

Audit Report 2018

for the fiscal year ended June 30, 2018



THE UNIVERSITY OF
NEW MEXICO®

THE UNIVERSITY OF NEW MEXICO

June 30, 2018

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THE UNIVERSITY OF NEW MEXICO

June 30, 2018

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 | Secretary Treasurer | Recess Appointment |
| Bradley C. Hosmer | Member | 12/31/2016 |
| Suzanne Quillen | Member | 12/31/2018 |
| Michael Brasher | 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 |
| Becka Myers | President, Associated Students of the University of New Mexico |
| Boney Mutabazi | President, Graduate & Professional Student Association |
| Rob Burford | President, Staff Council |
| John Brown | President, UNM Alumni Association |
| Steve Borbas | President, UNM Retiree Association |
| Daniel Parea | President, UNM Parent Association |
| Laurie Moye | Chair, UNM Foundation |

Principal Administrative Officials

University

| | |
|-------------------|---|
| Garnett S. Stokes | President |
| David W. Harris | Executive Vice President for Administration, COO and CFO |
| Chaouki Abdallah | Provost and Executive Vice President for Academic Affairs |
| Dr. Paul Roth | Chancellor for Health Sciences |

UNM Hospitals

| | |
|-------------|-------------------------|
| Kate Becker | Chief Executive Officer |
|-------------|-------------------------|

Principal Financial Officials

Main Campus

| | |
|-------------------|-----------------------|
| Elizabeth Metzger | University Controller |
|-------------------|-----------------------|

Health Sciences Center

| | |
|---------------|--|
| Ava J. Lovell | Senior Executive Officer for Finance & Administration, HSC |
|---------------|--|

UNM Hospitals

| | |
|-----------|-------------------------|
| Ella Watt | Chief Financial Officer |
|-----------|-------------------------|

Report of Independent Auditors

The Board of Regents
University of New Mexico
and
Mr. Wayne Johnson
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico (the University or UNM), as of and for the years ended June 30, 2018 and 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 audits.

We did not audit the departmental financial statements of the UNM Hospitals and UNM Behavioral Operations and the blended component unit financials statements of UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), collectively known as the clinical operations of the University (Clinical operations), which constitute 33%, 84% and 60% (including all clinical and patient revenue), respectively, of the assets, net position, and revenues of the primary institution totals as of and for the year ended June 30, 2018. In addition, we did not audit the departmental financial statements of the UNM Hospitals and UNM Behavioral Operations, and the blended component unit financials statements of UNM Medical Group, Inc., and Sandoval Regional Medical Center (SRMC), collectively known as the clinical operations of the University (Clinical operations), which constitute 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 audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University of New Mexico as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 2(D) to the financial statements, effective July 1, 2018, the University adopted Governmental Accounting Standards Board (GASB) *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in retroactively adjusting the financial statements for all prior periods presented. Our opinion is not modified with respect to this matter.

Reporting Entity

As discussed in Note 1, the financial statements of the University are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico that is attributable to the transactions of the University. The financial statements do not present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of the University's Proportionate Share of Net Pension Liability and Employer Contributions-Pensions (schedule 1), Schedule of Changes in the University's Net OPEB Liability and Related Ratios- Other Postemployment Benefits (schedule 2), Schedule of University Contributions-Other Postemployment Benefits (schedule 3) and Schedule of Investment Returns-Other Postemployment Benefits (schedule 4) be presented to supplement the

basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit and that of the other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying blended and discretely presented component unit combining schedules (schedules 5 through 14), budget comparisons (schedules 15 through 17), schedule of pledged collateral (schedule 18), schedule of individual deposit and investment accounts (schedule 19), indigent care cost and funding report (schedule 20), calculations of cost of providing indigent care (schedule 21), and schedule of expenditures of federal awards (schedule 22), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information, such as the schedule of pledged revenues – University only (schedule 23) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The blended and discretely presented component unit combining schedules (schedules 5 through 14), budget comparison (schedules 15 through 17), schedule of pledged collateral (schedule 18), schedule of individual deposit and investment accounts (schedule 19), indigent care cost and funding report (schedule 20), calculations of cost of providing indigent care (schedule 21), and schedule of expenditures of federal awards (schedule 22), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combined and discretely presented component unit combining schedules (schedules 5 through 14), budget comparison (schedules 15 through 17), schedule of pledged collateral (schedule 18), schedule of individual deposit and investment accounts (schedule 19), indigent care cost and funding report (schedule 20), calculations of cost of providing indigent care (schedule 21), and schedule of expenditures of federal awards (schedule 22), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018, 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 17, 2018

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2018

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, 2018, 2017, and 2016. 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 2018, 2017, and 2016. 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, 2018

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, 2018, 2017, and 2016 is as follows:

| | 2018 | As Adjusted 2017 | As Adjusted 2016 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|
| Assets | | | |
| Current assets | \$ 1,120,122,206 | \$ 1,099,607,046 | \$ 1,071,068,996 |
| Capital assets, net | 1,301,514,531 | 1,303,030,355 | 1,295,243,929 |
| Other noncurrent assets | 435,436,813 | 438,826,028 | 570,367,672 |
| Total assets | \$ 2,857,073,550 | \$ 2,841,463,429 | \$ 2,936,680,597 |
| Deferred Outflows of Resources | \$ 660,505,165 | \$ 201,280,190 | \$ 135,375,765 |
| Liabilities | | | |
| Current liabilities | \$ 387,823,969 | \$ 405,300,071 | \$ 375,624,128 |
| Noncurrent liabilities | 2,671,222,215 | 2,020,402,648 | 1,769,141,532 |
| Total liabilities | \$ 3,059,046,184 | \$ 2,425,702,719 | \$ 2,144,765,660 |
| Deferred Inflows of Resources | \$ 36,242,420 | \$ 12,832,686 | \$ 27,188,619 |
| Net Position | | | |
| Net investment in capital assets | \$ 728,838,725 | \$ 717,706,485 | \$ 682,293,155 |
| Restricted - nonexpendable | 133,943,355 | 127,750,666 | 321,532,137 |
| Restricted - expendable | 97,381,016 | 86,828,676 | 79,473,415 |
| Unrestricted | (537,872,985) | (328,077,613) | (183,196,624) |
| Total net position | \$ 422,290,111 | \$ 604,208,214 | \$ 900,102,083 |

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.

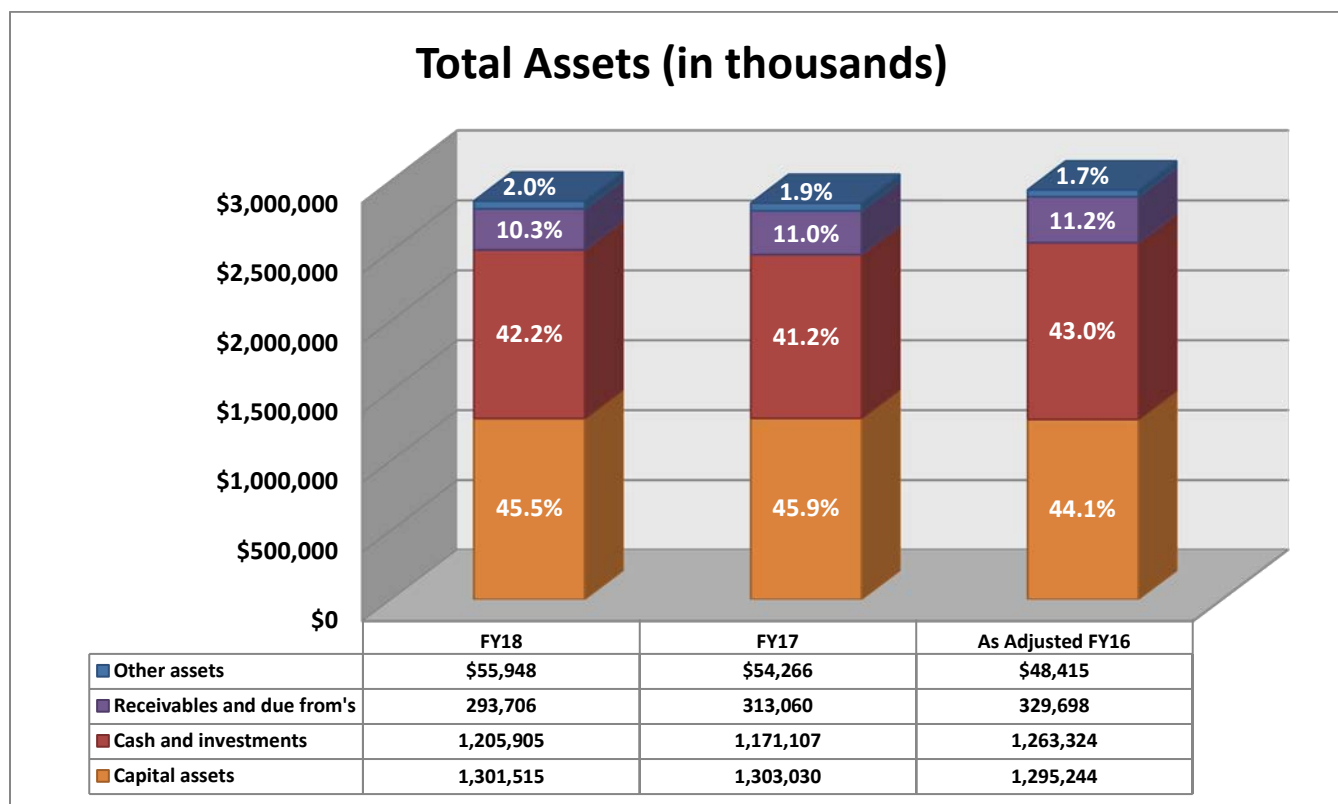
Noncurrent assets of the University primarily consist of endowments and capital assets, net of accumulated depreciation.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

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



Total assets increased by \$15.6 million from FY17 to FY18 and decreased by \$95.2 million from FY16 to FY17. The increase in total assets from FY17 to FY18 included an increase of \$34.8 million in cash and investments offset by a decrease of \$19.4 million in receivables and due from's. The increase in cash and investments was mostly the result of an increase of \$23.5 million in cash and cash equivalents at the University of New Mexico Hospital (Hospital). Another significant increase in cash and investments was a \$9.2 million increase in the value of the University's share of endowment funds invested in the Consolidated Investment Fund (CIF). The decrease in receivables and due from's was mostly comprised of a decrease of \$16.3 million in estimated third-party payor settlements at the Hospital.

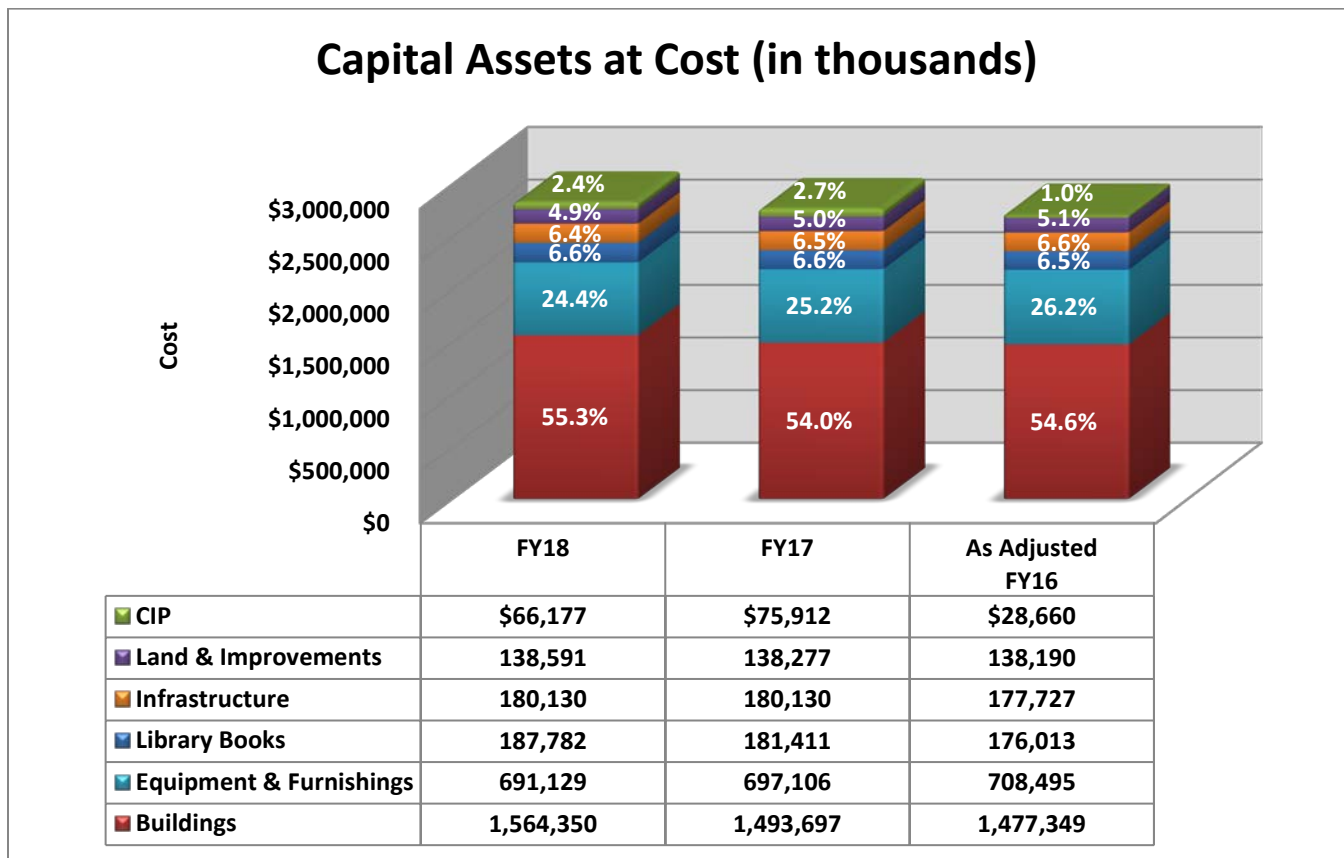
The decrease in total assets from FY16 to FY17 included decreases of \$92.2 million in cash and investments and \$16.6 million in receivables and due from's offset by an increase of \$7.8 million in net capital assets. The decrease in cash and investments was mostly the result of the removal of the \$202.7 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 Hospital. The decrease in receivables and due from's was largely comprised of decreases of \$11.5 million in patient receivables due to improved collections of receivables at the Hospital and \$5.0 million in estimated third-party payor settlements. 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 UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2018

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 as of June 30, 2018, 2017, and 2016. During FY18, the largest increase within capital assets for the University was buildings, which increased by \$66.8 million. The major additions to buildings during FY18 were \$24.1 million for the McKinnon Center for Management, \$20.5 million for the Farris Engineering Center renovations, and \$11.0 million for the clinical buildout at the Cancer Center.

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.



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.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

Capital assets for the Hospital and the University of New Mexico Behavioral Health Operations (BHO), net of accumulated depreciation, were \$218.8 million, \$225.2 million, and \$232.5 million as of June 30, 2018, 2017, and 2016, respectively. Within the Hospital and BHO during FY18, the largest capital increase was within buildings and building improvements, which increased by \$2.6 million. The larger building improvement projects at the Hospital that were capitalized included renovation of one of the operating rooms and a new roof for the entire operating room suite. At BHO, the largest building improvement project was replacement of the roof at the Adult Hospital.

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.

Bonds payable totaled \$661.2 million, \$691.1 million, and \$673.1 million at June 30, 2018, 2017, and 2016, respectively. The current portion of this debt was \$28.2 million, \$26.5 million, and \$25.3 million at June 30, 2018, 2017, and 2016, 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, 2018, 2017, and 2016 Single Audit.

Deferred Outflows of Resources

Deferred outflows of resources increased by \$459.2 million from FY17 to FY18 and \$65.9 million from FY16 to FY17. The most significant deferred outflow of resources is related to pensions. The recognition of a deferred outflow of resources related to pensions resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*, which was effective beginning in FY15. The amount recognized as a deferred outflow of resources related to pensions was \$642.3 million, \$179.4 million, and \$115.4 million as of June 30, 2018, 2017, and 2016, respectively. The most significant reason for the increase in deferred outflows of resources from FY17 to FY18 was an increase of \$526.1 million related to pensions for changes of assumptions and the use of a discount rate of 5.90% in the most recent actuarial valuation as opposed to a discount rate of 7.75% used in the prior actuarial valuation (see note 16).

Liabilities

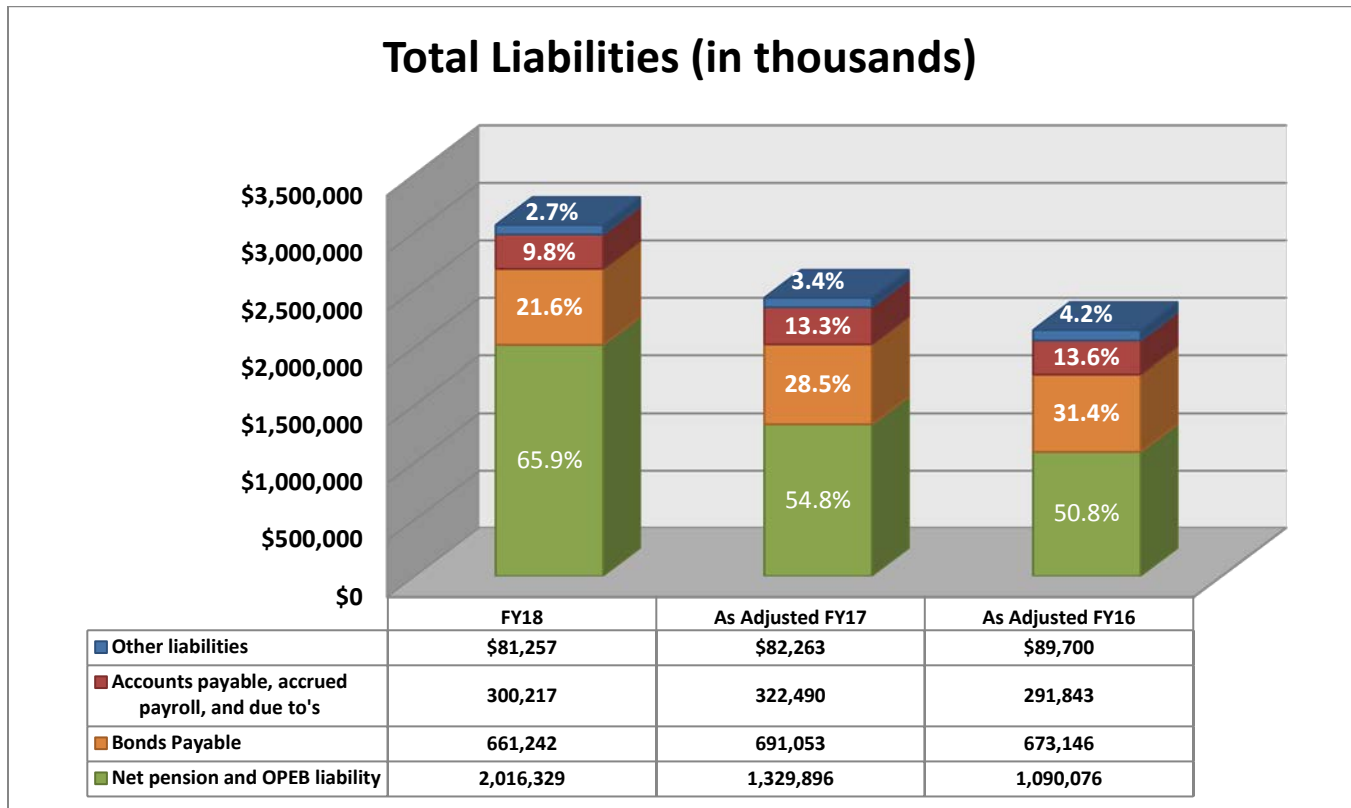
Current liabilities are generally defined as amounts due within one year. The most significant current liabilities of the University are accounts payable, accrued payroll, unearned revenue, and accrued compensated absences.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2018

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

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



Total liabilities increased by \$633.3 million from FY17 to FY18 and \$280.9 million from FY16 to FY17. The increase in total liabilities from FY17 to FY18 included an increase of \$686.4 million in net pension and OPEB liability. The most significant decreases in total liabilities from FY17 to FY18 were a \$29.8 million decrease in bonds payable and a \$22.3 million decrease in accounts payable, accrued payroll, and due to's. The increase in the net pension and OPEB liability included a significant increase in the net pension liability of \$691.6 million due to an overall increase in the net pension liability of the pension plan as reported by the State of New Mexico Educational Retirement Board as well as an increase in the University's proportionate share of that overall liability. The increase in the net pension liability of the pension plan was the result of new assumptions adopted by the ERB Board on April 21, 2017, as well as, the change in the single discount rate from 7.75% to 5.90% between June 30, 2016 and June 30, 2017 (see note 16). The decrease in bonds payable was the result of principal payments on existing bonds with no new bond additions in FY18. The decrease in accounts payable, accrued payroll, and due to's was largely a result of a \$15.7 million decrease in accounts payable at the Hospital, primarily due to payables outstanding at June 30, 2018 for medical supplies, purchased services, and minor equipment purchases.

The increase in total liabilities from FY16 to FY17 included increases of \$239.8 million in net pension and OPEB liability, \$30.6 million in accounts payable, accrued payroll, and due to's, and \$17.9 million in bonds payable. The increase in the net pension and OPEB liability was comprised of an increase in

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

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 \$114.2 million in the liability related to OPEB due to the implementation of GASB Statement No. 75 (see note 2(D)). The increase in accounts payable, accrued payroll, and due to's was largely a result of increases at the Hospital of \$14.2 million in accounts payable and \$8.6 million in the liability for estimated third-party payor settlements. 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.

Deferred Inflows of Resources

Deferred inflows of resources increased by \$23.4 million from FY17 to FY18 and decreased by \$14.4 million from FY16 to FY17. 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 \$29.9 million, \$12.0 million, and \$26.3 million as of June 30, 2018, 2017, and 2016, 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, 2018

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, 2018, 2017, and 2016 is as follows:

| | 2018 | As Adjusted 2017 | As Adjusted 2016 |
|---|-------------------------|-------------------------|-------------------------|
| Operating Revenues | | | |
| Tuition and fees, net | \$ 142,597,712 | \$ 137,853,002 | \$ 134,062,423 |
| Net patient service | 1,222,290,962 | 1,191,251,143 | 1,128,191,265 |
| Grants and contracts | 292,528,424 | 290,846,921 | 283,390,471 |
| Sales and services, net | 116,374,997 | 137,165,947 | 127,798,497 |
| Other operating revenues | 52,442,428 | 50,398,307 | 50,611,051 |
| Total operating revenues | \$ 1,826,234,523 | \$ 1,807,515,320 | \$ 1,724,053,707 |
| Operating Expenses | | | |
| Instruction | \$ 325,701,685 | \$ 287,429,233 | \$ 283,970,438 |
| Research | 218,116,644 | 185,287,072 | 179,490,350 |
| Public service | 1,448,199,065 | 1,372,336,485 | 1,291,993,362 |
| Academic support | 58,830,180 | 51,524,481 | 48,698,278 |
| Student services | 35,190,251 | 30,735,762 | 31,056,068 |
| Institutional support | 75,907,348 | 68,925,629 | 69,265,751 |
| Operation of plant | 202,428,833 | 178,749,310 | 180,588,803 |
| Student aid and activities | 29,671,460 | 40,640,228 | 45,174,753 |
| Intercollegiate athletics | 37,719,576 | 34,900,712 | 33,378,182 |
| Auxiliary enterprises | 52,350,908 | 52,384,347 | 50,479,013 |
| Other operating expenses | 65,350,170 | 60,814,803 | 59,410,368 |
| Total operating expenses | \$ 2,549,466,120 | \$ 2,363,728,062 | \$ 2,273,505,366 |
| Nonoperating Revenues | | | |
| Appropriations | \$ 308,042,291 | \$ 310,042,329 | \$ 334,373,192 |
| Mill levies | 101,975,401 | 102,906,316 | 102,001,880 |
| Federal pell grants | 43,280,031 | 45,387,905 | 48,624,312 |
| Gifts | 33,797,785 | 33,197,799 | 32,592,493 |
| Investment income | 29,233,109 | 31,934,028 | 5,048,486 |
| Other nonoperating revenues and expenses, net | (3,239,265) | 12,573,351 | 11,892,610 |
| Net nonoperating revenues | \$ 513,089,352 | \$ 536,041,728 | \$ 534,532,973 |
| Income (loss) before capital contributions | (210,142,245) | (20,171,014) | (14,918,686) |
| Capital contributions | 28,224,142 | 31,946,774 | 25,338,340 |
| Change in net position | \$ (181,918,103) | \$ 11,775,760 | \$ 10,419,654 |
| Net position - beginning of year | 604,208,214 | 900,102,083 | 889,682,429 |
| Impact of change in accounting pronouncements | 0 | (307,669,629) | 0 |
| Net position - end of year | \$ 422,290,111 | \$ 604,208,214 | \$ 900,102,083 |

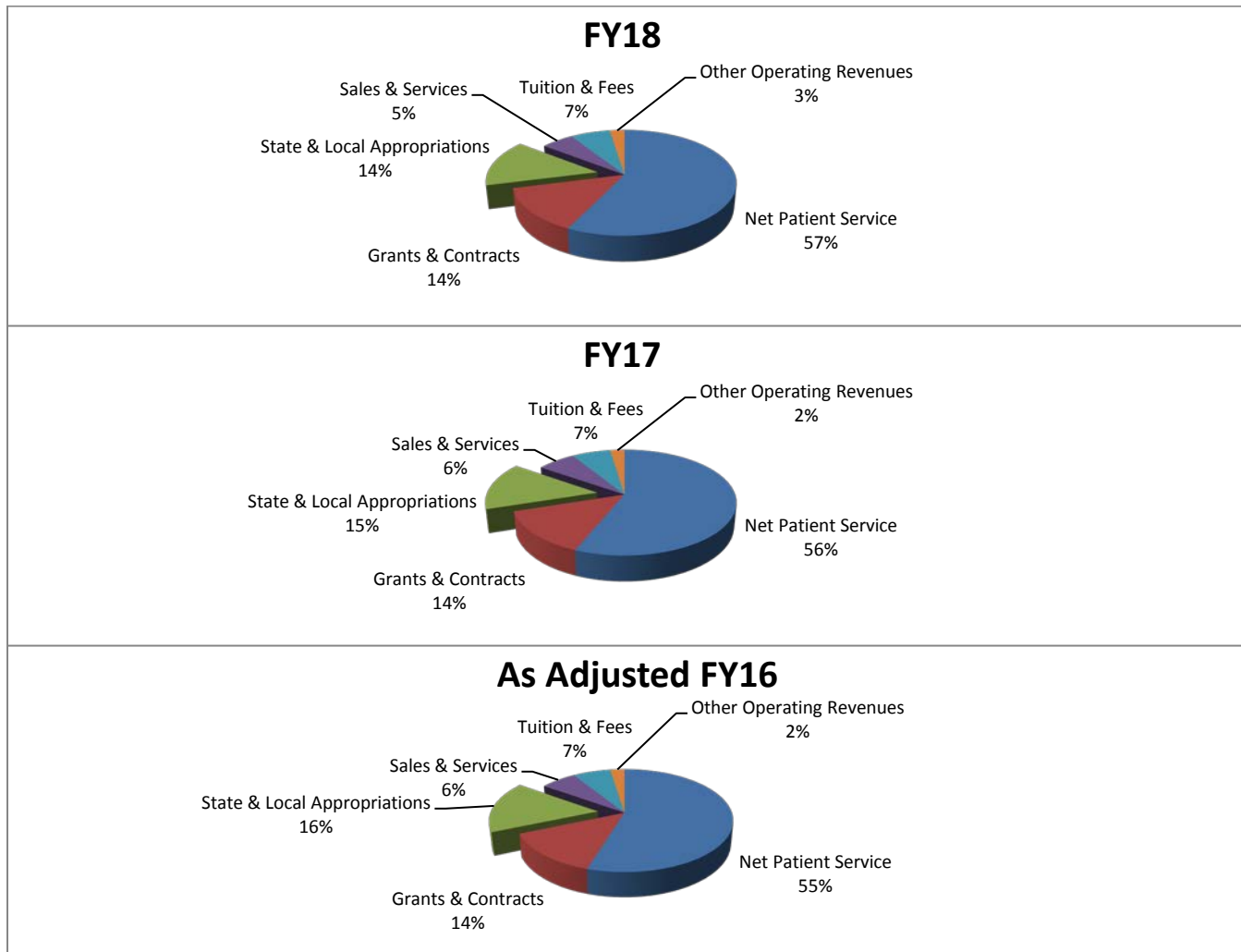
THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2018

Revenues

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

Although State of New Mexico appropriations are considered nonoperating revenues in the basic financial statements, the University uses these funds to support all instruction and general programs. If state and local appropriations were included in operating revenues, they would comprise 14%, 15%, and 16% of total operating revenues for fiscal years 2018, 2017, and 2016, respectively. The following charts depict operating revenues (with state and local appropriations) by source:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

Operating Revenues: Operating revenues for the University increased by 1.0% from 2017 to 2018 and 4.8% from 2016 to 2017. 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 2.6% from FY17 to FY18 and 5.6% from FY16 to FY17.

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

As of June 30, 2018, 2017, and 2016, there were approximately 7,000, 6,700, and 6,800 active enrollees in UNM Care, respectively. The income threshold for UNM Care is 300% of the federal poverty level, and patients may apply for this program at various locations throughout UNM HSC and the community. UNM HSC does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments.

UNM HSC provides care to patients who are either uninsured or underinsured and who do not meet the criteria for financial assistance. These accounts are fully reserved and recorded as a provision for uncollectible accounts. Provision expenses recorded for fiscal years 2018, 2017, and 2016 were \$116.2 million, \$142.1 million, and \$102.6 million, respectively.

UNM HSC incurs costs associated with providing charity care and other services for which payment is not received. As of June 30, 2018, the estimated cost of care for providing these services was \$94.5 million compared to \$110.0 million in FY17 and \$97.9 million in FY16.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

Tuition and fees are also a significant component of the University's total net operating revenues. UNM's total credit hour production for 2017-18 was 641,858. This represents a 4% decrease in student credit hours compared to the previous year. An improving economy has contributed to a slow enrollment decline over a number of years. Increased degree production and record completion rates also diminish enrollments due to students graduating earlier. Strategic focus on comprehensive enrollment planning for multiple student segments continues to be a priority along with an emphasis on student success. Changes in enrollment and tuition and fees rates in academic functions of the University were as follows:

| | Fall 2017 | Fall 2016 | Fall 2015 |
|--|-----------|-----------|-----------|
| Enrollment change (headcount) | -4.3% | -1.1% | -1.4% |
| Tuition and fees rate change (full-time resident undergraduate) | 2.8% | 4.3% | 3.4% |

Nonoperating Revenues/Expenses: Net nonoperating revenues decreased by 4.3% from FY17 to FY18 and increased by 0.3% from FY16 to FY17. 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 decrease in net nonoperating revenues in FY18 was a \$12.7 million decrease in state lottery scholarships due to waning lottery revenues in the State of New Mexico that led to a decrease in the allocation to the University.

