



BOARD OF REGENTS

AGENDA BOOK

**February 15, 2022
9:00 AM
Virtual Meeting**



The Board of Regents of the University of New Mexico

February 15, 2022; 9:00 AM

Open Session and Executive Session

Virtual Meeting¹: <https://live.unm.edu/board-of-regents>

AGENDA

- I. Call to Order, *Chairman Douglas M. Brown* TAB
 - A. Confirmation of a Quorum
 - B. Land Acknowledgement Statement
 - C. Adopt the Agenda
- II. Action Item: Approve the Minutes of the December 7, 2021 regular meeting.....1
- III. Public Comment² *[Limit 3 minutes per comment; additional written comments sent to regents@unm.edu are welcomed.]*
- IV. Comments from Regents
- V. President's Administrative Report, *Garnett S. Stokes*2
- VI. Action Item: Regents' Endorsement of the UNM 2040: Opportunity Defined strategic plan
Chairman Brown
- VII. Academic Year 2022/23 - BOR Meeting Dates Proposal (*Information Item*).....3
- VIII. Regents' Committee Reports

Action Item: Consent Docket

Action items on Regent's Committee agendas may be moved to the Board of Regents' consent docket; items on the consent docket received unanimous approval in committee; per Regents' Policy 1.2, "Any member of the Board of Regents shall have the right upon request to remove any item from the Board's consent agenda and place the item on the Board's regular agenda for discussion."

- A. [HSCC]* UNM Hospitals Disposition of Assets Report..... C-1
- B. [HSSC] Amended Bylaws - Sandoval Regional Medical Center, Inc. C-2
- C. [HSCC] Appointment to the Carrie Tingley Hospital Board of Directors - Mr. Michael Shannon as the Parent Member C-3
- D. [F&F]* NM HED, Institutional Finance Division, 2Q Financial Actions Report and Certification through 12/31/21..... C-4
- E. [F&F] 2Q Athletics' Enhanced Fiscal Oversight Program Report and Certification through 12/31/21; and Informational Item, 2Q Athletics' Report by Sport through 12/31/21..... C-5
- F. [F&F] Reappointment of David W. Gibson to the UNM Rainforest Innovations Board of Directors..... C-6
- G. [F&F] Project Construction Approvals or Re-Approvals: C-7
 1. Student Residence Center Stairs Repair & Modification Phase 2
 2. Clinical Translational Science Center Roof Replacement (Re-Approval)
 3. Student Union Building Partial Roof Replacement Phase 2 (Re-Approval)

[END CONSENT DOCKET]

* [HSCC] Health Sciences Center Committee; [F&F] Finance & Facilities Committee

Audit and Compliance Committee -Regent Brown, Chair

Information Item

- A. Presentation: External Audit - UNM FY20-21 Financial Statements4
Norma Allen, University Controller; Lisa Todd, Moss Adams; John Kennedy, KPMG; Brian Colón, NM State Auditor

[The External Audit was approved by the Committee at its October 29, 2021 special meeting and received subsequent approval by the NM State Auditor; *Audit Report:* <https://fsd.unm.edu/resources/audrep21.pdf>]

Health Sciences Center Committee -Regent Schwartz, Chair

Information Item

- A. GME (Graduate Medical Education) Update, *Joanna Fair, Senior Association Dean, GME*.....5

Finance and Facilities Committee -Regent Begay, Chair

Information Item

- A. 2Q Consolidated Financial Report through 12/31/21, *Norma Allen, University Controller*6

Action Item

- B. Approval of Central Ave. and University Blvd. Project Development Proposal and Agreement/Real Estate Development and Management of Regent-Owned Land7
Kelly Ward, Director, Lobo Development Corporation

- IX. Vote to Recess the Board of Regents to hold the 'Meeting of the Member' for Rainforest Innovations; Lobo Energy, Inc.; Lobo Development Corporation; UNM Sandoval Regional Medical Center, Inc.; and UNM Medical Group, Inc.

>*Break: 5-minute break in the virtual meeting*<

- X. **Meeting of the Member** – Rainforest Innovations (RI)8

- A. Vote to Convene the Meeting of the Member, *Regent Doug Brown*
B. Action Item:
• Acceptance of the FY 2020-21 Annual Report and Audit Report
Lisa Kuuttila, CEO & Chief Economic Development Officer, UNM Rainforest Innovations
C. Vote to Adjourn

- XI. **Meeting of the Member** – Lobo Energy, Inc. (LEI)9

- D. Vote to Convene the Meeting of the Member, *Regent Doug Brown*
E. Action Items:
• Summarized Minutes of the February 16, 2021 Meeting
• Acceptance of the FY 2020-21 Audit
Jason Strauss, President/CEO, LEI
F. Vote to Adjourn

- XII. **Meeting of the Member – Lobo Development Corporation (LDC)** 10
- A. Vote to Convene the Meeting of the Member, *Regent Doug Brown*
- B. Action Items:
- Summarized Minutes of the February 16, 2021 Meeting
 - Acceptance of the FY 2020-21 Audit
Kelly Ward, Dir. Bus. Ops., LDC; Teresa Constantinidis, CEO, LDC and SVPF&A
- C. Vote to Adjourn
- XIII. **Meeting of the Member – UNM Sandoval Regional Medical Center, Inc. (SRMC)** 11
- A. Vote to Convene the Meeting of the Member, *Regent Doug Brown*
- B. Action Item:
- Approval of the Annual Report and Audited Financials
Jaime Silva-Steele, President & CEO SRMC; Darlene Fernandez, CFO, SRMC
- C. Vote to Adjourn
- XIV. **Meeting of the Member – UNM Medical Group, Inc. (UNMMG)** 12
- A. Vote to Convene the Meeting of the Member, *Regent Doug Brown*
- B. Action Item:
- Approval of the Annual Report and Audited Financials
Robb McLean, President & CEO UNMMG
- C. Vote to Adjourn
- XV. Vote to Reconvene the Board of Regents
- XVI. **Advisors’ Comments [limit 3 mins.]** 13
- XVII. Roll Call Vote to close the meeting and proceed in EXECUTIVE SESSION
- >*Break: 5-minute break in the virtual meeting*<
- A. Discussions, and where appropriate determination, of matters subject to attorney-client privilege pertaining to threatened or pending litigation, as permitted by Section 10-15-1H(7), NMSA (1978)
- B. Discussions of bargaining strategy preliminary to collective bargaining and collective bargaining between a policymaking body and an employee bargaining unit, as permitted by Section 10-15-1H(5), NMSA (1978)
- C. Discussion of personally identifiable information about a student, as permitted by Section 10-15-1.H(4), NMSA (1978), as amended
- D. Discussion of “limited personnel matters” as defined in and permitted by Section 10-15-1.H(2), NMSA (1978) - regarding: President’s Annual Review
- XVIII. Vote to Re-Open the meeting and certification that only those matters described in Agenda Item XVII. were discussed in Closed Session, and if necessary, final action on certain matters will be taken in Open Session.
- XIX. Adjourn

¹Under the current guidelines from the Governor, and to reduce the spread of COVID-19, the UNM Board of Regents will hold virtual meetings only. Additionally, following the NM Attorney General's guidelines for Open Meetings Act compliance, public access to view or listen to Regent meetings is provided via a livestream of the virtual meeting on this public website: <https://live.unm.edu/board-of-regents>

²Public comments will be heard during the meeting. Comments may be limited to 10 per topic. Due to the nature of online meetings and the logistics of getting speakers connected, anyone wishing to provide public comment during the meeting *must register their intent to speak before noon on Monday, February 14, 2022*. To sign up for public comment, please email regents@unm.edu with the subject, "Request to provide public comment at 2/15 Regents' Meeting", and include the following information:

1. First and last name
2. Email address and telephone number
3. Affiliated organization & Professional Title (if applicable)
4. Topic you would like to address

Instructions with steps to follow to provide public comment will be emailed to registered speakers.

Please consider submitting comments in writing to regents@unm.edu and comments will be forwarded via email to the Regents for their attention and consideration.



Land Acknowledgement Statement

Founded in 1889, The University of New Mexico sits on the traditional homelands of the Pueblo of Sandia. The original peoples of New Mexico – Pueblo, Navajo, and Apache – since time immemorial, have deep connections to the land and have made significant contributions to the broader community statewide. We honor the land itself and those who remain stewards of this land throughout the generations and also acknowledge our committed relationship to Indigenous peoples. We gratefully recognize our history.

**Minutes of the Regular Meeting of
The Board of Regents of the University of New Mexico
December 7, 2021; 9:00 AM
Virtual meeting via Zoom; livestreamed for public viewing**

Members Present

Douglas M. Brown, Chair
Kim Sanchez Rael, Vice Chair
Sandra K. Begay, Secretary/Treasurer
Jack L. Fortner
Randy Ko
William H. Payne
Robert L. Schwartz

Administration Present

Garnett S. Stokes, President; Douglas Ziedonis, EVP of UNM Health Sciences and CEO of the UNM Health System; Loretta Martinez, University Counsel; James Holloway, Provost and EVP for Academic Affairs; Teresa Costantinidis, SVP for Finance and Administration; Kate Becker, CEO UNM Hospitals; Michael Richards, Vice Chancellor for Clinical Affairs; Assata Zerai, VP for Equity and Inclusion; Eddie Nunez, AD; Terry Babbitt, President's Chief of Staff; Liz Metzger, University Controller; Mike Chicarelli, UNMH COO; Duane Arruti, CIO; Jamie Silva-Steele, President and CEO, SRMC; deans and others

Advisors Present

Mike Silva, Alumni Association President; David Saavedra, GPSA President; Greg Romero, ASUNM President; Scott Sanchez, Staff Council President; Finnie Coleman, Faculty Senate President; Tim Backes, Retiree Association President

Presenters

Bonnie White, CFO, UNMH; Lisa Lindquist, Director, LoboRESPECT Advocacy Center; Tiffany Lee, Chair and Professor, Native American Studies

CALL TO ORDER AND CONFIRMATION OF A QUORUM

Regent Chair Brown called the meeting to order at 9:01 AM and confirmed a quorum with all 7 members present, virtually via Zoom.

LAND ACKNOWLEDGEMENT STATEMENT

Regent Brown read aloud UNM's Land Acknowledgement Statement:

Founded in 1889, The University of New Mexico sits on the traditional homelands of the Pueblo of Sandia. The original peoples of New Mexico – Pueblo, Navajo, and Apache – since time immemorial, have deep connections to the land and have made significant contributions to the broader community statewide. We honor the land itself and those who remain stewards of this land throughout the generations and also acknowledge our committed relationship to Indigenous peoples. We gratefully recognize our history.

VOTE TO ADOPT THE AGENDA

Before adoption of the agenda, Regent Kim Rael requested a modification: to move 'Comments from Regents' to after the President's Administrative Report.

The motion to adopt the modified agenda passed unanimously (1st Payne; 2nd Fortner; roll call vote – all members voted yes).

APPROVAL OF MINUTES: OCTOBER 19, 2021 REGULAR MEETING

The motion to approve the minutes of the October 19, 2021 regular meeting passed unanimously (1st Payne; 2nd Schwartz; roll call vote – all members voted yes).

PUBLIC COMMENT

Revathi A-Davidson, UNM student and retired healthcare and hospital administrator, spoke in favor of COVID-19 vaccination and testing requirements for entry to The Pit events.

Judith Brillman, Professor Emerita, UNM School of Medicine, spoke in favor of COVID-19 vaccination and testing requirements for entry to The Pit events.

Jacob Brown, UNM student, advocated for the graduate worker union.

Alana Bock, UNM graduate assistant, spoke in support for the graduate student unionization efforts.

Lisa Lindquist, Director of the LoboRESPECT Advocacy Center, gave an update on the Parent and Family Association activities and recognized the recently appointed Co-Chairs, Melinda Merriam and Heather Bratton. Ms. Lindquist presented each of the Regents the 2021 annual holiday ornament that the Parent and Family Association sponsors each year, from which the sales revenues fund scholarships.

PRESIDENT'S ADMINISTRATIVE REPORT

President Stokes opened her report highlighting recent events, awards, and notable recognitions. The UNM Department of Speech and Hearing Services launched a partnership with UNM Medical Group making its clinical services more widely available to New Mexicans. The clinic will provide speech-language pathology or audiology services to more patients, while also giving students practical experience in clinical care and healthcare practice management. In November, UNM Rainforest Innovations hosted the Business and Economic Summit: New Mexico's Statewide Recovery and Long-term Plan to focus conversations on the new Statewide Comprehensive Economic Development Strategy that was developed by the New Mexico Economic Development Department. In athletics, both the Women's Cross-Country team and the Women's Soccer team claimed the Mountain West championship. The Women's Cross-Country team also placed first in the NCAA Mountain Regional and earned a third-place finish at the NCAA Championship. In November, UNM celebrated National American Indian Heritage Month, and the UNM Gallup Branch Campus hosted the 2021 Diversity Summit to focus discussion around the practical ways to serve an increasingly diverse student population. UNM's Global Education Office hosted an

International Education Week that featured fairs, lectures and food to learn about and celebrate the benefits of international education and exchange. UNM has been designated as a Fulbright Hispanic Serving Institution (HIS) leader by the U.S. Department of State's Bureau of Educational and Cultural Affairs, one of only 35 institutions in the nation to receive this honor. This year's Sarah Belle Brown Award winners went to Wendy Greyeyes, Celeste Cole and Rick Rockett for their impactful community service and volunteer efforts, emulating Sarah Brown's ongoing commitment to helping those in need.

President Stokes discussed a recent survey soliciting feedback on the UNM 2040 draft plan proposed vision statement, 2 options proposed for the University's mission statement, along with UNM's purpose and articulated values. The survey will remain open until mid-December.

In the area of UNM leadership, the new dean of the UNM School of Law has been selected. Camille Carey, who has been a member of the faculty since 2009 and holds the Karelitz Chair in Evidence and Procedure currently serves as the vice dean and associate dean for Academic Affairs at the law school and will assume the deanship on July 1, 2022. President Stokes informed the Regents of UNM's new Chief of Police, Joseph Silva and new Interim Chief Government Relations Officer, Nathan Bush.

President Stokes gave an update on the COVID pandemic that included a graph that tracks UNM Health System COVID positive inpatients. Dr. Stokes announced that UNM will require vaccine boosters for all faculty, staff and students, adding that the announcement to the broader UNM community and the timeline requirements were still forthcoming. The President discussed the University's COVID response practices over the past many months, involving the President and her leadership team and utilizing the expertise from members of a phased planning steering committee to address the myriad aspects of the University, including operations, health protocols, external communications, and coordinated financial planning during the pandemic.

President Stokes discussed the upcoming commencement events, two in person ceremonies this year that will also include the 2020 graduates! Both events will take place at The Pit - Thursday, December 16 for post-graduate degree awardees and Friday, December 17 for undergraduate degree awardees. President Stokes closed with another announcement that administration would start providing special regent briefings on selected topics. The sessions will be informational briefings that will allow for an extended time of discussion.

COMMENTS FROM REGENTS

Regent Fortner asked if a summary report from the Economic Development Summit would be submitted to the Regents. President Stokes and Regent Begay confirmed that the full 200-page report and a recording of the summit were available on the Rainforest Innovation website.

Regent Real said she was surprised the President Stokes didn't touch on legislative priorities given the date for the beginning of the session was soon. President Stokes responded that a document outlining the priorities would be sent to Regents soon.

Regent Rael requested a regent briefing around that topic. Regent Brown requested that the CUP (Council of University Presidents) priorities be included in the briefing.

Regent Begay commented that she was happy that her alma mater, the UNM Gallup Branch Campus, hosted the 2021 Diversity Summit. She also thanked UNM for honoring Native American Month, and she extended congratulations for the Form D agenda item, the Doctoral Degree in Native American Studies, that would be voted on later in the meeting.

Regent Begay responded to the graduate worker unionization advocates and thanked them for their voices, adding that she heard them and also clarifying that labor negotiations are with the administration and not directly with the Regents.

Regent Schwartz thanked President Stokes for her report and his Regent colleagues for their comments. He spoke about the importance of the topic of whether to require vaccination and testing records to enter Pit events, adding that there are two primary questions: 1) what is a matter of policy? and 2) what should this element of COVID policy be? Regent Schwartz said this is clearly a policy decision of the University and he regretted the discussion was not taken up.

Regent Rael agreed with Regent Schwartz regarding the vaccination and testing requirements discussion, adding that it is the Regents' duty to advance University policy, and emphasizing that it needs to be with a data driven approach. Regent Rael continued her comments and highlighted the SSTAR Committee informational items that were presented in committee. In committee, Dean Kasper gave an update on the nursing program expansion and the requirements to increase capacity in that program. Regent Rael said she wanted to look at ways to enhance resources so they can be catalyzed even faster for that program. Additionally, Dean Burley gave an update on the COEHS' teacher education program for New Mexico's teachers, and Pamela Cheek presented her collaborative Student Experience research findings. Regent Rael emphasized that these programs are all critically important to the University. Regent Rael added that she appreciated the written comments sent to regents as well as the public comments.

Regent Brown said that he appreciated Regent Schwartz' comments about the discussion on vaccination and testing requirements for attendance at The Pit, and he outlined examples of the complexities and considerations of such a mandate, including whether proof of having had the vaccine booster would be required and what to require for children and at what ages. He emphasized that an efficient process would need to be in place to be able to process in a timely manner the larger crowds. He added that being able to attend athletic events is a morale booster for the public.

President Stokes reminded the Regents that the vaccine mandate currently in place is an administrative policy for which the Regents' endorsement was requested.

APPROVAL OF CONSENT DOCKET

Regent Brown addressed the consent docket; there being no requests to remove any items for discussion, he asked for a motion to approve the items listed on the docket:

- A. [SSTAR]* Approval of Form C: CERT Honors College
- B. [SSTAR] Approval of Form D: Post Professional Doctoral Degree in Occupational Therapy (New)
- C. [SSTAR] Approval of ASUNM Constitutional Amendment
- D. [HSSC]* Approval of UNM Medical Group Election of Certain Directors: Nomination of Dr. Richard Miskimins to the UNMMG Board of Directors
- E. [F&F]* Approval of 1st Quarter Financial Actions Report and Certification through September 30, 2021; and Informational Item: 1st-Qtr Consolidated Financial Report through September 30, 2021
- F. [F&F] 1st Quarter Athletics' Enhanced Fiscal Oversight Program Report and Certification through September 30, 2021; and Informational Item: 1st-Qtr Athletics' Report by Sport through September 30, 2021
- G. [F&F] Approval of Project Construction:
 - 1. University Libraries Turnstiles
 - 2. Center for High Tech Materials Roof Replacement
 - 3. Computer & Information Resources & Technology (CIRT) Restroom Renovation & ADA Update

[END CONSENT DOCKET]

* [SSTAR] Student Success, Teaching and Research Committee; [F&F] Finance & Facilities Committee; [HSSC] Health Sciences Center Committee

The motion to approve the items on the consent docket passed unanimously (1st Rael; 2nd Payne; roll call vote – all members voted yes).

APPROVAL OF POSTHUMOUS DEGREE: JERRY SURVEYOR – MASTER OF PUBLIC ADMINISTRATION (MPA)

Lisa Lindquist presented the item. The School of Public Administration respectfully requested consideration of the Posthumous Degree for Jerry Surveyor. Mr. Surveyor was an outstanding student, having started the MPA program in 2014 and completed 39 of 42 hours toward the degree. The faculty of the School of Public Administration voted unanimously to support granting a posthumous degree to Mr. Surveyor.

The motion to approve the posthumous degree, Master of Public Administration, for Jerry Surveyor passed unanimously (1st Rael; 2nd Schwartz; roll call vote – all members voted yes).

APPROVAL OF FALL 2021 DEGREE CANDIDATES

Finnie Coleman presented a total of 1836 candidates for fall 2021 awards for all UNM certificates and degrees.

The Regents enthusiastically congratulated the degree candidates.

The motion to approve the Fall 2021 degree candidates passed unanimously (1st Rael; 2nd Begay; roll call vote – all members voted yes).

APPROVAL OF FORM D: NATIVE AMERICAN STUDIES [NAS] DOCTORAL DEGREE PROGRAM

Tiffany Lee presented the item. The vision is for the doctoral candidates to become leaders in academia and/or policy researchers in Indigenous communities. The focus is on critical Indigenous thought, sustainable community building, and comparative studies in government, policy, identity, and sustainability. If approved, this would be only the 4th Ph.D. program of its kind in the country. The State and the 24 Pueblos and Tribes of New Mexico have a pressing need for Ph.D. level graduates that are prepared to work toward healthier and fully engaged communities. Native American Studies is an interdisciplinary field allowing the students' advanced research areas to prepare them for careers in a preferred focus and expertise, such as in the area of law, health, or education. The program will require successful completion of 66 credit hours; students must take 18 credit hours of required core courses. Projected revenue and costs projections for the first six years were provided. The estimated program costs will include salary for full-time faculty, learning resources, technology equipment, administrative support, and program development. The plan is to collaborate with other UNM entities to prevent duplication of efforts and funds. External sources of funding from the NM State Legislature, grants, and other entities were included in the budget forecast. It is anticipated the department will apply for and pursue other funding initiatives in the future.

The NAS Department offers a B.A. degree program which has graduated over 200 majors and minors. It also offers a master's degree which was launched in fall 2019 and has enrolled 26 students, 10 of which have graduated.

Regent Rael clarified that this program, presented in the Regents' SSTAR Committee, could have gone on the consent docket for approval, but explained that since it was such an important program, she wanted it to be presented to the full Board.

Regent Begay spoke in support of the program adding that this is an indication of the leadership needs for solving the complex issues of the Native American communities.

Regent Payne asked if the overall vision of the program was that most of the students would emphasize their focus on tribes in the southwest, or would it include those in Alaska or other parts like the U.S.? Dr. Lee responded that the focus would primarily be on the southwest but national and worldwide issues would also be addressed.

The motion to approve the Form D Native American Studies Doctoral degree program passed unanimously (1st Begay; 2nd Fortner; roll call vote – all members voted yes).

APPROVAL OF UNM HOSPITAL CAPITAL ITEMS:

1. UH Main Interventional Radiology Room 4 (IR-4) Equipment Replacement (\$575K)
2. Lamberton Tenant Improvement (NTE \$3m)
3. Senior Health Clinic (\$950K increase, revised project total \$9.7m)
4. Comprehensive Movement Disorder Center (\$950K increase; revised project total \$9.7m)
5. UNM Hospital New Hospital Tower [NHT] Vertical Expansion (\$41m)

Mike Chicarelli presented the items; Bonnie White presented details of the financial forecast for the new hospital tower vertical expansion project. Kate Becker was also available to answer questions.

Regarding Item 1, the UH Main Interventional Radiology Room 4 (IR-4) Equipment Replacement - an existing scanner needs to be replaced so the construction will involve renovating the room to accommodate a newer scanner model with its associated equipment. For the construction services, the project would be procured through a Vizient Job Order Contract (JOC), and the professional design services would be procured through the Cooperative Educational Services (CES) Contract. The total project budget is estimated to not exceed \$575K, and the source of funding would be the UNM Hospital Capital Improvement Funds.

Regarding Item 2, Lamberton Tenant Improvement – the project focuses on upgrades to the flooring, ceiling, lighting, security, and internal finishes. The renovation will provide the necessary upgrades of clinical and non-clinical spaces to meet current code requirements. Pricing for the project was secured utilizing the Vizient Job Order Contract (JOC). The total project budget is estimated to not exceed \$3 million. The source of funding would be the UNM Hospital Capital Improvement Funds. To allow for the build of UNM's new Crisis Triage Center (CTC), the Programs for Children and Adolescents (PFCA) and Physician Access Line (PALS) will be relocated to the Lamberton facility, allowing for the CTC project to advance.

Regarding Item 3, Senior Health Clinic (revised project total) – the original project scope included design and construction services to construct a new Senior Health Clinic for UNM Hospital. As the new work has progressed, the construction phase of the project has encountered multiple unforeseen conditions, construction material cost increases, and cost estimates below actual bids received. This request is for additional funding to address these costs and provide contingency funding to support the remainder of the project. New Mexico's demographic trends indicate that there is a significant increase to the aging population and is expected to continue to rise over the next 10 years. The surge in the aging population results in the need to address senior health services by expanding the capacity with a new Senior Health Clinic. This new clinic will provide improved functionality to support an increase in examination and support spaces contained within a single facility to deliver essential senior health services. Both the professional services and the construction services will be purchased through the UNMH request for proposals process. The total construction budget is estimated to not exceed \$9.7 million; the source of funds would be from the UNMH Hospital Capital Improvement Funds. This is an increase of \$950K from the original \$8.75 million request that was previously approved by the Board of Regents at its September 17, 2019 meeting.

Regarding Item 4, Comprehensive Movement Disorder Center (revised project total) - the original project scope included design and construction services to construct a new Movement Disorder Center for UNM Hospital. As the new work has progressed, the construction phase of the project has encountered multiple unforeseen conditions, construction material cost increases, and cost estimates below actual bids received. This request is for additional funding to address these costs and provide contingency funding to support the remainder of the project. Both the professional services and the

construction services will be purchased through the UNMH request for proposals process. The total construction budget is estimated to not exceed \$9.7 million; the source of funds will be from the UNMH Hospital Capital Improvement Funds. This is an increase of \$950K from the original \$8.75 million request previously approved by the Board of Regents at the September 17, 2019 meeting.

Regarding Item 5, UNM Hospital New Hospital Tower [NHT] Vertical Expansion - the project request is to expand the NHT vertically by adding two additional levels. The expansion would provide for the shell of two floors that would be completed at a later date to include 84 universal beds. It will increase the current project by approximately 113,562 sq. ft. The current NHT Project includes a seven-level hospital tower comprising approximately 570,000 GSF with 96 beds. Pre-pandemic benchmark data showed New Mexico's health care system was under-bedded by more than 1,000 acute care hospital beds compared to other states. UNMH anticipated the need for future expansion and, at the time the NHT was designed, UNMH requested a foundation design that would accommodate construction of additional floors beyond the floors originally intended to be built. It was UNMH's goal to conserve resources by having the foundation laid during the building of the NHT, with the intention that in the future, beds could be added to the NHT. After the design was complete, the pandemic began, with the result that the demand for acute health care in New Mexico has never been greater. UNMH had consistently maintained more than 95% capacity prior to the pandemic and during the pandemic has been between 125% and 150% of its capacity. Even post-pandemic, the demand for care in the state is expected to continue to increase as the population ages. Given these factors, UNMH is proposing to construct the shell of the additional two floors at the same time as construction of the originally planned NHT. The NHT contractor estimates that expansion will not affect the completion timing or occupancy. If the floors are added now, the overall cost will be reduced since the construction teams are mobilized and on location. It is estimated that costs would be an additional \$35 million if the expansion were postponed until after completion of the original scope of the project. Additionally, expansion prior to opening the new tower will reduce disruption to patient care. The expansion project cost is estimated to not exceed \$41 million; the source of funding would be the UNMH Capital funds set aside for the New Hospital Tower. If approved, the existing purchasing agreements, previously completed RFPs for construction, design and related services, will be amended to include the expanded project scope.

Kate Becker discussed timing issues related to the future staffing of the new hospital of the needed nurses and physicians in residency, clarifying that the current projection is for all beds to be fully open by the year 2027.

The Regents expressed support of the expansion project. Regent Brown inquired about the planning for the hospital's helipad. Dr. Chicarelli explained that a direct line to the ER is needed from the helipad, and the current plan is to have 2 helipads, one for the pediatric side and one for the new tower for adult critical care.

The motion to approve the UNM Hospital capital items as listed and presented passed unanimously (1st Schwartz; 2nd Ko; roll call vote – all members voted yes).

APPROVAL OF 4 REAPPOINTMENTS TO THE UNM SANDOVAL REGIONAL MEDICAL CENTER [SRMC] BOARD OF DIRECTORS

Jamie Silva-Steele presented the item. On December 3, 2021, the SRMC executive committee approved the recommendation for reappointment of Christopher Guest MD (Chief of Medical Staff), Joanna Boothe (Sandoval CO Resident), Charlotte Garcia (Sandoval CO Resident), and Dava Panana (Sandoval CO Resident), as Class C Directors to the SRMC Board. All terms commence January 1, 2022 and go through December 31, 2023.

The motion to approve the reappointments of Joanna Boothe, Charlotte Garcia, Dave Panana, and Christopher Guest to the SRMC Board of Directors passed unanimously (1st Fortner; 2nd Ko; roll call vote – all members voted yes).

ADVISORS' COMMENTS

Finnie Coleman, President, Faculty Senate, commented on the Faculty Handbook policy C07 revisions that were tabled in SSTAR Committee saying the revisions will go back to the next SSTAR Committee after University Counsel has reviewed them.

David Saavedra, President, GPSA, congratulated the upcoming graduates and reported on recent GPSA activities including a focus on relations with North Campus peers because a large part of GPSA's constituency calls North Campus home. Additionally, a major focus for GPSA now and going forward are Legislative Priorities for the upcoming session. Historically, GPSA has advocated and lobbied for one-time funding that goes toward capital outlay projects and the improvement of our campus. This year, it will ask the legislature for funding to support graduate and professional students in the areas of, 1) New Mexico Graduate Achievement Scholarship, 2) a Health Sciences Student Grant, and 3) a New Mexico Research Grant. Additionally, the Student Fee Review Board completed its cycle and made its recommendation to the Budget Leadership Team which was unanimously approved and will eventually be presented to the Regents.

Greg Romero, President, ASUNM, congratulated the upcoming graduates and reported on recent ASUNM activities including work with the UNM Government Relations team and university planning regarding capital outlay requests as well as continued support and advocacy for the Lottery Scholarship fund.

Scott Sanchez, Staff Council President, reported that 99.6% of staff are compliant with the UNM COVID Vaccine Mandate, which is a testament to staff's commitment to keeping campus safe, delivering high quality education and services to the community. Mr. Sanchez congratulated the campus community on nearly completing the fall semester and he thanked the UNM IT and HR departments for their unwavering support of Staff, Students, and Faculty during these tumultuous times. Mr. Sanchez reported on the annual Staff-as-Students event where over 100 staff were able to register for classes in the Spring 2022 semester and the recent Gerald W. May Outstanding Staff award.

Mike Silva, Alumni Association Board President, reported on a successful 2021 Homecoming Week that was full of Lobo activities, along with upcoming graduation events and the newest publication of the Association's Mirage magazine with a feature article on alumna, Deb Haaland, U.S. Department Secretary of the Interior.

- *5-Minute Break in the virtual meeting at 11:00 AM*

VOTE TO CLOSE THE MEETING A PROCEED IN EXECUTIVE SESSION (roll call vote)

1. Discussions, and where appropriate determination, of matters subject to attorney-client privilege pertaining to threatened or pending litigation, as permitted by Section 10-15-1H(7), NMSA (1978)
2. Discussions of bargaining strategy preliminary to collective bargaining and collective bargaining between a policymaking body and an employee bargaining unit, as permitted by Section 10-15-1H(5), NMSA (1978)
3. Discussion of "limited personnel matters" as defined in and permitted by Section 10-15-1.H(2), NMSA (1978) – regarding an appeal

VOTE TO RE-OPEN THE MEETING AND CERTIFICATION THAT ONLY THOSE MATTERS DESCRIBED IN THE CLOSED SESSION AGENDA WERE DISCUSSED AND IF NECESSARY, FINAL ACTION WITH REGARD TO CERTAIN MATTERS WILL BE TAKEN IN OPEN SESSION

The meeting re-opened at 1:19 AM; Regent Brown certified that only matters described in the executive session agenda were discussed during closed session and confirmed that there was one item upon which the Board would take action in open session.

The motion to not accept a request for discretionary review of an appeal (dated October 11, 2021) passed unanimously (1st Schwartz; 2nd Fortner; roll call vote – all members voted yes)

ADJOURN

There being no further business, Regent Brown asked for a motion to adjourn the meeting; Regent Rael motioned; Regent Fortner seconded; all were in favor; the meeting adjourned at 11:59 AM.

