

# The University of New Mexico



## Audit Report 2013

*For the year ending June 30, 2013*



UNM

---

# THE UNIVERSITY OF NEW MEXICO

---

June 30, 2013

## BOARD OF REGENTS AND PRINCIPAL OFFICERS

### *Board of Regents*

#### *Appointed Members*

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

#### *Ex officio Members*

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

#### *Advisors*

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

### *Principal Administrative Officials*

#### *University*

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

#### *UNM Hospitals*

Stephen W. McKernan	Chief Executive Officer & Vice President for Hospital Operations
---------------------	--

### *Principal Financial Officials*

#### *Main Campus*

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

#### *Health Sciences Center*

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

#### *UNM Hospitals*

Ella B. Watt	Chief Financial Officer
--------------	-------------------------

---

# THE UNIVERSITY OF NEW MEXICO

---

June 30, 2013

## TABLE OF CONTENTS

### **FINANCIAL STATEMENTS**

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Independent Auditors' Report		iv - vi
Management's Discussion and Analysis (unaudited)		2 - 17

### **BASIC FINANCIAL STATEMENTS**

Statements of Net Position	A	18 - 19
Statements of Revenues, Expenses, and Changes in Net Position	B	20 - 21
Statements of Cash Flows	C	22 - 23
Notes to the Basic Financial Statements		24 - 64

### **REQUIRED SUPPLEMENTAL INFORMATION (unaudited)**

	<b><u>Schedule</u></b>	
Schedule of Funding Progress and Employer Contributions	1	66

### **SUPPLEMENTAL INFORMATION**

Combining Statement of Net Position – Discretely Presented Component Units 2013	2	68 - 69
Combining Statement of Net Position – Discretely Presented Component Units 2012	3	70 - 71
Combining Statement of Revenues, Expenses, and Changes in Net Position – Discretely Presented Component Units 2013	4	72 - 73
Combining Statement of Revenues, Expenses, and Changes in Net Position – Discretely Presented Component Units 2012	5	74 - 75
Budget Comparison	6 - 8	76 - 79
Schedule of Pledged Collateral	9	80 - 83
Schedule of Individual Deposit and Investment Accounts	10	84 - 87

### **SINGLE AUDIT INFORMATION**

Schedule of Expenditures of Federal Awards	11	88 - 92
Notes to Schedule of Expenditures of Federal Awards		94 - 108
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		110 - 111
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		112 - 113
Summary Schedule of Prior Audit Findings		114
Schedule of Findings and Questioned Costs		116 - 121

### **OTHER UNAUDITED INFORMATION**

Schedule of Pledged Revenues	12	122 - 123
Exit Conference		124

**(THIS PAGE INTENTIONALLY LEFT BLANK)**



**KPMG LLP**  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of New Mexico (the University), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We have also audited the budget comparisons presented as supplemental information for the years ended June 30, 2013 and 2012 as listed in the accompanying table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements and budget comparisons based on our audits. We did not audit the departmental financial statements of the UNM Hospital and the UNM Behavioral Operations, collectively known as the clinical operations of the University (clinical operations), which constitutes 24 percent, 20 percent, and 35 percent, respectively, of the assets, net position, and revenues of the primary institution total as of and for the year ended June 30, 2013 and which constitutes 25 percent, 20 percent, and 35 percent, respectively, of the assets, net position, and revenues of the primary institution totals as of and for the year ended June 30, 2012. In addition, we did not audit the financial statements of certain discretely presented component units UNM Medical Group, Inc. and Sandoval Regional Medical Center (SRMC), which constitutes 51 percent, 27 percent, and 74 percent, respectively, of the assets, net position, and revenues of the discretely presented component units total as of and for the year ended June 30, 2013 and which constitutes 61 percent, 35 percent, and 72 percent, respectively, of the assets, net position, and revenues of the discretely presented component units total as of and for the year ended June 30, 2012. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such clinical operations and component units, is based solely on the report of the other auditors. We conducted our audit in accordance



with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units, of the University of New Mexico, as of June 30, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the years ended June 30, 2013 and 2012 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the Schedule of Funding Progress and Employer Contributions on pages 2–17 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements and the budget comparisons (schedule 6 through 8). The accompanying schedule of expenditures of federal awards (schedule 11), as required by the U.S. Office of Management and Budget Circular A-133, the discretely presented component units combining schedules (schedules 2 through 5), schedule of pledged collateral (schedule 9), schedule of individual deposit and investment accounts (schedule 10), and schedule of pledged revenues (schedule 12) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

Albuquerque, New Mexico  
November 8, 2013

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

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, 2013, 2012, and 2011. 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 2013, 2012, and 2011. The MD&A does not include information of the discretely presented component units, for which separately issued financial statements are available.

### Using the Basic Financial Statements

The Statement of Net Position presents the assets, liabilities, deferred outflows and inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position 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).

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 the Governmental Accounting Standards Board (GASB) as revenues arising from an exchange (earned) transaction. In a public university, such as UNM, income from state government appropriations, although not earned, 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 final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows, and as such, presents gross, rather than net, amounts for the year's activities.

# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

### Summary Statements of Net Position as of June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Current assets	\$ 720,739,601	\$ 757,371,046	\$ 736,278,297
Capital assets, net	1,213,835,313	1,240,034,831	1,268,867,440
Noncurrent assets	<u>494,345,805</u>	<u>426,311,043</u>	<u>440,627,321</u>
Total assets	<u>\$ 2,428,920,719</u>	<u>\$ 2,423,716,920</u>	<u>\$ 2,445,773,058</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 11,089,443</u>	<u>\$ 15,875,820</u>	<u>\$ 8,016,390</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 257,020,319	\$ 245,991,979	\$ 257,713,344
Noncurrent liabilities	<u>617,408,163</u>	<u>642,790,284</u>	<u>653,422,165</u>
Total liabilities	<u>\$ 874,428,482</u>	<u>\$ 888,782,263</u>	<u>\$ 911,135,509</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 659,260,450	\$ 674,173,608	\$ 702,221,456
Restricted	361,917,469	327,773,139	327,078,334
Unrestricted	<u>544,403,761</u>	<u>548,863,730</u>	<u>513,354,149</u>
Total net position	<u>\$ 1,565,581,680</u>	<u>\$ 1,550,810,477</u>	<u>\$ 1,542,653,939</u>

### Current Assets and Liabilities

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant current assets of the University are cash and cash equivalents and short-term investments consisting of certificates of deposit, U.S. Treasury Bills, and other government-backed securities totaling \$480.9 million, \$512.2 million, and \$536.0 million as of June 30, 2013, 2012, and 2011, respectively.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, unearned revenue, and accrued compensated absences. The 4.5% increase in current liabilities for the year ended June 30, 2013 is primarily due to increases in accounts payable, accrued payroll, and due to component units.

At June 30, 2013, the University's current ratio, the amount of current assets (\$720.7 million) available to cover current liabilities (\$257.0 million), was 2.80 to 1. At June 30, 2012, the University's current ratio, the amount of current assets (\$757.4 million) available to cover current liabilities (\$246.0 million), was 3.08 to 1. At June 30, 2011, the University's current ratio, the amount of current assets (\$736.3 million) available to cover current liabilities (\$257.7 million), was 2.86 to 1.

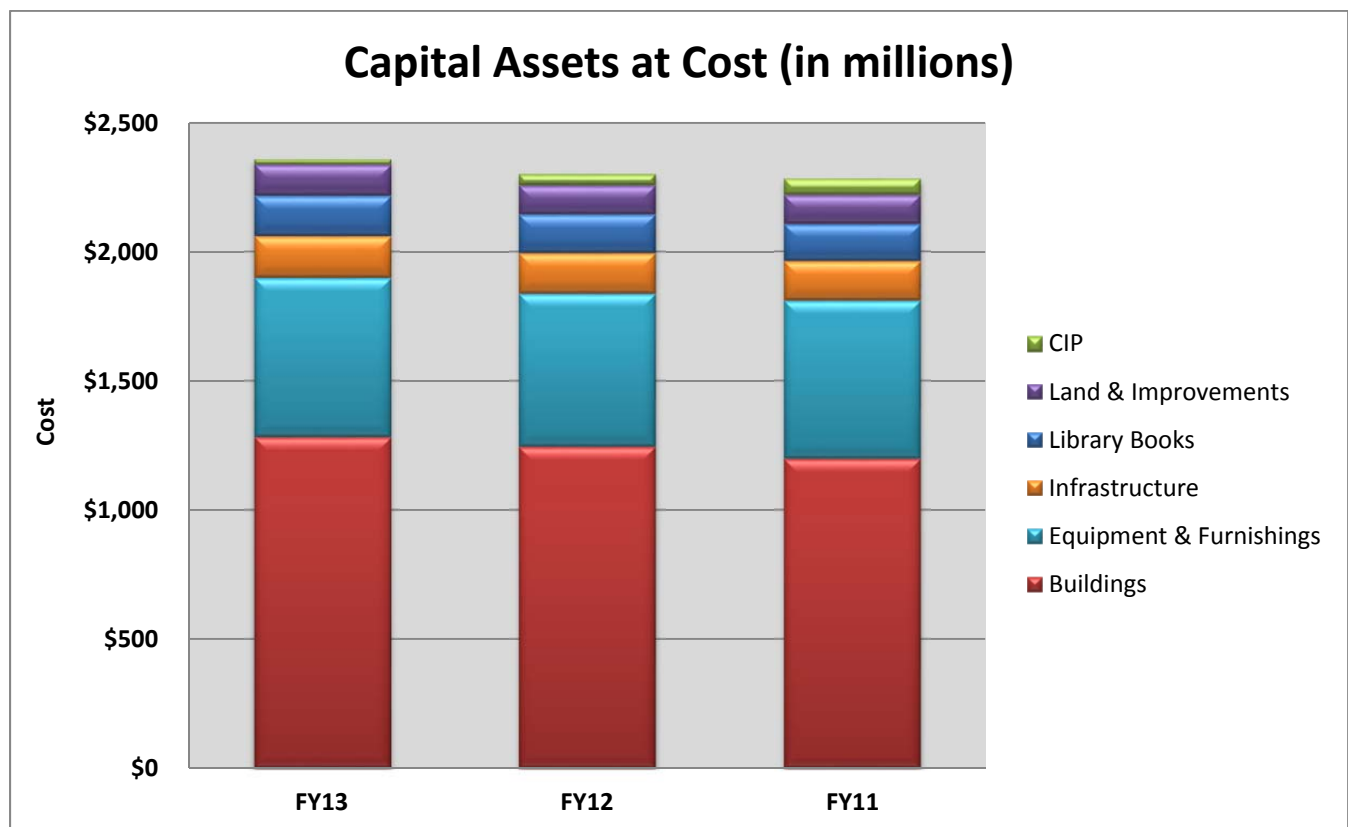
# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

### Capital Assets

Capital assets are the largest category of noncurrent assets and are shown net of accumulated depreciation, at \$1.21 billion, \$1.24 billion, and \$1.27 billion as of June 30, 2013, 2012, and 2011, respectively. During FY13, the largest capital asset additions for the University were within Buildings. Overall, the University increased Buildings by \$35.6 million in FY13, compared to net increases of \$45.5 million in FY12 and \$114.8 million in FY11. The University's increase in Buildings in FY13 is primarily due to construction of new buildings as well as renovations to existing buildings. The major constructed addition was the \$7.6 million Collaborative Teaching and Learning Building. The major renovations completed during FY13 were renovations totaling \$14.2 million to the Innovation, Discovery and Training Complex and the \$4.8 million renovation to 1650 University Towers.



Other major capital projects completed in FY13 include the Facility for Advanced Cell Engineering (FACE), Health Sciences Center (HSC) Classroom upgrades, the Taos Classroom Building, and the Clinical Neurosciences Lab in Logan Hall on Main Campus.

New projects include the 1650 University Towers Interior Buildout, the Biology Building Renovation (Casterter Hall Phase 3), Clark Hall Renovations (Chemistry), the McKinnon Family Tennis Center, and the North Golf Course. These projects have the approval of the Board of Regents for the architectural and engineering design team and are currently in the design phase. After completion of the design, these projects will go to the State Higher Education Department and the State Board of Finance for project approval. Clark Hall (\$16M) and Casterter Hall Phase 3 (\$3.85M) are funded by State of New Mexico GOB and STB appropriations. The 1650 University Towers Interior Buildout (\$7.4M) is funded by HSC carryforward balances.

---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

Other new projects currently in the planning stage are the Los Alamos Science Labs Renovation (\$750,000), the Science and Math Learning Center Phase 2 (\$5M), and the Taos Student Services Center (\$2.2M). The Science and Math Learning Center Phase 2 is a buildout of shell space constructed in Phase 1, and the Taos Student Services Center project will be an addition to the existing Student Services Center building. The University was also awarded an \$850,000 appropriation for the planning and design of a major renovation to Farris Hall.

In FY13, the Office of Capital Projects saw an increase in minor capital projects funded by departments. Housing renovation projects were numerous due to competition from the new Lobo Village on South Campus and the new Casas del Rio dormitory on Main Campus. Other minor capital projects included multiple lab renovations at HSC.

Capital assets for Clinical Operations, which includes the University of New Mexico Hospital (Hospital) and the University of New Mexico Behavioral Operations (UNM Psychiatric Center and UNM Children's Psychiatric Center), net of accumulated depreciation, were \$261.8 million, \$277.3 million, and \$291.6 million as of June 30, 2013, 2012, and 2011, respectively. Within Clinical Operations during FY13, the largest changes in capital assets were increases of \$14.3 million in major moveable equipment and \$4.3 million in building service equipment and a decrease of \$5.1 million in construction in progress. During FY13, the Hospital recorded additional capital related to completion of Phase I Lawson implementation as well as the Cerner Surginet module expansion. In addition, the Hospital installed a bi-plane X-ray system and an ultrasound system. Building improvements included main operating room flooring replacement, interventional radiology renovations, and way-finding signage. Building service equipment included assets for the interventional radiology renovation, replacement of the domestic soil pipes, and assets related to the emergency department triage room renovation. For the Behavioral Operations, capital expenditures included an air cooled chiller, a ropes course, and a fiber optics infrastructure improvement project.

### **Debt Activity**

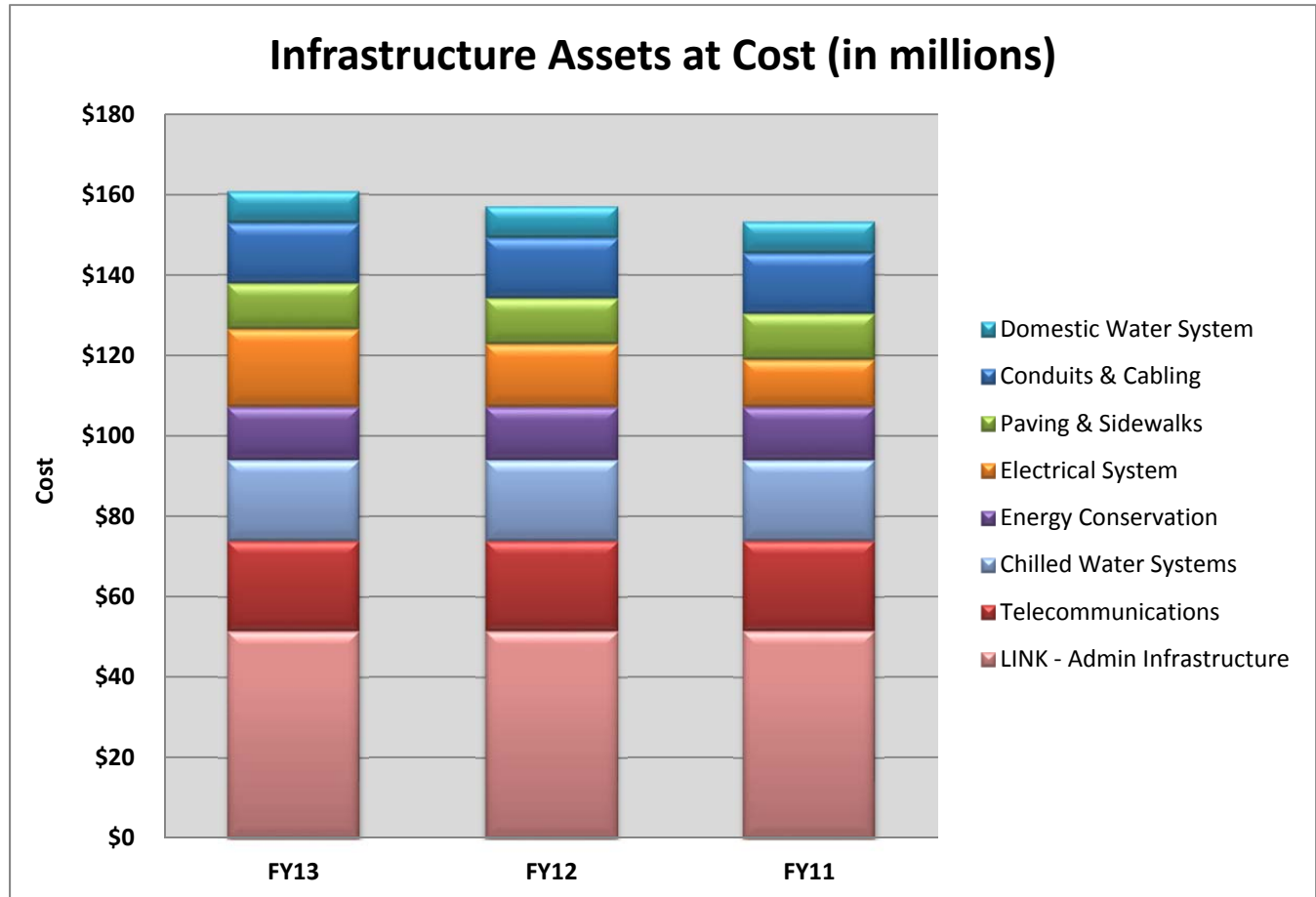
UNM's bonds payable totaled \$581.1 million, \$600.9 million, and \$622.4 million at June 30, 2013, 2012, and 2011, respectively. The current portion of this debt was \$19.0 million, \$18.3 million, and \$17.7 million at June 30, 2013, 2012, and 2011, respectively. Included in those totals are Federal Housing Administration (FHA) insured Hospital Mortgage Revenue Bonds, Series 2004. The loan guarantee is considered federal assistance subject to the requirements of Office of Management and Budget (OMB) Circular A-133 and the Single Audit Act. Accordingly, the loan guarantee is considered a federal award for purposes of UNM's June 30, 2013, 2012, and 2011 Single Audit.

# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

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



# THE UNIVERSITY OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES BY MAJOR SOURCE</b>			
Tuition and fees	\$ 130,300,603	\$ 129,904,915	\$ 121,563,133
Grants and contracts	264,911,978	261,455,733	268,848,190
Clinical operations	539,463,018	526,617,721	522,921,151
Patient services, net	106,623,475	97,498,895	102,548,431
Sales and services	207,133,423	194,838,143	180,744,993
Other operating revenues	<u>41,387,857</u>	<u>38,741,274</u>	<u>43,264,202</u>
Total operating revenues	<u>\$ 1,289,820,354</u>	<u>\$ 1,249,056,681</u>	<u>\$ 1,239,890,100</u>

## OPERATING EXPENSES BY MAJOR FUNCTION

Instruction	\$ 255,178,768	\$ 239,991,979	\$ 242,603,888
Research	169,427,660	163,124,198	165,919,129
Public service	300,456,308	271,771,111	267,960,388
Academic support	46,039,723	46,292,389	41,962,531
Student services	25,738,176	23,955,995	24,458,050
Institutional support	56,232,354	53,068,952	51,925,255
Operation of plant	148,821,576	145,523,650	128,647,727
Student aid and activities	58,745,976	59,778,814	61,456,297
Intercollegiate athletics	30,216,179	31,358,703	28,784,386
Auxiliary enterprises	57,297,244	52,368,913	56,931,024
Other operating expenses	48,273,912	44,823,036	44,976,961
Clinical operations	<u>648,287,991</u>	<u>604,992,629</u>	<u>585,443,332</u>
Total operating expenses	<u>\$ 1,844,715,867</u>	<u>\$ 1,737,050,369</u>	<u>\$ 1,701,068,968</u>

## NONOPERATING REVENUES (EXPENSES)

Appropriations	\$ 288,190,626	\$ 271,922,046	\$ 289,980,617
Federal pell grants	54,884,892	57,428,783	58,107,341
Gifts	26,768,949	28,933,854	56,584,438
Clinical operations	113,269,992	80,228,561	71,934,412
Investment income	45,472,407	8,174,001	70,480,180
Other nonoperating revenues	20,783,130	33,808,799	45,107,871
Capital gifts, grants and appropriations	20,151,595	15,386,207	19,096,078
Other revenues (expenses)	<u>145,125</u>	<u>267,975</u>	<u>(35,561,333)</u>
Net nonoperating and other revenues	<u>\$ 569,666,716</u>	<u>\$ 496,150,226</u>	<u>\$ 575,729,604</u>

Change in net position	\$ 14,771,203	\$ 8,156,538	\$ 114,550,736
Net position at beginning of year	1,550,810,477	1,542,653,939	1,454,119,219
Restatement of net position for change in reporting entity	<u>-</u>	<u>-</u>	<u>(26,016,016)</u>
Net position at end of year	<u>\$ 1,565,581,680</u>	<u>\$ 1,550,810,477</u>	<u>\$ 1,542,653,939</u>

# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

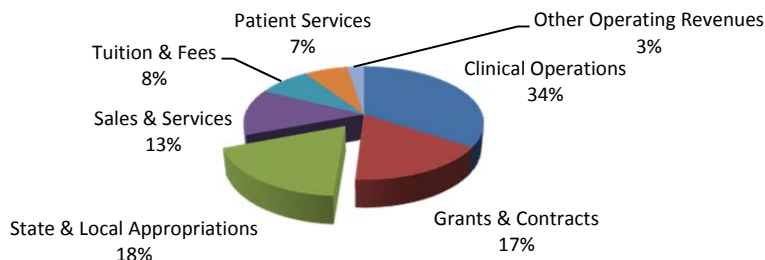
### Revenues and Expenses

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

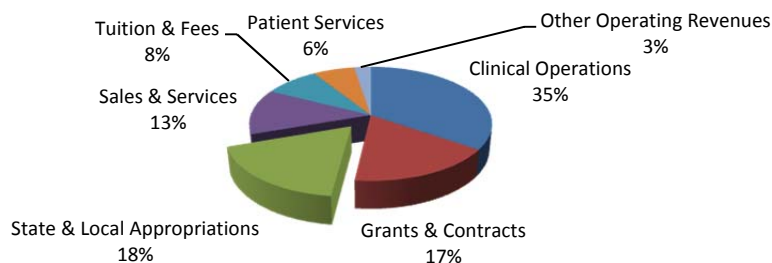
Although State of New Mexico appropriations are considered nonoperating revenues in the basic financial statements, the University uses these funds to support all instruction and general programs. If state and local appropriations were included in operating revenues, they would comprise 18%, 18%, and 19% of total operating revenues for fiscal years 2013, 2012, and 2011, respectively. The following charts depict operating revenues (with state and local appropriations) by source.

### Revenues by Source

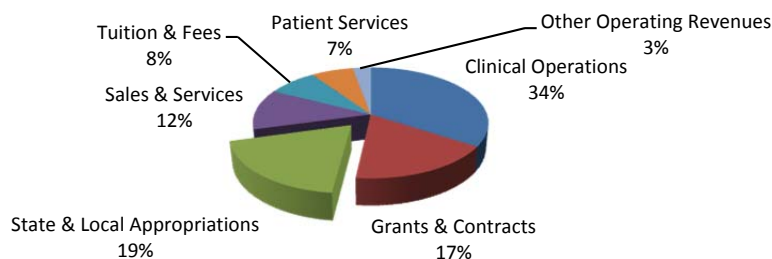
#### FY13



#### FY12



#### FY11



---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

### Operating Revenues

Operating revenues for the University increased by 3.3% for 2013 over 2012 and by 0.7% for 2012 over 2011. Revenues from patient services and Clinical Operations are a significant portion of the University's total net operating revenues. It comprised gross patient revenues, net of contractual allowances, charity care, provision for doubtful accounts, and any third-party cost report settlements. Revenues from patient services and Clinical Operations increased by 3.5% from FY12 to FY13 and decreased by 0.2% from FY11 to FY12.

UNM HSC offers a financial assistance program called UNM Care to which all patients are encouraged to apply. This program assigns patients primary care providers and allows them to receive care throughout UNM HSC locations. This program is available to Bernalillo County residents who meet certain income thresholds. Effective January 1, 2010, the income threshold was changed to 300% of the federal poverty level. As of June 30, 2013, 2012, and 2011, there were approximately 26,408, 32,500, and 30,500 active enrollees, respectively. UNM HSC does not pursue collection of amounts determined to qualify as charity care, with the exception of copayments, and deducts the amount from gross revenue.

UNM HSC also provides services to patients who are either uninsured or under-insured and who do not meet the criteria for financial assistance. UNM HSC encourages patients to meet with a financial counselor to develop payment arrangements. Although UNM HSC pursues collection of these accounts, usually through an extended payment plan or a discounted rate, interest is not charged on these accounts, nor are liens placed on property or assets, or judgments filed against these patients. These accounts are fully reserved and recorded as a provision for uncollectible accounts. Provision expenses recorded for fiscal years 2013, 2012, and 2011 were \$103.5 million, \$100.9 million, and \$69.5 million, respectively.

UNM HSC incurs costs associated with providing charity care and other services for which payment is not received. As of June 30, 2013, the estimated cost of care for providing these services was \$241.7 million compared to \$221.6 million in FY12 and \$198.3 million in FY11.

UNM's credit hour production for the 2013 academic year was steady at 698,159. Credit hours have seen 13% growth in the 5 years from 2008-09 to 2012-13. Continued improvement in persistence has created stable enrollment. Formula funding emphasis on performance and student outcomes will likely lead to modest enrollment increases that follow a smart growth strategy. Additional enrollment and tuition rate increases in academic functions of the University were as follows:

	<u>Fall 2012</u>	<u>Fall 2011</u>	<u>Fall 2010</u>
Enrollment change (headcount)	-0.1%	0.6%	5.3%
Tuition rate increase (resident undergraduate)	4.1%	5.5%	7.9%

# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

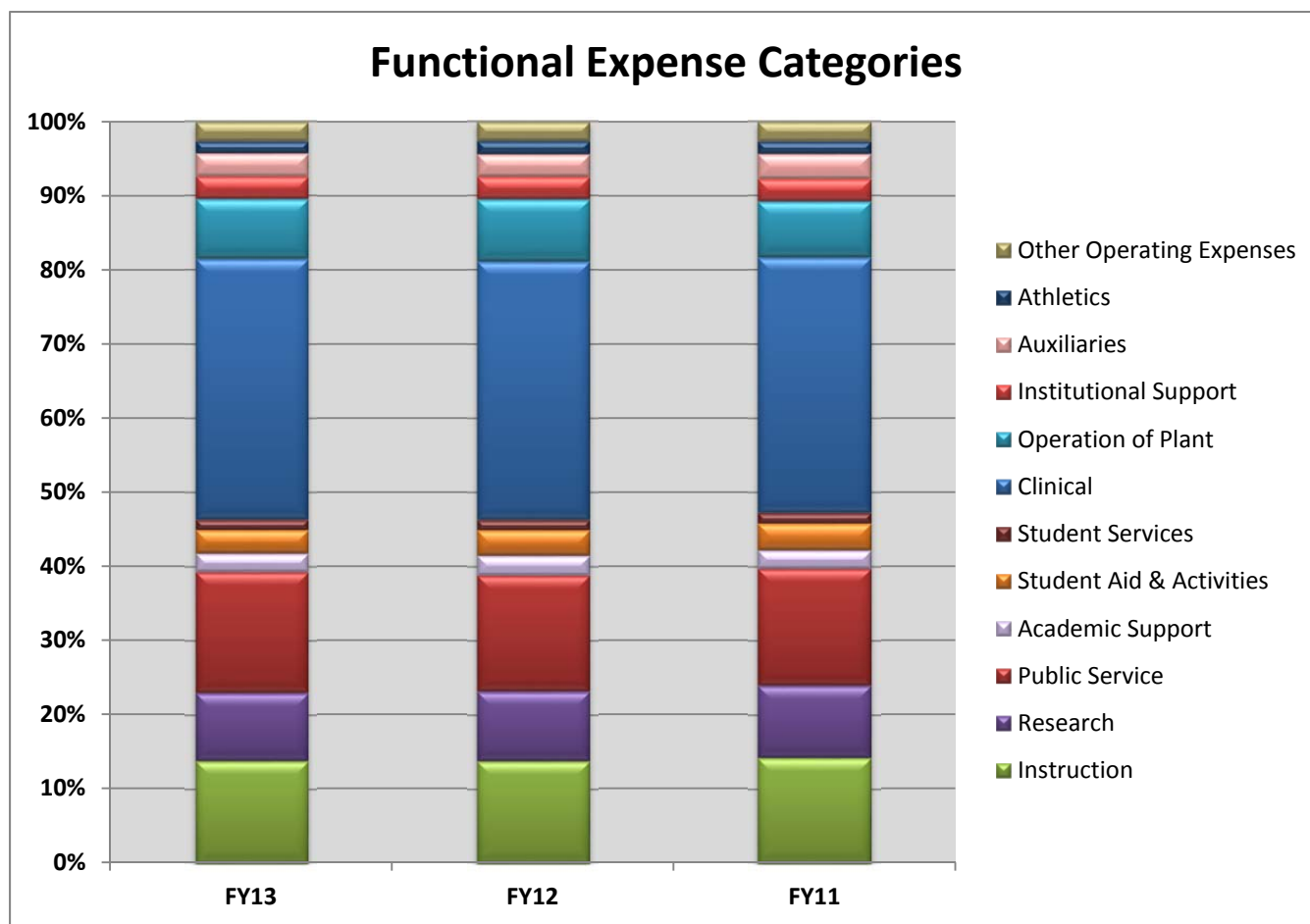
Year Ended June 30, 2013

### Nonoperating Revenues/Expenses

Net nonoperating revenues increased by 14.8% from FY12 to FY13 and decreased by 13.8% from FY11 to FY12. Nonoperating revenues are primarily driven by state appropriations, federal pell grants, gifts received by the University, and investment income/loss. The major reason for the increase in nonoperating revenues in FY13 is a \$37.3 million increase in investment income due to improved investment market conditions. Other significant changes in net nonoperating revenues are increases of \$33.0 million in the net nonoperating revenues of Clinical Operations and \$14.9 million in state appropriations.