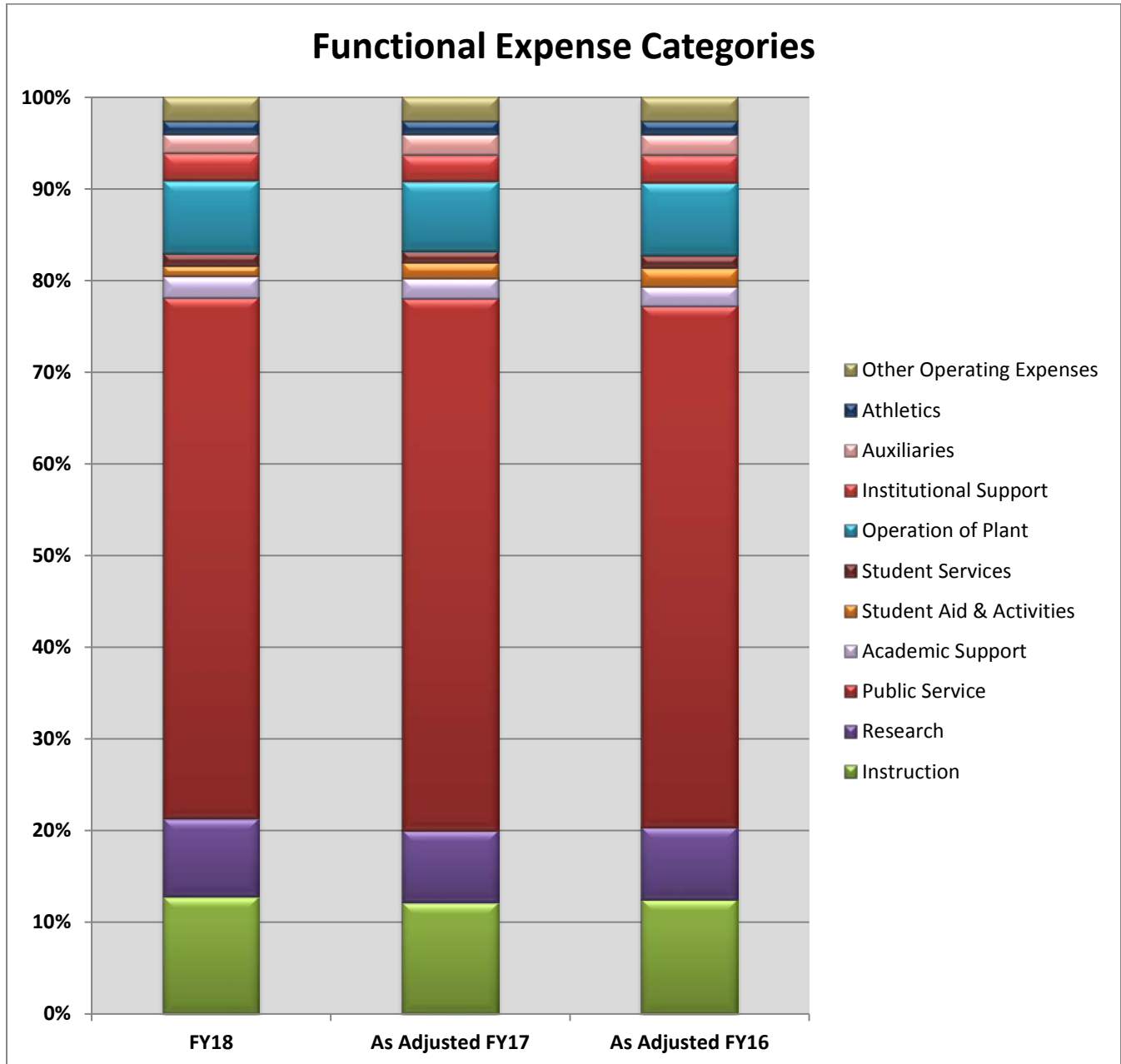
The major reason for the increase in net nonoperating revenues in FY17 was a \$26.9 million increase in investment income due to strengthened market conditions. Other significant changes in net nonoperating revenues were decreases of \$24.8 million in state appropriations and \$3.2 million in federal pell grants.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2018

Expenses

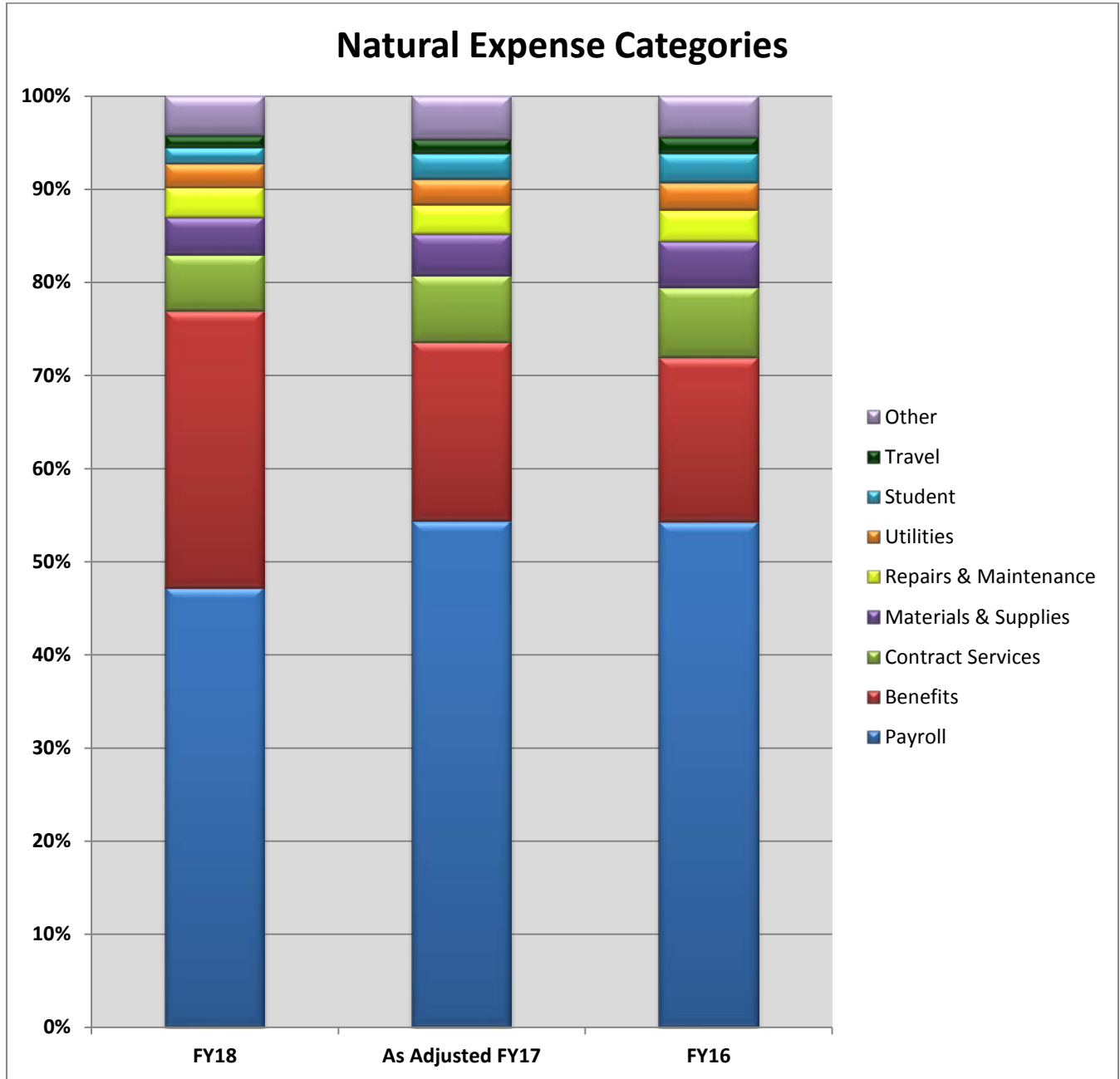
Operating Expenses: GASB standards allow public universities to present operating expenses in either a functional or natural format. UNM chose to present expenses on the statement of revenues, expenses, and changes in net position by the major functions of the University. The chart below shows the distribution of operating expenses by functional category (smaller categories have been combined) for the years ended June 30, 2018, 2017, and 2016:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2018

The chart below shows total expenses by natural category for the University (excluding Hospital, BHO, and component units) for the years ended June 30, 2018, 2017, and 2016:



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

Changes in Net Position

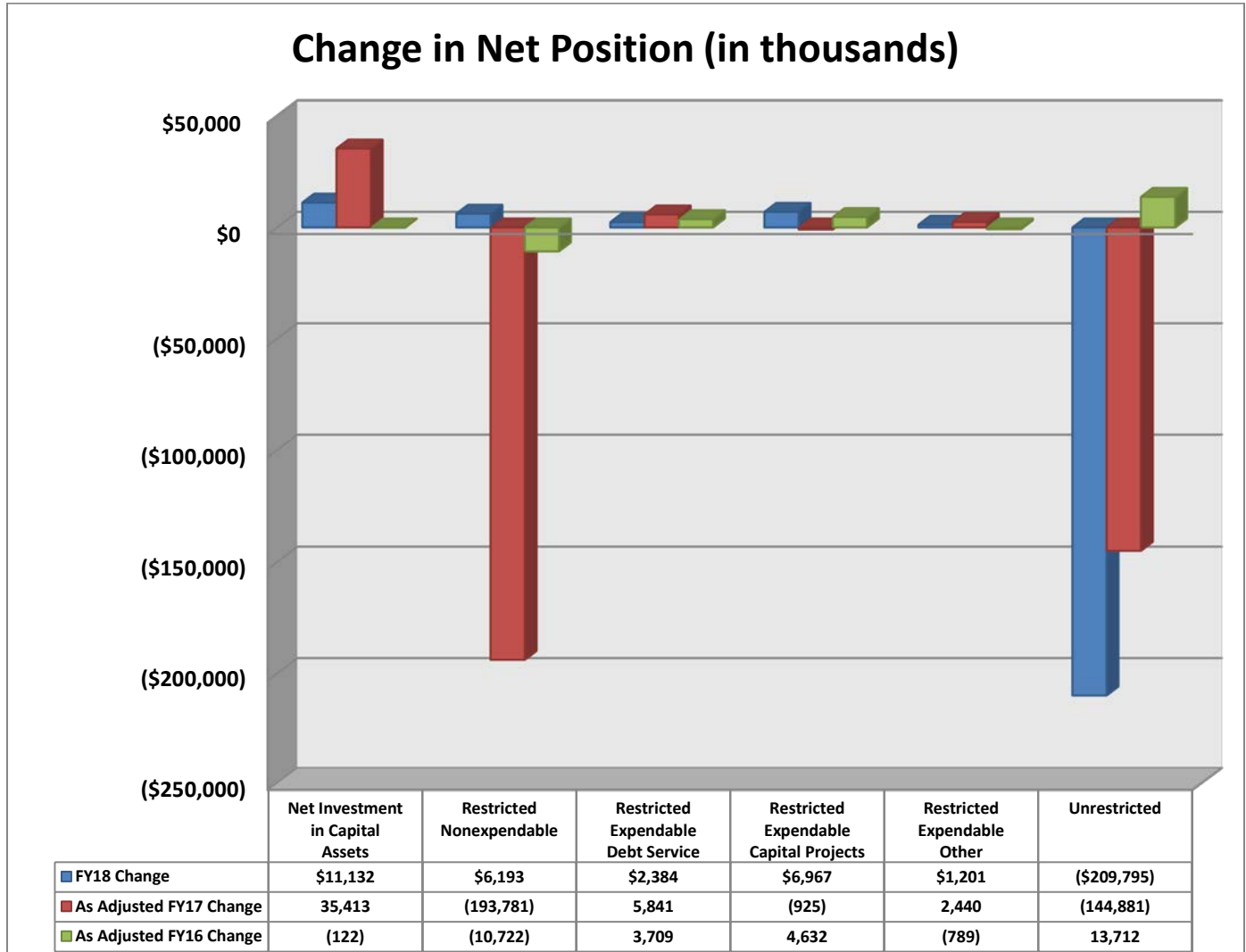
The University's total change in net position showed net decreases of \$181.9 million for FY18 and \$295.9 million for FY17, and a net increase of \$10.4 million for FY16. The major changes in net position in FY18 included a decrease of \$209.8 million in unrestricted net position and increases of \$11.1 million in net investments in capital assets and \$7.0 million in the net position restricted for capital projects. The decrease in unrestricted net position was primarily the result of the additional pension expense of \$246.1 million reported by the University per the requirements of GASB Statement No. 68. The increase in the net pension liability and pension expense was the result of new assumptions adopted by the ERB Board on April 21, 2017, as well as, the change in the single discount rate from 7.75% to 5.90% between June 30, 2016 and June 30, 2017 (see note 16). Other significant changes to unrestricted net position were increases of \$25.8 million at the Hospital and \$5.2 million at BHO. The increase in the net position of net investments in capital assets was primarily the result of the capitalization of \$66.8 million in buildings at the University due to the completion of several major capital projects. The increase in the net position restricted for capital projects was mostly due to the recognition of \$6.9 million in county bond funding for building improvements at the Valencia campus.

The major changes in net position in FY17 included decreases of \$202.7 million in the net position of the land grant permanent fund and \$144.9 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 reasons for the decrease in unrestricted net position was a decrease of \$104.2 million in the net position related to OPEB due to the implementation of GASB Statement No. 75 (see note 2(D)) and 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 UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended June 30, 2018

The chart below shows the changes in net position by category for the fiscal years ended June 30, 2018, 2017, and 2016:



THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2018

Statement of Cash Flows

A comparison of the University's changes in cash and cash equivalents for the years ended June 30, 2018, 2017, and 2016 is as follows:

| | 2018 | 2017 | As Adjusted 2016 |
|---|-----------------------|-----------------------|-----------------------|
| Cash provided by (used in): | | | |
| Operating activities | \$ (380,172,850) | \$ (350,164,177) | \$ (407,459,827) |
| Noncapital financing activities | 504,629,636 | 508,144,343 | 590,709,805 |
| Capital and related financing activities | (123,545,929) | (79,187,508) | (45,642,425) |
| Investing activities | 16,251,615 | 12,407,178 | (75,041,211) |
| Net increase (decrease) in cash and cash equivalents | 17,162,472 | 91,199,836 | 62,566,342 |
| Cash and cash equivalents — beginning of year | 452,628,025 | 361,428,189 | 298,861,847 |
| Cash and cash equivalents — end of year | \$ 469,790,497 | \$ 452,628,025 | \$ 361,428,189 |

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 FY18, the University and employee contributions were \$2.4 million each, and the VEBA Trust earned \$1.6 million in net investment income. In FY17, the University and employee contributions were \$2.6 million each, and the VEBA Trust earned \$2.2 million in net investment income.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2018

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 5.9% over the FY17 original budget. This includes the mid-year FY17 Special Session reduction of 5% and the FY18 Special Session HB1 reduction of approximately 0.9%. Regents approved an \$18 per credit hour tuition increase for all upper division, a 4% across the board increase for graduate students, and an \$18 per credit hour increase for graduate programs that do not have differential tuition. In addition, the Regents approved a 7.3% increase in mandatory student fees to fund the 2017 UNM Bond Issue.

Main campus experienced a 2.89% decrease in the fall semester student headcount, which resulted in a tuition and fee revenue shortfall of \$3.8 million. These events required Main campus to pullback funding from departments and to utilize one-time funding to make up the budget shortfall.

At HSC, notable activities that impacted the revised budget for FY18 compared to the FY17 revised budget was an increase in patient volume and related clinical revenues of \$6.0 million and an increase in sponsored contracts and grants revenues of \$20.2 million. In total, revenues increased by \$30.4 million, or 4.7%, over the FY17 revised budget.

Significant changes in expenses and transfers at HSC were an increase in clinical faculty FTE and contract services expenses of \$4.9 million due to the increase in patient volume, an increase in research contracts and grants expenses of \$20.4 million, and an increase in net transfers of \$2.3 million. Together, expenses and transfers increased by \$29.1 million, or 4.4%, over the FY17 revised budget. Overall, the HSC had a budgeted net loss of \$2.7 million, approximately \$5.8 million more favorable than the FY17 revised budget, primarily because of generating adequate revenue to cover the increased patient care costs and planned capital expenditures in FY18.

Overall, the University's change in net position on a budgetary basis for unrestricted and restricted funds was a decrease of \$13.9 million (schedule 15), which is due to capital expenditure activity. The University's change in net position on a budgetary basis for unrestricted Instruction & General (I&G) funds was a net increase of \$8.7 million (schedule 16), primarily due to activity at the Main and Branch campuses.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2018

Factors Impacting Future Periods

Enrollment for the fall 2018 semester declined by 7% across the University's Main campus, largely by a decline in undergraduate enrollment. The fiscal impact amounts to approximately \$9.7 million in expected tuition and student fee revenue that failed to materialize. UNM's administration and Budget Leadership Team will review all dimensions of the University's budget and propose short and long term solutions for addressing the revenue shortfall, and an Enrollment Task Force will be created to address the declining enrollment issue.

Effective January 1, 2019, the New Mexico Human Services Department will implement changes to the New Mexico Medicaid Program, also known as Centennial Care 2.0. With this program, the State conducted an RFP for managed care organizations (MCOs) to administer this program. The awardee MCOs are Blue Cross and Blue Shield, Presbyterian Health Plan, and Western Sky. UNM Hospital will no longer be contracted with Molina Healthcare for the Medicaid program, effective January 1, 2019. The Hospital is currently in negotiations with Western Sky to develop a provider contract for the Centennial Care program. The Hospital continues to be contracted with Presbyterian Health Plan. In March 2018, BlueCross BlueShield of New Mexico (BCBS NM) provided notice to the Hospital that it would be terminating its Medicaid Managed Care Amendment effective July 1, 2018. The letter identified the Hospital as a provider with rates higher than the State of New Mexico Medicaid Plan fee schedule. The termination was provided without cause. The Hospital has agreed to an extension of the Medicaid amendment at a reduced reimbursement through December 31, 2018. If the Hospital cannot reach mutual agreement with BCBS NM, the Medicaid amendment will be terminated as of January 1, 2019. The Hospital would be allowed to continue to furnish covered services to BCBS Medicaid members at 95% of the State's established Medicaid rates. Payments to the Hospital under the BCBS NM Medicaid amendment are estimated at \$107 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 Hospital is working with architects Fanning Bard Tatum and HDR (FBT/HDR) to further develop a revised plan concerning the location and site of potential expansion. Hospital leadership is also collaborating with Bernalillo County in the development of an adult behavioral health center, and FBT/HDR is considering that collaboration in their development of a revised plan. The Hospital has also issued an RFP for architecture and engineering services and expects to award by the end of calendar year 2018. UNM Hospitals expects to occupy the newly constructed building within the year 2023.

THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2018

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, 2018 and 2017, 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>.

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THE UNIVERSITY OF NEW MEXICO

BASIC FINANCIAL STATEMENTS

Statements of Net Position as of June 30, 2018 and 2017

| | PRIMARY INSTITUTION | | DISCRETELY PRESENTED COMPONENT UNITS | |
|--|-------------------------|-------------------------|---|-----------------------|
| | 2018 | As Adjusted 2017 | 2018 | 2017 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents (note 3) | \$ 375,843,998 | \$ 341,454,754 | \$ 11,070,296 | \$ 9,405,374 |
| Cash and cash equivalents – restricted (note 3) | 6,227,171 | 7,073,824 | 4,953,706 | 2,678,110 |
| Short-term investments (note 3) | 414,309,185 | 413,988,425 | 10,479,917 | 10,301,349 |
| Accounts receivable, net (note 4) | 58,607,674 | 63,748,722 | 1,548,138 | 1,836,071 |
| Patient receivables, net (note 4) | 161,123,188 | 160,091,471 | - | - |
| Due from component units | 7,805,415 | 7,211,175 | - | - |
| Due from The University of New Mexico | - | - | 82,514 | 103,486 |
| Notes receivable (note 5) | 6,234,134 | 5,116,617 | - | - |
| Estimated third-party payor settlements | 38,424,923 | 54,236,161 | - | - |
| Other receivables (note 4) | 10,147,714 | 9,055,119 | - | - |
| Inventories | 23,764,036 | 23,871,255 | 56,927 | - |
| Other current assets | 17,634,768 | 13,759,523 | 374,290 | 718,273 |
| Total current assets | \$ 1,120,122,206 | \$ 1,099,607,046 | \$ 28,565,788 | \$ 25,042,663 |
| Noncurrent assets | | | | |
| Cash and cash equivalents (note 3) | \$ 5,673,093 | \$ 4,961,539 | \$ - | \$ - |
| Cash and cash equivalents – restricted (note 3) | 82,046,235 | 99,137,908 | - | - |
| Due from component units | 3,868,798 | 4,654,233 | - | - |
| Notes receivable (note 5) | 7,494,165 | 8,946,215 | - | - |
| Investments (note 3) | 321,805,012 | 304,490,453 | 227,641,276 | 209,256,577 |
| Derivative instruments – interest rate swaps overlay (note 12) | 522,254 | 882,408 | - | - |
| Beneficial interest in irrevocable split interest agreements | - | - | 21,070,244 | - |
| Other noncurrent assets | 14,027,256 | 15,753,272 | 5,769,597 | 6,957,852 |
| Capital assets, net (note 6) | 1,301,514,531 | 1,303,030,355 | 19,262 | 38,525 |
| Total noncurrent assets | \$ 1,736,951,344 | \$ 1,741,856,383 | \$ 254,500,379 | \$ 216,252,954 |
| Total assets | \$ 2,857,073,550 | \$ 2,841,463,429 | \$ 283,066,167 | \$ 241,295,617 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pensions (note 16) | \$ 642,346,838 | \$ 179,407,977 | \$ - | \$ - |
| Related to OPEB (note 17) | 7,322,500 | 7,467,800 | - | - |
| Interest rate swaps (note 12) | 5,779,421 | 8,604,249 | - | - |
| Loss on bond refundings | 5,056,406 | 5,800,164 | - | - |
| Total deferred outflows of resources | \$ 660,505,165 | \$ 201,280,190 | \$ - | \$ - |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued payroll (note 7) | \$ 181,536,694 | \$ 195,671,042 | \$ 2,107,169 | \$ 1,934,625 |
| Bonds payable – current portion (notes 11 and 12) | 28,241,811 | 26,486,923 | - | - |
| Long-term debt – current portion (note 11) | 1,111,113 | 1,081,349 | - | - |
| Due to component units | 82,514 | 103,486 | - | - |
| Due to The University of New Mexico (note 11) | - | - | 7,805,415 | 7,211,175 |
| Unearned revenue (note 10) | 46,286,944 | 45,910,854 | 666,760 | 656,170 |
| Accrued compensated absences (note 8) | 57,407,615 | 55,744,653 | - | - |
| Estimated third-party payor settlements | 56,039,945 | 64,738,956 | - | - |
| Deposits and funds held for others | 6,320,722 | 5,515,476 | - | - |
| Other accrued liabilities (note 9) | 10,796,611 | 10,047,332 | 1,314,143 | 791,221 |
| Total current liabilities | \$ 387,823,969 | \$ 405,300,071 | \$ 11,893,487 | \$ 10,593,191 |
| Noncurrent liabilities (note 11) | | | | |
| Bonds payable (notes 11 and 12) | \$ 633,000,652 | \$ 664,566,046 | \$ - | \$ - |
| Long-term debt (note 11) | 4,039,563 | 5,150,676 | - | - |
| Due to The University of New Mexico (note 11) | - | - | 3,868,798 | 4,654,233 |
| Student loan program (note 11) | 11,824,236 | 11,964,382 | - | - |
| Derivative instruments – interest rate swaps (notes 11 and 12) | 5,779,421 | 8,604,249 | - | - |
| Net pension liability (notes 11 and 16) | 1,885,441,562 | 1,193,850,905 | - | - |
| Net OPEB liability (notes 11 and 17) | 130,887,500 | 136,045,200 | - | - |
| Other noncurrent liabilities (note 11) | 249,281 | 221,190 | 1,955,131 | 1,881,966 |
| Total noncurrent liabilities | \$ 2,671,222,215 | \$ 2,020,402,648 | \$ 5,823,929 | \$ 6,536,199 |
| Total liabilities | \$ 3,059,046,184 | \$ 2,425,702,719 | \$ 17,717,416 | \$ 17,129,390 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pensions (note 16) | \$ 29,916,805 | \$ 11,982,792 | \$ - | \$ - |
| Related to OPEB (note 17) | 5,523,900 | - | - | - |
| Gain on bond refundings | 801,715 | 849,894 | - | - |
| Beneficial interest in irrevocable split interest agreements | - | - | 21,346,184 | - |
| Unearned revenue | - | - | 1,011,082 | 841,208 |
| Total deferred inflows of resources | \$ 36,242,420 | \$ 12,832,686 | \$ 22,357,266 | \$ 841,208 |

See accompanying notes to the basic financial statements.

(Continued)

EXHIBIT A

Statements of Net Position as of June 30, 2018 and 2017

| | PRIMARY INSTITUTION | | DISCRETELY PRESENTED COMPONENT UNITS | |
|-------------------------------------|-----------------------|-----------------------|---|-----------------------|
| | 2018 | As Adjusted 2017 | 2018 | 2017 |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 728,838,725 | \$ 717,706,485 | \$ 19,262 | \$ 38,525 |
| Restricted for: | | | | |
| Nonexpendable: | | | | |
| Scholarships | 127,939,470 | 121,745,606 | - | - |
| Grants, bequests, and contributions | 6,003,885 | 6,005,060 | 204,989,305 | 189,528,599 |
| Expendable: | | | | |
| Scholarships | 2,926,376 | 2,834,679 | - | - |
| Grants, bequests, and contributions | 20,276,938 | 19,067,154 | - | - |
| Debt service | 57,708,297 | 55,324,357 | - | - |
| Capital projects | 16,469,405 | 9,502,486 | - | - |
| Other | - | 100,000 | 21,636,175 | 19,447,040 |
| Unrestricted (note 19) | (537,872,985) | (328,077,613) | 16,346,743 | 14,310,855 |
| Total net position | \$ 422,290,111 | \$ 604,208,214 | \$ 242,991,485 | \$ 223,325,019 |

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, 2018 and 2017

| | PRIMARY INSTITUTION | | DISCRETELY PRESENTED COMPONENT UNITS | |
|--|-------------------------|-------------------------|---|------------------------|
| | 2018 | As Adjusted 2017 | 2018 | 2017 |
| OPERATING REVENUES | | | | |
| Student tuition and fees (net of scholarship allowances of \$77,757,436 in 2018 and \$80,038,072 in 2017) | \$ 142,597,712 | \$ 137,853,002 | \$ - | \$ - |
| Net patient service (note 13) | 1,222,290,962 | 1,191,251,143 | - | - |
| Federal grants and contracts | 218,069,192 | 211,039,219 | - | - |
| State and local grants and contracts | 35,822,025 | 41,037,684 | - | - |
| Nongovernmental grants, contracts, bequests, and contributions | 38,637,207 | 38,770,018 | 27,244,699 | 31,433,758 |
| Sales and services | 75,031,529 | 93,049,225 | 3,262,062 | 3,469,870 |
| Auxiliary enterprises (net of scholarship allowances of \$9,356,440 in 2018 and \$9,554,127 in 2017) | 41,343,468 | 44,116,722 | - | - |
| Other operating revenues | 52,442,428 | 50,398,307 | 9,061,719 | 8,782,076 |
| Total operating revenues | \$ 1,826,234,523 | \$ 1,807,515,320 | \$ 39,568,480 | \$ 43,685,704 |
| OPERATING EXPENSES | | | | |
| Educational and general | | | | |
| Instruction | \$ 325,701,685 | \$ 287,429,233 | \$ - | \$ - |
| Research | 218,116,644 | 185,287,072 | - | - |
| Public service | 1,448,199,065 | 1,372,336,485 | - | - |
| Academic support | 58,830,180 | 51,524,481 | - | - |
| Student services | 35,190,251 | 30,735,762 | - | - |
| Institutional support | 75,907,348 | 68,925,629 | - | - |
| Operation and maintenance of plant | 99,822,706 | 74,639,854 | - | - |
| Depreciation expense | 102,606,127 | 104,109,456 | - | - |
| Student aid | 19,082,295 | 30,424,582 | - | - |
| Student activities | 10,589,165 | 10,215,646 | - | - |
| Intercollegiate athletics | 37,719,576 | 34,900,712 | - | - |
| Auxiliary enterprises | 52,350,908 | 52,384,347 | - | - |
| Distributions to The University of New Mexico | - | - | 30,428,049 | 36,716,240 |
| Other operating expenses | 65,350,170 | 60,814,803 | 21,269,536 | 21,277,020 |
| Total operating expenses | \$ 2,549,466,120 | \$ 2,363,728,062 | \$ 51,697,585 | \$ 57,993,260 |
| Operating loss | \$ (723,231,597) | \$ (556,212,742) | \$ (12,129,105) | \$ (14,307,556) |

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, 2018 and 2017

| | PRIMARY INSTITUTION | | DISCRETELY PRESENTED COMPONENT UNITS | |
|---|-------------------------|------------------------|---|-----------------------|
| | 2018 | As Adjusted 2017 | 2018 | 2017 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| State appropriations | \$ 299,100,304 | \$ 301,844,838 | \$ - | \$ - |
| Local appropriations | 8,941,987 | 8,197,491 | - | - |
| County mill levies | 101,975,401 | 102,906,316 | - | - |
| Federal pell grants | 43,280,031 | 45,387,905 | - | - |
| State lottery scholarships | 21,036,322 | 33,713,336 | - | - |
| Gifts | 33,797,785 | 33,197,799 | - | - |
| Federal bond subsidy | 1,858,808 | 1,911,061 | - | - |
| Investment income (note 3) | 29,233,109 | 31,934,028 | 17,489,885 | 23,159,663 |
| Interest on capital asset-related debt | (23,729,390) | (23,587,823) | - | - |
| Loss on disposal of capital assets | (52,209) | (127,899) | - | - |
| Other nonoperating revenues and expenses, net | (2,352,796) | 664,676 | (350,915) | (579,529) |
| Net nonoperating revenues | \$ 513,089,352 | \$ 536,041,728 | \$ 17,138,970 | \$ 22,580,134 |
| Income (loss) before capital contributions | \$ (210,142,245) | \$ (20,171,014) | \$ 5,009,865 | \$ 8,272,578 |
| Capital appropriations | \$ 28,224,142 | \$ 31,946,774 | \$ - | \$ - |
| Contributions to permanent endowments | - | - | 16,814,820 | 9,666,528 |
| Total capital contributions | \$ 28,224,142 | \$ 31,946,774 | \$ 16,814,820 | \$ 9,666,528 |
| Change in net position | \$ (181,918,103) | \$ 11,775,760 | \$ 21,824,685 | \$ 17,939,106 |
| NET POSITION | | | | |
| Net position at beginning of year | 604,208,214 | 900,102,083 | 223,325,019 | 205,385,913 |
| Impact of change in accounting pronouncements (note 2(D)) | - | (307,669,629) | (2,158,219) | - |
| Net position at end of year | \$ 422,290,111 | \$ 604,208,214 | \$ 242,991,485 | \$ 223,325,019 |

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, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from tuition and fees | \$ 143,787,395 | \$ 138,487,277 |
| Cash received from grants and contracts | 287,773,716 | 285,385,651 |
| Cash received from insurance and patients | 1,338,416,564 | 1,339,723,079 |
| Cash received from sales and services | 43,319,377 | 41,349,159 |
| Cash received from auxiliary enterprise charges | 43,777,648 | 43,368,783 |
| Cash payments to employees | (1,180,248,440) | (1,168,542,296) |
| Cash payments for benefits | (225,184,560) | (228,132,035) |
| Cash payments to suppliers | (703,361,048) | (648,088,289) |
| Cash payments for utilities | (39,102,798) | (37,808,967) |
| Cash payments for scholarships and fellowships | (27,551,070) | (37,995,311) |
| Cash payments to State of New Mexico for intergovernmental transfer | (46,861,591) | (74,023,917) |
| Loans issued to students | (49,809) | (195,957) |
| Collection of loans to students | 2,176,993 | 2,147,386 |
| Other cash payments | (17,065,227) | (5,838,740) |
| Net cash used in operating activities | \$ (380,172,850) | \$ (350,164,177) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash received from state appropriations | \$ 299,452,918 | \$ 301,693,886 |
| Cash received from local appropriations | 8,941,987 | 8,197,491 |
| Cash received from county mill levies | 102,067,139 | 103,092,314 |
| Cash received from federal pell grants | 43,470,936 | 46,061,721 |
| Cash received from state lottery scholarships | 21,036,322 | 33,713,336 |
| Cash received from gifts and the University of New Mexico Foundation | 30,766,220 | 31,284,140 |
| Drawdowns of federal direct loan proceeds | 104,192,150 | 110,296,071 |
| Disbursements of federal direct loans to students | (106,196,175) | (114,483,206) |
| Other nonoperating cash receipts (payments) | 898,139 | (11,711,410) |
| Net cash provided by noncapital financing activities | \$ 504,629,636 | \$ 508,144,343 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from bond issuance | \$ - | \$ 46,237,931 |
| Cash received from capital appropriations | 33,963,046 | 35,977,099 |
| Cash received from federal bond subsidy | 1,038,661 | 2,884,824 |
| Cash received from disposal of capital assets | 105,879 | 681,851 |
| Purchases of capital assets | (100,349,396) | (108,442,315) |
| Principal payments on bonds | (26,486,923) | (25,257,969) |
| Interest payments on bonds | (23,531,078) | (22,610,529) |
| Cash payments for mortgage reserve funds | (1,823,863) | (4,002,720) |
| Other cash payments | (6,462,255) | (4,655,680) |
| Net cash used in capital and related financing activities | \$ (123,545,929) | \$ (79,187,508) |

See accompanying notes to the basic financial statements.

