$ 3,615,558</u>	<u>\$ 4,673,080</u>	<u>\$ 685,657</u>	<u>\$ 43,685,704</u>
EXPENSES					
Operating expenses					
General and administrative	\$ 12,740,403	\$ 2,423,544	\$ 228,243	\$ 555,086	\$ 15,947,276
Program expenses	-	604,455	4,439,921	285,368	5,329,744
Distributions to the University of New Mexico	36,716,240	-	-	-	36,716,240
Total operating expenses	<u>\$ 49,456,643</u>	<u>\$ 3,027,999</u>	<u>\$ 4,668,164</u>	<u>\$ 840,454</u>	<u>\$ 57,993,260</u>
Net operating income (loss)	<u>\$ (14,745,234)</u>	<u>\$ 587,559</u>	<u>\$ 4,916</u>	<u>\$ (154,797)</u>	<u>\$ (14,307,556)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	\$ 22,238,899	\$ 213,563	\$ 35,021	\$ 672,180	\$ 23,159,663
Other nonoperating revenues and expenses, net	-	(105,967)	-	(323,562)	(429,529)
Distributions to the University of New Mexico	-	-	-	(150,000)	(150,000)
Net nonoperating revenues	<u>\$ 22,238,899</u>	<u>\$ 107,596</u>	<u>\$ 35,021</u>	<u>\$ 198,618</u>	<u>\$ 22,580,134</u>
Income before other revenues	<u>\$ 7,493,665</u>	<u>\$ 695,155</u>	<u>\$ 39,937</u>	<u>\$ 43,821</u>	<u>\$ 8,272,578</u>
Contributions to permanent endowments	\$ 9,666,528	-	-	-	\$ 9,666,528
Total other revenues	<u>\$ 9,666,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,666,528</u>
Change in net position	<u>\$ 17,160,193</u>	<u>\$ 695,155</u>	<u>\$ 39,937</u>	<u>\$ 43,821</u>	<u>\$ 17,939,106</u>
Net position at beginning of year	<u>193,974,804</u>	<u>2,523,456</u>	<u>35,170</u>	<u>8,852,483</u>	<u>205,385,913</u>
Net position at end of year	<u>\$ 211,134,997</u>	<u>\$ 3,218,611</u>	<u>\$ 75,107</u>	<u>\$ 8,896,304</u>	<u>\$ 223,325,019</u>

See accompanying independent auditors' report.

Combining Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016 –
Discretely Presented Component Units

	University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	UNM Lobo Club	The University of New Mexico Alumni Association	Total
REVENUES					
Operating revenues					
Nongovernmental grants, bequests, and contributions	\$ 19,038,409	\$ 334,479	\$ 5,871,968	\$ -	\$ 25,244,856
Sales and services	-	2,904,245	93,365	8,795	3,006,405
Operational support	8,078,389	-	-	-	8,078,389
Other operating revenues	411,897	19,192	9,447	523,030	963,566
Total operating revenues	<u>\$ 27,528,695</u>	<u>\$ 3,257,916</u>	<u>\$ 5,974,780</u>	<u>\$ 531,825</u>	<u>\$ 37,293,216</u>
EXPENSES					
Operating expenses					
General and administrative	\$ 12,658,223	\$ 2,448,152	\$ 257,705	\$ 296,230	\$ 15,660,310
Program expenses	-	589,326	5,717,322	599,548	6,906,196
Distributions to the University of New Mexico	28,292,544	-	-	-	28,292,544
Total operating expenses	<u>\$ 40,950,767</u>	<u>\$ 3,037,478</u>	<u>\$ 5,975,027</u>	<u>\$ 895,778</u>	<u>\$ 50,859,050</u>
Net operating income (loss)	<u>\$ (13,422,072)</u>	<u>\$ 220,438</u>	<u>\$ (247)</u>	<u>\$ (363,953)</u>	<u>\$ (13,565,834)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	\$ (2,402,519)	\$ (37,157)	\$ 33,572	\$ 101,176	\$ (2,304,928)
Other nonoperating revenues and expenses, net	-	(126,357)	-	(128,731)	(255,088)
Net nonoperating revenues (expenses)	<u>\$ (2,402,519)</u>	<u>\$ (163,514)</u>	<u>\$ 33,572</u>	<u>\$ (27,555)</u>	<u>\$ (2,560,016)</u>
Income (loss) before other revenues	<u>\$ (15,824,591)</u>	<u>\$ 56,924</u>	<u>\$ 33,325</u>	<u>\$ (391,508)</u>	<u>\$ (16,125,850)</u>
Contributions to permanent endowments	\$ 11,837,524	-	-	-	\$ 11,837,524
Total other revenues	<u>\$ 11,837,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,837,524</u>
Change in net position	<u>\$ (3,987,067)</u>	<u>\$ 56,924</u>	<u>\$ 33,325</u>	<u>\$ (391,508)</u>	<u>\$ (4,288,326)</u>
Net position at beginning of year	197,961,871	2,466,532	1,845	9,243,991	209,674,239
Net position at end of year	<u>\$ 193,974,804</u>	<u>\$ 2,523,456</u>	<u>\$ 35,170</u>	<u>\$ 8,852,483</u>	<u>\$ 205,385,913</u>

See accompanying independent auditors' report.

Budget Comparison – Unrestricted and Restricted – All Operations
Year Ended June 30, 2017

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable (Unfavorable)
Unrestricted and Restricted Beginning Net Position	\$ 513,434,101	\$ 552,302,824	\$ 552,302,824	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Fees	\$ 202,688,345	\$ 200,076,420	\$ 200,927,903	\$ 851,483
Federal Government Appropriations	-	-	59,285	59,285
State Government Appropriations	317,609,371	302,180,277	301,844,838	(335,439)
Local Government Appropriations	10,854,990	10,541,820	9,729,957	(811,863)
Federal Government Contracts/Grants	243,647,553	250,940,726	215,127,668	(35,813,058)
State Government Contracts/Grants	101,246,548	95,841,808	94,700,367	(1,141,441)
Local Government Contracts/Grants	3,555,909	3,663,057	2,056,271	(1,606,786)
Private Contracts/Grants	42,718,565	51,431,007	52,239,542	808,535
Endowments and Private Gifts	893,692	910,081	1,336,246	426,165
Land and Permanent Fund	8,800,000	10,333,306	10,995,164	661,858
Sales and Services	403,500,070	414,187,640	407,415,676	(6,771,964)
Other	145,735,331	194,299,511	199,114,779	4,815,268
Total Unrestricted and Restricted Revenues	<u>\$ 1,481,250,374</u>	<u>\$ 1,534,405,653</u>	<u>\$ 1,495,547,696</u>	<u>\$ (38,857,957)</u>
Unrestricted and Restricted Expenditures:				
Instruction	\$ 296,757,260	\$ 284,371,237	\$ 274,145,687	\$ 10,225,550
Academic Support	56,341,909	55,077,495	54,377,873	699,622
Student Services	32,015,732	32,010,273	29,727,607	2,282,666
Institutional Support	73,597,246	70,318,518	65,925,609	4,392,909
Operations and Maintenance	49,860,150	47,168,802	44,883,885	2,284,917
Student Social and Cultural	11,229,584	11,193,405	10,454,670	738,735
Research	194,976,254	203,902,411	187,751,453	16,150,958
Public Service	401,654,549	398,547,023	386,113,501	12,433,522
Internal Services	3,200,156	3,012,394	(271,348)	3,283,742
Student Aid, Grants, and Stipends	146,027,339	138,168,912	124,166,938	14,001,974
Auxiliary Services	57,540,028	54,934,779	52,080,457	2,854,322
Intercollegiate Athletics	34,686,819	34,527,797	34,074,336	453,461
Independent Operations	84,816,183	84,559,835	84,245,245	314,590
Capital Outlay	68,063,572	83,736,830	89,616,418	(5,879,588)
Building Renewal and Replacement	11,000,000	11,000,000	8,485,249	2,514,751
Retirement of Indebtedness	35,884,877	35,884,877	34,386,068	1,498,809
Total Unrestricted and Restricted Expenditures	<u>\$ 1,557,651,658</u>	<u>\$ 1,548,414,588</u>	<u>\$ 1,480,163,648</u>	<u>\$ 68,250,940</u>
Net Transfers	\$ 7,703,670	\$ 10,419,020	\$ 8,819,732	\$ (1,599,288)
Change in Net Position (Budgetary Basis)	<u>\$ (68,697,614)</u>	<u>\$ (3,589,915)</u>	<u>\$ 24,203,780</u>	<u>\$ 27,793,695</u>
Ending Net Position	<u>\$ 444,736,487</u>	<u>\$ 548,712,909</u>	<u>\$ 576,506,604</u>	<u>\$ 27,793,695</u>

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

See accompanying independent auditors' report.

Budget Comparison - Unrestricted - Instruction & General
Year Ended June 30, 2017

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable (Unfavorable)
Unrestricted Beginning Net Position	\$ 34,402,367	\$ 51,049,159	\$ 51,049,159	\$ -
Unrestricted Revenues:				
Tuition and Fees	\$ 182,046,100	\$ 179,436,010	\$ 179,901,699	\$ 465,689
Federal Government Appropriations	-	-	-	-
State Government Appropriations	273,028,300	259,435,800	259,432,594	(3,206)
Local Government Appropriations	7,801,820	7,801,820	8,197,116	395,296
Federal Government Contracts/Grants	180,000	180,000	240,149	60,149
State Government Contracts/Grants	2,500	31,615	80,384	48,769
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	-	1,311	1,311
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	8,800,000	10,333,306	10,995,164	661,858
Sales and Services	2,830,469	2,876,869	571,270	(2,305,599)
Other	64,793,608	52,338,385	54,832,413	2,494,028
Total Unrestricted Revenues	<u>\$ 539,482,797</u>	<u>\$ 512,433,805</u>	<u>\$ 514,252,100</u>	<u>\$ 1,818,295</u>
Unrestricted Expenditures:				
Instruction	\$ 286,419,841	\$ 273,742,746	\$ 268,091,034	\$ 5,651,712
Academic Support	55,576,371	54,285,853	53,857,887	427,966
Student Services	31,375,153	31,335,203	29,494,087	1,841,116
Institutional Support	73,210,983	69,932,255	65,834,824	4,097,431
Operations and Maintenance	49,802,685	47,111,337	44,881,126	2,230,211
Total Unrestricted Expenditures	<u>\$ 496,385,033</u>	<u>\$ 476,407,394</u>	<u>\$ 462,158,958</u>	<u>\$ 14,248,436</u>
Net Transfers	<u>\$ (56,683,324)</u>	<u>\$ (47,205,702)</u>	<u>\$ (52,553,203)</u>	<u>\$ (5,347,501)</u>
Change in Net Position (Budgetary Basis)	<u>\$ (13,585,560)</u>	<u>\$ (11,179,291)</u>	<u>\$ (460,061)</u>	<u>\$ 10,719,230</u>
Ending Net Position	<u>\$ 20,816,807</u>	<u>\$ 39,869,868</u>	<u>\$ 50,589,098</u>	<u>\$ 10,719,230</u>

See accompanying independent auditors' report.

Budget Comparison - Restricted - Instruction & General
Year Ended June 30, 2017

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable (Unfavorable)
	\$ -	\$ -	\$ -	\$ -
Restricted Beginning Net Position				
Restricted Revenues:				
Tuition and Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	3,053,170	2,740,000	1,532,466	(1,207,534)
Federal Government Contracts/Grants	5,958,092	6,495,603	3,213,716	(3,281,887)
State Government Contracts/Grants	1,659,461	1,678,754	836,245	(842,509)
Local Government Contracts/Grants	859,575	1,018,595	900,891	(117,704)
Private Contracts/Grants	100,000	100,000	90,570	(9,430)
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	<u>\$ 11,630,298</u>	<u>\$ 12,032,952</u>	<u>\$ 6,573,888</u>	<u>\$ (5,459,064)</u>
Restricted Expenditures:				
Instruction	\$ 10,337,419	\$ 10,628,491	\$ 6,054,653	\$ 4,573,838
Academic Support	765,538	791,642	519,986	271,656
Student Services	640,579	675,070	233,520	441,550
Institutional Support	386,263	386,263	90,785	295,478
Operations and Maintenance	57,465	57,465	2,759	54,706
Total Restricted Expenditures	<u>\$ 12,187,264</u>	<u>\$ 12,538,931</u>	<u>\$ 6,901,703</u>	<u>\$ 5,637,228</u>
Net Transfers	<u>\$ 556,966</u>	<u>\$ 505,979</u>	<u>\$ 327,815</u>	<u>\$ (178,164)</u>
Change in Net Position (Budgetary Basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

Reconciliation of Budgetary Basis to Financial Statement Basis
 Unrestricted and Restricted - All Operations
 Year Ended June 30, 2017

Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 1,495,547,696
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	989,863,810
University of New Mexico Behavioral Health Operations (amount not in budgetary basis)	43,620,854
Blended component units (amount not in budgetary basis)	326,545,934
Intercompany eliminations (amount not in budgetary basis)	(336,723,432)
Scholarship allowance (amount not in budgetary basis)	(89,592,199)
Endowment fund items (amount not in budgetary basis)	22,034,296
Investment in plant items (amount not in budgetary basis)	1,377,358
Institutional fund items (amount not in budgetary basis)	(6,702,166)
Bond proceeds (amount not in financial statements)	(46,184,696)
Revenue/expenditure classification differences	(917,094)
Other	841,276
Total reconciling items	<u>\$ 904,163,941</u>
Total reconciled unrestricted and restricted revenues per budgetary basis	<u>\$ 2,399,711,637</u>
Basic Financial Statements	
Operating revenues	\$ 1,807,515,320
Nonoperating revenues	559,092,774
Nonoperating revenues netted in other nonoperating revenues and expenses	1,156,769
Capital contributions	31,946,774
Total unrestricted and restricted revenues per financial statements	<u>\$ 2,399,711,637</u>
Difference	<u>\$ -</u>

Total Unrestricted and Restricted Expenditures:

Budgetary Basis	\$ 1,480,163,648
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	972,320,393
University of New Mexico Behavioral Health Operations (amount not in budgetary basis)	41,179,962
Blended component units (amount not in budgetary basis)	310,302,829
Intercompany eliminations (amount not in budgetary basis)	(336,723,432)
Scholarship allowance (amount not in budgetary basis)	(89,592,199)
Endowment fund items (amount not in budgetary basis)	(722,547)
Investment in plant items (amount not in financial statements)	(2,125,142)
Depreciation expense (amount not in budgetary basis)	60,465,607
Capitalized expenditures (amount not in financial statements)	(80,149,979)
Bond principal payments (amount not in financial statements)	(16,177,969)
GASB 45 other postemployment benefits expense (not in budgetary basis)	2,500,000
GASB 68 pension expense (amount not in budgetary basis)	48,135,707
Revenue/expenditure classification differences	(917,094)
Other	(8,507)
Total reconciling items	<u>\$ 908,487,629</u>
Total reconciled unrestricted and restricted expenditures per budgetary basis	<u>\$ 2,388,651,277</u>
Basic Financial Statements	
Operating expenditures	\$ 2,364,443,462
Nonoperating expenditures	23,715,722
Nonoperating expenditures netted in other nonoperating revenues and expenses	492,093
Total unrestricted and restricted expenditures per financial statements	<u>\$ 2,388,651,277</u>
Difference	<u>\$ -</u>

See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2017 - Primary Institution

Financial Institution	Account Type	Account Name	Book Balance	Bank Balance
Bank of America	Checking	UNMH Operating Account	\$ 49,558,202	\$ 49,557,211
		Less FDIC Insurance		(500,000)
		Uninsured Public Funds		\$ 49,057,211
		Collateral Requirement (50%)		\$ 24,528,606
		Fair Value of Collateral		\$ 49,095,757
		Over (Under) Collateralized		\$ 24,567,151
Compass Bank		*Lobo Development - Business Checking	\$ 124,901	\$ 132,338
		*Lobo Energy - Business Checking	54,022	54,022
			\$ 178,923	\$ 186,360
		Less FDIC Insurance		(186,360)
		Uninsured Public Funds		\$ -
Los Alamos National Bank	Checking	Los Alamos Campus Depository	\$ 306,140	\$ 306,140
		Less FDIC Insurance		(250,000)
		Uninsured Public Funds		\$ 56,140
U.S. Bank	Checking		\$ 36,853,620	\$ 45,270,505
		Less FDIC Insurance		(250,000)
		Uninsured Public Funds		\$ 45,020,505
		Collateral Requirement (50%)		\$ 22,510,253
		Fair Value of Collateral		\$ 85,000,000
		Over (Under) Collateralized		\$ 62,489,747
Wells Fargo	Checking	UNMH Operating Account	\$ 77,127,526	\$ 83,113,060
		UNMH Operating Account	51,604,250	51,604,250
	Savings		\$ 128,731,776	\$ 134,717,310
		Less FDIC Insurance		(500,000)
		Uninsured Public Funds		\$ 134,217,310
		Collateral Requirement (50%)		\$ 67,108,655
		Fair Value of Collateral		\$ 144,219,836
		Over (Under) Collateralized		\$ 77,111,181
	Checking	*UNMMG Operating Account	\$ 30,911,883	\$ 31,226,511
		*UNMMG Cancer Center	68,916	68,916
	Checking	*UNMMG Truman RX	75,000	75,000
	Savings	*UNMMG Savings	5,496	5,496
			\$ 31,061,295	\$ 31,375,923
	Less FDIC Insurance		(250,000)	
	Uninsured Public Funds		\$ 31,125,923	
	Collateral Requirement (50%)		\$ 15,562,961	
	Fair Value of Collateral		\$ 46,206,374	
Other		Commercial Paper	\$ 77,060,709	
		Guaranteed Investment Contract	99,137,908	
		Money Markets	8,373,637	
		VEBA Trust	443,533	
		Petty Cash/Other	196,907	
		Component Unit deposits held by UNM	(3,914,711)	
		**STC.UNM	1,045,612	\$ 1,208,186
		**Innovate ABQ	1,177,268	1,488,698
		**Sandoval Regional Medical Center	22,860,739	24,055,925
Total Cash and Cash Equivalents - Primary Institution			\$ 453,071,558	\$ 288,166,258

*Blended Component Units - Public Money Entities

**Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

SCHEDULE 19

CUSIP Identification	Maturity Date	Type of Securities	Amount
Main Campus*			
522086	12/12/2017	LOC	\$ 65,000,000
523168	12/12/2017	LOC	20,000,000
<i>Total Pledged Collateral</i>			<u>\$ 85,000,000</u>

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

UNM Medical Group***			
3138WSQ92	4/1/2043	FNMA, FNMS	\$ 6,071,279
31418BUN4	9/1/2035	FNMA, FNMS	40,135,095
<i>Total Pledged Collateral</i>			<u>\$ 46,206,374</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 Hospital**			
3132GUBR4	6/1/2042	FMAC	\$ 42,420,283
3128MAC72	11/1/2044	FMAC	2,461,932
3128MJQ78	2/1/2042	FMAC	1,997,928
3132GRHL8	2/1/2042	FMAC	1,263,692
3138EHXR8	2/1/2042	FNMA	566,561
31371J5B6	6/1/2031	FNMA	337,194
31384VQF2	1/1/2030	FNMA	47,074
31419AVF1	4/1/2039	FNMA	725
31294KNX9	2/1/2018	FMAC	364
31384WLN8	5/1/2031	FNMA	4
<i>Total Bank Of America</i>			<u>\$ 49,095,757</u>
31418B5E2	6/1/2031	FNMA	\$ 53,976,076
31418BUN4	9/1/2035	FNMA	30,120,651
3136A73U4	8/25/2027	FNMA	21,386,524
3140F4KG0	5/1/2046	FNMA	20,605,820
3136A7AF9	1/25/2030	FNMA	18,130,765
<i>Total Wells Fargo</i>			<u>\$ 144,219,836</u>
<i>Total Pledged Collateral</i>			<u>\$ 193,315,593</u>

** - Pledged collateral is held in safekeeping by the Bank of New York Mellon in the Hospital's name

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2017 - Discretely Presented Component Units

Financial Institution	Account Type	Account Name	Book Balance	Bank Balance
*UNM Foundation				
Nusenda Federal Credit Union	Cash	General Fund	\$ 56,690	\$ 56,690
		Less NCUA Insurance		(56,690)
		Uninsured Public Funds		\$ -
Wells Fargo Bank	Cash	UNM Foundation Operating	\$ 588,164	\$ 711,681
	Cash	Development	4,514,027	3,949,770
			\$ 5,102,191	\$ 4,661,451
			Less FDIC Insurance	(250,000)
			Uninsured Public Funds	\$ 4,411,451
			Collateral Requirement (50%)	\$ 2,205,725
			Fair Value of Collateral	\$ 4,481,605
			Over (Under) Collateralized	\$ 2,275,880
	Other	Foundation Money Market	\$ 615,268	\$ 615,268
Total Cash and Cash Equivalents – UNM Foundation			\$ 5,774,149	\$ 5,333,409
**Anderson Schools of Management Foundation			2,116,184	2,066,774
**UNM Lobo Club			3,482,143	188,927
**UNM Alumni Association			711,008	407,465
Total Cash and Cash Equivalents – Discretely Presented Component Units			\$ 12,083,484	\$ 7,996,575

*Discretely Presented Component Units - Public Money Entities

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

See accompanying independent auditors' report.

CUSIP Identification	Maturity Date	Type of Securities	Amount
UNM Foundation			
3132QPN26	5/1/2045	FN-30 \$	604,449
3128MJWB2	5/1/2045	FN-30	3,877,156
<i>Total Pledged Collateral</i>			<u>4,481,605</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, 2017 - Primary Institution

Individual Deposit Accounts

Name of Bank/Broker	Account Type		Balance per Bank Statement	Reconciled Balance per Books
Bank of America	UNMH Operating Account	Checking	\$ 49,557,211	\$ 49,558,202
Compass Bank	*Lobo Development - Business Checking	Checking	132,338	124,901
	*Lobo Energy - Business Checking	Checking	54,022	54,022
Los Alamos National Bank	Los Alamos Campus Depository	Checking	306,140	306,140
U.S. Bank	General Depository	Checking	45,270,505	36,853,620
Wells Fargo	UNMH Operating Account	Checking	83,113,060	77,127,526
	UNMH Operating Account	Savings	51,604,250	51,604,250
	*UNMMG Operating Accounting	Checking	31,226,511	30,911,883
	*UNMMG Cancer Center	Checking	68,916	68,916
	*UNMMG Truman RX	Checking	75,000	75,000
	*UNMMG Savings	Savings	5,496	5,496
Other	Commercial Paper	Sweep	-	77,060,709
	UNM Project Funding from Bond Issue	Guaranteed Investment Contract	-	99,137,908
	Money Markets	Money Market	-	8,373,637
	VEBA Trust	Trust	-	443,533
	Petty Cash/Other	Cash on Hand	-	196,907
	Component Unit deposits held by UNM		-	(3,914,711)
			**STC.UNM	1,208,186
		**Innovate ABQ	1,488,698	1,177,268
		**Sandoval Regional Medical Center	24,055,925	22,860,739
Total Cash and Cash Equivalents - Primary Institution			\$ 288,166,258	\$ 453,071,558

*Blended Component Units - Public Money Entities

**Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

SCHEDULE 20

Individual Investment Accounts

Name of Bank/Broker	Account Type		Balance per Bank Statement	Reconciled Balance per Books	
Bank of Oklahoma	Retirement of Indebtedness	Cash	\$ 8,120	\$ 8,120	
		U.S. Government Agencies	949,468	949,468	
		Money Market	66,103	66,103	
		Certificate of Deposit	2,138,765	2,138,765	
	VEBA Trust		Money Market	607,111	607,111
			Certificate of Deposit	1,120,982	1,120,982
			AI-Mutual Funds	1,177,793	1,177,793
			Mutual Funds - Closed-end Equity	4,105,580	4,105,580
			Mutual Funds - Equity	10,767,076	10,767,076
			Mutual Funds - Fixed Income	6,556,119	6,556,119
Bayern LB	UNM Project Funding from Bond Issue	Guaranteed Investment Contract	99,137,908	99,137,908	
Fidelity Investments	ASM Endowment Account	Money Market	11,235	11,235	
		Equity	1,146,202	1,146,202	
		Exchange-Traded Funds	1,759,062	1,759,062	
Morgan Stanley	Operating Investment Account	Cash	6,420,373	6,420,373	
		U.S. Treasury Securities	118,577,944	118,577,944	
		U.S. Government Agencies	81,196,272	81,196,272	
		Corporate Bonds	156,088,590	156,088,590	
		Municipal Bonds	11,783,984	11,783,984	
	UNMH Short-Term Investment Accounts		Money Market	138,761	138,761
			U.S. Treasury Securities	17,837,709	17,837,709
			U.S. Government Agencies	16,765,056	16,765,056
	*UNMMG Investment Account		U.S. Government Obligations	13,124,201	13,124,201
			Corporate Bonds	4,780,194	4,780,194
			Municipal Bonds	527,209	527,209
	Northern Trust	Primary Institution CIF	Money Market	1,864,025	1,864,025
			Mutual Funds - Fixed	173,596,099	173,596,099
Mutual Funds - Equity			101,218,737	101,218,737	
Exchange-Traded Funds			8,483,709	8,483,709	
Illiquid Real Assests			20,497,913	20,497,913	
Private Equity			39,171,442	39,171,442	
Marketable Alternatives			80,511,696	80,511,696	
Wells Fargo	Bldg. Renewal & Replacement	Cash	59,745	59,745	
		U.S. Government Agencies	6,979,226	6,979,226	
	Retirement of Indebtedness	Money Market	3,183,203	3,183,203	
		U.S. Government Treasuries	2,488,004	2,488,004	
	UNMH Trust Accounts (Short term)	Money Market	80,107	80,107	
	UNMH Trust Accounts (Long term)	Money Market	17,978,206	17,978,206	
	Investment in TLSC	UNMH Other Investments	Equity	4,926,956	4,926,956
	Investment in TriWest		Equity	5,000,000	5,000,000
	Investment in TRL (TriCore)		Equity	12,535,036	12,535,036
		Less: Guaranteed Investment Contract		(99,137,908)	(99,137,908)
	Less: Foundation Interest in CIF		(203,623,738)	(203,623,738)	
		**STC.UNM	703,472	703,472	
		**Sandoval Regional Medical Center	9,505,792	9,505,792	
Total Investments - Primary Institution			\$ 742,813,539	\$ 742,813,539	

*Blended Component Units - Public Money Entities

**Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

Schedule of Individual Deposit and Investment Accounts as of June 30, 2017 - Discretely Presented Component Units

Individual Deposit Accounts

Name of Bank/Broker	Account Type	Balance per Bank Statement	Reconciled Balance per Books
Component Units – Public Money Entities			
*UNM Foundation, Inc.			
Fidelity	Restricted Fund	\$ 129,900	\$ 129,900
Hilltop Securities	Charitable Trust Fund	16,300	16,300
Morgan Stanley	Security donation	48,581	48,581
Nusenda Credit Union	General Fund	56,690	56,690
UBS Financial Services	Endowed Chair	308,329	308,329
	Endowed Professorship	46,969	46,969
Wells Fargo	Operating	711,681	588,164
	Development	3,949,770	4,514,027
	Irrevocable Trust Fund	65,189	65,189
Total Cash and Cash Equivalents - UNM Foundation, Inc.		\$ 5,333,409	\$ 5,774,149
**Anderson Schools of Management Foundation		2,066,774	2,116,184
**UNM Lobo Club		188,927	3,482,143
**UNM Alumni Association		407,465	711,008
Total Cash and Cash Equivalents - Discretely Presented Component Units		\$ 7,996,575	\$ 12,083,484

*Discretely Presented Component Units - Public Money Entities

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

See accompanying independent auditors' report.