### 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, 2013, 2012, and 2011:

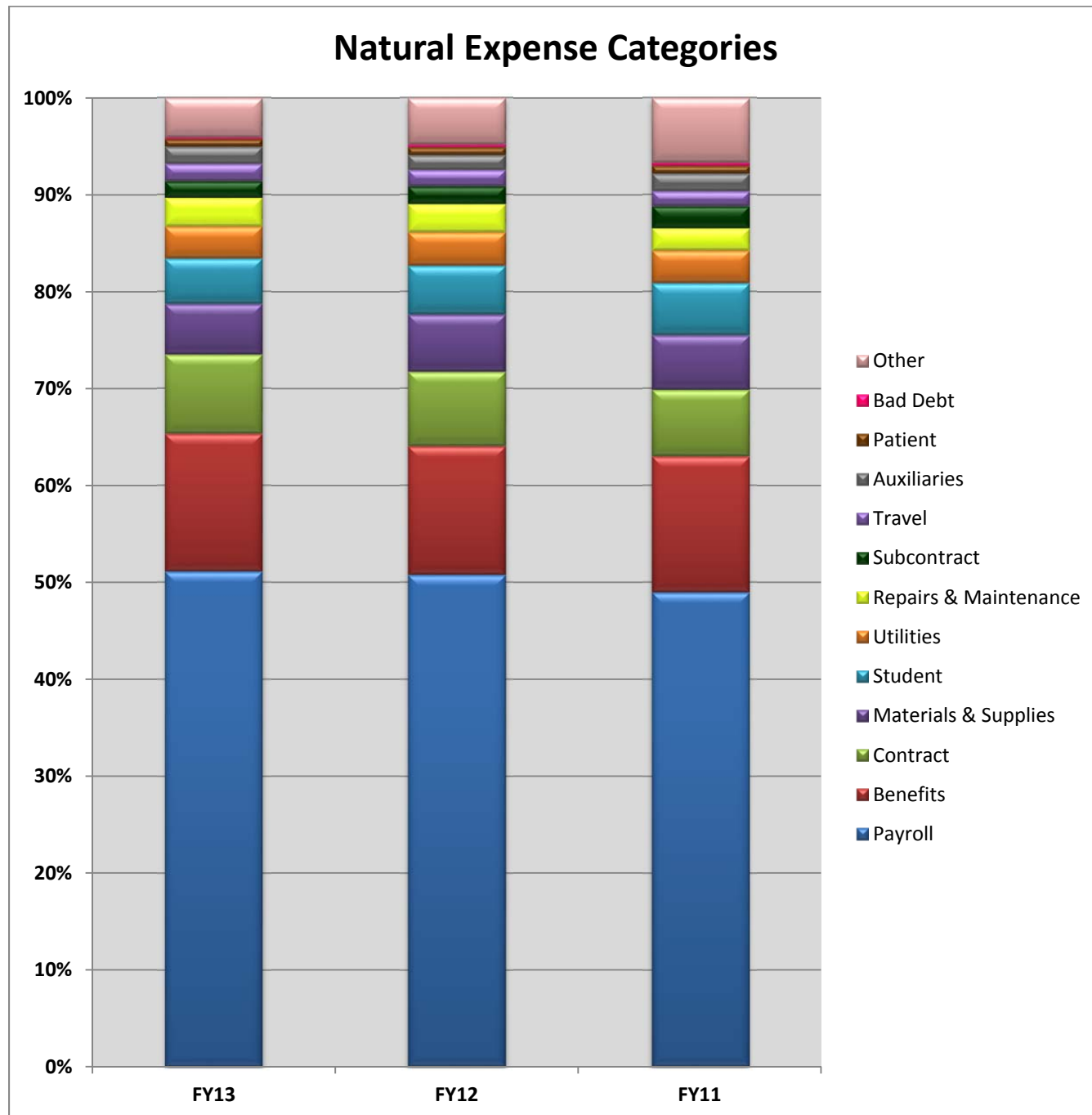


# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

The chart below shows total expenses by natural category (excluding Clinical Operations and component units) for the years ended June 30, 2013, 2012, and 2011:



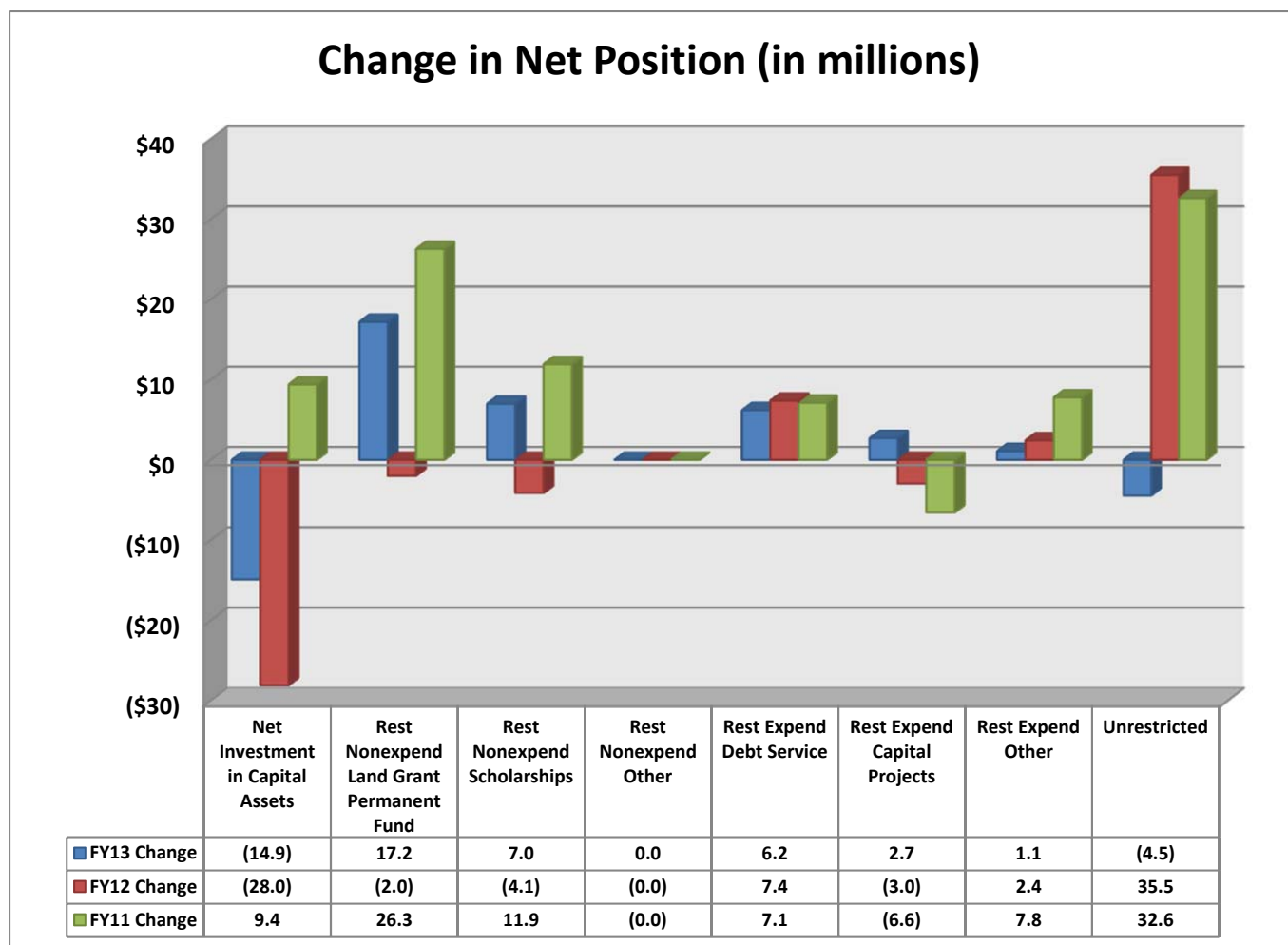
# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

### Change in Net Position

The University's total change in net position showed net increases of \$14.8 million for FY13, \$8.2 million for FY12, and \$88.5 million for FY11. Total net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) are classified by the University's ability to use the net position to meet operating needs. Net position that is restricted as to its use by sponsoring agencies, donors, or other non-UNM entities is classified as either "nonexpendable" or "expendable." Restricted nonexpendable net position includes true endowments and State Land and Permanent Fund. Restricted expendable net position is generated by contracts, grants, gifts, and assets required to be set aside for debt service. The restricted net position is further classified in general terms as to the function for which it must be used. Unrestricted net position may be used to meet operating needs of the University. The major changes in net position in FY13 include a \$17.2 million increase in the net position of the land grant permanent fund and a \$14.9 million decrease in net investments in capital assets. The increase in the net position of the land grant permanent fund was due to the recognition of \$17.2 million in net unrealized gains in FY13. The decrease in the net position of net investments in capital assets was due primarily to the additions to accumulated depreciation exceeding the additions to capital assets by \$25.0 million. Unrestricted net position decreased by \$4.5 million with the most significant changes being a decrease of \$12.5 million in the net position of unrestricted plant funds and an increase of \$10.4 million in the unrestricted net position of Clinical Operations. The chart below shows the changes in net position by category for the fiscal years ended June 30, 2013, 2012, and 2011:



# THE UNIVERSITY OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

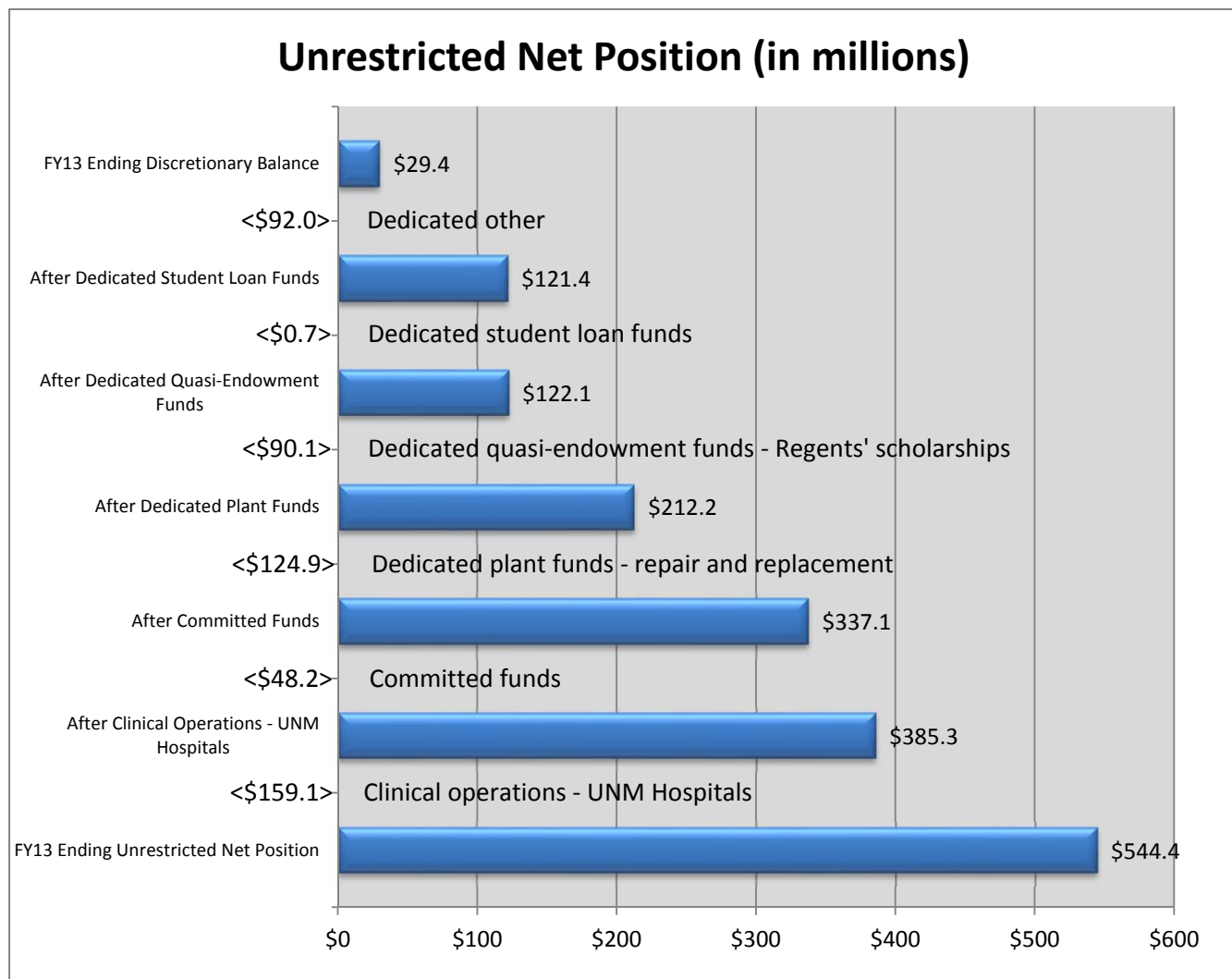
Year Ended June 30, 2013

### Unrestricted Net Position

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

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

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



---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

### Budget Activity

Operating budgets are submitted for approval to the Board of Regents, the New Mexico Higher Education Department (HED), and the State Budget Division of the Department of Finance and Administration (DFA). Similarly, separate legislative budget requests are submitted to the Board of Regents, HED, and the DFA for inclusion in the State of New Mexico Executive Budget for consideration of appropriations by the state legislature.

Original budgets for each fiscal year are prepared many months in advance based on: (a) prior year expenditure and revenue activity, (b) best estimates of projected revenue and expenditure activity for the budgeted year, and (c) internal budget reviews with departments on campus. During the fiscal year, original budgets are revised to more accurately reflect current needs of the institution and to include previously unanticipated events in both revenues and expenditures categories.

The most significant event in FY13 for the Main Campus was the State Instruction and General (I&G) General Fund appropriation increase for operations of 7.6%, or approximately \$12.3 million. This budget increase, however, did not include compensation, the fourth consecutive year that the State failed to increase salaries and benefits for higher education employees. State funding for Research and Public Service Projects (RPSPs) was mixed, with increases to individual programs, but an overall decrease in RPSP funding of \$73,700, or 0.92%.

In terms of overall FY13 Main Campus revenues, there was significant growth totaling approximately \$95.8 million, or 12.7% over FY12. The growth was mainly attributable to the increased state funding referenced above and expected revenue growth in federal appropriations and contract and grant activity. Additionally, the UNM Board of Regents approved a 4.1% tuition & fee increase. For Main Campus, actual expenditures were less than budgeted expenditures largely due to the need to budget enough expenditure authority for unanticipated events.

At HSC, the most significant budgetary changes in FY13 were: (a) a reduction in earned facilities and administrative (F&A) cost recovery of \$1.2 million and a corresponding decrease in F&A transferred to plant; (b) budgeted patient revenues decreased by \$2.7 million; (c) an accrual for a faculty compensation increase of 2% increased salary expenditures by \$2.9 million; and (d) salary expenditures also increased approximately \$1.7 million for one time supplemental pay of \$1,100 per eligible staff member.

HSC's original budget to actual is an overall revenue decrease of \$12.4 million, or 2.6%. Significant categories include: (a) actual patient revenues are approximately \$9.2 million less than budget; (b) actual Public Service gifts & contracts are \$1.2 million greater than budget; (c) actual other revenue sources for Research and Public Service are \$2.1 million greater than budget; (d) restricted contract and grant revenues are \$5.3 million less than budgeted; and (e) F&A revenue and other sales & services revenue are \$1.0 million less than budgeted.

HSC's original budget to actual is an overall expenditures and transfers net decrease of \$9.2 million, or 1.8%. Significant categories include: (a) actuals for I&G are \$4.8 million greater than budget; (b) actuals for Research are \$12.7 million less than budget; (c) actuals for Public Service are \$3.0 million less than budget; and (d) Independent Operations are \$1.5 million greater than budget.

Overall, the University's change in net assets on a budgetary basis for unrestricted and restricted funds was a decrease of \$18.1 million (schedule 6), which for FY13 can be attributed primarily to overall

---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

increases in salaries and fringe benefits. These expenditure increases were partially offset with increases in Main Campus tuition & fee revenues, the increase in state appropriations, and large increases in sales and services. The University's change in net assets on a budgetary basis for unrestricted I&G funds was a decrease of \$8.3 million (schedule 7), which was driven largely by the increases in salaries and other operational expenditures after several years of reduced spending in I&G as departments were forced to reduce expenditure levels to absorb state budget cuts.

### **Endowments**

At June 30, 2013, the University of New Mexico's endowment assets totaled \$541.5 million, including \$358.4 million in the Consolidated Investment Fund (CIF) and \$183.1 million in the University's share of the state's Land Grant Permanent Fund.

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

The CIF finished the year with a return on investment of 11.3%, as compared to 0.75% in the previous fiscal year. This return compares favorably with those for the overall market and peer institutions. U.S. equities and international equities posted returns of 19.2% and -17.4%, respectively. Private equity investments returned 4.8%, real assets returned 9.8%, fixed income investments returned 0.1%, and marketable alternatives returned 13.3%.

### **Sponsored Programs**

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

During FY13, federal and state agencies, industry, foundations, and national laboratories awarded \$335.7 million in contract and grant awards to UNM for sponsored projects ranging from engineering to medicine and education to the humanities. The Main and Branch campuses were awarded \$186.0 million, and the HSC was awarded \$149.7 million.

The majority of contracts and grants, 65%, were awarded by federal agencies, while the remaining came from the following sources: State of New Mexico, 11%; industry, 9%; foundations, 7%; national laboratories, 1%; and other, 7%.

### **Factors Impacting Future Periods**

In order to meet the growing demand for student housing at UNM, the UNM Board of Regents approved terms of a ground lease that allowed American Campus Communities (ACC) to develop more student housing on UNM's central campus. Casas del Rio is a two-phase project with phase one completed in Fall 2012. Phase one of the project included a total of 1,030 beds, which increased the number of beds

---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

on central campus to 3,300. The second phase of the project, scheduled to begin in 2014 and be completed in 2015, will add an additional 1,000 beds, as well as a new student cafeteria.

At June 30, 2012, the University's actuarial accrued liability (AAL) for Other Post Employment Benefits (OPEB) was \$152.6 million, which was a 15.8% increase over June 30, 2011. AAL is the present value of all future expected postretirement health payments and administrative costs attributable to past service. Prior to July 1, 2013, the AAL for the University was unfunded. The UNM Board of Regents created a task force to prepare recommendations for funding and reducing the OPEB liability. As a result, the task force recommended, and the Board of Regents approved, the creation of a Voluntary Employee Beneficiary Association (VEBA) Trust, with contributions beginning on July 1, 2013. The VEBA will be funded by equal contributions made by UNM and benefits-eligible UNM employees who choose not to opt-out of postretirement benefits. Contributions to the VEBA Trust will phase in over a three-year period to an allocation of 1% employee contribution and 1% UNM contribution by the third year. The task force also recommended, and the Board of Regents approved, an increase in the percentage of Pre-65 and Post-65 retiree contributions to postretirement benefits to be phased in over a five-year period for Pre-65 contributions and over a three-year period for Post-65 contributions. At June 30, 2013, the University's AAL decreased to \$94.2 million.

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

The Patient Protection and Affordable Care Act (PPACA) was enacted on March 23, 2010. PPACA expands Medicaid eligibility provisions, Medicare and Medicaid reforms, and private insurance market reforms. Medicaid expansion under PPACA includes new eligibility criteria establishing a minimum floor for Medicaid coverage to 133% of the Federal Poverty Level (FPL) (with the 5% income disregard allowed in Section 2002 of PPACA, the effective rate is 138% FPL), eliminating other non-income-based criteria (such as age, disability, or asset testing). The population most impacted by the new optional eligibility criteria is expected to be childless adults. States are also prohibited from reducing Medicaid or Children's Health Insurance Program (CHIP) eligibility that was in place on the date of PPACA enactment. PPACA provides additional federal financing through the Federal Medical Assistance Percentage (FMAP) for newly eligible Medicaid patients beginning in 2014.

On June 28, 2012, the U.S. Supreme Court ruled on certain provisions of PPACA. They declared that the "individual mandate" requiring individuals to buy insurance or to pay a fine amounted to a tax and that the government has the ability to impose such a tax. The ruling also declared that states have the ability to not participate in Medicaid expansion and to avoid the penalties described in PPACA. PPACA also reduced the annual market basket increase for Medicare inpatient and outpatient hospital services for services rendered on or after October 1, 2010.

The New Mexico Health and Human Services Department (NMHSD) will implement the revised New Mexico Medicaid program "Centennial Care" beginning January 1, 2014. New Mexico will provide

---

# THE UNIVERSITY OF NEW MEXICO

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

coverage based on household size with income below 138% of the federal poverty limits (FPL). NMHSD projects approximately 170,000 people will be eligible for this expanded coverage. UNM Hospital estimates that 75% of its current UNM Care enrollment and 90% of UNM SCI patients will be eligible for Medicaid under Centennial Care. The State's SCI program will be eliminated with Centennial Care and enrollees are expected to enroll in Centennial Care or purchase insurance on the New Mexico Health Insurance Exchange. The Medicaid expansion will provide coverage for patients that are currently provided care by UNM Hospitals under financial assistance or as self-pay. However, there are likely to be implementation risks associated with Centennial Care that could cause delays in Medicaid eligibility. The NMHSD is implementing new eligibility software that will not be fully functional until January 2014, which may cause a backlog in patient enrollment for the first half of calendar year 2014. Centennial Care will blend long-term care, acute care services, and behavioral health into a single delivery system. The managed care organizations (MCO) participating in Centennial Care will be reduced to four that will cover all services covered under Centennial Care. There may be delays in coverage as this change in participating MCOs may cause delays in enrollment and patient to physician assignment.

The Medicaid Supplemental Upper Payment Limit (UPL) funding will be eliminated effective January 1, 2014. The FY14 UPL payment is estimated to be \$26.4 million. This will be paid in two payments to cover July through December 2013. The Hospital expects to enter into Memorandums of Understanding with the State of New Mexico for UPL, under which UNM Hospital agrees to an intergovernmental transfer in the amount of \$8.1 million to fund the nonfederal share of Medicaid payment pursuant to federal Medicaid regulations at 42 CFR 433.51. As the largest safety net hospital in New Mexico, the Hospital is working closely with NMHSD to replace this supplemental funding with enhanced Medicaid fee-for-service and MCO base rates. The outcome of these discussions has not been determined.

Current economic conditions in the State of New Mexico will continue to impact the Hospital as the State seeks to identify revenue sources and expenditure reductions. The State Coverage Initiative (SCI) Program will be eliminated with New Mexico's Centennial Care beginning January 2014. The State was unable for fiscal years 2013 and 2012 to fund a portion of the nonfederal share to obtain federal matching funds as described in the CMS Special Conditions/Approval, thereby jeopardizing the viability of the SCI program. As a result, the Hospital entered into Memorandums of Understanding with the State of New Mexico for each year, under which UNM Hospital agreed to an intergovernmental transfer in the amount of \$16.3 million and \$15.5 million, in fiscal years 2013 and 2012, respectively, to fund the nonfederal share of Medicaid payment pursuant to federal Medicaid regulations at 42 CFR 433.51.

### **Requests for Additional Financial Information**

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's retailers and vendors, and other interested parties with a general overview of the financial position as of June 30, 2013 and 2012, and the results of its operations, cash flows, and variances from the budgets for the years then ended for the University of New Mexico.

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

To download additional copies of this report, or to obtain prior year copies of this report go to <http://fsd.unm.edu/annual-reports.html> and select the Annual Audit Report link.