(Continued)

EXHIBIT C

Statements of Cash Flows for the years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | \$ 176,162,973 | \$ 325,709,177 |
| Purchases of investments | (183,369,807) | (321,121,137) |
| Distributions from land grant permanent fund and land maintenance fund | 12,410,515 | 10,995,164 |
| Investment income | 9,618,673 | 2,997,974 |
| Investment in Lovelace UNM Rehab Hospital | 1,429,261 | (6,174,000) |
| Net cash provided by investing activities | \$ 16,251,615 | \$ 12,407,178 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents – beginning of year | 452,628,025 | 361,428,189 |
| Cash and cash equivalents – end of year | \$ 469,790,497 | \$ 452,628,025 |
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| Operating loss | \$ (723,231,597) | \$ (556,212,742) |
| Adjustments to reconcile net operating loss to net cash used in operating activities | | |
| Depreciation expense | 102,606,127 | 104,109,456 |
| Provision for doubtful accounts | 118,476,508 | 144,541,577 |
| Other items | - | 3,323,609 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows | | |
| Accounts receivable | (6,898,344) | 6,231,723 |
| Patient receivables | (117,204,247) | (130,254,751) |
| Estimated third-party payor settlements receivables | 19,843,252 | 29,919,311 |
| Notes receivable | 2,338,558 | 2,187,230 |
| Inventories | 107,220 | (1,015,262) |
| Other assets | (77,430) | (2,754,280) |
| Due from component units | 678,004 | 286,860 |
| Due to component units | (20,972) | 103,486 |
| Accounts payable | (17,078,690) | 8,845,749 |
| Accrued expenses and compensated absences | 4,658,477 | 7,440,288 |
| Other current liabilities | 503,004 | (399,881) |
| Estimated third-party payor settlements liability | (12,731,025) | (13,937,640) |
| Unearned revenue | 760,996 | (1,689,398) |
| Net pension liability | 691,590,657 | 125,627,921 |
| Net OPEB liability | (5,157,700) | 9,252,400 |
| Deferred outflows of resources | (462,793,561) | (71,462,078) |
| Deferred inflows of resources | 23,457,913 | (14,307,755) |
| Net cash used in operating activities | \$ (380,172,850) | \$ (350,164,177) |

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, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 781,944 | \$ 443,533 |
| Investments | 30,021,857 | 24,334,661 |
| Interest receivable | 1,470 | 4,346 |
| Total assets | <u>\$ 30,805,271</u> | <u>\$ 24,782,540</u> |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 426,806 |
| Total liabilities | <u>\$ -</u> | <u>\$ 426,806</u> |
| NET POSITION | | |
| Net position restricted for postemployment benefits other than pensions | \$ 30,805,271 | \$ 24,355,734 |
| Total net position | <u>\$ 30,805,271</u> | <u>\$ 24,355,734</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, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|-----------------------------|
| ADDITIONS | | |
| University of New Mexico contributions | \$ 2,408,750 | \$ 2,628,394 |
| Employee contributions | 2,408,750 | 2,628,394 |
| Investment income: | | |
| Net increase in fair value of investments | 1,178,080 | 1,906,358 |
| Interest and dividends | 507,750 | 313,989 |
| Less investment expense | (48,543) | (35,190) |
| Net investment income | <u>1,637,287</u> | <u>2,185,157</u> |
| Total additions | <u>\$ 6,454,787</u> | <u>\$ 7,441,945</u> |
| DEDUCTIONS | | |
| Administrative expenses | \$ 5,250 | \$ 5,000 |
| Total deductions | <u>\$ 5,250</u> | <u>\$ 5,000</u> |
| Net increase in net position | \$ 6,449,537 | \$ 7,436,945 |
| NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS | | |
| Net position at beginning of year | 24,355,734 | 16,918,789 |
| Net position at end of year | <u>\$ 30,805,271</u> | <u>\$ 24,355,734</u> |

See accompanying notes to the basic financial statements.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

(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 5 through 14.

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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 3001 Broadmoor Blvd. NE, Rio Rancho, NM 87144.

- **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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 2018 and 2017

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>2018</u> | <u>2017</u> |
|--------------------------|-------------|-------------|
| Medicare and Medicaid | 58% | 65% |
| Other third-party payors | 22% | 21% |
| Others | <u>20%</u> | <u>14%</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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Capital assets: Capital assets are recorded at original cost, or fair value if donated. Per Section 12-6-10 NMSA 1978, the University's capitalization policy for movable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The University includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. In compliance with New Mexico Administrative Code, Title 2 Public Finance, Chapter 20 Accounting by Governmental Entities, Part 1 Accounting and Control of Fixed Assets of State Government, Section 9, software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements and infrastructure, 5 years for library books, and a range of 3 to 15 years for equipment. Loaned equipment from private and federal sources is not owned by the University, and is not an asset. This equipment is monitored by the University and totals \$3,800,677 and \$3,861,690 at June 30, 2018 and 2017, 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

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derivative instruments, which are ineffective hedging instruments, are reported as a component of investment income.

The University has entered into interest rate swap agreements with rated swap counter parties in order to utilize synthetic fixed rate structures in order to generate cash flow savings and to hedge against interest rate risk. By entering into a swap agreement, the University hedges its interest rate exposure on the associated variable rate bonds. With the exception of two swaps that are considered investments, the swaps are considered hedging derivatives. Additional information about the swap agreements is provided in note 12.

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.

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

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

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

Net position:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Unspent bond proceeds for the University were \$89,206,122 and \$106,734,974 at June 30, 2018 and 2017, respectively. The Hospital and SRMC had no unspent bond proceeds at June 30, 2018 and 2017, respectively. Unamortized prepaid bond insurance for the University was \$256,520 and \$275,880 at June 30, 2018 and 2017, 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,

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and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal.

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

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

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

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

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

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

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

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

(D) *Changes in Accounting Policies and Statements*

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.

In fiscal year 2018, the University adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Changes were applied retroactively by adjusting the financial statements for all prior periods presented. As a result of the implementation of GASB Statement 75, the University restated net position as of July 1, 2016. This restatement was a decrease of \$104,939,700 to unrestricted net position as of July 1, 2016. The implementation resulted in the recognition of \$136,045,200 in net OPEB liability and \$7,467,800 in deferred outflows of resources at June 30, 2017 and \$130,887,500 in net OPEB liability, \$7,322,500 in deferred outflows of resources, and \$5,523,900 in deferred inflows of resources at June 30, 2018. This Statement also resulted in enhanced note disclosures (note 17) and schedules of required supplemental information (schedules 2 and 3) related to OPEB.

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

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(E) *Income Taxes*

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

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

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

(F) *Joint Powers Agreements*

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

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- (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 2017 amounts have been reclassified in order to be consistent with the 2018 presentation.

(H) *Impact of Recently Issued Accounting Standards*

- (1) 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.
- (2) 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.
- (3) 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.
- (4) GASB Statement 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement requires that additional information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt

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agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB Statement 88 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 88 will have on its financial statements.

- (5) GASB Statement 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement 89 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 89 will have on its financial statements.

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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 \$387,744,262 and \$353,490,117 at June 30, 2018 and 2017, 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, 2018 and 2017, these funds were collateralized by government agency securities held in the primary institution's name, or a letter of credit (LOC) issued by the Federal Reserve. At June 30, 2018 and June 30, 2017, the total primary institution's deposits were fully insured and/or collateralized.

During FY18, the primary institution swept excess checking balances into overnight commercial paper issued by U.S. Bank. At June 30, 2018, this cash equivalent has a carrying amount of \$52,518,765 and is subject to custodial credit risk.

During FY18 and FY17, the primary institution invested bond proceeds to be used for future capital projects in a guaranteed investment contract held at another financial institution. This cash equivalent had a carrying amount of \$82,046,235 and \$99,137,908 at June 30, 2018 and 2017, respectively, and is subject to custodial credit risk.

A summary of cash and cash equivalents at June 30, 2018 and 2017 is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| Demand and time deposits | \$ 332,146,922 | \$ 271,773,575 |
| Commercial paper | 52,518,765 | 77,060,709 |
| Guaranteed investment contracts | 82,046,235 | 99,137,908 |
| Money markets | 6,234,499 | 8,373,637 |
| VEBA Trust | 781,944 | 443,533 |
| Other (includes petty cash and component units' cash held by UNM) | (3,155,924) | (3,717,804) |
| | <u>\$ 470,572,441</u> | <u>\$ 453,071,558</u> |

The discretely presented component units' cash accounts held in demand and time deposits at various institutions had carrying amounts totaling \$16,024,002 and \$12,083,484 at June 30, 2018 and 2017, respectively. Certain amounts are invested in overnight sweep accounts and are collateralized at various levels of the invested balance. At June 30, 2018 and 2017, these funds were collateralized by government-backed securities held in the component unit's name. At June 30, 2018 and June 30, 2017, the total discretely presented component units' public deposits were fully insured and/or collateralized.

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(B) Investments

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

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

Temporary investments also include unspent bond proceeds that are dedicated to various facilities construction projects on campus. Bond proceeds may be invested in all of the securities allowed for temporary funds, as well as Repurchase Agreements and Guaranteed Investment Contracts (GICs). Such construction projects are reported as capital assets in the accompanying statements of net position (note 6). The bond obligations are reported as bonds payable in the accompanying statements of net position (notes 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, 2018 and 2017, UNM's portion of the CIF was \$230,950,151 and \$221,716,876, respectively.

Consolidated Investment Fund

| | <u>2018</u> | <u>2017</u> |
|---------------------------|------------------|------------------|
| Units: | | |
| UNM Foundation | 569,248 | 560,264 |
| University of New Mexico | <u>587,175</u> | <u>610,047</u> |
| | <u>1,156,423</u> | <u>1,170,311</u> |
| Fair Value (in millions): | | |
| UNM Foundation | \$ 223.9 | \$ 203.6 |
| University of New Mexico | <u>231.0</u> | <u>221.7</u> |
| | <u>\$ 454.9</u> | <u>\$ 425.3</u> |

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Total primary institution investments by type at June 30, 2018 and 2017 are as follows:

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

| | 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 |
| | <u>413,988,425</u> | <u>425,340,614</u> | <u>181,911,485</u> | <u>24,334,661</u> | <u>1,045,575,185</u> |
| 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 |

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Total discretely presented component unit investments by type at June 30, 2018 and 2017 are as follows:

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

| | 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 |

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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, 2018 and 2017, 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, 2018 and 2017, the discretely presented component units had exposure to custodial credit risk in the amounts of \$5,915,001 and \$10,195,108, respectively.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does have policies to mitigate exposure to interest rate risk by prohibiting certain high-risk investments and investment practices and by establishing duration and maturity guidelines for investments. A summary of the investments at June 30, 2018 and 2017 and their exposure to interest rate risk are as follows:

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

| <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 | \$ 742,813,539 | | | | |

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

| <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> | | | | |

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Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information, as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk. 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, 2018 and 2017 and their exposure to credit risk are as follows:

Primary Institution 2018

Items subject to credit risk:

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

Items not subject to credit risk:

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

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Primary Institution 2017

Items subject to credit risk:

| Credit Rating | Money Market | Guaranteed Investment Contract | U.S. Government Agencies | Corporate Bonds/Notes | Corporate Fixed Income | Municipal Bonds | Mutual Funds — Fixed | Fair Value |
|------------------------------------|-----------------|--------------------------------------|--------------------------------|--------------------------|------------------------------|--------------------|-------------------------|----------------|
| Moody's — Aaa | \$ 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 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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Discretely Presented Component Units 2018

Items subject to credit risk:

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

Items not subject to credit risk:

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

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Discretely Presented Component Units 2017

Items subject to credit risk:

| Credit Rating | U.S. Government Agencies | Corporate Bonds/Notes | Alternative Investment s | 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 | 136,400,702 |
| Equity | 4,318,416 |
| Exchange-Traded Funds | 4,061,414 |
| Marketable Alternatives | 68,414,788 |
| Total items not subject to credit risk | \$ 214,086,248 |
| Total Investments | \$ 219,557,926 |

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June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018, the University had 7.55% of its investments in guaranteed investment contracts held at Bayern Landesbank.

Investment Income — At June 30, 2018 and 2017, investment income consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Primary Institution Investment Income | | |
| <i>Investment Revenue</i> | | |
| Investment income | \$ 5,096,815 | \$ 2,941,864 |
| Land Grant Permanent Fund distributions | 12,410,515 | 10,995,164 |
| <i>Realized Gains (Losses)</i> | | |
| Endowments — Consolidated Investment Fund | 4,248,695 | (641,250) |
| Nonendowment investments | 136,137 | 326,106 |
| <i>Unrealized Gains (Losses)</i> | | |
| Endowments — Consolidated Investment Fund | 13,110,460 | 23,858,376 |
| Nonendowment investments | (5,769,513) | (5,546,232) |
| Primary Institution Investment Income | <u>\$ 29,233,109</u> | <u>\$ 31,934,028</u> |
| Discretely Presented Component Units | | |
| Investment Income | <u>\$ 17,489,885</u> | <u>\$ 23,159,663</u> |

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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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A summary of fair value measurements at June 30, 2018 and 2017 are as follows:

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

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| <i>Primary Institution 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 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 |
| | | | | |
| | Fair Value | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
| Investments measured at the NAV: | | | | |
| Marketable Alternatives | \$ 81,709,759 | \$ - | Monthly/Quarterly/ | 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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| <i>Discretely Presented Component Units 2018</i> | Fair Value | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|-----------------------|---|---|---|
| Beneficial interest in irrevocable split interest agreements | \$ 21,070,244 | \$ - | \$ 21,070,244 | \$ - |
| Investments held by the Component Units: | | | | |
| Government Securities - Treasuries | \$ 686,260 | \$ - | \$ 686,260 | \$ - |
| U.S. Government Agencies | 827,517 | - | 827,517 | - |
| Corporate Bonds/Notes | 896,299 | - | 896,299 | - |
| Municipal Bonds | 3,061,292 | - | 3,061,292 | - |
| Mutual Funds | 125,642 | - | 125,642 | - |
| Mutual Funds — Fixed | 1,675,735 | 1,675,735 | - | - |
| Mutual Funds — Equity | 881,711 | 881,711 | - | - |
| Equity | 4,751,458 | 4,751,458 | - | - |
| Alternative Investments | 443,633 | - | 443,633 | - |
| Money Market | 24,204 | 24,204 | - | - |
| Total | \$ 13,373,751 | \$ 7,333,108 | \$ 6,040,643 | \$ - |
| | Fair Value | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
| Investments measured at the NAV: | | | | |
| Marketable Alternatives | \$ 38,956,662 | \$ - | Monthly/Quarterly/ Annually | 2 to 90 days |
| Private Equity | 32,380,695 | 23,219,367 | - | - |
| Illiquid Real Asset Funds | 7,475,689 | 3,078,905 | - | - |
| Real Estate funds | 6,401,666 | 280,212 | - | - |
| Mutual Funds — Fixed | 21,443,803 | - | Daily-monthly | 1 to 30 days |
| Mutual Funds — Equity | 111,336,375 | - | Daily | 1 to 2 days |
| Total | \$ 217,994,890 | \$ 26,578,484 | | |
| Investments measured at the amortized cost: | | | | |
| Money Market | \$ 6,752,552 | | | |
| Total | \$ 6,752,552 | | | |
| Total Investments | \$ 238,121,193 | | | |

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| <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 | \$ - |
| | Fair Value | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
| Investments measured at the NAV: | | | | |
| Marketable Alternatives | \$ 38,948,462 | \$ - | Monthly/Quarterly/ | 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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June 30, 2018 and 2017

(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, 2018 and 2017, receivables consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------------|-------------------------|
| Accounts receivable, net | | |
| Primary Institution: | | |
| Contracts and grants | \$ 39,222,659 | \$ 37,757,714 |
| Tuition and fees | 16,735,524 | 14,823,761 |
| Auxiliaries | 11,232,768 | 11,845,807 |
| Sales and services | 7,768,537 | 8,498,886 |
| State of New Mexico bonds | 2,184,441 | 7,923,346 |
| HSC health services | 1,813,076 | 2,009,250 |
| Other | 2,010,713 | 1,627,321 |
| Total accounts receivable | <u>\$ 80,967,718</u> | <u>\$ 84,486,085</u> |
| Less: Allowance for doubtful accounts | (22,360,044) | (20,737,363) |
| Total accounts receivable, net | <u>\$ 58,607,674</u> | <u>\$ 63,748,722</u> |
| Discretely Presented Component Units | <u>\$ 1,548,138</u> | <u>\$ 1,836,071</u> |
| Patient receivables, net | | |
| Primary Institution: | | |
| Patient receivables | \$ 504,496,955 | \$ 556,310,527 |
| Less: Allowance for doubtful accounts and contractual adjustments | (343,373,767) | (396,219,056) |
| Total patient receivables, net | <u>\$ 161,123,188</u> | <u>\$ 160,091,471</u> |
| Other receivables | | |
| Primary Institution: | | |
| Interest receivable | \$ 1,896,116 | \$ 1,758,178 |
| Bernalillo County mill levy | 1,535,989 | 1,561,032 |
| Other receivables | 6,715,609 | 5,735,909 |
| Total other receivables | <u>\$ 10,147,714</u> | <u>\$ 9,055,119</u> |

(5) Notes Receivable

At June 30, 2018 and 2017, notes receivable consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|----------------------|----------------------|
| Primary Institution: | | |
| Student loans, current | \$ 6,234,134 | \$ 5,116,617 |
| Student loans, noncurrent | 7,494,165 | 8,946,215 |
| Total notes receivable | <u>\$ 13,728,299</u> | <u>\$ 14,062,832</u> |

Federal Perkins Loans make up approximately 51% and 59% of the student loans at June 30, 2018 and 2017, 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.

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(6) Capital Assets

| | Year Ended June 30, 2018 | | | | Ending Balance |
|--|---------------------------|-------------------------|------------------------|------------------------|---------------------------|
| | Beginning Balance | Additions | Transfers | Retirements | |
| Primary Institution: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 58,283,473 | \$ 292,129 | \$ - | \$ - | \$ 58,575,602 |
| Construction in progress | 75,912,583 | 64,903,233 | (74,638,761) | - | 66,177,055 |
| Fabricated equipment in progress | 1,126,085 | 61,458 | (1,084,690) | - | 102,853 |
| Total capital assets not being depreciated | <u>\$ 135,322,141</u> | <u>\$ 65,256,820</u> | <u>\$ (75,723,451)</u> | <u>\$ -</u> | <u>\$ 124,855,510</u> |
| Depreciable capital assets | | | | | |
| Land improvements | \$ 79,992,949 | \$ 84,452 | \$ 31,518 | \$ (93,574) | \$ 80,015,345 |
| Infrastructure | 180,130,305 | - | - | - | 180,130,305 |
| Buildings | 1,493,697,159 | - | 71,422,878 | (769,979) | 1,564,350,058 |
| Equipment and furnishings | 695,979,607 | 29,727,266 | 4,269,055 | (38,949,348) | 691,026,580 |
| Library books | 181,410,711 | 6,370,811 | - | - | 187,781,522 |
| Total depreciable capital assets | <u>\$ 2,631,210,731</u> | <u>\$ 36,182,529</u> | <u>\$ 75,723,451</u> | <u>\$ (39,812,901)</u> | <u>\$ 2,703,303,810</u> |
| Less: Accumulated depreciation for | | | | | |
| Land improvements | \$ (53,053,156) | \$ (2,627,783) | \$ - | \$ 90,070 | \$ (55,590,869) |
| Infrastructure | (107,002,026) | (8,135,735) | - | - | (115,137,761) |
| Buildings | (621,679,461) | (42,100,939) | - | 709,344 | (663,071,056) |
| Equipment and furnishings | (512,372,241) | (43,561,892) | - | 38,664,441 | (517,269,692) |
| Library books | (169,395,633) | (6,179,778) | - | - | (175,575,411) |
| Total accumulated depreciation | <u>\$ (1,463,502,517)</u> | <u>\$ (102,606,127)</u> | <u>\$ -</u> | <u>\$ 39,463,855</u> | <u>\$ (1,526,644,789)</u> |
| Total depreciable capital assets, net | <u>\$ 1,167,708,214</u> | <u>\$ (66,423,598)</u> | <u>\$ 75,723,451</u> | <u>\$ (349,046)</u> | <u>\$ 1,176,659,021</u> |
| Capital asset summary | | | | | |
| Capital assets not being depreciated | \$ 135,322,141 | \$ 65,256,820 | \$ (75,723,451) | \$ - | \$ 124,855,510 |
| Depreciable capital assets at cost | 2,631,210,731 | 36,182,529 | 75,723,451 | (39,812,901) | 2,703,303,810 |
| Total cost of capital assets | <u>\$ 2,766,532,872</u> | <u>\$ 101,439,349</u> | <u>\$ -</u> | <u>\$ (39,812,901)</u> | <u>\$ 2,828,159,320</u> |
| Less: Accumulated depreciation | <u>(1,463,502,517)</u> | <u>(102,606,127)</u> | <u>-</u> | <u>39,463,855</u> | <u>(1,526,644,789)</u> |
| Capital assets, net | <u>\$ 1,303,030,355</u> | <u>\$ (1,166,778)</u> | <u>\$ -</u> | <u>\$ (349,046)</u> | <u>\$ 1,301,514,531</u> |
| Discretely Presented Component Units: | | | | | |
| Capital assets, net | <u>\$ 38,525</u> | <u>\$ (19,263)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,262</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, 2018 and 2017, the University capitalized interest expense of \$477,146 and \$57,235, respectively.

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| | Year Ended June 30, 2017 | | | | Ending Balance |
|--|---------------------------|-------------------------|------------------------|------------------------|---------------------------|
| | Beginning Balance | Additions | Transfers | Retirements | |
| Primary Institution: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 58,283,473 | \$ - | \$ - | \$ - | \$ 58,283,473 |
| Construction in progress | 28,660,121 | 68,934,531 | (21,682,069) | - | 75,912,583 |
| Fabricated equipment in-progress | 30,762 | 1,099,005 | (3,682) | - | 1,126,085 |
| Total capital assets not being depreciated | <u>\$ 86,974,356</u> | <u>\$ 70,033,536</u> | <u>\$ (21,685,751)</u> | <u>\$ -</u> | <u>\$ 135,322,141</u> |
| Depreciable capital assets | | | | | |
| Land improvements | \$ 79,905,591 | \$ - | \$ 87,358 | \$ - | \$ 79,992,949 |
| Infrastructure | 177,727,180 | - | 2,403,125 | - | 180,130,305 |
| Buildings | 1,477,348,579 | 3,695,047 | 14,515,523 | (1,861,990) | 1,493,697,159 |
| Equipment and furnishings | 708,464,970 | 33,632,549 | 4,679,745 | (50,797,657) | 695,979,607 |
| Library books | 176,012,762 | 5,397,949 | - | - | 181,410,711 |
| Total depreciable capital assets | <u>\$ 2,619,459,082</u> | <u>\$ 42,725,545</u> | <u>\$ 21,685,751</u> | <u>\$ (52,659,647)</u> | <u>\$ 2,631,210,731</u> |
| Less: Accumulated depreciation for | | | | | |
| Land improvements | \$ (50,380,398) | \$ (2,672,758) | \$ - | \$ - | \$ (53,053,156) |
| Infrastructure | (98,792,512) | (8,209,514) | - | - | (107,002,026) |
| Buildings | (583,730,420) | (39,382,014) | - | 1,432,973 | (621,679,461) |
| Equipment and furnishings | (515,142,970) | (47,592,745) | - | 50,363,474 | (512,372,241) |
| Library books | (163,143,207) | (6,252,426) | - | - | (169,395,633) |
| Total accumulated depreciation | <u>\$ (1,411,189,507)</u> | <u>\$ (104,109,457)</u> | <u>\$ -</u> | <u>\$ 51,796,447</u> | <u>\$ (1,463,502,517)</u> |
| Total depreciable capital assets, net | <u>\$ 1,208,269,575</u> | <u>\$ (61,383,912)</u> | <u>\$ 21,685,751</u> | <u>\$ (863,200)</u> | <u>\$ 1,167,708,214</u> |
| Capital asset summary | | | | | |
| Capital assets not being depreciated | \$ 86,974,356 | \$ 70,033,536 | \$ (21,685,751) | \$ - | \$ 135,322,141 |
| Depreciable capital assets at cost | 2,619,459,082 | 42,725,545 | 21,685,751 | (52,659,647) | 2,631,210,731 |
| Total cost of capital assets | <u>\$ 2,706,433,438</u> | <u>\$ 112,759,081</u> | <u>\$ -</u> | <u>\$ (52,659,647)</u> | <u>\$ 2,766,532,872</u> |
| Less: Accumulated depreciation | (1,411,189,507) | (104,109,457) | - | 51,796,447 | (1,463,502,517) |
| Capital assets, net | <u>\$ 1,295,243,931</u> | <u>\$ 8,649,624</u> | <u>\$ -</u> | <u>\$ (863,200)</u> | <u>\$ 1,303,030,355</u> |
| Discretely Presented Component Units: | | | | | |
| Capital assets, net | <u>\$ 63,227</u> | <u>\$ (24,702)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,525</u> |

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(7) Accounts Payable and Accrued Payroll

At June 30, 2018 and 2017, accounts payable and accrued payroll consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|
| Primary Institution: | | |
| Trade payables | \$ 95,336,110 | \$107,749,896 |
| Accrued payroll | 62,755,228 | 61,204,749 |
| Self-insurance reserve | 23,445,356 | 26,716,397 |
| Total accounts payable and accrued payroll | <u>\$181,536,694</u> | <u>\$195,671,042</u> |
| Discretely Presented Component Units | <u>\$ 2,107,169</u> | <u>\$ 1,934,625</u> |

(8) Accrued Compensated Absences

During the years ended June 30, 2018 and 2017, 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> |
|--------------------|---------------------------|------------------|-------------------|----------------------------|
| 2018 | \$55,744,653 | \$62,397,692 | \$ (60,734,730) | \$ 57,407,615 |
| 2017 | 55,099,658 | 63,027,354 | (62,382,359) | 55,744,653 |

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

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(9) Other Accrued Liabilities — Current

At June 30, 2018 and 2017, other accrued liabilities consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Primary Institution: | | |
| Bond interest | \$ 4,195,627 | \$ 5,693,399 |
| Royalty sharing | 1,056,099 | 684,771 |
| Other | 5,544,885 | 3,669,162 |
| Total other accrued liabilities, current | <u>\$ 10,796,611</u> | <u>\$ 10,047,332</u> |
| Discretely Presented Component Units | <u>\$ 1,314,143</u> | <u>\$ 791,221</u> |

(10) Unearned Revenue

At June 30, 2018 and 2017, unearned revenue consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|----------------------|----------------------|
| Primary Institution: | | |
| Contracts and grants | \$ 25,270,843 | \$ 27,303,314 |
| Prepaid tuition and fees | 8,552,706 | 7,425,890 |
| Gifts | 6,224,389 | 6,609,295 |
| Prepaid auxiliary operations sales | 5,363,928 | 4,092,723 |
| Sales and services | 874,156 | 478,709 |
| Other | 922 | 923 |
| Total unearned revenue | <u>\$ 46,286,944</u> | <u>\$ 45,910,854</u> |
| Discretely Presented Component Units | <u>\$ 666,760</u> | <u>\$ 656,170</u> |

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

(11) Noncurrent Liabilities

At June 30, 2018 and 2017, noncurrent liabilities consisted of the following:

| | Year Ended June 30, 2018 | | | | | |
|--|--------------------------|-----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion | Noncurrent Portion |
| Primary Institution: | | | | | | |
| Bonds payable | \$ 691,052,969 | \$ - | \$ (29,810,506) | \$ 661,242,463 | \$ 28,241,811 | \$ 633,000,652 |
| Long-term debt | 6,232,025 | - | (1,081,349) | 5,150,676 | 1,111,113 | 4,039,563 |
| Student loan programs | 11,964,382 | 398,844 | (538,990) | 11,824,236 | - | 11,824,236 |
| Derivative instruments — interest rate swaps | 8,604,249 | - | (2,824,828) | 5,779,421 | - | 5,779,421 |
| Net pension liability | 1,193,850,905 | 849,411,768 | (157,821,111) | 1,885,441,562 | - | 1,885,441,562 |
| Net OPEB liability | 136,045,200 | 7,834,000 | (12,991,700) | 130,887,500 | - | 130,887,500 |
| Other | 221,190 | 28,091 | - | 249,281 | - | 249,281 |
| Total | <u>\$ 2,047,970,920</u> | <u>\$ 857,672,703</u> | <u>\$ (205,068,484)</u> | <u>\$ 2,700,575,139</u> | <u>\$ 29,352,924</u> | <u>\$ 2,671,222,215</u> |
| Discretely Presented Component Units: | | | | | | |
| Due to University of New Mexico | \$ 11,865,408 | \$ 7,019,980 | \$ (7,211,175) | \$ 11,674,213 | \$ 7,805,415 | \$ 3,868,798 |
| Other | 1,881,966 | 73,165 | - | 1,955,131 | - | 1,955,131 |
| Total | <u>\$ 13,747,374</u> | <u>\$ 7,093,145</u> | <u>\$ (7,211,175)</u> | <u>\$ 13,629,344</u> | <u>\$ 7,805,415</u> | <u>\$ 5,823,929</u> |
| As Adjusted 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 liability | 128,279,800 | 15,440,500 | (7,675,100) | 136,045,200 | - | 136,045,200 |
| Other | 211,855 | 9,335 | - | 221,190 | - | 221,190 |
| Total | <u>\$ 1,901,808,092</u> | <u>\$ 255,607,000</u> | <u>\$ (109,444,172)</u> | <u>\$ 2,047,970,920</u> | <u>\$ 27,568,272</u> | <u>\$ 2,020,402,648</u> |
| Discretely Presented Component Units: | | | | | | |
| Due to University of New Mexico | \$ 11,335,160 | \$ 8,287,475 | \$ (7,757,227) | \$ 11,865,408 | \$ 7,211,175 | \$ 4,654,233 |
| Other | 2,089,450 | - | (207,484) | 1,881,966 | - | 1,881,966 |
| Total | <u>\$ 13,424,610</u> | <u>\$ 8,287,475</u> | <u>\$ (7,964,711)</u> | <u>\$ 13,747,374</u> | <u>\$ 7,211,175</u> | <u>\$ 6,536,199</u> |

A promissory note payable to UNM from Lobo Development Corporation, a blended component unit of the University, was issued on April 1, 2013 and is eliminated from the basic financial statements. A Loan Revision Agreement was issued on January 1, 2016 to reduce the principal 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, 2018 is \$14,306,751, of which \$393,988 is due within one year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

(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 \$492,444,315 and \$514,249,430 as of June 30, 2018 and 2017 (see Schedule 23).

At June 30, 2018 and 2017, bonds payable for the University consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| Subordinate Lien System Improvement Revenue Bonds | \$ 40,585,000 | \$ 40,900,000 |
| Series 2017 with interest ranging from 3.25% to 5.0% – final maturity 2047 | | |
| Subordinate Lien System Refunding & Improvement Revenue Bonds | 156,445,000 | 157,450,000 |
| Series 2016A with interest ranging from 2.0% to 5.0% – final maturity 2046 | | |
| Subordinate Lien System Refunding & Improvement Revenue Bonds | 6,955,000 | 7,870,000 |
| Series 2016B with interest ranging from 0.72% to 2.48% – final maturity 2024 | | |
| Subordinate Lien System Improvement Revenue Bonds | 3,695,000 | 7,195,000 |
| Series 2014A with interest ranging from 3.0% to 5.0% – final maturity 2033 | | |
| Subordinate Lien System Improvement Revenue Bonds | 2,265,000 | 2,635,000 |
| Series 2014B with interest ranging from 0.496% to 3.28% – final maturity 2024 | | |
| Subordinate Lien System Improvement Revenue Bonds | 92,265,000 | 92,855,000 |
| Series 2014C with interest ranging from 1.5% to 5.0% – final maturity 2035 | | |
| Subordinate Lien System Improvement Revenue Bonds | 26,190,000 | 27,715,000 |
| Series 2012 with interest ranging from 2.0% to 5.0% – final maturity 2032 | | |
| Subordinate Lien System Improvement Revenue Bonds | 1,490,000 | 2,920,000 |
| Series 2007 A&B with interest ranging from 4.0% to 5.95% – final maturity 2036 | | |
| Subordinate Lien System Refunding Revenue Bonds | 14,805,000 | 16,150,000 |
| Series 2002B (Variable) with a synthetic fixed interest rate of 3.83% achieved through an interest rate exchange agreement – final maturity 2026 | | |
| Subordinate Lien System Refunding Revenue Bonds | 30,445,000 | 31,475,000 |
| Series 2002C (Variable) with a synthetic fixed interest rate of 3.94% achieved through an interest rate exchange agreement – final maturity 2030 | | |
| Subordinate Lien System Improvement Revenue Bonds | 23,925,000 | 26,390,000 |
| Series 2001 Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2018 was 1.51% Ceiling of 12% – final maturity 2026 | | |
| System Revenue Bonds | 181,811 | 538,733 |
| Series 2000A with interest ranging from 5.5% to 6.35% – final maturity 2019 | | |
| System Revenue Refunding Bonds | 7,090,000 | 9,410,000 |
| Series 1992A with interest ranging from 5.60% to 6.25% – final maturity 2021 | | |
| | <u>\$ 406,336,811</u> | <u>\$ 423,503,733</u> |
| Add: Bond premiums | 35,842,538 | 39,168,007 |
| Less: Bond discounts | (1,886) | (3,771) |
| Current portion of bonds payable | (18,651,811) | (17,166,923) |
| Noncurrent bonds payable | <u>\$ 423,525,652</u> | <u>\$ 445,501,046</u> |

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June 30, 2018 and 2017

Future debt service for the University as of June 30, 2018 for the bonds is as follows:

| Year ending June 30 | Principal | Interest | Total |
|------------------------|-----------------------|-----------------------|-----------------------|
| 2019 | \$ 18,651,811 | \$ 18,026,779 | \$ 36,678,590 |
| 2020 | 19,930,000 | 16,760,213 | 36,690,213 |
| 2021 | 20,800,000 | 15,897,690 | 36,697,690 |
| 2022 | 21,440,000 | 14,984,722 | 36,424,722 |
| 2023 | 22,395,000 | 14,028,274 | 36,423,274 |
| 2024–2028 | 113,340,000 | 54,652,539 | 167,992,539 |
| 2029–2033 | 97,105,000 | 32,956,516 | 130,061,516 |
| 2034–2038 | 53,880,000 | 14,279,076 | 68,159,076 |
| 2039–2043 | 21,170,000 | 6,904,000 | 28,074,000 |
| 2044–2047 | 17,625,000 | 1,871,700 | 19,496,700 |
| | <u>\$ 406,336,811</u> | <u>\$ 190,361,509</u> | <u>\$ 596,698,320</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, 2018 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, 2018.