SCHEDULE 20

Individual Investment Accounts

Name of Bank/Broker	Account Type	Balance per Bank Statement	Reconciled Balance per Books
Component Units – Public Money Entities			
*UNM Foundation, Inc.			
Fidelity	Operating Fund	\$ 142,696	\$ 142,696
Southwest Securities	Charitable Trust Fund	Domestic Corporate Stock	228,967
		Mutual Funds-Equity	237,388
		Mutual Funds-Fixed	13,642
UBS Financial Services	Endowed Chair	Municipal Bonds	2,797,583
		Other	27,072
	Endowed Professorship	Municipal Bonds	376,136
Wells Fargo	Charitable Trust Fund	Mutual Funds-Equity	903,480
		Mutual Funds-Fixed	387,551
		Real Estate	179,604
		Other	338,720
CIF	Endowments	Consolidated Investment Fund	203,623,738
Total Investments - UNM Foundation, Inc.		\$ 209,256,577	\$ 209,256,577
**Anderson Schools of Management Foundation		2,126,778	2,126,778
**UNM Alumni Association		8,174,571	8,174,571
Total Investments - Discretely Presented Component Units		\$ 219,557,926	\$ 219,557,926

*Discretely Presented Component Units - Public Money Entities

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

See accompanying independent auditors' report.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
MAJOR PROGRAMS				
<i>STUDENT FINANCIAL ASSISTANCE CLUSTER</i>				
Department of Education				
Direct Awards				
Federal Supplemental Educational Opportunity Grants	84.007		\$ -	\$ 1,157,482
Federal Work-Study Program	84.033		-	1,849,800
Federal Perkins Loans	84.038		-	9,926,374
Federal Pell Grant Program	84.063		-	45,387,905
Federal Direct Student Loans	84.268		-	111,600,088
Teacher Education Assistance for College and Higher Education Grants	84.379		-	277,339
Total Department of Education Direct Awards			-	170,198,988
Total Department of Education			-	170,198,988
Department of Health & Human Services				
Direct Awards				
Nurse Faculty Loan Program	93.264		-	559,321
Health Professions Student Loans	93.342		-	445,322
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		-	629,663
Total Department of Health & Human Services Direct Awards			-	1,634,306
Total Department of Health & Human Services			-	1,634,306
<i>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</i>				
			-	171,833,294
TOTAL MAJOR PROGRAMS			\$ -	\$ 171,833,294
NONMAJOR PROGRAMS				
<i>RESEARCH AND DEVELOPMENT CLUSTER</i>				
Department of Agriculture				
Direct Awards				
Department of Agriculture	10.000		\$ -	\$ 33,687
Agricultural Research_Basic and Applied Research	10.001		-	28,348
Hispanic Serving Institutions Education Grants	10.223		46,197	135,648
Agriculture and Food Research Initiative (AFRI)	10.310		-	154,163
Foreign Agricultural Market Development and Promotion	10.600		-	(6,602)
Forestry Research	10.652		-	62,706
Total Department of Agriculture Direct Awards			46,197	407,950
Pass-Through Awards				
Department of Agriculture	10.000	Presbyterian Healthcare Services	-	2,178
Hispanic Serving Institutions Education Grants	10.223	The University of Texas Rio Grande Valley	-	85,596
Agriculture and Food Research Initiative (AFRI)	10.310	New Mexico Consortium Inc	-	84,985
Agriculture and Food Research Initiative (AFRI)	10.310	Pennsylvania State University	-	87,411
Agriculture and Food Research Initiative (AFRI)	10.310	University of Texas at El Paso	-	26,731
	10.310	Subtotal	-	199,127
Total Department of Agriculture Pass-Through Awards			-	286,901
Total Department of Agriculture			46,197	694,851
Department of Commerce				
Direct Awards				
Climate and Atmospheric Research	11.431		-	172,866
Science, Technology, Business and/or Education Outreach	11.620		-	13,236
Total Department of Commerce Direct Awards			-	186,102
Pass-Through Awards				
Unallied Science Program	11.472	North Pacific Research Board	-	4,850
Total Department of Commerce Pass-Through Awards			-	4,850
Total Department of Commerce			-	190,952
Department of Defense				
Direct Awards				
Department of Defense	12.000		277,615	1,195,091
Aquatic Plant Control	12.100		-	92,146
Basic and Applied Scientific Research	12.300		-	1,950,192
Scientific Research - Combating Weapons of Mass Destruction	12.351		332,588	1,104,781
Military Medical Research and Development	12.420		2,447	1,029,037

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Basic Scientific Research	12.431		123,021	673,409
Centers for Academic Excellence	12.598		-	275,297
Basic, Applied, and Advanced Research in Science and Engineering	12.630		-	1,058,169
Air Force Defense Research Sciences Program	12.800		2,286,036	5,714,032
Research and Technology Development	12.910		549,805	1,399,166
Total Department of Defense Direct Awards			3,571,512	14,491,320
Pass-Through Awards				
Department of Defense	12.000	Applied Technology Associates	-	44,529
Department of Defense	12.000	ASR Corporation	-	136,504
Department of Defense	12.000	CFD Research Corporation	-	1,603
Department of Defense	12.000	Clarkson Aerospace Corp	-	47,371
Department of Defense	12.000	Engility Corporation	-	110,423
Department of Defense	12.000	GE Global Research	-	(556)
Department of Defense	12.000	Government of Israel Ministry of Defense-Mission to t	-	8,755
Department of Defense	12.000	Hexpoint Technologies	-	85,383
Department of Defense	12.000	J.T. McGraw and Associates, LLC	-	44,100
Department of Defense	12.000	John Tiller Software	-	49,077
Department of Defense	12.000	Modus Operandi, Inc.	-	53,153
Department of Defense	12.000	Northrop Grumman Corporation	-	325,077
Department of Defense	12.000	Rector & Visitors of the University of Virginia	-	256,348
Department of Defense	12.000	Sandia National Laboratories	14,907	106,175
Department of Defense	12.000	Tanner Research Inc.	-	63,490
Department of Defense	12.000	Tau Technologies LLC	-	2,669
Department of Defense	12.000	Utah State University Research Foundation/Space Dyn	-	81,999
Department of Defense	12.000	XL Scientific, LLC	-	48,440
	12.000	Subtotal	14,907	1,464,540
Aquatic Plant Control	12.100	Hawks Aloft Inc	-	97,678
Basic and Applied Scientific Research	12.300	Rector & Visitors of the University of Virginia	-	43,313
Basic and Applied Scientific Research	12.300	SK Infrared LLC	-	28,264
	12.300	Subtotal	-	71,577
Navy Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance	12.335	Modus Operandi, Inc.	-	(10,276)
Scientific Research - Combating Weapons of Mass Destruction	12.351	Sandia National Laboratories	-	217,968
Military Medical Research and Development	12.420	University of Texas San Antonio National Trauma Inst	-	39,816
Basic Scientific Research	12.431	BAE Systems	60,184	152,406
Basic Scientific Research	12.431	University of Central Florida	-	203,953
Basic Scientific Research	12.431	University of Utah	-	215,080
	12.431	Subtotal	60,184	571,439
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	Kansas State University	-	41,298
Research and Technical Assistance	12.615	New Mexico Institute of Mining and Technology	-	33,347
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Academy of Applied Science	-	9,000
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Technology Student Association	-	16,944
	12.630	Subtotal	-	25,944
Uniformed Services University Medical Research Projects	12.750	Uniformed Services University of the Health Sciences	-	339
Air Force Defense Research Sciences Program	12.800	California Institute of Technology	-	35,620
Air Force Defense Research Sciences Program	12.800	Kansas State University	-	124,143
Air Force Defense Research Sciences Program	12.800	Scientific Simulation Systems, INC	-	53,568
Air Force Defense Research Sciences Program	12.800	Sienna Technologies Inc	-	55,364
Air Force Defense Research Sciences Program	12.800	Thermo Dynamic Films	-	6,245
Air Force Defense Research Sciences Program	12.800	University of Texas Arlington	-	28,942
Air Force Defense Research Sciences Program	12.800	Utah State University Research Foundation/Space Dyn	-	69,471
Air Force Defense Research Sciences Program	12.800	Vesco NM	-	45,000
	12.800	Subtotal	-	418,353
Information Security Grants	12.902	Mississippi State University	-	3,500
Research and Technology Development	12.910	HRL Laboratories, LLC	-	595,616
Research and Technology Development	12.910	Thermo Dynamic Films	-	261,760
	12.910	Subtotal	-	857,376
Total Department of Defense Pass-Through Awards			75,091	3,832,899
Total Department of Defense			3,646,603	18,324,219

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of the Interior				
Direct Awards				
Department of the Interior	15.000		-	231,817
Cultural and Paleontological Resources Management	15.224		-	7,901
Fish, Wildlife and Plant Conservation Resource Management	15.231		57,120	278,226
Wildland Fire Research and Studies	15.232		-	101,556
Environmental Quality and Protection Resource Management	15.236		-	17,427
Fish and Wildlife Coordination Act	15.517		-	57,979
Upper Colorado and San Juan River Basins Endangered Fish Recovery	15.529		-	145,366
Lower Colorado River Multi-Species Conservation	15.538		-	87,092
Fish and Wildlife Management Assistance	15.608		-	3,212
Service Training and Technical Assistance (Generic Training)	15.649		-	24,538
Endangered Species Conservation SPA Recovery Implementation Funds	15.657		-	14,998
Cooperative Ecosystem Studies Units	15.678		-	79,036
U.S. Geological Survey_ Research and Data Collection	15.808		-	262,896
Cooperative Research and Training Programs - Resources of the National Park System	15.945		19,387	1,120,258
Total Department of the Interior Direct Awards			76,507	2,432,302
Pass-Through Awards				
Department of the Interior	15.000	Fort Stanton Cave Study Project	-	7,561
Indian Tribal Water Resources Development, Management, and Protection	15.519	American Indian Law Center Inc	-	38,907
Cooperative Endangered Species Conservation Fund	15.615	New Mexico Energy Minerals and Natural Resources	-	14,992
State Wildlife Grants	15.634	New Mexico Game and Fish Department	-	(2)
Research Grants (Generic)	15.650	Buecher Biological Consulting	-	10,863
Adaptive Science	15.670	Colorado State University	-	4,317
Assistance to State Water Resources Research Institutes	15.805	New Mexico Water Resources Research Institute	-	8
Cooperative Research Units	15.812	New Mexico State University	-	25,176
National Climate Change and Wildlife Science Center	15.820	University of Oklahoma	-	70,782
Total Department of the Interior Pass-Through Awards			-	172,604
Total Department of the Interior			76,507	2,604,906
Department of Justice				
Direct Awards				
State Justice Statistics Program for Statistical Analysis Centers	16.550		-	52,206
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		40,186	150,780
Total Department of Justice Direct Awards			40,186	202,986
Pass-Through Awards				
Department of Justice	16.000	Santa Clara Indian Pueblo	-	60,976
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Research Triangle Institute	-	47,728
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	University of Arkansas	-	14,335
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	University of Louisville	-	21,995
	16.560	Subtotal	-	84,058
Project Safe Neighborhoods	16.609	New Mexico Public Safety Department	-	10,008
Project Safe Neighborhoods	16.609	St. Bonaventure Indian Mission and School	-	10,491
	16.609	Subtotal	-	20,499
Paul Coverdell Forensic Sciences Improvement Grant Program Criminal and Juvenile Justice and Mental Health Collaboration Program	16.742	New Mexico Public Safety Department	-	127,001
	16.745	City of Albuquerque	-	68,987
Total Department of Justice Pass-Through Awards			-	361,521
Total Department of Justice			40,186	564,507
Department of Labor				
Pass-Through Awards				
YouthBuild	17.274	Santa Fe Community College	-	(68)
Total Department of Labor Pass-Through Awards			-	(68)
Total Department of Labor			-	(68)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of State				
Direct Awards				
Academic Exchange Programs - Educational Advising and Student Services	19.432		-	82,947
		Total Department of State Direct Awards	-	82,947
		Total Department of State	-	82,947
Department of Transportation				
Direct Awards				
Highway Training and Education	20.215		-	6,000
Transportation Planning, Research and Education	20.931		68,014	149,048
		Total Department of Transportation Direct Awards	68,014	155,048
Pass-Through Awards				
Department of Transportation	20.000	New Mexico Department of Transportation	-	1,246,519
Highway Research and Development Program	20.200	New Mexico Department of Transportation	-	5,826
Highway Planning and Construction	20.205	New Mexico Department of Transportation	-	18,458
Railroad Research and Development	20.313	National Academy of Sciences	-	56,749
Pipeline Safety Program State Base Grant	20.700	University of Nevada System	-	10,860
University Transportation Centers Program	20.701	University of Nevada System	53,366	157,204
University Transportation Centers Program	20.701	University of Oklahoma	-	299,689
	20.701	Subtotal	53,366	456,893
		Total Department of Transportation Pass-Through Awards	53,366	1,795,305
		Total Department of Transportation	121,380	1,950,353
National Aeronautics & Space Administration				
Direct Awards				
Science	43.001		-	1,339,836
Space Operations	43.007		(2,928)	(2,928)
Education	43.008		239,362	909,296
		Total National Aeronautics & Space Administration Direct Awards	236,434	2,246,204
Pass-Through Awards				
National Aeronautics and Space Administration	43.000	Jet Propulsion Lab	-	198,289
National Aeronautics and Space Administration	43.000	Radiation Monitoring Devices Inc	-	54,224
National Aeronautics and Space Administration	43.000	University of California Los Angeles	-	2,679
National Aeronautics and Space Administration	43.000	Wyle Laboratories, Inc.	-	456,083
National Aeronautics and Space Administration	43.000	XL Scientific, LLC	-	21,725
	43.000	Subtotal	-	733,000
Science	43.001	Atmospheric & Space Technology Research Associate	-	59,847
Science	43.001	Bluecom Systems and Consulting LLC	-	74,299
Science	43.001	Smithsonian Astrophysical Observatory	-	15,897
Science	43.001	University of Maryland	-	20,419
Science	43.001	UT-Battelle LLC	-	10,491
	43.001	Subtotal	-	180,953
Education	43.008	New Mexico State University	-	135,629
		Total National Aeronautics & Space Administration Pass-Through Awards	-	1,049,582
		Total National Aeronautics & Space Administration	236,434	3,295,786
National Foundation on the Arts & Humanities				
Direct Awards				
Promotion of the Arts_Grants to Organizations and Individuals	45.024		-	68,481
Promotion of the Humanities_Research	45.161		-	152,905
Promotion of the Humanities_Professional Development	45.163		-	2,222
		Total National Foundation on the Arts & Humanities Direct Awards	-	223,608
Pass-Through Awards				
Promotion of the Arts_Grants to Organizations and Individuals	45.024	City of Albuquerque	-	5,417
Promotion of the Arts_Grants to Organizations and Individuals	45.024	The American Architectural Foundation	-	30,588
	45.024	Subtotal	-	36,005
Promotion of the Humanities_Research	45.161	Folger Shakespeare Library	-	49,730
National Leadership Grants	45.312	Montana State University	-	9,592
		Total National Foundation on the Arts & Humanities Pass-Through Awards	-	95,327
		Total National Foundation on the Arts & Humanities	-	318,935