# THE UNIVERSITY OF NEW MEXICO

## BASIC FINANCIAL STATEMENTS

Statements of Net Position as of June 30, 2013 and 2012

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2013	2012	2013	2012
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (note 3)	\$ 186,168,302	\$ 190,464,607	\$ 42,676,391	\$ 36,420,432
Cash and cash equivalents – restricted (note 3)	-	-	16,774,954	73,157,982
Short-term investments (note 3)	294,759,998	321,692,767	9,221,633	8,579,288
Accounts receivable, net (note 4)	69,696,970	71,707,553	2,220,691	2,094,259
Patient receivables, net (note 4)	72,063,982	76,986,762	29,088,552	19,181,238
Notes receivable, net (note 5)	5,076,326	3,886,028	-	-
Due from component units	34,831,944	35,655,307	-	-
Estimated third-party payor settlements	30,148,551	26,424,361	-	-
Other receivables, net (note 4)	4,131,792	8,886,540	2,351,077	4,375,409
Inventories	17,292,759	16,621,400	1,583,139	20,359
Due from The University of New Mexico	-	-	5,944,740	784,158
Other current assets	6,568,977	5,045,721	4,254,293	758,917
<b>Total current assets</b>	<b>\$ 720,739,601</b>	<b>\$ 757,371,046</b>	<b>\$ 114,115,470</b>	<b>\$ 145,372,042</b>
<b>Noncurrent assets</b>				
Cash and cash equivalents (note 3)	\$ -	\$ -	\$ 3,599,830	\$ 169,535
Notes receivable, net – noncurrent (note 5)	7,837,500	8,307,450	-	-
Investments (note 3)	262,122,562	236,822,555	194,315,065	181,229,666
Land grant permanent fund (note 3)	183,080,869	165,888,093	-	-
Bond issuance costs	3,224,762	3,578,790	-	-
Due from component units	28,831,766	3,005,641	-	-
Derivative instruments – interest rate swaps overlay (note 12)	2,150,888	1,740,963	-	-
Other noncurrent assets	7,097,458	6,967,551	4,303,783	4,413,934
Capital assets, net (note 6)	1,213,835,313	1,240,034,831	173,105,434	131,196,989
<b>Total noncurrent assets</b>	<b>\$ 1,708,181,118</b>	<b>\$ 1,666,345,874</b>	<b>\$ 375,324,112</b>	<b>\$ 317,010,124</b>
<b>Total assets</b>	<b>\$ 2,428,920,719</b>	<b>\$ 2,423,716,920</b>	<b>\$ 489,439,582</b>	<b>\$ 462,382,166</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest rate swaps (note 12)	\$ 11,089,443	\$ 15,875,820	\$ -	\$ -
<b>Total deferred outflows of resources</b>	<b>\$ 11,089,443</b>	<b>\$ 15,875,820</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued payroll (note 7)	\$ 114,797,929	\$ 106,082,544	\$ 14,711,236	\$ 27,698,267
Due to The University of New Mexico (note 11)	-	-	34,831,944	35,655,307
Due to component units	5,944,740	784,158	-	-
Estimated third-party payor settlements	18,089,165	17,223,808	-	-
Accrued compensated absences (note 8)	46,720,237	44,719,004	-	-
Other accrued liabilities (note 9)	12,205,897	11,427,761	2,238,199	1,842,052
Unearned revenue (note 10)	34,976,487	41,422,960	2,359,362	1,753,039
Bonds payable – current portion (notes 11 and 12)	19,043,652	18,274,310	4,700,000	1,540,000
Long-term debt – current portion (note 11)	-	-	907,119	-
Annuities payable (note 11)	-	-	386,043	364,033
Deposits and funds held for others	5,242,212	6,057,434	-	-
<b>Total current liabilities</b>	<b>\$ 257,020,319</b>	<b>\$ 245,991,979</b>	<b>\$ 60,133,903</b>	<b>\$ 68,852,698</b>
<b>Noncurrent liabilities (note 11)</b>				
Bonds payable – noncurrent (notes 11 and 12)	\$ 562,039,660	\$ 582,652,459	\$ 138,725,000	\$ 141,885,000
Due to The University of New Mexico (note 11)	-	-	28,831,766	3,005,641
Long-term debt (note 11)	-	-	8,282,133	-
Student loan program (note 11)	12,780,539	13,170,436	-	-
Net OPEB obligation (notes 11 and 16)	31,178,183	30,698,183	-	-
Derivative instruments – interest rate swaps (notes 11 and 12)	11,089,443	15,875,820	-	-
Annuities payable (note 11)	-	-	3,190,992	2,986,551
Other noncurrent liabilities (note 11)	320,338	393,386	-	-
<b>Total noncurrent liabilities</b>	<b>\$ 617,408,163</b>	<b>\$ 642,790,284</b>	<b>\$ 179,029,891</b>	<b>\$ 147,877,192</b>
<b>Total liabilities</b>	<b>\$ 874,428,482</b>	<b>\$ 888,782,263</b>	<b>\$ 239,163,794</b>	<b>\$ 216,729,890</b>

## Statements of Net Position as of June 30, 2013 and 2012

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2013	2012	2013	2012
<b>NET POSITION</b>				
Net investment in capital assets	\$ 659,260,450	\$ 674,173,608	\$ 2,031,147	\$ 3,781,122
Restricted for:				
Nonexpendable:				
Land grant permanent fund	183,080,869	165,888,093	-	-
Scholarships	105,784,144	98,808,840	-	-
Grants, bequests, and contributions	6,010,271	6,010,271	149,834,769	134,963,059
Expendable:				
Scholarships	2,386,741	2,742,630	-	-
Grants, bequests, and contributions	17,091,658	15,655,314	-	-
Debt service	44,555,924	38,363,815	10,094,083	37,124,103
Capital projects	3,007,862	304,176	-	-
Other	-	-	18,387,721	16,217,282
Unrestricted (note 18)	544,403,761	548,863,730	69,928,068	53,566,710
<b>Total net position</b>	<b>\$ 1,565,581,680</b>	<b>\$ 1,550,810,477</b>	<b>\$ 250,275,788</b>	<b>\$ 245,652,276</b>

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, 2013 and 2012

	PRIMARY INSTITUTION		COMPONENT UNITS	
	2013	2012	2013	2012
<b>OPERATING REVENUES</b>				
Student tuition and fees (net of scholarship allowances of \$68,084,560 in 2013 and \$60,788,455 in 2012)	\$ 130,300,603	\$ 129,904,915	\$ -	\$ -
Patient services (net of provision for doubtful accounts of \$-21,625 in 2013 and \$1,665,779 in 2012) (note 13)	106,623,475	97,498,895	174,675,135	127,701,249
Federal grants and contracts	201,827,455	202,562,810	-	-
State and local grants and contracts	28,261,342	27,140,338	-	-
Nongovernmental grants, contracts, bequests, and contributions	34,823,181	31,752,585	26,838,866	22,186,358
Sales and services	154,513,651	147,070,760	6,853,804	7,182,720
Auxiliary enterprises (net of scholarship allowances of \$6,740,647 in 2013 and \$8,958,846 in 2012)	52,619,772	47,767,383	-	-
Other operating revenues	41,387,857	38,741,274	18,584,563	14,379,540
Clinical operations (note 13)				
University of New Mexico Hospital (net of provision for doubtful accounts of \$102,205,099 in 2013 and \$98,082,895 in 2012)	511,978,414	504,316,010	-	-
University of New Mexico Behavioral Operations (net of provision for doubtful accounts of \$1,319,624 in 2013 and \$1,138,853 in 2012)	27,484,604	22,301,711	-	-
Total operating revenues	\$ 1,289,820,354	\$ 1,249,056,681	\$ 226,952,368	\$ 171,449,867
<b>OPERATING EXPENSES</b>				
Educational and general				
Instruction	\$ 255,178,768	\$ 239,991,979	\$ -	\$ -
Research	169,427,660	163,124,198	-	-
Public service	300,456,308	271,771,111	-	-
Academic support	46,039,723	46,292,389	-	-
Student services	25,738,176	23,955,995	-	-
Institutional support	56,232,354	53,068,952	-	-
Operation and maintenance of plant	85,916,850	79,974,361	-	-
Depreciation expense	62,904,726	65,549,289	-	-
Student aid	50,407,120	52,344,208	-	-
Student activities	8,338,856	7,434,606	-	-
Intercollegiate athletics	30,216,179	31,358,703	-	-
Auxiliary enterprises	57,297,244	52,368,913	-	-
Other operating expenses	48,273,912	44,823,036	238,589,927	166,385,104
Distributions to The University of New Mexico	-	-	27,897,237	25,336,191
Clinical operations				
University of New Mexico Hospital	600,286,292	564,139,345	-	-
University of New Mexico Behavioral Operations	48,001,699	40,853,284	-	-
Total operating expenses	\$ 1,844,715,867	\$ 1,737,050,369	\$ 266,487,164	\$ 191,721,295
Operating loss	\$ (554,895,513)	\$ (487,993,688)	\$ (39,534,796)	\$ (20,271,428)

**Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and 2012**

	<b>PRIMARY INSTITUTION</b>		<b>COMPONENT UNITS</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	\$ 279,358,642	\$ 264,468,603	\$ -	\$ -
Local appropriations	8,831,984	7,453,443	20,832,519	-
Federal pell grants	54,884,892	57,428,783	-	-
State lottery scholarships	34,501,721	31,941,139	-	-
Gifts	26,768,949	28,933,854	-	-
Federal bond subsidy	-	-	2,225,243	2,326,495
Investment income (note 3)	45,472,407	8,174,001	18,635,614	1,832,771
Other nonoperating revenues and expenses, net	4,509,499	23,610,845	(1,186,809)	(28,261)
Interest on capital asset-related debt	(18,120,387)	(19,376,093)	(6,892,025)	(6,228,294)
Loss on disposal of capital assets	(107,703)	(2,367,092)	-	-
Clinical operations (note 13)				
University of New Mexico Hospital	92,425,606	61,427,031	-	-
University of New Mexico Behavioral Operations	18,971,121	18,614,729	-	-
Net nonoperating revenues (expenses)	\$ 547,496,731	\$ 480,309,243	\$ 33,614,542	\$ (2,097,289)
Loss before capital contributions	\$ (7,398,782)	\$ (7,684,445)	\$ (5,920,254)	\$ (22,368,717)
Capital appropriations	\$ 15,253,720	\$ 4,237,233	\$ -	\$ -
Capital grants and gifts	5,897,875	11,148,974	-	-
Federal stabilization grant	145,125	267,975	-	-
Capital contributions	(1,000,000)	-	1,000,000	-
Contributions to permanent endowments	-	-	9,543,766	10,523,920
Clinical operations				
University of New Mexico Hospital	1,873,265	186,801	-	-
Total capital contributions	\$ 22,169,985	\$ 15,840,983	\$ 10,543,766	\$ 10,523,920
Change in net position	\$ 14,771,203	\$ 8,156,538	\$ 4,623,512	\$ (11,844,797)
<b>NET POSITION</b>				
Net position at beginning of year	1,550,810,477	1,542,653,939	245,652,276	257,497,073
Net position at end of year	<u>\$ 1,565,581,680</u>	<u>\$ 1,550,810,477</u>	<u>\$ 250,275,788</u>	<u>\$ 245,652,276</u>

See accompanying notes to the basic financial statements.

# THE UNIVERSITY OF NEW MEXICO

## BASIC FINANCIAL STATEMENTS

### Statements of Cash Flows for the years ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 134,235,443	\$ 128,395,434
Grants and contracts	270,454,085	272,476,128
Insurance and patients	654,810,637	592,670,396
Sales and services	152,315,453	148,460,764
Auxiliary enterprise charges	46,643,507	50,769,758
Payments to suppliers	(440,321,223)	(406,207,643)
Payments to employees	(961,606,398)	(937,793,309)
Payments for benefits	(178,364,050)	(162,214,410)
Payments for utilities	(39,782,908)	(40,021,587)
Payments for scholarships and fellowships	(57,016,765)	(58,404,457)
Loans issued to students	(5,802,108)	(722,496)
Collection of loans to students	1,949,772	1,898,323
Payments to State of New Mexico for intergovernmental transfer	(21,033,597)	(15,457,867)
Other receipts	4,443,141	976,548
Net cash used in operating activities	\$ (439,075,011)	\$ (425,174,418)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	\$ 291,141,266	\$ 275,948,731
Local appropriations	8,831,984	7,453,443
Federal pell grant	54,852,759	57,829,985
State lottery scholarships	32,919,630	15,264,674
Drawdowns of federal direct loan proceeds	138,847,515	141,865,772
Disbursements of federal direct loans to students	(136,097,030)	(142,860,501)
Bernalillo County mill levy	91,281,146	90,074,351
Land and permanent fund	739,042	798,913
Gifts	23,597,035	31,871,896
Federal stabilization grants	142,302	1,104,015
Other nonoperating receipts	5,080,027	7,169,023
Net cash provided by noncapital financing activities	\$ 511,335,676	\$ 486,520,302
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest payments on bonds	\$ (26,412,635)	\$ (29,248,548)
Capital appropriations	16,817,127	4,674,220
Capital gifts and grants	7,194,140	16,243,751
Capital contribution to Lobo Energy, Inc.	(1,000,000)	-
Proceeds from bond issuance	-	41,225,859
Principal payments of bonds	(18,274,310)	(61,776,584)
Loan to Lobo Development Corporation	(27,704,469)	-
Cash received from disposal of capital assets	1,289,297	979,908
Purchase of capital assets	(70,973,329)	(75,387,421)
Other payments	(2,126,715)	(2,403,604)
Net cash used in capital and related financing activities	\$ (121,190,894)	\$ (105,692,419)

# EXHIBIT C

## Statements of Cash Flows for the years ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	\$ 329,275,660	\$ 430,207,000
Purchase of investments	(315,767,439)	(475,200,622)
Distributions from land grant permanent fund	8,993,750	9,603,795
Investment income	22,131,953	11,025,097
Net cash provided by (used in) investing activities	\$ 44,633,924	\$ (24,364,730)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	\$ (4,296,305)	\$ (68,711,265)
Cash and cash equivalents – beginning of year	190,464,607	259,175,872
Cash and cash equivalents – end of year	\$ 186,168,302	\$ 190,464,607
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (554,895,513)	\$ (487,993,688)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	95,789,758	100,391,477
Bad debt expense	105,656,680	102,441,179
Reduction in laboratory expenses of Tricore Lab Service Corp	-	(5,110)
Changes in assets and liabilities		
Accounts receivable	5,156,498	(4,297,217)
Patient receivables	(98,601,942)	(100,679,843)
Estimated third-party payor settlements	(3,724,190)	(10,195,799)
Notes receivable	(3,470,833)	1,420,574
Inventories	(671,358)	(942,693)
Other assets	30,616	(828,364)
Due from component units	5,592,562	(19,043,000)
Accounts payable	8,370,628	(14,383,428)
Accrued expenses and compensated absences	7,528,479	3,951,720
Other current liabilities	(493,086)	(487,552)
Estimated third-party payor liability	865,357	772,421
Unearned revenue	(6,208,667)	4,704,905
Net cash used in operating activities	\$ (439,075,011)	\$ (425,174,418)

See accompanying notes to the basic financial statements.

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (1) Creation and Purpose of Entity

The University of New Mexico (the University or UNM) was created by the Constitution of New Mexico, Sections 21-7-4 through 21-7-25, New Mexico Statutes Annotated, 1978 Compilation, under which it is responsible for providing the inhabitants of the State of New Mexico and such others as the Board of Regents may determine with the means of acquiring a thorough knowledge of the various branches of literature, science, and the arts.

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

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

#### (A) Basis of Presentation

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

The University has adopted GASB Statement 39, *Determining Whether Certain Organizations Are Component Units — an amendment of GASB Statement 14* and GASB Statement 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. GASB Statement 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the University. GASB Statement 61 modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for blending component units within the primary government in certain circumstances. As required by GASB Statements 14, 39, and 61, these basic financial statements present the University and its component units.

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

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

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

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

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

- **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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

by the University's faculty and manage the real estate development of the Science & Technology Park at The University of New Mexico on the South Campus. STC.UNM, 801 University Blvd. SE, Suite 101, Albuquerque, NM 87106.

- **University of New Mexico Lobo Club**

The University of New Mexico Lobo Club (Club) is a nonprofit corporation established to operate as a fund-raising entity in support of the athletic programs at the University. The University of New Mexico Lobo Club, Department of Athletics, MSC04 2680, 1 University of New Mexico, Albuquerque, NM 87131.

- **Lobo Development Corporation**

Lobo Development Corporation was established in October 2007, under the State of New Mexico's University Research Park and Economic Development Act. Lobo Development Corporation was established to benefit UNM's Regents in the management and development of University-owned real estate. The activities of Lobo Development Corporation include the acquisition, development, disposition, and rental of University real estate. Lobo Development Corporation, 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

- **Lobo Energy, Inc.**

Lobo Energy, Inc. (LEI) was formed by the UNM Regents in June 1998, under the University Research Park Act to be a separate 501(c)(3) corporation wholly owned by UNM. Its responsibilities include the procurement of natural gas and electricity, operations, and maintenance of all production facilities, and energy measurement and management systems. Lobo Energy, Inc., 800 Bradbury Dr. SE, Suite 216, Albuquerque, NM 87106.

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

The University of New Mexico Alumni Association (the Association) is a not-for-profit organization that was incorporated August 29, 1962 to provide and coordinate events and activities for the purpose of maintaining a positive relationship between the University and its alumni. The University of New Mexico Alumni Association at Hodgkin Hall, Albuquerque, NM 87131.

- **University of New Mexico Medical Group**

University of New Mexico Medical Group (UNMMG) is a nonprofit corporation that was organized to promote, advance, and support the clinical, scientific, educational, research, and charitable purposes of the School of Medicine (SOM) and the University of New Mexico Health Sciences Center (HSC). University of New Mexico Medical Group, 933 Bradbury Street SE, Suite 2222, Albuquerque, NM 87106.

- **Sandoval Regional Medical Center**

Sandoval Regional Medical Center (SRMC) is a teaching hospital located in Sandoval County that was formed by the UNM Regents in August 2009 and is a New Mexico nonprofit corporation organized under and pursuant to the New Mexico University Research Park and Economic Development Act. The creation of SRMC is largely a result of collaborative efforts between the UNM Medical Group (UNMMG) and UNM Hospital (UNMH), and accordingly, UNMMG and UNMH have representation on its board. Sandoval Regional Medical Center, 3001 Broadmoor Blvd. NE, Rio Rancho, NM 87144.

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

### (B) *Basis of Accounting*

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

### (C) *Significant Accounting Policies*

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

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

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

Patient receivables: Clinical Operations receive payment for services rendered to patients under payment arrangements with payors, which include (i) Medicare and Medicaid, (ii) other third-party payors including commercial carriers and health maintenance organizations, and (iii) others. Clinical Operations reserve progressive percentages beginning at 90 days for all payors, ramping up to 100% fully reserved at 210 days. Self-pay receivables are fully reserved after 30 days when they are referred to internal collections, and they are charged off when they are deemed uncollectible and are turned over to a collection agency. The following summarizes the percentage of gross patient receivables from all payors as of June 30:

	<u>2013</u>	<u>2012</u>
Medicare and Medicaid	48%	50%
Other third-party payors	33%	35%
Others	19%	15%
	<u>100%</u>	<u>100%</u>

Investments: Stocks, bonds, real estate, and similar investments are generally reported at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. Within the Consolidated Investment Fund (CIF), the alternative investments are valued as reported by the general partners and fund managers. Management reviews and evaluates the valuation received from third parties and believes the carrying amount to be a reasonable estimate of fair value. As limited partnerships investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The income from the University's interest in the Land Grant Permanent Fund, which interests are managed by the New Mexico State Investment Council, is distributed monthly to the University.

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

than 4% of the average unit market value for such twenty-quarter rolling period. If in any twenty-quarter rolling period the distribution exceeds 5% of the current market value, the CIF Investment Committee will determine the actual distribution.

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

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

Capital assets: Capital assets are recorded at original cost, or fair value if donated. Per Section 12-6-10 NMSA 1978, the University's capitalization policy for movable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The University includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. In compliance with New Mexico Administrative Code, Title 2 Public Finance, Chapter 20 Accounting by Governmental Entities, Part 1 Accounting and Control of Fixed Assets of State Government, Section 9, software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements and infrastructure, 5 years for library books, and a range of 3 to 15 years for equipment. Loaned equipment from private and federal sources is not owned by the University, and is not an asset. This equipment is monitored by the University and totals \$4,120,822 and \$4,561,507 at June 30, 2013 and 2012, respectively.

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

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

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

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

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

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

Sick leave plan: Prior to 1984, the University's sick leave plan placed no limitation on the number of hours an employee could accumulate. When the plan was revised, the existing accumulation of hours was placed into separate pools and employees may be paid 28.5% of the value of those hours on retirement from the University. Also under the revised plan, employees are entitled to receive cash payments, at a rate equal to 50% of the employee's hourly wage, for accumulated unused sick leave exceeding 600 hours for full-time employees, 450 hours for employees with a FTE between 0.75 and full-time, and 300 hours for employees with a FTE between 0.5 and 0.75, up to 120 hours per fiscal year. Upon retirement or death, employees are paid, at a rate equal to 50% of the 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 \$5,323,120 and \$13,265,043 at June 30, 2013 and 2012, respectively. The Hospital had unspent bond proceeds of \$13,500,000 at June 30, 2013 and 2012, reserved for debt service as required by the trustee.

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

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

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

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

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

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

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

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

The clinical operations provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the clinical operations do not pursue collection of amounts determined to qualify as charity care, they are not reported as net revenue.

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

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

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

The University pledges substantially all unrestricted revenues, excluding state appropriations and revenues from clinical operations and patient services, to satisfy its bond obligations. Pledged revenues for the University were \$487,809,520 and \$435,777,932 as of June 30, 2013 and 2012.

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*

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

*Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

### (D) *Income Taxes*

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

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

### (E) *Joint Powers Agreements*

- (1) The Regents of The University of New Mexico and the Board of County Commissioners of the County of Bernalillo entered into a lease agreement for operation and lease of county healthcare facilities, effective July 1, 1999, amended June 2004 and terminating June 20, 2040. The purpose of the agreement is to operate and maintain UNM Hospital and UNM Behavioral Operations in accordance with the provisions of the Hospital Funding Act for the term of the agreement. The agreement continues in force until rescinded or terminated by either party. UNM acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. There is no specific amount estimated since the agreement describes an 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 sixty days' written notice. At such time, the remaining parties have forty-five days to agree to maintain the NMURC or the JPA will terminate on the date of withdrawal.
- (4) The University of New Mexico Natural Heritage Program (NHP) and the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) entered into a Joint Powers Agreement effective August 8, 2005, amended on April 28, 2008 and December 20, 2010. EMNRD's Rare and Endangered Plant Program often receives federal grants to develop projects that require botanical field research, greenhouse studies, and data management. NHP, as a branch of the UNM-Southwest Museum of Biology, maintains the only comprehensive database for New Mexico rare and endangered plant species and is capable of providing professional field and research assistance, greenhouse access, and data management. The purpose of the agreement is for administrative efficiency so that the projects can be carried out through a single program. The agreement continues indefinitely unless earlier terminated by one or both parties.
- (5) The Regents of the University of New Mexico and the Board of Education of Albuquerque Public Schools, District No. 12 entered into a Joint Powers Agreement concerning the ownership and operation of an

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

educational television facility known as KNME-TV with an effective date of September 16, 1968, amended April 1978. The purpose of the agreement is to make a useful and beneficial educational facility available to both parties over an extended period of time. The agreement continues for an indefinite term and may be terminated upon a) mutual agreement of the parties, b) continued inability of one party to perform its obligations, or c) inadequacy of the facility to fulfill the educational television needs of both parties accompanied by the expressed desire of either party to terminate.

### (F) *Reclassifications*

Certain 2012 amounts have been reclassified in order to be consistent with the 2013 presentation.

### (G) *Bond Issuance Costs*

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

### (H) *Impact of Recently Issued Accounting Standards*

- (1) GASB Statement 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Statement 65 is effective for periods beginning after December 15, 2012, and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 65 will have on the financial statements.
- (2) GASB Statement 68 – *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The University provides substantially all of its employees with pension benefits through the state's multiple-employer cost-sharing defined-benefit retirement plan administered by the Educational Retirement Board (ERB). GASB Statement 68 requires cost-sharing employers participating in the ERB program, such as the University, to record their proportionate share, as defined in GASB Statement 68, of ERB's unfunded pension liability. The University has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by ERB. The requirement of GASB Statement 68 to record a portion of ERB's unfunded liability will negatively impact the University's future unrestricted net position. GASB Statement 68 is effective for periods beginning after June 15, 2014, and earlier application is encouraged. At this time, management is unable to estimate the magnitude of this impact. Information regarding ERB's current funding status can be found in their financial report.
- (3) GASB Statement 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. The University is currently evaluating the impact GASB Statement 69 will have on the financial statements.

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

- (4) GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement will also enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. GASB Statement 70 is effective for periods beginning after June 15, 2013, and earlier application is encouraged. The University is currently evaluating the impact GASB Statement 70 will have on the financial statements.

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (3) Cash, Cash Equivalents, and Investments

#### (A) Cash and Cash Equivalents

University cash accounts are held in demand and time deposits at various financial institutions. The carrying amounts of the primary institution's operating accounts at June 30, 2013 and 2012 were \$186,168,302 and \$190,464,607, respectively. New Mexico statutes require financial institutions to pledge qualifying collateral to UNM to cover at least 50% of uninsured deposits. All collateral is held by third parties in safekeeping. The University is at risk to the extent that its funds are uninsured or uncollateralized. These amounts are invested in overnight sweep accounts and are collateralized at 102% of the invested balance. At June 30, 2013 and 2012, these funds were collateralized by government agency securities held in the University's name. None of these balances were uninsured and/or uncollateralized as of June 30, 2013 and 2012.

The Component Units' cash accounts held in demand and time deposits at various institutions had carrying amounts totaling \$63,051,175 and \$109,747,949 at June 30, 2013 and 2012, respectively. These amounts are invested in overnight sweep accounts and are collateralized at various levels of the invested balance. At June 30, 2013 and 2012, these funds were collateralized by government back securities held in the Component Unit's name. At June 30, 2013 and 2012, the total component unit deposits that were not insured or collateralized were \$21,617,743 and \$4,546,586, respectively.

#### (B) Investments

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

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

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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, 2013 and 2012, UNM's portion of the CIF was \$196,179,490 and \$184,610,277, respectively.

### Consolidated Investment Fund

	<u>2013</u>	<u>2012</u>
Units:		
Foundation	579,131	576,030
University of New Mexico	700,367	733,737
	<u>1,279,498</u>	<u>1,309,767</u>
Fair Value (in millions):		
Foundation	\$ 162.2	\$ 144.9
University of New Mexico	196.2	184.6
	<u>\$ 358.4</u>	<u>\$ 329.5</u>

Other long-term investments primarily consist of debt service, debt service reserve, and plant renewal and replacement funds. Also reported in the other long-term investments category is UNM's ownership share of the New Mexico State Land Grant Permanent Fund; the assets of which are managed by the State Investment Council (SIC).

The State constitution provides for twenty-one beneficiaries of the Land Grant Permanent Fund, of which UNM is one. The valuation of each beneficiary's share is calculated by the New Mexico State Investment Council and investment income, gains, and losses are distributed accordingly. As of June 30, 2013 and 2012, the value of UNM's share of the Land Grant Permanent Fund was \$183,080,869 and \$165,888,093, respectively.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

Total University investments by type at June 30, 2013 and 2012 are as follows:

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

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

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

Total Component Unit investments by type at June 30, 2013 and 2012 are as follows:

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

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

**Additional Risk Disclosures for Investments** – GASB Statements' 3 and 40 require certain additional disclosures related to the risks of custodial credit, interest rates, credit, foreign currency, and concentration of credit associated with deposits and investments.

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

As of June 30, 2013 and 2012, the primary institution had no investments subject to custodial credit risk; the component units had exposure to custodial credit risk in the amount of \$6,891,048 and \$6,163,997, respectively.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

**Interest rate risk** — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does have policies to mitigate exposure to interest rate risk by prohibiting certain high risk investments and investment practices and by establishing duration and maturity guidelines for investments. A summary of the investments as June 30, 2013 and 2012 and their exposure to interest rate risk are as follows:

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

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

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

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

**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

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

investment grade. A summary of the investments at June 30, 2013 and 2012 and their exposure to credit risk are as follows:

### Primary Institution 2013

#### Items subject to credit risk:

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

#### Items not subject to credit risk:

Cash	\$ 96,588
Money Market Account	5,199,214
Certificate of Deposit	1,500,270
U.S. Treasury Securities	81,003,535
Mutual Funds — Fixed	58,501,931
Mutual Funds — Equity	149,100,865
Equity	19,098,190
Exchange Traded Funds	13,208,959
Illiquid Real Assets	24,138,998
Private Equity	41,193,321
Marketable Alternatives	70,442,222
Land Grant Permanent Fund	183,080,869

Total items not subject to credit risk \$ 646,564,962

University of New Mexico Foundation, Inc.  
Investments held in Consolidated Investment Fund — Not Rated \$ (162,220,160)

**Total Investments** **\$ 739,963,429**

### Primary Institution 2012

#### Items subject to credit risk:

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

#### Items not subject to credit risk:

Cash	\$ 2,708,035
Money Market Account	5,771,266
U.S. Treasury Securities	86,474,928
Mutual Funds — Fixed	63,094,088
Mutual Funds — Equity	129,039,914
Equity	18,192,491
Exchange Traded Funds	15,006,533
Illiquid Real Assets	21,375,861
Private Equity	40,727,653
Marketable Alternatives	56,459,492
Land Grant Permanent Fund	165,888,093

Total items not subject to credit risk \$ 604,738,354

University of New Mexico Foundation, Inc.  
Investments held in Consolidated Investment Fund — Not Rated \$ (144,930,931)

**Total Investments** **\$ 724,403,415**

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### Component Units 2013

#### Items subject to credit risk:

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

#### Items not subject to credit risk:

Money Market Account	\$ 2,497,792
Certificate of Deposit	1,163,153
Mutual Funds	11,025,079
Mutual Funds — Fixed	26,479,361
Mutual Funds — Equity	67,486,577
Equity	203,575
Exchange Traded Funds	5,978,687
Illiquid Real Assets	10,925,881
Private Equity	18,645,071
Marketable Alternative	31,947,211
Real Estate	512,835
Other	353,788

Total items not subject to credit risk \$ 177,219,010

**Total Investments** \$ 203,536,698

### Component Units 2012

#### Items subject to credit risk:

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

#### Items not subject to credit risk:

Money Market Account	\$ 1,687,791
Certificate of Deposit	1,109,288
Mutual Funds	10,214,092
Mutual Funds — Fixed	27,748,533
Mutual Funds — Equity	56,751,248
Equity	154,136
Exchange Traded Funds	6,599,814
Illiquid Real Assets	9,401,020
Private Equity	17,911,862
Marketable Alternative	24,875,842
Real Estate	425,009
Other	178,198

Total items not subject to credit risk \$ 157,056,833

**Total Investments** \$ 189,808,954

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

**Foreign currency risk** — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. In order to mitigate foreign currency risk, University policy allows for currency forwards to be implemented as a hedge to the global fixed income portfolio when deemed appropriate. In addition, University policy states that the portfolio will not invest more than 5% of the total market value of its investments (measured at the time of purchase) in the debt obligations of any single fixed income issuer; however securities issued and guaranteed by Organization for Economic Cooperation and Development (OECD) nations may be held without limitation. A summary of the investments at June 30, 2013 and 2012 and their exposure to foreign currency risk are as follows:

### *Primary Institution*

Currency	Foreign Government Bonds 2013	Foreign Government Bonds 2012
Australian Dollar	\$ -	\$ 2,642,575
Canadian Dollar	2,380,275	4,703,190
<b>Total</b>	<b>\$ 2,380,275</b>	<b>\$ 7,345,765</b>

### *Component Units*

Currency	Foreign Government Bonds 2013	Foreign Government Bonds 2012
Australian Dollar	\$ -	\$ 852,287
Canadian Dollar	767,932	801,827
<b>Total</b>	<b>\$ 767,932</b>	<b>\$ 1,654,114</b>

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

The University does have a policy to limit its exposure to concentrated credit risk that states that investments shall be diversified with the intent to minimize the risk of large investment losses. For the fiscal year ended June 30, 2013, the University has 10.67% of its investments in U.S. Treasuries (held at Morgan Stanley) and 8.49% in Vanguard US Stock fund (held at Northern Trust).