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, 2018.

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, 2018 and 2017 were as follows:

| | 2001 | 2002B | 2002C | Total |
|-------------|-------------------|------------------|-------------------|-------------------|
| FY18 | <u>\$ 88,759</u> | <u>\$ 53,501</u> | <u>\$ 107,043</u> | <u>\$ 249,303</u> |
| FY17 | <u>\$ 116,954</u> | <u>\$ 71,862</u> | <u>\$ 129,374</u> | <u>\$ 318,190</u> |

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An agreement with U.S. Bank was entered into on December 31, 2014 for a three year term expiring December 29, 2017. The University has entered into negotiations with U.S. Bank for a possible three year extension of the agreement ending December 29, 2020. A schedule including the provider and maturities is presented below, as of June 30, 2018:

| U.S. Bank | | | | |
|---------------------------------|------------------------|-------------------------|-------------------------|------------------------|
| Liquidity Expiration | Series 2001 | Series 2002B | Series 2002C | Grand Total |
| <u>12/29/2018</u> | <u>\$ 23,925,000</u> | <u>\$ 14,805,000</u> | <u>\$ 30,445,000</u> | <u>\$ 69,175,000</u> |

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

- (1) Bank Rate: means, a rate per annum equal to (i) the period from and including the purchase date of such bank bond to and including the 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.

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, 2018, 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 | \$ (555,727) | \$ (853,808) | \$ 5,981,250 | \$ 6,597,500 |
| 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 | \$ (3,417,567) | \$ (4,943,295) | \$ 30,445,000 | \$ 31,475,000 |
| 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 | \$ (1,243,919) | \$ (1,945,172) | \$ 14,805,000 | \$ 16,150,000 |
| 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 | \$ (562,208) | \$ (861,974) | \$ 5,981,250 | \$ 6,597,500 |
| 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 USD swap rate + .31% - Pay SIFMA | \$ 112,265 | \$ 207,703 | \$ 11,962,500 | \$ 13,195,000 |
| F - JP Morgan | Pay-variable/Receive-variable interest rate swap | Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Swap Overlays) | 8/15/2006 | 6/1/2030 | Receive 63.55% of 5-year USD swap rate + .31% - Pay SIFMA | \$ 409,985 | \$ 674,705 | \$ 30,445,000 | \$ 31,475,000 |

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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:

| Entity | Moody's | | S & P | | Fitch | |
|----------------|------------|------------|------------|------------|------------|------------|
| | L/T Rating | S/T Rating | L/T Rating | S/T Rating | L/T Rating | S/T Rating |
| JP Morgan | Aa3 | 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 (USD Swap Rate) overlay interest rate swaps, as the USD swap rate and the SIFMA swap index increases, the University's net payment on the overlay swaps increases.

Basis risk. The variable-rate debt hedged by the University's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (USD Swap Rate) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (USD Swap Rate) other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2018, the interest rate on the University's variable-rate hedged debt (SIFMA) is 1.51%, while the 63.55% of five year USD Swap Rate + 0.31% is 2.03%.

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, 2018; therefore, no collateral has been posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2018, 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> |
|--------------------------------|----------------------|---------------------|--|----------------------|
| 2019 | \$ 5,570,000 | \$ 612,199 | \$ 1,253,039 | \$ 7,435,238 |
| 2020 | 6,320,000 | 594,707 | 1,105,679 | 8,020,386 |
| 2021 | 6,580,000 | 552,800 | 972,320 | 8,105,120 |
| 2022 | 6,855,000 | 504,515 | 840,916 | 8,200,431 |
| 2023 | 7,155,000 | 445,078 | 719,073 | 8,319,151 |
| 2024 | 7,465,000 | 381,628 | 593,859 | 8,440,487 |
| 2025 | 7,770,000 | 308,377 | 474,953 | 8,553,330 |
| 2026 | 9,900,000 | 229,622 | 355,209 | 10,484,831 |
| 2027 | 2,900,000 | 125,426 | 204,612 | 3,230,038 |
| 2028 | 3,030,000 | 95,260 | 150,684 | 3,275,944 |
| 2029 | 3,160,000 | 62,493 | 96,836 | 3,319,329 |
| 2030 | 2,470,000 | 27,664 | 41,990 | 2,539,654 |
| | <u>\$ 69,175,000</u> | <u>\$ 3,939,769</u> | <u>\$ 6,809,170</u> | <u>\$ 79,923,939</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, 2018. 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 2018 for the hedge instruments was a \$2,824,828 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. For fiscal year 2017, the change was a \$4,745,789 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2018 was recorded to unrealized losses in the amount of \$360,154. As of June 30, 2017, the fair value change for swaps E and F was recorded to unrealized losses in the amount of \$709,583.

(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 \$884,099,682 in cash and short-term investments held by the primary institution as of June 30, 2018, \$437,834,481 is cash reserves of UNM Hospital subject to the security interest granted by the Regents to the bond Trustee and to the restrictions in the regulatory agreement. Lastly, in accordance with the terms of the lease under which the University leases a portion of the UNM Hospital facility from Bernalillo County, all reserves of the UNM Hospital covered by the lease are restricted to use for operation and maintenance of the UNM Hospital.

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

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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 \$3,121,000 and \$3,171,000 for the years ended June 30, 2018 and 2017, respectively. Interest income earned from the investment of the bond proceeds was approximately \$170,000 and \$22,000 for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, bonds payable for the Hospital consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| FHA Insured Hospital Mortgage Revenue Bonds Series 2015 with interest ranging from 0.484% to 3.532% – final maturity 2032 | \$ 97,820,000 | \$ 103,425,000 |
| Less: Current portion of bonds payable | <u>(5,700,000)</u> | <u>(5,605,000)</u> |
| Noncurrent bonds payable | <u>\$ 92,120,000</u> | <u>\$ 97,820,000</u> |

Future debt service for the Hospital as of June 30, 2018 for the bonds is as follows:

| Year ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|----------------------|-----------------------|
| 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 | 6,285,000 | 2,515,913 | 8,800,913 |
| 2024–2028 | 27,385,000 | 7,976,360 | 35,361,360 |
| 2029–2032 | 40,580,000 | 4,052,264 | 44,632,264 |
| | <u>\$ 97,820,000</u> | <u>\$ 26,017,200</u> | <u>\$ 123,837,200</u> |

(C) UNM Sandoval Regional Medical Center

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

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

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

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

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

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, 2018 and 2017, 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 receipts lower the overall true cost of the bonds to 3.33%. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the subsidy is subject to sequestration. For federal fiscal year 2018, beginning October 1, 2017, the sequestration percentage was 6.6%. This had the overall effect of changing the subsidy payment from the U.S. Department of Treasury equal to 32.69% of the interest payable on the Build America Bonds (Series 2010A) and 42.03% of the interest payable on the Recovery Zone Economic Development Bonds (Series 2010B). For federal fiscal year 2017, beginning October 1, 2016, the sequestration percentage was 6.9%. This had the overall effect of changing the subsidy payment from the U.S. Department of Treasury equal to 32.59% of the interest payable on the Build America Bonds (Series 2010A), and 41.90% of the interest payable on the Recovery Zone Economic Development Bonds (Series 2010B).

At June 30, 2018 and 2017, bonds payable for SRMC consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| Taxable Revenue Build America Bonds | \$ 111,505,000 | \$ 115,220,000 |
| 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>\$ 121,245,000</u> | <u>\$ 124,960,000</u> |
| Less: Current portion of bonds payable | (3,890,000) | (3,715,000) |
| Noncurrent bonds payable | <u>\$ 117,355,000</u> | <u>\$ 121,245,000</u> |

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Future debt service for SRMC as of June 30, 2018 for the bonds is as follows:

| Year ending June 30 | Principal | Interest | Total |
|------------------------|-----------------------|----------------------|-----------------------|
| 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 | 4,695,000 | 4,700,350 | 9,395,350 |
| 2024–2028 | 27,075,000 | 20,082,988 | 47,157,988 |
| 2029–2033 | 34,240,000 | 13,296,988 | 47,536,988 |
| 2034–2038 | 38,520,000 | 4,675,611 | 43,195,611 |
| | <u>\$ 121,245,000</u> | <u>\$ 63,504,713</u> | <u>\$ 184,749,713</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

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

(D) Primary Institution

At June 30, 2018 and 2017, bonds payable for the primary institution consisted of the following:

| | 2018 | | | 2017 | | |
|--------------------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | Current | Noncurrent | Total | Current | Noncurrent | Total |
| University | \$ 18,651,811 | \$ 423,525,652 | \$ 442,177,463 | \$ 17,166,923 | \$ 445,501,046 | \$ 462,667,969 |
| University of New Mexico Hospital | 5,700,000 | 92,120,000 | 97,820,000 | 5,605,000 | 97,820,000 | 103,425,000 |
| UNM Sandoval Regional Medical Center | 3,890,000 | 117,355,000 | 121,245,000 | 3,715,000 | 121,245,000 | 124,960,000 |
| Total | <u>\$ 28,241,811</u> | <u>\$ 633,000,652</u> | <u>\$ 661,242,463</u> | <u>\$ 26,486,923</u> | <u>\$ 664,566,046</u> | <u>\$ 691,052,969</u> |

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(13) Patient Service Revenues

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

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|-------------------------|-------------------------|
| Primary Institution: | | |
| Charges at established rates | \$ 2,710,878,160 | \$ 2,648,325,477 |
| Charity care | (77,266,992) | (74,962,878) |
| Contractual adjustments | (1,295,111,341) | (1,240,038,798) |
| Provision for doubtful accounts | (116,208,865) | (142,072,658) |
| Net patient service revenues | <u>\$ 1,222,290,962</u> | <u>\$ 1,191,251,143</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, 2018 and 2017, 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, 2018 and 2017.

(b) Operating Leases

The University's rent expense for operating leases amounted to \$6,592,692 and \$6,675,027 for the years ended June 30, 2018 and 2017, 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 \$11,193,000 and \$11,126,000 in 2018 and 2017, respectively, and includes amounts paid to the University of \$3,495,239 and \$3,948,543 in 2018 and 2017, respectively, which are eliminated in these basic financial statements.

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(c) *Minimum Lease Payments*

The following is a schedule of future minimum lease payments for primary institution operating leases at June 30, 2018:

| Year ending June 30 | Lease Payments |
|------------------------|----------------------|
| 2019 | \$ 6,117,024 |
| 2020 | 5,072,409 |
| 2021 | 2,291,944 |
| 2022 | 1,663,967 |
| 2023 | 1,106,846 |
| 2024–2028 | 3,934,035 |
| 2029–2033 | 161,814 |
| 2034–2038 | 26,241 |
| 2039–2043 | 23,943 |
| 2044 and thereafter | 13,666 |
| | <u>\$ 20,411,889</u> |

(B) *University as Lessor*

The University is lessor of various properties under operating lease agreements. For the years ended June 30, 2018 and 2017, respectively, total lease income, which includes annually renewable lease agreements, was \$7,946,797 and \$6,268,810.

The following is a schedule of minimum future lease income under lease terms exceeding one year as of June 30, 2018:

| Year ending June 30 | Lease Income |
|------------------------|----------------------|
| 2019 | \$ 7,612,781 |
| 2020 | 6,314,608 |
| 2021 | 6,430,393 |
| 2022 | 4,723,494 |
| 2023 | 4,726,638 |
| 2024–2028 | 7,207,970 |
| 2029–2033 | 5,051,419 |
| 2034–2038 | 5,070,668 |
| 2039–2043 | 5,164,108 |
| 2044 and thereafter | 11,476,593 |
| | <u>\$ 63,778,672</u> |

(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 \$16,992,939 and \$22,184,281 in insurance premiums during fiscal years 2018 and 2017, 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

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outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the University.

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

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

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

Effective July 1, 2009, the University began self-insuring its health and dental benefits for employees, and effective July 1, 2016, the University began self-insuring its student health benefits. Under the plans, all eligible employees are provided access to the provider networks of Blue Cross Blue Shield, Presbyterian Health Plan, and UNM Team Health for health services and Delta Dental for dental services. Blue Cross Blue Shield of New Mexico, Presbyterian Health Plan, and UNM Team Health provide administrative claim payment services for the University's health plans and Delta Dental for the dental plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR), invoices received but not yet paid, and catastrophic claims not covered by the University's excess claims carriers. At June 30, 2018 and 2017, the estimated amount of the University's claims and accrued invoices was \$16.8 million and \$18.2 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:

| | <u>Beginning Balance</u> | <u>Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Ending Balance</u> |
|------|------------------------------|--|---------------------------|---------------------------|
| 2018 | \$ 18,162,790 | \$ 79,496,445 | \$(80,861,522) | \$ 16,797,713 |
| 2017 | 15,480,749 | 75,360,243 | (72,678,202) | 18,162,790 |

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, 2018 and 2017, the estimated amount of the Hospital's claims and accrued invoices was \$6.1 million and \$7.9 million, respectively, which is included in accrued payroll. As the Hospital receives all cash and pays all obligations of BHO, the estimated amount of

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BHO's IBNR and accrued invoices recorded in the Hospital's accrued payroll was approximately \$523,000 and \$673,000 at June 30, 2018 and 2017, 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> |
|------|------------------------------|--|---------------------------|---------------------------|
| 2018 | \$ 8,553,607 | \$ 47,628,221 | \$(49,534,185) | \$ 6,647,643 |
| 2017 | 3,603,730 | 42,736,852 | (37,786,975) | 8,553,607 |

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded. Substantially all of the University's full-time employees and a small portion (35) of the full-time employees of the Hospital and BHO (collectively referred to as Clinical Operations for the purposes of this footnote) participate in the Plan.

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

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

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

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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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

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

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, 2018, 2017, and 2016 were \$65,726,332, \$66,821,651, and \$65,089,594, 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, 2018, 2017, and 2016 were \$287,000, \$319,000, and \$338,000, respectively, which equal the amount of the required contributions for each fiscal year.

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Alternative Retirement Plan

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

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

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

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

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, 2018, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

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

Employer contributions reported in the University's financial statements include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The University's 3% contributions remitted for fiscal years ended June 30, 2018, 2017, and 2016 were \$4,240,470, \$4,223,146, and \$3,937,843, 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. At June 30, 2018, the University and Clinical Operations reported liabilities of \$1,876,463,543 and \$8,978,019, respectively, for

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their proportionate shares of the net pension liability. 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. The employer's proportion of the net pension liability is based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the University's proportion was 16.88459 percent, which was an increase of 0.37984 percent from its proportion measured as of June 30, 2016. At June 30, 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, 2017, the Clinical Operations' proportion was 0.08078 percent, which was a decrease of 0.00395 percent from its proportion measured as of June 30, 2016. 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.

For the year ended June 30, 2018, the University and Clinical Operations recognized pension expense of \$311,835,202 and \$777,972, respectively. For the year ended June 30, 2017, the University and Clinical Operations recognized pension expense of \$115,768,303 and \$537,000, respectively. At June 30, 2018 and 2017, 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, 2018 | | | | | |
|---|--------------------------------|------------------------|-----------------------|-------------------------------|------------------------|----------------------|
| | Deferred Outflows of Resources | | | Deferred Inflows of Resources | | |
| | University | Clinical Operations | Total | University | Clinical Operations | Total |
| Differences between expected and actual experience | \$ 3,368,434 | \$ 16,115 | \$ 3,384,549 | \$ 28,908,690 | \$ 138,306 | \$ 29,046,996 |
| Changes of assumptions | 547,776,585 | 2,620,697 | 550,397,282 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | - | 257,411 | 1,232 | 258,643 |
| Changes in proportion and differences between University and Clinical Operations contributions and proportionate share of contributions | 22,552,189 | - | 22,552,189 | - | 611,166 | 611,166 |
| University and Clinical Operations contributions subsequent to the measurement date | 65,726,332 | 286,486 | 66,012,818 | - | - | - |
| Total | \$ 639,423,540 | \$ 2,923,298 | \$ 642,346,838 | \$ 29,166,101 | \$ 750,704 | \$ 29,916,805 |

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| | 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 |

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

| Year ending June 30: | University | Clinical Operations | Total |
|-------------------------|-----------------------|------------------------|-----------------------|
| 2019 | \$ 208,244,820 | \$ 530,245 | \$ 208,775,065 |
| 2020 | 219,792,735 | 866,907 | 220,659,642 |
| 2021 | 131,944,800 | 562,880 | 132,507,680 |
| 2022 | (15,451,248) | (73,924) | (15,525,172) |
| Total | \$ 544,531,107 | \$ 1,886,108 | \$ 546,417,215 |

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Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service. |
| Investment Rate of Return | 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return. |
| Average of Expected Remaining Service Lives | FY 2017: 3.35 years, FY 2016: 3.77 years, FY 2015: 3.92 years, FY 2014: 3.88 years |
| Mortality | <p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>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.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>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.</p> |
| 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 | 1.90% per year, compounded annually. |
| Payroll growth | 3.00% per year (with no allowance for membership growth). |
| Contribution accumulation | The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future. |
| Disability incidence | Approved rates applied to eligible members with at least 10 years of service. |

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

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

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

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

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

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

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 the single discount rates assumed that plan member and employer contributions will be made at the current statutory levels.

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

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

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

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

The following presents the University's and Clinical Operations' net pension liability at June 30, 2017, which was measured using the discount rate of 7.75%, as well as what the net pension liability would have been if it were calculated using a discount rate that was one percentage point lower (6.75%) or one percentage point higher (8.75%) than the discount rate that was used.

| | Year Ended June 30, 2017 | | |
|---|---------------------------------|----------------------------------|--------------------------------|
| | 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
| 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 |

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 \$15,704,000 and \$16,279,000 in fiscal years 2018 and 2017, respectively. Total employee contributions under this plan were \$18,881,000 and \$17,764,000 in fiscal years 2018 and 2017, respectively. The Hospital also offers a Roth 403b defined-contribution plan option. Total employee contributions were \$1,540,000 and \$1,372,000 in fiscal years 2018 and 2017, respectively.

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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 2018 and 2017, respectively, as the Clinical Operations do not contribute to this plan. Total employee contributions under this plan were \$3,175,000 and \$2,924,000 in fiscal years 2018 and 2017, 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 \$542,000 and \$557,000 in fiscal years 2018 and 2017, respectively. Only the Clinical Operations contribute to this plan.

A small portion (35) 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

General Information about the OPEB Plan

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

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

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

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

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

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

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

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

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

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

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

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Investments

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

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

The following was the adopted asset allocation policy as of June 30, 2018:

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

Rate of return: For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on investments, net of investment expense, were 6.77 percent and 11.26 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the University

The University's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

The components of the net OPEB liability of the University at June 30, 2018 and 2017 were as follows:

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Total OPEB liability | \$ 154,799,700 | \$ 153,089,700 |
| Plan fiduciary net position | 23,912,200 | 17,044,500 |
| University's net OPEB liability | <u>\$ 130,887,500</u> | <u>\$ 136,045,200</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 15.45% | 11.13% |

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

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

Discount rate: The discount rate used to measure the total OPEB liability was 6.42%, 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.

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Changes in the Net OPEB Liability

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

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

| | Increase (Decrease) | | |
|--|-----------------------------|------------------------------------|---------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2016 (based on July 1, 2015 measurement date) | \$ 138,715,700 | \$ 10,435,900 | \$ 128,279,800 |
| Changes for the year: | | | |
| Service cost | 3,019,400 | N/A | 3,019,400 |
| Interest on the total OPEB liability | 9,058,700 | N/A | 9,058,700 |
| Changes of benefit terms | - | N/A | - |
| Differences between expected and actual experience | - | N/A | - |
| Changes of assumptions** | 7,114,000 | N/A | 7,114,000 |
| Benefit payments | (4,818,100) | (4,818,100) | - |
| Contributions from employer | N/A | 7,675,100 | (7,675,100) |
| Contributions from employee | N/A | 2,856,600 | (2,856,600) |
| Net investment income | N/A | 895,000 | (895,000) |
| Administrative expense | N/A | - | - |
| Net changes | <u>14,374,000</u> | <u>6,608,600</u> | <u>7,765,400</u> |
| Balance at June 30, 2017 (based on July 1, 2016 measurement date) | <u>\$ 153,089,700</u> | <u>\$ 17,044,500</u> | <u>\$ 136,045,200</u> |

** The assumed discount rate decreased from 6.5% at June 30, 2015 to 6.14% as of June 30, 2016.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

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

| | Year Ended June 30, 2018 | | |
|--------------------|---------------------------------|--|--------------------------------|
| | 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 |

The following presents the University's net OPEB liability at June 30, 2017, which was measured using the discount rate of 6.14%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.14%) or one percentage point higher (7.14%) than the discount rate that was used.

| | Year Ended June 30, 2017 | | |
|--------------------|---------------------------------|----------------------------------|--------------------------------|
| | 1% Decrease (5.14%) | Discount Rate (6.14%) | 1% Increase (7.14%) |
| Net OPEB liability | \$ 158,934,000 | \$ 136,045,200 | \$ 117,513,500 |

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

The following presents the University's net OPEB liability at June 30, 2018 and 2017, which was measured using the current healthcare cost trend rates (Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%), as well as what the net OPEB liability would have been if it were calculated using healthcare cost trend rates that were one percentage point lower (Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%) or one percentage point higher (Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates.

| | Year Ended June 30, 2018 | | |
|--------------------|---|---|---|
| | 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 |

| | 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 | \$ 117,610,300 | \$ 136,045,200 | \$ 158,998,500 |

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

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

For the years ended June 30, 2018 and 2017, the University recognized OPEB expense of \$7,834,000 and \$9,252,400, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

| | Year Ended June 30, 2017 | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| University contributions subsequent to the measurement date | \$ 7,467,800 | \$ - |
| Total | \$ 7,467,800 | \$ - |

The \$7,322,500 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2017 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The \$7,467,800 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2016 was recognized as a reduction of the net OPEB liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending June 30: | |
|-----------------------------|-----------------------|
| 2019 | \$ (966,800) |
| 2020 | (966,800) |
| 2021 | (966,800) |
| 2022 | (966,800) |
| 2023 | (957,600) |
| Thereafter | (699,100) |
| Total | \$ (5,523,900) |

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

(18) Commitments and Contingencies

(A) Commitments

In addition to the lease commitments in note 14, the University had commitments totaling \$89,824,059 at June 30, 2018. These commitments consisted of the following:

| | <u>2018</u> |
|------------------------|----------------------|
| Materials and services | \$ 32,800,033 |
| Construction projects | <u>57,024,026</u> |
| Total commitments | <u>\$ 89,824,059</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%.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

(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>2018</u> | <u>As Adjusted 2017</u> |
|---|-----------------------------|-----------------------------|
| Unrestricted net position | \$ (537,872,985) | \$ (328,077,613) |
| Less: | | |
| Working capital – patient care operations | | |
| Clinical operations – UNM Hospitals | <u>232,246,599</u> | <u>201,273,634</u> |
| Total working capital – patient care operations | 232,246,599 | 201,273,634 |
| Net pension and OPEB obligations | | |
| Pension | (1,266,206,104) | (1,020,112,193) |
| OPEB | <u>(129,088,900)</u> | <u>(128,577,400)</u> |
| Total net pension and OPEB obligations | (1,395,295,004) | (1,148,689,593) |
| Committed | | |
| HSC capital initiatives | 201,348,776 | 203,605,605 |
| Blended component units | 73,985,162 | 69,763,379 |
| Other | <u>116,560,064</u> | <u>110,121,815</u> |
| Total committed | 391,894,002 | 383,490,799 |
| Dedicated | | |
| Plant funds – repair and replacement | 75,715,619 | 89,296,421 |
| Quasi-endowment funds – Regents' scholarships | 103,354,130 | 100,107,629 |
| Student loan funds | 820,726 | 796,463 |
| Other | <u>39,277,419</u> | <u>32,234,628</u> |
| Total dedicated | 219,167,894 | 222,435,141 |
| Ending discretionary funds balance | <u>\$ 14,113,524</u> | <u>\$ 13,412,406</u> |

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

(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 2018 and 2017 and the ending balances for each year are reflected in the table below. As of June 30, 2018 and 2017, the ending balances were \$201,348,776 and \$203,605,605, respectively, and were comprised of cash.

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

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Contributions to Fund</u> | <u>Capital Project Disbursements from Fund</u> | <u>Ending Balance</u> |
|--------------------|--------------------------|------------------------------|--|-----------------------|
| 2018 | \$ 203,605,605 | \$ - | \$ (2,256,829) | \$ 201,348,776 |
| 2017 | 217,325,259 | - | (13,719,654) | 203,605,605 |

(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) as investment income.

THE UNIVERSITY OF NEW MEXICO

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

The University's beneficial interest and income received from this beneficial interest for the years ending June 30, 2018 and 2017 are as follows:

| | As of June 30 | |
|---|----------------------|----------------|
| | 2018 | 2017 |
| Balance of the University's beneficial interest in the LGPF | \$ 234,794,539 | \$ 222,204,983 |

| | For the Years Ended June 30 | |
|---|------------------------------------|--------------|
| | 2018 | 2017 |
| Income received from the University's beneficial interest in the LGPF | \$ 10,042,933 | \$ 8,832,907 |

(22) Subsequent Events

Management has evaluated subsequent events through October 17, 2018 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended June 30, 2018. 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 four 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>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|----------------|
| University's and Clinical Operations' proportion of the net pension liability (asset) | 16.96537% | 16.58948% | 16.49188% | 16.43531% |
| University's and Clinical Operations' proportionate share of the net pension liability (asset) | \$ 1,885,441,562 | \$ 1,193,850,905 | \$ 1,068,222,984 | \$ 937,754,765 |
| University's and Clinical Operations' covered payroll | \$ 483,027,675 | \$ 470,690,396 | \$ 450,281,155 | \$ 446,728,272 |
| University's and Clinical Operations' proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 390.34% | 253.64% | 237.23% | 209.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.95% | 61.58% | 63.97% | 66.54% |

Schedule of Employer Contributions - ERB Plan

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

Notes to Schedules:

Changes in benefit provisions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods

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

REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

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 two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

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

Notes to Schedule:

Valuation date January 1, 2017

Methods and assumptions used to determine contribution rates:

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

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

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

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

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THE UNIVERSITY OF NEW MEXICO

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

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

See accompanying independent auditors' report.

SCHEDULE 5

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

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 | \$ 2,390,591 | \$ 1,182,491 | \$ 3,544,558 |
| 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 | \$ 36,927 | \$ 6,920,667 | \$ 16,537,383 |
| Total assets | \$ 2,427,518 | \$ 8,103,158 | \$ 20,081,941 |
| 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 | \$ 1,433,210 | \$ 27,953 | \$ 473,069 |
| Noncurrent liabilities | | | |
| Bonds payable – noncurrent | \$ - | \$ - | \$ - |
| Long-term debt – noncurrent | - | - | 746,288 |
| Due to The University of New Mexico | - | - | 14,306,752 |
| Total noncurrent liabilities | \$ - | \$ - | \$ 15,053,040 |
| Total liabilities | \$ 1,433,210 | \$ 27,953 | \$ 15,526,109 |
| 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 | \$ 994,308 | \$ 8,075,205 | \$ 4,555,832 |

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 |
| \$ 643,738 | \$ 65,154,375 | \$ 43,899,002 | \$ 116,814,755 | \$ (4,431,581) | \$ 112,383,174 |
| \$ - | \$ 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 |
| \$ 9,391,114 | \$ 33,464,289 | \$ 116,826,324 | \$ 183,176,704 | \$ - | \$ 183,176,704 |
| \$ 10,034,852 | \$ 98,618,664 | \$ 160,725,326 | \$ 299,991,459 | \$ (4,431,581) | \$ 295,559,878 |
| \$ 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 |
| \$ 1,061,293 | \$ 38,061,278 | \$ 20,258,416 | \$ 61,315,219 | \$ (35,036,057) | \$ 26,279,162 |
| \$ - | \$ - | \$ 121,245,000 | \$ 121,245,000 | \$ - | \$ 121,245,000 |
| 4,404,388 | - | - | 5,150,676 | - | 5,150,676 |
| - | - | - | 14,306,752 | (14,306,752) | - |
| \$ 4,404,388 | \$ - | \$ 121,245,000 | \$ 140,702,428 | \$ (14,306,752) | \$ 126,395,676 |
| \$ 5,465,681 | \$ 38,061,278 | \$ 141,503,416 | \$ 202,017,647 | \$ (49,342,809) | \$ 152,674,838 |
| \$ 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 |
| \$ 4,569,171 | \$ 60,557,386 | \$ 19,221,910 | \$ 97,973,812 | \$ - | \$ 97,973,812 |

THE UNIVERSITY OF NEW MEXICO

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

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

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

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 | \$ 4,177,224 | \$ 1,566,821 | \$ 2,737,126 |
| 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 | \$ 4,139,557 | \$ 518,997 | \$ 905,075 |
| Net operating income (loss) | \$ 37,667 | \$ 1,047,824 | \$ 1,832,051 |
| 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) | \$ 113,353 | \$ 56,090 | \$ 90,437 |
| Income before capital contributions | \$ 151,020 | \$ 1,103,914 | \$ 1,922,488 |
| Capital contributions | \$ - | \$ - | \$ - |
| Total capital contributions | \$ - | \$ - | \$ - |
| Change in net position | \$ 151,020 | \$ 1,103,914 | \$ 1,922,488 |
| Net position at beginning of year | 843,288 | 6,971,291 | 2,633,344 |
| Net position at end of year | \$ 994,308 | \$ 8,075,205 | \$ 4,555,832 |

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 |
| \$ 2,171,815 | \$ 217,264,471 | \$ 78,757,869 | \$ 306,675,326 | \$ (6,396,097) | \$ 300,279,229 |
| \$ 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 |
| \$ 1,427,748 | \$ 214,114,401 | \$ 83,488,864 | \$ 304,594,642 | \$ (129,140,458) | \$ 175,454,184 |
| \$ 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 |
| \$ (149,533) | \$ 9,217,976 | \$ 4,834,098 | \$ 14,162,421 | \$ (62,612) | \$ 14,099,809 |
| \$ 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 |
| \$ 4,569,171 | \$ 60,557,386 | \$ 19,221,910 | \$ 97,973,812 | \$ 122,681,749 | \$ 220,655,561 |

THE UNIVERSITY OF NEW MEXICO

Combining Statement of Cash Flows as of June 30, 2018 – 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 | - | - | (200,672) |
| Cash payments for benefits | - | - | - |
| Cash payments to suppliers | (2,146,417) | (645,691) | (309,626) |
| Other cash receipts (payments) | 2,265,378 | 601,202 | 3,545,079 |
| Net cash provided by (used in) operating activities | \$ 118,961 | \$ (44,489) | \$ 3,034,781 |
| 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 | - | - | - |
| Cash payments for mortgage reserve fund | - | - | - |
| Other cash receipts (payments) | (20,882) | (647,696) | (1,316,972) |
| Net cash provided by (used in) capital and related financing activities | \$ (20,882) | \$ (647,696) | \$ (1,316,972) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales and maturities of investments | \$ 280,453 | \$ - | \$ - |
| Purchases of investments | (257,510) | - | - |
| Investment income | - | - | 50,205 |
| Other cash receipts | - | - | - |
| Net cash provided by (used in) investing activities | \$ 22,943 | \$ - | \$ 50,205 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents – beginning of year | \$ 1,053,737 | \$ 1,177,268 | \$ 3,541,662 |
| Cash and cash equivalents – end of year | \$ 1,174,759 | \$ 485,083 | \$ 5,309,676 |

See accompanying independent auditors' report.