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
National Science Foundation				
Direct Awards				
Engineering Grants	47.041		-	1,869,772
Mathematical and Physical Sciences	47.049		76,241	2,588,733
Geosciences	47.050		1,685,116	4,072,979
Computer and Information Science and Engineering	47.070		1,640,419	5,625,177
Biological Sciences	47.074		2,032	3,901,579
Social, Behavioral, and Economic Sciences	47.075		33,907	462,263
Education and Human Resources	47.076		87,182	3,578,992
Polar Programs	47.078		-	4,069
Office of International Science and Engineering	47.079		54,443	385,611
Office of Cyberinfrastructure	47.080		2,016,817	4,473,836
Total National Science Foundation Direct Awards			5,596,157	26,963,011
Pass-Through Awards				
Engineering Grants	47.041	Arizona State University	-	161,169
Engineering Grants	47.041	Exhalix, LLC	-	53,272
Engineering Grants	47.041	High Precision Devices, Inc	-	26,088
Engineering Grants	47.041	Iowa State University	-	167,060
Engineering Grants	47.041	K&A Wireless LLC	-	41,034
Engineering Grants	47.041	Microgrid Labs Inc	-	22,533
Engineering Grants	47.041	ODMR Technologies, Inc	-	39,309
Engineering Grants	47.041	Rensselaer Polytechnic Institute	-	459,533
Engineering Grants	47.041	University of California- San Diego	-	49,853
Engineering Grants	47.041	University of Texas Austin	-	635,441
	47.041	Subtotal	-	1,655,292
Mathematical and Physical Sciences	47.049	Associated Universities Inc	-	38,094
Mathematical and Physical Sciences	47.049	University of Notre Dame	-	1,145
Mathematical and Physical Sciences	47.049	University of Texas HSC Houston	-	40,264
	47.049	Subtotal	-	79,503
Geosciences	47.050	University of Arizona	-	30,269
Geosciences	47.050	University of California, Santa Barbara	-	6,679
	47.050	Subtotal	-	36,948
Computer and Information Science and Engineering	47.070	Santa Fe Institute	-	130,396
Biological Sciences	47.074	University of California Los Angeles	-	60,703
Biological Sciences	47.074	University of Puerto Rico	-	29,504
	47.074	Subtotal	-	90,207
Education and Human Resources	47.076	Arizona State University	-	151,887
Education and Human Resources	47.076	Board of Trustees of Michigan State University	-	14,615
Education and Human Resources	47.076	New Mexico Institute of Mining and Technology	-	5,375
Education and Human Resources	47.076	New Mexico State University	-	80,580
Education and Human Resources	47.076	Twin Cities Public Television, Inc	-	2,604
	47.076	Subtotal	-	255,061
Polar Programs	47.078	University of Colorado	-	113,350
Office of Integrative Activities	47.083	Clemson University	-	156,802
Total National Science Foundation Pass-Through Awards			-	2,517,559
Total National Science Foundation			5,596,157	29,480,570
Department of Veterans Affairs				
Direct Awards				
Department of Veterans Affairs	64.000		-	257,592
Total Department of Veterans Affairs Direct Awards			-	257,592
Pass-Through Awards				
Department of Veterans Affairs	64.000	Biomedical Research Institute of New Mexico	-	2,962
Total Department of Veterans Affairs Pass-Through Awards			-	2,962
Total Department of Veterans Affairs			-	260,554
Environmental Protection Agency				
Direct Awards				
Science To Achieve Results (STAR) Research Program	66.509		64,429	476,849
Total Environmental Protection Agency Direct Awards			64,429	476,849
Pass-Through Awards				
Environmental Protection Agency	66.000	The Cadmus Group, Inc.	-	456,329
Environmental Finance Center Grants	66.203	University of North Carolina at Chapel Hill	-	71,088
Surveys, Studies, Investigations, Demonstrations, and Training				
Grants - Section 1442 of the Safe Drinking Water Act	66.424	University of North Carolina at Chapel Hill	-	211,047
Long Island Sound Program	66.437	New Mexico Environment Department	-	75,874

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Regional Wetland Program Development Grants	66.461	New Mexico Environment Department	-	58,961
Science To Achieve Results (STAR) Research Program	66.509	University of Washington	-	2,118
		Total Environmental Protection Agency Pass-Through Awards	-	875,417
		Total Environmental Protection Agency	64,429	1,352,266
Department of Energy				
Direct Awards				
Office of Science Financial Assistance Program	81.049		340,407	1,179,891
Renewable Energy Research and Development	81.087		179,786	324,236
Stewardship Science Grant Program	81.112		-	148,985
Defense Nuclear Nonproliferation Research	81.113		-	256,452
Nuclear Energy Research, Development and Demonstration	81.121		-	561,617
		Total Department of Energy Direct Awards	520,193	2,471,181
Pass-Through Awards				
Department of Energy	81.000	Battelle Memorial Institute	-	234,135
Department of Energy	81.000	Brookhaven Science Associates LLC	-	54,183
Department of Energy	81.000	Honeywell Corporation	-	72,729
Department of Energy	81.000	HyperV Technologies Corp	-	118,317
Department of Energy	81.000	Lawrence Berkeley National Laboratory	-	5,767
Department of Energy	81.000	Lawrence Livermore National Laboratory	-	277,857
Department of Energy	81.000	Los Alamos National Laboratory	(3,576)	564,157
Department of Energy	81.000	Los Alamos National Security, LLC	-	551,721
Department of Energy	81.000	MIND Research Network	-	427,712
Department of Energy	81.000	New Mexico Consortium Inc	-	88,272
Department of Energy	81.000	Sandia National Laboratories	-	2,663,466
Department of Energy	81.000	UT-Battelle LLC	-	54,256
	81.000	Subtotal	(3,576)	5,112,572
Office of Science Financial Assistance Program	81.049	Arizona State University	-	23,382
Office of Science Financial Assistance Program	81.049	Johns Hopkins University	-	10,919
Office of Science Financial Assistance Program	81.049	Lawrence Berkeley National Laboratory	-	314,236
Office of Science Financial Assistance Program	81.049	Lenzner Research LLC	-	39,767
Office of Science Financial Assistance Program	81.049	Southwest Sciences	-	209,732
Office of Science Financial Assistance Program	81.049	Washington University	-	102,957
	81.049	Subtotal	-	700,993
Renewable Energy Research and Development	81.087	Illinois Institute of Technology	-	45,126
Renewable Energy Research and Development	81.087	Northeastern University	-	46,519
Renewable Energy Research and Development	81.087	Proton OnSite	-	35,296
Renewable Energy Research and Development	81.087	University of Utah	-	8,554
Renewable Energy Research and Development	81.087	Washington University	-	67,723
	81.087	Subtotal	-	203,218
Nuclear Energy Research, Development and Demonstration	81.121	University of California Berkley	-	63,736
Nuclear Energy Research, Development and Demonstration	81.121	Utah State University	-	5,149
	81.121	Subtotal	-	68,885
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	Los Alamos National Laboratory	120,000	244,798
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	Universidad Del Turabo	-	13,681
	81.123	Subtotal	120,000	258,479
Advanced Research Projects Agency - Energy	81.135	Ceramatec, Inc.	-	228,784
Advanced Research Projects Agency - Energy	81.135	iBeam Materials, Inc.	-	18,619
Advanced Research Projects Agency - Energy	81.135	Pajarito Powder LLC	-	199,201
	81.135	Subtotal	-	446,604
		Total Department of Energy Pass-Through Awards	116,424	6,790,751
		Total Department of Energy	636,617	9,261,932

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Education				
Direct Awards				
Graduate Assistance in Areas of National Need	84.200		-	88,408
Total Department of Education Direct Awards			-	88,408
Pass-Through Awards				
Department of Education	84.000	University of Oklahoma	-	5,672
Special Education_Grants to States	84.027	New Mexico Department of Health	-	115,739
Special Education_Preschool Grants	84.173	New Mexico Department of Health	-	115,739
Special Education-Grants for Infants and Families	84.181	New Mexico Department of Health	-	183,254
Race to the Top - Early Learning Challenge	84.412	New Mexico Children Youth and Families Department	646,601	3,341,664
Total Department of Education Pass-Through Awards			646,601	3,762,068
Total Department of Education			646,601	3,850,476
Department of Health & Human Services				
Direct Awards				
Department of Health & Human Services	93.000		212,536	2,579,481
Maternal and Child Health Federal Consolidated Programs	93.110		36,857	1,439,950
Environmental Health	93.113		747,048	2,915,780
Oral Diseases and Disorders Research	93.121		52,433	162,163
Emergency Medical Services for Children	93.127		-	240,238
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		-	737,586
Health Program for Toxic Substances and Disease Registry	93.161		285,966	1,100,046
Human Genome Research	93.172		-	484,833
Telehealth Programs	93.211		-	523,973
Research and Training in Complementary and Integrative Health	93.213		116,292	554,967
Research on Healthcare Costs, Quality and Outcomes	93.226		102,510	274,123
Mental Health Research Grants	93.242		119,903	651,766
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		-	264,083
Occupational Safety and Health Program	93.262		205,573	389,360
Adult Viral Hepatitis Prevention and Control	93.270		-	224,802
Alcohol Research Programs	93.273		637,603	5,796,599
Drug Abuse and Addiction Research Programs	93.279		1,905,216	3,048,140
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		58,868	436,171
Teenage Pregnancy Prevention Program	93.297		25,370	1,152,836
Minority Health and Health Disparities Research	93.307		90,341	827,716
Trans-NIH Research Support	93.310		501,555	2,030,221
National Center for Advancing Translational Sciences	93.350		-	3,702,698
Research Infrastructure Programs	93.351		-	2,047,999
Advanced Education Nursing Traineeships	93.358		-	3,688
Nursing Research	93.361		193,656	585,793
Cancer Cause and Prevention Research	93.393		211,194	1,212,648
Cancer Detection and Diagnosis Research	93.394		7,071	241,675
Cancer Treatment Research	93.395		85,637	1,734,075
Cancer Biology Research	93.396		-	903,569
Cancer Centers Support Grants	93.397		178,254	3,562,985
Cancer Research Manpower	93.398		-	176,250
Cancer Control	93.399		118,407	351,372
Health Promotion and Disease Prevention Research Centers: PPHF - Affordable Care Act Projects	93.542		-	92,652
Health Care Innovation Awards (HCIA)	93.610		138,877	4,284,336
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		-	546,465
Cardiovascular Diseases Research	93.837		163,286	1,815,804
Lung Diseases Research	93.838		-	576,337
Blood Diseases and Resources Research	93.839		-	374,233
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		(3,845)	1,542,983
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		203,941	3,039,666
Allergy and Infectious Diseases Research	93.855		1,091,095	6,002,368
Biomedical Research and Research Training	93.859		454,282	10,461,153
Child Health and Human Development Extramural Research	93.865		-	577,656
Aging Research	93.866		435,783	912,710
Vision Research	93.867		-	404,600

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Medical Library Assistance	93.879		-	145,036
Grants for Primary Care Training and Enhancement	93.884		-	275,746
Demonstration Projects for Indian Health	93.933		-	59,633
International Research and Research Training	93.989		167,400	255,003
		Total Department of Health & Human Services Direct Awards	8,543,109	71,723,967
Pass-Through Awards				
Department of Health & Human Services	93.000	Baystate Medical Center	-	211,821
Department of Health & Human Services	93.000	Brigham & Women's Hospital	-	851
Department of Health & Human Services	93.000	Center for Public Service Communications	-	34,035
Department of Health & Human Services	93.000	Children's Hospital of Philadelphia	-	5,288
Department of Health & Human Services	93.000	Duke University	-	2,472
Department of Health & Human Services	93.000	ECOG-ACRIN Cancer Research Group	-	18,408
Department of Health & Human Services	93.000	Family Service Agency of San Francisco	-	47,849
Department of Health & Human Services	93.000	Gynecologic Oncology Group	-	2,190
Department of Health & Human Services	93.000	HealthInsight	-	75,795
Department of Health & Human Services	93.000	Leidos Inc	-	992,625
Department of Health & Human Services	93.000	Mayo Clinic Rochester	-	19,099
Department of Health & Human Services	93.000	Miners Colfax Medical Center	-	29,450
Department of Health & Human Services	93.000	Montefiore Medical Center	-	347,889
Department of Health & Human Services	93.000	Native American Professional Parent Resources Inc	-	29,743
Department of Health & Human Services	93.000	New Mexico Cancer Care Alliance	-	3,886
Department of Health & Human Services	93.000	New Mexico Department of Health	-	2,830
Department of Health & Human Services	93.000	New Mexico Human Services Department	-	68,449
Department of Health & Human Services	93.000	New Mexico Superintendent of Insurance	-	99,861
Department of Health & Human Services	93.000	NM Public Education Department	-	149,328
Department of Health & Human Services	93.000	Oregon Health & Science University	-	71,771
Department of Health & Human Services	93.000	Ramah Navajo School Board Inc	-	39,760
Department of Health & Human Services	93.000	Regents of the University of Michigan	-	1,027
Department of Health & Human Services	93.000	University of California San Francisco	-	399,851
Department of Health & Human Services	93.000	University of Texas HSC Houston	-	217,988
Department of Health & Human Services	93.000	University of Washington	-	35,848
	93.000	Subtotal	-	2,908,114
PPHF - Applied Leadership for Community Health Improvement	93.055	Henry M Jackson Foundation	-	10,526
Global AIDS	93.067	Elizabeth Glaser Pediatric AIDS Foundation	-	29,285
Environmental Public Health and Emergency Response	93.070	New Mexico Department of Health	-	38,365
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements				
Blood Disorder Program: Prevention, Surveillance, and Research	93.074	New Mexico Department of Health	-	52,995
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.080	University of Colorado	-	42,218
	93.104	New Mexico Children Youth and Families Department	-	212,900
Maternal and Child Health Federal Consolidated Programs				
Maternal and Child Health Federal Consolidated Programs	93.110	General Hospital Corp	-	25,879
Maternal and Child Health Federal Consolidated Programs	93.110	Oregon Health & Science University	-	28,368
Maternal and Child Health Federal Consolidated Programs	93.110	The American Academy of Pediatrics	-	137,582
	93.110	Subtotal	-	191,829
Environmental Health				
Environmental Health	93.113	Columbia University	-	128,650
Environmental Health	93.113	Indiana University	-	22,072
Environmental Health	93.113	University of Iowa	-	9,984
Environmental Health	93.113	University of Louisville	-	84,122
Environmental Health	93.113	University of Montana	-	222,946
	93.113	Subtotal	-	467,774
Oral Diseases and Disorders Research				
Emergency Medical Services for Children	93.121	Michigan Technological University	-	8,794
Injury Prevention and Control Research and State and Community Based Programs	93.127	University of Arizona	-	196,019
	93.136	New Mexico Department of Health	-	167,236
Human Genome Research				
Human Genome Research	93.172	Centrillion Biosciences Inc	-	1,536
Human Genome Research	93.172	Harvard University	-	323,203
	93.172	Subtotal	-	324,739
Research Related to Deafness and Communication Disorders				
Research and Training in Complementary and Integrative Health	93.173	University of Central Florida Research Foundation Inc	-	11,065
	93.213	Oregon Research Institute	-	(30)
Research on Healthcare Costs, Quality and Outcomes				
Research on Healthcare Costs, Quality and Outcomes	93.226	American Institutes of Research	-	46,807
Research on Healthcare Costs, Quality and Outcomes	93.226	University of Colorado	329,938	1,025,178
Research on Healthcare Costs, Quality and Outcomes	93.226	University of North Carolina at Chapel Hill	-	50,526
Research on Healthcare Costs, Quality and Outcomes	93.226	Wayne State University	-	15,864
	93.226	Subtotal	329,938	1,138,375