**Investment Income** — At June 30, 2013 and 2012, investment income consisted of the following:

	2013	2012
<b>Primary Institution Investment Income (Loss)</b>		
<i>Investment Revenue</i>		
Investment income	\$ 824,420	\$ 2,793,184
Land Grant Permanent Fund distributions	8,993,750	9,603,795
<i>Realized Gains (Losses)</i>		
Endowments — Consolidated Investment Fund	5,661,963	3,791,756
Non-Endowment Investments	56,923	451,896
<i>Unrealized Gains (Losses)</i>		
Land Grant Permanent Fund	17,192,776	(1,996,368)
Endowments — Consolidated Investment Fund	12,044,406	(5,826,977)
Non-Endowment Investments	698,169	(643,285)
<b>Primary Institution Investment Income</b>	<b>\$ 45,472,407</b>	<b>\$ 8,174,001</b>
<b>Component Units Investment Income</b>	<b>\$ 18,635,614</b>	<b>\$ 1,832,771</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Accounts receivable, patient receivables, and other receivables are shown net of allowances for doubtful accounts in the accompanying statements of net position. At June 30, 2013 and 2012, receivables consisted of the following:

	<u>2013</u>	<u>2012</u>
Primary Institution accounts receivable, net		
Contracts and grants	\$ 29,554,636	\$ 33,500,720
HSC health services	3,388,504	3,406,248
Sales and services	10,372,943	8,921,313
Auxiliaries	10,532,574	8,651,256
Tuition and fees	12,489,258	12,901,312
State lottery scholarships	18,258,556	16,676,465
State of New Mexico bonds	891,372	1,877,780
Other	1,309,005	1,512,897
	<u>\$ 86,796,848</u>	<u>\$ 87,447,991</u>
Less: Allowances for doubtful accounts	<u>(17,099,878)</u>	<u>(15,740,438)</u>
	<u>\$ 69,696,970</u>	<u>\$ 71,707,553</u>
Component Units accounts receivable, net	<u>\$ 2,220,691</u>	<u>\$ 2,094,259</u>
Primary Institution patient receivables, net		
Patient receivables	\$ 250,952,345	\$ 261,579,917
Less: Allowance for doubtful accounts	<u>(178,888,363)</u>	<u>(184,593,155)</u>
	<u>\$ 72,063,982</u>	<u>\$ 76,986,762</u>
Component Units patient receivables, net		
Patient receivables	\$ 94,235,663	\$ 61,751,191
Less: Allowance for doubtful accounts	<u>(65,147,111)</u>	<u>(42,569,953)</u>
	<u>\$ 29,088,552</u>	<u>\$ 19,181,238</u>
Primary Institution other receivables, net		
Bernalillo County Treasurer	\$ 1,466,926	\$ 1,518,927
Other receivables	2,664,866	7,367,613
	<u>\$ 4,131,792</u>	<u>\$ 8,886,540</u>
Component Units other receivables, net	<u>\$ 2,351,077</u>	<u>\$ 4,375,409</u>

### (5) Notes Receivable

Notes receivable are shown net of allowance for doubtful accounts in the accompanying statements of net position. At June 30, 2013 and 2012, notes receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Primary Institution notes receivable, net		
Current		
Student loans	<u>\$ 5,076,326</u>	<u>\$ 3,886,028</u>
Noncurrent		
Student loans	<u>\$ 7,837,500</u>	<u>\$ 8,307,450</u>

Federal Perkins Loans make up approximately 60% and 68% of the student loans at June 30, 2013 and 2012, 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

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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.

### (6) Capital Assets (in thousands)

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

The University capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the years ended June 30, 2013 and 2012, the University capitalized interest expense of \$274,636 and \$673,898, respectively.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (7) Accounts Payable and Accrued Payroll

At June 30, 2013 and 2012, accounts payable and accrued payroll consisted of the following:

	<u>2013</u>	<u>2012</u>
Primary Institution accounts payable and accrued payroll		
Trade payables	\$ 9,078,930	\$ 12,693,367
Clinical operations – trade payables	29,980,442	29,649,320
Accrued payroll	35,187,255	31,578,788
Clinical operations – accrued payroll	16,300,751	10,758,498
Self-insurance reserve	20,626,007	16,857,384
Clinical operations – self-insurance reserve	3,624,544	4,545,187
	<u>\$114,797,929</u>	<u>\$106,082,544</u>
Component Units accounts payable and accrued payroll	<u>\$ 14,711,236</u>	<u>\$ 27,698,267</u>

### (8) Accrued Compensated Absences

During the years ended June 30, 2013 and 2012, the following changes occurred in accrued compensated absences:

<u>Fiscal Year</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
2013	\$44,719,004	\$52,320,552	\$ (50,319,319)	\$ 46,720,237
2012	42,389,240	58,780,153	(56,450,389)	44,719,004

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (9) Other Accrued Liabilities — Current

At June 30, 2013 and 2012, other accrued liabilities consisted of the following:

	<u>2013</u>	<u>2012</u>
Primary Institution other accrued liabilities		
Bond interest	\$ 1,641,330	\$ 1,682,964
Clinical operations – bond interest	4,020,600	4,119,659
Other	4,925,359	4,711,597
Clinical operations – other	1,618,608	913,541
	<u>\$ 12,205,897</u>	<u>\$ 11,427,761</u>
Component Units other accrued liabilities	<u>\$ 2,238,199</u>	<u>\$ 1,842,052</u>

### (10) Unearned Revenue

At June 30, 2013 and 2012, unearned revenue consisted of the following:

	<u>2013</u>	<u>2012</u>
Primary Institution unearned revenue		
Contracts and grants	\$ 16,982,821	\$ 20,599,332
Prepaid tuition and fees	9,940,596	7,735,464
Prepaid auxiliary operations sales	3,262,876	7,364,563
Gifts	2,303,821	2,541,628
Sales and services	2,275,842	2,993,609
Other	210,531	188,364
	<u>\$ 34,976,487</u>	<u>\$ 41,422,960</u>
Component Units unearned revenue	<u>\$ 2,359,362</u>	<u>\$ 1,753,039</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (11) Noncurrent Liabilities

At June 30, 2013 and 2012, noncurrent liabilities consisted of the following:

	Year Ended June 30, 2013					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution noncurrent liabilities						
Bonds payable	\$ 600,926,769	\$ -	\$ (19,843,457)	\$ 581,083,312	\$ 19,043,652	\$ 562,039,660
Student loan programs	13,170,436	401,850	(791,747)	12,780,539	-	12,780,539
Net OPEB obligation	30,698,183	480,000	-	31,178,183	-	31,178,183
Derivative instruments — interest rate swaps	15,875,820	-	(4,786,377)	11,089,443	-	11,089,443
Other	393,386	-	(73,048)	320,338	-	320,338
	<u>\$ 661,064,594</u>	<u>\$ 881,850</u>	<u>\$ (25,494,629)</u>	<u>\$ 636,451,815</u>	<u>\$ 19,043,652</u>	<u>\$ 617,408,163</u>
Component Units noncurrent liabilities						
Bonds payable	\$ 143,425,000	\$ -	\$ -	\$ 143,425,000	\$ 4,700,000	\$ 138,725,000
Annuities payable	3,350,584	226,451	-	3,577,035	386,043	3,190,992
Due to University of New Mexico	38,660,948	28,536,831	(3,534,069)	63,663,710	34,831,944	28,831,766
Long-term debt	-	9,189,252	-	9,189,252	907,119	8,282,133
	<u>\$ 185,436,532</u>	<u>\$ 37,952,534</u>	<u>\$ (3,534,069)</u>	<u>\$ 219,854,997</u>	<u>\$ 40,825,106</u>	<u>\$ 179,029,891</u>
Year Ended June 30, 2012						
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Noncurrent Portion
Primary Institution noncurrent liabilities						
Bonds payable	\$ 622,388,638	\$ 41,225,859	\$ (62,687,728)	\$ 600,926,769	\$ 18,274,310	\$ 582,652,459
Student loan programs	13,417,222	261,633	(508,419)	13,170,436	-	13,170,436
Net OPEB obligation	26,647,000	4,051,183	-	30,698,183	-	30,698,183
Derivative instruments — interest rate swaps	8,016,390	7,859,430	-	15,875,820	-	15,875,820
Other	629,499	-	(236,113)	393,386	-	393,386
	<u>\$ 671,098,749</u>	<u>\$ 53,398,105</u>	<u>\$ (63,432,260)</u>	<u>\$ 661,064,594</u>	<u>\$ 18,274,310</u>	<u>\$ 642,790,284</u>
Component Units noncurrent liabilities						
Bonds payable	\$ 143,425,000	\$ -	\$ -	\$ 143,425,000	\$ 1,540,000	\$ 141,885,000
Annuities payable	2,753,151	597,433	-	3,350,584	364,033	2,986,551
Due to University of New Mexico	21,245,124	18,849,613	(1,433,789)	38,660,948	35,655,307	3,005,641
Long-term debt	-	-	-	-	-	-
	<u>\$ 167,423,275</u>	<u>\$ 19,447,046</u>	<u>\$ (1,433,789)</u>	<u>\$ 185,436,532</u>	<u>\$ 37,559,340</u>	<u>\$ 147,877,192</u>

A promissory note payable to UNM from Lobo Development Corporation, a discretely presented component unit of the University, was issued on April 1, 2013 and is included in Due to University of New Mexico. Principal and interest payments are due monthly on the first day of each month. This note bears interest at 3% and matures May 1, 2020. The outstanding principal balance at June 30, 2013 is \$27,704,469, of which \$583,314 is due within one year.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (12) Bonds Payable

#### (A) Primary Institution

The bonds are collateralized by substantially all unrestricted revenues, excluding state appropriations and revenues from clinical operations and patient services. At June 30, 2013 and 2012, bonds payable consisted of the following:

	2013	2012
Subordinate Lien System Improvement Revenue Bonds Series 2012 with interest ranging from 2.0% to 5.0% – final maturity 2032	\$ 33,200,000	\$ 34,485,000
Subordinate Lien System Improvement Revenue Bonds Series 2007 A&B with interest ranging from 4.0% to 5.95% – final maturity 2036	131,620,000	133,385,000
Subordinate Lien System Improvement Revenue Bonds Series 2005 with interest ranging from 3.0% to 5.0% – final maturity 2035	115,950,000	118,330,000
FHA Insured Hospital Mortgage Revenue Bonds Series 2004 with interest ranging from 2.00% to 5.00% – final maturity 2031	164,660,000	169,645,000
Subordinate Lien System Refunding Revenue Bonds Series 2003A with interest ranging from 2.00% to 5.25% – final maturity 2018	8,480,000	9,560,000
Subordinate Lien System Revenue Bonds (Taxable) Series 2003B with interest ranging from 1.35% to 5.625% – final maturity 2024	4,467,350	4,594,250
Subordinate Lien System Revenue Bonds Series 2003C with interest ranging from 4.5% to 4.6% – final maturity 2033	5,037,650	5,180,750
Subordinate Lien System Refunding Revenue Bonds Series 2002B Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2013 was 0.06% final maturity 2026	22,090,000	23,520,000
Subordinate Lien System Refunding Revenue Bonds Series 2002C Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2013 was 0.06% final maturity 2030	35,190,000	36,025,000
Subordinate Lien System Improvement Revenue Bonds Series 2001 Variable Rate Demand Bonds — rates reset weekly Weekly rate as of June 30, 2013 was 0.06% Ceiling of 12% – final maturity 2026	35,275,000	37,270,000
System Revenue Bonds Series 2000B with interest ranging from 5.5% to 6.35% – final maturity 2019	2,248,820	2,758,130
System Revenue Refunding Bonds Series 1992A with interest ranging from 5.60% to 6.25% – final maturity 2021	17,460,000	19,200,000
	<u>\$ 575,678,820</u>	<u>\$ 593,953,130</u>
Add: Bond premium	12,320,155	13,636,321
Deferred amount on refunding	-	616,449
Less: Loss on defeased bonds	(2,945,010)	(3,368,547)
Bond discounts	(1,598,144)	(1,934,258)
Current portion of bonds payable	(19,043,652)	(18,274,310)
Bond insurance and surety premiums	(1,222,441)	(1,018,405)
Original issue discount	(1,150,068)	(957,921)
Noncurrent bonds payable	<u>\$ 562,039,660</u>	<u>\$ 582,652,459</u>

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

Future debt service as of June 30, 2013 for the bonds is as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 19,043,652	\$ 27,567,762	\$ 46,611,414
2015	19,847,935	26,775,970	46,623,905
2016	20,730,532	25,893,472	46,624,004
2017	21,697,969	24,933,275	46,631,244
2018	22,711,923	23,917,989	46,629,912
2019—2023	133,851,809	98,781,702	232,633,511
2024—2028	153,115,000	64,567,831	217,682,831
2029—2033	142,470,000	30,807,903	173,277,903
2034—2036	42,210,000	3,731,250	45,941,250
	<u>\$ 575,678,820</u>	<u>\$ 326,977,154</u>	<u>\$ 902,655,974</u>

### Defeased Bonds:

The University has defeased certain System Revenue Bonds as follows:

On October 1, 1992, the University of New Mexico defeased \$3,095,000 of the 1986A series, \$24,765,000 of the 1989 series, and \$4,825,000 of the 1991 series. Sinking fund moneys in the amount of \$36,650,538 from the 1992A Refunding Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments. The refunding resulted in debt service savings to the University. The remaining principal outstanding in the escrow account at June 30, 2013 is \$6,564,184.

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.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### Standby Purchase Agreements:

SBPA provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. Liquidity fees for the years ended June 30, 2013 and 2012 were \$639,052 and \$812,299, respectively. A schedule including the provider and maturities is presented below, as of June 30, 2013.

<b>JP Morgan (1)</b>				
<b>Liquidity Expiration</b>	<b>Series 2001</b>	<b>Series 2002B</b>	<b>Series 2002C</b>	<b>Grand Total</b>
12/31/2014	\$ 35,275,000	\$ 22,090,000	\$ 35,190,000	\$ 92,555,000

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

- (1) Bank Rate: means, a rate per annum equal to (i) the period from and including the purchase date but not including the amortization commencement date, the base rate in effect and (ii) from and after the amortization commencement date, the base rate in effect plus 1%; provided that from and after the occurrence of an event of default, the bank rate shall mean the default rate.
- (2) Base Rate: means, for any day, an interest rate per annum equal to the highest of (i) the sum of one and one-half percent (1.50%) plus the prime rate for such day, (ii) the sum of two percent (2.00%) plus the Federal Funds Rate for such day, and (iii) eight and one-half percent (8.5%). Each change in the base rate shall take effect at the time of any change in the prime rate or Federal Funds Rate.

### **Liquidity Fees**

	<b>2001</b>	<b>2002B</b>	<b>2002C</b>	<b>Total</b>
<b>FY13</b>	\$ 245,311	\$ 155,237	\$ 238,504	\$ 639,052
<b>FY12</b>	\$ 317,003	\$ 200,732	\$ 294,564	\$ 812,299

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### Interest Rate Swap Agreements:

On June 30, 2013, 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
<b>Hedging Derivatives</b>									
A - JP Morgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.16% Fixed	\$ (1,374,915)	\$ (1,950,793)	\$ 8,818,750	\$ 9,317,500
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	\$ (5,417,266)	\$ (7,650,028)	\$ 35,190,000	\$ 36,025,000
C - JP Morgan	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.83% Fixed	\$ (2,907,052)	\$ (4,306,361)	\$ 22,090,000	\$ 23,520,000
D - RBC Royal Bank	Pay- fixed/Receive Variable interest rate swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.185% Fixed	\$ (1,390,210)	\$ (1,968,638)	\$ 8,818,750	\$ 9,317,500
<b>Investment Derivatives</b>									
E - JP Morgan	Pay- Variable/Receive Variable interest rate swap	Hedge against falling SIFMA rates related to the 2001 System Imprv Rev Bonds (Swap Overlays)	8/15/2006	6/1/2026	Receive 63.55% of 5- year LIBOR swap rate + .31% - Pay SIFMA	\$ 714,018	\$ 558,304	\$ 17,637,500	\$ 18,635,000
F - JP Morgan	Pay- Variable/Receive Variable interest rate swap	Hedge against falling SIFMA rates related to the 2002C Refunding Rev Bonds (Swap Overlays)	8/15/2006	6/1/2030	Receive 63.55% of 5- year LIBOR swap rate + .38% - Pay SIFMA	\$ 1,436,870	\$ 1,182,659	\$ 35,190,000	\$ 36,025,000

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

### Risks

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

<u>Entity</u>	<u>Moody's</u>		<u>S &amp; P</u>		<u>Fitch</u>	
	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>
JP Morgan	Aa3	P-1	A+	A1	A+	F1
RBC Royal Bank	Aa3	P-1	AA-	A1+	AA	F1+

*Interest rate risk.* The University is exposed to interest rate risk on its receive-variable, pay-fixed underlying interest rate swaps. As the Securities Industry and Financial Markets Association (SIFMA) swap index decreases, the University's net payment on the underlying swaps increases. Alternatively, on its pay-variable (SIFMA), received-variable (LIBOR) overlay interest rate swaps, as LIBOR and the SIFMA swap index increases, the University's net payment on the overlay swaps increases. Variable-rate demand obligation (VRDO) bonds do not pay SIFMA, they are re-priced every week.

*Basis risk.* The variable-rate debt hedged by the University's derivative instruments are VRDO bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (LIBOR) other than the weekly rate the University pays on the VRDO bonds. At June 30, 2013, the interest rate on the University's variable-rate hedged debt is 0.06%, while the 63.55% of 5 year LIBOR + 0.31% is 1.192%.

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

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

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

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### 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.

Rating	Swap MTM Threshold for	
	Party's A & B	
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, 2013; therefore, no collateral has been posted.

### Derivative Instrument Payments and Hedged Debt

As of June 30, 2013, 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.

Fiscal Year Ending June 30	Principal	Interest	Hedging Derivative Instruments, Net	Total
2014	\$4,450,000	\$ 87,927	\$ 2,826,114	\$ 7,364,041
2015	4,620,000	132,158	2,618,887	7,371,045
2016	4,820,000	217,061	2,339,840	7,376,901
2017	4,650,000	318,593	2,026,431	6,995,024
2018	4,840,000	418,185	1,721,955	6,980,140
2019	5,570,000	480,766	1,470,446	7,521,212
2020	6,320,000	524,741	1,222,119	8,066,860
2021	6,580,000	521,294	1,025,063	8,126,357
2022	6,855,000	507,050	836,640	8,198,690
2023	7,155,000	475,773	666,758	8,297,531
2024	7,465,000	420,158	527,221	8,412,379
2025	7,770,000	352,222	397,395	8,519,617
2026	9,900,000	267,177	286,137	10,453,314
2027	2,900,000	148,546	158,372	3,206,918
2028	3,030,000	115,178	110,848	3,256,026
2029	3,160,000	76,005	69,812	3,305,817
2030	2,470,000	33,963	29,393	2,533,356

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### 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, 2013. 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 2013 for the hedge instruments was a \$4,786,377 decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. For fiscal year 2012, the change was a \$7,859,430 increase to the liability and an equal offsetting increase to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2013 was recorded to unrealized gains in the amount of \$409,924. As of June 30, 2012, the fair value change for swaps E and F was recorded to unrealized losses in the amount of \$330,367.

### (B) Component Units

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

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

	2013	2012
Taxable Revenue Build America Bonds	\$ 133,425,000	\$ 133,425,000
Series 2010 A with fixed-interest rate		
4.5% – final maturity 2037		
Taxable Revenue Recovery Zone Economic Development Bonds	10,000,000	10,000,000
Series 2010 A with fixed-interest rate of		
5.0% – final maturity 2038		
	<u>\$ 143,425,000</u>	<u>\$ 143,425,000</u>

Future debt service as of June 30, 2013 for the bonds is as follows:

Year ending	Principal	Interest	Total
June 30			
2014	\$ 4,700,000	\$ 6,399,725	\$ 11,099,725
2015	3,310,000	6,255,838	9,565,838
2016	3,470,000	6,105,088	9,575,088
2017	3,635,000	5,947,138	9,582,138
2018	3,815,000	5,781,538	9,596,538
2019-2023	21,985,000	26,130,965	48,115,965
2024-2028	27,800,000	20,621,166	48,421,166
2029-2033	35,160,000	13,653,365	48,813,365
2034-2038	39,550,000	4,800,802	44,350,802
	<u>\$ 143,425,000</u>	<u>\$ 95,695,625</u>	<u>\$ 239,120,625</u>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (13) Patient Services and Clinical Operations Revenues

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

<b>Primary Institution</b>	<b>2013</b>	<b>2012</b>
Charges at established rates	\$ 109,959,476	\$ 118,948,963
Contractual adjustments	(3,357,626)	(19,784,289)
Recovery (provision) for doubtful accounts, net	21,625	(1,665,779)
Net patient services revenues	<u>\$ 106,623,475</u>	<u>\$ 97,498,895</u>

Effective July 1, 2012, the UNM Cancer Center transitioned its patient billing function to UNMMG, a discretely presented component unit of the University. Therefore, patient receivables, contractual adjustments, and provisions for doubtful accounts for services provided on or after July 1, 2012 are reported by UNMMG.

Below is a summary of the clinical operations revenues:

<b>Clinical Operations</b>	<b>2013</b>	<b>2012</b>
<b>Operating revenues</b>		
Charges at established rates	\$1,445,006,543	\$1,346,640,930
Charity care	(275,458,321)	(266,207,717)
Contractual adjustments	(537,956,769)	(473,435,341)
Provision for doubtful accounts, net	(103,524,723)	(99,221,748)
Net patient services revenues	<u>\$ 528,066,730</u>	<u>\$ 507,776,124</u>
Other operating revenues	11,396,288	18,841,597
Total operating revenues	<u>\$ 539,463,018</u>	<u>\$ 526,617,721</u>
<b>Nonoperating revenues (expenses)</b>		
Bernalillo County mill levy	\$ 91,229,145	\$ 90,165,589
State appropriations	11,724,600	11,333,800
Capital appropriation	577,000	-
Capital grants and gifts	1,296,265	186,801
Investment income	13,681,081	3,547,542
Bequests and contributions	1,704,952	2,773,217
Equity in earnings of TriCore and TriCore Lab Service Corp	1,441,087	1,429,949
Land grant permanent fund earnings	732,598	800,825
Capital initiatives	-	(20,194,800)
Interest on capital asset-related debt	(7,770,258)	(7,958,752)
Other nonoperating expenses	(1,346,478)	(1,855,610)
Net nonoperating revenues	<u>\$ 113,269,992</u>	<u>\$ 80,228,561</u>

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

<b>Component Units</b>	<b>2013</b>	<b>2012</b>
Charges at established rates	\$ 501,406,880	\$ 358,717,693
Charity care	(176,431,303)	(58,590,253)
Contractual adjustments	(95,883,115)	(143,872,303)
Provision for doubtful accounts, net	(54,417,327)	(28,553,888)
Net patient services revenues	<u>\$ 174,675,135</u>	<u>\$ 127,701,249</u>

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

The Hospital is reimbursed from the Medicare and Medicaid programs for certain reimbursable items at an interim rate with final settlement determined after submission of annual cost reports by the Hospital. The annual cost reports are subject to audit by the Medicare intermediary and the Medicaid audit agent. Cost reports through 2010 have been final settled for the Medicaid programs. Cost reports through 2009 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, 2013 and 2012, the University and the clinical operations had various lease arrangements summarized as follows:

#### (A) *University and clinical operations as Lessees*

##### (a) Capital Leases

Any existing capital leases are immaterial, and accordingly, there are no capital leases recorded at June 30, 2013 and 2012.

##### (b) Operating Leases

The University's rent expense for operating leases amounted to \$4,987,312 and \$3,496,024 for the years ended June 30, 2013 and 2012, respectively.

The clinical operations are committed under various leases for building and office space and data processing equipment. Rental expenses on operating leases and other nonlease equipment were \$8,795,000 and \$8,849,000 in 2013 and 2012, respectively, and includes amounts paid to the University of \$3,856,313 and \$3,838,944 in 2013 and 2012, respectively, which is eliminated in the government-wide financial statements.

##### (c) Minimum Lease Payments

The following is a schedule of future minimum lease payments for Primary Institution operating leases at June 30, 2013:

Year ending June 30	Lease Payments
2014	\$ 4,959,351
2015	4,602,099
2016	3,349,735
2017	2,776,229
2018	2,296,803
2019–2023	3,503,281
2024–2028	131,263
2029–2033	132,168
2034–2038	2,193
2039	32
	<u>\$21,753,154</u>

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (B) *University as Lessor*

The University is lessor of various properties under operating lease agreements. For the years ended June 30, 2013 and 2012, respectively, total lease income, which includes annually renewable lease agreements, was \$5,584,139 and \$5,569,375.

The following is a schedule of minimum future lease income under lease terms exceeding one year as of June 30, 2013:

Year ending June 30	Lease Income
2014	\$ 4,884,785
2015	4,039,866
2016	3,806,524
2017	3,385,900
2018	2,785,599
2019–2023	1,149,247
2024–2028	445,711
2029–2033	334,327
2034–2038	1,100,015
2039 and thereafter	660,723
	<u>\$22,592,697</u>

### (15) **Risk Management**

The University currently is a party to various litigation claims in the ordinary course of business. The University participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability, auto liability, medical malpractice, physical damage, and workers' compensation insurance. The Risk Management program liability insurance coverage includes most employee liability claims; those claims falling outside this state program are in limited amounts and are covered by the University from its operating budget. During fiscal year 2013, the University paid Risk Management \$19,030,076 in insurance premiums. During fiscal year 2012, the University paid Risk Management \$19,030,075 in insurance premiums. The University's exposure is limited to \$1,000 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, the University administration believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the University.

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

The New Mexico Tort Claims Act provides that total liability for all claims that arise out of a single occurrence shall not exceed \$750,000 set forth as follows: (a) \$200,000 for real property; (b) up to \$300,000 for past and future medical and medically related expenses; and (c) up to \$400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant. The language of the New Mexico Tort Claims Act does not provide for claims of loss of consortium; however, New Mexico appellate court decisions have allowed claimants to seek consortium. Risk Management Division of the State of New Mexico General Services Department (State RMD) and UNM contend that these damages are contained within the \$750,000 cap. The New Mexico Tort Claims Act prohibits the award of punitive or exemplary damages against the Hospital. The New Mexico Tort Claims Act requires the State RMD to provide coverage to the Hospital for those torts where the Legislature has waived the State's sovereign immunity up to the damages limits of the New Mexico Tort Claims Act plus the cost incurred in defending any claims

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

and/or lawsuits (including attorney's fees and expenses), with no deductible and with no self-insured retention by the Hospital. As a result of the foregoing, the Hospital is fully covered for claims and/or lawsuits relating to medical malpractice or professional liability.