Approved:

Attest:

Douglas M. Brown, Chair

Sandra K. Begay, Secretary/Treasurer



President's Administrative Report

Garnett S. Stokes

The President will deliver her report at the meeting

Proposal

2022-2023 BOARD OF REGENTS' ACADEMIC YEAR MEETING CALENDAR

Regents' full Board & Committee Meetings	2022 Aug	2022 Oct	2022 Dec	2023 Feb	2023 Mar/Apr	2023 May	2023 June
Board of Regents	Aug 16	Oct 18	Dec 13	Feb 14	Mar 13* Apr 11	May 9	<i>Regent Retreat tbd</i>
Finance & Facilities Committee		Oct 11	Dec 6	Feb 7	Apr 4	May 2	<i>na</i>
Health Sciences Center Committee		Oct 11	Dec 6	Feb 7	Apr 4	May 2	<i>na</i>
Student Success, Teaching & Research Committee		Oct 6	Dec 1	Feb 2	Mar 30	May 4	<i>na</i>
Audit and Compliance Committee		Oct 13		Feb 9		May 4	<i>na</i>
Governance Committee		<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>na</i>
*As required by State Statute, the Board of Regents are to meet the second Monday in March for election of officers. Preliminary Budget Approval Meeting: April 11, 2023				Fall Commencement: Friday, December 16, 2022; 6:00 PM Spring Commencement: Saturday, May 13, 2023; 9:00 AM Spring Break: March 12-19, 2023			

Approval of Consent Docket

Action items on Regent's Committee agendas may be moved to the Board of Regents' consent docket; items on the consent docket received unanimous approval in committee; per Regents' Policy 1.2, "*Any member of the Board of Regents shall have the right upon request to remove any item from the Board's consent agenda and place the item on the Board's regular agenda for discussion.*"

- A. [HSCC]* UNM Hospitals Disposition of Assets Report C-1
- B. [HSSC] Amended Bylaws - Sandoval Regional Medical Center, Inc..... C-2
- C. [HSCC] Appointment to the Carrie Tingley Hospital Board of Directors –
Mr. Michael Shannon as the Parent Member C-3
- D. [F&F]* NM HED, Institutional Finance Division, 2Q Financial Actions
Report and Certification through 12/31/21 C-4
- E. [F&F] 2Q Athletics' Enhanced Fiscal Oversight Program Report and
Certification through 12/31/21; Informational Item, 2Q Athletics' Report
by Sport through 12/31/21 C-5
- F. [F&F] Reappointment of David W. Gibson to the UNM Rainforest
Innovations Board of Directors C-6
- G. [F&F] Project Construction Approvals or Re-Approvals:..... C-7
 - 1. Student Residence Center Stairs Repair & Modification Phase 2
 - 2. Clinical Translational Science Center Roof Replacement (Re-
Approval)
 - 3. Student Union Building Partial Roof Replacement Phase 2 (Re-
Approval)

* [HSCC] Health Sciences Center Committee; [F&F] Finance & Facilities Committee



Date: January 17, 2022

To: Bruce Cherrin
Chief Procurement Officer, UNM Purchasing Department

From: Bonnie White
Chief Financial Officer, UNM Hospitals

Subject: Property Disposition – January 2022

Attached for your review and submission to the Board of Regents is the Property Disposition Detail list for the month of January 2022.

Consistent with UNM Board of Regents Policy 7.9 Property Management and the Disposition of Surplus Property Act, 13-6-1, NMSA 1978, and based upon documentation submitted by the UNM Hospitals' departments responsible for the equipment, I certify that the equipment identified on the list is worn-out, unusable/unlocated or beyond useful life to the extent that the items are no longer economical or safe for continued use by UNM Hospitals. I recommend that the items be deleted from UNM Hospitals inventory and disposed of in accordance with the above noted Regents Policy and Surplus Property Act.



Property Disposition Request
January 2022

Description Summary				
Description	Count of Items	Sum of Acquisiton Cost	Sum of Book Value	Average of Age In Years
Medical Equipment	110	\$ 2,094,391.33	\$ 164,818.61	11
Non-Medical Equipment	4	\$ 42,461.93	\$ -	18
SW & Electronics	13	\$ 79,317.13	\$ -	8
Vehicles	1	\$ 29,017.00	\$ 13,903.98	2
Grand Total	128	\$ 2,245,187.39	\$ 178,722.59	10

Disposal Summary				
Description	Count of Items	Sum of Acquisiton Cost	Sum of Book Value	Average of Age In Years
Auction	53	939,165.52	133,285.76	10
Electronics Recycling	13	79,317.13	-	8
Unable to Inventory	61	1,197,687.74	31,532.85	12
UNM Automotive	1	29,017.00	13,903.98	2
Grand Total	128	\$ 2,245,187.39	\$ 178,722.59	8

Company	Lawson Number	Asset Control Number	Description	Accounting Unit	Division Description	Model	Serial Number	Acquisition Date	Acquisiton Cost	Book Value	Proposed Method of Disposal	Reason for Disposal	Generalized Description	Comments
10	32421	103723	Medivator Advantage Plus SS	34245	ENT Clinic	ADV-1007	86964521	03/01/2018	55,693.18	34,344.12	Auction	Obsolete	Medical Equipment	The department is removing the medivator to standardize the process of high level disinfection in the organization. There have been infection control concerns surrounding it's use in the ENT clinic, so we have transitioned to sending all of our scopes and instruments to SPD for processing.
10	28192	84982	Skytron Hercules Battery Table	15000	Operating Room	6702	6702-SUN-20133-0126	11/01/2013	47,438.80	21,610.99	Auction	Trade in	Medical Equipment	
30	35837	Veh# 1722	2020 Chevy 15 Passenger Van	60325	UPC PSI Program	EXPRESS VAN	GAZGNFPLOL1143252	12/01/2019	29,017.00	13,903.98	UNM Automotive	Not Repairable	Vehicles	
20	32414	103108	Panda IRES Warmer	12455	Newborn ICU	PANDA	PBWX70183	04/01/2018	21,433.08	13,395.66	Auction	Replaced	Medical Equipment	
10	31584	98927	MRIDIUM MR Infusion Pump	75040	Radiology - MRI	3860	IR60103131	04/01/2017	21,826.25	11,458.78	Auction	Replaced	Medical Equipment	
10	29457	91668	MR IV Pump & Sidecare	75040	Radiology - MRI	3860	IR60101407	03/01/2015	29,575.25	9,365.50	Auction	Replaced	Medical Equipment	
10	29458	91669	MR IV Pump & Sidecare	75040	Radiology - MRI	3860	IR60101408	03/01/2015	29,575.25	9,365.50	Auction	Replaced	Medical Equipment	
10	28800	89784	PB980 Ventilator	71510	Pulmonary Services	PB980	3512140739	07/01/2014	34,508.57	8,627.14	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	31622	105215	Power Exam Table	34315	Clinical Neuroscience Center	4450625004	V1806894	05/01/2017	6,812.27	4,692.90	Auction	Replaced	Medical Equipment	
10	26953	84780	Puritan Bennett 840 Ventilator	71510	Pulmonary Services	840	351430125	07/01/2013	30,453.26	4,567.97	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	33680	109969	Site Rite Prevue Ultrasound	70010	Digestive Disease Procedures	SITE RITE PREVUE	DYCNQ500	02/01/2019	10,199.00	4,249.59	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	30982	88595	Capsa ASCI Cart	15005	Operating Room - BBRP	CAPSA ASCI	ACS1011846	07/01/2016	7,854.26	3,534.42	Unable to Inventory	Unable to Inventory	Medical Equipment	
20	30663	93380	Spirit Select Bed	12480	CTH Rehab-Ortho Unit	SPIRIT	NONE	05/01/2016	8,070.37	3,497.16	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	28926	89780	Table, Air Flex Hill-Rom	34340	Pain Clinic	AIR FLEX	1199418	08/01/2014	6,170.00	3,119.28	Auction	Replaced	Medical Equipment	
10	28848	66868	Prime Big Wheel 30" Stretcher	12510	Women's Special Care	PRIME	1407030270	07/01/2014	6,080.72	3,040.38	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	28941	91403	Power Procedure Exam Table	34225	ENT Surgical Specialty Clinic	EXAM 4010	119872-0002	08/01/2014	9,541.43	2,464.89	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	30556	95344	MedSystem III Infusion Pump	70060	Fixed Wing Transport	MEDSYSTEM III	14388852	05/01/2016	5,450.00	2,361.66	Auction	Not Repairable	Medical Equipment	
10	30557	95345	MedSystem III Infusion Pump	70060	Fixed Wing Transport	MEDSYSTEM III	14385816	05/01/2016	5,450.00	2,361.66	Auction	Not Repairable	Medical Equipment	
10	27023	84973	CareFusion Ventilator	71510	Pulmonary Services	LTV-1200	E67721	10/01/2013	13,320.77	2,331.12	Auction	Not Repairable	Medical Equipment	
10	27024	84974	CareFusion Ventilator	71510	Pulmonary Services	LTV-1200	E67718	10/01/2013	13,320.77	2,331.12	Auction	Not Repairable	Medical Equipment	
10	27025	84975	CareFusion Ventilator	71510	Pulmonary Services	LTV-1200	E67720	10/01/2013	13,320.76	2,331.12	Auction	Not Repairable	Medical Equipment	
10	32471	103749	Portascan 3D Bladder Scanner	34250	Urology	MD6000	MD6000.10255	06/01/2018	7,989.00	2,263.55	Auction	Replaced	Medical Equipment	
10	29357	89352	MedSystem III Infusion Pump	70060	Fixed Wing Transport	2865	14180957	05/01/2015	5,831.21	1,943.75	Auction	Not Repairable	Medical Equipment	
10	29455	91670	MR IV Pump Remote/Monitor	75040	Radiology - MRI	3865	IR65100774	03/01/2015	5,833.98	1,847.41	Auction	Replaced	Medical Equipment	
10	29456	91671	MR IV Pump Remote/Monitor	75040	Radiology - MRI	3865	IR65100773	03/01/2015	5,833.97	1,847.41	Auction	Replaced	Medical Equipment	
10	29187	91689	MedSystem III Infusion Pump	70060	Fixed Wing Transport	MEDSYSTEM III	14178350	03/01/2015	5,831.21	1,846.57	Auction	Not Repairable	Medical Equipment	
10	29189	91696	MedSystem III Infusion Pump	70060	Fixed Wing Transport	MEDSYSTEM III	14036428	03/01/2015	5,831.21	1,846.57	Auction	Not Repairable	Medical Equipment	
20	28379	83979	Screenner Sure Site Vision	30030	CTH Outpatient Clinic	1163472	6783-014000	04/01/2014	5,471.96	1,231.19	Auction	Obsolete	Medical Equipment	
10	30152	105043	Trophon EPR & Printer	32065	M & FP - NW Valley - 1231 Cand	TROPHON EPR	47084-025	10/01/2015	8,889.30	952.42	Unable to Inventory	Unable to Inventory	Medical Equipment	
20	26117	83355	Pena Muscle Stimulator	15005	Operating Room - BBRP	PS2	1206	11/01/2012	11,406.32	950.54	Auction	Obsolete	Medical Equipment	
10	31585	98928	MRIDIUM Sidecar Second Channel	75040	Radiology - MRI	3861	IR6110284	04/01/2017	8,787.50	439.36	Auction	Replaced	Medical Equipment	
10	25657	None	Patient Lifter BBRP Tub Room	95700	Clinical Engineering	MAXI SKY 600	0	07/01/2012	8,206.15	410.31	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	6564	None	Warming Cabinet - Capitalize C	15045	PACU - BBRP	WMX 2180	0	07/01/2007	6,789.25	188.57	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	6352	46143	BV Pulsera Mobile X-Ray Unit	75000	Radiology - General	BV PULSERA	1040698	12/01/2007	146,240.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment	directors in new roles. Most likely retired when newer model was purchased as a replacement.
10	15612	45284	Blood Irradiator	74070	Lab - Blood Bank	GAMACELL 1000 EL	GAMACELL 1000 ELITE	06/01/1997	81,940.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	8683	73800	Axiem Portable System	15000	Operating Room	9660651	02.0003.0650	10/01/2009	81,500.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	4527	SCOPE	Ultrasound Endoscope	70020	Endoscopy Center	1300145	1300145	04/01/2005	63,084.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	21653	83434	Diagnostic Ultrasound	15525	OSIS Satellite	FOCUS 2202	1892613	01/01/2012	62,061.00	-	Auction	Obsolete	Medical Equipment	
10	17843	67531	Ophthalmic Imaging System	34610	Ophthalmology On Site Clinic	TRC-50DX	945396	05/01/2000	42,379.75	-	Auction	Replaced	Medical Equipment	
10	5589	NR	Buyout of 2003 Apex Pro Teleme	12210	Coronary Care Subacute	None	None	07/01/2005	40,961.24	-	Unable to Inventory	Unable to Inventory	Medical Equipment	
10	31026	STERILE	REMB Drill Set	15005	Operating Room - BBRP	6400-015-000	1617301793	07/01/2016	33,417.60	-	Unable to Inventory	Unable to Inventory	Medical Equipment	

10	6687	None	Legend Platinum Motor (Midas R	15005	Operating Room - BBRP	LEGEND	NONE	07/01/2007	31,346.70	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	21647	64306	EVIS Exera II Endoscope CCU	15525	OSIS Satellite	CV 180	7866413	01/01/2012	30,000.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	7528	None	Portable Endoscopic Ultrasound	70020	Endoscopy Center	EU-M30S	1810645	06/01/2008	29,140.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	29544	91766	Clab II Plus 64 Channels	71040	Cardiac Cath Lab	2003232-002	RXJ14392728GA	03/01/2015	28,350.00	-	Auction	Obsolete	Medical Equipment
10	3372	50792	Giraffe Omnibed	12455	Newborn ICU	OMNIBED	HDGG54196	06/01/2004	25,489.80	-	Auction	Replaced	Medical Equipment
10	26757	SCOPE	Laryngo Pharynscope	15020	OR - Intuitive Surgical	None	None	03/01/2013	24,680.39	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19877	STERILE	Handpiece M Power Modular and	15000	Operating Room	M POWER	BBF10444	03/01/2009	24,314.34	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19878	STERILE	Handpiece M Power Modular and	15000	Operating Room	M POWER	BBF10458	03/01/2009	24,314.33	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19879	STERILE	Handpiece M Power Modular and	15000	Operating Room	M POWER	BBF09219	03/01/2009	24,314.33	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	7238	60845	Bipolar Electrosurgical Unit C	15005	Operating Room - BBRP	CMC3	HP6495	07/01/2007	24,173.71	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19984	68443	840 Ventilator	12455	Newborn ICU	840	3510085056	06/01/2009	23,572.72	-	Auction	Not Repairable	Medical Equipment
20	19991	68450	840 Ventilator	12455	Newborn ICU	840	3510084464	06/01/2009	23,572.72	-	Auction	Not Repairable	Medical Equipment
20	19992	68451	840 Ventilator	12455	Newborn ICU	840	3510090797	06/01/2009	23,572.72	-	Auction	Not Repairable	Medical Equipment
10	26771	83479	Malis CMC-III	15005	Operating Room - BBRP	MALIS CMC III	HP7359	06/01/2013	23,286.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	7112	STERILE	Karl Storz Adult Resection Sys	15005	Operating Room - BBRP	IMAGE 1	MC729036-H	05/01/2008	22,404.28	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	20062	70545	Giraffe Incubator	12455	Newborn ICU	GIRAFFE	HDHP50560	08/01/2010	21,688.40	-	Auction	Replaced	Medical Equipment
20	20071	82237	Algo 5 Newborn Hearing Screene	76025	Audiology	ALGO 5	D503282	01/01/2011	20,550.68	-	Auction	Replaced	Medical Equipment
10	3456	50914	Video Processor	71520	Pulmonary Diagnostics	EPK1000	UA010243	06/01/2004	20,209.07	-	Auction	Obsolete	Medical Equipment
10	7144	62710	Giraffe Incubator	12415	Intermediate Care Nursery	GIRAFFE	HDHL50943	01/01/2008	20,201.00	-	Auction	Replaced	Medical Equipment
10	7141	62711	Giraffe Incubator	12415	Intermediate Care Nursery	GIRAFFE	HDHL50940	01/01/2008	20,201.00	-	Auction	Replaced	Medical Equipment
10	7142	62734	Giraffe Incubator	12455	Newborn ICU	GIRAFFE	HDHL50941	01/01/2008	20,201.00	-	Auction	Replaced	Medical Equipment
10	7143	62735	Giraffe Incubator	12455	Newborn ICU	GIRAFFE	HDHL50942	01/01/2008	20,201.00	-	Auction	Replaced	Medical Equipment
20	21020	80669	Airborne Incubator Transport	12455	Newborn ICU	A750I	A688	07/01/2011	20,082.56	-	Auction	Replaced	Medical Equipment
10	21046	80671	Airborne Incubator Transport	12455	Newborn ICU	A750I	A689	07/01/2011	20,082.56	-	Auction	Replaced	Medical Equipment
20	21021	80676	Airborne Incubator Transport	12455	Newborn ICU	A750I	A687	07/01/2011	20,082.56	-	Auction	Replaced	Medical Equipment
10	18125	NR	Fire Alarm System Interface Pr	81000	Facilities Maintenance	None	None	01/01/2000	19,194.06	-	Unable to Inventory	Unable to Inventory	Non-Medical Equipment
20	19858	67337	Panda iRes Bedded Warmer	12000	Labor and Delivery	IRES	HDJM50832D1U	12/01/2008	18,584.20	-	Auction	Replaced	Medical Equipment
20	19859	67339	Panda iRes Bedded Warmer	12000	Labor and Delivery	IRES	HDJM50833D1U	12/01/2008	18,584.20	-	Auction	Replaced	Medical Equipment
20	26825	SCOPE	Evis Exera Broncho Video Scope	15005	Operating Room - BBRP	BF-XP160F	2241157	03/01/2013	17,272.56	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8507	None	Motor EM200 Legend EHS Stylus	15005	Operating Room - BBRP	EM200	09B0127	06/01/2009	17,162.40	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8508	None	Motor EM200 Legend EHS Stylus	15005	Operating Room - BBRP	EM200	09B0128	06/01/2009	17,162.40	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19497	None	Trio Mobile Surgery Platform C	15045	PACU - BBRP	TRIO	0703097899	07/01/2007	16,891.20	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	7979	None	ScanX Digital Imaging System	15005	Operating Room - BBRP	SCANX	004658	07/01/2008	16,606.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8818	70272	Sierra Wave EMG	34315	Clinical Neuroscience Center	SIERRA WAVE	1001WV00-14-015	03/01/2010	15,747.00	-	Auction	Replaced	Medical Equipment
10	7246	55993	Transport Incubator Capitalize	12455	Newborn ICU	A750I	A192	07/01/2007	14,872.00	-	Auction	Replaced	Medical Equipment
10	7245	55994	Transport Incubator Capitalize	12455	Newborn ICU	A750I	A193	07/01/2007	14,872.00	-	Auction	Replaced	Medical Equipment
10	5820	60232	Infant Warmer Bed	12455	Newborn ICU	4400	HCCCL00061D1U	03/01/2007	14,370.30	-	Auction	Replaced	Medical Equipment
10	5822	60291 (6023	Infant Warmer Bed	12455	Newborn ICU	4400	HCCCL00065D1U	03/01/2007	14,370.30	-	Auction	Replaced	Medical Equipment
10	2597	43839	Kit Tri Cam IPM SCB	15000	Operating Room	202221 20	KH168104H/GH040888P	11/01/2002	14,041.33	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	2594	43840	Kit Tri Cam SL IPM	15000	Operating Room	202221 20	KH168089H/CH037931P	11/01/2002	14,041.32	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	26826	SCOPE	Visera Tracheal Videoscope	15005	Operating Room - BBRP	LF-V	2810792	03/01/2013	14,006.56	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19494	None	Trio Mobile Surgery Platform C	15045	PACU - BBRP	TRIO	070394550	07/01/2007	13,636.80	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19495	None	Trio Mobile Surgery Platform C	15045	PACU - BBRP	TRIO	070394551	07/01/2007	13,636.80	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	33170	106888	Glidescope LoPro, T4	15060	Anesthesia - BBRP	0574-0148	AN183121	11/01/2018	11,789.70	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8001	64761	Infant Warmer System 4400	12455	Newborn ICU	4400	HCCM00275	07/01/2008	11,357.24	-	Auction	Replaced	Medical Equipment
10	6778	STERILE	Neuro Retracting System	15005	Operating Room - BBRP	A1114	NONE	01/01/2008	11,205.60	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	19307	None	Sleuth Recorder - Insight 4 Ch	70020	Endoscopy Center	H039003B	H039003B	09/01/2003	10,000.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	30281	93711	Image 1 CCU	15005	Operating Room - BBRP	IMAGE 1 HUB	BA659953-P	11/01/2015	9,844.10	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	7248	60233	Infant Warmer Capitalize CIP 1	12455	Newborn ICU	4400	HCCCK10302	07/01/2007	9,355.24	-	Auction	Replaced	Medical Equipment
10	7251	60291	Infant Warmer Capitalize CIP 1	12455	Newborn ICU	4400	HCCCL00065	07/01/2007	9,355.24	-	Auction	Replaced	Medical Equipment
30	20648	NR	Video Cameras (3 Outdoor, 5 In	81000	Facilities Maintenance	None	None	01/01/2005	9,243.69	-	Unable to Inventory	Unable to Inventory	Non-Medical Equipment
10	7208	60522	Monopolar Electrosurgical Unit	15005	Operating Room - BBRP	FORCE FX-C	F6K50709A	07/01/2007	8,950.47	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	7209	60523	Monopolar Electrosurgical Unit	15005	Operating Room - BBRP	FORCE FX-C	F6K50716A	07/01/2007	8,950.47	-	Auction	Obsolete	Medical Equipment
20	19844	64955	Totalift II Transfer Chair	12460	Pediatric ICU	TOTALLIFT II	TL-7336	07/01/2008	8,847.43	-	Auction	Obsolete	Medical Equipment
10	8046	None	Bloodtrack Courier Kiosk	74070	Lab - Blood Bank	BLOODTRACK	I30720208	08/01/2008	8,450.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8048	None	Bloodtrack Courier Kiosk	74070	Lab - Blood Bank	BLOODTRACK	I30720212	08/01/2008	8,450.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8050	None	Bloodtrack Courier Kiosk	74070	Lab - Blood Bank	BLOODTRACK	I30720207	08/01/2008	8,450.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8051	None	Bloodtrack Courier Kiosk	74070	Lab - Blood Bank	BLOODTRACK	I30720206	08/01/2008	8,450.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	6680	SCOPE	ENF-XP Rhinolarynnngoscope Capi	15005	Operating Room - BBRP	ENF-XP	UNKNOWN	07/01/2007	8,290.80	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8643	73802	Valley Lab Bovie	15000	Operating Room	FX-CS	SF9B03904A	09/01/2009	7,947.30	-	Auction	Obsolete	Medical Equipment
10	6673	STERILE	Powerpro Pneumatic Modular Cap	15005	Operating Room - BBRP	POWERPRO	00012868	07/01/2007	7,862.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
20	29029	SCOPE	Ureteroscope w/Angled Eyepiece	15005	Operating Room - BBRP	27000KA	10001K	01/01/2015	7,594.90	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	6273	62418	Force FX-C Generator	15000	Operating Room	FORCE FX-C	F7H55472A	09/01/2007	7,251.32	-	Auction	Obsolete	Medical Equipment
10	6682	STERILE	Dual Trigger Rotary Capitalize	15005	Operating Room - BBRP	0706518743	0706518743	07/01/2007	7,120.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	8499	55816	Standard Gamma Probe	15000	Operating Room	10702	10702	06/01/2009	7,068.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
30	20649	None	Digital Video Recorder for Cam	81000	Facilities Maintenance	None	None	01/01/2005	7,014.09	-	Unable to Inventory	Unable to Inventory	Non-Medical Equipment
30	20512	None	Digital Video Recorder for Sec	81000	Facilities Maintenance	None	None	12/01/2004	7,010.09	-	Unable to Inventory	Unable to Inventory	Non-Medical Equipment
10	7827	64932	23" Wideview HD Flat Panel	15000	Operating Room	9423HDNB	08-119788	06/01/2008	6,712.45	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	29512	IT Equip	PowerEdge M630 Blade Server	96140	IT - Customer Service	M630	47KVD42	06/01/2015	6,494.00	-	Electronics Recycling	Obsolete	SW & Electronics
10	30317	IT Equip	PowerEdge M630 Blade Server	96140	IT - Customer Service	M630	47KVD42	07/01/2015	6,494.00	-	Electronics Recycling	Obsolete	SW & Electronics
10	25667	94941	Dell Blade Server	96140	IT - Customer Service	M620	C8TS3V1	10/01/2012	6,456.69	-	Electronics Recycling	Obsolete	SW & Electronics
10	25668	94942	Dell Blade Server	96140	IT - Customer Service	M620	B8TS3V1	10/01/2012	6,456.69	-	Electronics Recycling	Obsolete	SW & Electronics
10	25670	94944	Dell Blade Server	96140	IT - Customer Service	M620	F8TS3V1	10/01/2012	6,456.69	-	Electronics Recycling	Obsolete	SW & Electronics

10	6671	SCOPE	Flexible Intubation O Scope Ca	15005	Operating Room - BBRP	1071199	1071199	07/01/2007	6,331.50	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	6672	SCOPE	60X Flexible Intubation Scope	15005	Operating Room - BBRP	2001396	2001396	07/01/2007	6,331.50	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	5734	NR	Install Washer - Asset 25766	15010	Sterile Processing	None	None	07/01/2006	6,200.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	24500	86377	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	G51QDV1	09/01/2012	6,082.55	-	Electronics Recycling	Obsolete	SW & Electronics
10	24503	86380	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	261QDV1	09/01/2012	6,082.55	-	Electronics Recycling	Obsolete	SW & Electronics
10	28962	None	Universal Charger	15005	Operating Room - BBRP	1410615023	1410615023	07/01/2014	5,819.69	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	28194	IT EQUIP	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	4Q046Y1	10/01/2013	5,799.00	-	Electronics Recycling	Obsolete	SW & Electronics
10	28195	IT EQUIP	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	5Q046Y1	10/01/2013	5,799.00	-	Electronics Recycling	Obsolete	SW & Electronics
10	28197	IT EQUIP	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	7Q046Y1	10/01/2013	5,798.99	-	Electronics Recycling	Obsolete	SW & Electronics
10	28198	IT EQUIP	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	FQ046Y1	10/01/2013	5,798.99	-	Electronics Recycling	Obsolete	SW & Electronics
10	28201	IT EQUIP	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	CQ046Y1	10/01/2013	5,798.99	-	Electronics Recycling	Obsolete	SW & Electronics
10	28203	IT EQUIP	PowerEdge M620 Blade Server	96140	IT - Customer Service	M620	8Q046Y1	10/01/2013	5,798.99	-	Electronics Recycling	Obsolete	SW & Electronics
10	26770	83478	Malis Irrigation Module	15005	Operating Room - BBRP	1000	RP120224	06/01/2013	5,135.00	-	Unable to Inventory	Unable to Inventory	Medical Equipment
10	15439	SCOPE	Doppler Unit Probe	15000	Operating Room	None	None	05/01/1997	5,003.50	-	Unable to Inventory	Unable to Inventory	Medical Equipment



The University of New Mexico

Office of University Counsel

MEMORANDUM

TO: Regent Robert L. Schwartz, Esq, Chair, HSC Committee

FROM: Jamie Silva-Steele, RN, BSN, MBA, President and Chief Executive Officer, UNM Sandoval Regional Medical Center, Inc.

Scot Sauder, Deputy University Counsel for Health Sciences, Office of University Counsel

Date: February 8, 2022

RE: Fifth Amended and Restated Bylaws of UNM Sandoval Regional Medical Center, Inc.

As the Board of Regents is the sole member of UNM Sandoval Regional Medical Center, Inc. (SRMC), I am submitting for the Board of Regents' consideration certain amendments to the Fourth Amended and Restated Bylaws of SRMC, which are set forth in the attached Fifth Amended and Restated Bylaws. Although the attached document is redlined to show the proposed changes, we are summarizing those proposed changes below:

- Changes to Member and Membership (Article II, Section 4):
 - The Place of Meetings has been amended to include remote or virtual options.
- Changes to Board of Directors (Article III):
 - Section 3 - The Regular Meetings has been amended to include remote or virtual options for the regular meetings.
 - Section 5 – The Place of Meetings for the Board of Directors has been amended to include remote or virtual options.
 - Section 6 – Notice of Meetings has been amended to include e-mail as an acceptable means of transmission for notice of meetings to the Board of Directors.

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Albuquerque, New Mexico 87131-0001
Phone 272-2377 Fax 272-1938**

- Section 8(c) – The Vice Chancellor for Clinical Affairs has been amended to the title of Senior Vice President for Clinical Affairs.
- Section 8(g) – has been amended to include language mandating a minimum of three (3) individuals who are residents of Sandoval County, New Mexico.
- Section 10 – The Vice Chancellor for Clinical Affairs has been amended to the title of Senior Vice President for Clinical Affairs.
- Section 15 – The Telephonic Meetings title has been amended to include virtual meetings and the paragraph has virtual platform as an option for meetings.
- Changes to Audit (Article VI)
 - The Audit Article has been amended to Senior to the title of Vice-President for Finance and Administration.
 - The added language of the Senior Executive Officer for Finance and Administration has been added as a person who is to receive a copy of the audit report and any supporting documents.
 - The title of Senior Vice President for Clinical Affairs has been added as a person who is to receive a copy of the audit report and any supporting documents.
 - The Director position held by the Chief Operating Officer of the UNM Health System has been replaced with the Dean of the UNM School of Medicine (UNM SOM) or an individual nominated by the Dean of the UNM SOM to serve on his or her behalf.
 - The Director position previously entitled Executive Physician-in-Chief of the UNM Health System has been retitled to Senior Vice President for Clinical Affairs of the UNM Health Sciences Center to reflect the accuracy of the position in attendance.
- Any references to the Fourth Amended and Restated Bylaws have been changed to the Fifth Amended and Restated Bylaws throughout the document.
- The dates for approval and adoption for the upcoming meetings have been corrected throughout.

Cc: Douglas M. Ziedonis, MD, MPH,
Michael E Richards, MD

**FIFTH AMENDED AND RESTATED BYLAWS
OF
UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.**

**ARTICLE I:
NAME**

The name of the Corporation shall be:

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.

The Corporation has been formed as a nonprofit corporation under the New Mexico Nonprofit Corporation Act, N.M. STAT. ANN. § 53-8-1 *et seq.*, and the New Mexico University Research Park and Economic Development Act, N.M. STAT. ANN. § 21-28-1 *et seq.*

**ARTICLE II:
MEMBER AND MEMBERSHIP**

Section 1: **Members**. The Regents, as a body corporate, shall be the sole member (the “**Member**”) of the Corporation. The Regents shall have all the rights and privileges granted to it by the New Mexico Nonprofit Corporation Act, the University Research Park and Economic Development Act, the Articles of Incorporation, and these Bylaws.

Section 2: **Annual Meeting of the Member**. The Annual Meeting of the Member for the election of Directors, and for the transaction of such other business as properly shall come before the meeting, shall be held following the close of the fiscal year of the Corporation.

Section 3: **Special Meetings**. Special Meetings of the Member shall be called at any time by the Regents. A Special Meeting may be requested by the President and/or the Chief Executive Officer of the Corporation or upon Resolution of the Board of Directors. Conduct of Special Meetings is in the sole discretion of the Member.

Section 4: **Place of Meetings**. All meetings of the Member shall be held at such places within the State of New Mexico, remote, or virtually as shall be specified in the respective notices of such meetings or waivers thereof.

Section 5: **Notice of Meetings**. Notice of the Annual Meeting and of every Special Meeting described hereinabove shall be served personally or by mail on the members of the Regents, not less than ten (10) days nor more than fifty (50) days before

the meeting. All notices shall state the place, day and time where the meeting is to be held and notices of Special Meetings shall also state the purpose or purposes for which the meeting is called. If mailed, such notice shall be directed to each Regent at the address of each Regent as it appears on the books or records of the Corporation. Additionally, notice is deemed given if made by electronic communication.

The Member, as a body corporate, may waive notice of a meeting by executing and filing in the corporate records a written waiver of notice. The attendance of any Regent at any meeting shall constitute a waiver of notice of the meeting, except where a Regent attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 6: **Action of Members Without a Meeting.** Any action required or permitted to be taken at a meeting of the Member, or any action which may be taken at a meeting of the Member, may be taken without a meeting if a consent in writing, setting forth the action is signed by the Member.

ARTICLE III: BOARD OF DIRECTORS

Section 1: **Management.** The affairs and the property of the Corporation shall be managed by the Board of Directors (the "**Board**"). The Directors shall act only as a Board, and individual Directors shall have no power as such.

Section 2: **Annual Meeting.** The Annual Meeting of the Board for the election of Officers (as hereinafter defined) and for the transaction of such other business as properly shall come before the meeting shall be held as soon as practicable following the Annual Meeting of the Member; provided, however, that an organizational meeting of the Board, for the election of Officers and transaction of other business, may be held after the first appointment of the voting Directors enumerated in Article III, Section 8(a) – (g) of these Bylaws. Such Annual Meeting of the Board shall be a general meeting and open for the transaction of any business within the powers of the Board without special notice of such business, except in any case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws.

Section 3: **Regular Meetings.** Regular Meetings of the Board shall be held at least quarterly at such places within the State of New Mexico, remote, or virtually as shall be specified by the Board of Directors, one of which shall be designated as the Annual Meeting. Such Regular Meetings shall be general meetings and open for the transaction of any business within the powers of the Board without special notice of such business, except in any case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws.

Section 4: **Special Meetings**. Special Meetings of the Board shall be called at any time by the Secretary upon the request of the President and/or the Chief Executive Officer of the Corporation or no less than one-quarter of the Directors then in office.

Section 5: **Place of Meetings**. All meetings of the Board shall be held at such places within the State of New Mexico, remote, or virtually as shall be specified in the respective notices of such meetings or waivers thereof.