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Mental Health Research Grants	93.242	MIND Research Network	-	68,784
Mental Health Research Grants	93.242	University of California- San Diego	-	119,976
	93.242	Subtotal	-	188,760
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	New Mexico Children Youth and Families Department	-	42,421
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	New Mexico Human Services Department	321,261	643,480
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Pueblo of San Felipe	-	243,432
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	United Behavioral Health	-	5,829
	93.243	Subtotal	321,261	935,162
Advanced Nursing Education Grant Program	93.247	University of Colorado at Denver	-	188,721
Occupational Safety and Health Program	93.262	University of Texas Health Center at Tyler	-	33,045
Alcohol Research Programs	93.273	Baylor College of Medicine	-	7,212
Alcohol Research Programs	93.273	MIND Research Network	-	207,168
Alcohol Research Programs	93.273	Old Dominion University	-	76,580
Alcohol Research Programs	93.273	Pacific Institute for Research & Evaluation	-	57,781
Alcohol Research Programs	93.273	University of Massachusetts	-	14,238
Alcohol Research Programs	93.273	University of Missouri	-	395
Alcohol Research Programs	93.273	University of North Carolina at Chapel Hill	232	393,666
Alcohol Research Programs	93.273	VisionQuest Biomedical LLC	-	23,278
	93.273	Subtotal	232	780,318
Drug Abuse and Addiction Research Programs	93.279	MIND Research Network	-	24,456
Drug Abuse and Addiction Research Programs	93.279	University of California Los Angeles	-	390,275
Drug Abuse and Addiction Research Programs	93.279	University of California San Francisco	-	57,536
	93.279	Subtotal	-	472,267
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	New Mexico Department of Health	-	26,904
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	University of California Los Angeles	-	748
	93.283	Subtotal	-	27,652
Minority Health and Health Disparities Research	93.307	Association of American Medical Colleges	-	(1,801)
Minority Health and Health Disparities Research	93.307	Klein Buendel Inc	-	62,528
Minority Health and Health Disparities Research	93.307	Pacific Institute for Research & Evaluation	-	35,888
Minority Health and Health Disparities Research	93.307	Washington State University	-	39,796
	93.307	Subtotal	-	136,411
Trans-NIH Research Support	93.310	Boston College	-	242,054
Trans-NIH Research Support	93.310	University of Texas at El Paso	-	80,487
	93.310	Subtotal	-	322,541
Emerging Infections Programs	93.317	New Mexico Department of Health	-	12,785
National Center for Advancing Translational Sciences	93.350	Harvard University	-	37,221
National Center for Advancing Translational Sciences	93.350	University of Utah	-	17,909
	93.350	Subtotal	-	55,130
Nursing Research	93.361	Southcentral Foundation	-	34,699
Cancer Cause and Prevention Research	93.393	George Washington University	-	15,890
Cancer Cause and Prevention Research	93.393	Group Health Cooperative	-	5,859
Cancer Cause and Prevention Research	93.393	Klein Buendel Inc	-	127,049
Cancer Cause and Prevention Research	93.393	Lawrence Berkeley National Laboratory	-	60,043
Cancer Cause and Prevention Research	93.393	University of South Carolina	-	39,281
Cancer Cause and Prevention Research	93.393	Virginia Commonwealth University	-	90,671
	93.393	Subtotal	-	338,793
Cancer Detection and Diagnosis Research	93.394	Memorial Sloan Kettering Cancer Center	-	311,626
Cancer Detection and Diagnosis Research	93.394	William Marsh Rice University	-	9,482
	93.394	Subtotal	-	321,108
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	-	3,241
Cancer Treatment Research	93.395	Cornell University	-	113,891
Cancer Treatment Research	93.395	Eastern Cooperative Oncology Group	-	1,422
Cancer Treatment Research	93.395	Lovelace Respiratory Research Institute	-	16,524
	93.395	Subtotal	-	135,078
Affordable Care Act (ACA) Tribal Maternal, Infant, and Early Childhood Home Visiting Program	93.508	Pueblo of San Felipe	-	26,624

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	New Mexico Department of Health	-	(1,263)
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	Presbyterian Healthcare Services	-	56,705
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	New Mexico Department of Health	-	40,610
A Comprehensive Approach to Good Health and Wellness in Indian County SPA financed solely by Prevention and Public Health Medical Assistance Program	93.762 93.778	Seattle Indian Health Board New Mexico Human Services Department	- -	145,013 1,706,798
Cardiovascular Diseases Research	93.837	Exhalix, LLC	-	5,711
Cardiovascular Diseases Research	93.837	National Jewish Health	-	43,994
Cardiovascular Diseases Research	93.837	Regents of the University of Michigan	-	25,272
Cardiovascular Diseases Research	93.837	University of Wisconsin	-	19,170
	93.837	Subtotal	-	94,147
Blood Diseases and Resources Research	93.839	Washington University	-	(19,502)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Case Western Reserve University	-	165,475
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Children's Hospital Los Angeles	-	534
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	George Washington University	-	648,445
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Nationwide Childrens Hospital	-	7,550
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Rosalind Franklin University of Medicine Science	-	(11)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Trustees of the University of Pennsylvania	-	5,606
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Colorado at Denver	-	7,120
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Texas Medical Branch	-	32,315
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	VisionQuest Biomedical, LLC	-	69,546
	93.847	Subtotal	-	936,580
Kidney Diseases Urology and Hematology Research	93.849	The Children's Mercy Hospital	-	28,804
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Boston Children's Hospital	-	3,109
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	CerebroScope	-	10,114
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Johns Hopkins University	-	89,870
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	MIND Research Network	-	43,284
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Neurlnsight LLC	-	57,110
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Oregon Health & Science University	-	15,138
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Regents of the University of California	-	167,687
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Regents of the University of Minnesota	-	409
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Arizona	-	3,462
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of California San Francisco	-	1,486
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	-	4,640
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Rochester	-	8,561
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of South Carolina	-	238,466
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Washington	-	62,180
	93.853	Subtotal	-	705,516
Allergy and Infectious Diseases Research	93.855	General Hospital Corp	-	29,214
Allergy and Infectious Diseases Research	93.855	Los Alamos National Laboratory	-	20,115
Allergy and Infectious Diseases Research	93.855	Regents of the University of California	-	3,052
Allergy and Infectious Diseases Research	93.855	University of Connecticut	-	102,539
Allergy and Infectious Diseases Research	93.855	University of Kansas Center for Research	-	54,436
Allergy and Infectious Diseases Research	93.855	University of Washington	-	191,675
	93.855	Subtotal	-	401,031
Biomedical Research and Research Training	93.859	Carnegie Mellon University	-	115,993
Biomedical Research and Research Training	93.859	Colorado State University	-	24,081

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Biomedical Research and Research Training	93.859	Louisiana State University	-	91,408
Biomedical Research and Research Training	93.859	MIND Research Network	-	675,625
Biomedical Research and Research Training	93.859	New Mexico State University	-	553,176
Biomedical Research and Research Training	93.859	Northern New Mexico College	-	6,539
Biomedical Research and Research Training	93.859	ODMR Technologies, Inc	-	96,620
Biomedical Research and Research Training	93.859	Rosalind Franklin University of Medicine Science	-	15,507
Biomedical Research and Research Training	93.859	St Jude Children's Research Hospital	-	51,239
Biomedical Research and Research Training	93.859	Trustees of the University of Pennsylvania	-	58,024
Biomedical Research and Research Training	93.859	Univ of Nevada Las Vegas	-	340,739
Biomedical Research and Research Training	93.859	University of Alaska	-	75,624
Biomedical Research and Research Training	93.859	University of Nevada System	-	134,461
Biomedical Research and Research Training	93.859	University of Texas HSC Houston	-	4,401
	93.859	Subtotal	-	2,243,437
Emerging Infections Sentinel Networks	93.860	University of California Los Angeles	-	6,383
Child Health and Human Development Extramural Research	93.865	Board of Trustees of the Leland Stanford Junior Univer	-	27,282
Child Health and Human Development Extramural Research	93.865	Pacific Institute for Research & Evaluation	-	28,880
Child Health and Human Development Extramural Research	93.865	Research Triangle Institute	-	212,675
Child Health and Human Development Extramural Research	93.865	RTI International	-	146,069
Child Health and Human Development Extramural Research	93.865	Washington University	-	1,159
Child Health and Human Development Extramural Research	93.865	Wayne State University	-	22,926
	93.865	Subtotal	-	438,991
Aging Research	93.866	Regents of the University of Michigan	-	11,978
Aging Research	93.866	University of California, Santa Barbara	-	196,961
Aging Research	93.866	University of Florida	-	31,499
Aging Research	93.866	University of Southern California	-	2,287
	93.866	Subtotal	-	242,725
Vision Research	93.867	Jaeb Center for Health Research, Inc.	-	8,700
Medical Library Assistance	93.879	University of North Texas Health Science Center	-	10,518
HIV Care Formula Grants	93.917	New Mexico Department of Health	-	12,595
Demonstration Projects for Indian Health	93.933	Black Hills Center for American Indian Health	13,109	115,147
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	New Mexico Department of Health	-	23,488
Block Grants for Prevention and Treatment of Substance	93.959	New Mexico Human Services Department	-	4,538
Preventive Health and Health Services Block Grant	93.991	New Mexico Department of Health	-	7,421
		Total Department of Health & Human Services Pass-Through Awards	664,540	17,017,680
		Total Department of Health & Human Services	9,207,649	88,741,647
Department of Homeland Security				
Direct Awards				
Cooperating Technical Partners	97.045		-	579,949
		Total Department of Homeland Security Direct Awards	-	579,949
Pass-Through Awards				
Hazard Mitigation Grant	97.039	New Mexico Department of Homeland Security	-	83,389
Centers for Homeland Security	97.061	University of Alaska	-	49,022
		Total Department of Homeland Security Pass-Through Awards	-	132,411
		Total Department of Homeland Security	-	712,360
United States Agency for International Development				
Pass-Through Awards				
USAID Foreign Assistance for Programs Overseas	98.001	AagilVax, Inc.	-	116,994
USAID Foreign Assistance for Programs Overseas	98.001	University Research Co., LLC	-	27,356
	98.001	Subtotal	-	144,350
		Total United States Agency for International Development Pass-Through Awards	-	144,350
		Total United States Agency for International Development	-	144,350
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			20,318,760	161,831,543

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
477 CLUSTER				
Department of the Interior				
Pass-Through Awards				
Indian Education_Higher Education Grant Program	15.114	American Indian Law Center Inc	-	11,162
		Total Department of the Interior Pass-Through Awards	-	11,162
		Total Department of the Interior	-	11,162
Department of Health & Human Services				
Pass-Through Awards				
Temporary Assistance for Needy Families	93.558	New Mexico Human Services Department	-	173,739
Temporary Assistance for Needy Families	93.558	SL Start New Mexico Works	-	21,414
	93.558	Subtotal	-	195,153
Community Services Block Grant	93.569	New Mexico Children Youth and Families Department	-	686,565
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	New Mexico Children Youth and Families Department	-	1,626,063
		Total Department of Health & Human Services Pass-Through Awards	-	2,507,781
		Total Department of Health & Human Services	-	2,507,781
TOTAL 477 CLUSTER				
			-	2,518,943
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER				
Department of Health & Human Services				
Pass-Through Awards				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	New Mexico Children Youth and Families Department	8,890	1,887,612
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	New Mexico Children Youth and Families Department	-	364,327
		Total Department of Health & Human Services Pass-Through Awards	8,890	2,251,939
		Total Department of Health & Human Services	8,890	2,251,939
TOTAL MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER				
			8,890	2,251,939
SPECIAL EDUCATION CLUSTER (IDEA)				
Department of Education				
Pass-Through Awards				
Special Education_Grants to States	84.027	Navajo Nation	-	461,485
Special Education_Grants to States	84.027	NM Public Education Department	-	156,442
	84.027	Subtotal	-	617,927
Special Education_Preschool Grants	84.173	New Mexico Department of Health	-	19,298
Special Education_Preschool Grants	84.173	NM Public Education Department	-	469,327
	84.173	Subtotal	-	488,625
		Total Department of Education Pass-Through Awards	-	1,106,552
		Total Department of Education	-	1,106,552
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				
			-	1,106,552
TRIO CLUSTER				
Department of Education				
Direct Awards				
TRIO_Student Support Services	84.042		-	645,809
TRIO_Upward Bound	84.047		-	1,158,646
TRIO_Educational Opportunity Centers	84.066		-	65,848
TRIO_Educational Opportunity Centers	84.066A		-	184,518
TRIO_McNair Post-Baccalaureate Achievement	84.217		-	245,096
		Total Department of Education Direct Awards	-	2,299,917
		Total Department of Education	-	2,299,917
TOTAL TRIO CLUSTER				
			-	2,299,917