Effective July 1, 2009, the University began self-insuring its health and dental benefits. Under the plans, all eligible employees are provided access to the provider networks of Lovelace Health Plan and Presbyterian Health Plan for health services and Delta Dental for dental services. Lovelace Health Plan and Presbyterian Health Plan provide administrative claim payment services for the University's health plans and Delta Dental for the dental plan. Liabilities are based on an estimate of claims that have been incurred but not reported, invoices received but not yet paid, and catastrophic claims not covered by the University's excess claims carriers. At June 30, 2013 and 2012, the estimated amount of the University's claims and accrued invoices was \$20.6 million and \$16.9 million, respectively, which is included in accrued payroll. The liability for claims incurred but not reported was based on the actuarial analysis calculated using information provided by Healthcare Analytics.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2013	\$16,857,384	\$64,682,654	\$(60,914,031)	\$20,626,007
2012	17,085,947	61,747,506	(61,976,069)	16,857,384

The UNM Hospital sponsors a self-insured health plan in which UNM Behavioral Operations also participate, as all employees are under the centralized umbrella of UNM Hospital. Blue Cross and Blue Shield of New Mexico and HMO New Mexico (BCBSNM and HMONM) provide administrative claim payment services for the Hospital's plan. Liabilities are based on an estimate of claims that have been incurred but not reported and invoices received but not yet paid. At June 30, 2013 and 2012, the estimated amount of the Hospital's claims and accrued invoices was \$3.2 million and \$4.1 million, respectively, which is included in accrued payroll. As the Hospital receives all cash and pays all obligations of UNM Behavioral Operations, the estimated amount of the UNM Behavioral Operations' claims and accrued invoices recorded in the Hospital's accrued payroll was approximately \$280,000 and \$409,749 at June 30, 2013 and 2012. The liability for claims incurred but not reported was based on an actuarial analysis calculated using information provided by BCBSNM.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2013	\$ 4,545,187	\$ 33,425,794	\$(34,476,186)	\$3,494,795
2012	4,567,733	31,238,162	(31,260,708)	4,545,187

### (16) Retirement Plans and Postemployment Benefits

#### (A) University

##### Plan Description

Substantially all of the University's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The ERB is the administrator of the plan, which is a cost-sharing multiple-employer defined-benefit retirement plan. The plan

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

### Funding Policy

*Member Contributions:* Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

*Employer Contributions:* In fiscal year 2013, the University was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the University will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The University's contributions to ERB for the fiscal years ended June 30, 2013, 2012, and 2011 were \$44,136,383, \$35,670,518, and \$42,725,054, respectively, which equal the amount of the required contributions for each fiscal year.

### Postemployment Benefits

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

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

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

If hired before July 1, 2010,

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

If hired on or after July 1, 2010,

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

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

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

cost of purchase is 10.5% of member's average annual salary for all years of covered employment for each year purchased.

### Alternative Retirement Plan

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

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

### *(B) Clinical Operations*

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

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

In addition, the Clinical Operations have a 401(a) defined-contribution plan, called the UNM Hospital 401(a) Plan, which was established for the purpose of providing retirement benefits for eligible participants and their beneficiaries. The 401(a) plan allows for tax-deferred employer contributions on a percentage-of-salary basis. The plan was established by the UNM Hospital's Board of Trustees and can be amended at its discretion. All assets of the plan are held in a trust fund, are not considered hospital assets, and are under the direction of a Plan Administrator. In 2012, a Roth 403(b) defined-contribution plan option was added.

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

A small portion (approximately 75) of the Clinical Operations' full-time employees participates in the public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The ERB is the administrator of the plan, which is a cost-sharing multiple-employer defined-benefit retirement plan.

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

Total employer expense under the plans was \$13,018,000 and \$13,499,000 in 2013 and 2012, respectively. Total employee contributions under the plans were \$16,744,000 and \$16,857,000 in 2013 and 2012, respectively.

### *(C) Other Postemployment Benefits*

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

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

For the University, at the valuation date of July 1, 2012, there were a total of 2,631 retirees, 497 active fully eligible and 6,870 not fully eligible plan participants.

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

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

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

For the Hospital, at the date of valuation July 1, 2012, there were a total of 41 retirees, 591 active fully eligible and 5,055 not fully eligible plan participants.

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

The University and Hospital fund the plans on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense of the University for fiscal year 2013 was \$9,376,000, net of retiree contributions. The pay-as-you-go expense of the Hospital for fiscal year 2013 was approximately \$110,000, net of retiree contributions.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

reduce the effects of short-term volatility in actuarial accrued liabilities (AALs) and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuations, the unit credit actuarial cost method was used. The actuarial assumptions included a 7% and 4.5% annual discount rate for the University and Hospitals, respectively. Currently, the plans are considered to be unfunded as there are no assets, and retiree benefits are expected to be paid annually on a cash basis. Effective July 1, 2013, the University funds its OPEB benefits with a Voluntary Employee Beneficiary Association (VEBA) Trust, allowing it to use a preferred discount rate of 7% representing the average long-term rate of return for the trust. The discount rate changed from 4.5% to 7%, which is based on the 2% of salary VEBA contribution (1% employee, 1% University), resulting in a decrease in the AAL for the University. The actuarial valuation assumes an annual healthcare cost trend on a select and ultimate basis: pre-65 medical benefits/stop loss fees on a select basis at 9% and on an ultimate basis at 5%, post-65 medical benefits on a select basis at 8% and on an ultimate basis at 5%, prescription drug benefits on a select basis at 8% and on an ultimate basis at 5%, administrative fees on a select and ultimate basis at 5%, and dental benefits on a select and ultimate basis at 5%. The select trend rates are reduced 0.5% each year until reaching the ultimate trend. The unfunded actuarial accrued liability (UAAL) is amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payroll. Payroll is projected to increase 2% and 1.5% per year for the University and Hospital, respectively.

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

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

	<b>University</b>	<b>Hospital</b>	<b>Total</b>
Annual required contribution	\$ 9,162,000	\$ 606,000	\$ 9,768,000
Interest on net OPEB obligation	1,777,000	239,000	2,016,000
Adjustment to annual required contribution	(1,556,000)	(262,000)	(1,818,000)
Annual OPEB cost (expense)	9,383,000	583,000	9,966,000
Contributions made	9,376,000	110,000	9,486,000
Increase in net OPEB obligation	7,000	473,000	480,000
Net OPEB obligation beginning of year	25,379,000	5,319,183	30,698,183
Net OPEB obligation end of year	<u>\$ 25,386,000</u>	<u>\$ 5,792,183</u>	<u>\$ 31,178,183</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for fiscal year 2013 is as follows:

	<b>University</b>	<b>Hospital</b>	<b>Total</b>
Annual OPEB Cost	\$ 9,383,000	\$ 583,000	\$ 9,966,000
% of Annual OPEB Cost Contributed	99.9%	18.9%	95.2%
Net OPEB Obligation	\$ 25,386,000	\$ 5,792,183	\$ 31,178,183

*Funded Status and Funding Progress.* As of July 1, 2012, the most recent actuarial valuation date, the plans were not funded. The University's AAL, the present value of all future expected postretirement health payments and administrative costs attributable to past service, was \$94,156,000, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$94,156,000, or a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$525,889,398, and the ratio of the UAAL to the covered payroll was 17.9%.

The Hospital's AAL was \$4,009,000, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$4,009,000 or a funded ratio of 0%. The covered payroll was \$260,548,507 and the ratio of the UAAL to the covered payroll was 1.5%.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, the healthcare cost trend, and the discount rate. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions (Schedule 1), presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

### (D) *Establishment of Voluntary Employee Beneficiary Association Trust (VEBA)*

Faced with a large unfunded postretirement benefit liability, the University established a VEBA Trust. Voluntary contributions will begin on July 1, 2013. Additionally, with the establishment of the VEBA, and beginning on July 1, 2013, postretirement benefits will be funded on a service credit model, which means that the more years of contribution to the VEBA, the higher the UNM subsidy of those postretirement benefits. Benefits-eligible employees hired before July 1, 2013 will be grandfathered into the VEBA with 25 years postretirement VEBA Service Credit if they do not opt out. Employees were automatically enrolled into the VEBA unless they requested to opt out. UNM will match the contribution to the VEBA each year. The VEBA contribution and UNM contribution percentages are as follows:

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

### (17) **Commitments and Contingencies**

#### (A) *Commitments*

In addition to the lease commitments in note 14, the Primary Institution had commitments totaling \$47,283,595 at June 30, 2013. These commitments consisted of the following:

	2013
Materials and services	\$ 43,841,935
Construction projects	3,441,660
Total	<u>\$ 47,283,595</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.

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

### (C) Mortgage Reserve Fund

On November 15, 2004, the Hospital established a mortgage reserve fund in accordance with the requirements and conditions of the FHA Regulatory Agreement. Future Mortgage Reserve Fund contributions are summarized as follows:

	Annual Contribution
2014	\$ 2,420,313
2015	2,518,921
2016	2,621,545
2017	2,728,351
	<u>\$ 10,289,130</u>

### (18) 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):

	2013	2012
Unrestricted net position	\$ 544,403,761	\$ 548,863,730
Less:		
Working capital – patient care operations		
Clinical operations – UNM Hospitals	<u>159,076,568</u>	<u>148,667,759</u>
Total working capital – patient care operations	159,076,568	148,667,759
Committed	48,200,888	59,355,339
Dedicated		
Plant funds – repair and replacement	124,849,304	137,301,880
Quasi-endowment funds – Regents' scholarships	90,120,871	85,845,797
Student loan funds	716,149	707,028
Other	<u>92,045,411</u>	<u>99,484,595</u>
Total dedicated	307,731,735	323,339,300
<b>Ending discretionary funds balance</b>	<b><u>\$ 29,394,570</u></b>	<b><u>\$ 17,501,332</u></b>

(THIS PAGE INTENTIONALLY LEFT BLANK)

**REQUIRED SUPPLEMENTAL INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Schedule of Funding Progress and Employer Contributions**

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

**Schedule of Funding Progress - OPEB**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
<b>University</b>						
7/1/2012	\$ -	\$ 94,156,000	\$ 94,156,000	0%	\$ 525,889,398	17.9%
7/1/2011	\$ -	\$ 152,643,000	\$ 152,643,000	0%	\$ 489,385,374	31.2%
7/1/2009	\$ -	\$ 131,868,000	\$ 131,868,000	0%	\$ 485,663,779	27.2%
<b>Clinical Operations</b>						
7/1/2012	\$ -	\$ 4,009,000	\$ 4,009,000	0%	\$ 260,548,507	1.5%
7/1/2011	\$ -	\$ 3,935,000	\$ 3,935,000	0%	\$ 237,524,770	1.7%
7/1/2009	\$ -	\$ 20,287,000	\$ 20,287,000	0%	\$ 234,708,560	8.6%

**Schedule of Employer Contributions - OPEB**

Actuarial Valuation Date	Annual Required Contributions (ARC)	Actual Contributions	% Contributed
<b>University</b>			
7/1/2012	\$ 9,162,000	\$ 9,376,000	102%
7/1/2011	\$ 14,095,000	\$ 8,480,000	60%
7/1/2009	\$ 12,213,000	\$ 5,276,000	43%
<b>Clinical Operations</b>			
7/1/2012	\$ 606,000	\$ 110,000	18%
7/1/2011	\$ 1,699,905	\$ 277,511	16%
7/1/2009	\$ 3,038,884	\$ 131,884	4%

**Summary of Key Actuarial Methods and Assumptions**

Valuation Date	July 1, 2012
Actuarial Cost Method	Unit Credit Actuarial Cost Method
Amortization Method	30 Years
Discount Rate	7% University, 4.5% Clinical Operations
Projected Payroll Growth Rate	2% University, 1.5% Clinical Operations

Healthcare Cost Trend Rate	Select	Ultimate
Pre-65 medical	9%	5%
Post-65 medical	8%	5%
Prescription drug	8%	5%
Administrative fees	5%	5%
Dental	5%	5%

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

# THE UNIVERSITY OF NEW MEXICO

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

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corporation
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 3,450,576	\$ 1,153,253	\$ 710,679	\$ 3,605,589	\$ 681,952
Cash and cash equivalents – restricted	3,618,286	-	-	-	-
Short-term investments	-	1,303,541	540,179	-	-
Accounts receivable, net	638,310	1,140,910	326,224	53,831	-
Patient receivables, net	-	-	-	-	-
Other receivables, net	-	-	-	-	-
Inventories	-	33,160	-	-	-
Due from The University of New Mexico	-	98,663	-	-	-
Due from affiliates	-	-	-	-	-
Other current assets	106,576	134,360	4,500	450	-
Total current assets	\$ 7,813,748	\$ 3,863,887	\$ 1,581,582	\$ 3,659,870	\$ 681,952
Noncurrent assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	169,758,451	-	14,725	-	-
Due from affiliates	-	-	-	-	-
Other noncurrent assets	3,378,982	-	-	-	20,000
Capital assets, net	137,335	-	49,868	-	27,484,795
Total noncurrent assets	\$ 173,274,768	\$ -	\$ 64,593	\$ -	\$ 27,504,795
Total assets	\$ 181,088,516	\$ 3,863,887	\$ 1,646,175	\$ 3,659,870	\$ 28,186,747
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued expenses	\$ 971,134	\$ 123,797	\$ 296,480	\$ 43,872	\$ 30,824
Due to The University of New Mexico	2,770,079	558,672	258,614	2,752,527	583,314
Due to affiliates	-	-	-	-	-
Unearned revenue	477,987	1,122,772	500	758,103	-
Bonds payable – current	-	-	-	-	-
Long-term debt – current	-	-	-	-	-
Annuities payable	386,043	-	-	-	-
Other current liabilities	1,583,718	-	654,481	-	-
Total current liabilities	\$ 6,188,961	\$ 1,805,241	\$ 1,210,075	\$ 3,554,502	\$ 614,138
Noncurrent liabilities					
Bonds payable – noncurrent	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt – noncurrent	-	-	-	-	-
Due to The University of New Mexico	1,710,611	-	-	-	27,121,155
Due to affiliates	-	-	-	-	-
Annuities payable	3,190,992	-	-	-	-
Total noncurrent liabilities	\$ 4,901,603	\$ -	\$ -	\$ -	\$ 27,121,155
Total liabilities	\$ 11,090,564	\$ 1,805,241	\$ 1,210,075	\$ 3,554,502	\$ 27,735,293
<b>NET POSITION</b>					
Net investment in capital assets	\$ 137,335	\$ -	\$ 49,868	\$ -	\$ -
Restricted nonexpendable	149,834,769	-	-	-	-
Restricted expendable	17,916,757	434,163	-	35,943	-
Unrestricted	2,109,091	1,624,483	386,232	69,425	451,454
Total net position	\$ 169,997,952	\$ 2,058,646	\$ 436,100	\$ 105,368	\$ 451,454

# SCHEDULE 2

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total before Eliminations	Component Unit Eliminations	Total
\$ 4,419,152	\$ 1,115,022	\$ 21,396,402	\$ 6,143,766	\$ 42,676,391	\$ -	\$ 42,676,391
-	-	-	13,156,668	16,774,954	-	16,774,954
-	7,377,913	-	-	9,221,633	-	9,221,633
5,667	55,749	-	-	2,220,691	-	2,220,691
-	-	23,071,804	6,016,748	29,088,552	-	29,088,552
-	-	16,591	2,334,486	2,351,077	-	2,351,077
-	-	-	1,549,979	1,583,139	-	1,583,139
-	-	4,547,491	1,298,586	5,944,740	-	5,944,740
-	-	36,266	2,498,459	2,534,725	(2,534,725)	-
-	23,293	-	3,985,114	4,254,293	-	4,254,293
\$ 4,424,819	\$ 8,571,977	\$ 49,068,554	\$ 36,983,806	\$ 116,650,195	\$ (2,534,725)	\$ 114,115,470
\$ -	\$ -	\$ 3,599,830	\$ -	\$ 3,599,830	\$ -	\$ 3,599,830
-	-	22,864,864	1,677,025	194,315,065	-	194,315,065
-	-	2,040,000	-	2,040,000	(2,040,000)	-
30	-	904,771	-	4,303,783	-	4,303,783
7,908,104	-	1,039,469	136,485,863	173,105,434	-	173,105,434
\$ 7,908,134	\$ -	\$ 30,448,934	\$ 138,162,888	\$ 377,364,112	\$ (2,040,000)	\$ 375,324,112
\$ 12,332,953	\$ 8,571,977	\$ 79,517,488	\$ 175,146,694	\$ 494,014,307	\$ (4,574,725)	\$ 489,439,582
\$ 501,850	\$ 1,831	\$ 2,978,295	\$ 9,763,153	\$ 14,711,236	\$ -	\$ 14,711,236
-	-	27,045,529	863,209	34,831,944	-	34,831,944
-	-	2,498,459	36,266	2,534,725	(2,534,725)	-
-	-	-	-	2,359,362	-	2,359,362
-	-	-	4,700,000	4,700,000	-	4,700,000
907,119	-	-	-	907,119	-	907,119
-	-	-	-	386,043	-	386,043
-	-	-	-	2,238,199	-	2,238,199
\$ 1,408,969	\$ 1,831	\$ 32,522,283	\$ 15,362,628	\$ 62,668,628	\$ (2,534,725)	\$ 60,133,903
\$ -	\$ -	\$ -	\$ 138,725,000	\$ 138,725,000	\$ -	\$ 138,725,000
8,282,133	-	-	-	8,282,133	-	8,282,133
-	-	-	-	28,831,766	-	28,831,766
-	-	-	2,040,000	2,040,000	(2,040,000)	-
-	-	-	-	3,190,992	-	3,190,992
\$ 8,282,133	\$ -	\$ -	\$ 140,765,000	\$ 181,069,891	\$ (2,040,000)	\$ 179,029,891
\$ 9,691,102	\$ 1,831	\$ 32,522,283	\$ 156,127,628	\$ 243,738,519	\$ (4,574,725)	\$ 239,163,794
\$ 804,475	\$ -	\$ 1,039,469	\$ -	\$ 2,031,147	\$ -	\$ 2,031,147
-	-	-	-	149,834,769	-	149,834,769
-	-	-	10,094,941	28,481,804	-	28,481,804
1,837,376	8,570,146	45,955,736	8,924,125	69,928,068	-	69,928,068
\$ 2,641,851	\$ 8,570,146	\$ 46,995,205	\$ 19,019,066	\$ 250,275,788	\$ -	\$ 250,275,788

# THE UNIVERSITY OF NEW MEXICO

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

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

# SCHEDULE 3

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total before Eliminations	Component Unit Eliminations	Total
\$ 776,834	\$ 1,867,986	\$ 23,682,204	\$ 1,055,438	\$ 36,420,432	\$ -	\$ 36,420,432
-	-	-	69,370,137	73,157,982	-	73,157,982
-	6,895,626	-	-	8,579,288	-	8,579,288
19,400	62,761	-	-	2,094,259	-	2,094,259
-	-	19,181,238	-	19,181,238	-	19,181,238
-	-	3,320,040	1,055,369	4,375,409	-	4,375,409
-	-	-	-	20,359	-	20,359
-	-	733,493	-	784,158	-	784,158
-	-	1,544,631	-	1,544,631	(1,544,631)	-
-	7,120	-	461,324	758,917	-	758,917
\$ 796,234	\$ 8,833,493	\$ 48,461,606	\$ 71,942,268	\$ 146,916,673	\$ (1,544,631)	\$ 145,372,042
\$ -	\$ -	\$ 169,535	\$ -	\$ 169,535	\$ -	\$ 169,535
-	-	28,899,105	-	181,229,666	-	181,229,666
-	-	2,040,000	-	2,040,000	(2,040,000)	-
30	-	368,060	-	4,413,934	-	4,413,934
-	-	1,240,785	129,759,992	131,196,989	-	131,196,989
\$ 30	\$ -	\$ 32,717,485	\$ 129,759,992	\$ 319,050,124	\$ (2,040,000)	\$ 317,010,124
\$ 796,264	\$ 8,833,493	\$ 81,179,091	\$ 201,702,260	\$ 465,966,797	\$ (3,584,631)	\$ 462,382,166
\$ 182,033	\$ 3,550	\$ 4,455,365	\$ 21,467,688	\$ 27,698,267	\$ -	\$ 27,698,267
-	-	29,834,022	208,055	35,655,307	-	35,655,307
-	-	-	1,544,631	1,544,631	(1,544,631)	-
-	5,200	-	-	1,753,039	-	1,753,039
-	-	-	1,540,000	1,540,000	-	1,540,000
-	-	-	-	364,033	-	364,033
-	-	-	-	1,842,052	-	1,842,052
\$ 182,033	\$ 8,750	\$ 34,289,387	\$ 24,760,374	\$ 70,397,329	\$ (1,544,631)	\$ 68,852,698
\$ -	\$ -	\$ -	\$ 141,885,000	\$ 141,885,000	\$ -	\$ 141,885,000
-	-	-	-	3,005,641	-	3,005,641
-	-	-	2,040,000	2,040,000	(2,040,000)	-
-	-	-	-	2,986,551	-	2,986,551
\$ -	\$ -	\$ -	\$ 143,925,000	\$ 149,917,192	\$ (2,040,000)	\$ 147,877,192
\$ 182,033	\$ 8,750	\$ 34,289,387	\$ 168,685,374	\$ 220,314,521	\$ (3,584,631)	\$ 216,729,890
\$ -	\$ -	\$ 1,240,785	\$ 2,344,125	\$ 3,781,122	\$ -	\$ 3,781,122
-	-	-	-	134,963,059	-	134,963,059
-	32,593	-	37,124,103	53,341,385	-	53,341,385
614,231	8,792,150	45,648,919	(6,451,342)	53,566,710	-	53,566,710
\$ 614,231	\$ 8,824,743	\$ 46,889,704	\$ 33,016,886	\$ 245,652,276	\$ -	\$ 245,652,276

# THE UNIVERSITY OF NEW MEXICO

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

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corporation
<b>REVENUES</b>					
Operating revenues					
Sales and services	\$ -	\$ 2,563,774	\$ -	\$ 164,457	\$ 1,213,330
Patient services	-	-	-	-	-
Grants, bequests, and contributions	21,129,198	292,542	-	5,417,126	-
Operational support	6,464,018	-	1,586,144	-	-
Other operating revenues	731,996	28,070	2,189,443	20,737	-
Total operating revenues	<u>\$ 28,325,212</u>	<u>\$ 2,884,386</u>	<u>\$ 3,775,587</u>	<u>\$ 5,602,320</u>	<u>\$ 1,213,330</u>
<b>EXPENSES</b>					
Operating expenses					
General and administrative	\$ 10,128,821	\$ 2,146,418	\$ 1,295,372	\$ 313,641	\$ 509,247
Program expenses	-	607,874	2,506,503	5,305,402	1,274,280
Distributions to the University of New Mexico	27,897,237	-	-	-	-
Total operating expenses	<u>\$ 38,026,058</u>	<u>\$ 2,754,292</u>	<u>\$ 3,801,875</u>	<u>\$ 5,619,043</u>	<u>\$ 1,783,527</u>
Net operating income (loss)	<u>\$ (9,700,846)</u>	<u>\$ 130,094</u>	<u>\$ (26,288)</u>	<u>\$ (16,723)</u>	<u>\$ (570,197)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Local appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Federal bond subsidy	-	-	-	-	-
Investment income	17,383,587	103,723	59,457	(1,607)	4,768
Other nonoperating revenues	-	(36,536)	13,990	-	-
Interest expense	-	-	-	-	(144,380)
Total nonoperating revenues	<u>\$ 17,383,587</u>	<u>\$ 67,187</u>	<u>\$ 73,447</u>	<u>\$ (1,607)</u>	<u>\$ (139,612)</u>
Income (loss) before other revenues	<u>\$ 7,682,741</u>	<u>\$ 197,281</u>	<u>\$ 47,159</u>	<u>\$ (18,330)</u>	<u>\$ (709,809)</u>
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions to permanent endowments	9,543,766	-	-	-	-
Total other revenues	<u>\$ 9,543,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	<u>\$ 17,226,507</u>	<u>\$ 197,281</u>	<u>\$ 47,159</u>	<u>\$ (18,330)</u>	<u>\$ (709,809)</u>
Net position at beginning of year	<u>152,771,445</u>	<u>1,861,365</u>	<u>388,941</u>	<u>123,698</u>	<u>1,161,263</u>
Net position at end of year	<u><u>\$ 169,997,952</u></u>	<u><u>\$ 2,058,646</u></u>	<u><u>\$ 436,100</u></u>	<u><u>\$ 105,368</u></u>	<u><u>\$ 451,454</u></u>

## SCHEDULE 4

Lobo Energy, Inc.	The University of New Mexico Alumni Association	University of New Mexico Medical Group, Inc.	Sandoval Regional Medical Center	Total
\$ 2,912,243	\$ -	\$ -	\$ -	\$ 6,853,804
-	-	155,747,960	18,927,175	174,675,135
-	-	-	-	26,838,866
-	-	-	-	8,050,162
-	500,464	6,792,447	271,244	10,534,401
\$ 2,912,243	\$ 500,464	\$ 162,540,407	\$ 19,198,419	\$ 226,952,368
\$ 173,795	\$ 61,688	\$ 162,325,243	\$ 49,206,822	\$ 226,161,047
1,473,580	1,261,241	-	-	12,428,880
-	-	-	-	27,897,237
\$ 1,647,375	\$ 1,322,929	\$ 162,325,243	\$ 49,206,822	\$ 266,487,164
\$ 1,264,868	\$ (822,465)	\$ 215,164	\$ (30,008,403)	\$ (39,534,796)
\$ -	\$ -	\$ -	\$ 20,832,519	\$ 20,832,519
-	-	-	2,225,243	2,225,243
6,272	584,598	(109,663)	604,479	18,635,614
-	(16,730)	-	(1,147,533)	(1,186,809)
(243,520)	-	-	(6,504,125)	(6,892,025)
\$ (237,248)	\$ 567,868	\$ (109,663)	\$ 16,010,583	\$ 33,614,542
\$ 1,027,620	\$ (254,597)	\$ 105,501	\$ (13,997,820)	\$ (5,920,254)
\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
-	-	-	-	9,543,766
\$ 1,000,000	\$ -	\$ -	\$ -	\$ 10,543,766
\$ 2,027,620	\$ (254,597)	\$ 105,501	\$ (13,997,820)	\$ 4,623,512
614,231	8,824,743	46,889,704	33,016,886	245,652,276
\$ 2,641,851	\$ 8,570,146	\$ 46,995,205	\$ 19,019,066	\$ 250,275,788

# THE UNIVERSITY OF NEW MEXICO

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

	The University of New Mexico Foundation, Inc.	The Robert O. Anderson Schools of Management Foundation	STC.UNM	University of New Mexico Lobo Club	Lobo Development Corporation
<b>REVENUES</b>					
Operating revenues					
Sales and services	\$ -	\$ 2,175,588	\$ -	\$ 109,629	\$ 1,980,178
Patient services	-	-	-	-	-
Grants, bequests, and contributions	17,299,760	217,284	-	4,669,314	-
Operational support	5,210,319	-	1,551,000	-	-
Other operating revenues	894,259	29,325	2,922,575	38,865	-
Total operating revenues	<u>\$ 23,404,338</u>	<u>\$ 2,422,197</u>	<u>\$ 4,473,575</u>	<u>\$ 4,817,808</u>	<u>\$ 1,980,178</u>
<b>EXPENSES</b>					
Operating expenses					
General and administrative	\$ 9,280,165	\$ 1,914,954	\$ 1,407,539	\$ 415,263	\$ 252,242
Program expenses	-	612,313	3,165,385	4,441,754	1,147,828
Distributions to the University of New Mexico	25,336,191	-	-	-	-
Total operating expenses	<u>\$ 34,616,356</u>	<u>\$ 2,527,267</u>	<u>\$ 4,572,924</u>	<u>\$ 4,857,017</u>	<u>\$ 1,400,070</u>
Net operating income (loss)	<u>\$ (11,212,018)</u>	<u>\$ (105,070)</u>	<u>\$ (99,349)</u>	<u>\$ (39,209)</u>	<u>\$ 580,108</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal bond subsidy	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	1,612,231	(18,264)	5,673	13,902	10,291
Other nonoperating revenues	-	(58,151)	19,050	-	-
Interest expense	-	-	-	-	-
Total nonoperating revenues	<u>\$ 1,612,231</u>	<u>\$ (76,415)</u>	<u>\$ 24,723</u>	<u>\$ 13,902</u>	<u>\$ 10,291</u>
Income (loss) before other revenues	<u>\$ (9,599,787)</u>	<u>\$ (181,485)</u>	<u>\$ (74,626)</u>	<u>\$ (25,307)</u>	<u>\$ 590,399</u>
Contributions to permanent endowments	<u>\$ 10,523,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total other revenues	<u>\$ 10,523,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	<u>\$ 924,133</u>	<u>\$ (181,485)</u>	<u>\$ (74,626)</u>	<u>\$ (25,307)</u>	<u>\$ 590,399</u>
Net position at beginning of year	<u>151,847,312</u>	<u>2,042,850</u>	<u>463,567</u>	<u>149,005</u>	<u>570,864</u>
Net position at end of year	<u><u>\$ 152,771,445</u></u>	<u><u>\$ 1,861,365</u></u>	<u><u>\$ 388,941</u></u>	<u><u>\$ 123,698</u></u>	<u><u>\$ 1,161,263</u></u>