Section 6: **Notice of Meetings**. Notice of every Annual or Regular Meeting of the Board shall be served personally or by mail on each Director not less than ten (10) days nor more than fifty (50) days before the meeting. Notice of every Special Meeting shall be served personally or by mail on each Director not less than three (3) days before the meeting. Notices or waivers of notice do not need to state the purpose or purposes for which the meeting is called, but shall state the time and place of the meeting. If mailed, or e-mailed, such notices shall be directed to each Director entitled to notice at his or her address as it appears on the books or records of the Corporation. Additionally, notice is deemed given if made by electronic communication.

A Director may waive notice of a meeting by executing and filing in the corporate records a written waiver of notice. The attendance at any meeting shall constitute a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7: **Quorum**. At all meetings of the Board of Directors the presence of a majority of the Directors then in office shall be necessary and sufficient to constitute a quorum, and except as otherwise provided by law or by these Bylaws, the act of a majority of the Directors present at a meeting at which there is a quorum shall be the act of the Board.

Section 8: **Number, Composition, and Election of Board of Directors**. The Corporation shall have not less than three (3) nor more than eleven (11) Directors, as determined by the Member by resolution (each a “**Director**” and collectively, the “**Directors**”). Pursuant to the requirements of the University Research Park and Economic Development Act, the Member, by and through the Regents, will appoint all

Directors. The Directors shall include the following individuals, who shall be voting Directors:¹

¹ In these Bylaws, the Directors appointed by virtue of their positions as described in Section 8(a) through (c) and (f) hereinabove shall be referred to individually as a “**Positional Director**,” and, collectively, as the “**Positional Directors**.” Additionally, in these Bylaws, the Directors appointed as described in Section 8(d), (e), and (g) shall be referred to individually as a “**Non-Positional Director**” and, collectively, as the “**Non-Positional Directors**.” With respect to the Positional

(a) The Chief Executive Officer for the UNM Health System (the “Health System CEO”);

(b) The Dean of the UNM School of Medicine (“UNM SOM”) or an individual nominated by the Dean of the UNM SOM to serve on his or her behalf (the “Dean of the UNM SOM or Nominee”);

(c) The Senior Vice President for Clinical Affairs of the UNM Health Sciences Center;

(d) At least thirty (30) days prior to the Annual Meeting of the Member, Board of Trustees of UNM Hospitals may nominate one individual to serve as a Director, subject to the Member’s Conflict of Interest policies; the Member shall consider such nominee at the Annual Meeting and, if acceptable to the Member, may, upon a majority vote of the Regents, appoint such individuals to serve as a Director of the Corporation; provided, however, that, in the event that the Member finds a nominee unacceptable, the Board of Trustees of UNM Hospitals shall nominate another individual for the Member’s consideration at a Special Meeting of the Member and, if such substitute nominee is acceptable to the Member, may, upon a majority vote of the Regents, appoint such individual to serve as a Director; provided, further, however, that if after two (2) consecutive rounds of any such nomination with respect to a particular Non-Positional Director vacancy, the Regents find such nominees unacceptable, then the Regents may select and appoint an individual who is independent and not a faculty member of the UNM to serve as a Director of the Corporation;

(e) At least thirty (30) days prior to the Annual Meeting of the Member, the Board of County Commissioners of Sandoval County (the “**Sandoval County Commission**”) may nominate one individual to serve as a Director, subject to the Member’s Conflict of Interest policies; the Member shall consider such nominee at the Annual Meeting and, if acceptable to the Member, may, upon a majority vote of the Regents, appoint such individuals to serve as a Director of the Corporation; provided, however, that, in the event that the Member finds a nominee unacceptable, the Sandoval County Commission shall nominate another individual for the Member’s consideration at a Special Meeting of the Member and, if such substitute nominee is acceptable to the Member, may, upon a majority vote of the Regents, appoint such individual to serve as a Director; provided, further, however, that if after two (2) consecutive rounds of

Directors, it is acknowledged that the job titles associated with such Positional Directors may change over time and, therefore, it is intended that the successor job title to the current, specified job title shall be deemed to apply to such Positional Directors without the necessity of amending these Bylaws.

any such nomination with respect to a particular Non-Positional Director vacancy, the Regents find such nominees unacceptable, then the Regents may select and appoint an individual who is independent and not a faculty member of the UNM to serve as a Director of the Corporation;

(f) The then sitting Chief of the Medical Staff of UNM Sandoval Regional Medical Center duly elected by the active medical staff of the same; and

(g) At least thirty (30) days prior to the Annual Meeting of the Member, the members of the Board shall nominate at least three (3) individuals who are residents of Sandoval County, New Mexico and who are **not** employees of the Corporation, the University of New Mexico, the University of New Mexico Hospital, UNM Medical Group, Inc. or Sandoval County, New Mexico to serve as Directors, subject to the Member's Conflict of Interest policies; the Member shall consider such nominee at the Annual Meeting and, if acceptable to the Member, may, upon a majority vote of the Regents, appoint such individuals to serve as Directors of the Corporation; provided, however, that, in the event that the Member finds any of the nominees unacceptable, the Board shall nominate another individual who meets the qualifications identified in this Section 8(g) for the Member's consideration at a Special Meeting of the Member and, if such substitute nominee is acceptable to the Member, may, upon a majority vote of the Regents, appoint such individual to serve as a Director; provided, further, however, that if after two (2) consecutive rounds of any such nomination with respect to a particular Non-Positional Director vacancy, the Regents find such nominees unacceptable, then the Regents may select and appoint an individual(s) who meets the qualifications identified in this Section 8(g) to serve as a Director of the Corporation.

Section 9: **Vacancy.** Except as otherwise provided in this Section 9, any vacancies occurring among the Directors shall be filled by the Member at a Special Meeting. A vacancy shall occur upon the death or incapacity of a Director, or his or her resignation or removal as hereinafter provided. Subject to the provisions of Section 11 hereinbelow, each Positional Director shall continue as a Director only for so long as such individual occupies the position qualifying him/her for said appointment or until his/her earlier death or resignation. A vacancy shall be filled for the remainder of the unexpired term of the Director whose death, incapacity, resignation or removal gave rise to the vacancy.

Section 10: **Term of Office of Directors.** The Initial Directors named in the Articles of Incorporation shall serve until the voting Directors enumerated in Article III, Section 8(a) - (g) of these Bylaws shall have been first appointed by the Member and qualified. The Directors shall be divided into three classes, designated Class A, Class B, and Class C. Each class shall consist of one-third of the Directors or as close an

approximation as possible. In this connection, one of the Non-Positional Directors shall serve as a Class B Director and one of the Non-Positional Directors shall serve as a Class C Director. The Health System CEO shall serve as a Class B Director, Dean of the UNM SOM or Nominee shall serve as a Class A Director, and the Senior Vice President for Clinical Affairs of the UNM Health Sciences Center; shall serve as a Class A Director. The remaining Directors shall be divided into the three (3) classes in as close an approximation to one-third as possible. The initial term of office of the Directors of Class A shall expire at the annual meeting to be held following the end of fiscal year 2010, the initial term of office of the Directors of Class B shall expire at the annual meeting to be held following the end of fiscal year 2011, and the initial term of office of the Directors of Class C shall expire at the annual meeting to be held following the end of fiscal year 2012. After the initial terms specified above for each Class of Director, Directors shall serve for a term of not more than three (3) years from and after their election by the Regents and may be reelected for any number of terms. All Directors shall serve in their respective offices until their successors are appointed and qualified.

Section 11: **Resignation and Removal of Directors.** Any Non-Positional Director may be removed by a majority vote of the Regents at any time with or without cause and with or without notice at a meeting of the Member. Any Non-Positional Director may resign at any time upon providing written notice to the Chairman of the Board and to the Member.

With respect to the Positional Directors, each such Positional Director may be removed by a majority vote of the Regents for good cause with prior written notice to such Positional Director. In this connection, "good cause" shall mean:

- (a) The failure of such Positional Director to continue in the position giving rise to such Positional Director's appointment as a Director as set forth in Sections 8 and 9 of this Article;
- (b) The inability of such Positional Director to substantially perform his/her material duties as a Director by failing to attend three (3) consecutive Regular Meetings of the Board;
- (c) Willfully engaging in illegal conduct or gross misconduct, which is materially and demonstrably injurious to the Corporation. For purposes of this provision, no act or failure to act on the part of such Positional Director shall be considered "willful" unless it is done in bad faith or without reasonable belief that such Positional Director's action or omission was in the best interests of the Company.

With respect to the Director serving as a result of Section 8(f) (the "Chief of the **Medical Staff**"), if at any time during his or her term as the Medical Staff Chief

Director, the Medical Staff Chief Director shall for any reason cease to be the Chief of the Medical Staff of the UNM Sandoval Regional Medical Center or a member of the active medical staff of the UNM Sandoval Regional Medical Center, such fact shall be considered to be a "deemed resignation" from the Board of Directors of the Corporation.

Section 12: **Compensation and Expense Reimbursement**. The Directors shall not receive compensation for their services as Directors but the Board may authorize reimbursement for reasonable and necessary expenses incurred by Directors in connection with the performance of their duties in accordance with policies to be established by the Board.

Section 13: **Indemnification**.

(a) Any person made a party to any action, suit or proceeding by reason of the fact that he or she, his/her testator or intestate, is or was a Director, Officer or employee of the Corporation, or of any corporation which he or she served as such at the request of the Corporation, shall be indemnified by the Corporation against the reasonable expenses, including attorney's fees, actually and reasonably incurred by him or her in connection with the defense of such action, suit or proceeding, civil or criminal, in which he or she is made a party by reason of being or having been a Director or Officer. The indemnification may include any amounts paid to satisfy a judgment or to compromise or settle a claim, or incurred in connection with any appeal of any such action, suit or proceeding. A Director, Officer or employee shall not be indemnified in relation to matters as to which it shall be adjudged in such action, suit or proceeding on the basis that he or she has breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes willful misconduct or recklessness. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which any such Director, Officer, or employee may be entitled as a matter of law.

(b) Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to this Section 13 following authorization thereof by the Board shall be paid by the Corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Section 13.

(c) The indemnification provided by this Section 13 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, or otherwise, both as to action in

an official capacity and as to action in another capacity while holding such office, to the extent that additional rights to indemnification are authorized in the Articles of Incorporation.

(d) The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the New Mexico Non-Profit Corporation Act or the New Mexico University Research Part and Economic Development Act.

Section 14: **Action Without A Meeting.** Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board, or of any Committee thereof, may be taken without a meeting if all members of the Board or Committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or Committee. Written consents representing actions taken by the Board or Committee may be executed by telex, telecopy, a software which allows for electronic signatures and has an appropriate authentication system, or facsimile transmission, where such facsimile shall be valid and binding to the same extent as if it were an original.

Section 15: **Telephonic or Virtual Meetings.** Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors, or any Committee, may participate in a meeting of the Board, or any Committee, by means of conference telephone, virtual platform, or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

ARTICLE IV: OFFICERS

Section 1: **Number of Officers.** The Officers of the Corporation shall be a Chairman of the Board, a President and Chief Executive Officer, one or more Vice-Presidents, a Secretary, and a Chief Financial Officer (together with the additional officers appointed pursuant to Section 3 below, shall be referred to individually as an “**Officer**” and collectively, as the “**Officers**”). One person may hold two of the aforesaid offices. With the exception of the Chairman of the Board, Officers need not be Directors.

Section 2: **Election of Officers.** Except for those Officers serving by virtue of their position (the “**Ex-Officio Officers**”), the Officers shall be elected annually at each Annual Meeting of the Board by a plurality of the votes cast and may succeed themselves in office. Except for the Ex-Officio Officers, each person elected as an Officer shall continue in office until the next Annual Meeting after his or her election, or until his or her successor shall have been duly elected and qualified, or until his earlier death, resignation or removal in accordance with these Bylaws. Except for Ex-Officio Officers, vacancies of Officers caused by death, incapacity, resignation, removal, or increase in the number of Officers may be filled by a majority vote of the Board at a Special Meeting called for that purpose or at any regular meeting. As to the Ex-Officio Officers, any Ex-Officio Officer may be removed from his/her office for “good cause” as defined in Section 11 of Article III of these Bylaws.

Section 3: **Additional Officers.** The Board, at any meeting may by resolution appoint such additional Officers and such agents and employees as it may deem advisable. The Board may delegate to the Officers in Sections 5 and 6, the power to appoint subordinate Officers (other than the Officers identified in Sections 6, 8, and 9 of this Article) or agents and to determine their terms of office. Any such appointments will be reported at the subsequent Board meeting.

Section 4: **Removal of Officers.** Except for the Ex Officio Officers, any Officer may be removed at any time with or without cause and with or without notice, by a vote of the majority of the Board at any meeting of the Board.

Section 5: **Chairperson of the Board.** The Chairperson of the Board shall be elected from among the Directors; provided, however, that in all cases, the Chairperson of the Board shall be the Health System CEO. The Chairperson of the Board shall preside at all meetings of the Members of the Board and shall have such other powers and duties as may be assigned to him or her from time to time by the Board or as prescribed by these Bylaws.

Section 6: **President and Chief Executive Officer.** The President and Chief Executive Officer shall have general supervision over the affairs and property of the Corporation and over its several Officers, and shall generally do and perform all acts incident to the office of the President and Chief Executive Officer, and shall have such additional powers and duties as may from time to time be assigned to him/her by the Board. When authorized by the Board, the President and Chief Executive Officer may sign and execute, in the name of the Corporation, deeds, mortgages, promissory notes, security agreements, pledge agreements, financing statements, bonds, contracts or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other Officer or agent of the Corporation.

Section 7: **The Vice-Presidents.** The Board may elect one or more Vice-Presidents. At the request of the President and Chief Executive Officer, or in his or her absence or disability, the Vice-Presidents, in the order designated by the Board, shall perform all the duties of the President and Chief Executive Officer and, when so acting, shall have all the powers and be subject to all the restrictions upon the President and Chief Executive Officer. When authorized by the Board , any Vice-President may also sign and execute, in the name of the Corporation, deeds, mortgages, bonds, contracts, or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board, or by these Bylaws to some other Officer or agent of the Corporation. The Vice-Presidents shall perform such other duties as from time to time may be assigned to them by the Board and/or by the President and Chief Executive Officer, as the case may be.

Section 8: **Chief Financial Officer.** The Chief Financial Officer shall report to the President and Chief Executive Officer and shall have charge and custody of, and be responsible for, all the funds of the Corporation and shall keep or cause to be kept and shall be responsible for the keeping of accurate records of the assets, liabilities and transactions of the Corporation. He/she shall deposit all moneys and other valuable effects of the Corporation in the name of and to the credit of the Corporation in accordance with accounting procedures approved by the Board, consistent with the policies of the UNM, in such banks, trust companies, or other depositories as may be approved by the Board. He/she shall disburse the funds of the Corporation based upon proper vouchers for such disbursements. In general, he shall perform all the duties incident to the office of Chief Financial Officer and such other duties as may from time to time be assigned to him or her by the Board. If required by the Board, the Chief Financial Officer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board shall determine. The expense of such bond shall be paid by the Corporation.

Section 9: **Secretary.** The Board shall elect a Secretary who shall report to the President and Chief Executive Officer and act as Secretary of, and keep the Minutes of all meetings of the Board and of the Member in one or more books provided for that purpose; and whenever required by the President and Chief Executive Officer shall perform like duties for any Committee, provided that in the absence of the Secretary, the Member or a majority of the Directors present at any meeting thereof may designate any person to act as Secretary for such meeting. The Secretary shall see that all notices are duly given in accordance with these Bylaws and as required by law; he or she shall be custodian of the Seal of the Corporation and shall affix and attest the Seal to any and all documents specifically or generally authorized by the Board to be executed on behalf of the Corporation under its Seal. He shall have charge of the books, records and papers of the Corporation relating to its organization as a Corporation, and shall see that all reports, statements and other documents required by law are properly kept or

filed, except to the extent that the same are to be kept or filed by the Chief Financial Officer. In general, he or she shall perform all the duties incident to the office of Secretary and such other duties as may from time to time be assigned to him or her by the Board and by the President and Chief Executive Officer.

ARTICLE V: COMMITTEES

Section 1: **Executive Committee**. A majority of the initial Directors set forth in the Articles of Incorporation, present at a meeting of the Board at which there is a quorum may initially appoint an Executive Committee to serve during the interim until the first Annual Meeting of the Board, and thereafter, the Executive Committee shall be appointed annually at the Annual Meeting of the Board by a majority of the Directors present at a meeting of the Board at which there is a quorum. The Executive Committee shall consist of the Chairman of the Board and at least three (3) members of the Board elected by the majority members of the Board, one of which must be a community Board member. Vacancies in members of the Committee may be filled by a majority of the Directors present at a meeting of the Board at which there is a quorum. Except for those members serving on the Executive Committee by virtue of their office, any member of the Executive Committee may be removed from membership on said Committee at any time with or without cause by a vote of the majority of the Directors present at any meeting of the Board at which there is a quorum, but only upon the recommendation of the Chairman of the Board.

The Executive Committee shall, during the intervals between meetings of the Board, possess and exercise all of the powers of the Board in the management of the affairs and property of the Corporation (i.e., medical staff matters), except that the Executive Committee may not take or possess the authority to take any of the actions proscribed in Section 7 of this Article. The presence of a majority of the members of the Executive Committee shall be necessary and sufficient to constitute a quorum, and the act of a majority of the members of the Executive Committee present at a meeting at which there is a quorum shall be the act of the Executive Committee. The Executive Committee shall keep full and fair records and accounts of its proceedings and transactions. All actions by the Executive Committee shall be reported to the Board at its next meeting succeeding such action and shall be subject to revision and alteration by the Board, provided that no rights of third persons shall be affected by any revisions or alteration.

Section 2: **Finance/Strategic Planning Committee**. A majority of the whole Board may appoint a Finance/Strategic Planning Committee consisting of at least three (3) Directors (one of which shall be the then sitting Chief of the Medical Staff of UNM Sandoval Regional Medical Center) and such Committee shall recommend or determine the form, time, and manner in which funds of the Corporation shall be invested, as such

majority shall authorize. The Board shall enact rules and regulations for governance of the Finance/Strategic Planning Committee and shall report to the Board as the Board shall require.

Section 3: **Audit and Compliance Committee.** A majority of the whole Board will appoint an Audit and Compliance Committee consisting of at least three (3) Directors, (two of which shall be Non-Positional Directors and one of which shall be a Positional Director) appointed pursuant to Section 8(a) through (g) of Article III. The basic purpose and responsibility of the Audit and Compliance Committee shall be to advise and assist the Board in fulfilling its responsibilities to the Corporation and the Member in connection with monitoring the integrity of this Corporation's financial statements, financial and accounting practices, internal controls, business ethics, and compliance with laws, regulations, and policies that may have a material impact on the financial statements of the Corporation. In this connection, the Audit and Compliance Committee will review and assess the qualitative aspects of financial reporting, the Corporation's processes to manage business and financial risk, and compliance with significant applicable legal, ethical, and regulatory requirements. The Audit and Compliance Committee shall, when necessary, work in collaboration with the Internal Audit Department of the Member and shall report to the Board as the Board shall require and to Audit Committee of the Regents as the Regents may require.

Section 4: **Other Committees.** A majority of the Directors present at a meeting of the Board at which there is a quorum may from time to time, by Resolution, create such other Committees of Directors, Officers, or other faculty members or employees, with such functions, powers, and duties as the Board shall determine. The Board shall enact rules and regulations for the governance and authority of any such Committee; provided, however, that any Committee appointed pursuant to this Section which is not comprised of all Directors shall not have the power of the Board.

Section 5: **Minutes of Committees.** Each Committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. All actions by any Committee formed as provided in this Article V, other than the actions by the Audit Committee, shall be reported to Executive Committee of the Board at its next meeting succeeding such action and shall be subject to revision and alteration by the Executive Committee of the Board and ultimately, the Board.

Section 6: **Meetings and Action of Committees.** Meetings and actions of Committees shall be governed by, and held and taken in accordance with, the provisions of Section 5 of Article III (place of meetings), Section 15 of Article III (by telephone), Section 6 of Article III (notice and waiver of notice), Section 7 of Article III (quorum), and Section 14 of Article III (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the Committee and its members for the Board of Directors and its members; provided,

however, that the time of regular meetings of Committees may be determined either by resolution of the Board of Directors or by resolution of the Committee, that Special Meetings of Committees may also be called by resolution of the Board of Directors and that notice of Special Meetings of Committees shall also be given to all alternate members, who shall have the right to attend all meetings of the Committee. With the exception of the Audit Committee, the Board of Directors may adopt rules for the governance of any Committee not inconsistent with the provisions of these Bylaws.

Section 7. **Limitations of Powers of Committees.** None of the Committees of the Board created as provided in this Article V shall have the power or authority to (a) amend, alter or repeal these Bylaws, (b) elect, appoint or remove any member of any Committee or any Director or Officer of the Corporation, (c) amend the Articles of Incorporation, restate the Articles of Incorporation, adopt a plan of merger, or adopt a plan of consolidation with another corporation, (d) authorize the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Corporation, (e) authorize the voluntary dissolution of the Corporation or revoke proceedings thereof, (f) adopt a plan for the distribution of the assets of the Corporation, (g) amend, alter or repeal any resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by a Committee, or (h) as otherwise provided by law, these Bylaws or by resolution of the Board. The presence of a majority of the members of any such Committee formed by the Board as provided in this Article V shall be necessary and sufficient to constitute a quorum, and the act of a majority of the members of any such Committee present at a meeting at which there is a quorum shall be the act of such Committee.

ARTICLE VI: AUDIT

An annual audit of unlimited scope of all of the operations of the Corporation shall be conducted by a Certified Public Accountant, and a copy of that audit report and any support documents requested shall be made available to the Member, the President of the University, the Senior Vice-President for Finance and Administration of the University, the Health System CEO, the Senior Executive Officer for Finance and Administration, the Senior Vice President for Clinical Affairs, the Dean of the UNM SOM, the Audit Committee of the Regents, and the New Mexico Public Regulation Commission.

ARTICLE VII:
MISCELLANEOUS PROVISIONS

Section 1: **Offices**. The Board may establish, from time to time, one or more offices of the Corporation at any place or places within the State of New Mexico, and may maintain such office or offices for such period or periods of time as it may deem expedient.

Section 2: **Fiscal Year-End**. The Fiscal Year of the Corporation shall end on June 30 in each year.

Section 3: **Commercial Paper**. All checks, drafts and other orders for the payment of money out of the funds of the Corporation shall be executed on behalf of the Corporation by such Officer or Officers, or employee or employees, as the Board may, by Resolution, from time to time determine.

Section 4: **Deposits**. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust company or other depositories as the Board may from time to time select or as may be selected by any Officer or employee of the Corporation to whom such power may from time to time be delegated by the Board; and for the purpose of such deposit, any Officer or any employee to whom such power may be delegated by the Board may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

ARTICLE VIII:
SEAL

The Corporation shall have no corporate seal.

ARTICLE IX:
AMENDMENT OF BYLAWS

The Bylaws may be amended by the Board of Directors at any Annual, Quarterly, or Special Meeting. Directors shall be entitled to at least ten (10) days' notice in writing by mail, or in person of the meeting time and place at which the amendment is to be voted upon. The written notice must include a copy of the proposed amendment. No amendment to the Bylaws shall be effective until approved by the Regents. These Bylaws may also be amended in whole or in part by formal action of the Regents acting as the Member.

We certify that the original Bylaws of the Corporation were adopted by the Board of Directors on September 30, 2009, and approved by the Regents on August 11,

2009 and the above and foregoing Fifth Amended and Restated Bylaws of the Corporation were approved by the Regents on February 15, 2022, and adopted and executed by the Board of Directors on February 24, 2022.

Chairman of the Board

Secretary

APPROVED BY THE REGENTS OF THE
UNIVERSITY OF NEW MEXICO ON
_____, 2022

President of the Board of Regents of the
University of the New Mexico

**~~FOURTH~~FIFTH AMENDED AND RESTATED BYLAWS
OF
UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.**

**ARTICLE I:
NAME**

The name of the Corporation shall be:

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.

The Corporation has been formed as a nonprofit corporation under the New Mexico Nonprofit Corporation Act, N.M. STAT. ANN. § 53-8-1 *et seq.*, and the New Mexico University Research Park and Economic Development Act, N.M. STAT. ANN. § 21-28-1 *et seq.*

**ARTICLE II:
MEMBER AND MEMBERSHIP**

Section 1: **Members**. The Regents, as a body corporate, shall be the sole member (the "**Member**") of the Corporation. The Regents shall have all the rights and privileges granted to it by the New Mexico Nonprofit Corporation Act, the University Research Park and Economic Development Act, the Articles of Incorporation, and these Bylaws.

Section 2: **Annual Meeting of the Member**. The Annual Meeting of the Member for the election of Directors, and for the transaction of such other business as properly shall come before the meeting, shall be held following the close of the fiscal year of the Corporation.

Section 3: **Special Meetings**. Special Meetings of the Member shall be called at any time by the Regents. A Special Meeting may be requested by the President and/or the Chief Executive Officer of the Corporation or upon Resolution of the Board of Directors. Conduct of Special Meetings is in the sole discretion of the Member.

Section 4: **Place of Meetings**. All meetings of the Member shall be held at such places within the State of New Mexico, remote, or virtually as shall be specified in the respective notices of such meetings or waivers thereof.

Commented [A1]: Need language updated to include Virtual capabilities which may occur in places outside of NM.

Section 5: **Notice of Meetings**. Notice of the Annual Meeting and of every Special Meeting described hereinabove shall be served personally or by mail on the members of the Regents, not less than ten (10) days nor more than fifty (50) days before

the meeting. All notices shall state the place, day and time where the meeting is to be held and notices of Special Meetings shall also state the purpose or purposes for which the meeting is called. If mailed, such notice shall be directed to each Regent at the address of each Regent as it appears on the books or records of the Corporation. Additionally, notice is deemed given if made by electronic communication.

The Member, as a body corporate, may waive notice of a meeting by executing and filing in the corporate records a written waiver of notice. The attendance of any Regent at any meeting shall constitute a waiver of notice of the meeting, except where a Regent attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 6: **Action of Members Without a Meeting**. Any action required or permitted to be taken at a meeting of the Member, or any action which may be taken at a meeting of the Member, may be taken without a meeting if a consent in writing, setting forth the action is signed by the Member.

ARTICLE III: BOARD OF DIRECTORS

Section 1: **Management**. The affairs and the property of the Corporation shall be managed by the Board of Directors (the "**Board**"). The Directors shall act only as a Board, and individual Directors shall have no power as such.

Section 2: **Annual Meeting**. The Annual Meeting of the Board for the election of Officers (as hereinafter defined) and for the transaction of such other business as properly shall come before the meeting shall be held as soon as practicable following the Annual Meeting of the Member; provided, however, that an organizational meeting of the Board, for the election of Officers and transaction of other business, may be held after the first appointment of the voting Directors enumerated in Article III, Section 8(a) – (g) of these Bylaws. Such Annual Meeting of the Board shall be a general meeting and open for the transaction of any business within the powers of the Board without special notice of such business, except in any case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws.

Section 3: **Regular Meetings**. Regular Meetings of the Board shall be held at least quarterly at such places within the State of New Mexico, remote, or virtually as shall be specified by the Board of Directors, one of which shall be designated as the Annual Meeting. Such Regular Meetings shall be general meetings and open for the transaction of any business within the powers of the Board without special notice of such business, except in any case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws.

Commented [A2]: Or virtually - Language from Article II; Section 4

Section 4: **Special Meetings**. Special Meetings of the Board shall be called at any time by the Secretary upon the request of the President and/or the Chief Executive Officer of the Corporation or no less than one-quarter of the Directors then in office.

Section 5: **Place of Meetings**. All meetings of the Board shall be held at such places within the State of New Mexico, remote, or virtually as shall be specified in the respective notices of such meetings or waivers thereof.

Commented [A3]: Or virtually - Language from Article II; Section 4

Section 6: **Notice of Meetings**. Notice of every Annual or Regular Meeting of the Board shall be served personally or by mail on each Director not less than ten (10) days nor more than fifty (50) days before the meeting. Notice of every Special Meeting shall be served personally or by mail on each Director not less than three (3) days before the meeting. Notices or waivers of notice do not need to state the purpose or purposes for which the meeting is called, but shall state the time and place of the meeting. If mailed, or e-mailed, such notices shall be directed to each Director entitled to notice at his or her address as it appears on the books or records of the Corporation. Additionally, notice is deemed given if made by electronic communication.

Commented [A4]: Add emailed

A Director may waive notice of a meeting by executing and filing in the corporate records a written waiver of notice. The attendance at any meeting shall constitute a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7: **Quorum**. At all meetings of the Board of Directors the presence of a majority of the Directors then in office shall be necessary and sufficient to constitute a quorum, and except as otherwise provided by law or by these Bylaws, the act of a majority of the Directors present at a meeting at which there is a quorum shall be the act of the Board.

Section 8: **Number, Composition, and Election of Board of Directors**. The Corporation shall have not less than three (3) nor more than eleven (11) Directors, as determined by the Member by resolution (each a "**Director**" and collectively, the "**Directors**"). Pursuant to the requirements of the University Research Park and Economic Development Act, the Member, by and through the Regents, will appoint all

Directors. The Directors shall include the following individuals, who shall be voting Directors:¹

¹ In these Bylaws, the Directors appointed by virtue of their positions as described in Section 8(a) through (c) and (f) hereinabove shall be referred to individually as a "**Positional Director**," and, collectively, as the "**Positional Directors**." Additionally, in these Bylaws, the Directors appointed as described in Section 8(d), (e), and (g) shall be referred to individually as a "**Non-Positional Director**" and, collectively, as the "**Non-Positional Directors**." With respect to the Positional

(a) The Chief Executive Officer for the UNM Health System (the "Health System CEO");

(b) The Dean of the UNM School of Medicine ("UNM SOM") or an individual nominated by the Dean of the UNM SOM to serve on his or her behalf (the "Dean of the UNM SOM or Nominee");

(c) The ~~Vice Chancellor~~ Senior Vice President for Clinical Affairs of the UNM Health Sciences Center;

Commented [A5]: Title Change – Dr. Richards

(d) At least thirty (30) days prior to the Annual Meeting of the Member, Board of Trustees of UNM Hospitals may nominate one individual to serve as a Director, subject to the Member's Conflict of Interest policies; the Member shall consider such nominee at the Annual Meeting and, if acceptable to the Member, may, upon a majority vote of the Regents, appoint such individuals to serve as a Director of the Corporation; provided, however, that, in the event that the Member finds a nominee unacceptable, the Board of Trustees of UNM Hospitals shall nominate another individual for the Member's consideration at a Special Meeting of the Member and, if such substitute nominee is acceptable to the Member, may, upon a majority vote of the Regents, appoint such individual to serve as a Director; provided, further, however, that if after two (2) consecutive rounds of any such nomination with respect to a particular Non-Positional Director vacancy, the Regents find such nominees unacceptable, then the Regents may select and appoint an individual who is independent and not a faculty member of the UNM to serve as a Director of the Corporation;

(e) At least thirty (30) days prior to the Annual Meeting of the Member, the Board of County Commissioners of Sandoval County (the "Sandoval County Commission") may nominate one individual to serve as a Director, subject to the Member's Conflict of Interest policies; the Member shall consider such nominee at the Annual Meeting and, if acceptable to the Member, may, upon a majority vote of the Regents, appoint such individuals to serve as a Director of the Corporation; provided, however, that, in the event that the Member finds a nominee unacceptable, the Sandoval County Commission shall nominate another individual for the Member's consideration at a Special Meeting of the Member and, if such substitute nominee is acceptable to the Member, may, upon a majority vote of the Regents, appoint such individual to serve as a Director; provided, further, however, that if after two (2) consecutive rounds of

Directors, it is acknowledged that the job titles associated with such Positional Directors may change over time and, therefore, it is intended that the successor job title to the current, specified job title shall be deemed to apply to such Positional Directors without the necessity of amending these Bylaws.

any such nomination with respect to a particular Non-Positional Director vacancy, the Regents find such nominees unacceptable, then the Regents may select and appoint an individual who is independent and not a faculty member of the UNM to serve as a Director of the Corporation;

(f) The then sitting Chief of the Medical Staff of UNM Sandoval Regional Medical Center duly elected by the active medical staff of the same; and

(g) At least thirty (30) days prior to the Annual Meeting of the Member, the members of the Board shall nominate at least three ~~(3)~~ individuals who are residents of Sandoval County, New Mexico and who are not employees of the Corporation, the University of New Mexico, the University of New Mexico Hospital, UNM Medical Group, Inc. or Sandoval County, New Mexico to serve as Directors, subject to the Member's Conflict of Interest policies; the Member shall consider such nominee at the Annual Meeting and, if acceptable to the Member, may, upon a majority vote of the Regents, appoint such individuals to serve as Directors of the Corporation; provided, however, that, in the event that the Member finds any of the nominees unacceptable, the Board shall nominate another individual who meets the qualifications identified in this Section 8(g) for the Member's consideration at a Special Meeting of the Member and, if such substitute nominee is acceptable to the Member, may, upon a majority vote of the Regents, appoint such individual to serve as a Director; provided, further, however, that if after two (2) consecutive rounds of any such nomination with respect to a particular Non-Positional Director vacancy, the Regents find such nominees unacceptable, then the Regents may select and appoint an individual(s) who meets the qualifications identified in this Section 8(g) to serve as a Director of the Corporation.