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
OTHER NONMAJOR PROGRAMS				
Department of Agriculture				
Direct Awards				
Department of Agriculture	10.000		-	2,447
		Total Department of Agriculture Direct Awards	-	2,447
Pass-Through Awards				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	New Mexico Department of Health	-	266,027
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	New Mexico Human Services Department	-	442,094
	10.561	Subtotal	-	708,121
		Total Department of Agriculture Pass-Through Awards	-	708,121
		Total Department of Agriculture	-	710,568
Department of Defense				
Direct Awards				
Department of Defense	12.000		-	701,173
Language Grant Program	12.900		-	50,523
GenCyber Grants Program	12.903		-	40,260
		Total Department of Defense Direct Awards	-	791,956
		Total Department of Defense	-	791,956
Department of the Interior				
Direct Awards				
Department of the Interior	15.000		-	29,689
Native American Graves Protection and Repatriation Act	15.922		-	48,426
		Total Department of the Interior Direct Awards	-	78,115
Pass-Through Awards				
Department of the Interior	15.000	Pueblo of Ohkay Owingen	-	1,141
		Total Department of the Interior Pass-Through Awards	-	1,141
		Total Department of the Interior	-	79,256
Department of Justice				
Direct Awards				
Department of Justice	16.000		-	4,074
Desegregation of Public Education	16.100		-	10,753
		Total Department of Justice Direct Awards	-	14,827
Pass-Through Awards				
Justice Systems Response to Families	16.021	Enlace Comunitario	-	14,679
Crime Victim Assistance	16.575	New Mexico Crime Victims Reparation Commission	-	142,497
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	New Mexico Public Safety Department	-	179,552
		Total Department of Justice Pass-Through Awards	-	336,728
		Total Department of Justice	-	351,555
Department of Labor				
Pass-Through Awards				
Department of Labor	17.000	Fluor Federal Solutions, Inc.	-	34,786
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	New Mexico Junior College	-	110,560
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	Santa Fe Community College	-	1,219,531
	17.282	Subtotal	-	1,330,091
		Total Department of Labor Pass-Through Awards	-	1,364,877
		Total Department of Labor	-	1,364,877
Department of State				
Pass-Through Awards				
Academic Exchange Programs - Undergraduate Programs	19.009	International Research & Exchanges Board	-	74,175
		Total Department of State Pass-Through Awards	-	74,175
		Total Department of State	-	74,175

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Transportation				
Pass-Through Awards				
Department of Transportation	20.000	New Mexico Department of Transportation	-	55,857
State and Community Highway Safety	20.600	New Mexico Department of Transportation	-	280,910
		Total Department of Transportation Pass-Through Awards	-	336,767
		Total Department of Transportation	-	336,767
Department of the Treasury				
Direct Awards				
Low Income Taxpayer Clinics	21.008		-	60,787
		Total Department of the Treasury Direct Awards	-	60,787
		Total Department of the Treasury	-	60,787
Library of Congress				
Direct Awards				
Library of Congress	42.000		-	4,125
		Total Library of Congress Direct Awards	-	4,125
		Total Library of Congress	-	4,125
National Foundation on the Arts & Humanities				
Direct Awards				
Promotion of the Humanities_Challenge Grants	45.130		-	16,401
Promotion of the Humanities Division of Preservation and Access	45.149		57,943	61,356
Museums for America	45.301		-	116,745
		Total National Foundation on the Arts & Humanities Direct Awards	57,943	194,502
Pass-Through Awards				
Promotion of the Arts_Grants to Organizations and Individuals	45.024	City of Albuquerque	-	11,953
		Total National Foundation on the Arts & Humanities Pass-Through Awards	-	11,953
		Total National Foundation on the Arts & Humanities	57,943	206,455
National Science Foundation				
Pass-Through Awards				
National Science Foundation	47.000	Associated Universities Inc	-	12
		Total National Science Foundation Pass-Through Awards	-	12
		Total National Science Foundation	-	12
Small Business Administration				
Pass-Through Awards				
Small Business Development Centers	59.037	Santa Fe Community College	-	59,657
		Total Small Business Administration Pass-Through Awards	-	59,657
		Total Small Business Administration	-	59,657
Department of Veterans Affairs				
Direct Awards				
Department of Veterans Affairs	64.000		-	464,948
		Total Department of Veterans Affairs Direct Awards	-	464,948
		Total Department of Veterans Affairs	-	464,948
Environmental Protection Agency				
Direct Awards				
Environmental Finance Center Grants	66.203		-	75,188
		Total Environmental Protection Agency Direct Awards	-	75,188
Pass-Through Awards				
Environmental Finance Center Grants	66.203	University of North Carolina at Chapel Hill	-	30,183
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424	University of North Carolina at Chapel Hill	-	333,886
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Vermont Department of Environmental Conservation	-	49,079
		Total Environmental Protection Agency Pass-Through Awards	-	413,148
		Total Environmental Protection Agency	-	488,336
Nuclear Regulatory Commission				
Direct Awards				
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006		-	2,280
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008		-	(1,034)
		Total Nuclear Regulatory Commission Direct Awards	-	1,246
		Total Nuclear Regulatory Commission	-	1,246

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Energy				
Pass-Through Awards				
Department of Energy	81.000	Los Alamos National Laboratory	-	47,219
Department of Energy	81.000	Sandia National Laboratories	-	59,975
	81.000	Subtotal	-	107,194
Environmental Remediation and Waste Processing and Disposal	81.104	Regional Development Corp	-	3,298
		Total Department of Energy Pass-Through Awards	-	110,492
		Total Department of Energy	-	110,492
Department of Education				
Direct Awards				
National Resource Centers Program	84.015A		-	254,987
National Resource Centers Program	84.015B		-	274,908
Higher Education_Institutional Aid	84.031		542,504	2,818,230
Higher Education_Institutional Aid	84.031C		178,438	864,416
Migrant Education_High School Equivalency Program	84.141		-	840,952
Migrant Education_College Assistance Migrant Program	84.149		-	735,226
Indian Education -- Special Programs for Indian Children	84.299		-	57,526
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		-	105,056
Child Care Access Means Parents in School	84.335		-	389,989
		Total Department of Education Direct Awards	720,942	6,341,290
Pass-Through Awards				
Adult Education - Basic Grants to States	84.002	New Mexico Higher Education Department	-	554,387
Higher Education_Institutional Aid	84.031	Adams State University	-	244,501
Higher Education_Institutional Aid	84.031	Eastern New Mexico University Roswell	-	117,209
Higher Education_Institutional Aid	84.031	Northern New Mexico College	-	440,435
	84.031	Subtotal	-	802,145
Career and Technical Education -- Basic Grants to States	84.048	NM Public Education Department	-	316,878
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	New Mexico Division of Vocational Rehabilitation	-	763,827
Special Education-Grants for Infants and Families	84.181	New Mexico Department of Health	-	30,374
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	New Mexico State University	-	135,584
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Eastern New Mexico University	-	300
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	NM Public Education Department	-	13,744
		Total Department of Education Pass-Through Awards	-	2,617,239
		Total Department of Education	720,942	8,958,529
Department of Health & Human Services				
Direct Awards				
Department of Health & Human Services	93.000		7,482	2,025,020
Training in General, Pediatric, and Public Health Dentistry	93.059		-	242,969
Area Health Education Centers	93.107		227,110	313,920
Emergency Medical Services for Children	93.127		-	121,219
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		-	494,506
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		-	799,083
Poison Center Support and Enhancement Grant Program	93.253		-	117,958
Grants for Education, Prevention, and Early Detection of Radiogenic Cancers and Diseases	93.257		-	208,763
Skills Training and Health Workforce Development of Paraprofessionals Grant Program	93.329		-	129,704
Nurse Education, Practice Quality and Retention Grants	93.359		-	284,421
Health Careers Opportunity Program	93.822		-	1,210
Grants for Primary Care Training and Enhancement	93.884		-	242,969
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		-	745,806
Prevention and Public Health Fund (PPHF) Public Health Traineeships	93.964		-	7,663
Health Professions Recruitment Program for Indians	93.970		34,733	239,190
		Total Department of Health & Human Services Direct Awards	269,325	5,974,401
Pass-Through Awards				
Department of Health & Human Services	93.000	Association of Maternal & Child Health Programs	-	11,144
Department of Health & Human Services	93.000	Elizabeth Glaser Pediatric AIDS Foundation	-	20,002

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Health & Human Services	93.000	First Choice Community Healthcare	-	113,621
Department of Health & Human Services	93.000	Houston Academy of Medicine - Texas Medical Cente	-	(108)
Department of Health & Human Services	93.000	Miners Colfax Medical Center	-	116,555
Department of Health & Human Services	93.000	New Mexico Department of Health	-	161,101
Department of Health & Human Services	93.000	New Mexico Developmental Disabilities Planning Cnc	-	(517)
Department of Health & Human Services	93.000	Pueblo of Laguna	-	39,424
Department of Health & Human Services	93.000	United Behavioral Health	-	45,363
	93.000	Subtotal	-	506,585
Global AIDS	93.067	Elizabeth Glaser Pediatric AIDS Foundation	-	18,409
Global AIDS	93.067	University of Washington	-	93,470
	93.067	Subtotal	-	111,879
Environmental Public Health and Emergency Response	93.070	New Mexico Department of Health	-	54,076
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	New Mexico Department of Health	-	120,570
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Mescalero Apache Tribal Council	-	86,018
HIV-Related Training and Technical Assistance	93.145	Dallas County Hospital District	-	363,185
Family Planning Services	93.217	New Mexico Department of Health	-	135,954
Traumatic Brain Injury State Demonstration Grant Program	93.234	New Mexico Human Services Department	-	(27,510)
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	American Psychiatric Association	-	13,011
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Mescalero Apache Tribal Council	-	74,171
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	New Mexico Human Services Department	-	25,721
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	United Behavioral Health	-	98,130
	93.243	Subtotal	-	211,033
Immunization Cooperative Agreements	93.268	New Mexico Department of Health	-	84,809
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	New Mexico Department of Health	-	670,480
National Public Health Improvement Initiative	93.292	Association of Maternal & Child Health Programs	-	(161)
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	New Mexico Department of Health	-	501,350
Public Health Training Centers Program	93.516	Tulane University	-	99,050
State Court Improvement Program	93.586	New Mexico Administrative Office of the Courts	-	115,425
Head Start	93.600	Navajo Nation	-	2,028
Children's Justice Grants to States	93.643	New Mexico Children Youth and Families Department	-	48,474
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by	93.733	National AHEC Organization	-	3,595
Prevention and Public Health	93.757	New Mexico Department of Health	-	17,335
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.778	New Mexico Human Services Department	-	1,404,497
Medical Assistance Program	93.778	United Behavioral Health	-	226,889
	93.778	Subtotal	-	1,631,386
Tribal Maternal, Infant, and Early Childhood Home Visiting	93.872	Pueblo of San Felipe	-	36,122
HIV Care Formula Grants	93.917	New Mexico Department of Health	-	76,669
Cooperative Agreements for State-Based Comprehensive Assistance Programs for Chronic Disease Prevention and Control	93.919	New Mexico Department of Health	-	(311)
Block Grants for Community Mental Health Services	93.945	New Mexico Department of Health	-	29,660
	93.958	Optum - Community MH Services	-	2,598
Preventive Health Services Sexually Transmitted Diseases	93.977	Apex Education Inc.	-	(2,827)
Preventive Health Services Sexually Transmitted Diseases	93.977	New Mexico Department of Health	-	83
	93.977	Subtotal	-	(2,744)
Maternal and Child Health Services Block Grant to the States	93.994	New Mexico Department of Health	-	539,335
Maternal and Child Health Services Block Grant to the States	93.994	New Mexico Human Services Department	-	51,557
	93.994	Subtotal	-	590,892
Total Department of Health & Human Services Pass-Through Awards			-	5,468,447
Total Department of Health & Human Services			269,325	11,442,848

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
Department of Homeland Security				
Pass-Through Awards				
Federal Emergency Management Agency	97.000	New Mexico Department of Homeland Security	-	(10,482)
Hazard Mitigation Grant	97.039	New Mexico Department of Homeland Security	-	230
		Total Department of Homeland Security Pass-Through Awards	-	(10,252)
		Total Department of Homeland Security	-	(10,252)
Department of Housing and Urban Development				
Direct Awards				
Mortgage Insurance_Hospitals - Loans	14.128		-	237,465,000
		Total Department of Housing and Urban Development Direct Awards	-	237,465,000
		Total Department of Housing and Urban Development	-	237,465,000
TOTAL OTHER NONMAJOR PROGRAMS			1,048,210	262,961,337
TOTAL NONMAJOR PROGRAMS			\$ 21,375,860	\$ 432,970,231
TOTAL FEDERAL AWARDS			\$ 21,375,860	\$ 604,803,525

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

Federal awards revenue (per Exhibit B):	
Federal grants and contracts revenue	\$ 211,039,219
Federal pell grant revenue	45,387,905
Total federal awards revenue	256,427,124
Reconciling items:	
Department of Housing and Urban Development loan guarantees	237,465,000
Federal Direct loans advanced to students	111,600,088
Perkins loans outstanding	8,360,385
Perkins loans advanced to students	1,565,989
Nurse faculty loans outstanding	559,321
Health professions student loans outstanding	445,322
Fee for service federal contract revenues - not reportable on schedule 21	(10,109,157)
Residual balances on federal grants and contracts	(1,510,547)
Total federal expenditures per schedule 21	\$ 604,803,525

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2017

Federal Program	CFDA Number	Pass-Through Entity	Subrecipient Expenditures	Total Expenditures
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The University did not use the 10% de minimus indirect cost rate as allowed by the Uniform Guidance.