SCHEDULE 9

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

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 | - | - | - |
| Cash payments for mortgage reserve fund | - | - | - |
| 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 |
| 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 |
| | 1,214,568 | 85,859 | 3,054,053 |
| Cash and cash equivalents – end of year | \$ 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 |
| \$ 1,283,858 | \$ 9,711,860 | \$ 11,695,624 | \$ 25,929,469 | \$ 151,200,925 | \$ 177,130,394 |
| \$ - | \$ 1,172,000 | \$ - | \$ 1,172,000 | \$ - | \$ 1,172,000 |
| - | - | 6,278,593 | 6,278,593 | - | 6,278,593 |
| - | - | 4,760 | 4,760 | - | 4,760 |
| \$ - | \$ 1,172,000 | \$ 6,283,353 | \$ 7,455,353 | \$ - | \$ 7,455,353 |
| \$ - | \$ - | \$ 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) |
| - | - | (2,094,246) | (2,094,246) | - | (2,094,246) |
| (1,139,065) | - | (2,320,275) | (5,377,812) | 308,460 | (5,069,352) |
| \$ (1,139,065) | \$ - | \$ (10,861,635) | \$ (13,919,172) | \$ 308,460 | \$ (13,610,712) |
| \$ - | \$ (316,583) | \$ - | \$ 624,114 | \$ - | \$ 624,114 |
| - | - | - | (955,541) | - | (955,541) |
| 7,641 | (388,000) | 31,128 | (235,855) | - | (235,855) |
| - | (6,174,000) | - | (6,174,000) | - | (6,174,000) |
| \$ 7,641 | \$ (6,878,583) | \$ 31,128 | \$ (6,741,282) | \$ - | \$ (6,741,282) |
| \$ 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 |
| \$ 615,388 | \$ 32,458,683 | \$ 29,834,563 | \$ 68,681,301 | \$ 151,509,385 | \$ 220,190,686 |

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

| | University of New Mexico Foundation, Inc. | The Robert O. Anderson Schools of Management Foundation | UNM Lobo Club | The University of New Mexico Alumni Association | Total |
|--|---|---|---------------------|--|-----------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 4,293,730 | \$ 1,887,140 | \$ 4,196,495 | \$ 692,931 | \$ 11,070,296 |
| Cash and cash equivalents – restricted | 4,953,706 | - | - | - | 4,953,706 |
| Short-term investments | - | 2,289,440 | - | 8,190,477 | 10,479,917 |
| Accounts receivable, net | 744,924 | 772,562 | 20,336 | 10,316 | 1,548,138 |
| Due from The University of New Mexico | - | 82,514 | - | - | 82,514 |
| Inventories | - | 56,927 | - | - | 56,927 |
| Other current assets | 296,361 | 46,488 | 8,220 | 23,221 | 374,290 |
| Total current assets | \$ 10,288,721 | \$ 5,135,071 | \$ 4,225,051 | \$ 8,916,945 | \$ 28,565,788 |
| Noncurrent assets | | | | | |
| Investments | \$ 227,641,276 | \$ - | \$ - | \$ - | \$ 227,641,276 |
| Beneficial interest in irrevocable split interest agreements | 21,070,244 | - | - | - | 21,070,244 |
| Other noncurrent assets | 5,769,597 | - | - | - | 5,769,597 |
| Capital assets, net | 19,262 | - | - | - | 19,262 |
| Total noncurrent assets | \$ 254,500,379 | \$ - | \$ - | \$ - | \$ 254,500,379 |
| Total assets | \$ 264,789,100 | \$ 5,135,071 | \$ 4,225,051 | \$ 8,916,945 | \$ 283,066,167 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 1,955,555 | \$ 76,325 | \$ 12,016 | \$ 63,273 | \$ 2,107,169 |
| Advance funding received | 159,319 | - | - | - | 159,319 |
| Due to The University of New Mexico | 4,789,921 | 815,494 | 2,200,000 | - | 7,805,415 |
| Unearned revenue | - | 666,760 | - | - | 666,760 |
| Annuities payable | 304,582 | - | - | - | 304,582 |
| Other current liabilities | 850,242 | - | - | - | 850,242 |
| Total current liabilities | \$ 8,059,619 | \$ 1,558,579 | \$ 2,212,016 | \$ 63,273 | \$ 11,893,487 |
| Noncurrent liabilities | | | | | |
| Due to The University of New Mexico | \$ 3,868,798 | \$ - | \$ - | \$ - | \$ 3,868,798 |
| Annuities payable | 1,955,131 | - | - | - | 1,955,131 |
| Total noncurrent liabilities | \$ 5,823,929 | \$ - | \$ - | \$ - | \$ 5,823,929 |
| Total liabilities | \$ 13,883,548 | \$ 1,558,579 | \$ 2,212,016 | \$ 63,273 | \$ 17,717,416 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Beneficial interest in irrevocable split interest agreements | \$ 21,346,184 | \$ - | \$ - | \$ - | \$ 21,346,184 |
| Unearned revenue | - | - | 1,011,082 | - | 1,011,082 |
| Total deferred inflows of resources | \$ 21,346,184 | \$ - | \$ 1,011,082 | \$ - | \$ 22,357,266 |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ 19,262 | \$ - | \$ - | \$ - | \$ 19,262 |
| Restricted nonexpendable | 204,989,305 | - | - | - | 204,989,305 |
| Restricted expendable | 21,145,692 | 490,483 | - | - | 21,636,175 |
| Unrestricted | 3,405,109 | 3,086,009 | 1,001,953 | 8,853,672 | 16,346,743 |
| Total net position | \$ 229,559,368 | \$ 3,576,492 | \$ 1,001,953 | \$ 8,853,672 | \$ 242,991,485 |

See accompanying independent auditors' report.

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 | \$ 7,636,641 | \$ 4,969,278 | \$ 3,530,412 | \$ 8,906,332 | \$ 25,042,663 |
| 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 | \$ 216,252,954 | \$ - | \$ - | \$ - | \$ 216,252,954 |
| Total assets | \$ 223,889,595 | \$ 4,969,278 | \$ 3,530,412 | \$ 8,906,332 | \$ 241,295,617 |
| 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 | \$ 6,218,399 | \$ 1,750,667 | \$ 2,614,097 | \$ 10,028 | \$ 10,593,191 |
| 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 | \$ 6,536,199 | \$ - | \$ - | \$ - | \$ 6,536,199 |
| Total liabilities | \$ 12,754,598 | \$ 1,750,667 | \$ 2,614,097 | \$ 10,028 | \$ 17,129,390 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unearned revenue | \$ - | \$ - | \$ 841,208 | \$ - | \$ 841,208 |
| Total deferred inflows of resources | \$ - | \$ - | \$ 841,208 | \$ - | \$ 841,208 |
| 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 | \$ 211,134,997 | \$ 3,218,611 | \$ 75,107 | \$ 8,896,304 | \$ 223,325,019 |

See accompanying independent auditors' report.

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

| | University of New Mexico Foundation, Inc. | The Robert O. Anderson Schools of Management Foundation | UNM Lobo Club | The University of New Mexico Alumni Association | Total |
|--|---|--|---------------------|--|------------------------|
| REVENUES | | | | | |
| Operating revenues | | | | | |
| Nongovernmental grants, bequests, and contributions | \$ 21,448,899 | \$ 336,973 | \$ 5,458,827 | \$ - | \$ 27,244,699 |
| Sales and services | - | 3,075,670 | 180,682 | 5,710 | 3,262,062 |
| Operational support | 7,887,677 | - | - | - | 7,887,677 |
| Other operating revenues | 546,548 | 29,900 | 23,920 | 573,674 | 1,174,042 |
| Total operating revenues | \$ 29,883,124 | \$ 3,442,543 | \$ 5,663,429 | \$ 579,384 | \$ 39,568,480 |
| EXPENSES | | | | | |
| Operating expenses | | | | | |
| General and administrative | \$ 12,612,109 | \$ 2,349,020 | \$ 274,544 | \$ 237,485 | \$ 15,473,158 |
| Program expenses | - | 611,330 | 4,504,475 | 680,573 | 5,796,378 |
| Distributions to the University of New Mexico | 30,428,049 | - | - | - | 30,428,049 |
| Total operating expenses | \$ 43,040,158 | \$ 2,960,350 | \$ 4,779,019 | \$ 918,058 | \$ 51,697,585 |
| Net operating income (loss) | \$ (13,157,034) | \$ 482,193 | \$ 884,410 | \$ (338,674) | \$ (12,129,105) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment income | \$ 16,924,804 | \$ 136,770 | \$ 42,436 | \$ 385,875 | \$ 17,489,885 |
| Other nonoperating revenues and expenses, net | - | (261,082) | - | 60,167 | (200,915) |
| Distributions to the University of New Mexico | - | - | - | (150,000) | (150,000) |
| Net nonoperating revenues (expenses) | \$ 16,924,804 | \$ (124,312) | \$ 42,436 | \$ 296,042 | \$ 17,138,970 |
| Income (loss) before other revenues | \$ 3,767,770 | \$ 357,881 | \$ 926,846 | \$ (42,632) | \$ 5,009,865 |
| Contributions to permanent endowments | \$ 16,814,820 | - | - | - | \$ 16,814,820 |
| Total other revenues | \$ 16,814,820 | \$ - | \$ - | \$ - | \$ 16,814,820 |
| Change in net position | \$ 20,582,590 | \$ 357,881 | \$ 926,846 | \$ (42,632) | \$ 21,824,685 |
| Net position at beginning of year | 211,134,997 | 3,218,611 | 75,107 | 8,896,304 | 223,325,019 |
| Impact of change in accounting pronouncement (note 2(D)) | (2,158,219) | - | - | - | (2,158,219) |
| Net position at end of year | \$ 229,559,368 | \$ 3,576,492 | \$ 1,001,953 | \$ 8,853,672 | \$ 242,991,485 |

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 | \$ 34,711,409 | \$ 3,615,558 | \$ 4,673,080 | \$ 685,657 | \$ 43,685,704 |
| EXPENSES | | | | | |
| Operating expenses | | | | | |
| General and administrative | \$ 12,740,403 | \$ 2,423,544 | \$ 228,243 | \$ 285,368 | \$ 15,677,558 |
| Program expenses | - | 604,455 | 4,439,921 | 555,086 | 5,599,462 |
| Distributions to the University of New Mexico | 36,716,240 | - | - | - | 36,716,240 |
| Total operating expenses | \$ 49,456,643 | \$ 3,027,999 | \$ 4,668,164 | \$ 840,454 | \$ 57,993,260 |
| Net operating income (loss) | \$ (14,745,234) | \$ 587,559 | \$ 4,916 | \$ (154,797) | \$ (14,307,556) |
| 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 | \$ 22,238,899 | \$ 107,596 | \$ 35,021 | \$ 198,618 | \$ 22,580,134 |
| Income before other revenues | \$ 7,493,665 | \$ 695,155 | \$ 39,937 | \$ 43,821 | \$ 8,272,578 |
| Contributions to permanent endowments | \$ 9,666,528 | - | - | - | \$ 9,666,528 |
| Total other revenues | \$ 9,666,528 | \$ - | \$ - | \$ - | \$ 9,666,528 |
| Change in net position | \$ 17,160,193 | \$ 695,155 | \$ 39,937 | \$ 43,821 | \$ 17,939,106 |
| Net position at beginning of year | 193,974,804 | 2,523,456 | 35,170 | 8,852,483 | 205,385,913 |
| Net position at end of year | \$ 211,134,997 | \$ 3,218,611 | \$ 75,107 | \$ 8,896,304 | \$ 223,325,019 |

See accompanying independent auditors' report.

Budget Comparison – Unrestricted and Restricted – All Operations
Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actuals</u> | <u>Final Budget vs Actuals Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|-------------------------|--|
| Unrestricted and Restricted Beginning Net Position | \$ 548,712,901 | \$ 576,508,602 | \$ 584,422,176 | \$ 7,913,574 |
| Unrestricted and Restricted Revenues: | | | | |
| Tuition and Fees | \$ 203,554,682 | \$ 201,786,955 | \$ 201,430,866 | \$ (356,089) |
| Federal Government Appropriations | 50,000 | 50,000 | 51,385 | 1,385 |
| State Government Appropriations | 298,655,375 | 298,508,755 | 298,625,304 | 116,549 |
| Local Government Appropriations | 8,516,542 | 8,516,542 | 8,941,988 | 425,446 |
| Federal Government Contracts/Grants | 255,767,827 | 270,558,911 | 216,745,149 | (53,813,762) |
| State Government Contracts/Grants | 92,339,592 | 84,844,554 | 78,981,395 | (5,863,159) |
| Local Government Contracts/Grants | 2,768,416 | 3,451,002 | 1,698,272 | (1,752,730) |
| Private Contracts/Grants | 27,841,003 | 31,842,531 | 13,309,252 | (18,533,279) |
| Endowments and Private Gifts | 20,867,349 | 26,042,434 | 32,230,784 | 6,188,350 |
| Land and Permanent Fund | 9,600,000 | 10,500,000 | 12,410,515 | 1,910,515 |
| Sales and Services | 412,984,513 | 408,967,516 | 406,244,245 | (2,723,271) |
| Other | 147,177,101 | 151,303,798 | 168,479,908 | 17,176,110 |
| Total Unrestricted and Restricted Revenues | <u>\$ 1,480,122,400</u> | <u>\$ 1,496,372,998</u> | <u>\$ 1,439,149,063</u> | <u>\$ (57,223,935)</u> |
| Unrestricted and Restricted Expenditures: | | | | |
| Instruction | \$ 276,731,691 | \$ 270,565,183 | \$ 261,571,631 | \$ 8,993,552 |
| Academic Support | 53,600,103 | 54,207,656 | 53,101,326 | 1,106,330 |
| Student Services | 30,726,078 | 31,075,863 | 29,140,058 | 1,935,805 |
| Institutional Support | 69,497,689 | 65,613,704 | 61,134,365 | 4,479,339 |
| Operations and Maintenance | 48,933,739 | 45,809,406 | 43,107,923 | 2,701,483 |
| Student Social and Cultural | 10,380,734 | 11,055,335 | 10,145,017 | 910,318 |
| Research | 203,683,548 | 213,025,260 | 191,169,737 | 21,855,523 |
| Public Service | 408,093,174 | 412,732,418 | 382,156,748 | 30,575,670 |
| Internal Services | 5,542,759 | 7,533,132 | 3,788,161 | 3,744,971 |
| Student Aid, Grants, and Stipends | 136,059,940 | 127,017,962 | 110,003,648 | 17,014,314 |
| Auxiliary Services | 52,306,022 | 47,368,543 | 48,316,284 | (947,741) |
| Intercollegiate Athletics | 33,529,484 | 33,616,302 | 33,544,219 | 72,083 |
| Independent Operations | 86,221,708 | 89,436,644 | 86,247,118 | 3,189,526 |
| Capital Outlay | 95,940,598 | 95,940,598 | 102,592,145 | (6,651,547) |
| Building Renewal and Replacement | 10,000,000 | 10,000,000 | 7,837,479 | 2,162,521 |
| Retirement of Indebtedness | 38,056,603 | 38,056,603 | 35,408,194 | 2,648,409 |
| Total Unrestricted and Restricted Expenditures | <u>\$ 1,559,303,870</u> | <u>\$ 1,553,054,609</u> | <u>\$ 1,459,264,053</u> | <u>\$ 93,790,556</u> |
| Net Transfers | \$ 7,840,350 | \$ 6,603,886 | \$ 6,264,632 | \$ (339,254) |
| Change in Net Position (Budgetary Basis) | <u>\$ (71,341,120)</u> | <u>\$ (50,077,725)</u> | <u>\$ (13,850,358)</u> | <u>\$ 36,227,367</u> |
| Ending Net Position | <u>\$ 477,371,781</u> | <u>\$ 526,430,877</u> | <u>\$ 570,571,818</u> | <u>\$ 44,140,941</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, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actuals</u> | <u>Final Budget vs Actuals Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|------------------------|--|
| Unrestricted Beginning Net Position | \$ 39,869,868 | \$ 50,589,099 | \$ 50,589,099 | \$ - |
| Unrestricted Revenues: | | | | |
| Tuition and Fees | \$ 182,729,112 | \$ 181,456,357 | \$ 181,207,435 | \$ (248,922) |
| Federal Government Appropriations | - | - | - | - |
| State Government Appropriations | 256,865,700 | 256,810,240 | 256,773,434 | (36,806) |
| Local Government Appropriations | 8,516,542 | 8,516,542 | 8,941,988 | 425,446 |
| Federal Government Contracts/Grants | 180,000 | 180,000 | 177,757 | (2,243) |
| State Government Contracts/Grants | 5,000 | 25,718 | 22,975 | (2,743) |
| Local Government Contracts/Grants | - | - | - | - |
| Private Contracts/Grants | - | - | - | - |
| Endowments and Private Gifts | - | - | 30,148 | 30,148 |
| Land and Permanent Fund | 9,600,000 | 10,500,000 | 12,410,515 | 1,910,515 |
| Sales and Services | 562,865 | 996,830 | 201,534 | (795,296) |
| Other | 54,545,281 | 56,044,191 | 58,904,310 | 2,860,119 |
| Total Unrestricted Revenues | <u>\$ 513,004,500</u> | <u>\$ 514,529,878</u> | <u>\$ 518,670,096</u> | <u>\$ 4,140,218</u> |
| Unrestricted Expenditures: | | | | |
| Instruction | \$ 266,898,502 | \$ 261,205,940 | \$ 257,246,711 | \$ 3,959,229 |
| Academic Support | 52,808,461 | 53,240,290 | 52,599,723 | 640,567 |
| Student Services | 30,050,008 | 30,510,793 | 28,864,160 | 1,646,633 |
| Institutional Support | 69,111,426 | 65,227,727 | 61,044,857 | 4,182,870 |
| Operations and Maintenance | 48,876,274 | 45,751,941 | 43,105,554 | 2,646,387 |
| Total Unrestricted Expenditures | <u>\$ 467,744,671</u> | <u>\$ 455,936,691</u> | <u>\$ 442,861,005</u> | <u>\$ 13,075,686</u> |
| Net Transfers | <u>\$ (50,972,299)</u> | <u>\$ (62,631,273)</u> | <u>\$ (67,128,602)</u> | <u>\$ (4,497,329)</u> |
| Change in Net Position (Budgetary Basis) | <u>\$ (5,712,470)</u> | <u>\$ (4,038,086)</u> | <u>\$ 8,680,489</u> | <u>\$ 12,718,575</u> |
| Ending Net Position | <u>\$ 34,157,398</u> | <u>\$ 46,551,013</u> | <u>\$ 59,269,588</u> | <u>\$ 12,718,575</u> |

See accompanying independent auditors' report.

Budget Comparison - Restricted - Instruction & General
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actuals | Final Budget vs Actuals Favorable (Unfavorable) |
|--|----------------------|----------------------|---------------------|--|
| | \$ - | \$ - | \$ - | \$ - |
| Restricted Beginning Net Position | - | - | - | - |
| Restricted Revenues: | | | | |
| Tuition and Fees | \$ - | \$ - | \$ - | \$ - |
| Federal Government Appropriations | - | - | - | - |
| State Government Appropriations | - | - | - | - |
| Local Government Appropriations | - | - | - | - |
| Federal Government Contracts/Grants | 8,241,098 | 7,989,911 | 3,656,217 | (4,333,694) |
| State Government Contracts/Grants | 1,758,754 | 1,651,390 | 640,146 | (1,011,244) |
| Local Government Contracts/Grants | 125,000 | 125,900 | 106,871 | (19,029) |
| Private Contracts/Grants | 1,068,595 | 1,303,792 | 645,384 | (658,408) |
| Endowments and Private Gifts | - | - | - | - |
| Land and Permanent Fund | - | - | - | - |
| Sales and Services | - | - | - | - |
| Other | - | - | - | - |
| Total Restricted Revenues | <u>\$ 11,193,447</u> | <u>\$ 11,070,993</u> | <u>\$ 5,048,618</u> | <u>\$ (6,022,375)</u> |
| Restricted Expenditures: | | | | |
| Instruction | \$ 9,833,189 | \$ 9,359,243 | \$ 4,324,920 | \$ 5,034,323 |
| Academic Support | 791,642 | 967,366 | 501,603 | 465,763 |
| Student Services | 676,070 | 565,070 | 275,898 | 289,172 |
| Institutional Support | 386,263 | 385,977 | 89,508 | 296,469 |
| Operations and Maintenance | 57,465 | 57,465 | 2,369 | 55,096 |
| Total Restricted Expenditures | <u>\$ 11,744,629</u> | <u>\$ 11,335,121</u> | <u>\$ 5,194,298</u> | <u>\$ 6,140,823</u> |
| Net Transfers | <u>\$ 551,182</u> | <u>\$ 264,128</u> | <u>\$ 145,680</u> | <u>\$ (118,448)</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, 2018

| | |
|---|-------------------------|
| Total Unrestricted and Restricted Revenues: | |
| Budgetary Basis | \$ 1,439,149,063 |
| Reconciling items: | |
| University of New Mexico Hospital (amount not in budgetary basis) | 1,034,868,313 |
| University of New Mexico Behavioral Health Operations (amount not in budgetary basis) | 49,802,534 |
| Blended component units (amount not in budgetary basis) | 304,634,413 |
| Intercompany eliminations (amount not in budgetary basis) | (354,491,347) |
| Scholarship allowance (amount not in budgetary basis) | (87,113,876) |
| Endowment fund items (amount not in budgetary basis) | 18,526,614 |
| Institutional fund items (amount not in budgetary basis) | (6,904,872) |
| Revenue/expenditure classification differences | (621,165) |
| Other | (763,186) |
| Total reconciling items | <u>\$ 957,937,428</u> |
| Total reconciled unrestricted and restricted revenues per budgetary basis | <u>\$ 2,397,086,491</u> |
| | |
| Basic Financial Statements | |
| Operating revenues | \$ 1,826,234,523 |
| Nonoperating revenues | 539,223,747 |
| Nonoperating revenues netted in other nonoperating revenues and expenses | 3,404,079 |
| Capital contributions | 28,224,142 |
| Total unrestricted and restricted revenues per financial statements | <u>\$ 2,397,086,491</u> |
| | |
| Difference | <u>\$ -</u> |
| | |
| Total Unrestricted and Restricted Expenditures: | |
| Budgetary Basis | \$ 1,459,264,053 |
| Reconciling items: | |
| University of New Mexico Hospital (amount not in budgetary basis) | 1,009,142,702 |
| University of New Mexico Behavioral Health Operations (amount not in budgetary basis) | 42,711,396 |
| Blended component units (amount not in budgetary basis) | 300,022,400 |
| Intercompany eliminations (amount not in budgetary basis) | (354,491,347) |
| Scholarship allowance (amount not in budgetary basis) | (87,113,876) |
| Endowment fund items (amount not in budgetary basis) | 2,731,094 |
| Investment in plant items (amount not in financial statements) | (2,559,642) |
| Depreciation expense (amount not in budgetary basis) | 62,111,074 |
| Capitalized expenditures (amount not in financial statements) | (80,892,832) |
| Bond principal payments (amount not in financial statements) | (17,166,923) |
| GASB 68 pension expense (amount not in budgetary basis) | 246,093,911 |
| GASB 75 other postemployment benefits expense (amount not in budgetary basis) | 511,500 |
| Revenue/expenditure classification differences | (621,165) |
| Other | (737,751) |
| Total reconciling items | <u>\$ 1,119,740,541</u> |
| Total reconciled unrestricted and restricted expenditures per budgetary basis | <u>\$ 2,579,004,594</u> |
| | |
| Basic Financial Statements | |
| Operating expenditures | \$ 2,549,466,120 |
| Nonoperating expenditures | 23,781,599 |
| Nonoperating expenditures netted in other nonoperating revenues and expenses | 5,756,875 |
| Total unrestricted and restricted expenditures per financial statements | <u>\$ 2,579,004,594</u> |
| | |
| Difference | <u>\$ -</u> |

See accompanying independent auditors' report.

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2018 - Primary Institution

| Financial Institution | Account Type | Account Name | Book Balance | Bank Balance |
|--|------------------------------|---------------------------------------|-----------------------|-----------------------|
| Bank of America | Checking | UNMH Operating Account | \$ 50,341,764 | \$ 50,340,168 |
| | | Less FDIC Insurance | | (500,000) |
| | | Uninsured Public Funds | | \$ 49,840,168 |
| | | Collateral Requirement (50%) | | \$ 24,920,084 |
| | | Fair Value of Collateral | | \$ 49,834,606 |
| | | Over (Under) Collateralized | | \$ 24,914,522 |
| | | | | |
| Compass Bank | | *Lobo Development - Business Checking | \$ 203,129 | \$ 206,718 |
| | | *Lobo Energy - Business Checking | 376,167 | 376,167 |
| | | | \$ 579,296 | \$ 582,885 |
| | | Less FDIC Insurance | | (500,000) |
| | | Uninsured Public Funds | | \$ 82,885 |
| Los Alamos National Bank | Checking | Los Alamos Campus Depository | \$ 3,105 | \$ 3,105 |
| | | Less FDIC Insurance | | (3,105) |
| | | Uninsured Public Funds | | \$ - |
| | | | | |
| U.S. Bank | Checking | General Depository | \$ 69,739,063 | \$ 75,424,886 |
| | | | \$ 69,739,063 | \$ 75,424,886 |
| | | Less FDIC Insurance | | (250,000) |
| | | Uninsured Public Funds | | \$ 75,174,886 |
| | | Collateral Requirement (50%) | | \$ 37,587,443 |
| | | Fair Value of Collateral | | \$ 125,000,000 |
| | | Over (Under) Collateralized | | \$ 87,412,557 |
| | | | | |
| Wells Fargo | Checking | UNMH Operating Account | \$ 67,109,470 | \$ 75,395,148 |
| | | UNMH Operating Account | 84,291,536 | 84,291,536 |
| | Savings | | \$ 151,401,006 | \$ 159,686,684 |
| | | Less FDIC Insurance | | (500,000) |
| | | Uninsured Public Funds | | \$ 159,186,684 |
| | | Collateral Requirement (50%) | | \$ 79,593,342 |
| | | Fair Value of Collateral | | \$ 215,075,060 |
| | | Over (Under) Collateralized | | \$ 135,481,718 |
| | Checking | *UNMMG Operating Account | \$ 31,470,926 | \$ 31,691,848 |
| | | *UNMMG Cancer Center | 38,940 | 38,940 |
| | | *UNMMG Truman RX | 75,000 | 75,000 |
| | Checking | | \$ 31,584,866 | \$ 31,805,788 |
| | | Less FDIC Insurance | | (250,000) |
| Checking | Uninsured Public Funds | | \$ 31,555,788 | |
| | Collateral Requirement (50%) | | \$ 15,777,894 | |
| | Fair Value of Collateral | | \$ 49,731,680 | |
| | Over (Under) Collateralized | | \$ 33,953,786 | |
| Other | | Commercial Paper | \$ 52,518,765 | |
| | | Guaranteed Investment Contract | 82,046,235 | |
| | | Money Markets | 6,234,499 | |
| | | VEBA Trust | 781,944 | |
| | | Petty Cash/Other | 170,585 | |
| | | Component Unit deposits held by UNM | (3,326,509) | |
| | | **STC.UNM | 1,167,331 | \$ 1,378,535 |
| | | **Innovate ABQ | 485,083 | 485,234 |
| | | **Sandoval Regional Medical Center | 26,845,408 | 28,066,188 |
| | | | | |
| Total Cash and Cash Equivalents – Primary Institution | | | \$ 470,572,441 | \$ 347,773,473 |

*Blended Component Units - Public Money Entities

**Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

SCHEDULE 18

| CUSIP Identification | Maturity Date | Type of Securities | Amount |
|---------------------------------|---------------|--------------------|------------------------------|
| Main Campus* | | | |
| 522086 | 12/12/2018 | LOC | \$ 65,000,000 |
| 525952 | 9/28/2018 | LOC | 20,000,000 |
| 526075 | 7/16/2018 | LOC | 40,000,000 |
| <i>Total Pledged Collateral</i> | | | <u>\$ 125,000,000</u> |

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

UNM Medical Group***

| | |
|---------------------------------|-----------------------------|
| FNMA, FNMS, 2.50%, 07/01/2030 | \$ 4,578,517 |
| FNMA, FNMS, 2.50%, 05/01/2031 | 21,589,662 |
| FNMA, FNMS, 3.50%, 07/01/2043 | 23,563,501 |
| <i>Total Pledged Collateral</i> | |
| | <u>\$ 49,731,680</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** | | | |
| 31418ANH7 | 11/1/2042 | FMAC | \$ 10,081,499 |
| 3128MAC72 | 11/1/2044 | FMAC | 827,352 |
| 3128MJQ78 | 2/1/2042 | FMAC | 32,848 |
| 3132GRHL8 | 2/01/2042 | FMAC | 147,061 |
| 31371K5X5 | 5/1/2023 | FNMA | 15,988 |
| 31384WLN8 | 5/1/2031 | FNMA | 3 |
| 3138EGJZ8 | 10/01/2038 | FNMA | 2,760,790 |
| 3138EHXR8 | 02/01/2042 | FNMA | 33,041,203 |
| 3138WEQ77 | 05/01/2045 | FNMA | 67,696 |
| 31418QZL0 | 5/1/2034 | FNMA | 57 |
| 31419AGL5 | 4/1/2037 | FNMA | 2,793,469 |
| 31417BZU4 | 5/1/2042 | FNMA | 66,640 |
| <i>Total Bank Of America</i> | | | <u>\$ 49,834,606</u> |
| 31418CAH7 | 8/1/2036 | FNMA | \$ 9,112,619 |
| 31417BHU4 | 3/1/2042 | FNMA | 26,145,471 |
| 3138WHRZ7 | 8/1/2031 | FNMA | 3,941,643 |
| 3138WHJ86 | 7/1/2031 | FNMA | 13,445,807 |
| 3138WFQ9 | 9/1/2035 | FNMA | 15,108,616 |
| 3138WFLX2 | 9/1/2035 | FNMA | 15,661,358 |
| 3128MJZB9 | 12/1/2046 | FMAC | 69,645,698 |
| 3128MJWQ9 | 7/1/2045 | FMAC | 62,013,848 |
| <i>Total Wells Fargo</i> | | | <u>\$ 215,075,060</u> |
| <i>Total Pledged Collateral</i> | | | <u>\$ 264,909,666</u> |

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

THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2018 - Discretely Presented Component Units

| Financial Institution | Account Type | Account Name | Book Balance | Bank Balance |
|---|--------------|-----------------------------|----------------------|----------------------|
| *UNM Foundation | | | | |
| Nusenda Federal Credit Union | Cash | General Fund | \$ 185,769 | \$ 185,769 |
| | | Less NCUA Insurance | | (185,769) |
| | | Uninsured Public Funds | | \$ - |
| Wells Fargo Bank | Cash | UNM Foundation Operating | \$ 1,569,730 | \$ 1,643,510 |
| | Cash | Development | 6,833,452 | 6,094,696 |
| | | | \$ 8,403,182 | \$ 7,738,206 |
| | | | | (250,000) |
| | | | | \$ 7,488,206 |
| | | | | \$ 3,744,103 |
| | | | | \$ 7,567,270 |
| | | | | \$ 3,823,167 |
| | Other | UNM Foundation Money Market | \$ 658,285 | \$ 658,285 |
| Total Cash and Cash Equivalents – UNM Foundation | | | \$ 9,247,236 | \$ 8,582,260 |
| **Anderson Schools of Management Foundation | | | 1,887,140 | 1,905,173 |
| **UNM Lobo Club | | | 4,196,695 | 1,779,887 |
| **UNM Alumni Association | | | 692,931 | 305,349 |
| Total Cash and Cash Equivalents – Discretely Presented Component Units | | | \$ 16,024,002 | \$ 12,572,669 |

*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 | | | |
| 31417CLN3 | 7/1/2042 | FN-30 \$ | 1,548,676 |
| 3128MJYT1 | 8/1/2046 | FHG-30 | 6,018,594 |
| <i>Total Pledged Collateral</i> | | | <u><u>\$ 7,567,270</u></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, 2018 - 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 | \$ 50,340,168 | \$ 50,341,764 |
| Compass Bank | *Lobo Development - Business Checking | 206,718 | 203,129 |
| | *Lobo Energy - Business Checking | 376,167 | 376,167 |
| Los Alamos National Bank | Los Alamos Campus Depository | 3,105 | 3,105 |
| U.S. Bank | General Depository | 75,424,886 | 69,739,063 |
| Wells Fargo | UNMH Operating Account | 75,395,148 | 67,109,470 |
| | UNMH Operating Account | 84,291,536 | 84,291,536 |
| | *UNMMG Operating Accounting | 31,691,848 | 31,470,926 |
| | *UNMMG Cancer Center | 38,940 | 38,940 |
| | *UNMMG Truman RX | 75,000 | 75,000 |
| | *UNMMG Savings | | |
| Other | Commercial Paper | - | 52,518,765 |
| | UNM Project Funding from Bond Issue | - | 82,046,235 |
| | Money Markets | - | 6,234,499 |
| | VEBA Trust | - | 781,944 |
| | Petty Cash/Other | - | 170,585 |
| | Component Unit deposits held by UNM | | (3,326,509) |
| | | | |
| | **STC.UNM | 1,378,535 | 1,167,331 |
| | **Innovate ABQ | 485,234 | 485,083 |
| | **Sandoval Regional Medical Center | 28,066,188 | 26,845,408 |
| Total Cash and Cash Equivalents - Primary Institution | | \$ 347,773,473 | \$ 470,572,441 |

*Blended Component Units - Public Money Entities

**Blended Component Units - Non-Public Money Entities

See accompanying independent auditors' report.