Commented [A6]: Currently have 5

Section 9: **Vacancy.** Except as otherwise provided in this Section 9, any vacancies occurring among the Directors shall be filled by the Member at a Special Meeting. A vacancy shall occur upon the death or incapacity of a Director, or his or her resignation or removal as hereinafter provided. Subject to the provisions of Section 11 hereinbelow, each Positional Director shall continue as a Director only for so long as such individual occupies the position qualifying him/her for said appointment or until his/her earlier death or resignation. A vacancy shall be filled for the remainder of the unexpired term of the Director whose death, incapacity, resignation or removal gave rise to the vacancy.

Section 10: **Term of Office of Directors.** The Initial Directors named in the Articles of Incorporation shall serve until the voting Directors enumerated in Article III, Section 8(a) - (g) of these Bylaws shall have been first appointed by the Member and qualified. The Directors shall be divided into three classes, designated Class A, Class B, and Class C. Each class shall consist of one-third of the Directors or as close an

approximation as possible. In this connection, one of the Non-Positional Directors shall serve as a Class B Director and one of the Non-Positional Directors shall serve as a Class C Director. The Health System CEO shall serve as a Class B Director, Dean of the UNM SOM or Nominee shall serve as a Class A Director, and the ~~Vice Chancellor~~ Senior Vice President for Clinical Affairs of the UNM Health Sciences Center; shall serve as a Class A Director. The remaining Directors shall be divided into the three (3) classes in as close an approximation to one-third as possible. The initial term of office of the Directors of Class A shall expire at the annual meeting to be held following the end of fiscal year 2010, the initial term of office of the Directors of Class B shall expire at the annual meeting to be held following the end of fiscal year 2011, and the initial term of office of the Directors of Class C shall expire at the annual meeting to be held following the end of fiscal year 2012. After the initial terms specified above for each Class of Director, Directors shall serve for a term of not more than three (3) years from and after their election by the Regents and may be reelected for any number of terms. All Directors shall serve in their respective offices until their successors are appointed and qualified.

Section 11: **Resignation and Removal of Directors.** Any Non-Positional Director may be removed by a majority vote of the Regents at any time with or without cause and with or without notice at a meeting of the Member. Any Non-Positional Director may resign at any time upon providing written notice to the Chairman of the Board and to the Member.

With respect to the Positional Directors, each such Positional Director may be removed by a majority vote of the Regents for good cause with prior written notice to such Positional Director. In this connection, "good cause" shall mean:

- (a) The failure of such Positional Director to continue in the position giving rise to such Positional Director's appointment as a Director as set forth in Sections 8 and 9 of this Article;
- (b) The inability of such Positional Director to substantially perform his/her material duties as a Director by failing to attend three (3) consecutive Regular Meetings of the Board;
- (c) Willfully engaging in illegal conduct or gross misconduct, which is materially and demonstrably injurious to the Corporation. For purposes of this provision, no act or failure to act on the part of such Positional Director shall be considered "willful" unless it is done in bad faith or without reasonable belief that such Positional Director's action or omission was in the best interests of the Company.

With respect to the Director serving as a result of Section 8(f) (the “Chief of the Medical Staff”), if at any time during his or her term as the Medical Staff Chief Director, the Medical Staff Chief Director shall for any reason cease to be the Chief of the Medical Staff of the UNM Sandoval Regional Medical Center or a member of the active medical staff of the UNM Sandoval Regional Medical Center, such fact shall be considered to be a “deemed resignation” from the Board of Directors of the Corporation.

Section 12: Compensation and Expense Reimbursement. The Directors shall not receive compensation for their services as Directors but the Board may authorize reimbursement for reasonable and necessary expenses incurred by Directors in connection with the performance of their duties in accordance with policies to be established by the Board.

Section 13: Indemnification.

(a) Any person made a party to any action, suit or proceeding by reason of the fact that he or she, his/her testator or intestate, is or was a Director, Officer or employee of the Corporation, or of any corporation which he or she served as such at the request of the Corporation, shall be indemnified by the Corporation against the reasonable expenses, including attorney's fees, actually and reasonably incurred by him or her in connection with the defense of such action, suit or proceeding, civil or criminal, in which he or she is made a party by reason of being or having been a Director or Officer. The indemnification may include any amounts paid to satisfy a judgment or to compromise or settle a claim, or incurred in connection with any appeal of any such action, suit or proceeding. A Director, Officer or employee shall not be indemnified in relation to matters as to which it shall be adjudged in such action, suit or proceeding on the basis that he or she has breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes willful misconduct or recklessness. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which any such Director, Officer, or employee may be entitled as a matter of law.

(b) Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to this Section 13 following authorization thereof by the Board shall be paid by the Corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Section 13.

(c) The indemnification provided by this Section 13 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that additional rights to indemnification are authorized in the Articles of Incorporation.

(d) The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the New Mexico Non-Profit Corporation Act or the New Mexico University Research Part and Economic Development Act.

Section 14: **Action Without A Meeting.** Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board, or of any Committee thereof, may be taken without a meeting if all members of the Board or Committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or Committee. Written consents representing actions taken by the Board or Committee may be executed by telex, telecopy, a software which allows for electronic signatures and has an appropriate authentication system, or facsimile transmission, where such facsimile shall be valid and binding to the same extent as if it were an original.

Section 15: **Telephonic or Virtual Meetings.** Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors, or any Committee, may participate in a meeting of the Board, or any Committee, by means of conference telephone, virtual platform, or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

ARTICLE IV: OFFICERS

Section 1: **Number of Officers.** The Officers of the Corporation shall be a Chairman of the Board, a President and Chief Executive Officer, one or more Vice-Presidents, a Secretary, and a Chief Financial Officer (together with the additional officers appointed pursuant to Section 3 below, shall be referred to individually as an

“Officer” and collectively, as the **“Officers”**). One person may hold two of the aforesaid offices. With the exception of the Chairman of the Board, Officers need not be Directors.

Section 2: **Election of Officers.** Except for those Officers serving by virtue of their position (the **“Ex-Officio Officers”**), the Officers shall be elected annually at each Annual Meeting of the Board by a plurality of the votes cast and may succeed themselves in office. Except for the Ex-Officio Officers, each person elected as an Officer shall continue in office until the next Annual Meeting after his or her election, or until his or her successor shall have been duly elected and qualified, or until his earlier death, resignation or removal in accordance with these Bylaws. Except for Ex-Officio Officers, vacancies of Officers caused by death, incapacity, resignation, removal, or increase in the number of Officers may be filled by a majority vote of the Board at a Special Meeting called for that purpose or at any regular meeting. As to the Ex-Officio Officers, any Ex-Officio Officer may be removed from his/her office for “good cause” as defined in Section 11 of Article III of these Bylaws.

Section 3: **Additional Officers.** The Board, at any meeting may by resolution appoint such additional Officers and such agents and employees as it may deem advisable. The Board may delegate to the Officers in Sections 5 and 6, the power to appoint subordinate Officers (other than the Officers identified in Sections 6, 8, and 9 of this Article) or agents and to determine their terms of office. Any such appointments will be reported at the subsequent Board meeting.

Section 4: **Removal of Officers.** Except for the Ex Officio Officers, any Officer may be removed at any time with or without cause and with or without notice, by a vote of the majority of the Board at any meeting of the Board.

Section 5: **Chairperson of the Board.** The Chairperson of the Board shall be elected from among the Directors; provided, however, that in all cases, the Chairperson of the Board shall be the Health System CEO. The Chairperson of the Board shall preside at all meetings of the Members of the Board and shall have such other powers and duties as may be assigned to him or her from time to time by the Board or as prescribed by these Bylaws.

Section 6: **President and Chief Executive Officer.** The President and Chief Executive Officer shall have general supervision over the affairs and property of the Corporation and over its several Officers, and shall generally do and perform all acts incident to the office of the President and Chief Executive Officer, and shall have such additional powers and duties as may from time to time be assigned to him/her by the Board. When authorized by the Board, the President and Chief Executive Officer may sign and execute, in the name of the Corporation, deeds, mortgages, promissory notes, security agreements, pledge agreements, financing statements, bonds, contracts or other

instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other Officer or agent of the Corporation.

Section 7: **The Vice-Presidents.** The Board may elect one or more Vice-Presidents. At the request of the President and Chief Executive Officer, or in his or her absence or disability, the Vice-Presidents, in the order designated by the Board, shall perform all the duties of the President and Chief Executive Officer and, when so acting, shall have all the powers and be subject to all the restrictions upon the President and Chief Executive Officer. When authorized by the Board, any Vice-President may also sign and execute, in the name of the Corporation, deeds, mortgages, bonds, contracts, or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board, or by these Bylaws to some other Officer or agent of the Corporation. The Vice-Presidents shall perform such other duties as from time to time may be assigned to them by the Board and/or by the President and Chief Executive Officer, as the case may be.

Section 8: **Chief Financial Officer.** The Chief Financial Officer shall report to the President and Chief Executive Officer and shall have charge and custody of, and be responsible for, all the funds of the Corporation and shall keep or cause to be kept and shall be responsible for the keeping of accurate records of the assets, liabilities and transactions of the Corporation. He/she shall deposit all moneys and other valuable effects of the Corporation in the name of and to the credit of the Corporation in accordance with accounting procedures approved by the Board, consistent with the policies of the UNM, in such banks, trust companies, or other depositories as may be approved by the Board. He/she shall disburse the funds of the Corporation based upon proper vouchers for such disbursements. In general, he shall perform all the duties incident to the office of Chief Financial Officer and such other duties as may from time to time be assigned to him or her by the Board. If required by the Board, the Chief Financial Officer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board shall determine. The expense of such bond shall be paid by the Corporation.

Section 9: **Secretary.** The Board shall elect a Secretary who shall report to the President and Chief Executive Officer and act as Secretary of, and keep the Minutes of all meetings of the Board and of the Member in one or more books provided for that purpose; and whenever required by the President and Chief Executive Officer shall perform like duties for any Committee, provided that in the absence of the Secretary, the Member or a majority of the Directors present at any meeting thereof may designate any person to act as Secretary for such meeting. The Secretary shall see that all notices are duly given in accordance with these Bylaws and as required by law; he or she shall be custodian of the Seal of the Corporation and shall affix and attest the Seal to any and all documents specifically or generally authorized by the Board to be executed on behalf

of the Corporation under its Seal. He shall have charge of the books, records and papers of the Corporation relating to its organization as a Corporation, and shall see that all reports, statements and other documents required by law are properly kept or filed, except to the extent that the same are to be kept or filed by the Chief Financial Officer. In general, he or she shall perform all the duties incident to the office of Secretary and such other duties as may from time to time be assigned to him or her by the Board and by the President and Chief Executive Officer.

ARTICLE V: COMMITTEES

Section 1: **Executive Committee**. A majority of the initial Directors set forth in the Articles of Incorporation, present at a meeting of the Board at which there is a quorum may initially appoint an Executive Committee to serve during the interim until the first Annual Meeting of the Board, and thereafter, the Executive Committee shall be appointed annually at the Annual Meeting of the Board by a majority of the Directors present at a meeting of the Board at which there is a quorum. The Executive Committee shall consist of the Chairman of the Board and at least three (3) members of the Board elected by the majority members of the Board, one of which must be a community Board member. Vacancies in members of the Committee may be filled by a majority of the Directors present at a meeting of the Board at which there is a quorum. Except for those members serving on the Executive Committee by virtue of their office, any member of the Executive Committee may be removed from membership on said Committee at any time with or without cause by a vote of the majority of the Directors present at any meeting of the Board at which there is a quorum, but only upon the recommendation of the Chairman of the Board.

The Executive Committee shall, during the intervals between meetings of the Board, possess and exercise all of the powers of the Board in the management of the affairs and property of the Corporation (i.e., medical staff matters), except that the Executive Committee may not take or possess the authority to take any of the actions proscribed in Section 7 of this Article. The presence of a majority of the members of the Executive Committee shall be necessary and sufficient to constitute a quorum, and the act of a majority of the members of the Executive Committee present at a meeting at which there is a quorum shall be the act of the Executive Committee. The Executive Committee shall keep full and fair records and accounts of its proceedings and transactions. All actions by the Executive Committee shall be reported to the Board at its next meeting succeeding such action and shall be subject to revision and alteration by the Board, provided that no rights of third persons shall be affected by any revisions or alteration.

Section 2: **Finance/Strategic Planning Committee**. A majority of the whole Board may appoint a Finance/Strategic Planning Committee consisting of at least three

(3) Directors (one of which shall be the then sitting Chief of the Medical Staff of UNM Sandoval Regional Medical Center) and such Committee shall recommend or determine the form, time, and manner in which funds of the Corporation shall be invested, as such majority shall authorize. The Board shall enact rules and regulations for governance of the Finance/Strategic Planning Committee and shall report to the Board as the Board shall require.

Section 3: **Audit and Compliance Committee**. A majority of the whole Board will appoint an Audit and Compliance Committee consisting of at least three (3) Directors, (two of which shall be Non-Positional Directors and one of which shall be a Positional Director) appointed pursuant to Section 8(a) through (g) of Article III. The basic purpose and responsibility of the Audit and Compliance Committee shall be to advise and assist the Board in fulfilling its responsibilities to the Corporation and the Member in connection with monitoring the integrity of this Corporation's financial statements, financial and accounting practices, internal controls, business ethics, and compliance with laws, regulations, and policies that may have a material impact on the financial statements of the Corporation. In this connection, the Audit and Compliance Committee will review and assess the qualitative aspects of financial reporting, the Corporation's processes to manage business and financial risk, and compliance with significant applicable legal, ethical, and regulatory requirements. The Audit and Compliance Committee shall, when necessary, work in collaboration with the Internal Audit Department of the Member and shall report to the Board as the Board shall require and to Audit Committee of the Regents as the Regents may require.

Section 4: **Other Committees**. A majority of the Directors present at a meeting of the Board at which there is a quorum may from time to time, by Resolution, create such other Committees of Directors, Officers, or other faculty members or employees, with such functions, powers, and duties as the Board shall determine. The Board shall enact rules and regulations for the governance and authority of any such Committee; provided, however, that any Committee appointed pursuant to this Section which is not comprised of all Directors shall not have the power of the Board.

Section 5: **Minutes of Committees**. Each Committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. All actions by any Committee formed as provided in this Article V, other than the actions by the Audit Committee, shall be reported to Executive Committee of the Board at its next meeting succeeding such action and shall be subject to revision and alteration by the Executive Committee of the Board and ultimately, the Board.

Section 6: **Meetings and Action of Committees**. Meetings and actions of Committees shall be governed by, and held and taken in accordance with, the provisions of Section 5 of Article III (place of meetings), Section 15 of Article III (by telephone), Section 6 of Article III (notice and waiver of notice), Section 7 of Article III

(quorum), and Section 14 of Article III (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the Committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of Committees may be determined either by resolution of the Board of Directors or by resolution of the Committee, that Special Meetings of Committees may also be called by resolution of the Board of Directors and that notice of Special Meetings of Committees shall also be given to all alternate members, who shall have the right to attend all meetings of the Committee. With the exception of the Audit Committee, the Board of Directors may adopt rules for the governance of any Committee not inconsistent with the provisions of these Bylaws.

Section 7. **Limitations of Powers of Committees.** None of the Committees of the Board created as provided in this Article V shall have the power or authority to (a) amend, alter or repeal these Bylaws, (b) elect, appoint or remove any member of any Committee or any Director or Officer of the Corporation, (c) amend the Articles of Incorporation, restate the Articles of Incorporation, adopt a plan of merger, or adopt a plan of consolidation with another corporation, (d) authorize the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Corporation, (e) authorize the voluntary dissolution of the Corporation or revoke proceedings thereof, (f) adopt a plan for the distribution of the assets of the Corporation, (g) amend, alter or repeal any resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by a Committee, or (h) as otherwise provided by law, these Bylaws or by resolution of the Board. The presence of a majority of the members of any such Committee formed by the Board as provided in this Article V shall be necessary and sufficient to constitute a quorum, and the act of a majority of the members of any such Committee present at a meeting at which there is a quorum shall be the act of such Committee.

ARTICLE VI: AUDIT

An annual audit of unlimited scope of all of the operations of the Corporation shall be conducted by a Certified Public Accountant, and a copy of that audit report and any support documents requested shall be made available to the Member, the President of the University, the Senior Vice-President for Finance and Administration of the University, the Health System CEO, the Senior Executive Officer for Finance and Administration, the Senior Vice President for Clinical Affairs, the Dean of the UNM SOM, the Audit Committee of the Regents, and the New Mexico Public Regulation Commission.

ARTICLE VII:
MISCELLANEOUS PROVISIONS

Section 1: **Offices**. The Board may establish, from time to time, one or more offices of the Corporation at any place or places within the State of New Mexico, and may maintain such office or offices for such period or periods of time as it may deem expedient.

Section 2: **Fiscal Year-End**. The Fiscal Year of the Corporation shall end on June 30 in each year.

Section 3: **Commercial Paper**. All checks, drafts and other orders for the payment of money out of the funds of the Corporation shall be executed on behalf of the Corporation by such Officer or Officers, or employee or employees, as the Board may, by Resolution, from time to time determine.

Section 4: **Deposits**. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust company or other depositories as the Board may from time to time select or as may be selected by any Officer or employee of the Corporation to whom such power may from time to time be delegated by the Board; and for the purpose of such deposit, any Officer or any employee to whom such power may be delegated by the Board may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

ARTICLE VIII:
SEAL

The Corporation shall have no corporate seal.

ARTICLE IX:
AMENDMENT OF BYLAWS

The Bylaws may be amended by the Board of Directors at any Annual, Quarterly, or Special Meeting. Directors shall be entitled to at least ten (10) days' notice in writing by mail, or in person of the meeting time and place at which the amendment is to be voted upon. The written notice must include a copy of the proposed amendment. No amendment to the Bylaws shall be effective until approved by the Regents. These Bylaws may also be amended in whole or in part by formal action of the Regents acting as the Member.

We certify that the original Bylaws of the Corporation were adopted by the Board of Directors on September 30, 2009, and approved by the Regents on August 11,

2009 and the above and foregoing ~~Fifth~~^{fourth} Amended and Restated Bylaws of the Corporation were approved by the Regents on February 1~~5~~⁸, 202~~2~~⁰, and adopted and executed by the Board of Directors on February ~~—~~²⁴, 202~~2~~⁰.

Chairman of the Board

Secretary

APPROVED BY THE REGENTS OF THE
UNIVERSITY OF NEW MEXICO ON
_____, 202~~2~~⁰

President of the Board of Regents of the
University of the New Mexico



Memorandum

To: UNM Health Sciences Center Committee (HSCC) and
UNM Board of Regents

From: Carrie Tingley Hospital Advisory Board

Date: Friday, February 4, 2022

Re: Nomination for Parent Member Vacancy

The Carrie Tingley Hospital Advisory Board and the UNM Hospital Board of Trustees have approved the nomination of Michael Shannon to join the Advisory Board as a parent member.

We respectfully request the review and approval of this nomination by the UNM Health Sciences Center Committee and the UNM Board of Regents.

Sincerely,

A handwritten signature in black ink that reads 'Doris Tinagero'.

Doris Tinagero, DNP, RN, NEA-BC
Executive Director, CTH & Pediatric Ambulatory
CTH Advisory Board Ex-Officio

Attachment: Michael Shannon Resume

Michael F. Shannon

navyncshannon@yahoo.com

PROFILE:

Masters prepared Registered Nurse with a comprehensive knowledge of nursing and direct patient care. Have strong leadership, organizational, analytical and communication skills with a record of superior achievement. In-depth knowledge and experience in program management training and staff supervision.

EDUCATION:

Master's of Science in Nursing Administration/Education, Organization Learning and Instructional Technology
University of New Mexico, Magna Cum Laude, 1997

Bachelor of Science in Nursing
University of New Mexico, Magna Cum Laude, 1995

Diploma Graduate in Nursing, Registered Nurse
New York State School of Nursing, 1975

PROFESSIONAL EXPERIENCE:

Fellow, American Nurses Advocate Institute, current. Member of the American Nurses Association, Washington, DC Review and collaborate on Nurse and Healthcare Legislation and advocate for the quality nursing care.

Senior Lecturer, University of New Mexico, College of Nursing Albuquerque, New Mexico 12/2019-present, retired. Serve as Senior Lecturer for Clinical Intensives, UNMH Emergency Room. Clinical instructor for Medical Surgical Nursing, Nursing Assessment, on-line instruction

and Supplemental Lab. Primary didactic instructor for Complex Nursing 5, Nursing Clinical Intensive III. Participated, designed and the first BSN/ADN program to have implemented the New Mexico Nursing Education Consortium Concept Based Curriculum and currently faculty for BSN Level 5 programs curriculum. Nursing. Faculty Advisor for the Student Nurse Association.

Consultant, Legal Nurse Advisor, 12/2015-present. Review medical records and screen case assessments for merit; analyze EHR, and hard copy records for deviations in medical and nursing current standards of care. Summarize medical record entries and recommend additional documents that may be vital to the case. When needed, provide evidence based practices through medical research.

Coordinator, Level 5, Nursing Program

Central New Mexico Community College, Albuquerque, New Mexico, 12/2011-12/2019

Serve as Program Coordinator, Level 5 and site acquisition for Associate Degree Nursing Program. Clinical instructor for Medical Surgical Nursing, Nursing Assessment, on-line

instruction and Supplemental Lab. Primary didactic instructor for Complex Nursing 5, Nursing Clinical Intensive III. Participated, designed and the first ADN program to have implemented the New Mexico Nursing Education Consortium Concept Based Curriculum and currently Lead faculty for the ADN/BSN Level 5 programs curriculum. Adjunct Faculty, University of New Mexico College of Nursing. Faculty Advisor for the Student Nurse Association.

Clinical Director, Nursing Program

Pima Medical Institute, Albuquerque, New Mexico, 7/11- 12/11

Serve as Clinical Director and site acquisition for Associate Degree Nursing Program. Clinical instructor for Critical Care, Emergency Care, Medical Surgical Nursing. Primary didactic instructor for Complex Nursing IV, Nursing V Clinical, Nursing VI Clinical and didactic and Professional Transition II/Senior Nursing. Outstanding Faculty Member for 2011/PIMA Medical Institute.

Clinical Rural Health Nurse Coordinator

Raymond G. Murphy, VA Medical Center, New Mexico, 12/08-7/11

Serves as Clinical Rural Health Nurse Coordinator for 6 Community Based Outpatient Clinics (CBOC) and 4 Contracted Satellite Clinics for the Albuquerque, VA Hospital throughout the state of New Mexico and 1 Contracted Clinic in southern Colorado. Proficient in CPRS and all aspects of patient specific continuity of care. Monitors facility and CBOC performance measures and specifically Ambulatory Care Services reports. Fluent in Joint Commission requirements, OIG, SOARS, OSHA regulations and tracers. Instrumental in LMS training on Telehealth and TeleMedicine training. Manages and assists in coordinating the recruitment and retention of registered nurses, licensed practical nurses and nursing assistants. Manages all nursing scholarship programs for the New Mexico VA system which includes: Employee Incentive Scholarship Program, National Nursing Education Initiative, VA Learning Opportunities Residency, and VA Nursing Education for Employees Program and coordinates

the tuition reimbursements Serves on the Human Resource Recruitment Collaborative Committee and Nurse Professional Affairs Committee.

Special Assistant to the Director, Navy Nurse Corps, Deputy Surgeon General of the Navy Bureau of Medicine and Surgery, Washington, DC 10/2005-12/2008

Served as consultant and advisor to Active duty and Reserve nurse corps officers regarding accession, promotion, recruitment and retention.

Analyzes, evaluates and interprets Nurse Corps manpower statistics and data. Makes recommendations for recruiting and promotion plans

Liaisons with Bureau of Medicine, Federal Nursing Service Council, Recruit Command, and Reserve Force Command

Served as Chairperson, for Navy Medicine and the Navy Nurse Corps to the American Military Surgeons of the United States Annual Symposium

Prepares input and responses for the Navy Nurse Corps testimony before Congress relating to nursing issues.

Maintains Instructor/Faculty status for the Defense Medical Readiness Training Institute and National Naval Medical Center in ABLS, ACLS, ENPC, PALS, PHTLS, TNCC

Maintains clinical proficiency in Emergency/Trauma subspecialty by working and mentoring in the emergency room at the National Naval Medical Center

Chairman of the Recruitment Committee for the Medical Recruitment and Retention Working Group of the Office of the Secretary of Defense, networks with Army, Air Force and Navy.

Championing the interoperable paradigm for Recruitment and Retention within the Uniform Services.

Clinical Coordinator/Paramedic Instructor Para-Rescue Program

United States Air Force, Albuquerque, NM, 4/2005-10/2005

Responsible for clinical assignments and paramedic instruction for the Air Force

Para-rescue/Combat Rescue Officer School. Instructor in Basic Life Support, EMT-B and

Paramedic Courses governed by the Air Force Education and Training Command

Reason for leaving: Recall to Active Duty; United States Navy.

Charge Nurse/Trauma Nurse Specialist

University of New Mexico, Regional Trauma Center, Emergency Department, 1/2000-4/2005, retired

Served as Charge Nurse in the Emergency Room conducting care, triage and treatment for emergent patients in a Level I Trauma Center.

Analyze the ongoing emergency room operations including patient flow and staffing issues

Unit Director

University of New Mexico Hospital, NM, 4/1999-1/2000
Responsible for management of Behavior Health Nursing Department
Managed 30 bed inpatient Psychiatric Unit
Supervised 28 RN's and 49 Mental Health Technicians
Served as primary representative for the inpatient units for JCAHO
Served on the University Hospital Practice Council
Served on the Redesign Initiative Discharge Process Task Force

Administrative Supervisor

University of New Mexico Hospital, NM, 8/1995-4/1999
Developed and implemented the Administrative Supervisor role.
Assumed primary and administrative responsibility and accountability for hospital functions after hours
Served as on-site representative of University Hospital and liaison between physicians, nursing staff, patients, families and hospital departments
Facilitated communication and decision-making through direct intervention, consultation and/or referral to resources as appropriate to each individual situation

Navy Nurse Corps, Lieutenant Commander
Fleet Hospital Six, Bahrain 12/1990-4/1991
Division Officer/Flight Nurse Casualty Receiving

Emergency Room Nurse/Charge Nurse
University of New Mexico, NM 1/1979-8/1995
Served as Emergency Room Staff nurse/Charge nurse/Flight nurse
Conducted triage for emergency care, making initial patient assessment and instituting emergency procedures

MILITARY EXPERIENCE

Deputy, Chief of Staff, Navy Medicine West, Captain
December 2008-December 2010
Served as the Deputy, Chief of Staff, Total Force Integration, Navy Medicine West, San Diego
Collaborated with 3 Commanding Officers of the Reserve Component of the United States Navy and their staff of greater than 1200 Physicians, Nurses, Corpsman

Preside as the direct link between Reserve and Active Duty affairs

Commanding Officer, United States Navy/Reserve Component

October 2004-October 2005

Served as the Commanding Officer, Operational Health Support Unit, Naval Hospital, Camp Pendleton, California

Managed unit of greater than 350 Physicians, Nurses, Corpsman

Preside as the direct link to the Active Duty counterpart

Senior Nurse Executive, United States Navy/Reserve Component

October 2003-October 2004

Served as the Senior Nurse Executive, Operational Health Support Unit, Naval Hospital, Bremerton, Washington

Managed staff of greater than 100 Nurse Corps Officers

Preside as direct link to Commanding Officer of Echelon 4 level of care

Executive Officer, United States Navy/Reserve Component

October 2001-October 2003

Served as Executive Officer for Fleet Hospital Dallas, PML 500, Combat Zone Hospital

Manage medical staff of greater than 500 Physicians, Nurses and Hospital Corpsman

Preside as direct link in the Echelon 3 level of care in theater of operation

Exercise Commander: Medical Outreach Program, West Africa, Ghana

Navy Nurse Ambassador, Australia June 2003

Faculty, Defense Medical Readiness Training Center

San Antonio, TX, 1991- present

Faculty, Course Director

Serve as Instructor, course director for the following course:

ABLS PALS ENPC

ACLS PHTLS PICC-LINE Certified

TNCC CBRNE

Logged greater than 3500 hours didactic teaching for the Defense Medical Readiness Training Center. Instruction included care and treatment lectures in: Psycho-social aspects of Trauma Care; Head Trauma; Chemical Burns; Electrical Burns; Stabilization and Transport; Cardiac Arrhythmias; Airway Maintenance and Management; Thoracic Trauma; Pediatric Burns and Trauma; Pathophysiology of Trauma Care; Extremity Trauma; Abdominal Trauma; Pharmacological Interventions for Burns and Trauma; Trauma Pregnancy; Chemical, Biological, and Radiation Emergency Care.

SEMINARS

CONFERENCES:

New Mexico Nursing Association, Vice President	2018-present
New Mexico Nursing Association, Board Member	2017
New Mexico Nursing Education Consortium	2012-present
American Military Surgeons of the United States	2010
HRRO Conference VA Recruiter University	2009
Surgeon General of the Navy Leadership Conference	2009
Tri-Care Financial Management Executive Program	2008
Military Health System Conference	2008
American Military Surgeons of the United States	2007
Interagency Institute for Federal Health Care Executives	2007
American Military Surgeons of the United States	2006
Navy Corporate Business Course	2005
CO/XO Conference	2004
American Military Surgeons of the United States	2003
Triage, Staging, and Receiving Naval Forces, Korea	2002
Cold Weather Survival Course	2002
Chemical/Biological Casualties Course	2001
Strategic Medical Readiness Contingency Course	2001
Steven Covey "7 Habits of Highly Effective People"	2000
MCBC U.S. Army	1999
Military Leadership Conference	1996
Operations Other than War	1996
Empowerment Principles	1995
Leadership and Management	1995

PROFESSIONAL

AFFILIATIONS:

- Medical Advisory Board Member, Carrie Tingly Children's Hospital, expired
- Captain, United States Navy (retired)
- Sigma Theta Tau Nursing Honor Society, Governance Chair
- Federal Nursing Service Council
- Registered Nurse, New Mexico, 1975-present
- United States Gymnastic Federation
- Naval Reserve Association
- American Military Surgeons of the United States
- Emergency Nurses Association

- Nursing Advisory Committee, Albuquerque Public School Practical Nursing Program
- United States Power Lifting Association; 100% Raw Powerlifting; Currently holding the World record for Strict Curl, senior men's division.
- New Mexico Action Coalition
- ANA/NMNA member

PROFESSIONAL

CERTIFICATIONS:

Registered Nurse New Mexico Board of Nursing

Credentialed through United States Navy as Medical Surgical Nurse Subject Matter Expert

ACLS expires 2019

Instructor: (past)

Advanced Burn Life Support

Emergency Nurse Pediatric Course

Combat Trauma Nurse Course

Pre-hospital Trauma Life Support

Trauma Nurse Core Curriculum

Pediatric Advanced Life Support

AWARDS:

Personal decorations include: Meritorious Service Medal 3 (2Gold Stars), Joint Service Commendation Medal, Navy and Marine Corps Commendation Medal 3 (Gold Star), National Defense Medal (Bronze Star), Kuwait Liberation Medal, Southeast Asia Medal and additional service medals.

REFERENCES:

Upon Request

New Mexico Higher Education Department
Institutional Finance Division
Quarterly Financial Certification Report Template

Please complete and sign the following Financial Certification Report and submit with the Quarterly Financial Actions Report.

To the best of my knowledge, I certify that the information provided in the attached Financial Actions Report for the:

1st ____ 2nd X 3rd ____ 4th ____ Quarter, FY 2022

is correct as of the signature dates noted below, and that

The University of New Mexico

has a functioning financial accounting system that captures assets, liabilities, revenues, and expenditures on a timely basis, and the Governing Board receives timely notification of any significant actual or projected variances between budgeted and actual revenues and expenditures.

Sandra Begay, Chair, Board of Regents-F&F

Date

Garnett S. Stokes, President

Date

Teresa Costantinidis, Senior VP for Finance & Administration

Date

University of New Mexico

Quarterly Financial Actions Report

Fiscal year 2022

Date 1/19/2022

Period (check one)

Quarter 1 ☐ Quarter 2 ☒ Quarter 3 ☐ Quarter 4 ☐

During the period of time covered by this report; did your institution:

- | | | | | |
|---|-----|--------------------------|----|-------------------------------------|
| (1) Request an advance of state subsidy? | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> |
| (2) Fail to make its required payments, as scheduled, to appropriate retirement system(s)? | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> |
| (3) Fail to make its payroll payments, as scheduled? | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> |
| (4) Fail to make its scheduled debt service payments? | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> |
| (5) Fail to make payments to vendors, as scheduled, due to a cash deficiency or a substantial deficiency in the payment processing system? | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> |
| (6) Relative to the original fiscal year budget, experience any significant actual or anticipated financial changes that are not reflected in a submitted Budget Adjustment Request (BAR). Significant financial changes refers to fiscal activity that will result in a substantially reduced year-end fund balance or any increase in a fund balance deficit. | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> |

If the answer to any of the above questions is "Yes," please describe in a separate document:

- (i) the reason for the occurrence,
- (ii) the actions taken by your institution to resolve this particular occurrence, and
- (iii) the actions taken by your institution to prevent events such as this from occurring again.