## SCHEDULE 5

<b>Lobo Energy, Inc.</b>	<b>The University of New Mexico Alumni Association</b>	<b>University of New Mexico Medical Group, Inc.</b>	<b>Sandoval Regional Medical Center</b>	<b>Total</b>
\$ 2,917,325	\$ -	\$ -	\$ -	\$ 7,182,720
-	-	127,701,249	-	127,701,249
-	-	-	-	22,186,358
-	-	-	-	6,761,319
-	465,382	3,267,815	-	7,618,221
<u>\$ 2,917,325</u>	<u>\$ 465,382</u>	<u>\$ 130,969,064</u>	<u>\$ -</u>	<u>\$ 171,449,867</u>
\$ 138,741	\$ 71,041	\$ 134,024,305	\$ 6,347,010	\$ 153,851,260
2,556,572	609,992	-	-	12,533,844
-	-	-	-	25,336,191
<u>\$ 2,695,313</u>	<u>\$ 681,033</u>	<u>\$ 134,024,305</u>	<u>\$ 6,347,010</u>	<u>\$ 191,721,295</u>
\$ 222,012	\$ (215,651)	\$ (3,055,241)	\$ (6,347,010)	\$ (20,271,428)
\$ -	\$ -	\$ -	\$ 2,326,495	\$ 2,326,495
4,860	(29,403)	185,361	48,120	1,832,771
-	10,840	-	-	(28,261)
-	-	-	(6,228,294)	(6,228,294)
<u>\$ 4,860</u>	<u>\$ (18,563)</u>	<u>\$ 185,361</u>	<u>\$ (3,853,679)</u>	<u>\$ (2,097,289)</u>
\$ 226,872	\$ (234,214)	\$ (2,869,880)	\$ (10,200,689)	\$ (22,368,717)
\$ -	\$ -	\$ -	\$ -	10,523,920
\$ -	\$ -	\$ -	\$ -	10,523,920
\$ 226,872	\$ (234,214)	\$ (2,869,880)	\$ (10,200,689)	\$ (11,844,797)
387,359	9,058,957	49,759,584	43,217,575	257,497,073
<u>\$ 614,231</u>	<u>\$ 8,824,743</u>	<u>\$ 46,889,704</u>	<u>\$ 33,016,886</u>	<u>\$ 245,652,276</u>

# THE UNIVERSITY OF NEW MEXICO

# SCHEDULE 6

Budget Comparison – Unrestricted and Restricted – All Operations  
For the year ended June 30, 2013

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Unrestricted and Restricted Beginning Net Position	\$ 300,683,727	\$ 342,423,079	\$ 341,238,325	\$ (1,184,754)
Unrestricted and Restricted Revenues:				
Tuition and Fees	\$ 197,834,441	\$ 198,089,388	\$ 197,192,071	\$ (897,317)
Federal Government Appropriations	63,061,254	63,131,254	56,999,948	(6,131,306)
State Government Appropriations	291,253,785	290,587,592	291,431,044	843,452
Local Government Appropriations	6,667,100	6,752,100	7,331,985	579,885
Federal Government Contracts/Grants	181,686,470	189,744,579	169,056,997	(20,687,582)
State Government Contracts/Grants	84,999,618	84,551,215	82,136,027	(2,415,188)
Local Government Contracts/Grants	5,486,992	7,124,541	2,526,599	(4,597,942)
Private Contracts/Grants	37,196,145	43,533,860	49,857,135	6,323,275
Endowments and Private Gifts	1,611,669	1,531,778	1,447,669	(84,109)
Land and Permanent Fund	8,228,869	8,800,000	8,993,750	193,750
Sales and Services	326,564,796	321,864,162	310,548,511	(11,315,651)
Other	132,453,333	141,661,211	118,909,485	(22,751,726)
Total Unrestricted and Restricted Revenues	\$ 1,337,044,472	\$ 1,357,371,680	\$ 1,296,431,221	\$ (60,940,459)
Unrestricted and Restricted Expenditures:				
Instruction	\$ 271,882,786	\$ 273,738,131	\$ 257,067,580	\$ 16,670,551
Academic Support	52,675,424	54,195,440	51,889,028	2,306,412
Student Services	27,899,852	32,945,849	29,752,644	3,193,205
Institutional Support	61,317,886	60,913,554	56,416,301	4,497,253
Operations and Maintenance	53,117,154	51,460,410	49,174,306	2,286,104
Student Social and Cultural	9,118,237	9,118,762	8,479,041	639,721
Research	189,385,067	192,443,889	166,739,195	25,704,694
Public Service	311,483,426	318,339,951	307,326,542	11,013,409
Internal Services	3,105,554	3,130,753	(1,424,143)	4,554,896
Student Aid, Grants and Stipends	141,714,195	141,671,336	126,170,645	15,500,691
Auxiliary Services	59,288,316	61,288,316	57,843,781	3,444,535
Intercollegiate Athletics	33,777,291	34,296,100	30,237,842	4,058,258
Independent Operations	75,268,197	77,009,195	76,006,266	1,002,929
Capital Outlay	99,203,641	78,326,448	64,881,551	13,444,897
Building Renewal & Replacement	11,059,000	9,500,000	10,564,015	(1,064,015)
Retirement of Indebtedness	35,741,855	35,741,855	31,419,630	4,322,225
Total Unrestricted and Restricted Expenditures	\$ 1,436,037,881	\$ 1,434,119,989	\$ 1,322,544,224	\$ 111,575,765
Net Transfers	\$ 8,290,539	\$ 8,568,680	\$ 7,976,568	\$ (592,112)
Change in Net Position (Budgetary Basis)	\$ (90,702,870)	\$ (68,179,629)	\$ (18,136,435)	\$ 50,043,194
Ending Net Position	\$ 209,980,857	\$ 274,243,450	\$ 323,101,890	\$ 48,858,440

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

See accompanying Independent Auditors' Report.

# THE UNIVERSITY OF NEW MEXICO

# SCHEDULE 7

Budget Comparison - Unrestricted - Instruction & General  
For the year ended June 30, 2013

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Unrestricted Beginning Net Position	\$ 34,135,785	\$ 63,074,625	\$ 63,074,625	\$ -
Unrestricted Revenues:				
Tuition and Fees	\$ 166,340,403	\$ 166,197,760	\$ 165,027,396	\$ (1,170,364)
Federal Government Appropriations	-	70,000	72,780	2,780
State Government Appropriations	252,960,000	252,982,633	252,982,633	-
Local Government Appropriations	6,667,100	6,752,100	7,331,985	579,885
Federal Government Contracts/Grants	176,326	176,326	197,222	20,896
State Government Contracts/Grants	10,000	10,000	95,651	85,651
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	70,511	21,726	(48,785)
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	8,228,869	8,800,000	8,993,750	193,750
Sales and Services	1,036,092	2,430,343	1,122,053	(1,308,290)
Other	55,847,986	53,368,311	53,667,004	298,693
Total Unrestricted Revenues	\$ 491,266,776	\$ 490,857,984	\$ 489,512,200	\$ (1,345,784)
Unrestricted Expenditures:				
Instruction	\$ 254,133,476	\$ 255,450,782	\$ 244,480,527	\$ 10,970,255
Academic Support	51,917,007	53,176,763	51,177,914	1,998,849
Student Services	27,298,923	27,585,675	25,729,231	1,856,444
Institutional Support	60,947,602	60,543,533	56,302,840	4,240,693
Operations and Maintenance	53,059,689	51,402,945	49,163,098	2,239,847
Total Unrestricted Expenditures	\$ 447,356,697	\$ 448,159,698	\$ 426,853,610	\$ 21,306,088
Net Transfers	\$ (57,854,403)	\$ (64,951,673)	\$ (70,919,611)	\$ (5,967,938)
Change in Net Position (Budgetary Basis)	\$ (13,944,324)	\$ (22,253,387)	\$ (8,261,021)	\$ 13,992,366
Ending Net Position	\$ 20,191,461	\$ 40,821,238	\$ 54,813,604	\$ 13,992,366

See accompanying Independent Auditors' Report.

# THE UNIVERSITY OF NEW MEXICO

# SCHEDULE 8

Budget Comparison - Restricted - Instruction & General  
For the year ended June 30, 2013

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Favorable/ (Unfavorable)
Restricted Beginning Net Position	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	61,254	61,254	39,811	(21,443)
State Government Appropriations	29,577	29,577	102,071	72,494
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	14,846,580	14,605,192	10,560,883	(4,044,309)
State Government Contracts/Grants	2,751,466	2,784,245	1,119,552	(1,664,693)
Local Government Contracts/Grants	597,528	696,938	154,052	(542,886)
Private Contracts/Grants	850,000	6,143,465	4,839,091	(1,304,374)
Endowments and Private Gifts	-	-	-	-
Land and Permanent Fund	-	-	-	-
Sales and Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	\$ 19,136,405	\$ 24,320,671	\$ 16,815,460	\$ (7,505,211)
Restricted Expenditures:				
Instruction	\$ 17,749,310	\$ 18,287,349	\$ 12,587,053	\$ 5,700,296
Academic Support	758,417	1,018,677	711,114	307,563
Student Services	600,929	5,360,174	4,023,413	1,336,761
Institutional Support	370,284	370,021	113,461	256,560
Operations and Maintenance	57,465	57,465	11,208	46,257
Total Restricted Expenditures	\$ 19,536,405	\$ 25,093,686	\$ 17,446,249	\$ 7,647,437
Net Transfers	\$ 400,000	\$ 773,015	\$ 630,789	\$ (142,226)
Change in Net Position (Budgetary Basis)	\$ -	\$ -	\$ -	\$ -
Ending Net Position	\$ -	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

# THE UNIVERSITY OF NEW MEXICO

## Reconciliation of Budgetary Basis to Financial Statement Basis Unrestricted and Restricted - All Operations For the year ended June 30, 2013

### Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 1,296,431,221
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	589,836,824
University of New Mexico Behavioral Operations (amount not in budgetary basis)	38,350,403
Scholarship allowance (amount not in budgetary basis)	(74,825,207)
Endowment fund items (amount not in budgetary basis)	18,783,639
Land grant permanent fund endowment income (amount not in budgetary basis)	17,192,776
Investment in Plant items (amount not in budgetary basis)	1,985,530
Bond proceeds (amount not in financial statements)	(4,565,370)
Revenue/expenditure classification differences	(3,373,673)
Other	(386,822)
Total reconciling items	\$ 582,998,100
Total reconciled unrestricted and restricted revenues per Budgetary Basis	<u>\$ 1,879,429,321</u>

### Basic Financial Statements

Operating revenues	\$ 1,289,820,354
Nonoperating revenues	561,215,322
Nonoperating revenues netted in other nonoperating revenues and expenses	5,223,660
Other revenues	23,169,985
Total unrestricted and restricted revenues per Financial Statements	<u>\$ 1,879,429,321</u>
Difference	<u>\$ -</u>

### Total Unrestricted and Restricted Expenditures:

Budgetary Basis	\$ 1,322,544,224
Reconciling items:	
University of New Mexico Hospital (amount not in budgetary basis)	583,454,928
University of New Mexico Behavioral Operations (amount not in budgetary basis)	36,807,158
Scholarship allowance (amount not in budgetary basis)	(74,825,207)
Endowment fund items (amount not in budgetary basis)	(87,419)
Investment in Plant items (amount not in financial statements)	3,638,842
Depreciation expense (amount not in budgetary basis)	62,904,726
Capitalized expenditures (amount not in financial statements)	(53,012,966)
Bond principal payments (amount not in financial statements)	(13,289,310)
Revenue/expenditure classification differences	(3,373,673)
Other	(103,185)
Total reconciling items	\$ 542,113,894
Total reconciled unrestricted and restricted expenditures per Budgetary Basis	<u>\$ 1,864,658,118</u>

### Basic Financial Statements

Operating expenditures	\$ 1,844,715,867
Nonoperating expenditures	19,228,090
Nonoperating expenditures netted in other nonoperating revenues and expenses	714,161
Total unrestricted and restricted expenditures per Financial Statements	<u>\$ 1,864,658,118</u>
Difference	<u>\$ -</u>

See accompanying Independent Auditors' Report.

# THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2013 - Primary Institution

Financial Institution	Pledged Collateral			Account Type	Account Name
	CUSIP Identification	Maturity Date	Type of Securities		
Bank of America				Checking	General Depository
				Checking	Gallup Campus Depository
	31371KVP3	10/1/22	FNMS		
	31387FB29	9/1/29	FNMS		
	31386VE3	2/1/42	FNMS		
	3138EGG24	4/1/41	FNMS		
	3138EGJZ8	10/1/38	FNMS		
	3138EGRE6	5/1/40	FNMS		
	31410GZC0	3/1/37	FNMS		
	31415VYB5	10/1/35	FNMS		
	31416BL63	2/1/38	FNMS		
	31416VEC4	5/1/38	FNMS		
	31416WZ39	10/1/40	FNMS		
	31418QZL0	5/1/34	FNMS		
	31419AX69	12/1/40	FNMS		
	31419GB94	10/1/40	FNMS		
	3620C4V80	10/15/40	GISF		
	36230UCY3	1/15/41	GISF		
Bank of America*				Checking	UNMH Operating Account
	3128NGR31	8/1/35	FMAR		
	3128QLQ07	12/1/35	FMAR		
	31294KNX9	2/1/18	FGPC		
	31294KSF3	7/1/18	FGPC		
	3132GRHL8	2/1/42	FGPC		
	31386VE3	2/1/43	FNMS		
	3138EGG24	4/1/41	FNMS		
	3138EGJZ8	10/1/38	FNMS		
	3138EGRE6	5/1/40	FNMS		
	3138QTB9	12/1/42	FNMS		
	3139WVD0	1/1/18	FNMS		
	31391Y3N5	2/1/18	FNMS		
	31391YX44	12/1/27	FNMS		
	31402HRL7	7/1/18	FNMS		
	31402XNG7	9/1/18	FNMS		
	31404AQY3	10/1/28	FNMS		
	31404LV64	6/1/28	FNMS		
	31404LV80	6/1/33	FNMS		
	31404LX39	10/1/28	FNMS		
	31405FH39	1/1/33	FNMS		
	31405FHP0	6/1/33	FNMS		
	31405FHQ8	6/1/34	FNMS		
	31405FHW5	10/1/33	FNMS		
	31405MA64	7/1/34	FNAR		
	31410GZC0	3/1/37	FNMS		
	31415VYB5	10/1/35	FNMS		
	31416BL63	2/1/38	FNMS		
	31416BL71	9/1/37	FNMS		
	31416WZ39	10/1/40	FNMS		
	31417AR50	12/1/41	FNMS		
	31419AX69	12/1/40	FNMS		
	31419GB94	10/1/40	FNMS		
	36202FAW6	8/20/39	GNMA		
	3620C4V80	10/15/40	GNMA		
Total Cash and Cash Equiv. UNMH					
US Bank				Checking	Taos Education Center Depository
				Checking	Valencia Campus Depository
				Checking	UNM Hospital Change Campaign
Los Alamos National Bank				Checking	Los Alamos Campus Depository
Total Primary Institution					
Total Petty Cash - Primary Institution					
Component Unit deposits held by UNM					
Net nondepository cash and cash equivalents					
Total Cash and Cash Equiv. Primary Institution					

\* UNM Hospital

See accompanying Independent Auditors' Report.

# SCHEDULE 9

50%								
Total Book Balance	Bank Balance	FDIC Insurance*	Uninsured Public Funds	Collateral Requirement	Fair Value of Collateral	Over (under) Collateralized		
\$ 96,779,247	\$ 90,049,020	\$ 500,000	\$ 89,549,020	\$ 44,774,510	\$ -	\$ (44,774,510)		
11,011	-	-	-	-	-	-		
					177,437	177,437		
					74	74		
					10,459,783	10,459,783		
					40,308,276	40,308,276		
					2,566,699	2,566,699		
					14,501,008	14,501,008		
					1,640,470	1,640,470		
					2,030,320	2,030,320		
					3,013,079	3,013,079		
					5,474	5,474		
					9,836,607	9,836,607		
					31,167	31,167		
					7,775,798	7,775,798		
					3,444,660	3,444,660		
					1,301,540	1,301,540		
					17,168,315	17,168,315		
\$ 96,790,258	\$ 90,049,020	\$ 500,000	\$ 89,549,020	\$ 44,774,510	\$ 114,260,707	\$ 69,486,197		
\$ 102,601,650	\$ 117,879,420	\$ 500,000	\$ 117,379,420	\$ 58,689,710	\$ -	\$ (58,689,710)		
					1,988	1,988		
					1,004,717	1,004,717		
					7,564	7,564		
					7,073	7,073		
					2,151,421	2,151,421		
					30,620,442	30,620,442		
					9,609	9,609		
					11,423,486	11,423,486		
					4,068,147	4,068,147		
					5,385,960	5,385,960		
					400,724	400,724		
					154,111	154,111		
					2,447	2,447		
					134	134		
					2,035	2,035		
					178	178		
					76	76		
					3,320,671	3,320,671		
					206,697	206,697		
					454,017	454,017		
					1,065,487	1,065,487		
					1,698,436	1,698,436		
					1,684,820	1,684,820		
					53,737	53,737		
					2,363,458	2,363,458		
					1,005,807	1,005,807		
					3,088,223	3,088,223		
					35,972	35,972		
					2,241,166	2,241,166		
					23,288,811	23,288,811		
					20,816,377	20,816,377		
					15,536,675	15,536,675		
					2,230,985	2,230,985		
					794	794		
\$ 102,601,650	\$ 117,879,420	\$ 500,000	\$ 117,379,420	\$ 58,689,710	\$ 134,332,245	\$ 75,642,535		
\$ 30,696	\$ 12,390	\$ 12,390	\$ -	\$ -	\$ -	\$ -		
12,933	3,025	3,025	-	-	-	-		
16,819	16,819	16,819	-	-	-	-		
\$ 60,448	\$ 32,234	\$ 32,234	\$ -	\$ -	\$ -	\$ -		
\$ 2,430	\$ 2,430	\$ 2,430	\$ -	\$ -	\$ -	\$ -		
\$ 2,430	\$ 2,430	\$ 2,430	\$ -	\$ -	\$ -	\$ -		
\$ 199,454,786	\$ 207,963,104	\$ 1,034,664	\$ 206,928,440	\$ 103,464,220	\$ 248,592,952	\$ 145,128,732		
\$ 193,290								
(4,687,425)								
(8,792,349)								
\$ 186,168,302								

# THE UNIVERSITY OF NEW MEXICO

Schedule of Pledged Collateral as of June 30, 2013 - Component Units

Financial Institution	Pledged Collateral			Account Type	Account Name
	CUSIP Identification	Maturity Date	Type of Securities		
Wells Fargo Bank				Checking	UNMMG Operating Account
				Checking	UNMMG Pathology
				Checking	UNMMG Cancer Center
				Savings	UNMMG Savings
	3138ANHX4	8/1/41	FNMA		
	3138WTRR9	6/1/43	FNMA		
	3138WQA28	5/1/43	FNMA		
	3138NXKJ5	1/1/43	FNMA		
	3138W7GG3	3/1/43	FNMA		
	3138NXES2	1/1/43	FNMA		
	31419B5R2	9/1/40	FNMA		
	31418WPP9	8/1/40	FNMA		
	31417DAK9	9/1/42	FNMA		
	3138E2EW1	12/1/26	FNMA		
	3138MSC56	2/1/43	FNMA		
	31419ANB9	9/1/40	FNMA		
	3138NY4T9	2/1/43	FNMA		
	31418UC28	5/1/25	FNMA		
	3138W1JA6	2/1/43	FNMA		
	31419BCT0	3/1/41	FNMA		
	31419AGZ4	12/1/39	FNMA		
	31417EM57	1/1/43	FNMA		
	3138W3RY1	2/1/43	FNMA		
	3138M6754	9/1/42	FNMA		
	31294MT9	9/1/26	FHLMC		
UNMMG Money Market					
Total Cash and Cash Equiv. UNMMG					
Wells Fargo				Cash	UNM Foundation Operating
				Cash	Development
	31418VX98	7/1/40	FN-30		
	3138W32F9	4/1/43	FN-30		
Foundation Money Market					
Foundation deposits held by UNM					
Total Cash and Cash Equiv. Foundation					
Compass Bank				Checking	Business Checking
Lobo Development deposits held by UNM					
Total Cash and Cash Equiv. Lobo Development					
Compass Bank				Checking	Business Checking
Lobo Energy Escrow					
Lobo Energy deposits held by UNM					
Total Cash and Cash Equiv. Lobo Energy					
Bank of the West				Checking	Operating
Total STC.UNM					
STC Money Market					
STC.UNM Petty Cash					
Total Cash and Cash Equiv. STC.UNM					
Component Units - Public Money Entities					
UNM Alumni Association					
ASM Foundation					
UNM Lobo Club					
SRMC					
Component Units - Non Public Money Entities					
Total Component Units					

\* FDIC Insurance (If account is noninterest bearing transaction account, all deposits are covered per Dodd-Frank Insurance Provision)  
See accompanying Independent Auditors' Report.

# SCHEDULE 9

Total Book		Bank		FDIC		Uninsured		50%	Fair Value of		Over (under)	
Balance		Balance		Insurance*		Public Funds		Collateral Requirement	Collateral		Collateralized	
\$	20,783,629	\$	21,483,525	\$	250,000	\$	21,233,525	\$	10,616,763	\$	-	\$ (10,616,763)
	61,450		61,450		61,450		-		-		-	-
	28,645		28,645		28,645		-		-		-	-
	522,678		522,678		250,000		272,678		136,339		-	(136,339)
											603,027	603,027
											240,300	240,300
											640,629	640,629
											750,604	750,604
											135,949	135,949
											19,199	19,199
											68,614	68,614
											1,065,279	1,065,279
											659,217	659,217
											28,134	28,134
											4,826	4,826
											1,245,571	1,245,571
											589,477	589,477
											428,910	428,910
											1,559,198	1,559,198
											1,486,785	1,486,785
											2,597,993	2,597,993
											297,440	297,440
											3,408,144	3,408,144
											1,414,629	1,414,629
											8,697,331	8,697,331
\$	21,396,402	\$	22,096,298	\$	590,095	\$	21,506,203	\$	10,753,102	\$	25,941,256	\$ 15,188,155
\$	3,599,830	\$	3,599,830	\$	-	\$	-	\$	-	\$	-	\$ -
\$	24,996,232	\$	25,696,128	\$	590,095	\$	21,506,203	\$	10,753,102	\$	25,941,256	\$ 15,188,155
\$	2,070,575	\$	2,123,904	\$	250,000	\$	1,873,904	\$	936,952	\$	-	\$ (936,952)
	2,683,042		2,414,589		250,000		2,164,589		1,082,295		-	(1,082,295)
											2,079,355	2,079,355
											1,758,382	1,758,382
\$	4,753,617	\$	4,538,493	\$	500,000	\$	4,038,493	\$	2,019,247	\$	3,837,737	\$ 1,818,491
\$	1,977,658	\$	1,977,662	\$	-	\$	-	\$	-	\$	-	\$ -
	337,587		-		-		-		-		-	-
\$	7,068,862	\$	6,516,155	\$	500,000	\$	4,038,493	\$	2,019,247	\$	3,837,737	\$ 1,818,491
\$	2,187	\$	60,839	\$	60,839	\$	-	\$	-	\$	-	\$ -
\$	2,187	\$	60,839	\$	60,839	\$	-	\$	-	\$	-	\$ -
\$	679,765	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -
\$	681,952	\$	60,839	\$	60,839	\$	-	\$	-	\$	-	\$ -
\$	10,593	\$	11,727	\$	11,727	\$	-	\$	-	\$	-	\$ -
\$	10,593	\$	11,727	\$	11,727	\$	-	\$	-	\$	-	\$ -
\$	2,728,800	\$	2,728,800	\$	-	\$	2,728,800	\$	-	\$	-	\$ -
	1,679,759		-		-		-		-		-	-
\$	4,419,152	\$	2,740,527	\$	11,727	\$	2,728,800	\$	-	\$	-	\$ -
\$	693,227	\$	769,397	\$	250,000	\$	519,397	\$	259,699	\$	-	\$ (259,699)
\$	693,227	\$	769,397	\$	250,000	\$	519,397	\$	259,699	\$	-	\$ (259,699)
\$	17,352	\$	17,352	\$	-	\$	-	\$	-	\$	-	\$ -
	100		-		-		-		-		-	-
\$	710,679	\$	786,749	\$	250,000	\$	519,397	\$	259,699	\$	-	\$ (259,699)
\$	37,876,877	\$	35,800,398	\$	1,412,661	\$	28,792,893	\$	13,032,047	\$	29,778,993	\$ 16,746,947
\$	1,115,022	\$	1,893,443	\$	315,733	\$	-	\$	-	\$	-	\$ -
	1,153,253		1,233,579		250,000		-		-		-	-
	3,605,589		269,365		250,000		-		-		-	-
	19,300,434		19,395,487		358,398		-		-		-	-
\$	25,174,298	\$	22,791,874	\$	1,174,131	\$	-	\$	-	\$	-	\$ -
\$	63,051,175	\$	58,592,272	\$	2,586,792	\$	28,792,893	\$	13,032,047	\$	29,778,993	\$ 16,746,947

# THE UNIVERSITY OF NEW MEXICO

Schedule of Individual Deposit and Investment Accounts as of June 30, 2013 - Primary Institution

## Individual Deposit Accounts

Name of Bank/Broker		Account Type	Balance per bank statement	Reconciled Balance per books
Bank of America	General Depository	Checking	\$ 52,000,000	58,730,227
	Money Market Deposit Account - Public Funds	Sweep	38,049,020	38,049,020
	Gallup Campus Depository	Checking	-	11,011
	UNMH Operating Account	Checking	48,830,000	33,552,230
	Money Market Deposit Account - Public Funds	Sweep	69,049,420	69,049,420
Los Alamos National Bank	Los Alamos Campus Depository	Checking	2,430	2,430
US Bank	Taos Education Center Depository	Checking	12,390	30,696
	Valencia Campus Depository	Checking	3,025	12,933
	UNM Hospital Change Campaign	Checking	16,819	16,819
Other	UNM Petty Cash	Cash on Hand	-	157,798
	UNMH/OCO Petty Cash	Cash on Hand	-	35,492
	Component Unit deposits held by UNM		-	(4,687,425)
	Net nondepository cash and cash equivalents		-	(8,792,349)
<b>Primary Institution – Cash</b>			<b>\$ 207,963,104</b>	<b>186,168,302</b>

# SCHEDULE 10

## Individual Investment Accounts

Name of Bank/Broker	Account Type	Balance per bank statement	Reconciled Balance per books
Bank of Albuquerque	Building Renewal and Replacement	Money Market	\$ 700,899
		Certificate of Deposit	1,000,058
	Retirement of Indebtedness	Money Market	448,135
		Certificate of Deposit	500,212
Fidelity Investments	ASM Endowment Account	Cash	5,595
		Money Market	2,073,983
Morgan Stanley Smith Barney	Bond Proceeds	Money Market	839,962
		U.S. Treasury Securities	2,500,660
		U.S. Gov't Agencies	2,499,640
	Operating Investment Account	Cash	90,993
		Money Market	12,874,378
		U.S. Treasury Securities	68,544,407
		U.S. Gov't Agencies	49,532,090
		Corporate Bonds	89,835,224
		Municipal Bonds	16,372,364
		International Bonds	2,380,275
	UNMH Investment Account	Money Market	1,710,391
		U.S. Treasury Securities	9,958,468
		U.S. Gov't Agencies	22,470,296
Northern Trust	Primary Institution CIF	Money Market Account	5,199,214
		Mutual Funds - Fixed	58,501,931
		Mutual Funds - Equity	149,100,865
		Exchange Traded Funds	13,208,959
		Illiquid Real Assets	24,138,998
		Private Equity	41,193,321
		Marketable Alternatives	70,442,222
		Due to UNM	(3,385,860)
Wells Fargo	Bldg, Renewal & Replacement	Money Market	3,063,680
		U.S. Gov't Agencies	3,142,156
	Retirement of Indebtedness	Money Market	4,967,456
		U.S. Gov't Agencies	1,798,329
	UNMH Investment Trust Accounts	Money Market	22,177,503
		Repurchase Agreement	13,425,294
		U.S. Gov't Agencies	5,306,572
Investment in TLSC	UNMH Investment Account	Equity	6,872,694
Investment in TriWest		Equity	2,612,500
Investment in TRL (TriCore)		Equity	9,612,996
	Other	Due from CIF	3,385,860
	Less: Foundation Interest in CIF		(162,220,160)
		<b>\$</b>	<b>556,882,560</b>
Land Grant Permanent Fund	See Note Below	<b>\$</b>	<b>183,080,869</b>
	<b>Primary Institution – Investments</b>	<b>\$</b>	<b>739,963,429</b>

Note: The University has an undivided interest in the State of New Mexico Land Grant Permanent Fund. For further detail for the types of investments held in the Land Grant Permanent Fund, please refer to the separately issued June 30, 2013 financial statements of the State Investment Council.