SCHEDULE 19

Individual Investment Accounts

| Name of Bank/Broker | Account Type | Balance per Bank Statement | Reconciled Balance per Books | |
|--|--------------------------------------|------------------------------------|------------------------------|-----------------------|
| Bank of Oklahoma | Retirement of Indebtedness | Money Market | \$ 1,345,233 | \$ 1,345,233 |
| | | Certificate of Deposit | 1,953,726 | 1,953,726 |
| | VEBA Trust | Money Market | 180,714 | 180,714 |
| | | Marketable Alternatives | 1,502,257 | 1,502,257 |
| | | Mutual Funds - Equity | 19,515,424 | 19,515,424 |
| | | Mutual Funds - Fixed Income | 8,823,463 | 8,823,463 |
| Bayern LB | UNM Project Funding from Bond Issue | Guaranteed Investment Contract | 82,046,235 | 82,046,235 |
| Fidelity Investments | ASM Endowment Account | Money Market | 11,821 | 11,821 |
| | | Equity | 1,291,422 | 1,291,422 |
| | | Exchange-Traded Funds | 1,909,616 | 1,909,616 |
| Morgan Stanley | Operating Investment Account | Money Market | 3,427,972 | 3,427,972 |
| | | U.S. Treasury Securities | 139,705,197 | 139,705,197 |
| | | U.S. Government Agencies | 84,013,076 | 84,013,076 |
| | | Corporate Bonds | 138,996,625 | 138,996,625 |
| | | Municipal Bonds | 7,308,490 | 7,308,490 |
| | UNMH Short-Term Investment Accounts | Money Market | 40,234 | 40,234 |
| | | U.S. Treasury Securities | 17,804,434 | 17,804,434 |
| | | U.S. Government Agencies | 16,746,748 | 16,746,748 |
| | *UNMMG Investment Account | U.S. Treasury Securities | 12,196,304 | 12,196,304 |
| | | U.S. Government Agencies | 4,502,327 | 4,502,327 |
| | | Corporate Bonds | 3,048,987 | 3,048,987 |
| | | Municipal Bonds | 964,329 | 964,329 |
| | | Money Market | 2,583,423 | 2,583,423 |
| Northern Trust | Primary Institution CIF | Money Market | 9,581,457 | 9,581,457 |
| | | Mutual Funds - Fixed | 70,384,377 | 70,384,377 |
| | | Mutual Funds - Equity | 212,654,846 | 212,654,846 |
| | | Exchange-Traded Funds | 5,130,101 | 5,130,101 |
| | | Illiquid Real Assests | 21,134,473 | 21,134,473 |
| | | Private Equity | 46,832,997 | 46,832,997 |
| | | Marketable Alternatives | 89,138,464 | 89,138,464 |
| Wells Fargo | Bldg. Renewal & Replacement | Money Market | 182,298 | 182,298 |
| | | U.S. Government Agencies | 6,985,967 | 6,985,967 |
| | Retirement of Indebtedness | Money Market | 1,634,313 | 1,634,313 |
| | | Corporate Bonds | 4,331,821 | 4,331,821 |
| | UNMH Trust Accounts (Short term) | Money Market | 110,262 | 110,262 |
| UNMH Trust Accounts (Long term) | Money Market | 18,125,390 | 18,125,390 | |
| Investment in TLSC | UNMH Other Investments | Equity | 5,708,313 | 5,708,313 |
| Investment in TriWest | UNMH Other Investments | Equity | 5,000,000 | 5,000,000 |
| Investment in TRL (TriCore) | UNMH Other Investments | Equity | 13,176,321 | 13,176,321 |
| | Less: Guaranteed Investment Contract | | (82,046,235) | (82,046,235) |
| | Less: Foundation Interest in CIF | | (223,906,564) | (223,906,564) |
| | | **STC.UNM | 729,741 | 729,741 |
| | | **Sandoval Regional Medical Center | 11,329,655 | 11,329,655 |
| Total Investments - Primary Institution | | | \$ 766,136,054 | \$ 766,136,054 |

*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, 2018 - 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 | Money Market | 141,754 | 141,754 |
| Hilltop Securities | Charitable Trust Fund | Money Market | 24,204 | 24,204 |
| Nusenda Credit Union | General Fund | Cash | 185,769 | 185,769 |
| UBS Financial Services | Endowed Chair | Money Market | 447,879 | 447,879 |
| | Endowed Professorship | Money Market | 44,648 | 44,648 |
| Wells Fargo | Operating | Cash | 1,643,510 | 1,569,530 |
| | Development | Cash | 6,094,696 | 6,833,452 |
| Total Cash and Cash Equivalents - UNM Foundation, Inc. | | \$ 8,582,460 | \$ 9,247,236 | |
| **Anderson Schools of Management Foundation | | 1,905,173 | 1,887,140 | |
| **UNM Lobo Club | | 1,779,887 | 4,196,695 | |
| **UNM Alumni Association | | 305,349 | 692,931 | |
| Total Cash and Cash Equivalents - Discretely Presented Component Units | | \$ 12,572,869 | \$ 16,024,002 | |

*Discretely Presented Component Units - Public Money Entities

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

See accompanying independent auditors' report.

SCHEDULE 19

Individual Investment Accounts

| Name of Bank/Broker | Account Type | Balance per Bank Statement | Reconciled Balance per Books |
|---|-----------------------|-------------------------------|------------------------------------|
| Component Units – Public Money Entities | | | |
| *UNM Foundation, Inc. | | | |
| Fidelity | Operating Fund | \$ 193,341 | \$ 193,341 |
| Southwest Securities | Charitable Trust Fund | Domestic Corporate Stock | 214,524 |
| | | Mutual Funds-Equity | 92,434 |
| | | Mutual Funds-Fixed | 146,060 |
| UBS Financial Services | Endowed Chair | Municipal Bonds | 2,678,503 |
| | | Other | 26,988 |
| | | Municipal Bonds | 382,789 |
| Morgan Stanley Smith Barney | UNM Foundation Inc. | Domestic Corporate Stock | 72 |
| CIF | Endowments | Consolidated Investment Fund | 223,906,564 |
| Total Investments - UNM Foundation, Inc. | | \$ 227,641,275 | \$ 227,641,275 |
| **Anderson Schools of Management Foundation | | 2,289,440 | 2,289,440 |
| **UNM Alumni Association | | 8,190,477 | 8,190,477 |
| Total Investments - Discretely Presented Component Units | | \$ 238,121,192 | \$ 238,121,192 |

*Discretely Presented Component Units - Public Money Entities

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

See accompanying independent auditors' report.

Indigent Care Cost and Funding Report for the years ended June 30, 2018, 2017, and 2016

| | <u>2018</u> | <u>2017</u> | <u>2016 (Unaudited)</u> |
|---|------------------------|------------------------|-----------------------------|
| Funding for Indigent Care: | | | |
| State appropriations specified for indigent care - Out of County Indigent Fund | \$ - | \$ - | \$ - |
| County indigent funds received | - | - | - |
| Out of county indigent funds received | 40 | 13,868 | 9,242 |
| Payments and copayments received from uninsured patients qualifying for indigent care | 111,776 | 134,907 | 224,592 |
| Reimbursement received for services provided to patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA) | 5,004,278 | 3,815,723 | 3,805,208 |
| Charitable contributions received from donors that are designated for funding indigent care | 441,611 | 338,834 | 350,081 |
| Other sources: | | | |
| Other source | - | - | - |
| Total Funding for Charity Care | <u>\$ 5,557,705</u> | <u>\$ 4,303,332</u> | <u>\$ 4,389,123</u> |
| Cost of Providing Indigent Care: | | | |
| Total cost of care for providing services to: | | | |
| Uninsured patients qualifying for indigent care | \$ 14,433,391 | \$ 12,657,237 | \$ 14,331,314 |
| Patients qualifying for coverage under EMSA | 8,740,174 | 5,343,712 | 5,735,117 |
| Cost of care related to patient portion of bill for insured patients qualifying for indigent care | 20,372,512 | 19,977,401 | 35,402,236 |
| Direct costs paid to other providers on behalf of patients qualifying for indigent care | <u>5,375,598</u> | <u>5,221,142</u> | <u>2,016,562</u> |
| Total Cost of Providing Indigent Care | <u>\$ 48,921,675</u> | <u>\$ 43,199,492</u> | <u>\$ 57,485,229</u> |
| Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care | <u>\$ (43,363,970)</u> | <u>\$ (38,896,160)</u> | <u>\$ (53,096,106)</u> |
| Patients Receiving Indigent Care Services (Unaudited): | | | |
| Total number of patients receiving indigent care | 59,130 | 47,060 | 82,210 |
| Total number of patient encounters receiving indigent care | 201,532 | 171,436 | 189,214 |

See accompanying independent auditors' report.

Calculations of Cost of Providing Indigent Care for the years ended June 30, 2018, 2017, and 2016

| | <u>2018</u> | <u>2017</u> | <u>2016</u> <u>(Unaudited)</u> |
|---|----------------------|----------------------|-----------------------------------|
| Uninsured patients qualifying for indigent care: | | | |
| Charges for these patients | \$ 29,010,849 | \$ 27,236,612 | \$ 27,546,800 |
| Ratio of cost to charges | 49.8% | 51.2% | 56.2% |
| Cost for uninsured patients qualifying for indigent care | <u>\$ 14,433,391</u> | <u>\$ 13,952,815</u> | <u>\$ 15,491,689</u> |
| Patients qualifying for coverage under EMSA: | | | |
| Charges for these patients | \$ 17,144,224 | \$ 12,784,272 | \$ 13,239,425 |
| Ratio of cost to charges | 51.0% | 50.4% | 52.7% |
| Cost for patients qualifying for coverage under EMSA | <u>\$ 8,740,174</u> | <u>\$ 6,443,764</u> | <u>\$ 6,981,825</u> |
| Cost of care related to patient portion of bill for insured patients qualifying for indigent care: | | | |
| Indigent/charity care adjustments for these patients | \$ 38,123,886 | \$ 37,885,708 | \$ 63,476,086 |
| Ratio of cost to charges | 53.4% | 55.9% | 57.7% |
| Cost of care related to patient portion of bill for insured patients qualifying for indigent care | <u>\$ 20,372,512</u> | <u>\$ 21,181,348</u> | <u>\$ 36,641,835</u> |
| Direct costs paid to other providers on behalf of patients qualifying for indigent care | <u>\$ 5,375,598</u> | <u>\$ 5,221,142</u> | <u>\$ 2,016,562</u> |
| Payments to other providers for care of these patients | <u>\$ 5,375,598</u> | <u>\$ 5,221,142</u> | <u>\$ 2,016,562</u> |