In addition, if the answer to number 6 is "Yes," please describe in a separate document the nature of the financial changes and describe and assess the impact that the changes will have on your institution's planned year-end financial position. (See attached.)



To: Members of the Board of Regents

From: Eddie Nunez, Director of Athletics

Nicole Dopson, Director of Financial Operations for Academic Affairs

Date: February 8, 2022

Re: Approval of the FY22 Second Quarter Submission to Higher Education Department for the Enhanced Fiscal Oversight Program (EFOP)

In order to respond to concerns brought by the New Mexico Higher Education Department (NMHED), the University has agreed to provide the attached Enhanced Fiscal Oversight Program (EFOP) Report. This report will be provided in addition to the Quarterly Financial Actions Report and Certification that are already required for all higher education institutions.

The report will provide Athletics financial status through reporting templates provided by the Higher Education Department for the Athletics budget exhibits as well as a template for the plan associated with resolving the overall deficit within Athletics budget.

The EFOP report will accompany the report submitted by the Controller's Office until NMHED is satisfied with the University's progress on these issues.

Thank you for your consideration.

New Mexico Higher Education Department
Institutional Finance Division
University of New Mexico Athletics Department
Quarterly Enhanced Fiscal Oversight Program (EFOP) Report

Please certify the following EFOP report and submit with the Quarterly Financial Certification and Financial Action Reports.

To the best of my knowledge, I certify that the information provided in the attached EFOP report for the:

1st ____ 2nd X 3rd ____ 4th ____ Quarter, FY 2022

is correct as of the signature dates noted below:

The University of New Mexico

Sandra Begay, Chair, Board of Regents – Finance and Facilities Committee	Date
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Garnett S. Stokes, President	Date
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Teresa Costantinidis, SVP for Administration	Date
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Exhibit 21 - UNM MAIN Campus
Summary of InterCollegiate Athletics

		Original Approved Budget Budget 2022				Actuals Quarter 1 - FY22				Actuals Quarter 2 - FY22				Actuals Quarter 3 - FY22				Actuals Quarter 4 - FY22				Increase / Decrease YTD			
		FTE	Unrestricted	FTE	Restricted	FTE	Unrestricted	FTE	Restricted	FTE	Unrestricted	FTE	Restricted	FTE	Unrestricted	FTE	Restricted	FTE	Unrestricted	FTE	Restricted	FTE	Unrestricted	FTE	Restricted
Revenues	Tuition and Fees		3,779,321		-		1,849,400		-		1,457,100		-		-		-		-		-		472,821		-
	State Appropriations		4,436,200		-		1,288,497		-		1,040,901		-		-		-		-		-		2,106,802		-
	Federal Grants and Contracts		-		30,601		-		-		-		-		-		-		-		-		-		30,601
	State Grants and Contracts		-		25,500		-		-		-		-		-		-		-		-		-		25,500
	Private Gifts Grants and Contracts		0		-		-		-		-		-		-		-		-		-		0		-
	Sales and Services		8,845,000		-		3,387,262		-		2,260,853		-		-		-		-		-		3,196,884		-
	Other Sources		14,209,796		-		3,147,460		-		3,387,930		-		-		-		-		-		7,674,406		-
			31,270,317		56,101		9,672,619		-		8,146,784		-		0		-		0		-		13,450,913		56,101
Beginning Balance	Beginning Balance		355,616		-		1,404,313		-		2,454,753		-		2,732,375		-		2,732,375		-		(1,048,697)		-
Total Available			31,625,933								10,601,537				2,732,375				2,732,375				12,402,216		56,101
Expenditures	Administrative Professional	92	9,132,066		-		2,310,698		-		2,405,650		-		-		-		-		-	92.00	4,415,718	0.00	-
	Federal Workstudy Salaries		-	2	30,601		-		-		-		-		-		-		-		-	0.00	0	2.00	30,601
	GA TA RA PA Salary	7	208,934		-		56,128		-		60,206		-		-		-		-		-	7.00	92,600	0.00	-
	Other Salaries	21	1,230,997		-		44,282		-		139,444		-		-		-		-		-	21.00	1,047,272	0.00	-
	State Workstudy Salaries		-	1	25,500		52		-		1,342		-		-		-		-		-	0.00	(1,394)	1.00	25,500
	Student Salaries	7	156,900		-		20,133		-		81,801		-		-		-		-		-	7.00	54,966	0.00	-
	Support Staff Salary	2	53,097		-		13,350		-		29,840		-		-		-		-		-	2.00	9,907	0.00	-
	Technician Salary	5	197,253		-		62,202		-		69,595		-		-		-		-		-	5.00	65,456	0.00	-
	Accrued Annual Leave		-		-		-		-		-		-		-		-		-		-		0		-
	Fica		714,100		-		142,166		-		136,628		-		-		-		-		-		435,306		-
	Group Insurance		581,094		-		168,354		-		184,674		-		-		-		-		-		228,066		-
	Other Staff Benefits		462,052		-		96,438		-		99,715		-		-		-		-		-		265,899		-
	Retirement		1,230,517		-		287,612		-		274,201		-		-		-		-		-		668,703		-
	Tuition Waivers		97,644		-		37,009		-		3,940		-		-		-		-		-		56,695		-
	Unemployment Compensation		8,626		-		2,188		-		2,382		-		-		-		-		-		4,056		-
	Workers Compensation		6,962		-		2,493		-		2,989		-		-		-		-		-		1,480		-
	Contract Services		1,081,694		-		157,030		-		152,879		-		-		-		-		-		771,785		-
	Cost of Good Sold		0		-		-		-		-		-		-		-		-		-		0		-
	Electricity		312,264		-		72,909		-		91,964		-		-		-		-		-		147,391		-
	Equipment		124,813		-		77,961		-		68,025		-		-		-		-		-		(21,173)		-
	Fuel Heat Cool		61,200		-		1,709		-		15,004		-		-		-		-		-		44,487		-
	Officials Expense 63T3		597,750		-		1,310		-		22,810		-		-		-		-		-		573,630		-
	Services		-		-		-		-		192		-		-		-		-		-				-
	Sewer_Other		201,200		-		56,256		-		44,146		-		-		-		-		-		100,798		-
	Student Awards and Aid		4,753,000		-		2,410,264		-		459,314		-		-		-		-		-		1,883,422		-
	Supplies Expense		8,725,535		-		2,447,276		-		1,821,813		-		-		-		-		-		4,456,446		-
	Travel		133,085		-		3,167		-		18,167		-		-		-		-		-		111,750		-
	Travel-Group		2,721,384		-		657,185		-		1,218,700		-		-		-		-		-		845,499		-
	Travel-Recruiting		588,150		-		127,178		-		158,103		-		-		-		-		-		302,869		-
	Internal Service Ctr		-		-		-		-		-		-		-		-		-		-		-		-
	Internal Sales		(200,000)		-		-		-		-		-		-		-		-		-		(200,000)		-
Total Expenditures		134.00	33,180,317	3.00	56,101		9,255,351		-		7,563,523		-		0		-	109	0		-	134	16,361,635	3	56,101
Transfers (IN) or OUT	Transfers (IN) or OUT		(1,793,795)		-		(633,171)		-		305,640		-		0		-		0		-		(1,466,263)		-
Ending Balance	Ending Balance		239,411		-		2,454,753		-		2,732,375		-		2,732,375		-		2,732,375		-		(2,493,155)		-

Budget Unit 350 - Administration

		Actuals 2021 PERIOD 14		Original Budget 2022		Actuals Quarter 1 - FY22		Actuals Quarter 2 - FY22		Actuals Quarter 3 - FY22		Actuals Quarter 4 - FY22		Increase / Decrease YTD	
		FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted
Revenues	Tuition and Fees		2,682,377		3,779,321		1,849,400		1,457,100						472,821
	State Appropriations		3,776,900		4,436,200		1,040,897		1,040,901						2,354,402
	Federal Grants and Contracts		11,470,381		0		0								0
	Private Gifts Grants and Contracts		0		0		0								0
	Sales and Services		1,017,304		3,115,000		366,275		593,730						2,154,995
	Other Sources		(5,387,751)		4,326,336		(6,801,259)		1,084,844						10,042,751
Total Revenues			13,559,211		15,656,857		(3,544,687)	0	4,176,575	0	0	0	0		15,024,969
Beginning Balance			(1,644,384)		2,730,556		1,404,313		0				0		1,326,243
Total Available			11,914,827		18,387,413		(2,140,374)		4,176,575				0		16,351,212
Expenditures	Administrative Professional	30.33	2,368,812	35.69	2,517,099		590,011		669,270					35.69	1,257,818
	Faculty Salaries		0		0		0		0						0
	Federal Workstudy Salaries		915		0		0		0						0
	GA TA RA PA Salary	4.08	109,326	4.21	131,934		28,542		32,618					4.21	70,774
	Other Salaries	3.87	74,298	14.97	700,712		37,192		94,667					14.97	568,853
	State Workstudy Salaries	0.01	(715)		0		52		1,342						(1,394)
	Student Salaries	0.70	15,512	4.77	103,900		14,784		57,089					4.77	32,027
	Support Staff Salary	0.01	477		0		473		3,205						(3,678)
	Technician Salary	6.24	249,647	5.00	197,253		60,865		66,631					5.00	69,757
	Accrued Annual Leave		(7,497)		0		0		0						0
	Fica		175,409		221,036		46,512		48,295						126,229
	Group Insurance		265,830		193,025		67,792		67,048						58,185
	Other Staff Benefits		115,155		162,960		29,018		30,469						103,473
	Retirement		349,754		392,070		93,456		92,006						206,608
	Tuition Waivers		47,586		59,644		19,277		3,939						36,428
	Unemployment Compensation		2,424		2,824		620		751						1,453
	Workers Compensation		2,632		2,360		768		1,106						486
	Contract Services		212,873		745,102		135,141		95,597						514,364
	Cost of Good Sold		0		0		0		0						0
	Equipment		22,980		39,578		35,813		48,706						(44,941)
	Officials Expense 63T3		95,348		195,000		0		3,500						191,500
	Services								192						
	Sewer_Other		0		1,200		273		0						927
	Student Awards and Aid		1,055,423		4,753,000		2,409,044		(1,843,772)						4,187,728
	Supplies_Expense		2,547,096		6,653,144		1,470,250		771,454						4,411,440
	Travel		16,446		62,385		2,296		7,801						52,288
	Travel-Group		235,257		232,631		59,018		115,550						58,063
	Internal Service Ctr Internal Sales		(1,042)		0		0		0						0
	Total Expenditures		45.24	7,953,946	64.64	17,366,857		5,101,197	0	367,464	0	0	0	0	64.64
Transfers (IN) or OUT	Trsfr From Auxiliaries		(250,000)		0		0		0						0
	Trsfr From I G		(670,583)		(406,413)		(250,689)		(375,000)						219,276
	Transfer From Internal Services		0		0		0		(32,154)						32,154
	Trsfr From Plant Fund Minor		(411,200)		(1,010,300)		(1,010,400)		0						100
	Trsfr From Public Service		0		(500,000)		0		0						(500,000)
	Trsfr From Student Aid		0		(250,000)		(250,000)		0						0
	Trsfr To Debt Service		78,121		0		0		0						0
	Trsfr To I G		54,263		90,000		0		0						90,000
	Trsfr To Plant Fund Minor		0		0		0		670,165						(670,165)
	Trsfr To Public Service		514,749		385,506		980,506		0						(595,000)
	Trsfr To Student Social Cultural		0		97,412		97,412		42,629						(42,629)
	Total Transfers (IN) or OUT		(684,650)		(1,593,795)		(433,171)	0	305,640	0	0	0	0		(1,466,264)
Ending Balance			4,645,532		2,614,351		(6,808,398)		3,503,471				0		5,919,088
Budget Unit 351 - Basketball															
		FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted		

Revenues	Tuition and Fees	0		0		0						0			
	Sales and Services	272		3,180,000		1,816,735		673,243				690,022			
	Other Sources	38,041		(554,853)		(554,853)		130,064				(130,064)			
Total Revenues		38,313		2,625,147		1,261,882		803,307		0		0		559,958	
Beginning Balance		0		(437,575)		0								(437,575)	
Total Available		38,313		2,187,572		1,261,882		803,307		0		0		122,383	
Expenditures	Administrative Professional	9.85	1,480,309	8.00	1,516,066	378,190	378,698					8.00	759,178		
	Other Salaries		53	0.48	15,000	0	2,881					0.48	12,119		
	State Workstudy Salaries	0.08	1,688		0	0	0						0		
	Student Salaries	0.76	17,330	1	18,000	771	6,894					0.82	10,335		
	Support Staff Salary						3,795								
	Technician Salary		0		0	60	104						(164)		
	Accrued Annual Leave		(4,458)		0	0	0						0		
	Fica		81,178		88,440	17,113	17,192						54,135		
	Group Insurance		76,059		71,659	19,061	19,960						32,638		
	Other Staff Benefits		50,023		54,315	13,059	13,305						27,951		
	Retirement		154,633		161,461	39,726	26,963						94,772		
	Unemployment Compensation		1,332		1,041	340	348						353		
	Workers Compensation		1,131		822	322	413						87		
	Contract Services		51,514		0	750	0						(750)		
	Cost of Good Sold		0		0	0	0						0		
	Equipment		5,150		2,650	1,892	3,369						(2,611)		
	Sewer_Other						273								
	Student Awards and Aid		201,216		0	0	130,064						(130,064)		
	Supplies_Expense		192,410		587,193	122,982	337,244						126,967		
	Travel		0		14,500	0	1						14,499		
	Travel-Group		416,059		324,000	0	235,871						88,129		
	Travel-Recruiting		11,534		120,000	52,205	16,683						51,112		
	Internal Service Ctr Internal Sales		0		(150,000)	0	0						(150,000)		
Total Expenditures		10.69	2,737,161	9.30	2,825,147	646,471	0	1,194,058	0	0	0	9.30	988,686		
Transfers (IN) or OUT		0		(200,000)		(200,000)		0		0		0			
Ending Balance		(2,698,847)		(437,575)		815,412		(390,753)		0		(866,303)			
Budget Unit 352 - Football															
		FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted		
Revenues	Sales and Services	253,099		2,170,000		989,856		913,849				266,295			
	Other Sources	5,758,923		4,254,698		4,254,698		903,204				(903,204)			
Total Revenues		6,012,022		6,424,698		5,244,554		1,817,053		0		(636,909)			
Beginning Balance		0		(2,290,824)		0		0		0		(2,290,824)			
Total Available		6,012,022		4,133,874		5,244,554		1,817,053		0		(2,927,733)			
Expenditures	Administrative Professional	13.68	2,839,709	13.00	2,457,125	699,240	699,240					13.00	1,058,645		
	Federal Workstudy Salaries	0.02	510		0	0	0						0		
	GA TA RA PA Salary	2.60	72,033	1.91	60,000	20,387	20,387					1.91	19,226		
	Other Salaries		522	2.23	414,835	5,389	19,984					2.23	389,462		
	State Workstudy Salaries	0.06	1,140		0	0	0						0		
	Student Salaries	0.19	4,067	1.14	25,000	4,578	12,755					1.14	7,667		
	Support Staff					1,058	3,928								
	Technician Salary		0		0	678	1,648						(2,326)		
	Accrued Annual Leave		4,874		0	0	0						0		
	Fica		146,841		196,755	32,537	23,924						140,294		
	Group Insurance		126,935		147,899	30,704	37,765						79,430		
	Other Staff Benefits		111,627		119,721	24,782	24,963						69,976		
	Retirement		281,779		305,233	62,317	63,729						179,187		
	Tuition Waivers		26,675		30,000	14,979	0						15,021		
	Unemployment Compensation		2,556		2,314	636	653						1,025		
	Workers Compensation		2,315		1,859	740	752						367		
	Contract Services		26,222		219,633	19,102	43,617						156,914		
	Cost of Good Sold		0		0	0	0						0		
	Equipment		5,929		13,400	11,151	0						2,249		

Officials Expense 63T3		109,577		162,000		0		5,110					156,890			
Sewer_Other		0		25,000		0		7,600					17,400			
Student Awards and Aid		1,566,104		0		1,220		903,204					(904,424)			
Supplies_Expense		631,269		1,072,924		723,066		360,468					(10,610)			
Travel		4,548		36,000		772		4,320					30,908			
Travel-Group		1,485,202		900,000		427,484		333,270					139,246			
Travel-Recruiting		24,326		265,000		2,700		97,740					164,560			
Internal Service Ctr Internal Sales		0		(30,000)		0		0					(30,000)			
Total Expenditures		16.55	7,474,760		18.28	6,424,698		2,083,520		0	2,665,057	0	0	18.28	1,681,107	
Transfers (IN) or OUT			0			0		0			0		0		0	
Ending Balance			(1,462,739)			(2,290,824)		3,161,035			(848,003)		0		(4,608,840)	
Budget Unit 353 - Other Mens Sports																
		FTE	Unrestricted		FTE	Unrestricted		FTE	Unrestricted		FTE	Unrestricted		FTE	Unrestricted	
Revenues	Sales and Services		31,638			10,000			0			246			9,754	
	Other Sources		1,601,264			1,272,570			1,236,860			209,444			(173,734)	
Total Revenues			1,632,902			1,282,570			1,236,860			209,690		0	(163,980)	
Beginning Balance			0			37,650			0			0			37,650	
Total Available			1,632,902			1,320,220			1,236,860			209,690		0	(126,330)	
Expenditures	Administrative Professional	6.12	607,793		6.87	640,172			134,542			140,375			365,255	
	GA TA RA PA Salary	0.55	26,600			0			7,200			7,200			(14,400)	
	Other Salaries	0.01	5,317		0.83	26,000			0			970		0.83	25,030	
	Support Staff Salary		157			0			112			0				
	Technician Salary	0.03	1,064			0			56			0			(56)	
	Accrued Annual Leave		303			0			0			0			0	
	Fica		38,981			46,900			10,373			10,570			25,957	
	Group Insurance		55,150			36,868			9,481			14,410			12,977	
	Other Staff Benefits		26,342			27,945			6,183			6,454			15,308	
	Retirement		86,339			83,071			19,061			19,922			44,088	
	Tuition Waivers		4,881			0			2,754			0			(2,754)	
	Unemployment Compensation		553			552			121			128			303	
	Workers Compensation		529			429			129			136			164	
	Contract Services		1,213			9,100			144			96			8,860	
	Equipment		17,889			30,500			22,131			13,299			(4,930)	
	Fuel_Heat_Cool		819			600			106			37			457	
	Officials Expense 63T3		28,923			56,500			0			0			56,500	
	Student Awards and Aid		299,674			0			0			209,444			(209,444)	
	Supplies_Expense		99,206			49,597			16,851			21,094			11,652	
	Travel		409			0			0			4,558			(4,558)	
	Travel-Group		226,190			248,461			16,201			51,344			180,916	
	Travel-Recruiting		1,000			25,875			27,652			17,783			(19,560)	
Total Expenditures		6.71	1,529,332		7.70	1,282,570			273,097		0	517,820	0	0	8	491,765
Transfers (IN) or OUT			0			0			0			0		0	0	
Ending Balance			103,571			37,650			963,763			(308,129)		0	(618,095)	
Budget Unit 354 - Other Womens Sports																
		FTE	Unrestricted		FTE	Unrestricted		FTE	Unrestricted		FTE	Unrestricted		FTE	Unrestricted	
Revenues	Sales and Services		28,784			370,000			209,072			85,110			75,818	
	Other Sources		6,112,547			4,361,045			4,462,014			1,060,373			(1,161,342)	
Total Revenues			6,141,331			4,731,045			4,671,086			1,145,483		0	(1,085,524)	
Beginning Balance			16,727			158,020			0			0		0	158,020	
Total Available			6,158,058			4,889,065			4,671,086			1,145,483		0	(927,504)	
Expenditures	Administrative Professional	27.03	1,973,867		28.00	2,001,604			508,715			518,067			974,822	
	GA TA RA PA Salary	1.10	40,652		0.54	17,000			0			0		0.54	17,000	
	Other Salaries	0.01	4,884		2.52	74,450			1,701			20,942		2.52	51,807	
	Student Salaries		0		0.46	10,000			0			5,064		0.46	4,936	
	Support Staff Salary	1.51	52,947		2.00	53,097			11,706			18,913		2.00	22,478	
	Technician Salary	0.05	2,153			0			543			1,213		0.00	(1,756)	

	Accrued Annual Leave	5,010	0	0	0							0.00	0		
	Fica	143,579	160,969	35,631	36,647								88,691		
	Group Insurance	181,848	131,643	41,316	45,490								44,837		
	Other Staff Benefits	93,604	97,111	23,397	24,523								49,191		
	Retirement	284,966	288,682	73,052	71,582								144,048		
	Tuition Waivers	9,761	8,000	0	0								8,000		
	Unemployment Compensation	1,831	1,895	471	503								921		
	Workers Compensation	1,747	1,492	534	582								376		
	Contract Services	11,455	107,859	1,894	13,568								92,397		
	Cost of Good Sold	0	0	0	0								0		
	Equipment	13,070	38,685	6,975	2,651								29,059		
	Fuel_Heat_Cool	819	600	106	37								457		
	Officials Expense 63T3	45,647	184,250	1,310	14,200								168,740		
	Sewer_Other	0	0	0	0								0		
	Student Awards and Aid	1,609,798	0	0	1,060,374								(1,060,374)		
	Supplies_Expense	176,219	359,941	105,761	197,334								56,846		
	Travel	300	20,200	100	1,487								18,613		
	Travel-Group	724,995	1,016,292	154,483	482,663								379,146		
	Travel-Recruiting	9,769	177,275	44,621	25,896								106,758		
	Internal Service Ctr Internal Sales	0	(20,000)	0	0								(20,000)		
Total Expenditures		29.70	5,388,921	33.52	4,731,045		1,012,316	0	2,541,736	0	0	0	33.52	1,176,993	
Transfers (IN) or OUT		Trsfr To Public Service	16,727	0	0		0		0		0		0		
Ending Balance			752,410	158,020	3,658,770		(1,396,253)		0		0		(2,104,497)		
Budget Unit 409 - Utilities															
		FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted
Revenues		Other Sources	550,000	550,000	550,000		0		0		0		0		
Total Revenues			550,000	550,000	550,000		0		0		0		0		
Beginning Balance			0	157,789	0		0		0		0		157,789		
Total Available			550,000	707,789	550,000		0		0		0		157,789		
Expenditures		Electricity	228,340	312,264	72,909		91,964						147,391		
	Fuel_Heat_Cool	67,893		60,000	1,497		14,929						43,574		
	Sewer_Other	186,965		175,000	55,983		36,273						82,744		
	Supplies_Expense	2,416		2,736	652		716						1,368		
Total Expenditures			485,614	550,000	131,041		143,882		0		0		275,077		
Transfers (IN) or OUT			0	0	0		0		0		0		0		
Ending Balance			64,385	157,789	418,959		(143,882)		0		0		(117,288)		
Budget Unit 437 - Miscellaneous															
		FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted	FTE	Unrestricted
Revenues		Federal Grants and Contracts	0	0	0		0						0		
	State Grants and Contracts	0		0	0								0		
	Sales and Services	0		0	5,325		(5,325)						0		
Total Revenues			0	0	5,325		(5,325)		0		0		0		
Beginning Balance			0	0	0		0						0		
Total Available			0	0	5,325		(5,325)		0		0		0		
Expenditures		Federal Workstudy Salaries	0	0	0								0		
	State Workstudy Salaries	0		0	0								0		
Total Expenditures			0	0	0		0	0	0	0	0	0	0		
Transfers (IN) or OUT			0	0	0										
Ending Balance			0	0	5,325		(5,325)		0		0				

UNM- Department of Athletics Deficit Reduction Plan

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Beginning Fund Balance (Deficit)	(4,713,999)	(4,492,380)	(4,375,833)	(1,627,658)	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312
Recurring Fund Balance (Deficit)												
Net Balance (Deficit) (1)	(4,713,999)	(4,492,380)	(4,375,833)	(1,627,658)	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312
Revenues	32,944,217	31,669,259	27,699,073	27,934,821	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522
Other Sources	814,207	789,039										
Subtotal Revenues	33,758,424	32,458,298	27,699,073	27,934,821	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522	31,386,522
Expenses	33,541,301	33,829,147	33,570,560	25,570,774	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317
Cost containment (reduction in expenses)	(4,496)	(737,396)	(2,496,467)	0								
Grant-aid subsidies (reduction in expenses)		(750,000)	(975,000)	0								
Subtotal Expenses	33,536,805	32,341,751	30,099,092	25,570,774	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317	33,180,317
Transfers												
Transfer for Accumulated Deficit (2)			4,520,857									
Other Transfers	0	0	627,338	667,924	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795
Subtotal Transfers	0	0	5,148,195	667,924	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795	1,793,795
Net Annual Balance	221,619	116,547	2,748,175	3,031,970	0	0	0	0	0	0	0	0
Ending Fund Balance (Deficit) (3)	(4,492,380)	(4,375,833)	(1,627,658)	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312	1,404,312

(1) Net balance does not include use of reserves for sport expenses already committed in FY20, total accumulated deficit for FY20 was (\$4.5M)

(2) Transfer to eliminate the accumulated deficit

(3) FY20 ending balance was (\$1.6M), which reflects the fiscal impact of COVID-19; FY21 ended with positive balance of \$1.4M paying off the FY20 deficit



THE UNIVERSITY OF
NEW MEXICO



Athletics' FY22 Budget and Actuals (Exhibit P21)

Updated through December 31, 2021

Schedule A: (FY22 Budget and Actuals)- This schedule details out pooled revenues and directed revenues by sport for FY22 budget and actuals year-to-date through December 31, 2021. Please note that a majority of revenues are pooled centrally into Athletics and are not distributed by sport, however ticket sales and game guarantees are distributed by sport.

This report also compares FY22 budget to quarterly actuals, and FY22 year-to-date actuals to prior year-to-date actuals. Major variances are due to timing when revenue accruals and expenses were posted in the prior year and differences in institutional transfers.

Schedule B: (Expenses by Sports)- This schedule details out the FY22 expense budget and year-to-date expense actuals through December 31, 2021. Please note grant-in-aid expenses have been budgeted centrally and then reallocated based on FY22 year-to-date actuals, which will be allocated to individual sports as expenses post throughout the fiscal year.



Schedule A

FY22 Budget and Actuals by Exhibit P21

Revenue/Expense Description (2)	FY22 Original Budget	FY22 Revised Budget	Fiscal Year 2021-22 (FY22)				FY22 YTD	FY22 Budget to Projected Actuals Variance	Actuals % of Revised Budget	FY21 YTD Actuals	FY22 YTD vs. FY21 YTD Actuals
			Quarter 1 (7/1-9/30/21)	Quarter 2 (10/1-12/31/21)	Quarter 3 (1/1-3/31/22)	Quarter 4 (4/1-6/30/22)					
Pooled Revenues											
NCAA/Mountain West Conference	6,364,846	6,364,846	1,618,214	1,591,212			3,209,426	(3,155,420)	50.4%	1,594,556	1,614,870
Media Rights/Sponsorship/Licensing	3,650,000	3,650,000	521,199	702,950			1,224,149	(2,425,851)	33.5%	861,681	362,467
Commissions	680,000	680,000	-	-			-	(680,000)	0.0%	169,997	(169,997)
Student Fees	3,779,321	3,779,321	1,849,400	1,457,100			3,306,500	(472,821)	87.5%	1,697,536	1,608,964
Scholarship Fund (Fundraising)	2,200,000	2,200,000	549,999	549,999			1,099,998	(1,100,002)	50.0%	549,999	549,999
State Appropriation	4,436,200	4,436,200	1,288,497	1,040,901			2,329,398	(2,106,802)	52.5%	960,800	1,368,598
Facility Rental/Merchandise/GIK	1,680,000	1,680,000	386,794	439,213			826,007	(853,993)	49.2%	375,000	451,007
Special Events and Other Revenues	2,749,950	2,749,950	440,129	594,878			1,035,007	(1,714,943)	37.6%	1,972	1,033,034
CARES/HEERF III Distribution	-	-	-	-			-	-	0.0%	-	-
Transfers to/from Campus	1,793,795	827,431	633,171	(305,640)			327,532	(499,899)	39.6%	541,823	(214,292)
Budgeted Use of Reserves	116,205	1,114,783	-	-			-	(1,114,783)	0.0%	-	-
Sub-total	27,450,317	27,482,531	7,287,403	6,070,613	-	-	13,358,016	(14,124,515)	48.6%	6,753,365	6,604,652
Directed Revenues (by Sports)											
Men's Basketball Tickets	3,330,000	3,330,000	1,816,735	673,242			2,489,978	(840,023)	74.8%	-	2,489,978
Football Tickets	1,000,000	1,000,000	989,856	115,004			1,104,860	104,860	110.5%	299,933	804,926
Women's Basketball Tickets	370,000	370,000	201,040	68,502			269,542	(100,458)	72.8%	-	269,542
Other Sports Tickets (1)	30,000	30,000	10,757	13,783			24,540	(5,460)	81.8%	-	24,540
Football Game Guarantees	1,200,000	1,200,000	-	900,000			900,000	(300,000)	75.0%	-	900,000
Sub-total	5,930,000	5,930,000	3,018,388	1,770,531	-	-	4,788,919	(1,141,081)	80.8%	299,933	4,488,986
Total	33,380,317	33,412,531	10,305,791	7,841,144	-	-	18,146,935	(15,265,596)	54.3%	7,053,298	11,093,637
Expenses											
Salaries	10,979,247	10,923,063	2,506,845	2,787,877			5,294,722	(5,628,341)	48.5%	2,402,252	2,892,470
Payroll Benefits	3,100,995	3,096,616	736,261	704,529			1,440,790	(1,655,826)	46.5%	696,601	744,189
Communication Charges	84,542	84,542	16,447	18,388			34,835	(49,707)	41.2%	13,768	21,067
Other Expense	3,034,579	3,243,380	519,856	746,252			1,266,108	(1,977,272)	39.0%	432,118	833,990
Patient Care Costs	179,861	179,861	53,075	24,402			77,477	(102,384)	43.1%	8,713	68,764
Plant Maintenance	236,987	236,987	97,427	69,856			167,283	(69,704)	70.6%	29,429	137,854
Services	4,335,664	4,335,664	728,969	782,122			1,511,091	(2,824,573)	34.9%	141,332	1,369,759
Student Costs (includes Grant-in-Aid)	5,560,148	5,561,848	2,983,795	522,661			3,506,456	(2,055,392)	63.0%	2,797,922	708,533
Supplies	1,851,011	1,875,761	694,272	361,352			1,055,624	(820,137)	56.3%	170,451	885,174
Travel	3,442,619	3,300,145	787,530	1,394,970			2,182,501	(1,117,644)	66.1%	22,814	2,159,686
Utilities	574,664	574,664	130,873	151,114			281,987	(292,677)	49.1%	57,045	224,942
Total	33,380,317	33,412,531	9,255,351	7,563,523	-	-	16,818,874	(16,593,657)	50.3%	6,772,445	10,046,429
Net	-	-	1,050,440	277,621	-	-	1,328,061	1,328,061	4.0%	280,853	1,047,208
Beginning Balance 7/1/21							1,404,313				
Ending Balance 12/31/21							2,732,375				

(1) Other sports tickets include women's soccer, track, baseball, softball, volleyball and Pride Passes

(2) Actuals through December 31, 2021


Schedule B
FY22 Budgeted Expenses and Actuals by Sport Exhibit P21 (1)

Football			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	2,612,125	1,316,854	1,295,271
Payroll Benefits	759,808	315,683	444,125
Communication Charges	25,050	11,247	13,803
Other Expense	63,389	42,761	20,628
Patient Care Costs	18,000	6,873	11,127
Plant Maintenance	61,740	91,109	(29,369)
Services	854,733	498,807	355,926
Student Costs/Grant-in-Aid (2)	1,258,204	1,252,584	5,620
Supplies	88,100	162,680	(74,580)
Travel	1,201,000	866,286	334,714
Utilities	25,000	7,600	17,400
Total	6,967,149	4,572,484	2,394,665

Men's Baseball			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	341,672	157,500	184,172
Payroll Benefits	106,168	50,610	55,558
Communication Charges	-	270	(270)
Other Expense	7,135	2,597	4,538
Patient Care Costs	-	-	-
Plant Maintenance	3,900	-	3,900
Services	51,200	-	51,200
Student Costs/Grant-in-Aid (2)	140,450	137,141	3,309
Supplies	35,155	33,243	1,912
Travel	169,375	24,518	144,857
Utilities	-	-	-
Total	855,055	405,879	449,176