# THE UNIVERSITY OF NEW MEXICO

Schedule of Individual Deposit and Investment Accounts as of June 30, 2013 - Component Units

## Individual Deposit Accounts

Name of Bank/Broker	Account Type		Balance per bank statement	Reconciled Balance per books
<b>Component Units – Public Money Entities</b>				
<b>UNMMG</b>				
Morgan Stanley Smith Barney	UNMMG Board Designated Assets	Money Market	\$ 3,599,830	3,599,830
Wells Fargo Bank	UNMMG Operating Accounting	Checking	21,483,525	20,777,269
	UNMMG Pathology	Checking	61,450	61,450
	UNMMG Cancer Center	Checking	28,645	28,645
	UNMMG Savings	Savings	522,678	522,678
	Petty Cash	Cash	-	6,360
<b>UNMMG – Cash</b>			<b>\$ 25,696,128</b>	<b>24,996,232</b>
<b>University of New Mexico Foundation, Inc.</b>				
Bank of America	Scholarship Fund	Money Market	\$ 17,098	17,097
	Scholarship Trust	Money Market	69,591	69,588
Southwest Securities	Charitable Trust Fund	Money Market	25,138	25,138
UBS Financial Services	Endowed Chair	Money Market	89,812	89,812
	Endowed Professorship	Money Market	73,753	73,753
Wells Fargo	Operating	Cash	2,123,904	2,070,575
	Gift	Cash	2,414,589	2,683,042
	Charitable Trust Fund	Money Market	68,518	68,518
Vanguard	Operating	Money Market	1,295,539	1,295,539
Other*	UNM Operating	Cash	-	337,587
Morgan Stanley	Basic Securities Account	Money Market	338,213	338,213
<b>University of New Mexico Foundation, Inc. – Cash</b>			<b>\$ 6,516,155</b>	<b>7,068,862</b>
<b>Lobo Development Corporation</b>				
Compass Bank	Business Checking	Checking	\$ 60,839	2,187
Other*	UNM Operating	Cash	-	679,765
<b>Lobo Development Corporation – Cash</b>			<b>\$ 60,839</b>	<b>681,952</b>
<b>Lobo Energy, Inc.</b>				
Compass Bank	Business Checking	Checking	\$ 11,727	10,593
Other*	UNM Operating	Cash	-	1,679,759
Bank of Albuquerque	Escrow	Money Market	2,728,800	2,728,800
<b>Lobo Energy, Inc. – Cash</b>			<b>\$ 2,740,527</b>	<b>4,419,152</b>
<b>STC.UNM</b>				
Bank of the West	Operating	Checking	\$ 769,397	693,227
Well Fargo	Operating	Money Market	17,352	17,352
N/A	Petty Cash	Cash	-	100
<b>STC.UNM – Cash</b>			<b>\$ 786,749</b>	<b>710,679</b>
<b>Component Units – Public Money Entities</b>			<b>\$ 35,800,398</b>	<b>37,876,877</b>
<b>UNM Alumni Association</b>			<b>\$ 1,893,443</b>	<b>1,115,022</b>
<b>ASM Foundation</b>			<b>1,233,579</b>	<b>1,153,253</b>
<b>UNM Lobo Club</b>			<b>269,365</b>	<b>3,605,589</b>
<b>SRMC</b>			<b>19,395,487</b>	<b>19,300,434</b>
<b>Component Units – Nonpublic Money Entities</b>			<b>\$ 22,791,874</b>	<b>25,174,298</b>
<b>Total Component Units – Cash</b>			<b>\$ 58,592,272</b>	<b>63,051,175</b>

\* - Held by Primary Institution in General Depository Account

# SCHEDULE 10

## Individual Investment Accounts

Name of Bank/Broker	Account Type		Balance per bank statement	Reconciled Balance per books
<b>Component Units – Public Money Entities</b>				
<b>UNMMG</b>				
Morgan Stanley Smith Barney	UNMMG Investment Account	U.S. Gov't Obligations	\$ 14,176,792	14,176,792
		Corporate Bonds	6,631,135	6,631,135
		Municipal Bonds	1,289,006	1,289,006
		Sovereign Bonds	767,931	767,931
	<b>UNMMG – Investments</b>		<b>\$ 22,864,864</b>	<b>22,864,864</b>
<b>University of New Mexico Foundation, Inc.</b>				
Bank of America	Scholarship Fund	Mutual Funds, Fixed	\$ 143,495	143,495
		Mutual Funds, Equity	464,064	464,064
	Scholarship Trust	Mutual Funds, Equity	682,055	682,055
		Mutual Funds, Fixed	241,524	241,524
		Real Estate	64,623	64,623
		Other	123,020	123,020
Southwest Securities	Charitable Trust Fund	Mutual Funds, Equity	102,170	102,170
		Mutual Funds, Fixed	223,155	223,155
		Domestic Corporate Stock	188,851	188,851
UBS Financial Services	Endowed Chair	Municipal Bonds	3,078,702	3,078,702
		Certificates of Deposit	29,955	29,955
	Endowed Professorship	Municipal Bonds	348,259	348,259
		Certificates of Deposit	19,968	19,968
Wells Fargo	Charitable Trust Fund	Mutual Funds, fixed	339,628	339,628
		Mutual Funds, equity	1,031,344	1,031,344
		Other	230,768	230,768
		Real Estate	226,710	226,710
Other	Endowments	Consolidated Investment Fund	162,220,160	162,220,160
	<b>University of New Mexico Foundation, Inc. – Investments</b>		<b>\$ 169,758,451</b>	<b>169,758,451</b>
<b>Lobo Development Corporation</b>				
			\$ -	-
	<b>Lobo Development Corporation – Investments</b>		<b>\$ -</b>	<b>-</b>
<b>Lobo Energy, Inc.</b>				
			\$ -	-
	<b>Lobo Energy, Inc. – Investments</b>		<b>\$ -</b>	<b>-</b>
<b>STC.UNM</b>				
Wells Fargo	Balanced Appreciation	Mutual Funds, Fixed (Domestic)	\$ 63,572	63,572
		Mutual Funds, Fixed (Int'l)	22,455	22,455
		Mutual Funds, Equity (Domestic)	194,920	194,920
		Mutual Funds, Equity (Int'l)	127,998	127,998
		Alternatives	131,234	131,234
		Equity	14,725	14,725
	<b>STC.UNM – Investments</b>		<b>\$ 554,904</b>	<b>554,904</b>
<b>Component Units – Public Money Entities</b>				
			\$ 193,178,219	193,178,219
		<b>UNM Alumni Association</b>	\$ 7,377,913	7,377,913
		<b>ASM Foundation</b>	1,303,541	1,303,541
		<b>UNM Lobo Club</b>	-	-
		<b>SRMC</b>	1,257,864	1,677,025
	<b>Component Units – Nonpublic Money Entities</b>		<b>\$ 9,939,318</b>	<b>10,358,479</b>
<b>Total Component Unit – Investments</b>				
			<b>\$ 203,117,537</b>	<b>203,536,698</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

	FEDERAL CFDA NUMBER	EXPENDITURES
<b>MAJOR PROGRAMS</b>		
<i>Research and Development Programs</i>		
Department of Agriculture	10	\$ 417,663
Department of Commerce	11	\$ 137,641
Department of Defense		
DARPA	12	\$ 1,320,327
DTRA	12	7,023,302
Defense Intelligence Agency	12	394,567
Department of the Air Force	12	6,049,978
Department of the Army	12	6,342,389
Department of the Navy	12	1,078,462
Other Departments	12	127,483
Total Department of Defense		<u>\$ 22,336,508</u>
Department of the Interior	15	\$ 1,473,456
Department of Justice	16	\$ 661,774
Department of Transportation	20	\$ 1,910,035
National Aeronautics & Space Administration	43	\$ 2,869,018
National Foundation on the Arts & the Humanities	45	\$ 10,740
National Science Foundation	47	\$ 27,934,193
Department of Veterans Affairs	64	\$ 424,883
U.S. Environmental Protection Agency	66	\$ 233,324
Nuclear Regulatory Commission	77	\$ 208,253
Department of Energy	81	\$ 9,418,098
Department of Education	84	\$ 216,155
Department of Health & Human Services		
AHRQ	93	\$ 733,177
Centers for Disease Control and Prevention	93	2,325,933
Health Resources & Services Administration	93	2,081,659
Indian Health Services	93	430,045
National Institutes of Health	93	72,017,990
Other Departments	93	2,349,527
Total Department of Health & Human Services		<u>\$ 79,938,331</u>
Other Agencies		\$ 126,182
<i>Subtotal Research and Development – Non-ARRA</i>		<u><b>\$ 148,316,254</b></u>
<i>Research and Development Programs American Recovery and Reinvestment Act (ARRA)</i>		
Department of Agriculture		
ARRA – Wildland Fire Management	10.688	\$ 18,972
Total Department of Agriculture		<u>\$ 18,972</u>

# THE UNIVERSITY OF NEW MEXICO

# SCHEDULE 11

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

	<b>FEDERAL CFDA NUMBER</b>	<b>EXPENDITURES</b>
Department of Commerce		
ARRA - State Broadband Data and Development Grant Program	11.558	\$ 659,680
Total Department of Commerce		<u>\$ 659,680</u>
National Science Foundation		
ARRA - Arithmetic Differential	47.049	\$ 8,968
ARRA - Trans-NSF Recovery Act Research Support	47.082	6,984,498
Total National Science Foundation		<u>\$ 6,993,466</u>
Department of Energy		
ARRA - Basic Energy Sciences University and Science Education	81.049	\$ 141,730
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis (B)	81.122	64,696
Total Department of Energy		<u>\$ 206,426</u>
Department of Education		
ARRA - SFSF - What Works & Innovation Fund	84.396	\$ 145,125
Total Department of Education		<u>\$ 145,125</u>
Department of Health & Human Services		
ARRA - Department of Health & Human Services	93.000	\$ 107,944
ARRA - Trans-NIH Recovery Act Research Support	93.701	5,138,558
ARRA - Prevention and Wellness - Leveraging National Organizations	93.731	91
Total Department of Health & Human Services		<u>\$ 5,246,593</u>
<b>Subtotal Research and Development - ARRA</b>		<u><b>\$ 13,270,262</b></u>
<b>Total Research and Development Cluster</b>		<u><b>\$ 161,586,516</b></u>
<b>Other Programs</b>		
Department of Education		
Higher Education Institutional Aid	84.031	\$ 3,833,812
Higher Education Institutional Aid (B)	84.031C	579,233
Total Department of Education		<u>\$ 4,413,045</u>
<b>Total Other Programs</b>		<u><b>\$ 4,413,045</b></u>
<b>TOTAL MAJOR PROGRAMS</b>		<u><b>\$ 165,999,561</b></u>

# THE UNIVERSITY OF NEW MEXICO

# SCHEDULE 11

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

	<b>FEDERAL CFDA NUMBER</b>	<b>EXPENDITURES</b>
<b>NONMAJOR PROGRAMS</b>		
<i>Student Financial Assistance Programs</i>		
Department of Education		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 795,624
Federal Work-Study Program	84.033	2,505,407
Pell Grants	84.063	54,884,892
TEACH Grant Program	84.379	486,247
Total Department of Education		<u>\$ 58,672,170</u>
Department of Health & Human Services		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	\$ 909,273
Total Department of Health & Human Services		<u>\$ 909,273</u>
<i>Total Student Financial Assistance Cluster</i>		<u><b>\$ 59,581,443</b></u>
<i>Other Programs</i>		
Community Food Projects	10.225	\$ 5,190
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	451,600
Cooperative Forestry Assistance	10.664	8,000
Department of Commerce	11.000	133,753
Census Bureau Data Products	11.001	826
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	23,692
Low-Power Television and Translator Upgrade Program	11.559	20,000
Department of Defense	12.000	12,232
Language Grant Program	12.900	40,433
Sustainable Communities Regional Planning Grant Program	14.703	21,593
Department of the Interior	15.000	858,526
Water Resources on Indian Lands	15.037	5,031
Cultural Resource Management	15.224	12,954
Wildlife Conservation and Restoration	15.625	8,275
Native American Graves Protection and Repatriation Act	15.922	45,041
Department of Justice	16.000	5,263
Desegregation of Public Education	16.100	35,229
Crime Victim Assistance	16.575	76,718
Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	32,302
Department of Labor	17.000	65,564
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emergi	17.275	192,626
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	102,863
Consultation Agreements	17.504	42,811
Department of State	19.000	9,714
Department of Transportation	20.000	812,465
Low Income Taxpayer Clinics	21.008	35,674
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	67,707
Promotion of the Arts_Grants to Organizations and Individuals	45.024	40,949
Promotion of the Humanities Division of Preservation and	45.149	150,835
Promotion of the Humanities_Professional Development	45.163	50,103
Museums for America	45.301	5,391
Education and Human Resources	47.076	8
Small Business Administration	59.000	5,249
Small Business Development Centers	59.037	53,456
Department of Veterans Affairs	64.000	8,522
Environmental Protection Agency	66.000	13,192
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	89,712
Department of Energy	81.000	273,451
Basic Energy Sciences University and Science Education	81.049	93,056
Department of Education	84.000	913,318
Adult Education - Basic Grants to States	84.002	455,983
Title I State Agency Program for Neglected and Delinquent Children	84.013	(14,911)

# THE UNIVERSITY OF NEW MEXICO

# SCHEDULE 11

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

	<b>FEDERAL CFDA NUMBER</b>	<b>EXPENDITURES</b>
National Resource Center	84.015A	\$ 166,003
Fellowships	84.015B	270,115
TRIO Student Support Services	84.042	657,404
TRIO Upward Bound	84.047	852,538
Career and Technical Education - Basic Grants to States	84.048	278,590
TRIO Educational Opportunity Centers	84.066	209,739
Fund for the Improvement of Postsecondary Education	84.116	32,223
Migrant Education High School Equivalency Program	84.141	477,240
Migrant Education College Assistance Migrant Program	84.149	857,398
Special Education-Grants for Infants and Families	84.181	1,244,218
McNair Post-Baccalaureate Achievement	84.217	259,338
Tech-Prep Education	84.243	4,237
Ready-To-Learn Television	84.295	42,143
Educational Technology State Grants	84.318	21,351
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children	84.326	107,240
Child Care Access Means Parents in School (B)	84.335	312,013
Transition to Teaching (B)	84.350	73,051
School Leadership (B)	84.363	151,842
National Writing Project	84.928A	1,511
Department of Health & Human Services	93.000	2,051,667
Medical Reserve Corps Small Grant Program (B)	93.008	2,745
Public Health Emergency Preparedness	93.069	1,485
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Coop	93.074	72,500
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	235,150
Maternal and Child Health Federal Consolidated Programs	93.110	71,086
Preventive Medicine Residency Program	93.117	366,735
Emergency Medical Services for Children	93.127	126,463
National AIDS Education and Training Centers	93.145	293,298
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	506,831
Geriatric Academic Career Awards (C)	93.250	11,878
Poison Center Support and Enhancement Grant Program	93.253	122,095
Department of Health and Human Services	93.257	206,634
Occupational Safety and Health Program	93.262	5,957
Childhood Immunization Grants	93.268	191,987
Centers for Disease Control and Prevention Investigations	93.283	187,710
Nurse Education, Practice and Retention Grants	93.359	863,665
Health Promotion/Disease Prevention Program for American Indians and Alaska Natives	93.443	32,601
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	431,813
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	851,273
Affordable Care Act (ACA) Expansion of Physician Assistant Training Program	93.514	50,801
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	93.521	737,119
ACA-Coordinated Chronic Disease prevention and Health Promotion Program	93.544	170,994
Community Services Block Grant Discretionary	93.573	493,716
Head Start	93.600	30,730
Developmental Disabilities University Affiliated Programs	93.632	589,554
ARRA - Head Start	93.708	3,308
Children's Health Insurance Program	93.767	758,377
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities (B)	93.768	31,333
Medical Assistance Program	93.778	2,157,958
Health Careers Opportunity Program	93.822	210,837
Grants for Training in Primary Care Medicine and Dentistry	93.884	393,070
Project Grants for Renovation or Construction of Non-Acute	93.887	1,343,187
National Bioterrorism Hospital Preparedness Program (B)	93.889	110,801
HIV Care Formula Grants	93.917	160,558
Grants to Provide Outpatient Early Intervention Services	93.918	757,948
Block Grants for Community Mental Health Services	93.958	59,567
Block Grants for Prevention and Treatment of Substance	93.959	1,531,602
Health Professions Recruitment Program for Indians	93.970	125,406
Preventive Health Services Sexually Transmitted Diseases	93.977	82,304

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

	<b>FEDERAL CFDA NUMBER</b>	<b>EXPENDITURES</b>
Maternal and Child Health Services Block Grant to the States	93.994	\$ 426,719
Program Development and Innovation Grants	94.007	(421)
Homeland Security	97.000	106,315
<i>Total Other Programs</i>		<b>\$ 28,247,946</b>
<b>TOTAL NONMAJOR PROGRAMS</b>		<b>\$ 87,829,389</b>
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 253,828,950</b>

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

**Federal awards revenue (per Exhibit B):**

Federal grants and contracts revenue	\$ 201,827,455
Federal pell grant revenue	54,884,892
Portion of capital grants and gifts revenue that is federal	5,897,875
Federal stabilization grant revenue	145,125
Portion of clinical operations revenue that is federal	2,069,209
<b>Total federal awards revenue</b>	<b>264,824,556</b>

**Reconciling items:**

Fee for service federal contract revenues - not reportable on schedule 11	(9,566,272)
Residual balances on federal grants and contracts	(1,429,334)
<b>Total federal expenditures per schedule 11</b>	<b>\$ 253,828,950</b>

(THIS PAGE INTENTIONALLY LEFT BLANK)

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

### Note 1: Significant Accounting Policies

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

### Note 2: Student Financial Aid

Perkins loans advanced to students in fiscal year 2013 totaled \$1,102,441. Perkins loans outstanding at June 30, 2012 totaled \$7,690,005. Federal Direct loans advanced to students in fiscal year 2013 totaled \$136,097,030.

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

During fiscal year 2005, the Regents of the University of New Mexico issued FHA Insured Hospital Mortgage Revenue Bonds for the construction of the Children's Hospital and Critical Care Pavilion. In conjunction with the construction project, the Department of Housing and Urban Development, under Section 242 CFDA number 14.128, issued a loan guarantee for the mortgage amount of \$183,399,000, which is considered subject to continuing compliance requirements under OMB Circular A-133.

During fiscal year 2011, the Sandoval Regional Medical Center (SRMC) issued FHA Insured Hospital Mortgage Revenue Bonds for the construction of the Sandoval Regional Medical Center. In conjunction with the construction project, the Department of Housing and Urban Development, under Section 242 CFDA number 14.128, issued a loan guarantee for the mortgage amount of \$143,425,000, which is considered subject to continuing compliance requirements under OMB Circular A-133.

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

SUBRECIPIENT	CFDA NUMBER	EXPENDITURES
Community Action Agency of Southern New Mexico	11.557	\$ 23,761
Aduro Biotech	12.000	128,833
Rhode Island Hospital	12.000	41,717
Torrey Pines Institute	12.000	229,605
Science Applic Intern Corp	12.300	19,746
University of Arizona	12.300	12,709
University of Michigan	12.300	101,234
Virginia Polytechnic Institute	12.300	31,356
Aduro Biotech	12.351	40,494
Applied Research Associates	12.351	80,776
Dr. James Bartholomew	12.351	161,954
Duke University	12.351	88,726
New Mexico State University	12.351	1,322
New Mexico Tech	12.351	137,458
Penn State University	12.351	28,024
Physics Materials & Applied Mat	12.351	18,895
Systems Engineering & Analysis	12.351	9,811
Univ of Texas San Antonio	12.351	58,685
University of Florida	12.351	565,426
University of Texas Austin	12.351	1,882
BBN Technologies	12.431	112,605
Colorado State University	12.431	206,680
MIT	12.431	127,000
University of Delaware	12.431	127,588
Duke University	12.800	27,016
Louisiana State University	12.800	114,750

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<b>SUBRECIPIENT</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
MIT	12.800	\$ 125,365
The Ohio State University	12.800	50,364
UC Irvine	12.800	144,654
University of Virginia	12.800	176,605
Wake Forest University	12.800	32,583
Auburn University	20.000	16,934
University of Arizona	43.000	(1,219)
Arizona State University	43.001	(2,745)
Texas A&M University	43.001	50,279
University of Texas Austin	43.001	151,117
University of North Texas	45.149	92,558
The Palace of the Governors	45.301	5,391
Inst of American Indian Arts	47.041	31,443
New Mexico State University	47.041	40,250
North Carolina State University	47.041	29,713
Rensselaer Pi	47.041	5,140
University of Arizona	47.049	130,695
University of Cincinnati	47.050	5,984
Harvard University	47.074	18,800
New Mexico State University	47.074	29,655
University of Alaska	47.074	32,980
USDA Forest Service	47.075	12,447
Central Arizona College	47.076	13,513
Central New Mexico Comm College	47.076	32,565
Chandler Gilbert Community Coll	47.076	13,645
Glendale Community College	47.076	7,365
Ivy Tech Community College - NE	47.076	23,713
North Dakota St College of Sci	47.076	20,209
San Juan Community College	47.076	22,180
Santa Fe Productions	47.076	14,245
SW Indian Polytechnic Institute	47.076	13,808
Iowa State University	47.079	31,348
Univ of Wisconsin-Madison	47.079	138,957
University of Virginia	47.079	123,795
Amer Assn for Advcmnt Science	47.080	42,654
Cornell University	47.080	10,075
Dine College	47.080	3,383
Duke University	47.080	29,286
Eastern New Mexico University	47.080	37,770
Gonzaga University	47.080	2,009
KU Research & Graduate Studies	47.080	175,465
Minnick & Associates	47.080	44,153
New Mexico Highlands University	47.080	200,597
NM Museum of Natural History	47.080	151,938
New Mexico State University	47.080	626,595

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<b>SUBRECIPIENT</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
New Mexico Tech	47.080	\$ 914,705
Northern New Mexico College	47.080	33,574
UC Santa Barbara	47.080	723,591
University of California	47.080	13,870
University of California Davis	47.080	544
University of Illinois	47.080	7,704
University of North Carolina	47.080	23,595
University of Tennessee	47.080	601,357
Utah State University	47.080	22,498
UT-Battelle, LLC	47.080	279,921
New Mexico Tech	47.081	219,028
CENIC	47.082	1,962,185
Learn	47.082	324,828
Minnick & Associates	47.082	1,020
University of Virginia	47.082	35,529
Virginia Polytechnic Institute	47.082	144,606
Los Alamos Commerce & Dev Corp	59.037	10,244
Intl Tech and Telecom LTD	81.000	42,520
Eastern New Mexico University	81.049	7,735
New Mexico State University	81.049	39,732
New Mexico Tech	81.049	14,080
University of Washington	81.049	75,075
Washington State University	81.049	72,092
New Mexico State University	84.031	199,901
Central New Mexico Comm College	84.031C	236,062
Baylor University	93.000	25,232
Cherokee Nation	93.000	66,307
Lovelace Biomed Environ Rsrch I	93.000	110,220
Oregon Research Institute	93.000	(428)
Hidalgo	93.107	30,789
Luna Community College	93.107	60,065
New Mexico State University	93.107	83,857
Emory University	93.113	29,503
Universidad San Francisco de Qu	93.113	39,769
SW Research & Info Center	93.161	375,415
Yale University	93.161	19,364
Mind Institute	93.213	17,051
California Inst of Technology	93.242	148,432
Mind Institute	93.242	53,276
University of Arizona	93.253	(172)
Klein Buendel	93.273	17,537
Mind Institute	93.273	17,956
Okinawa Inst of Science & Tech	93.273	34,960
Pacific Institute for Research	93.273	(162)
Rutgers, University of NJ	93.273	28,606

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<b>SUBRECIPIENT</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Sanford Research USD	93.273	\$ 162,760
Stellenbosch University	93.273	222,487
University of Cape Town	93.273	147,619
University of Colorado	93.273	249,961
University of Missouri	93.273	37,171
Arizona State University	93.279	157,436
Jemez Pueblo	93.279	36,674
Life Link Inc	93.279	10,000
Pacific Institute for Research	93.279	61,635
University of Colorado	93.279	5,280
Zuni Pueblo	93.279	162,421
Emory University	93.310	43,934
Los Alamos Natl Labs	93.310	23,485
Vanderbilt University	93.310	128,676
Mind Institute	93.350	24,910
NCIRE Northern Calif Institute	93.350	85,394
Mind Institute	93.361	130,716
University of Calgary	93.393	58,834
University of Kansas	93.393	20,012
University of Colorado	93.394	77,145
New Mexico State University	93.395	48,266
Georgia State University	93.396	24,999
Amer Soc for Clinical Pathology	93.397	9,438
Harvard University	93.397	373,976
Lovelace Biomed Environ Rsrch I	93.397	23,922
University of Alabama	93.397	22,435
University of Louisville	93.397	27,841
Tufts University	93.610	6,598
University of Washington	93.610	84,411
California Inst of Technology	93.701	7,309
Johns Hopkins University	93.701	38,033
Klein Buendel	93.701	5,850
Queen Mary, Univ of London	93.701	18,934
University of California Davis	93.701	8,372
Mind Institute	93.837	2,809
Presbyterian Healthcare Svcs	93.837	14,755
University of British Columbia	93.839	13,727
Brigham and Womens Hospital	93.847	17,013
Medical Univ of South Carolina	93.847	57,147
Tufts University	93.847	232,365
University of Heidelberg	93.847	99,332
University of Pennsylvania	93.847	234,935
Cleveland Clinic	93.853	34,743
Mind Institute	93.853	121,456
Colorado State University	93.855	3,084

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<b>SUBRECIPIENT</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Hospital & Health Admin - Kenya	93.855	\$ 92,044
Kenya Medical Research Institut	93.855	60,467
Klein Buendel	93.855	175,559
Lovelace Biomed Environ Rsrch I	93.855	154,664
Pontificia Universidad Catolica	93.855	80,695
St Jude Childrens Research Hosp	93.855	69,158
Universidad del Desarrollo	93.855	282,015
University of Colorado	93.855	23,388
University of Pittsburgh	93.855	7,665
Boston University	93.859	80,664
Carnegie Mellon University	93.859	39,714
Central New Mexico Comm College	93.859	1,024
Los Alamos National Security	93.859	450,107
Los Alamos Natl Labs	93.859	535,386
New Mexico State University	93.859	13,189
Research Foundation SUNY	93.859	125,504
Sandia National Labs	93.859	258,139
University of Maryland	93.859	59,230
University of Pennsylvania	93.859	14,749
West Virginia University	93.859	54,279
Drexel University	93.865	63,216
Mind Institute	93.865	224,680
Pediatric Radiologists	93.865	(2,000)
Univ of Kansas Ctr for Research	93.865	6,781
University of Texas-MD Anderson	93.865	91,621
University of Utah	93.865	23,619
Mind Institute	93.866	166,937
Rush University	93.866	5,792
Hospital & Health Admin - Kenya	93.989	131,804
<b>TOTAL PASSED THROUGH TO SUBRECIPIENTS</b>		<b>\$ 19,288,277</b>