Note 2: Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2017 consists of:

CFDA Number and Program Name	Outstanding Balance at June 30, 2017
84.038 - Federal Perkins Loans	\$ 8,360,385
93.264 - Nurse Faculty Loan Program	\$ 559,321
93.342 - Health Professions Student Loans	\$ 445,322

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

During fiscal year 2005, the Regents of the University of New Mexico issued FHA Insured Hospital Mortgage Revenue Bonds for the construction of the Children's Hospital and Critical Care Pavilion. In conjunction with the construction project, the Department of Housing and Urban Development, under Section 242 CFDA number 14.128, issued a loan guarantee for the mortgage amount. As of June 30, 2017, \$103,425,000 is outstanding and is considered subject to continuing compliance requirements under OMB Uniform Guidance.

During fiscal year 2011, the Sandoval Regional Medical Center (SRMC) issued FHA Insured Hospital Mortgage Revenue Bonds for the construction of the Sandoval Regional Medical Center. In conjunction with the construction project, the Department of Housing and Urban Development, under Section 242 CFDA number 14.128, issued a loan guarantee for the mortgage amount. As of June 30, 2017, \$124,960,000 is outstanding and is considered subject to continuing compliance requirements under OMB Uniform Guidance.

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

The Board of Regents
University of New Mexico
and
Mr. Timothy Keller
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, 2017, and the related notes to the financial statements, which collectively comprise University's basic financial statements, and have issued our report thereon dated October 18, 2017. Our report includes a reference to other auditors who audited the financial statements of UNM Hospital, UNM Behavioral Operations, UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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*.

The University's Response to Findings

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the Section 12-6-5 NMSA 1978 Findings Schedule as items 2017-001 through 2017-010. The University's response was not subjected to the auditing procedures 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
October 18, 2017

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

The Board of Regents
University of New Mexico
and
Mr. Timothy Keller
New Mexico State Auditor

Report on Compliance for the Major Federal Program

We have audited the University of New Mexico's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on The 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 program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Mess Adams LLP

Albuquerque, New Mexico
October 18, 2017

THE UNIVERSITY OF NEW MEXICO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2017

Finding 2016-001. Procurement Supporting Documentation

Current Status: Resolved

Finding 2016-002. Terminated Employee Documentation Process – Control Deficiency

Current Status: Resolved

Finding 2016-003. Equipment Tagging Process – Control Deficiency

Current Status: Resolved

Finding 2016-004. Formalized Review of all Soarian Users – Control Deficiency – UNM Hospital, UNM Behavioral Health Operations, and Sandoval Regional Medical Center

Current Status: Resolved

Finding 2016-005. Cash Disbursement Process – Control Deficiency - The Robert O. Anderson Schools of Management Foundation

Current Status: Resolved

Finding 2016-006. Journal Entry Review Process – Material Weakness at the Individual Component Unit Level – STC.UNM

Current Status: Resolved

Finding 2016-007. Review of Account Reconciliations – Material Weakness at the Individual Component Unit Level – STC.UNM

Current Status: Modified and repeated as 2017-006.

Finding 2016-008. Journal Entry Review Process – Material Weakness at the Individual Component Unit Level – Innovate ABQ, Inc.

Current Status: Resolved

Finding 2016-009. Investments-Related Balances – Material Weakness at the Individual Component Unit Level – The University of New Mexico Alumni Association

Current Status: Resolved

Finding 2016-010. Year-End Procedures – Control Deficiency – The University of New Mexico Alumni Association

Current Status: Resolved

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2017

Section I – Summary of Auditor Results

Basic Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to basic
financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

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

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

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

_____ Yes X No

Identification of major federal programs:

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, 2017

Section II – Basic Financial Statement Findings

None

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs

None

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SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

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

2017-001. Terminated Employee Documentation Process – Control Deficiency – UNM Hospital and Sandoval Regional Medical Center

Condition

Our testwork revealed that notification of employee terminations was not always provided in a timely manner to the IT department. We identified three employees at the Hospital and three employees at SRMC from the populations sampled for whom access to the Millennium system was not timely disabled after termination. We verified that none of these employees recorded any activity in Millennium subsequent to their termination.

For our testwork we compared all employee terminations during the year to determine if any of these employees still had access to the Millennium system as of June 30, 2017.

Criteria

In accordance with current Hospital and SRMC policies, it is the responsibility of the HR department or an employee's supervisor to complete required documentation to notify the IT department when an employee terminates employment. The status of terminated employees should be updated in the employer's IT systems on a timely basis. Based on industry standards, the appropriate disabling of access within IT systems would occur within a reasonable time, or five working days of termination.

Effect

There is an increased risk that a terminated employee has continued access to IT systems and the data contained therein subsequent to termination.

Cause

Departments are not complying with existing Hospital and SRMC policies to timely notify the IT department of final employment dates for terminating employees.

Recommendation

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

University Response

The Hospital's Human Resources is modifying the termination process to trigger immediate notification from the HR system directly to the e-mail distribution list for IT account disabling. The Hospital's Human Resources is also going to communicate to Hospital management the process and requirements for employee separation checklists. This process was implemented in August 2017 and is the responsibility of the Hospital's Human Resources Administrator.

SRMC's Human Resources will initiate an e-mail to a specific distribution list to notify system owners of SRMC employees leaving the organization as soon as SRMC's HR department is notified of employees leaving. Additionally, the Hospital's IT Helpdesk Manager has implemented a tracking process for all termination notifications to include the Helpdesk personnel that acknowledge the notification. The Helpdesk Manager will ensure all termination notifications received from the distribution list are acknowledged and documented on a weekly basis. This process was implemented in August 2017 and is the joint responsibility of the SRMC Executive Director of Human Resources and the Manager of PC and Customer Support. The Executive Director of Human Resources and the Executive Director of System Development and IT ensured a corrective action plan was implemented.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-002. Charity Care – Control Deficiency – UNM Behavioral Health Operations

Condition

Of the five charity care samples we tested during the fiscal year 2017 audit, we identified one patient who was provided medical services under the charity care policy after that patient's eligibility period for charity care had expired.

Criteria

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

Effect

UNM Behavioral Health Operations has inappropriately recognized this patient as eligible for charity care, which could result in an overstatement in charity care.

Cause

UNM Behavioral Health Operations did not consistently follow its charity care policies to ensure that appropriate documentation was in place at the time of service. For the specific patient in question, UNM Behavioral Health Operations did not verify that this patient was still eligible for charity care at the time of service.

Recommendation

We recommend that management educate employees about the University's financial assistance policies and implement controls to ensure that patients registered as eligible for charity care have the appropriate documentation in place at all times while they are receiving medical services under the charity care program.

University Response

This particular patient was being seen for a series of treatment encounters. During the course of the treatment, the patient's eligibility for charity care expired and was not renewed. The Finance Director for Behavioral Health Revenue Cycle Operations provided refresher training in September 2017 to all registration staff regarding the process for checking eligibility for every visit as well as scheduling patients with expired coverage to meet with a financial counselor to renew financial assistance coverage.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-003. Evaluation of Accounting Requirements for Unusual Transactions – Material Weakness at the Individual Component Unit Level – University of New Mexico Medical Group

Condition

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that "meaningfully use" certified electronic health record (EHR) technology. UNMMG qualifies to receive meaningful use incentive payments. In fiscal year 2017 UNMMG recognized meaningful use revenue when incentive cash payments were received. However, in accordance with generally accepted accounting principles the revenue should have been recognized when UNMMG satisfied the criteria for revenue recognition, which was in the fiscal year prior to the receipt of cash.

Criteria

In accordance with generally accepted accounting principles, revenue should be recognized on the accrual basis of accounting.

Effect

The June 30, 2016 financial statements were restated to record \$7.8 million of meaningful use revenue in the correct period. In addition, an audit adjustment was proposed to accrue \$2.4 million of meaningful use revenue at June 30, 2017.

Cause

UNMMG management did not evaluate the meaningful use revenue to ensure that it was recorded in accordance with generally accepted accounting principles. In addition, management does not have a formal process to evaluate and document its policies regarding these types of unusual transactions.

Recommendation

We recommend that management develop internal control processes to ensure that the unusual transaction is reviewed and evaluated for proper accounting treatment and that the resulting accounting policy is formally documented.

University Response

UNMMG Controller will meet with the Director of Meaningful Use on a quarterly basis beginning in October 2017 to review the list of providers and evaluate the criteria needed to recognize meaningful use revenue. An accrual will be recorded if the criteria has been met. In addition, a procedure outlining the process was developed and implemented effective October 1, 2017.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-004. Capital Assets – Material Weakness at the Individual Component Unit Level – Innovate ABQ, Inc.

Condition

During the fiscal year ended June 30, 2017, the construction costs related to a building renovation were recorded as an expense, rather than capitalized to construction in process. This resulted in an overstatement of expense, and an understatement of capital assets of \$538,179. An audit adjustment was required to correct the balances.

Additionally, during the fiscal year ended June 30, 2017, a portion of a building was demolished. The demolition was not recorded as a disposal, and after demolition the portion of the building continued to be depreciated. Innovate ABQ received a payment of \$464,851 related to the disposal of the capital asset, the full amount of which was recorded as revenue, rather than offset by the disposal of the cost basis of the capital asset and related accumulated depreciation. This resulted in an overstatement of lease revenue of \$464,851, overstatement of capital assets of \$441,560, overstatement of accumulated depreciation of \$43,839, overstatement of depreciation expense of \$11,039, and an understatement of nonoperating revenue of \$56,090. An audit adjustment was required to correct the balances.

Criteria

All organizations should establish and implement effective internal control procedures over capital assets to ensure that additions and disposals are identified and recorded.

Effect

Capital asset additions and disposals were not properly recorded, which resulted in audit adjustments.

Cause

Innovate ABQ was operating on a cash basis and did not properly implement financial close and reporting procedures in order to properly identify capital asset additions and disposals.

Recommendation

We recommend that Innovate ABQ update their internal control procedures to ensure that all capital asset additions and disposals are identified and properly recorded.

University Response

Innovate ABQ will retain an outside accounting firm annually to review and ensure that all capital asset additions and disposals are identified and properly recorded. The President and Audit Committee Chair will ensure that a firm is secured by February 1, 2018.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-005. Financial Control and Reporting Process – Control Deficiency – The Robert O. Anderson Schools of Management Foundation

Condition

Anderson Foundation did not reconcile all accounts prior to the audit causing 14 client adjustments to the trial balance. These adjustments while not material impacted unearned/earned revenue and overall net income. In addition, the adjustments delayed the process of receiving the draft financial statements.

Criteria

Account reconciliations are an important element of internal control, facilitating timely detection of book/subsidiary ledger differences so they can be investigated timely and resolved.

Effect

Errors in the general ledger can go undetected if not reconciled timely and may not reflect all available resources to the Anderson Foundation.

Cause

Fiscal officer did not reconcile all the accounts prior to the audit, due to lack of resources. With the increase in MBA-ED Cohorts, the reconciliation over the program required more resources than one person could handle.

Recommendation

Additional resources should be obtained and utilized to ensure that unreconciled differences are investigated and resolved as soon as feasibly possible. This will ensure that Anderson Foundation's recorded balances on the general ledger represent complete and accurate representation of available resources to Anderson Foundation at the time of audit.

University Response

The Anderson Foundation Fiscal Officer and the Interim Dean discussed the options available to the Anderson Foundation to assure that all reconciliations are submitted timely to the auditors and that the draft financial statements are submitted by the deadline.

Currently, the Anderson Foundation Fiscal Officer and the Accountant II are the only staff with access to the Sage software used by the Anderson Foundation. The Anderson Foundation has grown over the years by adding additional programs, both degreed and non-degreed. Most of the detail is posted manually to Sage. The Foundation Fiscal Officer is also the Fiscal Agent and the HR Agent for the UNM Anderson School of Management, overseeing the UNM Anderson budget, expenditures, faculty, staff and student hiring, and other duties. As the duties, both at UNM and the Anderson Foundation, increased over the years, the staffing has not changed.

One of the first changes already implemented was to add the Operations Manager (OM) to Sage. The OM will post student financial aid, tuition remissions, and scholarships to the individual students in Sage from the information available on UNM Student Banner. The OM will reconcile the Sage student accounts receivable to the Student Banner accounts receivable. The Foundation Fiscal Officer will review and confirm the student receivable balances.

The Foundation Fiscal Officer and the Accountant II will make changes to the Sage processes such as how the initial receivable and the prepayments from the MBA-ED and EMBA students are handled. Additional reconciliations, to be determined, will be assigned to the Accountant II. The Foundation Fiscal Officer will explore ways to post revenues and expenses electronically to Sage, rather than manually. Posting manually has added significantly to the workload.

The Foundation Fiscal Officer contacted the Provost Office to explore the possibility of shared services. They will meet to discuss the services that are currently available to the Colleges/Schools at UNM.

The Foundation Fiscal Officer and staff immediately implemented the changes. The majority of the accounts will be reconciled monthly. The exception will be revenue from EPEC degreed and non-degreed programs. The EPEC revenue accounts will be reconciled quarterly to coincide with the Anderson Foundation Board of Director meetings.