Women's Softball			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	183,000	86,307	96,693
Payroll Benefits	58,376	29,026	29,350
Communication Charges	540	405	135
Other Expense	4,014	1,254	2,760
Patient Care Costs	-	-	-
Plant Maintenance	2,422	2,480	(58)
Services	29,360	216	29,144
Student Costs/Grant-in-Aid (2)	104,821	103,335	1,486
Supplies	19,016	3,374	15,642
Travel	133,900	4,239	129,661
Utilities	-	-	-
Total	535,449	230,636	304,813

Men's Basketball			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	1,601,066	782,326	818,740
Payroll Benefits	381,799	168,948	212,851
Communication Charges	12,750	2,717	10,033
Other Expense	29,964	16,061	13,903
Patient Care Costs	5,000	309	4,691
Plant Maintenance	39,140	14,186	24,954
Services	681,290	308,045	373,245
Student Costs/Grant-in-Aid (2)	217,564	217,437	127
Supplies	71,000	59,625	11,375
Travel	440,050	304,760	135,290
Utilities	-	273	(273)
Total	3,479,623	1,874,688	1,604,935

Women's Basketball			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	825,333	398,345	426,988
Payroll Benefits	248,224	112,134	136,090
Communication Charges	1,550	765	785
Other Expense	17,357	9,335	8,022
Patient Care Costs	-	-	-
Plant Maintenance	15,700	11,311	4,389
Services	307,852	127,473	180,379
Student Costs/Grant-in-Aid (2)	153,711	135,122	18,589
Supplies	44,941	38,122	6,819
Travel	397,298	233,748	163,550
Utilities	-	-	-
Total	2,011,966	1,066,353	945,613

Women's Soccer			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	256,450	125,901	130,549
Payroll Benefits	83,116	43,923	39,193
Communication Charges	1,060	300	760
Other Expense	3,428	4,865	(1,437)
Patient Care Costs	-	1,702	(1,702)
Plant Maintenance	-	4,061	(4,061)
Services	9,600	530	9,070
Student Costs/Grant-in-Aid (2)	170,241	171,096	(855)
Supplies	6,650	10,227	(3,577)
Travel	115,650	193,884	(78,234)
Utilities	-	-	-
Total	646,195	556,489	89,706

Men's Golf			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	176,500	88,992	87,508
Payroll Benefits	58,246	32,715	25,531
Communication Charges	-	135	(135)
Other Expense	2,081	1,996	85
Patient Care Costs	-	-	-
Plant Maintenance	-	-	-
Services	2,680	7,576	(4,896)
Student Costs/Grant-in-Aid (2)	43,538	44,434	(896)
Supplies	-	7,125	(7,125)
Travel	60,811	57,136	3,675
Utilities	600	143	457
Total	344,456	240,253	104,203

Women's Golf			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	151,726	76,283	75,443
Payroll Benefits	50,069	31,199	18,870
Communication Charges	-	-	-
Other Expense	3,124	1,485	1,639
Patient Care Costs	-	-	-
Plant Maintenance	-	-	-
Services	12,600	7,080	5,520
Student Costs/Grant-in-Aid (2)	86,368	85,800	568
Supplies	6,150	11,890	(5,740)
Travel	47,965	15,562	32,403
Utilities	600	143	457
Total	358,602	229,443	129,159

Men's Tennis			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	108,000	43,734	64,266
Payroll Benefits	35,641	16,329	19,312
Communication Charges	290	128	162
Other Expense	3,146	1,222	1,924
Patient Care Costs	-	-	-
Plant Maintenance	-	1,594	(1,594)
Services	18,810	1,222	17,588
Student Costs/Grant-in-Aid (2)	33,456	32,640	816
Supplies	13,300	11,733	1,567
Travel	44,150	35,885	8,265
Utilities	-	-	-
Total	256,793	144,489	112,304

Women's Tennis			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	108,000	50,114	57,886
Payroll Benefits	35,641	13,811	21,830
Communication Charges	610	-	610
Other Expense	1,861	970	891
Patient Care Costs	-	-	-
Plant Maintenance	-	1,594	(1,594)
Services	17,910	1,700	16,210
Student Costs/Grant-in-Aid (2)	53,256	54,033	(777)
Supplies	11,615	4,289	7,326
Travel	46,300	17,774	28,526
Utilities	-	-	-
Total	275,193	144,286	130,908

Cross Country (M/W) (3)			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	110,325	54,544	55,781
Payroll Benefits	36,406	18,496	17,910
Communication Charges	-	-	-
Other Expense	1,566	2,514	(948)
Patient Care Costs	111	106	5
Plant Maintenance	487	-	487
Services	3,314	189	3,125
Student Costs/Grant-in-Aid (2)	55	1,480	(1,425)
Supplies	1,855	348	1,507
Travel	49,604	49,949	(345)
Utilities	-	-	-
Total	203,723	127,627	76,096

Track (M/W) (3)			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	201,803	104,435	97,368
Payroll Benefits	81,932	32,583	49,349
Communication Charges	560	135	425
Other Expense	4,560	2,602	1,958
Patient Care Costs	-	28	(28)
Plant Maintenance	-	-	-
Services	725	515	210
Student Costs/Grant-in-Aid (2)	296,448	289,565	6,883
Supplies	1,813	5,980	(4,167)
Travel	203,665	24,581	179,084
Utilities	-	-	-
Total	791,506	460,424	331,082

Women's Volleyball			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	237,232	122,348	114,884
Payroll Benefits	78,286	43,097	35,189
Communication Charges	330	67	263
Other Expense	4,504	3,869	635
Patient Care Costs	-	25	(25)
Plant Maintenance	23,300	-	23,300
Services	38,100	18,871	19,229
Student Costs/Grant-in-Aid (2)	129,116	130,852	(1,736)
Supplies	28,437	18,769	9,668
Travel	101,685	121,449	(19,764)
Utilities	-	-	-
Total	640,990	459,347	181,643

Swimming/Diving			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	146,810	68,814	77,996
Payroll Benefits	48,448	29,525	18,923
Communication Charges	-	-	-
Other Expense	2,840	1,963	877
Patient Care Costs	-	-	-
Plant Maintenance	-	-	-
Services	500	-	500
Student Costs/Grant-in-Aid (2)	123,005	122,060	945
Supplies	22,725	9,316	13,409
Travel	98,700	48,065	50,635
Utilities	-	-	-
Total	443,028	279,743	163,285

Spirit			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	-	-	-
Payroll Benefits	-	-	-
Communication Charges	-	-	-
Other Expense	570	1,610	(1,040)
Patient Care Costs	-	-	-
Plant Maintenance	-	-	-
Services	-	-	-
Student Costs/Grant-in-Aid (2)	7,500	7,800	(300)
Supplies	30,510	45,870	(15,360)
Travel	-	58,838	(58,838)
Utilities	-	-	-
Total	38,580	114,117	(75,537)

Administration/Events/Other Operating (4)			
Expense Description	FY22 Revised Budget	FY22 YTD Actuals	FY22 Budget to Actuals Variance
Salaries	3,855,021	1,818,224	2,036,797
Payroll Benefits	1,042,456	502,710	539,746
Communication Charges	41,802	18,666	23,136
Other Expense	3,093,841	1,171,005	1,922,836
Patient Care Costs	156,750	68,434	88,316
Plant Maintenance	90,298	40,948	49,350
Services	2,281,990	538,866	1,743,124
Student Costs/Grant-in-Aid (2)	2,742,415	721,077	2,021,339
Supplies	1,496,194	633,033	863,161
Travel	214,992	125,828	89,164
Utilities	548,464	273,828	274,636
Total	15,564,223	5,912,617	9,651,606

Total 33,412,531 16,818,874 16,593,657

(1) Does not include special events and bowl games

(2) FY21 Grant-in-Aid actuals will be allocated to individual sports as expenses post

(3) M/W track and cross-country coaches salaries split 50/50 between sports.

(4) Includes Events Management, Special Events, Bowl Games, Championships, Gifts-in-Kind, Parking, Concessions, Ticket Office, Administration, Business Office, Leagues and Clubs, Compliance, Advisement, Facility Rentals, Sports Camps, Utilities, Student Assistance Funds, Life skills, Pre Season Training, Athletic Vans, Insurance, Marketing and Media Relations

TO: The University of New Mexico Board of Regents
Finance & Facilities Committee Meeting

FROM: UNM Rainforest Innovations (UNMRI)
Board of Directors

DATE: February 8, 2022

RE: Approval of Board Reappointment(s): David Gibson

The UNMRI Board of Directors submits for approval the reappointment of David Gibson to its Board of Directors for a four-year term, beginning July 1, 2022 and ending June 30, 2026. This board member was recommended for reappointment by the UNMRI Nominations Committee and approved by the UNMRI Board of Directors at its January 28, 2022 board meeting, subject to Board of Regents' approval.

David Gibson

Bio Attached

Mr. David W. Gibson**Deputy Laboratories Director and Chief Operations Officer
Sandia National Laboratories****Education**

BS – Construction Management, UNM
MBA – Business Administration, UNM

Business/Research Background

David Gibson currently serves as Deputy Laboratories Director and Chief Operations Officer at Sandia National Laboratories in Albuquerque, New Mexico. His responsibilities include, leadership, oversight, management direction, and execution to implement the Labs Director's strategic vision for safe and secure operations. His most recent role was at Argonne National Laboratory in Lemont, IL as he was Sr. Director of Environmental, Safety, Health, and Quality Directorate.

Particular Knowledge and Skills

Mr. Gibson has many years of experience managing business and physical operations functions including facilities, ES&H, safeguards & security, project management, strategic planning, human resources, procurement, logistics, and business operations.

In 2007, he was selected to serve as a detailee to the National Nuclear Security Administration's (NNSA's) Office of Infrastructure and Environmental Management in Washington, D.C.

Upon returning to Sandia in 2009, Mr. Gibson accepted his first management position in the FMOC Nuclear Weapons Customer Partnership Department with responsibility for sustaining the mission-critical nuclear weapons infrastructure.

In 2013, Mr. Gibson was promoted to Senior Manager and Deputy Vice President of Infrastructure Operations. His primary duty was to serve as the technical advisor to the Sandia vice president responsible for the corporate Safeguards and Security; Environment, Safety, and Health (ES&H); and Facilities policy areas. He also served as the Acting Director for the ES&H Center from January to May 2015.

In December 2015, he moved to Sandia's California Laboratory in Livermore, CA where he served as the Senior Manager of Collaborative Development and Operations. He led three departments focused on external partnerships with industry, academia, Department of Energy laboratories, and other federal agencies. He also managed business development and intellectual property for the California site. In 2017, Mr. Gibson became Director of California Site Operations.

**MEMORANDUM TO ADVANCE
COMMITTEE AGENDA ITEM TO
THE BOARD OF REGENTS
THE UNIVERSITY OF NEW MEXICO**

DATE: January 19, 2022

TO: Teresa Costantinidis, Sr. VP Finance & Administration

FROM: Lisa Marbury, Assistant Vice President, Campus Environments & Facilities,
Vice President Office for Institutional Support Services

RE: Requested Approval

RECOMMENDED ACTION:

Recommend to the Board of Regents Finance and Facilities Committee the following requests for Project Construction Approval:

1. Student Residence Center Stairs Repair & Modification Phase 2
2. Clinical Translational Science Center Roof Re-Approval
3. Student Union Building Roof Replacement Phase 2 Re-Approval

cc: A. Coburn, M. Dion, M. Bailey, C. Martinez, S. Rodgers, G. Skinner– PDC

**REQUEST FOR CAPITAL PROJECT CONSTRUCTION APPROVAL for
STUDENT RESIDENCE CENTER STAIRS REPAIR & MODIFICATION PHASE 2
UNIVERSITY OF NEW MEXICO**

February 8, 2022

REQUESTED ACTION:

In accordance with Section 7.12 of the Board of Regents Policy Manual and as required by the New Mexico Higher Education Department and New Mexico State Board of Finance, project approval is requested for **Student Residence Center Stairs Repair & Modification Phase 2, Main Campus, Albuquerque, New Mexico.**

PROJECT DESCRIPTION:

The UNM Student Residence Center, part of our on-campus student housing, includes 12 buildings (A-L), located on the Albuquerque Main Campus with a total square footage of 137,569.

This project, the second of three total projects will repair and modify Buildings B, C, E, H, I, and J stairs for code and safety requirements.

PROJECT RATIONALE:

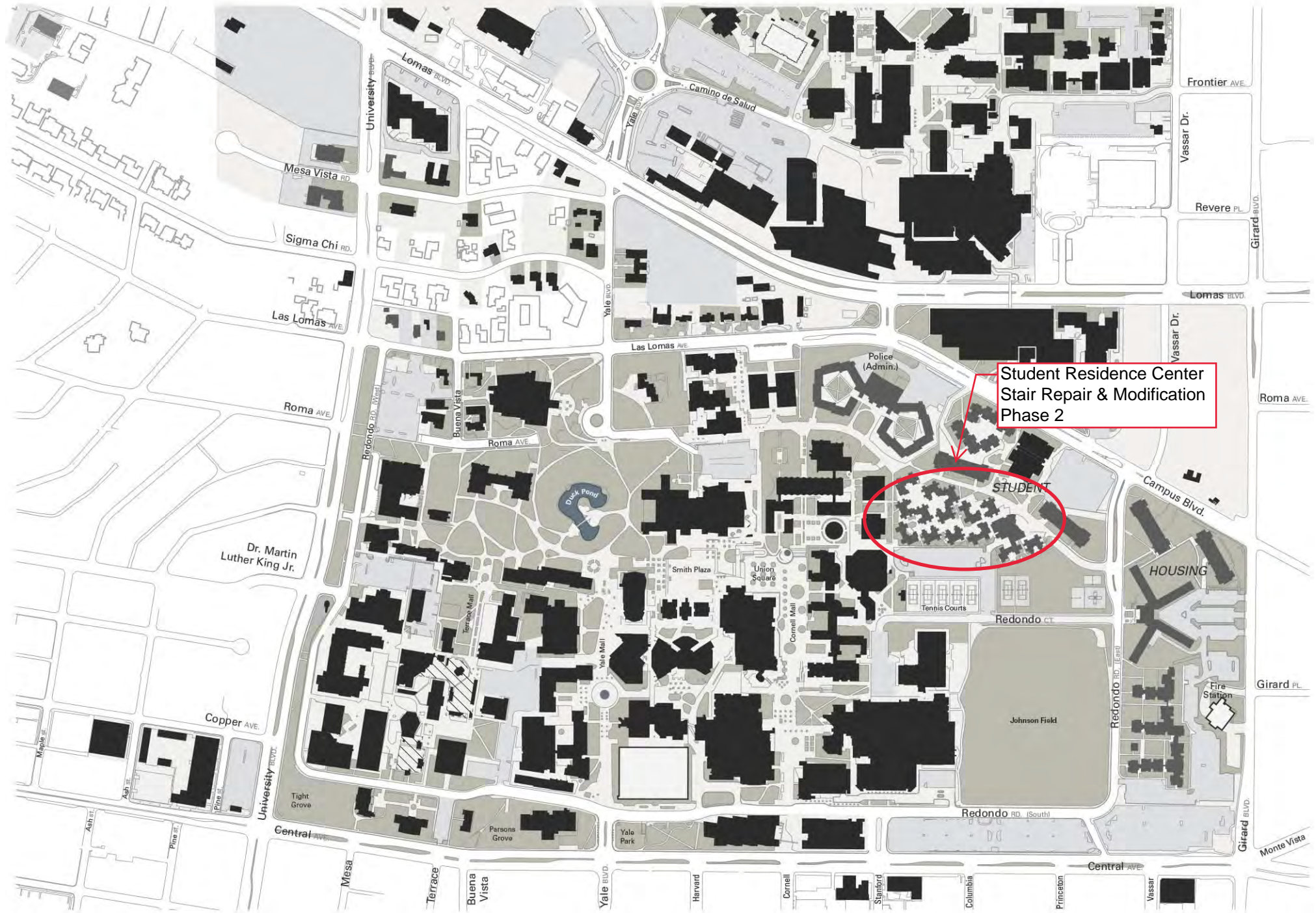
The Student Residence Center stairs were part of the 2020 structural assessment performed by Heatly Engineering. In the report, building stairs were identified as being very deteriorated and in need of immediate attention for repair or replacement. As construction costs are volatile and project funding is limited, the work will be executed as three separate projects. The stairs of buildings B, C, E, H, I, and J are the second phase. If this project is not approved, the stairs will continue to deteriorate and cause a safety concern for students that reside in these dorms.

FUNDING:

The total estimated Project Budget is \$1,066,851:

- \$1,066,851 is funded from Resident Life & Student Housing plant fund

The University of New Mexico - Albuquerque: Central Campus



**STUDENT RESIDENCE CENTER STAIR
RESTORATION - PHASE II**
100% Construction Documents
301 Redondo Drive, Suite NE,
Albuquerque, NM 87131

NO.	DATE	DESCRIPTION
1	01/11/11	ISSUED FOR PERMIT
2	01/11/11	ISSUED FOR BIDDING
3	01/11/11	ISSUED FOR CONSTRUCTION
4	01/11/11	ISSUED FOR CLOSEOUT
5	01/11/11	ISSUED FOR AS-BUILT

SITE PLAN

AS101
2 of 11

GENERAL NOTES

1. IF THIS SHEET IS NOT BY A REGISTERED ARCHITECT, THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION AND CORRECTIONS.
2. THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION AND CORRECTIONS.
3. THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION AND CORRECTIONS.
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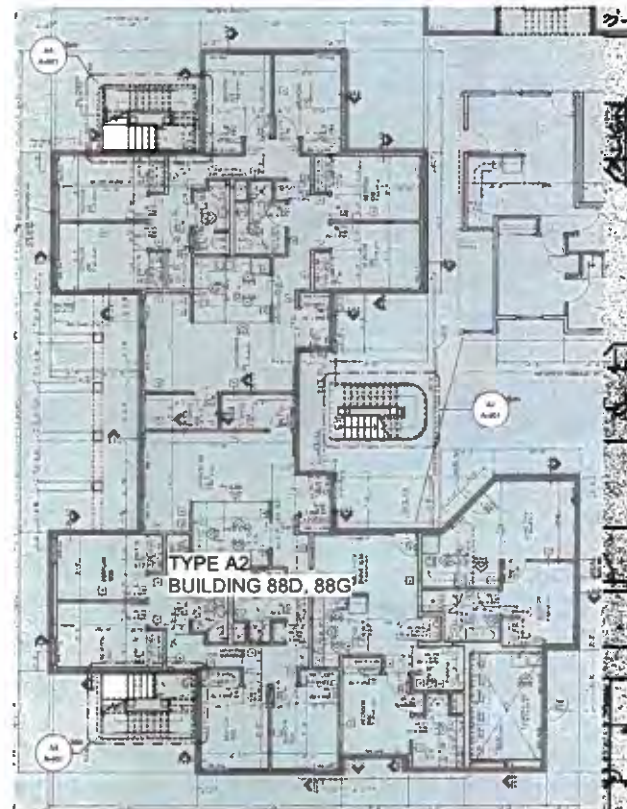


A1 SITE PLAN

NOTICE!
THIS APPROVED PLAN MUST BE AT THE JOB SITE AT ALL TIMES DURING CONSTRUCTION.



G1 BUILDING TYPE B



A8 BUILDING TYPE A2

GENERAL NOTES

1. IF THIS SHEET IS NOT OF A SET THERE IS A PREPARED PAGE PLUT.
2. USE CAUTION SCALE ACCORDING TO THE SHEET.
3. FILL VERTICALLY DIMENSIONING AND DIMENSIONS.
4. CONSTRUCTION TO CORRESPOND ALL DIMENSIONS PRIOR TO CONSTRUCTION.
5. THE DIMENSIONS OF THE ATTACHED SYSTEM ON THE DRAWINGS WITH THE KEYNOTE REFERENCE NUMBERS RELATED TO THE ANALYSIS OF THE DIMENSIONS (SYSTEMS) SHALL NOT CONTROL THE CONSTRUCTION IN ORDERING THE SYSTEMS. DIMENSIONS OF THE SYSTEMS SHALL BE THE EXTENT OF WORK.
6. PROJECT CONSTRUCTION SHALL BE BASED ON THE CONSTRUCTION DIMENSIONS AS A WHOLE.
7. ALL CONSTRUCTION SHALL BE BASED ON THE CONSTRUCTION PROVIDED BY LAW.
8. ALL CONSTRUCTION SHALL BE BASED ON THE CONSTRUCTION PROVIDED BY LAW.
9. ALL SURFACES SHALL BE FINISHED PROPERLY PRIOR TO THE CONSTRUCTION OF THE SYSTEMS AND SHALL BE FINISHED PRIOR TO THE CONSTRUCTION OF THE SYSTEMS AND SHALL BE FINISHED PRIOR TO THE CONSTRUCTION OF THE SYSTEMS.
10. ALL SURFACES SHALL BE FINISHED PROPERLY PRIOR TO THE CONSTRUCTION OF THE SYSTEMS AND SHALL BE FINISHED PRIOR TO THE CONSTRUCTION OF THE SYSTEMS.
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REFERENCE KEYNOTES

SHEET KEYNOTES



STUDENT RESIDENCE CENTER STAIR RESTORATION - PHASE II
100% Construction Documents
301 Redondo Drive Esce NE, Albuquerque, NM, 87131

NO.	DATE	REVISION
1	10/10/2021	100% CONSTRUCTION DOCUMENTS
2	10/10/2021	100% CONSTRUCTION DOCUMENTS
3	10/10/2021	100% CONSTRUCTION DOCUMENTS
4	10/10/2021	100% CONSTRUCTION DOCUMENTS
5	10/10/2021	100% CONSTRUCTION DOCUMENTS
6	10/10/2021	100% CONSTRUCTION DOCUMENTS
7	10/10/2021	100% CONSTRUCTION DOCUMENTS
8	10/10/2021	100% CONSTRUCTION DOCUMENTS
9	10/10/2021	100% CONSTRUCTION DOCUMENTS
10	10/10/2021	100% CONSTRUCTION DOCUMENTS

TYPICAL BUILDING TYPES (A1, A2, B)

A-101
8 of 11

NOTICE!
THIS APPROVAL IS NOT A GUARANTEE OF THE QUALITY OF THE WORK. THE QUALITY OF THE WORK IS THE RESPONSIBILITY OF THE CONTRACTOR. THE QUALITY OF THE WORK IS THE RESPONSIBILITY OF THE CONTRACTOR.



(K1) Photo - Back Exit - Long
NOT TO SCALE



(K5) Photo - Back Exit - Short
NOT TO SCALE



(K9) Photo - Back Exit 2
NOT TO SCALE



(D1) Photo - Front Curved - Front
NOT TO SCALE



(D5) Photo - Front Curved - Side
NOT TO SCALE



(A1) Photo - Rusted Rail
NOT TO SCALE



(A5) Photo - Wall Rail
NOT TO SCALE



(A9) Photo - Threshold - Door
NOT TO SCALE

GENERAL NOTES

1. IF THIS SHEET IS NOT 24" X 36" THEN IT IS A REDUCED SIZE PLOT. USE GRAPHIC SCALE ACCORDINGLY.
2. FIELD VERIFY DIMENSIONS AND CONDITIONS.
3. CONTRACTOR TO COORDINATE ALL DRAWINGS PRIOR TO CONSTRUCTION.
4. THE ORGANIZATION OF THE KEYNOTING SYSTEM ON THE DRAWINGS WITH THE KEYNOTE REFERENCE NUMBERS RELATED TO THE MASTER SPECIFICATIONS NUMBERING SYSTEM SHALL NOT CONTROL. THE CONTRACTOR IN OBTAINING THE WORK AMONG SUBCONTRACTORS OR ESTABLISHING THE EXTENT OF WORK.
5. PROJECT CONSTRUCTION MUST BE BASED ON THE CONSTRUCTION DOCUMENTS AS A WHOLE.
6. EXISTING CONDITIONS REPRESENTED BY ORIGINAL DRAWINGS PROVIDED BY OWNER.
7. ALL EXISTING STEEL SURFACES TO BE PAINTED, PROPERLY PREPARED. ALL SURFACES, PRIME AND PAINT, WANT TO PAINT AFTER EXISTING CONCRETE TREADS AND LANDINGS ARE REBACKED AND NEW STEEL SUPPORTS HAVE BEEN BELIEVED OR WANT PRIOR TO THE INSTALLATION OF THE NEW GALVANIZED TREADS AND LANDINGS TO ENSURE ALL SURFACES HAVE PROPER COVERAGE.

REFERENCE KEYNOTES

SHEET KEYNOTES

- A1.A REPLACE ALL INLAYS AND RISERS WITH GRIP STRUT AND GALVANIZED PLATE, TYP.
- A1.B STRIP PAINT FROM ALL EXISTING WALKING SURFACES.
- A1.C REMOVE AND REPLACE REBAR, TYP.
- A1.D CHAMFER COMPROMISED WALKING SURFACE TO REPLACE, TYP.
- A1.E STRIP PAINT FROM ALL EXISTING STAIR STRUCTURE, PRIME REBAR, TYP.
- A1.F REPLACE ALL LANDINGS WITH GRIP STRUT SEE PLAN FOR PLANK SPACING, C100, TYP.

SMPC Architects

PHOTOGRAPHY BY SMPC
100% Construction Documents
301 Redondo Drive, Suite NE,
Albuquerque, NM 87131



STUDENT RESIDENCE CENTER STAIR
RESTORATION - PHASE II
100% Construction Documents
301 Redondo Drive, Suite NE,
Albuquerque, NM 87131

NO.	DATE	BY
01	08/20/2021	SMPC
02	08/20/2021	SMPC
03	08/20/2021	SMPC
04	08/20/2021	SMPC
05	08/20/2021	SMPC
06	08/20/2021	SMPC
07	08/20/2021	SMPC
08	08/20/2021	SMPC
09	08/20/2021	SMPC
10	08/20/2021	SMPC

PHOTOS

A-901
11 of 11

NOTICE:
THE APPROVED PLANS MUST BE AT THE JOB SITE AT ALL
TIMES IN READING POSITION.

**REQUEST FOR CAPITAL PROJECT CONSTRUCTION APPROVAL for
CLINICAL TRANSLATIONAL SCIENCE CENTER ROOF REPLACEMENT
UNIVERSITY OF NEW MEXICO**

February 8th, 2022

REQUESTED ACTION:

In accordance with Section 7.12 of the Board of Regents Policy Manual and as required by the New Mexico Higher Education Department and New Mexico State Board of Finance, project approval is requested for **Clinical Translational Science Center (CTSC) Roof Replacement, North Campus, Albuquerque, New Mexico.**

PROJECT DESCRIPTION:

The project includes the removal and replacement of the entire roof 12,314 SF (square foot) of the facility which is 109,553 GSF (gross square feet) in total. The building is located at 900 Camino De Salud N.E. Albuquerque, New Mexico. The existing and currently leaking roof system will be completely removed and disposed of. The new roof system will meet the thermal resistance and slope requirements by code (R-30 insulation) and minimum ½” per foot slope). The new white roof membrane will be an adhered 80-millimeter thick single ply and carries a 20 year no dollar limit warranty. Remediation of the entire roof system has been added to the scope.

PROJECT RATIONALE:

The Clinical Translational Science Center serves translational science locally, regionally and nationally; foster scientific and operational innovation to improve the efficiency and effectiveness of clinical translational research; and create, provide and disseminate domain-specific translational science training and workforce development. Our vision for the University of New Mexico Health Sciences Center Clinical and Translational Science Center is to catalyze scientific discovery into improved health by enabling high quality clinical and translational research locally, regionally and nationally. The existing roof has exceeded its life expectancy which now is consistently leaking and causing damages to the interior of the building. The roof has been repaired fifteen times over the last five years. If the facility is not properly maintained, and the roof is not replaced, user groups will experience impacts to their ability to perform. If the project is not approved, the building will continue to leak causing extensive interior damage which will only escalate as the roof continues to age.

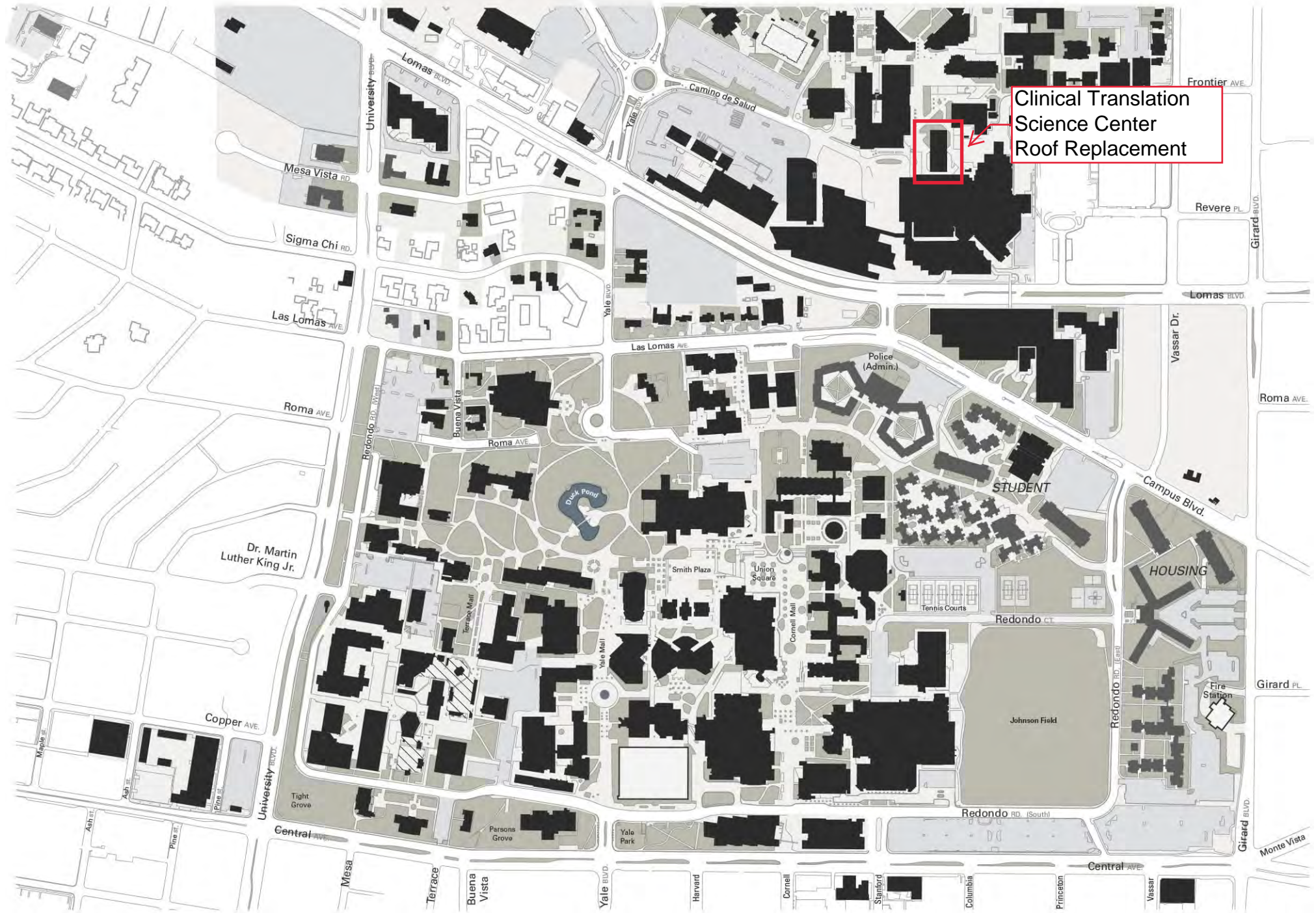
This request is for reapproval, as additional funds over the 10% threshold were added to the project for the purpose of abatement.