See accompanying independent auditors' report.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|---|---------------------------|-----------------------|
| MAJOR PROGRAMS | | | | |
| Department of Housing and Urban Development | | | | |
| Direct Awards | | | | |
| Mortgage Insurance_Hospitals - Loans | 14.128 | | \$ - | \$ 228,385,000 |
| Total Department of Housing and Urban Development Direct Awards | | | - | 228,385,000 |
| Total Department of Housing and Urban Development | | | - | 228,385,000 |
| TOTAL MAJOR PROGRAMS | | | \$ - | \$ 228,385,000 |
| NONMAJOR PROGRAMS | | | | |
| RESEARCH AND DEVELOPMENT CLUSTER | | | | |
| Department of Agriculture | | | | |
| Direct Awards | | | | |
| Department of Agriculture | 10.000 | | \$ - | \$ 49,303 |
| Agricultural Research Basic and Applied Research | 10.001 | | - | 42,152 |
| Hispanic Serving Institutions Education Grants | 10.223 | | 73,537 | 307,413 |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | | 11,858 | 265,372 |
| Forestry Research | 10.652 | | - | 138,450 |
| Total Department of Agriculture Direct Awards | | | 85,395 | 802,690 |
| Pass-Through Awards | | | | |
| Agricultural Research_Basic and Applied Research | 10.001 | The Cadmus Group, Inc. | - | (277) |
| Hispanic Serving Institutions Education Grants | 10.223 | The University of Texas Rio Grande Valley | - | 66,279 |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | New Mexico Consortium Inc | - | 35,513 |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | Pennsylvania State University | - | (3,737) |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | Presbyterian Healthcare Services | - | 13,234 |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | University of Texas at El Paso | - | 77,725 |
| 10.310 Subtotal | | | - | 122,735 |
| Total Department of Agriculture Pass-Through Awards | | | - | 188,737 |
| Total Department of Agriculture | | | 85,395 | 991,427 |
| Department of Commerce | | | | |
| Direct Awards | | | | |
| Climate and Atmospheric Research | 11.431 | | - | 114,942 |
| Measurement and Engineering Research and Standards | 11.609 | | - | 10,000 |
| Science, Technology, Business and/or Education Outreach | 11.620 | | - | 5,500 |
| Total Department of Commerce Direct Awards | | | - | 130,442 |
| Total Department of Commerce | | | - | 130,442 |
| Department of Defense | | | | |
| Direct Awards | | | | |
| Department of Defense | 12.000 | | 742,546 | 2,947,724 |
| Aquatic Plant Control | 12.100 | | - | 127,374 |
| Basic and Applied Scientific Research | 12.300 | | - | 1,627,312 |
| Scientific Research - Combating Weapons of Mass Destruction | 12.351 | | 81,875 | 822,037 |
| Military Medical Research and Development | 12.420 | | 55,818 | 927,236 |
| Basic Scientific Research | 12.431 | | - | 569,678 |
| Centers for Academic Excellence | 12.598 | | - | 347,422 |
| Research and Technical Assistance | 12.615 | | - | 1,357 |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | | - | 923,929 |
| Air Force Defense Research Sciences Program | 12.800 | | 2,817,811 | 5,927,675 |
| Research and Technology Development | 12.910 | | 551,784 | 999,176 |
| Total Department of Defense Direct Awards | | | 4,249,834 | 15,220,920 |
| Pass-Through Awards | | | | |
| Department of Defense | 12.000 | Applied Technology Associates | - | 20,471 |
| Department of Defense | 12.000 | ASR Corporation | - | 43,254 |
| Department of Defense | 12.000 | Bluecom Systems and Consulting LLC | - | 50,000 |
| Department of Defense | 12.000 | CFD Research Corporation | - | 31,657 |
| Department of Defense | 12.000 | Charles River Analytics, Inc. | - | 20,208 |
| Department of Defense | 12.000 | Clarkson Aerospace Corp | - | 38,603 |
| Department of Defense | 12.000 | Crystalline Mirror Solutions LLC | - | 67,304 |
| Department of Defense | 12.000 | Engility Corporation | - | 28,230 |
| Department of Defense | 12.000 | Government of Israel Ministry of Defense-Mission to t | - | 91,232 |
| Department of Defense | 12.000 | Hexpoint Technologies | - | 61,525 |
| Department of Defense | 12.000 | HRL Laboratories, LLC | - | 493,123 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|---|---------------------------|--------------------|
| Department of Defense | 12.000 | John Tiller Software | - | 42,526 |
| Department of Defense | 12.000 | Leidos Inc | - | 24,493 |
| Department of Defense | 12.000 | Metabiota, Inc. | - | 22,551 |
| Department of Defense | 12.000 | Modus Operandi, Inc. | - | 50,421 |
| Department of Defense | 12.000 | New Mexico Institute of Mining and Technology | - | 22,897 |
| Department of Defense | 12.000 | Northrop Grumman Corporation | - | 369,580 |
| Department of Defense | 12.000 | Osazda Energy, Inc. | - | 11,831 |
| Department of Defense | 12.000 | Rector & Visitors of the University of Virginia | - | 47,576 |
| Department of Defense | 12.000 | Sandia National Laboratories | - | 47,612 |
| Department of Defense | 12.000 | Tanner Research Inc. | - | 11,505 |
| Department of Defense | 12.000 | Tau Technologies LLC | - | 63,747 |
| Department of Defense | 12.000 | The Optical Sciences Company (TOSC) | - | 44,238 |
| Department of Defense | 12.000 | Thermo Dynamic Films | - | 49,956 |
| Department of Defense | 12.000 | Utah State University Research Foundation/Space Dyn | - | 43,377 |
| Department of Defense | 12.000 | XL Scientific, LLC | - | 40,949 |
| | 12.000 | Subtotal | - | 1,838,866 |
| Basic and Applied Scientific Research | 12.300 | ASR Corporation | - | 40,869 |
| Basic and Applied Scientific Research | 12.300 | Carnegie Mellon University | - | 6,939 |
| Basic and Applied Scientific Research | 12.300 | Clemson University | - | 4,096 |
| Basic and Applied Scientific Research | 12.300 | Rector & Visitors of the University of Virginia | - | 48,762 |
| Basic and Applied Scientific Research | 12.300 | University of Texas Arlington | - | 130,223 |
| | 12.300 | Subtotal | - | 230,889 |
| Scientific Research - Combating Weapons of Mass Destruction | 12.351 | Pennsylvania State University | - | 69,644 |
| Scientific Research - Combating Weapons of Mass Destruction | 12.351 | Sandia National Laboratories | - | 134,504 |
| | 12.351 | Subtotal | - | 204,148 |
| Military Medical Research and Development | 12.420 | National Trauma Institute | - | 138,328 |
| Military Medical Research and Development | 12.420 | University of Pittsburgh | - | 8,205 |
| | 12.420 | Subtotal | - | 146,533 |
| Basic Scientific Research | 12.431 | BAE Systems | 145,912 | 237,628 |
| Basic Scientific Research | 12.431 | University of Central Florida | - | 21,837 |
| Basic Scientific Research | 12.431 | University of Utah | - | 272,865 |
| | 12.431 | Subtotal | 145,912 | 532,330 |
| Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools | 12.556 | Albuquerque Public Schools | - | 5,589 |
| DOD, NDEP, DOTC-STEM Education Outreach Implementation | 12.560 | Kansas State University | - | 9,492 |
| Research and Technical Assistance | 12.615 | New Mexico Institute of Mining and Technology | - | 1,623 |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | Academy of Applied Science | - | 2,000 |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | Technology Student Association | - | 15,577 |
| | 12.630 | Subtotal | - | 17,577 |
| Air Force Defense Research Sciences Program | 12.800 | Board of Trustees of Michigan State University | - | 27,550 |
| Air Force Defense Research Sciences Program | 12.800 | Sienna Technologies Inc | - | 53,914 |
| Air Force Defense Research Sciences Program | 12.800 | University of Texas Arlington | - | 39,950 |
| Air Force Defense Research Sciences Program | 12.800 | Utah State University Research Foundation/Space Dyn | - | 20,236 |
| | 12.800 | Subtotal | - | 141,650 |
| Information Security Grants | 12.902 | Mississippi State University | - | 27,369 |
| Research and Technology Development | 12.910 | New Mexico Consortium Inc | - | 55,462 |
| | | Total Department of Defense Pass-Through Awards | 145,912 | 3,211,528 |
| | | Total Department of Defense | 4,395,746 | 18,432,448 |
| Department of the Interior | | | | |
| Direct Awards | | | | |
| Department of the Interior | 15.000 | | - | 94,652 |
| Cultural and Paleontological Resources Management | 15.224 | | - | 1,383 |
| Fish, Wildlife and Plant Conservation Resource Management | 15.231 | | 11,635 | 260,226 |
| Wildland Fire Research and Studies | 15.232 | | - | 53,256 |
| Environmental Quality and Protection | 15.236 | | - | 26,163 |
| Fish and Wildlife Coordination Act | 15.517 | | - | 132,364 |
| Upper Colorado and San Juan River Basins Endangered Fish Recovery | 15.529 | | - | 95,628 |
| SECURE Water Act - Research Agreements | 15.560 | | - | 152,853 |
| Service Training and Technical Assistance (Generic Training) | 15.649 | | - | 29,862 |
| Endangered Species Conservation - Recovery Implementation Funds | 15.657 | | - | 15,015 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|--|---------------------------|--------------------|
| Cooperative Ecosystem Studies Units | 15.678 | | - | 163,600 |
| U.S. Geological Survey_ Research and Data Collection | 15.808 | | - | 317,306 |
| Native American Graves Protection and Repatriation Act | 15.922 | | - | 5,025 |
| Cooperative Research and Training Programs - Resources of the National Park System | 15.945 | | 4,399 | 1,372,373 |
| | | Total Department of the Interior Direct Awards | 16,034 | 2,719,706 |
| Pass-Through Awards | | | | |
| Department of the Interior | 15.000 | Fort Stanton Cave Study Project | - | 1,382 |
| Department of the Interior | 15.000 | The Atlantic Group, LLC | - | 4,964 |
| | 15.000 | Subtotal | - | 6,346 |
| Indian Tribal Water Resources Development, Management, and Protection | 15.519 | American Indian Law Center Inc | - | 504 |
| Research Grants (Generic) | 15.650 | Buecher Biological Consulting | - | 1 |
| Assistance to State Water Resources Research Institutes | 15.805 | New Mexico State University | - | 15,854 |
| National Climate Change and Wildlife Science Center | 15.820 | University of Oklahoma | - | 81,702 |
| | | Total Department of the Interior Pass-Through Awards | - | 104,407 |
| | | Total Department of the Interior | 16,034 | 2,824,113 |
| Department of Justice | | | | |
| Direct Awards | | | | |
| Department of Justice | 16.000 | | - | 1,181 |
| State Justice Statistics Program for Statistical Analysis Centers | 16.550 | | - | 68,086 |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | | - | 610,755 |
| | | Total Department of Justice Direct Awards | - | 680,022 |
| Pass-Through Awards | | | | |
| Department of Justice | 16.000 | Santa Clara Indian Pueblo | - | 68,751 |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | University of Louisville | - | 6,856 |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | University of Nevada System | - | 18,973 |
| | 16.560 | Subtotal | - | 25,829 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | New Mexico Public Safety Department | - | 25,224 |
| Criminal and Juvenile Justice and Mental Health Collaboration Program | 16.745 | City of Albuquerque | - | 100,118 |
| | | Total Department of Justice Pass-Through Awards | - | 219,922 |
| | | Total Department of Justice | - | 899,944 |
| Department of Labor | | | | |
| Pass-Through Awards | | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | Santa Fe Community College | - | 33,722 |
| | | Total Department of Labor Pass-Through Awards | - | 33,722 |
| | | Total Department of Labor | - | 33,722 |
| Department of Transportation | | | | |
| Direct Awards | | | | |
| Transportation Planning, Research and Education | 20.931 | | - | (74) |
| | | Total Department of Transportation Direct Awards | - | (74) |
| Pass-Through Awards | | | | |
| Department of Transportation | 20.000 | New Mexico Department of Transportation | - | 948,573 |
| Highway Planning and Construction | 20.205 | Alpine Archaeological Consultants, Inc. | - | 1,890 |
| Highway Planning and Construction | 20.205 | New Mexico Department of Transportation | - | 70,229 |
| | 20.205 | Subtotal | - | 72,119 |
| Railroad Research and Development | 20.313 | National Academy of Sciences | - | 38,227 |
| University Transportation Centers Program | 20.701 | Louisiana State University | - | 221,671 |
| University Transportation Centers Program | 20.701 | University of Nevada System | 15,672 | 240,768 |
| University Transportation Centers Program | 20.701 | University of Oklahoma | - | 101,393 |
| | 20.701 | Subtotal | 15,672 | 563,832 |
| | | Total Department of Transportation Pass-Through Awards | 15,672 | 1,622,751 |
| | | Total Department of Transportation | 15,672 | 1,622,677 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|--|---------------------------|--------------------|
| Department of the Treasury | | | | |
| Pass-Through Awards | | | | |
| Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States | 21.015 | University of New Orleans | - | 820 |
| | | Total Department of the Treasury Pass-Through Awards | - | 820 |
| | | Total Department of the Treasury | - | 820 |
| National Aeronautics & Space Administration | | | | |
| Direct Awards | | | | |
| Science | 43.001 | | 24,955 | 779,018 |
| Aeronautics | 43.002 | | - | 31,803 |
| Education | 43.008 | | 116,581 | 636,620 |
| | | Total National Aeronautics & Space Administration Direct Awards | 141,536 | 1,447,441 |
| Pass-Through Awards | | | | |
| National Aeronautics and Space Administration | 43.000 | Creare LLC | - | 63,037 |
| National Aeronautics and Space Administration | 43.000 | Jet Propulsion Lab | - | 213,783 |
| National Aeronautics and Space Administration | 43.000 | New Mexico State University | - | 18,025 |
| National Aeronautics and Space Administration | 43.000 | Radiation Monitoring Devices Inc | - | (1,373) |
| National Aeronautics and Space Administration | 43.000 | University of California Los Angeles | - | 3,006 |
| National Aeronautics and Space Administration | 43.000 | Wyle Laboratories, Inc. | - | 484,481 |
| National Aeronautics and Space Administration | 43.000 | XL Scientific, LLC | - | 30,317 |
| | 43.000 | Subtotal | - | 811,276 |
| Science | 43.001 | Atmospheric & Space Technology Research Associate | - | 43,087 |
| Science | 43.001 | Blue Marble Space Institute of Science | - | 31,025 |
| Science | 43.001 | Bluecom Systems and Consulting LLC | - | 114,391 |
| Science | 43.001 | Jet Propulsion Lab | - | 7,640 |
| Science | 43.001 | Lenzner Research LLC | - | 35,494 |
| Science | 43.001 | Smithsonian Astrophysical Observatory | - | (201) |
| Science | 43.001 | UT-Battelle LLC | - | 28,105 |
| | 43.001 | Subtotal | - | 259,541 |
| Exploration | 43.003 | Georgia Institute of Technology | - | 17,745 |
| Space Operations | 43.007 | Washington University | - | 92,193 |
| Education | 43.008 | New Mexico State University | - | 160,187 |
| | | Total National Aeronautics & Space Administration Pass-Through Awards | - | 1,340,942 |
| | | Total National Aeronautics & Space Administration | 141,536 | 2,788,383 |
| National Foundation on the Arts & Humanities | | | | |
| Direct Awards | | | | |
| Promotion of the Arts Grants to Organizations and Individuals | 45.024 | | - | 1,515 |
| Promotion of the Humanities_Research | 45.161 | | - | 19,085 |
| Promotion of the Humanities_Professional Development | 45.163 | | - | 15,398 |
| Promotion of the Humanities_Office of Digital Humanities | 45.169 | | (734) | (925) |
| | | Total National Foundation on the Arts & Humanities Direct Awards | (734) | 35,073 |
| Pass-Through Awards | | | | |
| National Leadership Grants | 45.312 | Montana State University | - | 4,008 |
| | | Total National Foundation on the Arts & Humanities Pass-Through Awards | - | 4,008 |
| | | Total National Foundation on the Arts & Humanities | (734) | 39,081 |
| National Science Foundation | | | | |
| Direct Awards | | | | |
| Engineering Grants | 47.041 | | 8,819 | 2,564,726 |
| Mathematical and Physical Sciences | 47.049 | | 18,143 | 2,934,422 |
| Geosciences | 47.050 | | 1,657,959 | 4,237,219 |
| Computer and Information Science and Engineering | 47.070 | | 1,260,881 | 4,634,676 |
| Biological Sciences | 47.074 | | 14,770 | 3,267,383 |
| Social, Behavioral, and Economic Sciences | 47.075 | | 10,544 | 397,394 |
| Education and Human Resources | 47.076 | | 111,562 | 4,533,341 |
| Polar Programs | 47.078 | | - | 4,663 |
| Office of International Science and Engineering | 47.079 | | 8,277 | 9,149 |
| Office of Cyberinfrastructure | 47.080 | | 1,962,605 | 4,458,238 |
| Office of Integrative Activities | 47.083 | | - | 78,718 |
| | | Total National Science Foundation Direct Awards | 5,053,560 | 27,119,929 |
| Pass-Through Awards | | | | |
| National Science Foundation | 47.000 | National Ecological Observatory Network | - | 180,567 |
| Engineering Grants | 47.041 | Arizona State University | - | 368,288 |
| Engineering Grants | 47.041 | Exhalix, LLC | - | 17,294 |
| Engineering Grants | 47.041 | High Precision Devices, Inc | - | 8,912 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|---|-------------|---|---------------------------|--------------------|
| Engineering Grants | 47.041 | Iowa State University | - | 89,748 |
| Engineering Grants | 47.041 | K&A Wireless LLC | - | 72,888 |
| Engineering Grants | 47.041 | Microgrid Labs Inc | - | 82,566 |
| Engineering Grants | 47.041 | Rensselaer Polytechnic Institute | - | 387,856 |
| Engineering Grants | 47.041 | Trustees of Purdue University | - | 185,316 |
| Engineering Grants | 47.041 | University of California San Diego | - | 33,391 |
| Engineering Grants | 47.041 | University of Texas Austin | - | 752,736 |
| | 47.041 | Subtotal | - | 1,998,995 |
| Mathematical and Physical Sciences | 47.049 | Associated Universities Inc | - | 81,710 |
| Mathematical and Physical Sciences | 47.049 | Explora | - | 20,307 |
| Mathematical and Physical Sciences | 47.049 | University of Notre Dame | - | 513 |
| Mathematical and Physical Sciences | 47.049 | University of Texas HSC Houston | - | 2,759 |
| | 47.049 | Subtotal | - | 105,289 |
| Geosciences | 47.050 | Cornell University | - | 50,813 |
| Geosciences | 47.050 | Johns Hopkins University | - | 28,158 |
| Geosciences | 47.050 | LUMCON | - | 78,687 |
| Geosciences | 47.050 | University of Arizona | - | 92,980 |
| Geosciences | 47.050 | University of California Santa Barbara | - | 20,107 |
| Geosciences | 47.050 | University of Colorado | - | 139,168 |
| | 47.050 | Subtotal | - | 409,913 |
| Computer and Information Science and Engineering | 47.070 | Santa Fe Institute | - | 48,987 |
| Biological Sciences | 47.074 | University of California Los Angeles | - | 100,340 |
| Biological Sciences | 47.074 | University of Puerto Rico | - | 16,746 |
| | 47.074 | Subtotal | - | 117,086 |
| Education and Human Resources | 47.076 | Arizona State University | - | 203,772 |
| Education and Human Resources | 47.076 | Board of Trustees of Michigan State University | - | 29,257 |
| Education and Human Resources | 47.076 | New Mexico Institute of Mining and Technology | - | 8,985 |
| Education and Human Resources | 47.076 | New Mexico State University | - | 93,582 |
| Education and Human Resources | 47.076 | Twin Cities Public Television, Inc | - | 6,492 |
| | 47.076 | Subtotal | - | 342,088 |
| Polar Programs | 47.078 | University of Colorado | - | 9,422 |
| Office of International Science and Engineering | 47.079 | University of Idaho | - | 7,257 |
| Office of Integrative Activities | 47.083 | Clemson University | - | 305,587 |
| | | Total National Science Foundation Pass-Through Awards | - | 3,525,191 |
| | | Total National Science Foundation | 5,053,560 | 30,645,120 |
| Department of Veterans Affairs | | | | |
| Direct Awards | | | | |
| Department of Veterans Affairs | 64.000 | | - | 297,032 |
| | | Total Department of Veterans Affairs Direct Awards | - | 297,032 |
| Pass-Through Awards | | | | |
| Department of Veterans Affairs | 64.000 | Biomedical Research Institute of New Mexico | - | 9,597 |
| | | Total Department of Veterans Affairs Pass-Through Awards | - | 9,597 |
| | | Total Department of Veterans Affairs | - | 306,629 |
| Environmental Protection Agency | | | | |
| Direct Awards | | | | |
| Science To Achieve Results (STAR) Research Program | 66.509 | | 72,583 | 351,043 |
| | | Total Environmental Protection Agency Direct Awards | 72,583 | 351,043 |
| Pass-Through Awards | | | | |
| Environmental Protection Agency | 66.000 | The Cadmus Group, Inc. | - | 518,738 |
| Long Island Sound Program | 66.437 | New Mexico Environment Department | - | 42,770 |
| Regional Wetland Program Development Grants | 66.461 | New Mexico Environment Department | - | 53,147 |
| Science To Achieve Results (STAR) Research Program | 66.509 | University of Washington | - | 28,116 |
| | | Total Environmental Protection Agency Pass-Through Awards | - | 642,771 |
| | | Total Environmental Protection Agency | 72,583 | 993,814 |
| Nuclear Regulatory Commission | | | | |
| Direct Awards | | | | |
| U. S. Nuclear Regulatory Commission Nuclear Education Grant Program | 77.006 | | - | 131,986 |
| | | Total Nuclear Regulatory Commission Direct Awards | - | 131,986 |
| | | Total Nuclear Regulatory Commission | - | 131,986 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|---|-------------|--|---------------------------|--------------------|
| Department of Energy | | | | |
| Direct Awards | | | | |
| Office of Science Financial Assistance Program | 81.049 | | 331,685 | 1,314,583 |
| Renewable Energy Research and Development | 81.087 | | 43,568 | 50,734 |
| Fossil Energy Research and Development | 81.089 | | - | 71,937 |
| Stewardship Science Grant Program | 81.112 | | - | 127,631 |
| Defense Nuclear Nonproliferation Research | 81.113 | | - | 155,623 |
| Nuclear Energy Research, Development and Demonstration | 81.121 | | 76,786 | 500,083 |
| Advanced Research Projects Agency - Energy | 81.135 | | 39,538 | 466,243 |
| Minority Economic Impact | 81.137 | | - | 7,586 |
| Total Department of Energy Direct Awards | | | 491,577 | 2,694,420 |
| Pass-Through Awards | | | | |
| Department of Energy | 81.000 | AEgis Technologies Group | - | 11,201 |
| Department of Energy | 81.000 | Battelle Memorial Institute | - | 188,494 |
| Department of Energy | 81.000 | Brookhaven Science Associates LLC | - | (60) |
| Department of Energy | 81.000 | Honeywell Corporation | - | 188,064 |
| Department of Energy | 81.000 | HyperV Technologies Corp | - | 103,176 |
| Department of Energy | 81.000 | Lawrence Berkeley National Laboratory | - | 2,431 |
| Department of Energy | 81.000 | Lawrence Livermore National Laboratory | - | 117,561 |
| Department of Energy | 81.000 | Los Alamos National Laboratory | - | 808,975 |
| Department of Energy | 81.000 | Los Alamos National Security, LLC | - | 386,852 |
| Department of Energy | 81.000 | MIND Research Network | - | 476,301 |
| Department of Energy | 81.000 | New Mexico Consortium Inc | - | 118,244 |
| Department of Energy | 81.000 | Sandia National Laboratories | - | 2,970,994 |
| Department of Energy | 81.000 | UT-Battelle LLC | - | 3,937 |
| | 81.000 | Subtotal | - | 5,376,170 |
| Office of Science Financial Assistance Program | 81.049 | Angstrom Thin Film Tech LLC | - | 41,943 |
| Office of Science Financial Assistance Program | 81.049 | Arizona State University | - | 72,382 |
| Office of Science Financial Assistance Program | 81.049 | Electrodynamic | - | 15,000 |
| Office of Science Financial Assistance Program | 81.049 | Johns Hopkins University | - | 7,951 |
| Office of Science Financial Assistance Program | 81.049 | Lawrence Berkeley National Laboratory | - | 335,529 |
| Office of Science Financial Assistance Program | 81.049 | Lenzner Research LLC | - | 49,003 |
| Office of Science Financial Assistance Program | 81.049 | Southwest Sciences | - | 254,378 |
| Office of Science Financial Assistance Program | 81.049 | Star Cryoelectronics LLC | - | 110,061 |
| Office of Science Financial Assistance Program | 81.049 | Washington University | - | 94,533 |
| | 81.049 | Subtotal | - | 980,780 |
| Renewable Energy Research and Development | 81.087 | Northeastern University | - | 16,851 |
| Renewable Energy Research and Development | 81.087 | University of Utah | - | 22,257 |
| Renewable Energy Research and Development | 81.087 | Washington University | - | 271,587 |
| | 81.087 | Subtotal | - | 310,695 |
| Stewardship Science Grant Program | 81.112 | Cornell University | - | 32,099 |
| Nuclear Energy Research, Development and Demonstration | 81.121 | Colorado School of Mines | - | 4,678 |
| Nuclear Energy Research, Development and Demonstration | 81.121 | University of California Berkley | - | 48,048 |
| Nuclear Energy Research, Development and Demonstration | 81.121 | Utah State University | - | 108,749 |
| | 81.121 | Subtotal | - | 161,475 |
| National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program | 81.123 | Los Alamos National Laboratory | 180,300 | 242,903 |
| National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program | 81.123 | Universidad Del Turabo | - | 157,945 |
| | 81.123 | Subtotal | 180,300 | 400,848 |
| Advanced Research Projects Agency - Energy | 81.135 | Ceramatec, Inc. | - | 108,750 |
| Advanced Research Projects Agency - Energy | 81.135 | iBeam Materials, Inc. | - | 60,020 |
| Advanced Research Projects Agency - Energy | 81.135 | Pajarito Powder LLC | - | (4,041) |
| | 81.135 | Subtotal | - | 164,729 |
| Total Department of Energy Pass-Through Awards | | | 180,300 | 7,426,796 |
| Total Department of Energy | | | 671,877 | 10,121,216 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| 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 | | - | 124,861 |
| | | Total Department of Education Direct Awards | - | 124,861 |
| Pass-Through Awards | | | | |
| Department of Education | 84.000 | University of Oklahoma | - | 4,111 |
| Special Education Grants to States | 84.027 | New Mexico Department of Health | - | 995 |
| Special Education Preschool Grants | 84.173 | New Mexico Department of Health | - | 995 |
| Special Education-Grants for Infants and Families | 84.181 | New Mexico Department of Health | - | 1,575 |
| Race to the Top - Early Learning Challenge | 84.412 | New Mexico Department of Health | - | 44,639 |
| Race to the Top - Early Learning Challenge | 84.412 | New Mexico Children Youth and Families Department | 44,889 | 30,849 |
| | 84.412 | Subtotal | 44,889 | 75,488 |
| | | Total Department of Education Pass-Through Awards | 44,889 | 83,164 |
| | | Total Department of Education | 44,889 | 208,025 |
| Department of Health & Human Services | | | | |
| Direct Awards | | | | |
| Department of Health & Human Services | 93.000 | | 1,092,436 | 5,050,639 |
| Training in General, Pediatric, and Public Health Dentistry | 93.059 | | - | 488,884 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | 36,705 | 1,335,786 |
| Environmental Health | 93.113 | | 918,283 | 3,364,882 |
| Oral Diseases and Disorders Research | 93.121 | | - | 353,491 |
| Emergency Medical Services for Children | 93.127 | | - | 186,818 |
| Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | | - | 825,956 |
| NIEHS Superfund Hazardous Substances_Basic Research and Education | 93.143 | | 105,023 | 1,354,674 |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | | - | 447,817 |
| Health Program for Toxic Substances and Disease Registry | 93.161 | | 270,954 | 1,171,335 |
| Human Genome Research | 93.172 | | - | 367,265 |
| Research Related to Deafness and Communication Disorders | 93.173 | | 196,592 | 474,773 |
| Telehealth Programs | 93.211 | | 30,000 | 643,604 |
| Research and Training in Complementary and Integrative Health | 93.213 | | 41,158 | 319,648 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | | 2,921 | 333,791 |
| Mental Health Research Grants | 93.242 | | 13,637 | 565,801 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | | - | 321,536 |
| Advanced Nursing Education Workforce Grant Program | 93.247 | | - | 475,276 |
| Grants for Education, Prevention, and Early Detection of Radiogenic Cancers and Diseases | 93.257 | | - | 164,047 |
| Occupational Safety and Health Program | 93.262 | | 243,435 | 439,007 |
| Viral Hepatitis Prevention and Control | 93.270 | | - | 182,103 |
| Alcohol Research Programs | 93.273 | | 538,049 | 5,506,071 |
| Drug Abuse and Addiction Research Programs | 93.279 | | 1,419,436 | 2,396,898 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 56,035 | 364,957 |
| Teenage Pregnancy Prevention Program | 93.297 | | 38,554 | 1,049,871 |
| Minority Health and Health Disparities Research | 93.307 | | 150,882 | 1,389,373 |
| Trans-NIH Research Support | 93.310 | | 1,044,855 | 3,311,136 |
| National Center for Advancing Translational Sciences | 93.350 | | - | 4,012,630 |
| Research Infrastructure Programs | 93.351 | | - | 111,453 |
| 21st Century Cures Act - Beau Biden Cancer Moonshot | 93.353 | | 2,933 | 196,900 |
| Nursing Research | 93.361 | | 151,235 | 643,855 |
| Cancer Cause and Prevention Research | 93.393 | | 1,509,314 | 3,603,764 |
| Cancer Detection and Diagnosis Research | 93.394 | | - | 159,965 |
| Cancer Treatment Research | 93.395 | | - | 1,559,132 |
| Cancer Biology Research | 93.396 | | - | 481,467 |
| Cancer Centers Support Grants | 93.397 | | 49,029 | 2,991,533 |
| Cancer Research Manpower | 93.398 | | - | 64,097 |
| Cancer Control | 93.399 | | 97,390 | 272,903 |
| Health Care Innovation Awards (HCIA) | 93.610 | | 45,716 | 4,518,588 |
| University Centers for Excellence in Developmental Disabilities Education, Research, and Service | 93.632 | | - | 576,294 |
| Cardiovascular Diseases Research | 93.837 | | 125,302 | 1,577,853 |
| Lung Diseases Research | 93.838 | | - | 593,681 |
| Blood Diseases and Resources Research | 93.839 | | 54,872 | 815,978 |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | - | 172,251 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|---|---------------------------|--------------------|
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | - | 1,340,176 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 479,336 | 3,151,706 |
| Allergy and Infectious Diseases Research | 93.855 | | 1,067,466 | 6,544,168 |
| Biomedical Research and Research Training | 93.859 | | 568,133 | 12,088,638 |
| Child Health and Human Development Extramural Research | 93.865 | | 59,394 | 781,859 |
| Aging Research | 93.866 | | 694,595 | 1,666,668 |
| Vision Research | 93.867 | | - | 352,697 |
| Medical Library Assistance | 93.879 | | - | 157,959 |
| Grants for Primary Care Training and Enhancement | 93.884 | | - | 210,561 |
| Demonstration Projects for Indian Health | 93.933 | | - | 61,333 |
| International Research and Research Training | 93.989 | | 417,252 | 523,633 |
| Total Department of Health & Human Services Direct Awards | | | 11,520,922 | 82,117,181 |
| Pass-Through Awards | | | | |
| Department of Health & Human Services | 93.000 | Atox Bio, LTD | - | 30,053 |
| Department of Health & Human Services | 93.000 | Baystate Medical Center | - | (5,567) |
| Department of Health & Human Services | 93.000 | Brigham & Women's Hospital | - | 43,050 |
| Department of Health & Human Services | 93.000 | Center for Public Service Communications | - | 19,432 |
| Department of Health & Human Services | 93.000 | Children's Hospital of Philadelphia | - | 5,019 |
| Department of Health & Human Services | 93.000 | Duke University | - | (2,962) |
| Department of Health & Human Services | 93.000 | ECOG-ACRIN Cancer Research Group | - | 43,186 |
| Department of Health & Human Services | 93.000 | Family Service Agency of San Francisco | - | (65) |
| Department of Health & Human Services | 93.000 | Gynecologic Oncology Group | - | 15,799 |
| Department of Health & Human Services | 93.000 | HealthInsight | - | 177,665 |
| Department of Health & Human Services | 93.000 | JBS International, Inc. | - | 29,740 |
| Department of Health & Human Services | 93.000 | Leidos Inc | - | 913,019 |
| Department of Health & Human Services | 93.000 | Mayo Clinic Rochester | - | 8,452 |
| Department of Health & Human Services | 93.000 | Miners Colfax Medical Center | - | (560) |
| Department of Health & Human Services | 93.000 | Montefiore Medical Center | - | 259,808 |
| Department of Health & Human Services | 93.000 | National Council for Behavioral Health | - | 27,149 |
| Department of Health & Human Services | 93.000 | New Mexico Department of Health | - | 8,427 |
| Department of Health & Human Services | 93.000 | New Mexico Human Services Department | - | 49,895 |
| Department of Health & Human Services | 93.000 | New Mexico Public Education Department | - | 163,970 |
| Department of Health & Human Services | 93.000 | New Mexico Superintendent of Insurance | - | 100,938 |
| Department of Health & Human Services | 93.000 | Northwest Portland Area Indian Health Board | - | 83,347 |
| Department of Health & Human Services | 93.000 | NovaSterilis, Inc. | - | 35,551 |
| Department of Health & Human Services | 93.000 | Oregon Health & Science University | - | 61,971 |
| Department of Health & Human Services | 93.000 | Ramah Navajo School Board Inc | - | 34,984 |
| Department of Health & Human Services | 93.000 | Taos Pueblo Administration | - | 43,194 |
| Department of Health & Human Services | 93.000 | University of California San Francisco | - | 8,359 |
| Department of Health & Human Services | 93.000 | University of North Carolina at Chapel Hill | - | 152,137 |
| Department of Health & Human Services | 93.000 | University of Texas HSC Houston | - | 192,153 |
| Department of Health & Human Services | 93.000 | University of Washington | - | 35,803 |
| Department of Health & Human Services | 93.000 | Westat Inc | - | 1,199 |
| | 93.000 | Subtotal | - | 2,535,146 |
| PPHF - Applied Leadership for Community Health Improvement | 93.055 | Henry M Jackson Foundation | - | (1,787) |
| Global AIDS | 93.067 | Regents of the University of California | - | 12,586 |
| Environmental Public Health and Emergency Response | 93.070 | New Mexico Department of Health | - | 63,914 |
| 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 | - | 35,767 |
| | 93.080 | University of Colorado | - | (31,445) |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | | | | |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | Education and Training Consultants, LLC | - | 2,924 |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | Mescalero Apache Tribal Council | - | 130,545 |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | New Mexico Children Youth and Families Department | - | 173,824 |
| | 93.104 | Subtotal | - | 307,293 |
| Maternal and Child Health Federal Consolidated Programs | | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | General Hospital Corp | - | 4,003 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | Oregon Health & Science University | - | 36,090 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | The American Academy of Pediatrics | - | 12,279 |
| | 93.110 | Subtotal | - | 52,372 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|---|-------------|---|---------------------------|--------------------|
| Environmental Health | 93.113 | Columbia University | - | 176,565 |
| Environmental Health | 93.113 | Indiana University | - | 5 |
| Environmental Health | 93.113 | University of Iowa | - | 33,251 |
| Environmental Health | 93.113 | University of Louisville | - | 69,431 |
| Environmental Health | 93.113 | University of Montana | - | 186,740 |
| | 93.113 | Subtotal | - | 465,992 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | New Mexico Department of Health | - | 39,529 |
| Oral Diseases and Disorders Research | 93.121 | Michigan Technological University | - | 33,628 |
| Emergency Medical Services for Children | 93.127 | University of Arizona | - | 160,102 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | New Mexico Department of Health | - | 199,875 |
| HIV-Related Training and Technical Assistance | 93.145 | Health Research Inc | - | 31,796 |
| Human Genome Research | 93.172 | Harvard University | - | 305,006 |
| Research Related to Deafness and Communication Disorders | 93.173 | Father Flanagan's Boys Home | - | 44,766 |
| Research Related to Deafness and Communication Disorders | 93.173 | University of Central Florida Research Foundation Inc | - | 11,060 |
| Research Related to Deafness and Communication Disorders | 93.173 | University of Utah | - | 878 |
| | 93.173 | Subtotal | - | 56,704 |
| Research and Training in Complementary and Integrative Health | 93.213 | Oregon Research Institute | - | (669) |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | American Institutes of Research | - | 197,517 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | Regents of the University of Colorado | 151,250 | 865,138 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | University of North Carolina at Chapel Hill | - | 43,193 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | Wayne State University | - | 2,799 |
| | 93.226 | Subtotal | 151,250 | 1,108,647 |
| Mental Health Research Grants | 93.242 | MIND Research Network | - | 85,754 |
| Mental Health Research Grants | 93.242 | ODMR Technologies, Inc | - | 99,411 |
| Mental Health Research Grants | 93.242 | University of North Carolina San Diego | - | 166,113 |
| Mental Health Research Grants | 93.242 | University of Colorado at Denver | - | 45,558 |
| | 93.242 | Subtotal | - | 396,836 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | Falling Colors Corporation | - | 155,529 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | New Mexico Children Youth and Families Department | - | 47,882 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | New Mexico Human Services Department | 296,123 | 653,421 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | Pueblo of San Felipe | - | 254,671 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | United Behavioral Health | - | 698 |
| | 93.243 | Subtotal | 296,123 | 1,112,201 |
| Advanced Nursing Education Workforce Grant Program | 93.247 | University of Colorado at Denver | - | 195,059 |
| Universal Newborn Hearing Screening | 93.251 | New Mexico Department of Health | - | 16,379 |
| Occupational Safety and Health Program | 93.262 | University of Texas Health Center at Tyler | - | 1,908 |
| Immunization Cooperative Agreements | 93.268 | New Mexico Department of Health | - | 1,556 |
| Alcohol Research Programs | 93.273 | Baylor College of Medicine | - | 8,766 |
| Alcohol Research Programs | 93.273 | MIND Research Network | - | 170,223 |
| Alcohol Research Programs | 93.273 | Old Dominion University | - | 181,823 |
| Alcohol Research Programs | 93.273 | Pacific Institute for Research & Evaluation | - | 25,738 |
| Alcohol Research Programs | 93.273 | University of Massachusetts | - | 9,733 |
| Alcohol Research Programs | 93.273 | University of North Carolina at Chapel Hill | - | 333,773 |
| Alcohol Research Programs | 93.273 | VisionQuest Biomedical LLC | - | 20,293 |
| | 93.273 | Subtotal | - | 750,349 |
| Drug Abuse and Addiction Research Programs | 93.279 | MIND Research Network | - | 7,975 |
| Drug Abuse and Addiction Research Programs | 93.279 | Research Foundation for Mental Hygiene | - | 7,661 |
| Drug Abuse and Addiction Research Programs | 93.279 | University of California Los Angeles | - | 387,719 |
| Drug Abuse and Addiction Research Programs | 93.279 | University of California San Francisco | - | 7,871 |
| | 93.279 | Subtotal | - | 411,226 |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | 93.283 | New Mexico Department of Health | - | 42,006 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | New Mexico Consortium Inc | - | 77,675 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|---|-------------|---|---------------------------|--------------------|
| Minority Health and Health Disparities Research | 93.307 | Klein Buendel Inc | - | 134,345 |
| Minority Health and Health Disparities Research | 93.307 | Pacific Institute for Research & Evaluation | - | 22,059 |
| Minority Health and Health Disparities Research | 93.307 | University of Colorado at Denver | - | 24,665 |
| Minority Health and Health Disparities Research | 93.307 | Washington State University | - | 38,234 |
| | 93.307 | Subtotal | - | 219,303 |
| Trans-NIH Research Support | 93.310 | Boston College | - | 2,896 |
| Trans-NIH Research Support | 93.310 | University of Miami | - | 109,459 |
| Trans-NIH Research Support | 93.310 | University of Texas at El Paso | - | 94,060 |
| | 93.310 | Subtotal | - | 206,415 |
| Emerging Infections Programs | 93.317 | New Mexico Department of Health | - | (4,663) |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | New Mexico Department of Health | - | 37,642 |
| National Center for Advancing Translational Sciences | 93.350 | Harvard University | - | 9,776 |
| National Center for Advancing Translational Sciences | 93.350 | University of Utah | - | 19,264 |
| National Center for Advancing Translational Sciences | 93.350 | University of Washington | - | 7,312 |
| | 93.350 | Subtotal | - | 36,352 |
| Nursing Research | 93.361 | Emory University | - | 118,193 |
| Nursing Research | 93.361 | Southcentral Foundation | - | 48,709 |
| | 93.361 | Subtotal | - | 166,902 |
| Cancer Cause and Prevention Research | 93.393 | Becton, Dickinson and Company | - | 6,788 |
| Cancer Cause and Prevention Research | 93.393 | George Washington University | - | 475 |
| Cancer Cause and Prevention Research | 93.393 | Indiana University | - | 8,085 |
| Cancer Cause and Prevention Research | 93.393 | Klein Buendel Inc | - | 133,546 |
| Cancer Cause and Prevention Research | 93.393 | Lawrence Berkeley National Laboratory | - | 62,409 |
| Cancer Cause and Prevention Research | 93.393 | University of South Carolina | - | 7,500 |
| Cancer Cause and Prevention Research | 93.393 | Virginia Commonwealth University | - | 91,540 |
| Cancer Cause and Prevention Research | 93.393 | Wake Forest University Health Sciences | - | 750 |
| | 93.393 | Subtotal | - | 311,093 |
| Cancer Detection and Diagnosis Research | 93.394 | Memorial Sloan Kettering Cancer Center | - | 33,933 |
| Cancer Detection and Diagnosis Research | 93.394 | William Marsh Rice University | - | 3,908 |
| | 93.394 | Subtotal | - | 37,841 |
| Cancer Treatment Research | 93.395 | Brigham & Women's Hospital | - | 98,961 |
| Cancer Treatment Research | 93.395 | Children's Hospital of Philadelphia | - | 3,300 |
| Cancer Treatment Research | 93.395 | Cornell University | - | 91,397 |
| | 93.395 | Subtotal | - | 193,658 |
| Accountable Health Communities | 93.650 | Presbyterian Healthcare Services | - | 158,414 |
| PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds | 93.738 | Presbyterian Healthcare Services | - | 82,858 |
| State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | 93.757 | New Mexico Department of Health | - | 50,544 |
| A Comprehensive Approach to Good Health and Wellness in Indian County - financed solely by Prevention and Public Health | 93.762 | Seattle Indian Health Board | - | 116,897 |
| Medical Assistance Program | 93.778 | New Mexico Human Services Department | - | 2,602,798 |
| Cardiovascular Diseases Research | 93.837 | National Jewish Health | - | 11,010 |
| Cardiovascular Diseases Research | 93.837 | Regents of the University of Michigan | - | 29,319 |
| Cardiovascular Diseases Research | 93.837 | University of Oklahoma | - | 7,627 |
| Cardiovascular Diseases Research | 93.837 | University of Pittsburgh | - | 10,171 |
| | 93.837 | Subtotal | - | 58,127 |
| Lung Diseases Research | 93.838 | Research Triangle Institute | - | 17,702 |
| Blood Diseases and Resources Research | 93.839 | Rutgers, The State University of New Jersey | - | 6,566 |
| Blood Diseases and Resources Research | 93.839 | University of Pittsburgh | - | 9,443 |
| | 93.839 | Subtotal | - | 16,009 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|--|---------------------------|--------------------|
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Baylor College of Medicine | - | 34,590 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Case Western Reserve University | - | 205,566 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | George Washington University | - | 667,760 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Nationwide Childrens Hospital | - | 7,630 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Rhode Island Hospital | - | 10,510 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | The Children's Mercy Hospital | - | 18,850 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Trustees of the University of Pennsylvania | - | 1,142 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | University of Colorado at Denver | - | 31,769 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | University of Pittsburgh | - | 194,506 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | University of Texas Medical Branch | - | 27,118 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | University of Washington | - | 2,505 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | VisionQuest Biomedical LLC | - | 51,056 |
| | 93.847 | Subtotal | - | 1,253,002 |
| Kidney Diseases Urology and Hematology Research | 93.849 | The Children's Mercy Hospital | - | 1,952 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Boston Children's Hospital | - | (4,961) |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | CerebroScope | - | 82,632 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Johns Hopkins University | - | 39,294 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | MIND Research Network | - | 56,551 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | NeurInsight LLC | - | 33,098 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Oregon Health & Science University | - | (7) |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Regents of the University of California | - | 151,501 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of California Los Angeles | - | 2,500 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of California San Francisco | - | 19,482 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of Chicago | - | 11,362 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of Cincinnati | - | 22,252 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of Rochester | - | 4,189 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of South Carolina | - | 168,796 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of Washington | - | 33,072 |
| | 93.853 | Subtotal | - | 619,761 |
| Allergy and Infectious Diseases Research | 93.855 | General Hospital Corp | - | 223,303 |
| Allergy and Infectious Diseases Research | 93.855 | Henry M Jackson Foundation | - | 21,397 |
| Allergy and Infectious Diseases Research | 93.855 | Loyola University Chicago | - | 21,071 |
| Allergy and Infectious Diseases Research | 93.855 | University of Connecticut | - | 133,394 |
| Allergy and Infectious Diseases Research | 93.855 | University of Kansas Center for Research | - | 28,307 |
| Allergy and Infectious Diseases Research | 93.855 | University of Maryland | - | 72,988 |
| Allergy and Infectious Diseases Research | 93.855 | University of Washington | - | 185,147 |
| | 93.855 | Subtotal | - | 685,607 |
| Biomedical Research and Research Training | 93.859 | Boston University | - | (193) |
| Biomedical Research and Research Training | 93.859 | Carnegie Mellon University | - | 89,609 |
| Biomedical Research and Research Training | 93.859 | Colorado State University | - | 74,378 |
| Biomedical Research and Research Training | 93.859 | Louisiana State University | - | 83,241 |
| Biomedical Research and Research Training | 93.859 | MIND Research Network | - | 564,010 |
| Biomedical Research and Research Training | 93.859 | New Mexico State University | - | 778,031 |
| Biomedical Research and Research Training | 93.859 | Northern New Mexico College | - | 4,873 |
| Biomedical Research and Research Training | 93.859 | ODMR Technologies, Inc | - | 3,380 |
| Biomedical Research and Research Training | 93.859 | Rosalind Franklin University of Medicine Science | - | 64,899 |
| Biomedical Research and Research Training | 93.859 | St Jude Children's Research Hospital | - | 64,359 |
| Biomedical Research and Research Training | 93.859 | Trustees of the University of Pennsylvania | - | 16,209 |
| Biomedical Research and Research Training | 93.859 | University of Alaska | - | 65,569 |
| Biomedical Research and Research Training | 93.859 | University of Nevada Las Vegas | - | 333,994 |
| Biomedical Research and Research Training | 93.859 | University of Nevada System | - | 109,837 |
| | 93.859 | Subtotal | - | 2,252,196 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|--|---------------------------|--------------------|
| Emerging Infections Sentinel Networks | 93.860 | University of California Los Angeles | - | 12,877 |
| Child Health and Human Development Extramural Research | 93.865 | Board of Trustees of the Leland Stanford Junior Univer | - | 6,198 |
| Child Health and Human Development Extramural Research | 93.865 | Pacific Institute for Research & Evaluation | - | 53,783 |
| Child Health and Human Development Extramural Research | 93.865 | Regents of the University of Michigan | - | 36,353 |
| Child Health and Human Development Extramural Research | 93.865 | Research Triangle Institute | - | 17,760 |
| Child Health and Human Development Extramural Research | 93.865 | RTI International | - | 64,877 |
| Child Health and Human Development Extramural Research | 93.865 | Washington University | - | 19,300 |
| | 93.865 | Subtotal | - | 198,271 |
| Aging Research | 93.866 | Chapman University | - | 91,242 |
| Aging Research | 93.866 | Columbia University | - | 14,505 |
| Aging Research | 93.866 | Regents of the University of California | - | 11,640 |
| Aging Research | 93.866 | Regents of the University of Michigan | - | (1,872) |
| Aging Research | 93.866 | University of California Santa Barbara | - | (33,538) |
| Aging Research | 93.866 | University of Florida | - | 28,291 |
| Aging Research | 93.866 | University of Southern California | - | 6,010 |
| Aging Research | 93.866 | University of Washington | - | 434 |
| | 93.866 | Subtotal | - | 116,712 |
| Medical Library Assistance | 93.879 | University of North Texas Health Science Center | - | (518) |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | New Mexico Department of Health | - | 11,232 |
| Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program | 93.912 | National Center for Frontier Communities | - | 6 |
| Demonstration Projects for Indian Health | 93.933 | Black Hills Center for American Indian Health | 9,001 | 41,629 |
| Assistance Programs for Chronic Disease Prevention and Control | 93.945 | New Mexico Department of Health | - | 4,926 |
| Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | New Mexico Department of Health | - | 32,545 |
| International Research and Research Training | 93.989 | President and Fellows of Harvard College | - | 12,259 |
| Preventive Health and Health Services Block Grant | 93.991 | New Mexico Department of Health | - | 1,179 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | New Mexico Department of Health | - | 1,704 |
| | | Total Department of Health & Human Services Pass-Through Awards | 456,374 | 17,932,883 |
| | | Total Department of Health & Human Services | 11,977,296 | 100,050,064 |
| Department of Homeland Security | | | | |
| Direct Awards | | | | |
| Cooperating Technical Partners | 97.045 | | - | 525,427 |
| | | Total Department of Homeland Security Direct Awards | - | 525,427 |
| Pass-Through Awards | | | | |
| Hazard Mitigation Grant | 97.039 | New Mexico Department of Homeland Security | - | 88,038 |
| Centers for Homeland Security | 97.061 | University of Alaska | - | (22) |
| | | Total Department of Homeland Security Pass-Through Awards | - | 88,016 |
| | | Total Department of Homeland Security | - | 613,443 |
| United States Agency for International Development | | | | |
| Pass-Through Awards | | | | |
| USAID Foreign Assistance for Programs Overseas | 98.001 | AgilVax, Inc. | - | 119,704 |
| USAID Foreign Assistance for Programs Overseas | 98.001 | University Research Co., LLC | - | 17,045 |
| | 98.001 | Subtotal | - | 136,749 |
| | | Total United States Agency for International Development Pass-Through Awards | - | 136,749 |
| | | Total United States Agency for International Development | - | 136,749 |
| TOTAL RESEARCH AND DEVELOPMENT CLUSTER | | | 22,473,854 | 170,970,103 |
| STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | |
| Department of Education | | | | |
| Direct Awards | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | - | 1,349,525 |
| Federal Work-Study Program | 84.033 | | - | 1,574,926 |
| Federal Perkins Loans | 84.038 | | - | 7,512,177 |
| Federal Pell Grant Program | 84.063 | | - | 43,280,031 |
| Federal Direct Student Loans | 84.268 | | - | 104,196,978 |
| Teacher Education Assistance for College and Higher Education Grants | 84.379 | | - | 138,746 |
| | | Total Department of Education Direct Awards | - | 158,052,383 |
| | | Total Department of Education | - | 158,052,383 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|---|---------------------------|--------------------|
| Department of Health & Human Services | | | | |
| Direct Awards | | | | |
| Nurse Faculty Loan Program | 93.264 | | - | 616,242 |
| Health Professions Student Loans | 93.342 | | - | 465,631 |
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | | - | 617,837 |
| | | Total Department of Health & Human Services Direct Awards | - | 1,699,710 |
| | | Total Department of Health & Human Services | - | 1,699,710 |
| TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | |
| | | | - | 159,752,093 |
| 477 CLUSTER | | | | |
| Department of Health & Human Services | | | | |
| Pass-Through Awards | | | | |
| Temporary Assistance for Needy Families | 93.558 | New Mexico Human Services Department | - | 408,634 |
| Temporary Assistance for Needy Families | 93.558 | SL Start New Mexico Works | - | 1,194 |
| | | 93.558 Subtotal | - | 409,828 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | New Mexico Children Youth and Families Department | - | 1,748,218 |
| | | Total Department of Health & Human Services Pass-Through Awards | - | 2,158,046 |
| | | Total Department of Health & Human Services | - | 2,158,046 |
| TOTAL 477 CLUSTER | | | | |
| | | | - | 2,158,046 |
| HIGHWAY SAFETY CLUSTER | | | | |
| Department of Transportation | | | | |
| Pass-Through Awards | | | | |
| State and Community Highway Safety | 20.600 | New Mexico Department of Transportation | - | 309,839 |
| | | Total Department of Transportation Pass-Through Awards | - | 309,839 |
| | | Total Department of Transportation | - | 309,839 |
| TOTAL HIGHWAY SAFETY CLUSTER | | | | |
| | | | - | 309,839 |
| 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 | - | 1,770,266 |
| Maternal, Infant and Early Childhood Home Visiting Grant Program | 93.870 | New Mexico Children Youth and Families Department | - | 385,966 |
| | | Total Department of Health & Human Services Pass-Through Awards | - | 2,156,232 |
| | | Total Department of Health & Human Services | - | 2,156,232 |
| TOTAL MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER | | | | |
| | | | - | 2,156,232 |
| SNAP CLUSTER | | | | |
| Department of Agriculture | | | | |
| Pass-Through Awards | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | New Mexico Human Services Department | - | 781,372 |
| | | Total Department of Agriculture Pass-Through Awards | - | 781,372 |
| | | Total Department of Agriculture | - | 781,372 |
| TOTAL SNAP CLUSTER | | | | |
| | | | - | 781,372 |
| SPECIAL EDUCATION CLUSTER (IDEA) | | | | |
| Department of Education | | | | |
| Pass-Through Awards | | | | |
| Special Education_Grants to States | 84.027 | Navajo Nation | - | 65,584 |
| Special Education_Grants to States | 84.027 | New Mexico Public Education Department | - | 289,020 |
| | | 84.027 Subtotal | - | 354,604 |
| Special Education_Preschool Grants | 84.173 | New Mexico Department of Health | - | 182,500 |
| Special Education_Preschool Grants | 84.173 | New Mexico Public Education Department | - | 273,183 |
| | | 84.173 Subtotal | - | 455,683 |
| | | Total Department of Education Pass-Through Awards | - | 810,287 |
| | | Total Department of Education | - | 810,287 |
| TOTAL SPECIAL EDUCATION CLUSTER (IDEA) | | | | |
| | | | - | 810,287 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|---|-------------|---|---------------------------|--------------------|
| TRIO CLUSTER | | | | |
| Department of Education | | | | |
| Direct Awards | | | | |
| TRIO_Student Support Services | 84.042 | | - | 728,287 |
| TRIO_Upward Bound | 84.047 | | - | 1,186,966 |
| TRIO_Educational Opportunity Centers | 84.066 | | - | 242,139 |
| TRIO_McNair Post-Baccalaureate Achievement | 84.217 | | - | 222,330 |
| | | Total Department of Education Direct Awards | - | 2,379,722 |
| | | Total Department of Education | - | 2,379,722 |
| TOTAL TRIO CLUSTER | | | | |
| | | | - | 2,379,722 |
| OTHER NONMAJOR PROGRAMS | | | | |
| Department of Defense | | | | |
| Direct Awards | | | | |
| Department of Defense | 12.000 | | - | 727,264 |
| Language Grant Program | 12.900 | | - | 84,849 |
| GenCyber Grants Program | 12.903 | | - | (536) |
| | | Total Department of Defense Direct Awards | - | 811,577 |
| Pass-Through Awards | | | | |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | Technology Student Association | - | 3,020 |
| | | Total Department of Defense Pass-Through Awards | - | 3,020 |
| | | Total Department of Defense | - | 814,597 |
| Department of the Interior | | | | |
| Direct Awards | | | | |
| Department of the Interior | 15.000 | | - | 27,389 |
| Cultural and Paleontological Resources Management | 15.224 | | - | 4,030 |
| Cooperative Ecosystem Studies Units | 15.678 | | - | 33,915 |
| | | Total Department of the Interior Direct Awards | - | 65,334 |
| | | Total Department of the Interior | - | 65,334 |
| Department of Justice | | | | |
| Direct Awards | | | | |
| Department of Justice | 16.000 | | - | 18,946 |
| Desegregation of Public Education | 16.100 | | - | 19,478 |
| Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | 16.525 | | - | 64,924 |
| | | Total Department of Justice Direct Awards | - | 103,348 |
| Pass-Through Awards | | | | |
| Justice Systems Response to Families | 16.021 | Enlace Comunitario | - | 55,973 |
| Crime Victim Assistance | 16.575 | New Mexico Crime Victims Reparation Commission | - | 154,581 |
| Postconviction Testing of DNA Evidence to Exonerate the Innocent | 16.820 | New Mexico Public Safety Department | - | 37,893 |
| | | Total Department of Justice Pass-Through Awards | - | 248,447 |
| | | Total Department of Justice | - | 351,795 |
| Department of Labor | | | | |
| Pass-Through Awards | | | | |
| Department of Labor | 17.000 | Fluor Federal Solutions, Inc. | - | (559) |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | New Mexico Junior College | - | 10,599 |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | Santa Fe Community College | - | 1,016,442 |
| | 17.282 | Subtotal | - | 1,027,041 |
| | | Total Department of Labor Pass-Through Awards | - | 1,026,482 |
| | | Total Department of Labor | - | 1,026,482 |
| Department of State | | | | |
| Pass-Through Awards | | | | |
| Academic Exchange Programs - Undergraduate Programs | 19.009 | International Research & Exchanges Board | - | 70,825 |
| | | Total Department of State Pass-Through Awards | - | 70,825 |
| | | Total Department of State | - | 70,825 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| 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 | - | 150,434 |
| | | Total Department of Transportation Pass-Through Awards | - | 150,434 |
| | | Total Department of Transportation | - | 150,434 |
| Department of the Treasury | | | | |
| Direct Awards | | | | |
| Low Income Taxpayer Clinics | 21.008 | | - | 21,654 |
| | | Total Department of the Treasury Direct Awards | - | 21,654 |
| | | Total Department of the Treasury | - | 21,654 |
| National Foundation on the Arts & Humanities | | | | |
| Direct Awards | | | | |
| Promotion of the Humanities_Challenge Grants | 45.130 | | - | 6,407 |
| Museums for America | 45.301 | | - | 5,463 |
| | | Total National Foundation on the Arts & Humanities Direct Awards | - | 11,870 |
| | | Total National Foundation on the Arts & Humanities | - | 11,870 |
| Small Business Administration | | | | |
| Pass-Through Awards | | | | |
| Small Business Development Centers | 59.037 | Santa Fe Community College | - | 58,275 |
| | | Total Small Business Administration Pass-Through Awards | - | 58,275 |
| | | Total Small Business Administration | - | 58,275 |
| Department of Veterans Affairs | | | | |
| Direct Awards | | | | |
| Department of Veterans Affairs | 64.000 | | - | 205,438 |
| | | Total Department of Veterans Affairs Direct Awards | - | 205,438 |
| | | Total Department of Veterans Affairs | - | 205,438 |
| Environmental Protection Agency | | | | |
| Direct Awards | | | | |
| Environmental Finance Center Grants | 66.203 | | - | 136,556 |
| | | Total Environmental Protection Agency Direct Awards | - | 136,556 |
| Pass-Through Awards | | | | |
| Environmental Protection Agency | 66.000 | PG Environmental | - | 23,698 |
| Environmental Finance Center Grants | 66.203 | University of North Carolina at Chapel Hill | - | 65,895 |
| Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act | 66.424 | University of North Carolina at Chapel Hill | - | 418,987 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | Vermont Department of Environmental Conservation | - | 31,552 |
| Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements | 66.814 | Kansas State University | - | 26,645 |
| | | Total Environmental Protection Agency Pass-Through Awards | - | 566,777 |
| | | Total Environmental Protection Agency | - | 703,333 |
| Department of Energy | | | | |
| Direct Awards | | | | |
| Department of Energy | 81.000 | | - | 136 |
| | | Total Department of Energy Direct Awards | - | 136 |
| Pass-Through Awards | | | | |
| Department of Energy | 81.000 | Los Alamos National Laboratory | - | 49,225 |
| Department of Energy | 81.000 | Sandia National Laboratories | - | 21,332 |
| | 81.000 | Subtotal | - | 70,557 |
| | | Total Department of Energy Pass-Through Awards | - | 70,557 |
| | | Total Department of Energy | - | 70,693 |
| Department of Education | | | | |
| Direct Awards | | | | |
| National Resource Center | 84.015 | | - | 521,680 |
| Higher Education_Institutional Aid | 84.031 | | 517,900 | 3,647,892 |
| Migrant Education High School Equivalency Program | 84.141 | | - | 720,994 |
| Migrant Education College Assistance Migrant Program | 84.149 | | - | 456,577 |
| Indian Education -- Special Programs for Indian Children | 84.299 | | - | 206,284 |
| Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | | - | 48,227 |
| Child Care Access Means Parents in School | 84.335 | | - | 388,890 |
| | | Total Department of Education Direct Awards | 517,900 | 5,990,544 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|-------------|---|---------------------------|--------------------|
| Pass-Through Awards | | | | |
| Department of Education | 84.000 | New Mexico Division of Vocational Rehabilitation | - | 18,605 |
| Adult Education - Basic Grants to States | 84.002 | New Mexico Higher Education Department | - | 691,459 |
| Higher Education_Institutional Aid | 84.031 | Adams State University | - | 284,794 |
| Higher Education_Institutional Aid | 84.031 | Eastern New Mexico University Roswell | - | 211,396 |
| Higher Education_Institutional Aid | 84.031 | Northern New Mexico College | - | 4,952 |
| | 84.031 | Subtotal | - | 501,142 |
| Career and Technical Education -- Basic Grants to States | 84.048 | New Mexico Public Education Department | - | 267,446 |
| Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126 | New Mexico Division of Vocational Rehabilitation | - | 686,355 |
| Special Education-Grants for Infants and Families | 84.181 | New Mexico Department of Health | - | 1,164,139 |
| Ready-To-Learn Television | 84.295 | Corporation for Public Broadcasting | - | 5,000 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | New Mexico State University | - | 168,026 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | New Mexico Public Education Department | 80,000 | 91,546 |
| | | Total Department of Education Pass-Through Awards | 80,000 | 3,593,718 |
| | | Total Department of Education | 597,900 | 9,584,262 |
| Department of Health & Human Services | | | | |
| Direct Awards | | | | |
| Department of Health & Human Services | 93.000 | | - | 1,248,729 |
| Area Health Education Centers | 93.107 | | 249,758 | 335,265 |
| Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Center for Integrative Primary Healthcare | 93.117 | | - | 37,711 |
| Emergency Medical Services for Children | 93.127 | | - | 108,109 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | | - | 776,944 |
| Poison Center Support and Enhancement Grant Program | 93.253 | | - | 102,451 |
| Grants for Education, Prevention, and Early Detection of Radiogenic Cancers and Diseases | 93.257 | | - | 41,691 |
| Skills Training and Health Workforce Development of Paraprofessionals Grant Program | 93.329 | | - | 205,142 |
| Nurse Education, Practice Quality and Retention Grants | 93.359 | | - | 306,358 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | | - | 705,689 |
| Health Professions Recruitment Program for Indians | 93.970 | | 60,006 | 326,034 |
| | | Total Department of Health & Human Services Direct Awards | 309,764 | 4,194,123 |
| Pass-Through Awards | | | | |
| Department of Health & Human Services | 93.000 | Association of Maternal & Child Health Programs | - | 8,962 |
| Department of Health & Human Services | 93.000 | Association of University Centers of Disabilities | - | 8,000 |
| Department of Health & Human Services | 93.000 | First Choice Community Healthcare | - | 162,997 |
| Department of Health & Human Services | 93.000 | Miners Colfax Medical Center | - | 138,231 |
| Department of Health & Human Services | 93.000 | New Mexico Department of Health | - | 230,512 |
| Department of Health & Human Services | 93.000 | Pueblo of Laguna | - | 79,781 |
| Department of Health & Human Services | 93.000 | United Behavioral Health | - | 1,235 |
| | 93.000 | Subtotal | - | 629,718 |
| Global AIDS | 93.067 | Elizabeth Glaser Pediatric AIDS Foundation | - | 4,005 |
| Global AIDS | 93.067 | University of Washington | - | 31,302 |
| | 93.067 | Subtotal | - | 35,307 |
| Environmental Public Health and Emergency Response | 93.070 | New Mexico Department of Health | - | 1,263 |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | | | | |
| HIV-Related Training and Technical Assistance | 93.145 | Dallas County Hospital District | - | 279,967 |
| Family Planning Services | 93.217 | New Mexico Department of Health | - | 153,714 |
| Traumatic Brain Injury State Demonstration Grant Program | 93.234 | New Mexico Human Services Department | - | 600 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | Falling Colors Corporation | - | 47,457 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | Mescalero Apache Tribal Council | - | (316) |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | United Behavioral Health | - | 4,270 |
| | 93.243 | Subtotal | - | 51,411 |