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SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-006. Accruals and Account Reconciliations – Material Weakness at the Individual Component Unit Level – STC.UNM

Condition

STC.UNM does not have proper controls in place related to accrual entries and account reconciliations. As a result of the lack of controls we noted the following:

- The June 30, 2017 Due to UNM Reconciliation did not agree to the general ledger by \$1,520. The general ledger was overstated by \$1,520. In addition, an account on the Due to UNM reconciliation had not been properly reconciled at year-end. A debit balance of \$1,900 did not reflect the proper balance of \$5,739.
- The June 30, 2017 Due to Royalty reconciliation did not agree to the general ledger by \$4,537. The general ledger was understated by \$4,537. In addition, accounts on the due to reconciliation that not been properly reconciled at year-end. A debit balance was identified in the amount of \$500 as being incorrectly accrued instead of expensed. A debit balance of \$169 related to one account did not reflect the proper balance of \$7,828.
- Overpayment of royalty sharing amounts occurred with four inventors for a total amount of \$16,351.
- Royalties of \$26,039 and the related Due to UNM of \$5,208 and due to royalties of \$10,415 related for the year ended June 30, 2017, were not accrued at year-end. In addition, royalties of \$17,584 and the royalty sharing of \$10,430 related to June 30, 2016 were posted to the current period.
- An amount of \$625 was posted to revenue to be used against a future license agreement. The revenue should be recorded at the time the license agreement is executed.
- The sale of an investment in stock was not properly recorded at year-end causing the investment in stock balance to be overstated and accounts receivable balance to be understated. Total investment in stock amount was \$19,838.
- The Bank Reconciliation did not agree to the general ledger, due to voided check in the amount of \$6,409. The check was not properly accrued at year-end causing accounts payable and expenses to be understated.

Management's Progress for repeat finding of 2016-007

Management met monthly reviewing current year activities related to licensing activities tracking license fees and royalty fees due. STC will continue this practice with a heightened emphasis on the tracking of accrual amounts and the reconciliation of past agreements.

Criteria

All organizations should establish effective control procedures over the review and approval of reconciliations for key operating accounts.

Effect

The lack of controls created multiple errors that could cause a material misstatement.

Cause

STC has no control in place to ensure that all accrual transactions are properly accounted for and all reconciliations for key operating accounts are accurate and are reviewed and approved at the appropriate level of detail by someone other than the preparer.

Recommendation

We recommend that STC.UNM keep a contract brief of each contract and option agreement to summarize the terms and agreements and to track the license fees and royalty fees due and properly invoice and accrue amounts. In addition, STC.UNM should reconcile each account within the Due to UNM and Due to Royalty to determine whether the payable is a valid payable.

University Response

STC.UNM agrees with the auditors' finding. STC.UNM's Controller has implemented a new policy, which was approved by the STC.UNM Board Finance and Compensation Committee on October 19, 2017, where it keeps a contract brief for all license and option agreements summarizing the terms as well as detailing payment due

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS

Year Ended June 30, 2017

obligations and accrual amounts. Implementation will begin immediately on all new agreements at time of execution, and STC.UNM will retroactively create such briefs on past agreements reconciling the Due to UNM and Due to Royalty accounts to determine validity of payables. Contract briefs on all agreements will be implemented by the end of December 2017 and will be created by the STC.UNM Accounting Coordinator, reviewed, and approved by the STC.UNM Controller, with final review and approval performed by the STC.UNM President & CEO.

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SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-007. Lack of Policies & Procedures – Significant Deficiency – STC.UNM

Condition

STC.UNM failed to adopt certain accounting policies and procedures. We noted there were no policies and procedures related to in-kind expenses, finance charges for late payments on receivables, allowance and write-off of accounts receivable balances and payments related to Due to UNM and due to royalties.

As a result of the lack of policies and procedures, we noted the following:

- In-kind revenue and expenses was not properly recorded during the year ended June 30, 2017 in the amount of \$36,490.
- Finance charges were not billed to customers related to June 30, 2017 year-end accounts receivable in the amount of approximately \$36,000.
- An allowance for doubtful accounts was not posted for a receivable balance that may not be collectible in the amount of \$26,000 as of June 30, 2017.
- Amounts Due to UNM and due to the inventors continue to be carried over from year to year without being paid. There were instances where payments were made to UNM; however, payments were not made to the inventors.

Criteria

All organizations should establish policies and procedures for effective internal controls.

Effect

The lack of policies and procedures could result in a lack of accountability and consistency in the financial reporting process.

Cause

STC.UNM has not adopted certain accounting policies and procedures.

Recommendation

We recommend policies and procedures be prepared for all significant accounts. This will help to insure that STC.UNM is accountable and consistent in applying generally accepted accounting principles.

University Response

STC.UNM agrees with the auditors' finding. STC.UNM will prepare policies and procedures for all significant accounts to assist with ensuring that STC.UNM is accountable and consistent in applying generally accepted accounting principles. Policies and procedures will be drafted by the STC.UNM Controller and approved by the STC.UNM President & CEO. The policies and procedures will be in place by the end of December 2017.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-008. Monitoring of Contract Compliance – Control Deficiency

Condition

UNM Athletic Department entered into contracts with a third-party vendor related to Multi-Media Rights, Sponsorship Rights, and Licensing Agreements. Under these agreements, certain amounts received under the contract are required to be remitted to UNM.

Under the executed contracts with the third-party vendor, we noted that the third-party vendor paid \$256,000 less than the agreed upon amount to UNM, over the period of two fiscal years. It was noted that UNM was in the process of negotiating a new proposed and amended contract and the payments received were in compliance with this unexecuted agreement. Therefore, UNM has not effectively monitored contract compliance executed contracts, which has led to an uncollected balance due to UNM.

Criteria

All organizations should establish policies and procedures for effectively monitoring compliance with contracts.

Effect

The lack of controls could result in a lack of compliance with contracts and agreements.

Cause

UNM Athletic Department does not have strong policies over monitoring contract compliance.

Recommendation

We recommend policies and procedures be in place related to controls over contract compliance, including ensuring a responsible person is established within the department to ensure agreements are monitored and executed as appropriate. This will help to ensure that UNM receives all applicable funds under all contracts and agreements.

University Response

Management agrees with the finding and the Athletic Director has immediately implemented contract administration standards that require written execution of contract amendments prior to implementation of the amendments. The underpayment amount has been communicated to the third-party vendor by the Athletic Director, and an invoice will be generated and delivered.

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SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-009. Internal Policy Compliance – Control Deficiency – UNM Alumni Association

Condition

A decision was made to renovate and beautify the courtyard area in front of Hodgkin Hall by the UNM Alumni Association in 2015. The courtyard project was financed with the UNM Alumni Association unrestricted funds. The Alumni Association is a 501(c)(3) organization and a separate legal entity from UNM, and therefore the State procurement code requirements would not be applicable for the UNM Alumni Association's courtyard renovation project. However, according to the Regent's Policy Manual Section 7.12, the Board of Regents must approve construction projects on campus costing more than \$300,000. The total cost of the courtyard renovation project was \$470,208. Of the total cost, \$465,433 was paid by the Alumni Association, and the remaining \$4,775 was paid by the Alumni Relations Office of UNM. While the UNM Alumni Association got Board of Regents approval for the renaming of the courtyard prior to the start of any renovations, the Alumni Association did not obtain Board of Regents approval for the renovation until September 1, 2016, approximately 6 months into the project.

Criteria

All organizations should follow established procedures to comply with internal policies.

Effect

The lack of compliance with internal policies and procedures could result in a lack of accountability and unauthorized transactions.

Cause

The Board of Regents did not approve the renovation prior to the start of the project.

Recommendation

We recommend that in the future, the Alumni Association follow Regents' Policy 7.12 and seek Board of Regents' approval on projects costing more than \$300,000.

University Response

The Alumni Association concurs with the recommendation. In the future, the Alumni Association will follow Regents' Policy 7.12 and will obtain the Board of Regent's approval for any construction projects. The Executive Director of the Alumni Association will coordinate with the appropriate University project management personnel at the beginning of any construction projects which may be considered and obtain a timeline and proposed cost which will then be presented to the Board of Regents in advance for review and approval. At this time, no construction projects are anticipated in the near future.

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SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2017

2017-010 Pledged Collateral Noncompliance

Condition

Cash and cash equivalents with a balance of \$306,140 at June 30, 2017, invested with one issuer, was not collateralized as required by New Mexico State Statute. The University was in violation of the 50% pledged collateral requirement of Section 6-10-17 NMSA 1978 for this type of investment because collateral obtained for deposits at a financial institution was less than required by \$28,070.

Criteria

Custodial credit risk is defined as the risk that the government's money may not be returned to it in the event of a financial institution's failure. According to New Mexico State Statute (NMSA 1978) 6-10-16, "Deposits of public money shall be secured by (1) securities of the United States...(2) securities of the state of New Mexico...(3) securities that are guaranteed by the United States or the State of New Mexico, (4) revenue bonds that are underwritten by a member of the national association of securities dealers (NASD) and are rated "BAA," (5) letters of credit issued by a federal home loan bank." In addition, according to NMAC 2.2.2.10(P)(4)(b), if the pledged collateral, in an aggregate amount, is not equal to one half of the amount of public money in each account (Section 6-10-17 NMSA 1978), there should be a finding in the audit report.

Effect

The assignment of securities as collateral of public money that do not meet the state statute requirements has resulted, leaving the public money inadequately guaranteed in case of the financial institution's failure.

Cause

Due to a transition to a new banking services provider for the University, the ability to automatically transfer funds from the branch campus' bank account to the University account to maintain a balance within the FDIC insurance coverage was lost for a number of months in fiscal year 2017. Previous to the change in the University bank, there had been in place a funds transfer agreement with the branch bank and the University's previous bank. At the point of bank transition, the ability to readily make transfers from the branch bank to the University bank was lost due to the lack of a transfer agreement with the University's new bank. Complicated by the retirement of the branch Business Officer during fiscal year 2017, it took a number of months to reestablish transfer access.

Recommendation

It is the responsibility of management to insure that adequate safekeeping of the University's assets is maintained. As part of its fiscal responsibility, management should work closely with the financial institutions to establish and closely monitor types and amounts of collateral to meet the state requirements.

University Response

Management agrees with the finding and has assigned the responsibility of these transfers from the branch account to the University account to the University Treasurer. The University Treasurer obtained the transfer access in August of 2017, and since that time the Los Alamos bank account balance has not exceeded the FDIC insurance limit.

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THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Revenues for the year ended June 30, 2017 — University Only Unaudited

	Tuition and fees	Net patient service	Grants and contracts	Sales, services, and auxiliary enterprises
Revenues	\$ 137,853,002	\$ 1,191,251,143	\$ 336,234,826	\$ 137,165,947
Excluded Revenues:				
State appropriations				
Local appropriations				
Distributions to UNM from UNMMG		(127,646,776)		
Distributions to UNM from SRMC		(1,070,005)		
Restricted funds	16,908,120			5,733,380
Federal grants & contracts			248,545,256	
State grants & contracts			37,833,500	
Nongovernmental grants & contracts			35,910,359	
Facilities and administrative cost recovery			(46,925,051)	
University of New Mexico Hospital (Hospital)		902,433,423	2,041,138	
University of New Mexico Behavioral Health Operations (BHO)		29,034,894	1,245,885	
Blended component units		258,303,380	1,469,553	21,360,937
Total Excluded Revenues	<u>\$ 16,908,120</u>	<u>\$ 1,061,054,916</u>	<u>\$ 280,120,640</u>	<u>\$ 27,094,317</u>
Pledged Revenues	<u>\$ 120,944,882</u>	<u>\$ 130,196,227</u>	<u>\$ 56,114,186</u>	<u>\$ 110,071,630</u>

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

Pledged Revenues	\$ 514,249,430
Less FY17 Debt Service for the University:	
University's interest payments on debts	13,646,613
University's principal repayments on debts	<u>16,177,969</u>
Excess of Pledged Revenues over Debt Service	<u>\$ 484,424,848</u>
University's future average annual debt service through year ended June 30, 2047	\$ 21,108,497
University's future highest annual debt service year ended June 30, 2021	\$ 36,697,690

See accompanying independent auditors' report.

SCHEDULE 22

State and local appropriations	County mill levies	Investments	Capital	Gifts	Other	Total
\$ 310,042,329	\$ 102,906,316	\$ 31,934,028	\$ 31,946,774	\$ 33,197,799	\$ 86,687,380	\$ 2,399,219,544
288,514,738						288,514,738
8,197,491						8,197,491
						(127,646,776)
						(1,070,005)
		4,938,224	31,946,774	1,377,361	1,997,199	62,901,058
						248,545,256
						37,833,500
						35,910,359
						(46,925,051)
5,398,300	82,139,803	111,248		2,310,639	12,860,495	1,007,295,046
6,759,800	14,495,259			11,508	(220,073)	51,327,273
1,172,000	6,271,254	(25,171)		4,760	31,530,512	320,087,225
\$ 310,042,329	\$ 102,906,316	\$ 5,024,301	\$ 31,946,774	\$ 3,704,268	\$ 46,168,133	\$ 1,884,970,114
\$ -	\$ -	\$ 26,909,727	\$ -	\$ 29,493,531	\$ 40,519,247	\$ 514,249,430

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EXIT CONFERENCE

June 30, 2017

The financial statements were prepared by the financial officials of the University of New Mexico. An exit conference was conducted on October 18, 2017, in which the contents of this report were discussed with the following:

UNIVERSITY OF NEW MEXICO

Thomas Clifford	Chair, UNM Board of Regents Audit Committee
Alex Romero	UNM Board of Regents Audit Committee
Bradley C. Hosmer	UNM Board of Regents Audit Committee
Chaouki Abdallah	Interim President
Craig White	Interim Provost and Executive Vice President for Academic Affairs
David W. Harris	Executive Vice President for Administration, COO and CFO
Elizabeth Metzger	University Controller
Ava J. Lovell	Senior Executive Officer for Finance & Administration, HSC
Michael Schwantes	Chief Financial Services Officer, HSC
Ella Watt	Chief Financial Officer, UNM Hospitals
Manilal Patel	Director, Internal Audit
Elsa Cole	University Counsel
Elizabeth Washburn	Chief Compliance Officer, Compliance Office
Purvi Mody	Executive Director, Compliance and Audit, UNM Hospitals
Elizabeth Kuuttila	President and CEO, STC.UNM
Keelie Garcia	Administrative Operations Manager, Lobo Development Corporation
Staff	University Internal Audit Department

MOSS ADAMS LLP

Steve Keene	Managing Partner
Lisa Todd	Partner
Amy Carter	Senior Manager

KPMG LLP

John Kennedy	Partner
Jaime Cavin	Senior Manager