FUNDING:

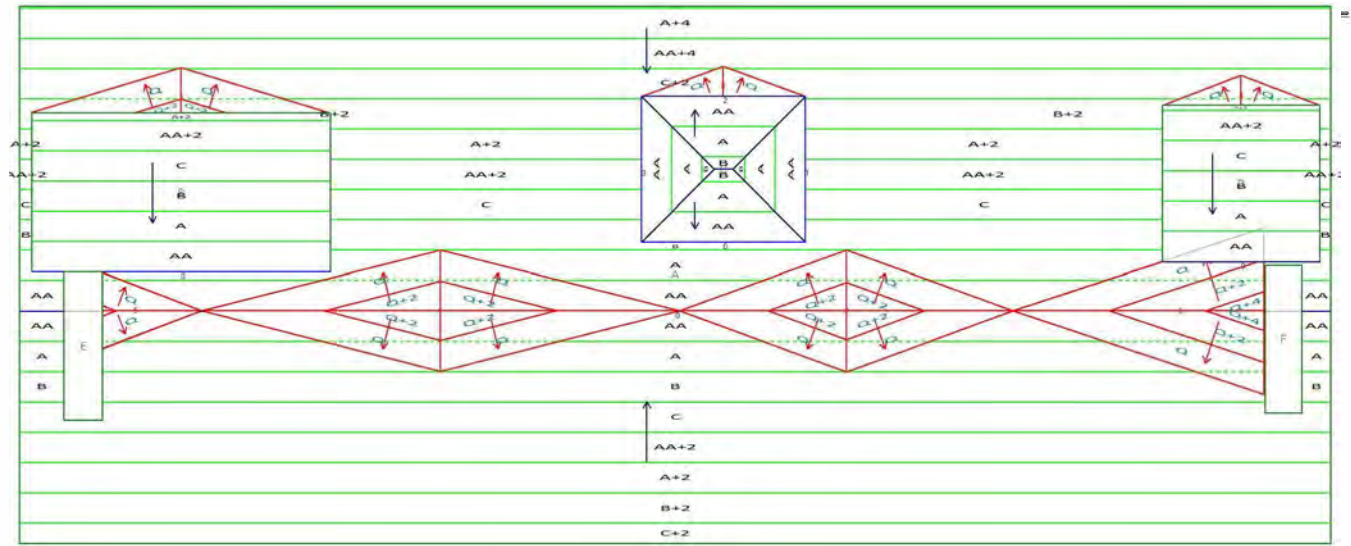
The total estimated Project Budget is: \$679,916

- \$679,916 - FY22 Facility Investment Needs funding (previously Building Renewal & Replacement Funds)

The University of New Mexico - Albuquerque: Central Campus



ROOF PLAN



**REQUEST FOR CAPITAL PROJECT CONSTRUCTION APPROVAL FOR
STUDENT UNION PARTIAL ROOF REPLACEMENT PHASE 2
UNIVERSITY OF NEW MEXICO**

February 8th, 2022

REQUESTED ACTION:

In accordance with Section 7.12 of the Board of Regents Policy Manual and as required by the New Mexico Higher Education Department and New Mexico State Board of Finance, project approval is requested for **Student Union Partial Roof Replacement Phase 2, Main Campus, Albuquerque, New Mexico.**

PROJECT DESCRIPTION:

Phase 2 of the partial roof replacement of the Student Union Building at the Main Campus in Albuquerque. Phase 2 will provide and install a new PVC Roof System including tear off of existing membrane roofing, insulation & associated flashings, disposal of roofing demolition materials, installation of new 80 mil. PVC, seal all drains & any other roof penetrations with PVC flashing materials, manufacturer's 20-year system warranty & Contractor's 2-year workmanship warranty. Also included is asbestos abatement, and sealing of the roof after abatement contractor performs removals. This project will replace approximately 18,266 square feet of roof. The remaining roof not covered in Phase 1 or Phase 2 will be replaced when funds become available.

PROJECT RATIONALE:

The Student Union Building (SUB) serves as a campus community center offering many programs and services to the University community as well as the greater Albuquerque area. The Student Union sees over 10,000 people every day within the walls of its facility. The facility provides meeting and event venues for student groups, communication forums of elected student government and various speaking events that our student population are passionate about. We offer space for student groups to meet, individual study areas and student-sponsored events.

The SUB is a leader on campus and provides many high-tech conveniences, essential services, and cultural enrichments to the students and UNM community.

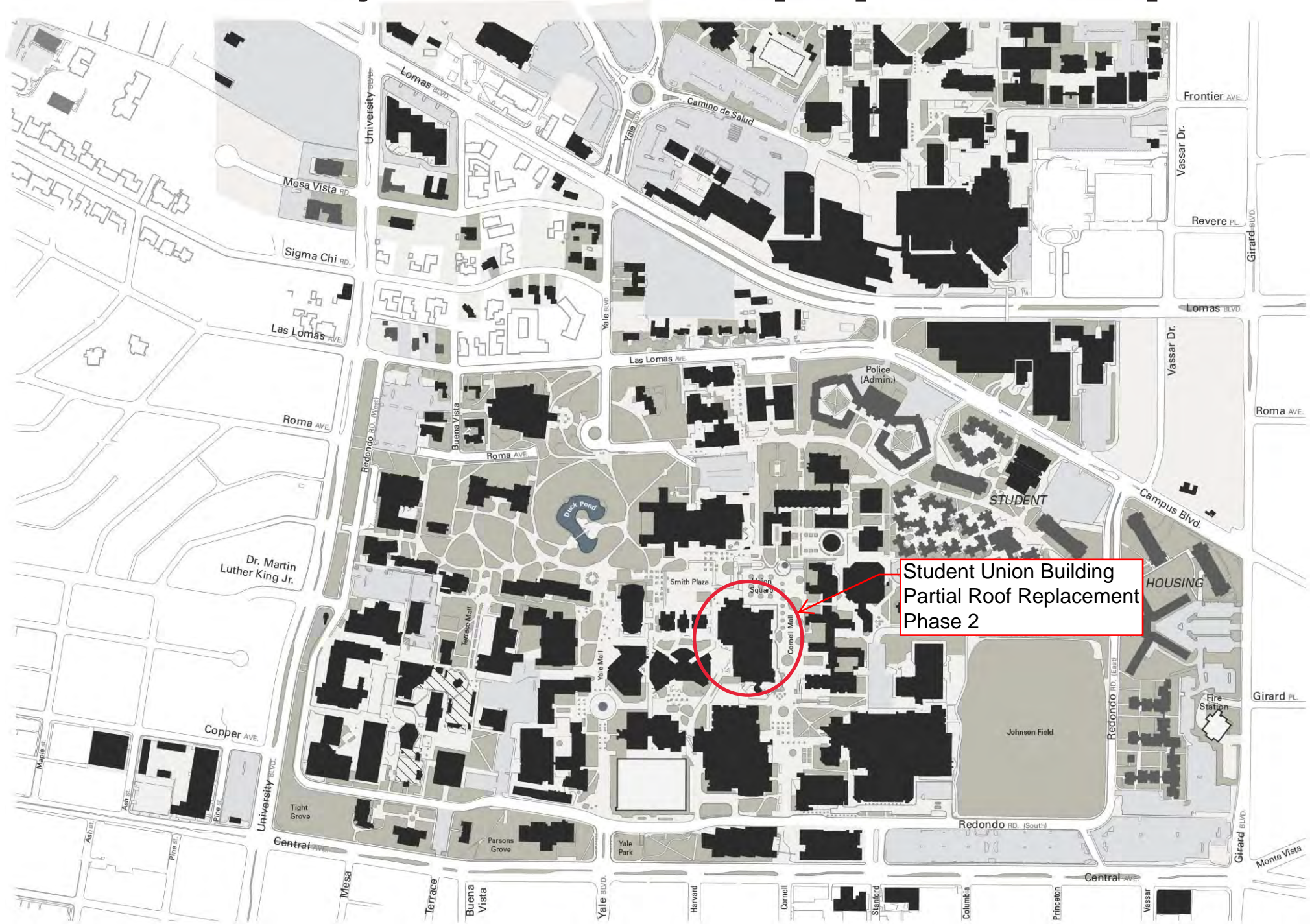
If this project is not approved, our facility, UNM students, the community, faculty and staff will be impacted by less than adequate facilities for the programs and services we offer. Our event staff market our facility as a premier venue to promote UNM for conferences and events. If our facility is not properly maintained, it impacts our ability to market UNM as a premier venue for events and makes us less competitive with other venues in the Albuquerque area.

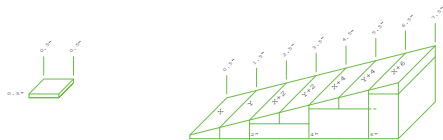
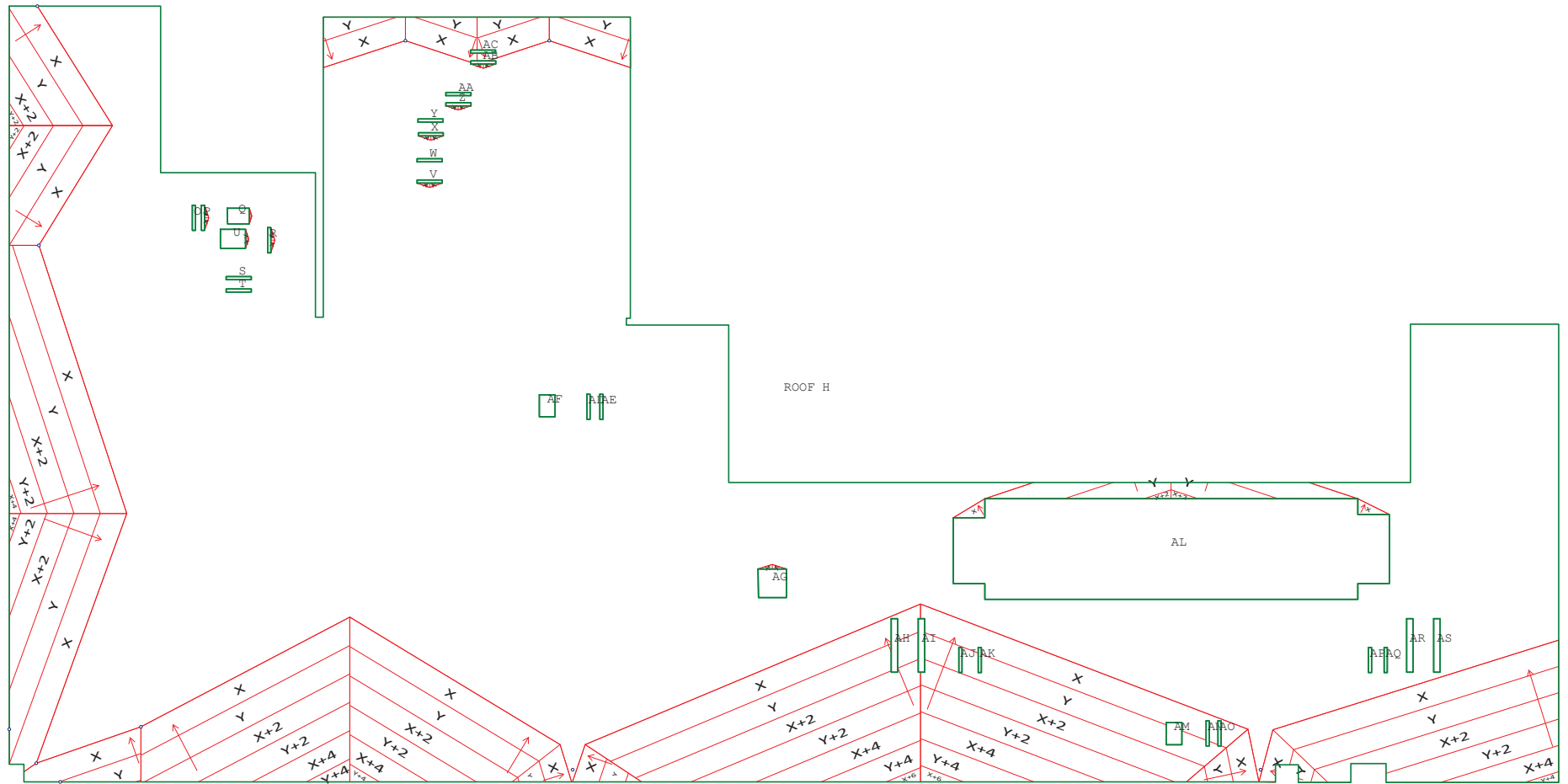
FUNDING:

The total estimated Project Budget is \$460,144.00:

- \$300,000 is funded by Student Union Department funds
- \$160,144 is funded by FY22 Building Replacement and Renewal

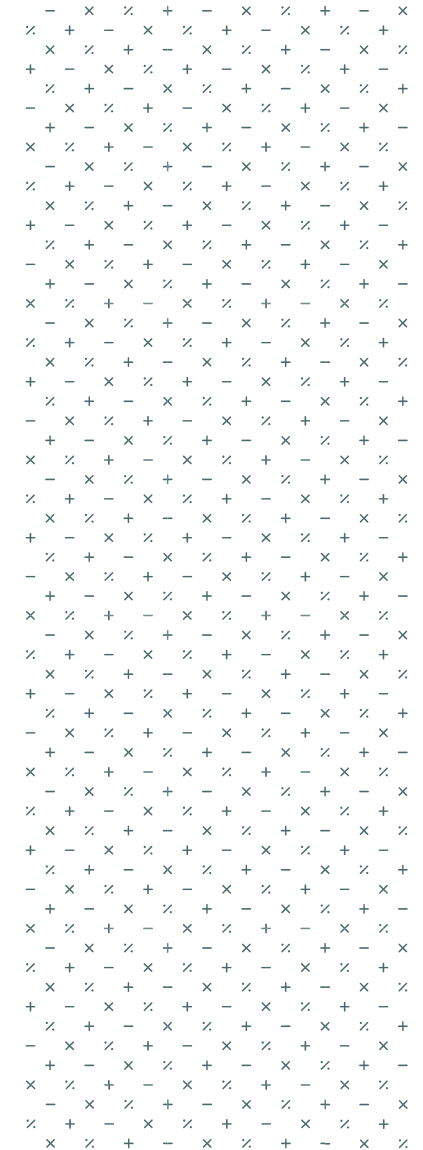
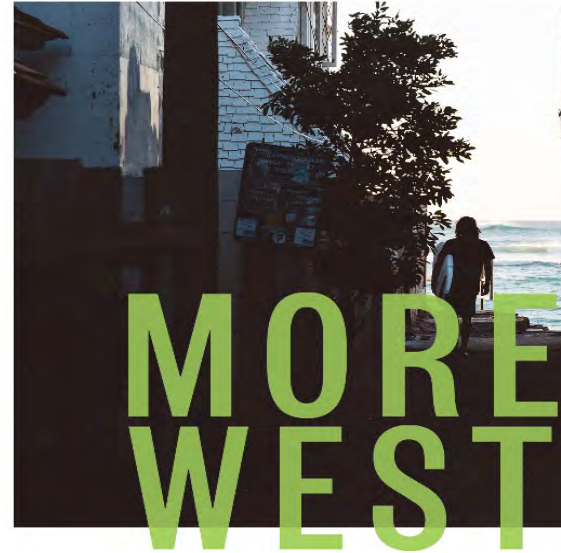
The University of New Mexico - Albuquerque: Central Campus





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 6621 ACADEMY PARKWAY W. NE ALBUQUERQUE, NM 87109
 P 505.883.3000 F 505.883.1719 INFORMATION@NATIONALROOFING.COM
 NATIONALROOFING.COM

PROJECT	UNM Bldg 60- Student Union - NRC Designated Area H		
ADDRESS			
ARCHITECT			
Avg. R = 6.65			
Scale: 0.06" = 1'	Total SqFt = 18266.0		



2021 Audit Results





Agenda

1. Auditors' Role
2. Auditor Opinions and Reports
3. Audit Findings



Auditor's Role

Roles of Moss Adams, the OSA and KPMG

Moss Adams is responsible for:

UNM main campus and branches financial statement audit — Single Audit of Federal Expenditures – entity-wide — for all non-clinical component units and departments — The Moss Adams reports on consolidated financials and internal controls and refer to clinical operations portions that are audited by KPMG.

OSA is responsible for:

Performing various audit procedures including test work of state audit rule and single audit procedures.

KPMG is responsible for:

UNM Clinical Operations (UNM Hospital, UNM Behavioral Operations, UNM Medical Group, and SRMC)

Financial Statement Audits – Audits performed in accordance with:

- Generally Accepted Auditing Standards
- Government Auditing Standards
- New Mexico State Auditor Rule 2.2.2 NMAC

Federal Grant Compliance Audit – audits of federal grants performed in accordance with OMB Uniform Guidance (Single Audit)

- Major programs tested: Mortgage Insurance Hospital Program, Education Stabilization Fund (Higher Education Emergency Relief Fund), Provider Relief Funds, and Uninsured Relief Funds

Auditor Opinions & Reports



Unmodified Opinion

Financial statements are presented fairly and in accordance with US GAAP (pg. 3)

Unmodified Opinion

GAGAS Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (pg. 164)

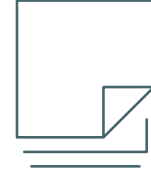
(GAGAS reports issued at the component levels vary from the consolidated report)

Unmodified Opinion

Report on Compliance with Requirements that could have a Direct and Material Effect on the Major Federal Programs and on Internal Control Over Compliance in accordance with the Uniform Guidance for Federal Awards (2 CFR Part 200) (pg. 166)



2021 Audit Findings- Financial Statement and Compliance



Basic Financial Statements (pg. 169) – None

Federal Award Findings and Questioned Costs (pg. 170) – None

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

2021-001. Assets Disposal –Noncompliance with NM State Audit Rule – UNM(pg. 172)

During our test work over state compliance, we noted one asset totaling \$63,523, was removed from the University's asset listing without notification to the Office of the State Auditor. This asset, as well as another asset in the amount of \$19,497 included on UNM's listing, were identified for removal by the University's IT Department, as unable to locate, during the physical inventory in 2019, yet the two assets remained on the asset listing through February of 2021.

2021 Audit - Section 12-6-5 NMSA 1978 Findings



2021-002. Other Matters in Accordance with 2.2.2.10(L)(1) NMAC – Control Deficiency (finding that does not rise to the level of significant deficiency) – User Access Review (Modified and repeated – 2017-001, 2018-004, 2019-004, and 2020-002) – UNM Hospital, UNM Behavioral Health Operations, Sandoval Regional Medical Center, and UNM Medical Group (pg. 173-174)

In our testwork related to controls over user access reviews, we noted in the one sampled quarter, for the in-scope systems (IDX, Soarian, and Lawson) lookback procedures or impact assessments were not completed after the user access reviews for the individuals identified for access change (termination, user change, etc.), to determine whether the user(s) performed any inappropriate activity from the time the applicable change noted/requested to the time they were removed from the application.

Also, in accordance with the organization's user account policy, access to applications must be disabled from applications within three business days of the termination date. We noted in our test of the design of the user termination control in the UNM Hospital Soarian system, a request for removal of access was not sent until 7 days after the user's terminations date. However, the system access removal was promptly completed within a day of receipt of the request.



The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Assurance, tax, and consulting offered through Moss Adams LLP. Wealth management offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.



THANK YOU



SCHOOL OF
MEDICINE

UNM GME Updates

Joanna R. Fair, MD, PhD

Senior Associate Dean of Graduate Medical Education

THE UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER

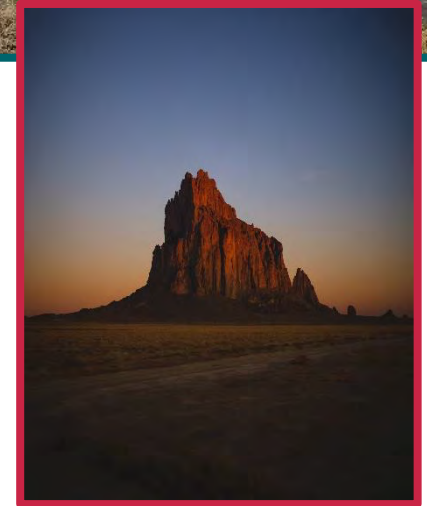
UNM GME Accreditation is in Excellent Standing

- UNM SOM Status: Continued Accreditation No citations
 - Renewed 1/2022
- UNM Programs' Statuses:
 - 65 Programs - Initial or Continued Accreditation
 - 0 – Programs with Probationary Accreditation
- Ongoing Continual UNM GME/GMEC Oversight



UNM GME is Growing

- New Accreditations 2020-21
 - UNM-Shiprock Family Medicine residency
 - Nuclear Radiology fellowship
 - Complex Family Planning fellowship
 - Regional Anesthesiology and Pain Medicine fellowship
- New Applications 2021-22
 - Neurological surgery residency—highly successful site visit; accreditation decision pending early April 2022
 - Epilepsy fellowship--accredited



Credit [Leonardo Corral](#)

UNM GME is Growing

- Expansions in progress

- Pediatrics
- Internal Medicine
- Psychiatry
- Physical Medicine and Rehabilitation
- Urology
- Radiology
- Dermatology
- Otolaryngology
- Child Neurology
- Neurocritical Care
- Pain Medicine
- Surgery
- Neurology
- Child Psychiatry
- Infectious Disease
- Hospice and Palliative Medicine
- Cardiology



Resident/Fellowship

Program FTE Growth

FY21= 670

FY22 = 690

FY23 = 720

Highlights of 2020-2021 UNM GME Annual Institutional Review

- Completed ACGME Institutional Self-Study in May 2021; major goals include training physicians for New Mexico, program director/coordinator support, and DEI initiatives
- Closely collaborated with health system in prioritizing resident/fellow safety during the pandemic, including early access to vaccinations
- Utilized Program Director/Program Coordinator committees for professional development and disseminating guidance during the pandemic
- Continued successful partnership with the UNM School of Medicine Learning Environment Office (LEO) to enhance institutional efforts to prevent, reduce, and address mistreatment and improve learning environments
- Established a resident/fellow DEI committee
- Successful residency recruitment/match season with all positions filled

Outcomes for 2021 UNM GME Residency/Fellowship Graduates

- Of all graduates who provided forwarding information, 41% were in New Mexico for practice or fellowship
- For our Family Medicine residency
 - 13/15 graduates stayed to practice in New Mexico
 - 2/3 are in rural
- For UNM Family Medicine + Internal Medicine + Psychiatry + Surgery + Emergency Medicine residencies combined:
 - 2/3 stayed in NM to practice or for fellowship

UNM Consolidated

FY 22

2nd Quarter Financial Report



General Overview

- History of the Monthly/Quarterly Financial Report to the Regents
- Integration with the Draft UNM 2040 Strategic Goals and Objectives
- UNM Consolidated Financial Report and Schedules
- Status of Current Capital Projects

History of the Monthly/Quarterly Financial Report to the Regents

- The old original report format was created approximately 16 years ago and was based on the Higher Education Department (HED) financial exhibit report. Since this was the primary report generated that included all campuses, it made sense to use this format as a basis for the Regents' Report.
- As time went on, additional narratives, charts and summaries were added to answer questions and to aid further understanding.
- We redesigned this report to more effectively communicate the financial status of the institution
 - The report must meet the current needs and goals of the University.
 - Incorporates historical, current, and projected revenue and expense data
 - Emphasis on revenue and cost drivers
 - Relevant narratives
 - From time to time, include updates on capital projects, legislative priorities, budget priorities and budget workplans

Integration with the UNM 2040 Strategic Goals and Objectives

(currently in draft status)

Workday Adaptive
Planning went live
September 2021



✓ Goal Four-Sustainability

- Objective 4- Build a culture of multi-year budgeting and benchmarking and ensure that all our business and academic processes are effective and efficient, with an eye towards productivity, delivery of excellent value, taking advantage of economies of scale and management of cost.

✓ Goal Five-One University

- Objective 3- Integrate administrative systems and processes to provide coordinated, efficient and high-quality services. Assess areas potentially including but not limited to planning, reporting, data and analytics, infrastructure, marketing and branding, investments, and government relations and identify areas of unnecessary duplication and areas for process improvement

Financial Exhibits - description

- Budget to actual financial exhibit
 - Provides status of institution as a certain point in time as compared to annual budget.
 - Used as a tool to inform if performance is as expected
 - Presented for combined enterprise, campus and health
 - Serves as the most recent fiscal projection for the current fiscal year

UNM Combined Enterprise FYTD as of December 31, 2021

Budget v. Actual Income Statement

(presented in millions, figures are unaudited and uneliminated)

	<u>FY22 Budget</u>	<u>FYTD Actuals</u>	<u>Diff</u>	<u>Budget % remaining</u>
Patient Services	\$2,112.7	\$1,019.3	(\$1,093.4)	51.75%
Research	462.7	271.6	(191.1)	41.30%
Appropriations	486.0	233.5	(252.5)	51.96%
Tuition and Fees	216.7	189.9	(26.8)	12.36%
Other Operating Revenue	417.2	194.0	(223.2)	53.50%
Investment and Other Nonoperating Revenue	334.6	77.6	(256.9)	76.80%
Total Revenues	\$4,029.9	\$1,985.9	2,043.9	50.72%
Salaries and Benefits	\$1,838.5	\$881.5	\$957.0	52.05%
Patient Costs	845.6	450.6	395.0	46.72%
Operating Expenses	715.6	273.1	442.6	61.84%
Capital Expenditures and Facility Costs	294.8	104.1	190.7	64.69%
Student Costs	140.4	83.4	57.0	40.58%
Research	166.7	19.6	147.1	88.23%
Total Expenses	\$4,001.6	\$1,812.2	2,189.4	54.71%
Net Income	\$28.2	\$173.7		

T H E U N I V E R S I T Y O F N E W M E X I C O

UNM Campus Segment FYTD as of December 31, 2021

Budget v. Actual Income Statement

(presented in millions, figures are unaudited and uneliminated)

	<u>FY22 Budget</u>	<u>FYTD Actuals</u>	<u>Diff</u>	<u>Budget % remaining</u>
Patient Services	\$11.6	\$6.9	(\$4.7)	40.88%
Research	207.3	154.2	(53.1)	25.62%
Appropriations	242.1	118.7	(123.4)	50.97%
Tuition and Fees	184.2	173.7	(10.5)	5.69%
Other Operating Revenue	266.4	108.8	(157.6)	59.16%
Investment and Other Nonoperating Revenue	308.1	58.9	(249.2)	80.89%
Total Revenues	\$1,219.7	\$621.1	598.6	49.08%
Salaries and Benefits	\$470.4	\$225.9	\$244.5	51.98%
Patient Costs	0.6	0.3	0.3	46.23%
Operating Expenses	426.0	92.6	333.4	78.26%
Capital Expenditures and Facility Costs	150.4	56.2	94.2	62.63%
Student Costs	134.0	83.4	50.5	37.72%
Research	38.3	19.6	18.7	48.75%
Total Expenses	\$1,219.7	\$478.1	741.6	60.80%
Net Income	(\$0.0)	\$143.0		

T H E U N I V E R S I T Y O F N E W M E X I C O

UNM Health Segment FYTD as of December 31, 2021

Budget v. Actual Income Statement

(presented in millions, figures are unaudited and uneliminated)

	<u>FY22 Original</u>			<u>Budget %</u>
	<u>Budget</u>	<u>FYTD Actuals</u>	<u>Diff</u>	<u>remaining</u>
Patient Services	\$2,101.1	\$1,012.5	(\$1,088.7)	51.81%
Research	255.4	117.4	(138.0)	54.03%
Appropriations	243.9	114.8	(129.1)	52.93%
Tuition and Fees	32.5	16.2	(16.3)	50.22%
Other Operating Revenue	150.8	85.2	(65.6)	43.50%
Investment and Other Nonoperating Revenue	26.5	18.8	(7.7)	29.12%
Total Revenues	\$2,810.2	\$1,364.8	1,445.4	51.43%
Salaries and Benefits	\$1,368.1	\$655.6	\$712.5	52.08%
Patient Costs	845.0	450.3	394.8	46.72%
Operating Expenses	289.6	180.5	109.1	37.68%
Capital Expenditures and Facility Costs	144.4	47.9	96.5	66.85%
Student Costs	6.5	-	6.5	100.00%
Research	128.4	-	128.4	100.00%
Total Expenses	\$2,782.0	\$1,334.2	1,447.8	52.04%
Net Income	\$28.2	\$30.6		

T H E U N I V E R S I T Y O F N E W M E X I C O

Key metrics – combined enterprise FY19-FY21

Metric	Description	Best practice	FY19	FY20	FY21 (draft)
Primary Reserve Ratio	Unrestricted net assets/expenses	> .4	.375	.40	.44
Net Operating Revenue Ratio	Income/Revenues	> 0	.018	.039	.07
Return on Net Assets Ratio	Change in net assets/Total net assets	.03 - .04	.056	.072	.137
Viability Ratio	Expendable net assets/Long term debt	> 1.0	1.487	1.785	2.78

*Ratios presented are calculated without final fiscal year adjustments included
FY21 will be filed with HED during normal reporting cycle (late Feb-mid-March)*

Composite Financial Index – Higher Learning Commission

The Higher Learning Commission (HLC) utilizes the Composite Financial Index (CFI) as an overall measure of financial health of the institution. HLC uses “ratio zones” to indicate a need for further review

- **Above the zone: CFI between 1.1 and 10.0**
 - No additional follow-up is required for institutions with a CFI that falls above the zone.
- **In the zone: CFI between 0 and 1.0**
 - If an institution reports a CFI that falls within the zone for the first time, HLC will issue a Letter of Concern.
 - If an institution reports a CFI that falls within the zone for the second consecutive year, HLC will require the institution to undergo a panel review process. The process will require the institution to submit additional financial documents that will be reviewed by peer reviewers.
- **Below the zone: CFI between -4 and -0.1**
 - If an institution reports a CFI that falls below the zone, HLC will require the institution to submit a report and undergo a panel review process. The process will require the institution to submit additional financial documents that will be reviewed by peer reviewers.

➤ Source: <https://www.businessofficermagazine.org/features/making-the-grade/>

Composite Financial Indicator Score (Index) – peer comparison

(As submitted to the Higher Education Department of New Mexico)

School	FY18	FY19	FY20
New Mexico Mining and Technology	5.15	4.86	5.41
University of New Mexico	2.60	2.94	3.58
New Mexico State University	2.35	2.55	3.00

Composite Financial Index (CFI): Comprised of the prior 4 ratios (primary reserve, net operating revenues, return on net assets, and viability) that are weighted and scored on a scale to create a single score of financial health. This ratio is best used to indicate trends over the course of time.

Ratios presented are calculated without final fiscal year adjustments included

Source: <https://hed.state.nm.us/resources-for-schools/institutional-finance/higher-education-department-audits/composite-financial-index-scores>

Projects in Construction – Main/Branch Campuses

Project Name	Square Footage	Total Project Costs	Construction Start Date	Target Substantial Completion Date	On Schedule
UNM ROTC Renovation	20,600	\$10,767,379	09/01/2021	11/04/2022	✓
Valencia Workforce Training Center	19,095	\$8,374,810	02/15/2021	01/04/2022	✓
Klauer Campus Career Center (Pathways)	11,950	\$6,229,500	03/01/2021	01/24/2022	✓

ROTC Renovation



ROTC Renovation



THE UNIVERSITY OF NEW MEXICO

Valencia Workforce Training Center



THE UNIVERSITY OF NEW MEXICO

Valencia Workforce Training Center



THE UNIVERSITY OF NEW MEXICO

Klauer Campus Career Center (Pathways)



THE UNIVERSITY OF NEW MEXICO

Klauer Campus Career Center (Pathways)



THE UNIVERSITY OF NEW MEXICO

Projects in Construction – Health Sciences Center

Project Name	Square Footage	Total Project Costs	Construction Start Date	Target Substantial Completion Date	On Schedule
UNMH New Hospital Tower	570,774	\$590,511,381	07/06/2021	10/03/2024	✓
Parking Garage, Materials Management, Central Utility Plant	558,532	\$120,653,423	07/14/2020	10/06/2022	✓
Center for Movement Disorder and Senior Primary Care	32,000	\$19,400,000	01/18/2021	06/30/2022	✓
Interdisciplinary Substance Use and Brain Injury (ISUBI) Center	15,700	\$12,555,750	01/03/2021	11/15/2021	✓

UNMH New Hospital Tower



THE UNIVERSITY OF NEW MEXICO

UNMH New Hospital Tower



THE UNIVERSITY OF NEW MEXICO

UNMH Parking Garage



THE UNIVERSITY OF NEW MEXICO

Center for Movement Disorder & Senior Primary Care



THE UNIVERSITY OF NEW MEXICO

Center for Movement Disorder & Senior Primary Care



THE UNIVERSITY OF NEW MEXICO

ISUBI Research addition



THE UNIVERSITY OF NEW MEXICO



THE UNIVERSITY OF NEW MEXICO



Memo

To: Teresa Costantinidis, UNM Senior Vice President for Finance and Administration

From: Kelly S. Ward, Director of Business Development
Lobo Development Corporation

Date: January 18, 2022

Re: Project Development Proposal and Agreement, UNM Owned Land at Central Ave.
and University Blvd.

Lobo Development Corporation is seeking approval of the attached Project Development Proposal and Agreement. The Lobo Development Board of Directors approved the agreement on December 9, 2021.

The proposed development site is approximately 3.8 acres located on the northwest corner of Central and University and is envisioned as a mixed-used zone that will provide a range of retail, office, and housing. It currently houses the UNM Center for Advanced Research Computing (CARC), several UNM College of Fine Arts Programs, and storage rooms for UNM Facilities Management.

The 2009 UNM Master Plan identified the site for commercial development. This has since been reaffirmed through various planning documents and with the recent adoption of the South Campus Tax Increment Development District (TIDD) which extended north to include this site.

The University and Lobo Development Corporation have been in preliminary discussions with the City of Albuquerque and Bernalillo County regarding future development on the site. There is a desire to utilize the site for a mixed-use commercial and residential housing development. The residential components would be oriented toward the workforce housing market to take advantage of the transportation, employment, local incentive (funding) programs and redevelopment in the area. Discussions have been at a concept level and issues related to site control, development approvals, deal structure, and long-term financial benefits have yet to be detailed. At this stage, Lobo Development Corporation would like to formally engage with the City of Albuquerque on behalf of the Regents and start taking steps to prepare the site by demolishing a vacant building at the corner of University and Central (PATs Building).

Any proposed development and corresponding deal structure will be presented to the Lobo Development Corporation Board and the UNM Regents for approval.