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Biomedical Research Institute of New Mexico	10.000	\$ 4,578
University of Arizona	10.001	23,132
Biomedical Research Institute of New Mexico	10.219	37,434
YMCA	10.225	5,190
University of Nebraska	10.303	44,693
New Mexico Consortium Inc	10.310	98,926
New Mexico Human Services Department	10.561	451,600
New Mexico Energy Minerals and Natural Resources Dept	10.664	8,000
North Pacific Research Board	11.472	20,975
New Mexico State Library	11.557	23,692
New Mexico Department of Information Technology	11.558	659,680
Alion Science and Technology Corporation	12.000	36,204
CFD Research Corporation	12.000	136,327
Gulf South Research Corporation	12.000	15,003
Magnolia Optical Technologies	12.000	281,538
Management Sciences, Inc.	12.000	88,157
New Mexico Military Affairs Department	12.000	5,586
Polaris Sensor Technologies, Inc.	12.000	(2,166)
SA Photonics, Inc.	12.000	7,526
State University of New York	12.000	66,423
Tanner Research Inc.	12.000	19,841
University of Tennessee	12.000	492,680
Lynntech, Inc.	12.002	61,090
CFD Research Corporation	12.100	33,000
Ecosphere Environmental Services	12.100	17,046
Gulf South Research Corporation	12.100	8,055
Redondo Optics Inc	12.100	49,995
TechFlow Scientific	12.100	58,808
Bryn Mawr College	12.300	39,065
Colorado State University	12.300	193,570
Duke University	12.300	(10)
Modus Operandi, Inc.	12.300	66,632
University of Houston	12.300	7,756
Colorado State University	12.351	127,350
Pennsylvania State University	12.351	68,280
New Mexico Military Affairs Department	12.401	66,393
BAE Systems	12.431	507,501
North Carolina State University	12.431	17,335
Raytheon BBN Technologies Corp	12.431	38,749
University of Central Florida Research Foundation Inc	12.431	339,417

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
University of Maryland	12.431	\$ 43,480
University of Texas - Brownsville	12.431	37,635
Institute of American Indian Arts	12.630	37,802
Columbia University	12.800	127,674
Five Focal LLC	12.800	12,350
i2C Solution LLC	12.800	18,295
Kansas State University	12.800	199,638
Redondo Optics Inc	12.800	61,847
TechFlow Scientific	12.800	80,592
Thermo Dynamic Films	12.800	39,102
UES, Inc	12.800	129,245
University of Arizona	12.800	48,994
Five Focal LLC	12.910	74,802
Solid State Scientific Corporation	12.910	69,679
University of Louisville	14.703	21,593
Navajo Nation	15.000	788,653
New Mexico Energy Minerals and Natural Resources Dept	15.000	6,677
American Indian Law Center Inc	15.037	5,031
State of Arizona	15.507	14,279
Kansas State University	15.529	53,251
Arizona State University	15.538	28,144
New Mexico Energy Minerals and Natural Resources Dept	15.625	8,275
New Mexico Game and Fish Department	15.634	59,755
Alaska Dept of Fish & Game	15.657	1,245
New Mexico Public Safety Department	16.000	47,769
New Mexico Public Safety Department	16.100	52,219
Mississippi State University	16.560	(62)
New Mexico Crime Victims Reparation Commission	16.575	76,718
St. Bonaventure Indian Mission and School	16.609	16,197
New Mexico Public Safety Department	16.738	32,302
New Mexico Public Safety Department	16.741	209,096
Del-Jen Inc	17.000	65,564
New Mexico Department of Workforce Solutions	17.275	192,626
Santa Fe Community College	17.282	102,863
First Choice Community Healthcare	17.504	42,811
New Mexico Department of Transportation	20.000	2,365,582
New Mexico Traffic Safety Bureau	20.000	198,378
New Mexico Department of Transportation	20.200	60,907
Jet Propulsion Lab	43.000	205,003
Maryland Aerospace, Inc.	43.000	7,648

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
New Mexico State University	43.000	\$ 82,987
Smithsonian Astrophysical Observatory	43.000	18,625
University of California Los Angeles	43.000	6,954
Jet Propulsion Lab	43.001	79,327
New Mexico State University	43.001	20,307
Planetary Science Institute	43.001	(16)
University of Colorado	43.002	23,648
New Mexico Arts Division	45.163	6,059
State of New Mexico	45.169	8,959
National Ecological Observatory Network	47.000	752
Yale University	47.000	2,841
Arizona State University	47.041	295,277
Boston College	47.041	816
Iowa State University	47.041	159,783
K&A Wireless LLC	47.041	54,419
New Mexico State University	47.041	17,576
Rensselaer Polytechnic Institute	47.041	493,587
University of Rochester	47.041	22,287
University of Texas Austin	47.041	158,241
New Mexico State University	47.046	113,814
Drake University	47.049	2,849
University of California Santa Cruz	47.049	111,770
Santa Fe Institute	47.070	17,476
The Board of Trustees of Western Illinois University	47.074	32,933
University of California Los Angeles	47.074	97,842
University of Kansas Center for Research	47.074	22,567
University of Puerto Rico	47.074	(4,881)
University of Wisconsin - Madison	47.074	34,058
Boston University	47.075	36,902
Gallaudet University	47.075	101,565
New Mexico State University	47.075	38,739
Biological Sciences Curriculum Study	47.076	14,862
Ideum Inc	47.076	25,083
JF Drake State Technical College	47.076	19,914
New Mexico State University	47.076	6,611
University of Colorado	47.078	110,280
California Institute of Technology	47.082	37,311
University of Michigan	47.082	5,324
Santa Fe Community College	59.000	5,249
Santa Fe Community College	59.037	53,456

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
New Mexico Environment Department	66.000	\$ 41,942
University of Washington	66.509	129,789
Ballard Power Systems Inc.	81.000	114,152
Battelle Memorial Institute	81.000	286,990
Brookhaven Science Associates LLC	81.000	235,484
Fermi Laboratory	81.000	3,217
Lawrence Berkeley National Laboratory	81.000	186,915
Lawrence Livermore National Laboratory	81.000	60,388
Los Alamos National Laboratory	81.000	863,697
Los Alamos National Security, LLC	81.000	900,563
MIND Research Network	81.000	420,177
National Renewable Energy Laboratory	81.000	11,810
Regional Development Corp	81.000	65,067
Rensselaer Polytechnic Institute	81.000	33,337
Sandia National Laboratories	81.000	2,054,576
University of Oregon	81.000	51
Johns Hopkins University	81.049	7,497
State of Arizona	81.049	81,302
T3 Scientific LLC	81.049	124,322
Thermo Dynamic Films	81.049	128
Washington University	81.049	51,078
Los Alamos National Laboratory	81.064	13,408
Arizona State University	81.087	8,853
Northeastern University	81.087	215,388
Trustees of Purdue University	81.113	112,068
Public Service Company of NM	81.122	64,696
Gallup McKinley County School District	84.000	1,207
New Mexico Department of Health	84.000	280
New Mexico Higher Education Department	84.000	(65)
NM Public Education Department	84.000	730,274
Northern New Mexico College	84.000	(2,196)
New Mexico Higher Education Department	84.002	455,983
Northern New Mexico College	84.031	544,556
NM Public Education Department	84.048	278,590
East Tennessee State University	84.116	(4,181)
New Mexico State University	84.116	10,000
University of Iowa	84.116	21,334
New Mexico Department of Health	84.181	1,054,320
NM Public Education Department	84.181	189,898
NM Public Education Department	84.243	4,237

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Corporation for Public Broadcasting	84.295	\$ 42,143
Northern New Mexico College	84.318	21,351
NM Public Education Department	84.350	73,051
Albuquerque Public Schools	84.363	151,842
Utah State University	84.396	145,125
New Mexico Department of Health	84.412	3,964
National Writing Project Corp	84.928A	1,511
Albuquerque Area Indian Health Board Inc	93.000	197,242
Altarum Institute	93.000	101,194
Bernalillo County	93.000	49,879
Biomedical Research Institute of New Mexico	93.000	10,799
CDC Foundation	93.000	2,478
Children's Hospital of Philadelphia	93.000	14,819
Dystonia Coalition	93.000	11,832
Evotec (US) Inc.	93.000	12,041
Feinstein Institute for Medical Research	93.000	159,521
General Hospital Corp	93.000	(423)
Georgetown University	93.000	14,632
Hidalgo Medical Services	93.000	(2,565)
Houston Academy of Medicine - Texas Medical Center	93.000	15,677
Kesselman	93.000	3,526
National Association of Chronic Disease Directors	93.000	4,584
National Congress of American Indians	93.000	163,279
Native American Professional Parent Resources Inc	93.000	27,495
New Mexico Department of Health	93.000	(12,384)
New Mexico Developmental Disabilities Planning Cncl	93.000	83,980
New Mexico Human Services Department	93.000	1,005,397
NM Developmental Disabilities Planning Council	93.000	66,241
OptumHealth New Mexico	93.000	(22)
SAIC	93.000	744,222
The Children's Mercy Hospital	93.000	9,636
UC Regents	93.000	19,740
University of California Irvine	93.000	14,895
University of South Florida	93.000	26,714
University of Washington	93.000	12,379
Utah State University	93.000	256,051
National Association of County & City Health Official	93.008	2,745
New Mexico Department of Health	93.069	24,992
New Mexico Department of Health	93.074	72,500
New Mexico Children Youth and Family Department	93.104	295,483

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Pueblo of San Felipe	93.104	\$ 14,640
New Mexico Department of Health	93.110	209,460
Oregon Health & Science University	93.110	37,151
University of California Los Angeles	93.110	16,027
University of Colorado	93.110	(537)
Lovelace Biomedical & Environmental Research Inst	93.113	52,307
University of California Los Angeles	93.113	102,005
New Mexico Department of Health	93.136	72,115
University of Colorado	93.145	236,250
Harvard University	93.172	367,135
University of Colorado	93.184	28,566
Wayne State University	93.226	11,414
MIND Research Network	93.242	164,820
Mescalero Apache Tribal Council	93.243	150,924
New Mexico Department of Health	93.243	26,835
OptumHealth New Mexico	93.243	282,036
Pueblo of San Felipe	93.243	155,162
New Mexico Department of Health	93.262	5,957
University of Colorado	93.262	11,084
University of Texas Health Center at Tyler	93.262	81,146
New Mexico Department of Health	93.268	191,987
Loyola University Chicago	93.273	12,701
MIND Research Network	93.273	28,414
Pacific Institute for Research & Evaluation	93.273	70,100
Portland State University	93.273	22,007
Rutgers University	93.273	14,832
San Diego State University Foundation	93.273	189,124
Talaria, Inc.	93.273	44,641
University of Colorado	93.273	25,603
University of North Carolina	93.273	1,294,081
University of North Carolina at Chapel Hill	93.273	30,081
California Institute of Technology	93.279	(577)
MIND Research Network	93.279	236,673
OptumHealth New Mexico	93.279	195,133
Rutgers University	93.279	9,107
University of Massachusetts	93.279	40,110
New Mexico Department of Health	93.283	427,165
Regents of the University of California	93.283	(41)
University of California Los Angeles	93.283	5,422
University of California-Davis	93.286	59,810

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Carnegie Mellon University	93.310	\$ 117,330
El Pueblo Health Services Inc	93.359	178,604
MIND Research Network	93.361	9,836
Association of American Medical Colleges	93.375	45,424
ABQMR, INC.	93.389	2,656
Group Health Cooperative	93.393	36,217
Klein Buendel Inc	93.393	84,671
Lawrence Berkeley National Laboratory	93.393	89,122
Northern California Institute for Research & Education	93.393	38,458
Sloan Kettering Institute for Cancer Research	93.393	4,062
University of North Carolina	93.393	145,860
University of South Carolina	93.393	49,426
Fred Hutchinson Cancer Research Center	93.394	32,794
Lovelace Biomedical & Environmental Research Inst	93.394	22,313
Lovelace Respiratory Research Institute	93.394	47,803
SRI International	93.394	16,044
University of Colorado	93.394	16,121
Brigham & Women's Hospital	93.395	56,197
Duke University	93.395	58,119
Eastern Cooperative Oncology Group	93.395	101,897
Gynecologic Oncology Group	93.395	127,656
National Childhood Cancer Foundation	93.395	(6,525)
New Mexico Cancer Care Alliance	93.395	1,209
North Central Cancer Treatment Group	93.395	580
Southwest Oncology Group	93.395	35,732
Baylor College of Medicine	93.397	23,341
Dana-Farber Cancer Institute	93.397	34,436
Methodist Hospital Research Institute	93.397	240,566
University of Southern California	93.397	152,089
University of Texas HSC Houston	93.397	14,547
University of Washington	93.397	1,906
West Virginia University Research Corporation	93.398	20,968
Fred Hutchinson Cancer Research Center	93.399	271,500
Southwest Oncology Group	93.399	85
New Mexico Children Youth and Family Department	93.505	1,027,897
Pueblo of San Felipe	93.508	68,737
New Mexico Department of Health	93.521	737,119
New Mexico Department of Health	93.544	170,994
New Mexico Children Youth and Family Department	93.573	493,716
New Mexico Administrative Office of the Courts	93.586	81,629

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
Navajo Nation	93.600	\$ 30,730
Biomedical Research Institute of New Mexico	93.701	3,317
Johns Hopkins University	93.701	(3,368)
MIND Research Network	93.701	1,515
National Childhood Cancer Foundation	93.701	(10,799)
New Mexico State University	93.701	(39)
St. Jude Children's Research Hospital	93.701	(2,158)
State of Maryland	93.701	50,781
University of California Los Angeles	93.701	1,145
Wayne State University	93.701	6,667
West Virginia University Research Corporation	93.701	(4,481)
New Mexico Children Youth and Family Department	93.708	3,308
NALEO Educational Fund Inc	93.731	91
New Mexico Department of Health	93.767	419,127
New Mexico Human Services Department	93.767	339,250
New Mexico Human Services Department	93.768	31,333
New Mexico Human Services Department	93.778	2,307,479
National Jewish Health	93.837	42,357
Northwestern University	93.837	1,833
Pratt Medical Group Inc	93.837	17,388
University of Texas Austin	93.837	380,313
University of Wisconsin	93.837	26,820
Lovelace Biomedical & Environmental Research Inst	93.838	(1)
Sloan Kettering Institute for Cancer Research	93.846	16,393
University of Iowa	93.846	3,985
Case Western Reserve University	93.847	108,634
George Washington University	93.847	100,444
Rosalind Franklin University of Medicine Science	93.847	11,044
University of Pittsburgh	93.847	16,001
University of Utah	93.847	49,204
VisionQuest Biomedical, LLC	93.847	5,905
The Children's Mercy Hospital	93.849	28,105
MIND Research Network	93.853	36,198
Mount Sinai School of Medicine	93.853	33,047
Oregon Health & Science University	93.853	41,185
Regents of the University of California	93.853	239,985
Regents of the University of Minnesota	93.853	47
University of Arizona	93.853	25,737
University of Cincinnati	93.853	104,909
University of North Carolina	93.853	(13,100)

# THE UNIVERSITY OF NEW MEXICO

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
University of Rochester	93.853	\$ 133
Yale University	93.853	7,786
Biomedical Research Institute of New Mexico	93.855	1,716
Boston University	93.855	1,846
Los Alamos National Laboratory	93.855	41,665
State University of New York	93.855	146,746
University of Alabama at Birmingham	93.855	32,926
University of Nevada System	93.855	81,358
University of San Francisco	93.855	472
University of Wisconsin	93.855	(693)
University of Notre Dame	93.856	148,761
Boston University	93.859	82,800
Louisiana State University	93.859	27,890
MIND Research Network	93.859	572,954
New Mexico State University	93.859	739,308
Rules-Based Medicine Inc.	93.859	19,309
University of Illinois	93.859	329,070
University of Texas Medical Branch	93.859	3,855
Brown University	93.865	40,444
MIND Research Network	93.865	7,174
Research Triangle Institute	93.865	3,460
RTI International	93.865	143,409
Biomedical Research Institute of New Mexico	93.866	55,212
University of California, Santa Barbara	93.866	732,401
University of Colorado	93.866	21,437
Jaeb Center for Health Research, Inc.	93.867	31,884
VisionQuest Biomedical, LLC	93.867	164,422
New Mexico Department of Health	93.889	110,801
New Mexico Department of Health	93.917	160,558
New Mexico Department of Health	93.919	2,026
University of South Florida	93.928	(2,768)
NM Public Education Department	93.938	15,314
New Mexico Department of Health	93.946	15,771
OPTUM	93.958	59,567
New Mexico Human Services Department	93.959	42,282
OPTUM	93.959	1,511,450
New Mexico Department of Health	93.977	82,304
New Mexico Department of Health	93.991	(2,708)
New Mexico Department of Health	93.994	423,125
MIND Research Network	97.000	106,315

---

# THE UNIVERSITY OF NEW MEXICO

---

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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

<b>GRANTOR</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
New Mexico Department of Homeland Security	97.045	\$ 30,955
University of California-Davis	98.012	32,684
<b>AMOUNTS INCLUDED IN SEFA THAT ARE PASSED THROUGH TO UNM FROM OTHER PRIME CONTRACTORS</b>		<b>\$ 45,471,319</b>

(THIS PAGE INTENTIONALLY LEFT BLANK)



**KPMG LLP**  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the University of New Mexico (the University) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 8, 2013. Our report includes a reference to other auditors who audited the financial statements of two departments: UNM Hospital and the UNM Behavioral Operations, and two discretely presented component units: UNM Medical Group, Inc. and Sandoval Regional Medical Center, as described in our report on University's financial statements.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

We and the other auditors noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-003.

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

### **Purpose of this Report**

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

**KPMG LLP**

Albuquerque, New Mexico  
November 8, 2013



**KPMG LLP**  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

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

**Report on Compliance for Each Major Federal Program**

We have audited University of New Mexico's (the University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



## **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

**KPMG LLP**

Albuquerque, New Mexico  
November 8, 2013

---

# THE UNIVERSITY OF NEW MEXICO

---

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2013

**Finding 2012-001. Expense Approval Process – Lobo Club**

Current Status: Resolved.

**Finding 2012-002. Capitalization of Interest – Sandoval Regional Medical Center**

Current Status: Resolved.

**Finding 2012-003. Cutoff of Accounts Payable and Accrued Liabilities – Sandoval Regional Medical Center**

Current Status: Resolved.

**Finding 2012-004. Purchasing, authorization and approvals – UNM Hospital**

Current Status: Resolved.

**Finding 2012-005. Kronos signoff without review of timesheets and edits – UNM Hospital**

Current Status: Resolved.

(THIS PAGE INTENTIONALLY LEFT BLANK)

---

# THE UNIVERSITY OF NEW MEXICO

---

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

### Section I—Summary of Auditor Results

#### *Basic Financial Statements*

Type of auditor report issued: **Unmodified**

Internal control over financial reporting:

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

Noncompliance material to basic  
financial statements noted?

\_\_\_\_\_ Yes   X   No

#### *Federal Awards*

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: **Unmodified**

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

\_\_\_\_\_ Yes   X   No

Identification of major programs:

Research and Development Cluster – Various CFDA numbers  
Higher Education Institutional Aid – CFDA 84.031, 84.031C  
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, 2013

### Section II—Basic Financial Statement Findings

None

---

# THE UNIVERSITY OF NEW MEXICO

---

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

### Section III—Federal Award Findings and Questioned Costs

None

---

# THE UNIVERSITY OF NEW MEXICO

---

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

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

##### **Condition**

We noted that Lobo Development did not have an operating procedure in place for approval of manual journal entry transactions for a portion of the fiscal year. Journal entries were prepared and entered into the system by the same person without an independent review and approval.

##### **Criteria**

Appropriate segregation of duties would include an independent review and approval of all manual journal entries.

##### **Effect**

There is increased risk that erroneous manual journal entries could be made and not be detected or corrected.

##### **Cause**

Operating procedures are not in place for review and approval of manual journal entries.

##### **Recommendation**

Lobo Development Corporation should develop an operating procedure for review and approval of manual journal entry transactions by an individual in the organization, independent from the preparer of the journal entry. These reviews should be at a level or precision to detect and correct material misstatements in the financial statements and should take place in a timely manner. In addition, Lobo Development should ensure all required approvals have been obtained and evidence of approvals is maintained in the files.

##### **University Response**

The following operating procedure has been agreed to between the bookkeeper and the Secretary/Treasurer of the corporation. The Secretary/Treasurer will review and approve each manual journal entry prior to entry by the bookkeeper. In addition, the Secretary/Treasurer will review journal entry reports each month to ensure accurate manual entries. All manual journal entries and approvals will be maintained in the appropriate “Journal Entries” file for each fiscal year.

---

# THE UNIVERSITY OF NEW MEXICO

---

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

### **2013-002. Equipment and Real Property Management - Sandoval Regional Medical Center**

#### **Condition**

We noted that the Medical Center is still in the process of placing identification numbers on fixed assets and a complete physical inventory has not been performed.

#### **Criteria**

An adequately designed and implemented system of internal controls over equipment and real property includes the conduct of periodic observations of equipment, and the proper reconciliation and adjustment of inventory records to reflect counts and the physical condition of the equipment.

#### **Effect**

The lack of identification numbers for the assets, as well as the lack of a physical inventory, poses the risk that the Medical Center's records of assets are inaccurate, and that misappropriation of equipment is not timely identified and investigated.

#### **Cause**

Internal controls over labeling and inventorying fixed assets had not been implemented as of June 30, 2013.

#### **Recommendation**

We recommend that the Medical Center complete the physical inventory and labeling of fixed assets according to funding source, ensuring those assets purchased with the FHA-insured mortgage loan proceeds are separately tracked for reporting to the U.S. Department of Housing and Urban Development. Additionally, the annual physical inventory should be reconciled to the capital assets module.

#### **University Response**

During July 2013, management established a process to conduct the physical inventory and label the fixed assets. The Medical Center plans to have the physical inventorying and labeling of assets completed by mid-October 2013.

---

# THE UNIVERSITY OF NEW MEXICO

---

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

### **2013-003. Charity Care – UNM Behavioral Operations**

#### **Condition**

In testing a sample of five patients included in the charity care disclosure during fiscal year 2013, we noted one instance where the patient was classified as UNM Care (one of UNM Behavioral Operations' charity care programs); however, the patient did not meet the eligibility requirements as they were not a legal resident at the time the eligibility determination was made.

Also, our testing identified approximately \$3,100,000 in charity care charges that represented noncovered charges for services provided to patients whose primary payor was Medicaid, and the secondary payor was BHSD (a federally funded program that covers medically necessary services). However, we noted the patients were not registered for UNM Care as the tertiary payor.

#### **Criteria**

- Pursuant to UNM Behavioral Operations' (BHO) policy, to be eligible for UNM Care, patients:
  - Must be a resident of Bernalillo County, NM
  - Must not have gross monthly household income in excess of 300% of Federal Poverty Level
  - Must not have assets in excess of \$15,000
  - Provide names, dates of birth, and social security numbers of household members
- Pursuant to BHO's policy, to the extent Medicaid or BHSD payments are not sufficient to cover medically necessary services, the patient should have been registered for UNM Care as the tertiary payor, thus providing support for inclusion of the noncovered charges as charity care.

#### **Effect**

In the first exception, the patient should have been qualified for the self-pay discount program, rather than UNM Care. The self-pay discount program offers a discount of 45% for both hospital and physician charges. While this does not have a significant impact to recorded balances, it did result in an overstatement of approximately \$20,000 of the charity care disclosed in the footnotes to the financial statements.

In the second exception, while the effect of the misclassification of the noncovered charges as self-pay versus UNM Care does not have a significant impact to recorded balances, the amounts included in the charity care disclosures should generally be limited to patients who were technically qualified under one of the BHO's charity care programs. Although not registered under one of the BHO's charity care programs, given any patient who qualified for Medicaid would also qualify for UNM Care, we believe it is reasonable that the charity care disclosure included these noncovered charges.

#### **Cause**

Both conditions were the result of BHO staff not following established policies and procedures.

#### **Recommendation**

Management should ensure staff involved in the process of qualifying and registering patients for charity care are properly trained and should implement management review procedures to ensure patients are being properly qualified and classified for charity care.

#### **University Response**

Management has provided training to staff about the use of appropriate adjustment codes. Additionally, training has been provided to staff regarding the proper review procedures over adjustment codes to ensure that codes are utilized correctly.

BHO staff will update and correct current registrations to reflect the appropriate tertiary payor. Management has provided training to staff concerning the correct registration hierarchy for payors.

# THE UNIVERSITY OF NEW MEXICO

## Schedule of Pledged Revenues for the year ended June 30, 2013 Unaudited

	Tuition and Fees	Patient Services	Clinical Operations	Grants and Contracts
<b>Revenues</b>	\$ 130,300,603	\$ 106,623,475	\$ 652,733,010	\$ 319,941,995
<b>Excluded Revenues:</b>				
State appropriations				
Local appropriations				
Patient services		106,623,475		
Restricted funds	14,866,201			
Federal grants & contracts				249,287,219
State grants & contracts				26,523,148
Nongovernmental grants & contracts				33,193,928
Facilities and administrative cost recovery				(43,840,235)
University of New Mexico Hospital			606,277,285	
University of New Mexico Behavioral Operations			46,455,725	
<b>Total Excluded Revenues</b>	\$ 14,866,201	\$ 106,623,475	\$ 652,733,010	\$ 265,164,060
<b>Pledged Revenues</b>	\$ 115,434,402	\$ -	\$ -	\$ 54,777,935

### Resources Available to Cover Debt Service

Pledged Revenues	\$ 487,809,520
Less FY13 Debt Service:	
Interest payments on debts	26,412,635
Principal repayments on debts	18,274,310
Excess of Pledged Revenues over Debt Service	\$ 443,122,575
Future average annual debt service through year ended June 30, 2036	\$ 39,245,912
Future highest annual debt service year ended June 30, 2021	\$ 46,647,789

See accompanying Independent Auditors' Report.

## SCHEDULE 12

Sales, Services and Auxiliary Enterprises							
Enterprises	Appropriations	Investments	Capital	Gifts	Other	Total	
\$ 207,133,423	\$ 288,190,626	\$ 45,472,407	\$ 21,151,595	\$ 26,768,949	\$ 80,399,077	\$ 1,878,715,160	
	279,358,642					279,358,642	
	8,831,984					8,831,984	
						106,623,475	
4,822,667		780,545	21,151,595	2,762,060	33,811,401	78,194,469	
						249,287,219	
						26,523,148	
						33,193,928	
						(43,840,235)	
						606,277,285	
						46,455,725	
\$ 4,822,667	\$ 288,190,626	\$ 780,545	\$ 21,151,595	\$ 2,762,060	\$ 33,811,401	\$ 1,390,905,640	
\$ 202,310,756	\$ -	\$ 44,691,862	\$ -	\$ 24,006,889	\$ 46,587,676	\$ 487,809,520	

---

# THE UNIVERSITY OF NEW MEXICO

---

## EXIT CONFERENCE

June 30, 2013

The financial statements were prepared by the financial officials of the University of New Mexico. An exit conference was conducted on October 25, 2013, in which the contents of this report were discussed with the following:

### UNIVERSITY OF NEW MEXICO

J.E. Gene Gallegos	Chair, UNM Board of Regents Audit Committee
Bradley C. Hosmer	Vice Chair, UNM Board of Regents Audit Committee
James H. Koch	UNM Board of Regents Audit Committee
Elizabeth Metzger	University Controller
Keith Mellor	Executive Project Director, Credit, Collections & Merchant Services
Shawna Gonzales	Executive Director of Finance/Controller, UNM Hospitals
Laura Putz	Associate Controller, HSC
Staff	University Internal Audit Department

### KPMG LLP

Cynthia Reinhart	Partner
John Kennedy	Partner
Joaquin Noon	Senior Manager

### MOSS ADAMS LLP

Brandon Fryar	Partner
---------------	---------