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|--|----------------|---|------------------------------|-----------------------|
| Immunization Cooperative Agreements Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.268 | New Mexico Department of Health | - | 76,084 |
| Emerging Infections Programs | 93.283 | New Mexico Department of Health | - | 62,757 |
| Public Health Training Centers Program | 93.317 | New Mexico Department of Health | - | 564,095 |
| State Court Improvement Program | 93.516 | Tulane University | - | 79,094 |
| Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance SPA financed in part by the Prevention and Public | 93.586 | New Mexico Administrative Office of the Courts | - | 159,492 |
| State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | 93.733 | National AHEC Organization | - | 9,365 |
| | 93.757 | New Mexico Department of Health | - | 207 |
| PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants) | 93.764 | Falling Colors Corporation | - | 21,441 |
| Medical Assistance Program | 93.778 | Falling Colors Corporation | - | 183,506 |
| Medical Assistance Program | 93.778 | New Mexico Human Services Department | 49,999 | 1,339,391 |
| Medical Assistance Program | 93.778 | United Behavioral Health | - | 2,812 |
| | 93.778 | Subtotal | 49,999 | 1,525,709 |
| Tribal Maternal, Infant, and Early Childhood Home Visiting | 93.872 | Pueblo of San Felipe | - | 52,822 |
| Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | New Mexico Department of Health | - | 136,982 |
| HIV Care Formula Grants | 93.917 | New Mexico Department of Health | - | (36,894) |
| Assistance Programs for Chronic Disease Prevention and Control | 93.945 | New Mexico Department of Health | - | 1,077 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | New Mexico Department of Health | - | 452,975 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | New Mexico Human Services Department | - | 440 |
| | 93.994 | Subtotal | - | 453,415 |
| | | Total Department of Health & Human Services Pass-Through Awards | 49,999 | 4,376,606 |
| | | Total Department of Health & Human Services | 359,763 | 8,570,729 |
| Department of Homeland Security | | | | |
| Pass-Through Awards | | | | |
| Federal Emergency Management Agency | 97.000 | New Mexico Department of Homeland Security | - | 9,122 |
| | | Total Department of Homeland Security Pass-Through Awards | - | 9,122 |
| | | Total Department of Homeland Security | - | 9,122 |
| TOTAL OTHER NONMAJOR PROGRAMS | | | 957,663 | 21,714,843 |
| TOTAL NONMAJOR PROGRAMS | | | \$ 23,431,517 | \$ 361,032,537 |
| TOTAL FEDERAL AWARDS | | | \$ 23,431,517 | \$ 589,417,537 |

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

| | | | | |
|---|-----------|--|--------------------|--|
| Federal awards revenue (per Exhibit B): | | | | |
| Federal grants and contracts revenue | \$ | | 218,069,192 | |
| Federal pell grant revenue | | | 43,280,031 | |
| Total federal awards revenue | | | 261,349,223 | |
| Reconciling items: | | | | |
| Department of Housing and Urban Development loan guarantees | | | 228,385,000 | |
| Federal Direct loans advanced to students | | | 104,196,978 | |
| Perkins loans outstanding | | | 7,004,003 | |
| Perkins loans advanced to students | | | 508,174 | |
| Nurse faculty loans outstanding | | | 616,242 | |
| Health professions student loans outstanding | | | 465,631 | |
| Fee for service federal contract revenues - not reportable on schedule 22 | | | (11,486,725) | |
| Residual balances on federal grants and contracts | | | (1,620,989) | |
| Total federal expenditures per schedule 22 | \$ | | 589,417,537 | |

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

| Federal Program | CFDA Number | Pass-Through Entity | Subrecipient Expenditures | Total Expenditures |
|-----------------|----------------|---------------------|------------------------------|-----------------------|
|-----------------|----------------|---------------------|------------------------------|-----------------------|

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, 2018 consists of:

| CFDA Number and Program Name | Outstanding Balance at June 30, 2018 |
|---|--------------------------------------|
| 84.038 - Federal Perkins Loans | \$ 7,004,003 |
| 93.264 - Nurse Faculty Loan Program | \$ 616,242 |
| 93.342 - Health Professions Student Loans | \$ 465,631 |

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, 2018, \$97,820,000 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, 2018, \$121,245,000 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. Wayne Johnson
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, 2018, and the related notes to the financial statements, which collectively comprise University's basic financial statements, and have issued our report thereon dated October 17, 2018. 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the Section 12-6-5 NMSA 1978 Findings Schedule, as items 2018-002 through 2018-004.

The University's Response to Findings

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

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 17, 2018

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. Wayne Johnson
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, 2018. 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Mess Adams LLP

Albuquerque, New Mexico
October 17, 2018

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

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? X Yes _____ 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:

Mortgage Insurance – Hospitals and SRMC – CFDA 14.128

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

\$3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2018

Section II – Basic Financial Statement Findings

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

Condition

We did not identify adjustments to the reported financial results in our testing of related party transactions. However, the organization does not have specific written policies and procedures governing related party transactions, including associated internal controls. Although existing procurement controls are applied to related party transactions, such procurement controls are not designed to comprehensively address related party transactions. For example, third-party procurements are transacted on an arms-length basis with outside entities. However, such market checks and balances are not always present in related party transactions because the parties to the transactions are, by definition, interrelated and in many cases are dependent on one another. To compensate for this, the organization should have written policies and procedures that address the topics in the following “Criteria” section, and such policies and procedures should incorporate methods for allocating revenues and expenses among entities, expectations about documentation standards for and timeliness of related party agreements, and contributed services.

Criteria

Management should design, implement, and maintain controls to:

- Identify, account for, and disclose related party relationships and transactions.
- Authorize and approve significant transactions and arrangements with related parties including appropriate segregation of duties.
- Authorize and approve any significant transactions or arrangements outside the normal course of business, should they arise.
- Ensure compliance with applicable federal and state rules and regulations, as applicable.

Effect

Related party transactions may not be consistently identified and appropriately accounted for and disclosed. Additionally, the lack of written policies and procedures may create challenges in understanding the nature and business rationale of the entity’s related party relationships and transactions.

Cause

Written policies and procedures have not been developed for related party transactions.

Recommendation

We recommend that management develop a written policy which expands on and enhances existing practices to:

- Identify, account for, and disclose related party relationships and transactions.
- Authorize and approve significant transactions and arrangements with related parties including appropriate segregation of duties.
- Authorize and approve any significant transactions or arrangements outside the normal course of business, should they arise.
- Ensure compliance with applicable federal and state rules and regulations, as applicable.

The policy should also address methods for allocating revenues and expenses among entities, expectations about documentation standards for and timeliness of related party agreements, and contributed services.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

University Response

We appreciate the comprehensive audit that was performed in regards to related party transactions. It is gratifying that no specific findings or adjustments were identified as a result of this audit.

The organization (UNMH, BHO, SRMC, and UNMMG) has entered into related party transactions as a part of our fully integrated Academic Medical Center. Full integration allows us to maximize efficiency of operations and achieve economies of scale. This is essential in a diverse community like New Mexico's where poverty and the lack of healthcare resources are contributing factors in determining health and disease.

These transactions and exchange of funds are widely used in the United States by academic health systems similar to ours. This is especially true of a School of Medicine (SOM), whose faculty are the Physicians and whose post-doctoral learners are the Residents and Fellows who provide the patient care in the hospitals and clinics.

For the consolidated financial statements of the University of New Mexico, this exchange of funds, or related party transactions, is completely eliminated and has no financial impact to the UNM system.

Although the procurement of related party goods and services currently follows our policies regarding the issuance of purchase orders and authorization based on dollar limits, including segregation of duties, our policies do not specifically address procurement from related parties. Our policies do currently require compliance with applicable federal and state rules and regulations.

Management will develop a policy to specifically address transactions between UNM entities where standalone financial statements are issued. The Chancellor for Health Sciences will be responsible for this policy with a completion date of April 30, 2019.

THE UNIVERSITY OF NEW MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs

None

THE UNIVERSITY OF NEW MEXICO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2018

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

Current Status: Modified and repeated as 2018-004.

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

Current Status: Resolved

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

Current Status: Resolved

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

Current Status: Resolved

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

Current Status: Resolved

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

Current Status: Resolved

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

Current Status: Resolved

Finding 2017-008. Monitoring of Contract Compliance – Control Deficiency

Current Status: Resolved

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

Current Status: Resolved

Finding 2017-010. Pledged Collateral Noncompliance

Current Status: Resolved

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2018

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

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

Condition

During our audit, the following issues were noted as it relates to Innovate ABQ's financial close and reporting process:

- During the fiscal year ended June 30, 2018, amounts were improperly reclassified from buildings to CIP. Additionally, no depreciation was recorded on the assets for the year. An audit adjustment was required to reclassify \$2,039,074 out of CIP and into depreciable asset categories. An audit adjustment of \$89,725 was required to record the annual depreciation on these assets.
- Additionally, unadjusted property tax expense for the year ended June 30, 2018 was overstated by \$131,721. Of this amount, \$64,924 should have been accrued as of June 30, 2017. The remaining \$66,796 should have been recorded in fiscal year ended June 30, 2019. An audit adjustment was made to correct the \$66,796 relating to fiscal year ended June 30, 2019. The amount relating to fiscal year ended June 30, 2017 is considered an uncorrected misstatement in Innovate ABQ's financial statements.

Criteria

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

Effect

Possible misstatements of the financial statements and untimely financial reporting.

Cause

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

Recommendation

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

University Response

Innovate ABQ, Inc. engaged an outside accounting firm on April 2, 2018 to review and ensure that all capital asset transactions were properly recorded and to review other fiscal year transactions through June 30, 2018. The accounting firm instructed Innovate ABQ, Inc. to classify the entire capital assets for two buildings as CIP and to discontinue annual depreciation of these assets. The accounting firm also instructed Innovate ABQ, Inc. to accrue the entire 2018 calendar year's assessed property taxes at the beginning of the 2018 calendar year.

Innovate ABQ will engage a local accounting firm, which has expertise in New Mexico University Research Park Corporation accounting, by January 2019 to work with the Operations Manager to ensure timely and accurate financial statements.

Person responsible: President

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2018

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

Condition

During our testwork of other third party liabilities, we noted an internal control deficiency associated with two identified audit misstatements. The audit misstatements resulted from 1) a calculation error in an analysis supporting a 340B program liability of approximately \$1.5 million and 2) inadequate consideration of recent claims activity and program changes in establishing Recovery Audit Contractor (RAC) liabilities of approximately \$1.7 million.

Criteria

Complex calculations supporting accounting estimates should be reviewed by someone other than the preparer, and reserve methodologies should consider historical data, as well as changes in current environment to ensure the estimated liabilities are in line with industry standards. The Hospital has a policy of indicating that all significant financial statement account analyses and reconciliations should be prepared and reviewed by different individuals prior to recording the transaction or an adjustment to an account.

Effect

Without a secondary review of a financial statement account analysis or reconciliation, there is an increased risk that a transaction or account balance will be recorded with an error. In addition, reserve methodologies that are not periodically revised based on changes in the industry environment, can lead to accounts being over or understated.

Cause

The calculations supporting the 340B program were not reviewed to identify errors, and the RAC liabilities reserve methodology did not consider more recent claim trends in the analysis.

Recommendation

We recommend that management inventory all significant financial statement accounts, especially those with complex analyses and calculations used to determine estimates, and ensure supporting calculations and analysis are properly evaluated to consider applicable industry changes and are reviewed by a second party prior to the account being recorded or adjusted. A departmental manager or individual responsible for the account should perform the review.

University Response

The 340B liability calculation was reviewed by one member of management who was closely involved in the preparation of the calculation. The error was not identified because an independent member of management did not review the calculation. Management will re-evaluate the review process of all estimates to ensure independent reviews for accuracy of the underlying calculations.

The liability related to RAC was calculated using the same methodology that has been in place for several years. In order to ensure that the current industry trends are considered and methodologies do not become stale, management will re-evaluate all estimate methodologies and research current industry approaches for specialized estimates. The Chancellor for Health Sciences will be responsible for the corrective action plan with a completion date of April 30, 2019.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2018

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

Condition

Our testwork revealed that controls over user access reviews are not operating effectively.

This was validated in three components of our testwork:

1. The employee account terminations were not always performed by IT in a timely manner. We identified one BHO employee from the population sampled for whom access to the Millennium system was not timely disabled after termination. We verified that this employee did not record any activity in Millennium subsequent to their termination. This is a repeat finding.

For our testwork we compared all employee terminations during the year to determine if any of these employees still had access to the Millennium, Soarian, Lawson, and IDX system as of June 30, 2018.

2. A cloud migration process performed by vendors created Lawson accounts for employees that were terminated, leaving them active. UNMH IT identified these employees and manually disabled these accounts. However, 35 terminated users (29 UNMH, 3 BHO and 3 SRMC) had active accounts as of the date of testwork. We verified that these employees did not record any activity in Lawson subsequent to their termination.
3. For the Millennium, Soarian, Lawson, and IDX system, we noted documentation supporting various components of management's FY2018 user access review was not sufficient to evidence the control is operating effectively. For example, the documentation of the review of the complete population of users and the actions resulting from management's review (user access changes or removals) was not maintained to evidence that the control process took place such that it could be re-performed.

Criteria

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

Effect

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

Cause

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

Recommendation

We recommend that the disabling of user access within IT systems should take place within a reasonable time, or five working days of termination of employment. Management should continue to enhance its review of user access, which should occur periodically during the year. A departmental manager or individual responsible for the functional data should perform the review. Evidence of the performance of the review, including remedial action taken, should be maintained.

THE UNIVERSITY OF NEW MEXICO

SECTION 12-6-5 NMSA 1978 FINDINGS
Year Ended June 30, 2018

University Response

1. The notification of employee termination has two methods. The separation checklist requires that the direct supervisor notify IT of the termination, and a secondary process creates a termination report to identify employee terminations in case the direct supervisor did not complete the separation checklist. During the migration of Infor (Lawson) from on-premise to cloud, a special termination report was run from the HR system and sent to the IT Helpdesk to verify termination tickets were submitted. This report was not in the usual format for termination notification and there was confusion on the part of IT staff regarding proper treatment of the request. The IT staff have been re-educated regarding how to follow up on requests in a non-standard format.
2. Infor (Lawson) accounts that were disabled were re-created during migration from on-premise to cloud by a third party vendor. Several hundred re-created accounts were identified and manually disabled after go-live. The manual process missed 29 UNMH accounts and 3 BHO accounts out of over 700 total. The 29 UNMH accounts and 3 BHO accounts identified have since been disabled. Past Infor account reviews were for elevated access, which excluded employee level access to their own information. The Infor elevated access reviews will continue with the addition of an annual 100% account review for non-elevated accounts.
3. The Soarian account review does include the complete population of users; however, it hasn't historically included a summary of changes as a result of the audit. Going forward, the Patient Financial Services department will document any access changes and removals as a result of these audits.

Due to the volume of Millennium accounts and the many organizations that sponsor the accounts, the Millennium account review is based on a random selection of accounts that are individually audited. The current process is to maintain a summary of these audit results. Going forward, the randomly selected accounts reviewed and the subsequent actions from the review will also be maintained and documented.

When a separation notice is received from Human Resources, the IT Operations Team sets the accounts (IDX and Active Directory, Net ID) to be disabled for the date of separation. Each month, Human Resources emails a list of separated employees. IT verifies that the IDX and Active Directory accounts have been disabled for each employee.

The monthly separation list will be maintained by IT Operations with documentation indicating what additional action, if any, might have been required beyond verification that the employees' accounts had been disabled. The Chancellor for Health Sciences will be responsible for the corrective action plan with a completion date of April 30, 2019.

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THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Revenues for the year ended June 30, 2018 — University Only Unaudited

| | Tuition and fees | Net patient service | Grants and contracts | Sales, services, and auxiliary enterprises |
|---|-----------------------|-------------------------|-------------------------|--|
| Revenues | \$ 142,597,712 | \$ 1,222,290,962 | \$ 335,808,455 | \$ 116,374,997 |
| Excluded Revenues: | | | | |
| State appropriations | | | | |
| Local appropriations | | | | |
| Distributions to UNM from UNMMG | | (140,140,823) | | |
| Distributions to UNM from SRMC | | (1,381,067) | | |
| Restricted funds | 18,903,184 | | | 8,492,846 |
| Federal grants & contracts | | | 251,095,667 | |
| State grants & contracts | | | 33,277,206 | |
| Nongovernmental grants & contracts | | | 36,637,357 | |
| Facilities and administrative cost recovery | | | (49,392,883) | |
| University of New Mexico Hospital (Hospital) | | 924,365,032 | 1,547,692 | |
| University of New Mexico Behavioral Health Operations (BHO) | | 37,075,606 | 1,190,127 | |
| Blended component units | | 259,373,601 | 582,564 | 25,548,786 |
| Total Excluded Revenues | <u>\$ 18,903,184</u> | <u>\$ 1,079,292,349</u> | <u>\$ 274,937,730</u> | <u>\$ 34,041,632</u> |
| Pledged Revenues | <u>\$ 123,694,528</u> | <u>\$ 142,998,613</u> | <u>\$ 60,870,725</u> | <u>\$ 82,333,365</u> |

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

| | |
|--|-----------------------|
| Pledged Revenues | \$ 492,444,315 |
| Less FY18 debt service for the University: | |
| University's interest payments on debts | 14,779,842 |
| University's principal repayments on debts | <u>17,166,923</u> |
| Excess of pledged revenues over debt service | <u>\$ 460,497,550</u> |
| University's future average annual debt service through year ended June 30, 2047 | \$ 20,575,804 |
| University's future highest annual debt service year ended June 30, 2021 | \$ 36,697,690 |

See accompanying independent auditors' report.

SCHEDULE 23

| State and local appropriations | County mill levies | Investments | Capital | Gifts | Other | Total |
|--------------------------------|--------------------|---------------|---------------|---------------|---------------|------------------|
| \$ 308,042,291 | \$ 101,975,401 | \$ 29,233,109 | \$ 28,224,142 | \$ 33,797,785 | \$ 72,984,762 | \$ 2,391,329,616 |
| 285,903,604 | | | | | | 285,903,604 |
| 8,941,987 | | | | | | 8,941,987 |
| | | | | | | (140,140,823) |
| | | | | | | (1,381,067) |
| | | 5,870,256 | 28,224,142 | 445,000 | 1,064,088 | 62,999,516 |
| | | | | | | 251,095,667 |
| | | | | | | 33,277,206 |
| | | | | | | 36,637,357 |
| | | | | | | (49,392,883) |
| 5,344,300 | 86,523,778 | 318,257 | | 2,254,259 | 33,470,174 | 1,053,823,492 |
| 6,692,200 | 15,268,902 | | | 26,318 | (323,293) | 59,929,860 |
| 1,160,200 | 182,721 | 159,883 | | 7,695 | 10,175,935 | 297,191,385 |
| \$ 308,042,291 | \$ 101,975,401 | \$ 6,348,396 | \$ 28,224,142 | \$ 2,733,272 | \$ 44,386,904 | \$ 1,898,885,301 |
| \$ - | \$ - | \$ 22,884,713 | \$ - | \$ 31,064,513 | \$ 28,597,858 | \$ 492,444,315 |

THE UNIVERSITY OF NEW MEXICO

EXIT CONFERENCE

June 30, 2018

The financial statements were prepared by the financial officials of the University of New Mexico. An exit conference was conducted on October 15, 2018, 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 |
| Bradley C. Hosmer | UNM Board of Regents Audit Committee |
| Garrett Adcock | UNM Board of Regents Audit Committee |
| Garnett S. Stokes | UNM President |
| Richard L. Wood | Interim Provost and Executive Vice President for Academic Affairs |
| Dr. Paul Roth | Chancellor for Health Sciences |
| Elizabeth Metzger | University Controller |
| Ava J. Lovell | Senior Executive Officer for Finance & Administration, HSC |
| Terry Babbitt | Interim Chief of Staff |
| Bonnie White | Interim Chief Financial Officer, UNM Hospitals |
| Marjorie Goldstein | Chief Financial Officer, UNM Medical Group |
| Jamie Silva-Steele | President/CEO, UNM Sandoval Regional Medical Center |
| Manilal Patel | Director, Internal Audit |
| Loretta Martinez | University Counsel |
| Alfred Mathewson | Interim Chief Legal Counsel |
| Francie Cordova | Interim Chief Compliance Officer |
| Purvi Mody | Executive Director, Compliance and Audit, UNM Hospitals |
| John Freisinger | Executive Director, Innovate ABQ, Inc. |
| Wayne Johnson | New Mexico State Auditor |
| Jack Emmons | New Mexico Deputy State Auditor |
| Staff | University Internal Audit Department |

MOSS ADAMS LLP

| | |
|-------------|-------------------|
| Lisa Todd | Partner |
| Chris Noyes | Assurance Manager |

KPMG LLP

| | |
|-------------|----------------|
| Mark McComb | Partner |
| Jaime Cavin | Senior Manager |