PROJECT DEVELOPMENT PROPOSAL AND AGREEMENT
Real Estate Development and Management of Regent-Owned Land

Effective _____, 2022 (the “Effective Date”), THE REGENTS OF THE UNIVERSITY OF NEW MEXICO and LOBO DEVELOPMENT CORPORATION (each a “Party” and together the “Parties”) agree as follows:

1. Background.

- a. Lobo Development Corporation (“LDC”) is a nonprofit research park corporation created by and operated for the benefit of The Regents of the University of New Mexico, a body corporate of the State of New Mexico (“UNM”) pursuant to the New Mexico University Research Park and Economic Development Act, NMSA 1978 Sections 21-28-1 et. seq. (“URPEDA”). LDC was created to provide real estate management and development services to and in support of UNM.
- b. The real estate subject to this Agreement is an approximately 3.8-acre site located on the northwest corner of Central and University shown on Attachment A (the “Real Estate”). The Real Estate is owned by UNM. The Real Estate is comprised of four individually platted parcels which are contiguous. The legal descriptions are: Tract of land being all of BLK 9 including VAC alleys and Pine St. NE and all of LTS 1 thru 4 and the WLY 18.54 Ft of LTS 5 thru 10 BLK 10 Brownwell and Lail’s Highland ADDN, Cont 3.2713 acres; LT 3 BLK 8 Brownwell and Lail’s Highland ADDN and Vacated E1/2 of North to South Alley of and adjacent to Lot 3, Cont .1854 acres; *002 008B X L Highland, Cont .1607 acres; 001 008B X L Highland Cont .1607 acres.
- c. The 2009 UNM Master Plan identified the Real Estate for commercial development (Attachment B). This has since been reaffirmed through various planning documents and with the recent adoption of the South Campus Tax Increment Development District (TIDD) which extended north to include the Real Estate.
- d. As provided for in Section 1.3 of the Memorandum of Agreement between UNM and LDC dated August 12, 2008 (the “MOA”), LDC or UNM may present a Development Proposal to the other party for concurrence. LDC is initiating and offering for concurrence this Development Proposal and Agreement (“Agreement”) for the development of the Real Estate.

2. Purposes of LDC and the Real Estate Development and Management Framework. Under Article III of the Articles of Incorporation of LDC, LDC was organized and is to be operated for the benefit of, to perform functions of, and to carry out the purposes of UNM. Under this proposal, LDC desires to serve as the real estate developer and manager of the Real Estate in accordance with the terms and conditions of this Agreement, the LDC Articles of Incorporation, the LDC Bylaws, and the MOA.

3. Role of LDC. In accordance with the terms of this Agreement and in consultation and coordination with the UNM Real Estate Department, LDC will develop, implement, and manage plans for the financing, constructing and leasing of improvements on the Real Estate (the “Project”).
4. UNM Determinations. UNM previously found and affirmed that the Real Estate is appropriate for commercial development as noted in the 2009 Master Plan, 2011 Land Use Planning, and the 2021 South Campus Tax Increment Development District application and formation documents.
5. LDC Intent. It is the intent of LDC to plan and execute mixed-use commercial development on this Real Estate that may include workforce housing, retail and/or office uses.
6. Coordination with the UNM Real Estate Department and other UNM Departments as Necessary. It is the intent of LDC to coordinate real estate development efforts with the UNM Real Estate Department. Additionally, it is understood that there exist current UNM uses on the Real Estate. As such, and to the extent necessary, LDC will participate in the planning and coordination of relocation efforts for those programs.
7. No Signature Authority Granted to LDC. Notwithstanding any provision of URPEDA or this Agreement, LDC shall not have the authority or power to bind UNM under any third-party agreement or encumber or lease the Real Estate. All agreements with third parties that impose obligations on UNM or that encumber or lease the Real Property shall be authorized and signed on behalf of UNM by the UNM President or the Senior Vice President for Finance and Administration.
8. Revenue and Expenses of Project and LDC. Except through written agreement between the UNM Board of Regents and LDC, entered into after the Effective Date, UNM will not provide funding for the Project. All revenues derived from the Project, including revenues derived from the leasing of improvements on the Real Estate entered into on or after the Effective Date, shall be retained by or paid to LDC as the manager of the Project and the Real Estate and used by LDC for the purposes of the Project, including payment of expenses of the Project and the Real Estate.
9. Participation of Other Governmental Units. It is anticipated that the City of Albuquerque, Bernalillo County, or other governmental units may desire to participate in the Project and LDC is encouraged to obtain such participation.
10. Term. This Agreement shall be effective as of the Effective Date and shall remain in effect until terminated in writing by either Party effective at least two (2) months in advance of the date of termination.

11. Approvals. This Agreement was approved by the UNM Board of Regents on _____ and by the LDC Board of Directors on _____.

AGREED:

The Regents of the University of
New Mexico, a body corporate of
the State of New Mexico

By: _____

Its: _____

Lobo Development Corporation
a New Mexico nonprofit, research
park corporation

By: _____

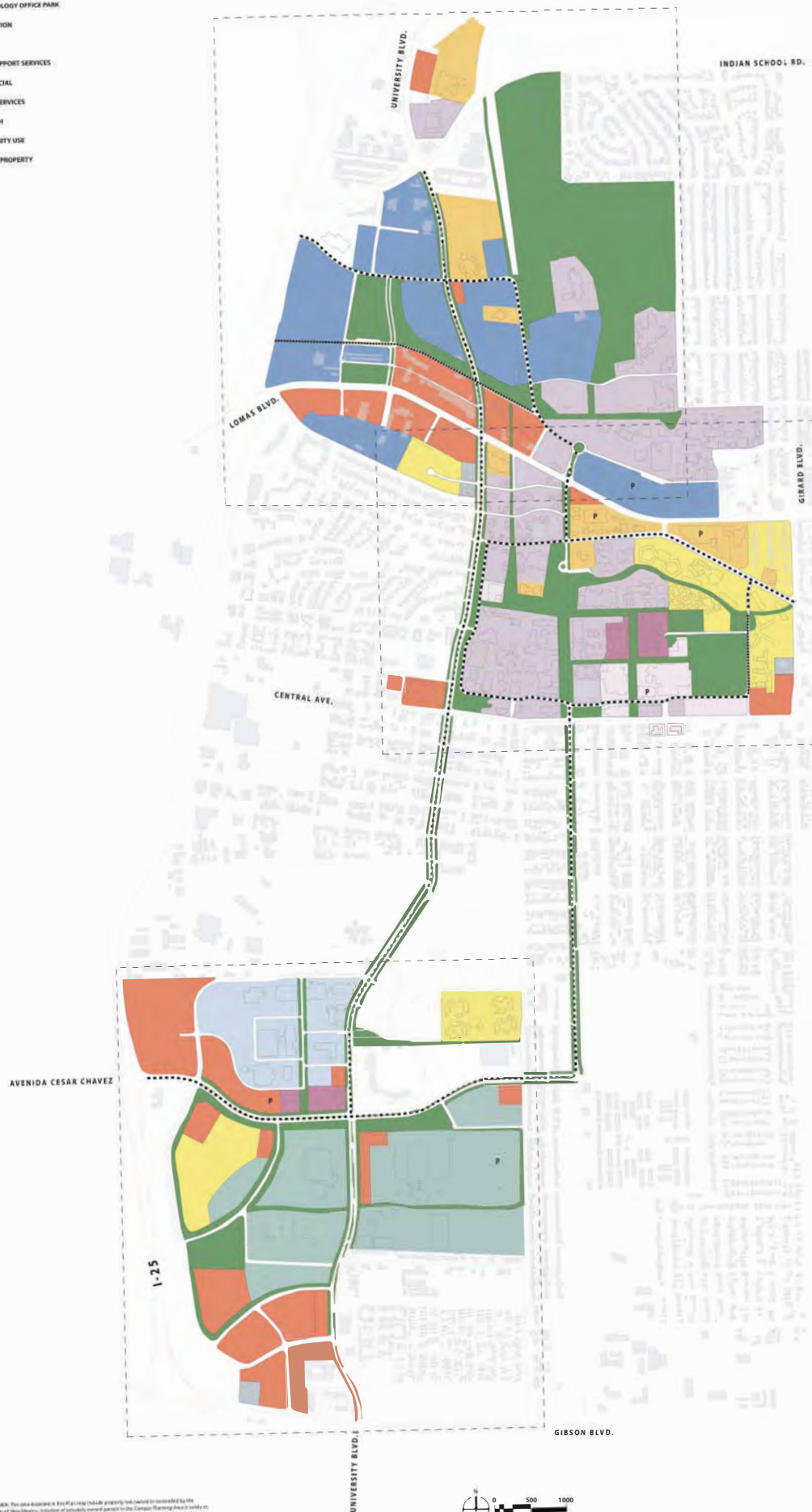
Its: _____

ATTACHMENT A



ATTACHMENT B

- ATHLETICS
- HOSPITAL/CLINIC
- SCIENCE AND TECHNOLOGY OFFICE/PARK
- OPEN SPACE/RECREATION
- RESIDENTIAL
- ADMINISTRATION/SUPPORT SERVICES
- MIXED USE/COMMERCIAL
- STUDENT SUPPORT SERVICES
- ACADEMIC/RESEARCH
- ACADEMIC/COMMUNITY USE
- LEASED UNIVERSITY PROPERTY
- ACCESS
- LIMITED ACCESS



NOTICE: This case described in this Plan may include property both owned or controlled by the University of New Mexico. Violation of privately owned property in the Campus Housing Area is subject to University disciplinary action and does not have any legal effect. UNM does not accept any ownership interest in any Private Property. Use or development of privately owned property is under the control of property owners, subject to applicable zoning and private land use restrictions. These plans are illustrative only and should not be relied on by third parties without consulting the UNM Office of Real Estate at 360-237-4630.





Supporting Technology Transfer and
Catalyzing Economic Development
at the University of New Mexico

ANNUAL REPORT TO THE BOARD OF REGENTS OF THE UNIVERSITY OF NEW MEXICO

Presented by Lisa Kuuttila,
CEO & Chief Economic Development Officer
UNM Rainforest Innovations

February 8, 2022

UNM RAINFOREST INNOVATIONS BOARD OF DIRECTORS



Ms. Sandra Begay
Chair, UNM Rainforest Innovations
Board of Directors



Ms. Terri L. Cole
Vice Chair, UNM Rainforest Innovations
Board of Directors



Dr. James P. Holloway
Vice Chair, UNM Rainforest Innovations
Board of Directors



Dr. John H. Stichman
Secretary & Treasurer,
UNM Rainforest Innovations Board of Directors



Ms. Elizabeth (Lisa) Kuuttila
CEO & Chief Economic Development Officer, UNM Rainforest Innovations



Mr. Joe Christian



Dr. Christos Christodoulou



Dr. Julie Coonrod



Ms. Teresa Constantinidis



Dr. Ellen Fisher



Dr. Robert Fisher



Mr. David Foster



Mr. David W. Gibson



Mr. Riis Gonzales



Ms. Maria Griego-Raby



Dr. Kelly Hammett



Dr. Richard Larson



Dr. Richard Luarkie



Dr. Gregg L. Mayer



Dr. Mitzi M. Montoya



Mr. Robert Nath



Dr. Eric Prossnitz



Mr. Alex O. Romero



Dr. Alton Romig, Jr.



Ms. Kimberly Sanchez Rael



Dr. Garnett S. Stokes



Dr. John C. Stormont

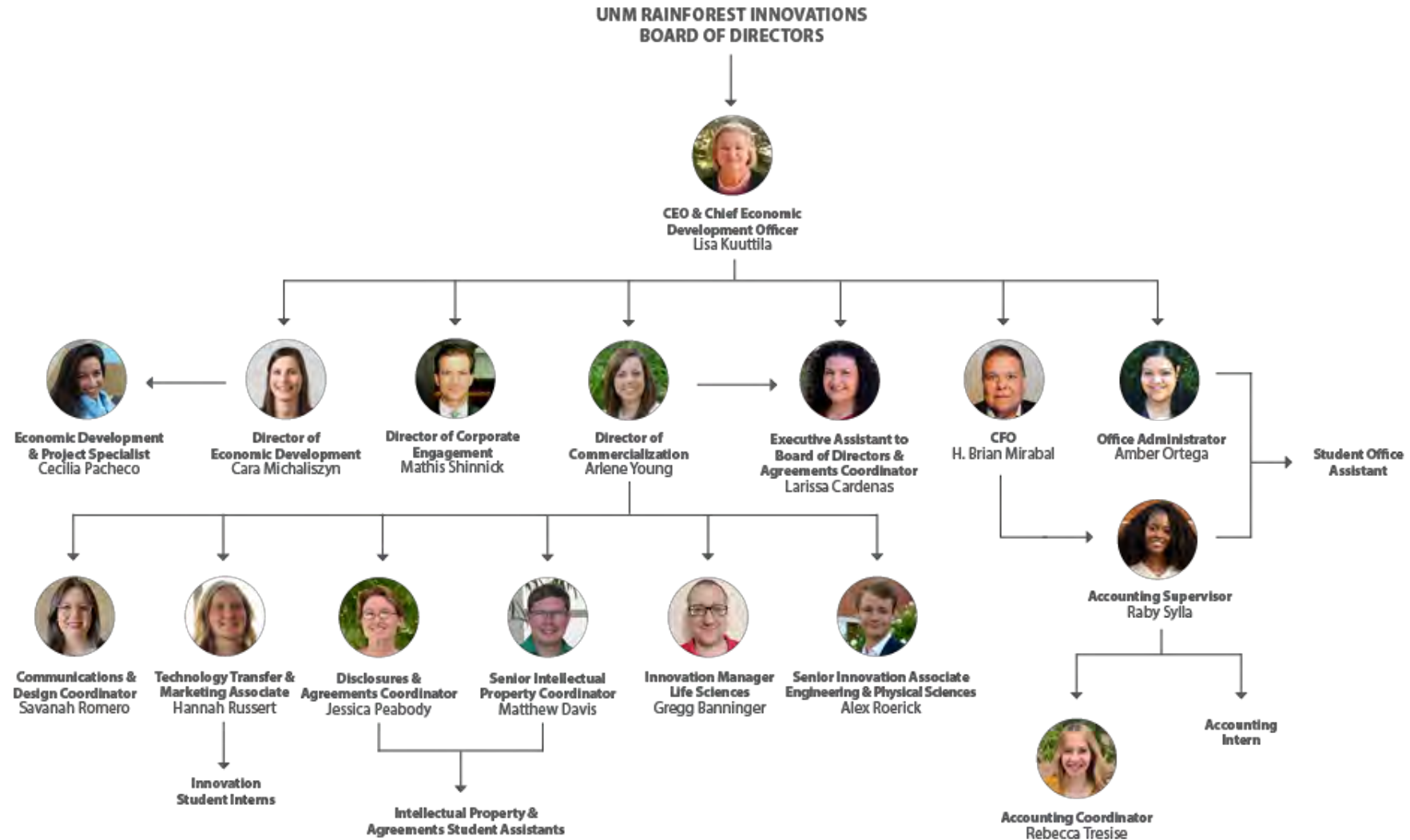


Mr. Charles Wellborn



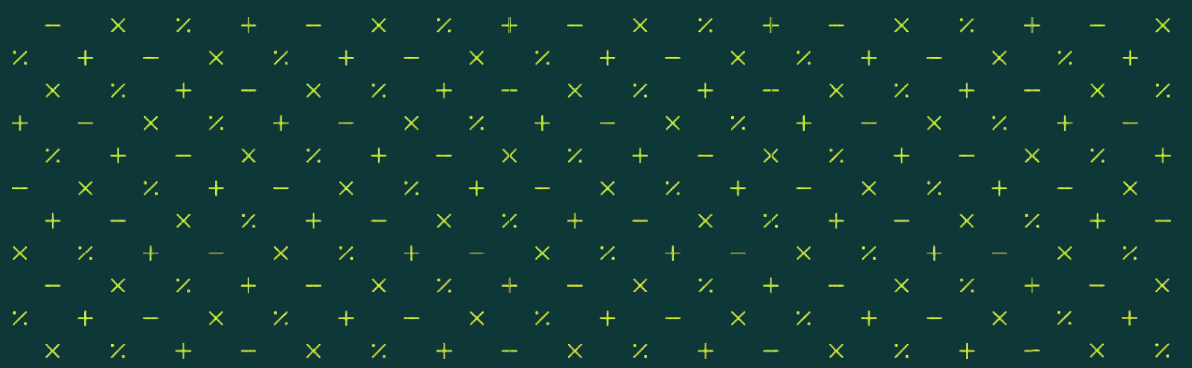
Dr. Douglas Ziedonis

STAFF ORGANIZATIONAL CHART



OUTLINE

- ❖ FY 2021 Audit Results
- ❖ FY 2021 Accomplishments
 - Technology Transfer
 - Economic Development
 - Board Retreat: Future Scenario Planning
- ❖ FY 2021 Data, Income Analysis & Forecast



UNM Rainforest Innovations

Audit Exit Conference

September 7, 2021



Your Service Team

Name	Role	Contact
Lisa Todd	Partner	lisa.todd@mossadams.com 505-837-7653
Josh Lewis	QC Reviewer	josh.lewis@mossadams.com 505-837-7617
Sheila Herrera	Senior Manager	sheila.herrera@mossadams.com
Lauren Kistin	Senior Manager	lauren.kistin@mossadams.com
Lauren Casias	Audit Senior	lauren.casias@mossadams.com



Overview of Current Year Audit

- Unmodified independent auditors' report
 - Unmodified = a clean opinion
- Unmodified Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With *Government Auditing Standards*



Overview of Current Year Audit

Our Consideration of Fraud

- We consider internal control over financial reporting as a basis for designing our auditing procedures but not for the purpose of expressing an opinion on the effectiveness of UNM Rainforest Innovation's internal control
- We do not design our audit to specifically detect fraud but are required to communicate any instances detected by our procedures



Communications With Those Charged With Governance

- Significant accounting policies are the responsibility of Management – are defined in Note 2 in the financial statements with no significant changes from prior year
- We noted no transactions entered into by UNM Rainforest Innovations during the year for which there is a lack of authoritative guidance or consensus
- Additional time spent auditing license settlements and related costs, incentive compensation



Communications With Those Charged With Governance

- Significant Accounting Estimates
 - Allowance of accounts receivable
 - Estimated useful lives of capital assets
 - Compensated absences
 - Valuation of investments
- Audit adjustments
 - No audit adjustments or passed adjustments



Verbal comments

- Noted trivial misstatements in our licensing and royalties revenue testing:
 - \$7,542 of revenue related to FY20 was recorded in FY21
 - Royalty sharing payables were understated by \$11,503
 - Based on known misstatements in our sample, we projected/estimated a possible additional overstatement of revenue of \$11,858, and possible additional understatement of liabilities of \$19,659
 - All impacts – actual and estimated – are immaterial. Management has passed on adjusting FY21 balances.
 - We recommend that accounts/contracts are more carefully reconciled at year-end.



Communications With Those Charged With Governance

- To our knowledge, management has not consulted with other independent accountants
- No issues discussed prior to our retention as auditors
- We will be requesting certain representations from management in our management representation letter to be signed prior to the issuance of the financial statements
- No noncompliance with laws and regulations
- No fraud noted

PRESIDENT'S REPORT FY 2021

FY 2021 ACCOMPLISHMENTS

TECNOLOGY TRANSFER

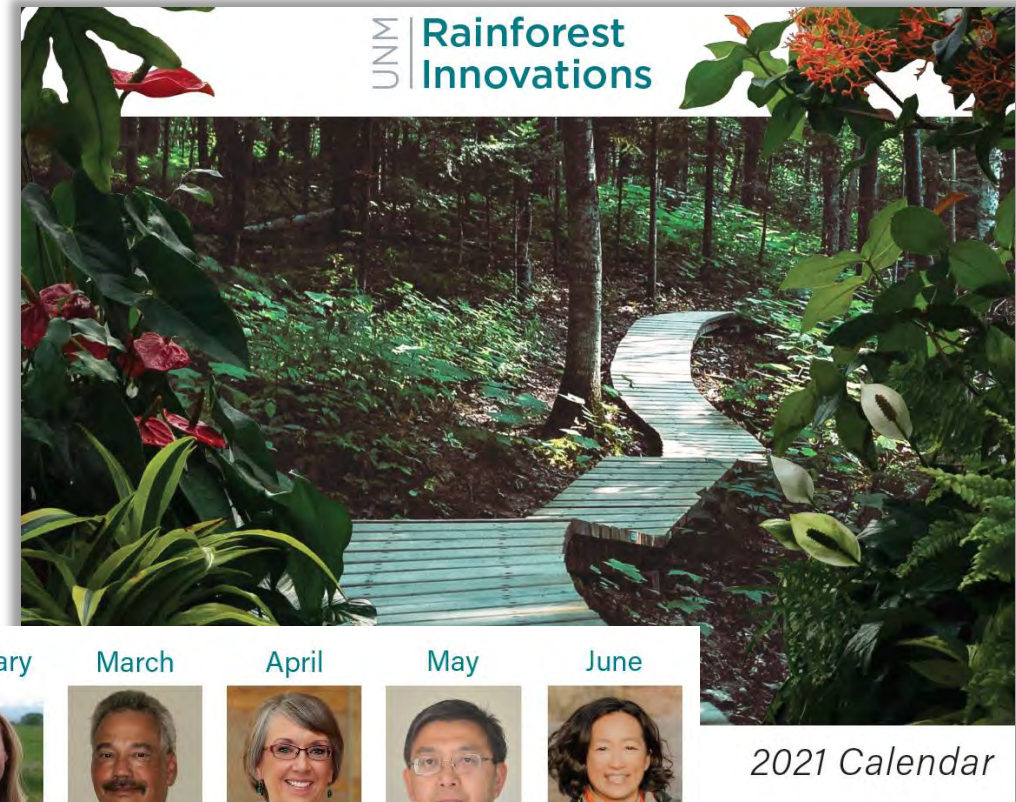
Metrics

	FY 2018	FY 2019	FY 2020	FY 2021 (Goal)	FY 2021 (Actual)	% of Goal
Disclosures	107	125	127	125	81	65%
New U.S. Patent Applications Filed	93	102	77	---	64	---
Issued U.S. Patents	51	59	46	---	54	---
Option/License Agreements	52	52	47	50	43	86%
Start-up Companies	11	11	4	8	6	75%
Patent Expenses						
• Licensee Initiated	\$557,531	\$667,648	\$459,529	\$545,000	\$624,287	115%
• UNM Rainforest Innovations Initiated	\$885,030	\$886,475	\$1,007,541	\$841,670	\$970,128	115%
License Revenues	\$1,470,078	\$1,330,759	\$52,317,796	\$1,749,000	\$54,521,482	3117%
Patent Cost Reimbursement Revenues	\$621,413	\$623,274	\$480,334	\$580,000	\$624,287	108%
Combined License & Patent Cost Reimbursement Revenues	\$2,091,491	\$1,954,033	\$52,798,130	\$2,329,000	\$55,145,769	2368%
Total Revenues (excludes funding from UNM)	\$2,490,951	\$2,407,927	\$54,341,187	\$2,761,228	\$55,733,707	2018%

SUPPORTING UNM

Inventors Featured in 2021 Calendar

- ❖ Sang Eon Han, UNM Main
- ❖ Jennifer Gillette, HSC
- ❖ Fernando Garzon, UNM Main
- ❖ Carolyn Muller, HSC
- ❖ Ying-Bing Jiang, UNM Main
- ❖ Karin Westlund High, HSC
- ❖ Steven Bradfute, HSC
- ❖ Eva Chi, UNM Main
- ❖ Kathryn Fietze, HSC
- ❖ Ladan Arissian, UNM Main
- ❖ Kiran Bhaskar, HSC
- ❖ Alexander Neumann, UNM Main



January	February	March	April	May	June
					
Sang Eon Han, Ph.D.	Jennifer Gillette, Ph.D.	Fernando Garzon, Ph.D.	Carolyn Muller, Ph.D.	Ying-Bing Jiang, Ph.D.	Eva Chi, Ph.D.
July	August	September	October	November	December
					
Steven Bradfute, M.D.	Kathryn Fietze, Ph.D.	Kiran Bhaskar, Ph.D.	Ladan Arissian, Ph.D.	Peter Vorobieff, Ph.D.	Karin Westlund High, Ph.D.

SUPPORTING UNM

Innovation Fellow Wall

A new Rainforest Innovation Fellow wall has been installed at the Lobo Rainforest Building. This wall is to recognize the hard work and significant accomplishments of the thirteen Rainforest Innovation Fellows selected to date and those who will be honored in the future.



SUPPORTING UNM

National Academy of Inventors Fellow

- ❖ Larry Sklar, Ph.D.
Emeritus Professor
Department of Molecular
Genetics & Microbiology
- ❖ Named a 2020 Fellow of the
National Academy of Inventors
- ❖ 2020 Fellows will be inducted on
June 8, 2021 in Tampa, Florida





NATIONAL ACADEMY of INVENTORS FELLOW



2021 Fellow

David G. Whitten, Ph.D.

Distinguished Professor, Department of Chemical & Biological Engineering
Associate Director, Center for Biomedical Engineering
The University of New Mexico



2019 Fellow

Bryce Chackerian, Ph.D.

Professor, Department of Molecular Genetics & Microbiology
The University of New Mexico



2016 Fellow

Gabriel P. López, Ph.D.

Professor, Department of Chemical & Biological Engineering
Founding Director and Member, Center for Biomedical Engineering
The University of New Mexico



2020 Fellow

Larry A. Sklar, Ph.D.

Emeritus Professor, Department of Pathology
The University of New Mexico



2017 Fellow

Cheryl L. Willman, M.D.

Distinguished Professor of Pathology
The University of New Mexico
Director & CEO of the UNM Comprehensive Cancer Center



2015 Fellow

C. Jeffrey Brinker, Ph.D.

Distinguished and Regents' Professor, Department of Chemical & Biological Engineering
Professor, Department of Molecular Genetics & Microbiology
Member, UNM Cancer Center
The University of New Mexico



2019 Fellow

David S. Peabody, Ph.D.

Professor, Department of Molecular Genetics & Microbiology
The University of New Mexico



2017 Fellow

Plamen B. Atanasov, Ph.D.

Distinguished Professor of Chemical and Biological Engineering
Director of the UNM Center for Micro-Engineered Materials



2015 Fellow

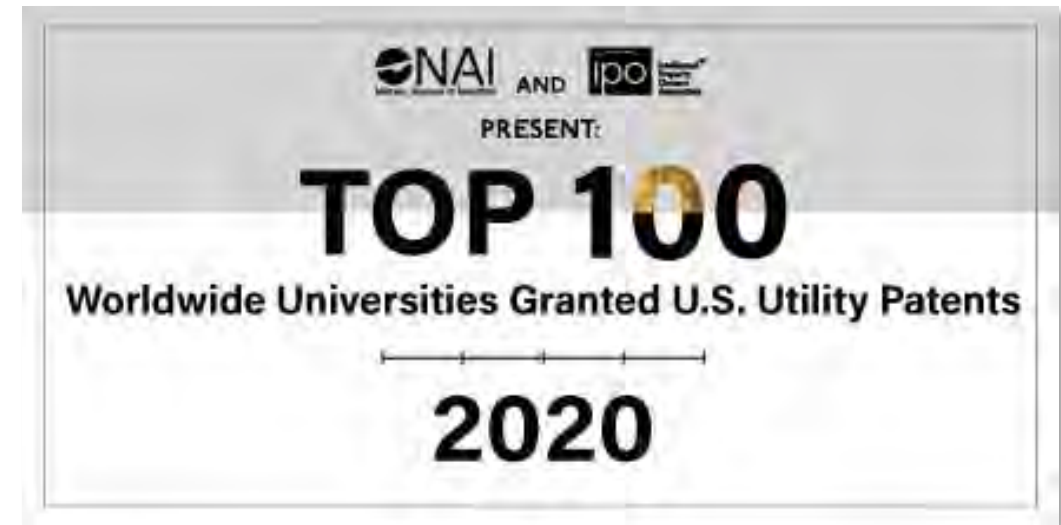
Steven R. J. Brueck, Ph.D.

Distinguished & Professor Emeritus
Department of Electrical & Computer Engineering
Department Physics & Astronomy
Center for High Technology Materials
The University of New Mexico

SUPPORTING UNM

NAI Ranking

- ❖ UNM makes list of top 100 worldwide universities with largest number of issued US patents for the seventh year in a row.
- ❖ Recognized by National Academy of Inventors (NAI) and the Intellectual Property Owners Association (IPO)
- ❖ Ranked 86th in 2020



SUPPORTING UNM

E-Newsletters FY 2021

Monthly news, events & updates

Building a Rainforest in the Desert | December 2020

Milken Institute Ranks New Mexico 18th on State Technology and Science Index

[Read more](#)

Editorial: A Rainforest That Works – Even in the New Mexico Desert

By Albuquerque Journal Editorial Board

[Read more](#)

UNM Rainforest will be Closed December 23, 2020 - January 1, 2021 for Winter Break

Upcoming Events

[See what's happening](#)

UNM Rainforest Innovations Celebrates 25th Anniversary



On November 18, UNM Rainforest Innovations celebrated its 25th anniversary with a virtual celebration. Over 80 guests attended the event to celebrate this milestone.

also honor the 2020 Rainforest Innovation Fellow, David G. Whitten.

Dr. Whitten has excelled as a University of New Mexico, and has received 17 issued patents. He has a desire to find a better method to develop novel antimicrobial oligomers, and conjugated polymers with unique properties as antimicrobial agents (e.g., viruses, fungi and biofilms in processes). Dr. Whitten's research focuses on the mechanisms by which these materials act on several potential antimicrobial properties.

[Watch event recording](#)

[Read more](#)

Kevin Robinson-Avila's No. 1 "UNM Rainforest Innovations" featured in the Albuquerque Journal.



Dr. David Whitten has over 50 years of experience as a scientist and an academic. He moved to New Mexico in 2005 and has since been an inventor, disclosing 33 technologies and 17 issued patents. He was selected as a Distinguished Professor in 2011 and is the Director for the Center for Biomaterials and Interfaces. He also serves as Associate Editor for Materials and Interfaces.

[Read more about his journey and accomplishments](#)



UNM Rainforest For CABQ Economic Development Presentation

November 19, 4:00-5:00 p.m. (Mountain Time)

Join us to hear from Cynthia Jaramillo, Director of Economic Development, City of Albuquerque, on the City's plan to position Albuquerque to step into its future.

[REGISTER](#)

In the Spotlight - Featured Inventor

2017 Rainforest Innovation Fellow



Bryce Chackerian, Ph.D.

Professor and Vice-Chair
Department of Molecular Genetics & Microbiology
Member, Comprehensive Cancer Center
Member, Center for Infectious Disease and Immunity
The University of New Mexico

As a 2017 Innovation Fellow, Dr. Chackerian is recognized as a pioneering innovator in developing the next generation of vaccines for viruses, pathogens and chronic diseases and a dedicated mentor to the next generation of vaccine researchers. Dr. Chackerian has been working on vaccine development using nanoparticle-based platforms for over 20 years. The overall aim of his work is to develop simple, effective vaccines that make an impact on human health worldwide.

[READ MORE](#)

Carrying Out Customer Discovery in a Virtual World Rainforest Webinar

October 14, 11:00 a.m. - 12:00 p.m.



Presented by Susan Cornelius, learn how to conduct market research, carry out customer discovery and navigate the development of your start-up in the virtual world of Covid-19. This workshop will give you strategies so that you can continue to develop your company and cater to the right customers in this new "virtual world."

[REGISTER](#)

11 U.S. Patents Issued to UNM Rainforest Innovations for UNM Technologies in July, August, and September

[See the list](#)

UNM Rainforest Innovations Board Chair Wins 2020 Indigenous Excellence Award



The American Indian Science and Engineering Society (AISES) announced that Sandra Begay, the UNM Rainforest Innovations Board Chair, has been awarded the 2020 Indigenous Excellence Award. Sandra Begay is the Sandia National Laboratories R&D Researcher – Principal Member of the Technical Staff, Board Chair of Rainforest Innovations, and a Regent of the

Annual AISES Professional Awards Program recognizes the significant contributions of Indigenous students and professionals in six different categories. The Indigenous Excellence Award is a prestigious honor, only awarded to those who have demonstrated substantial and impactful work to advance the field and opportunities for Indigenous students and professionals in STEM education and careers.

SUPPORTING UNM

25th Anniversary Celebration Webinar

❖ November 17, 2020, 4:00-5:00pm

Agenda		
4:00 – 4:10 pm	Welcome and Opening Remarks: 25 Year Milestone	Sandra Begay
4:10 – 4:20 pm	UNM Rainforest Innovations' Value to the University of New Mexico	Garnett Stokes
4:20 – 4:25 pm	Introduction of Dr. David Whitten	Lisa Kuuttila
4:25 – 4:50 pm	Keynote by 2020 Rainforest Innovation Fellow	David Whitten
4:50 – 5:00 pm	Closing Remarks: Reflection on the Past 25 years and Looking Ahead	Gregg Mayer

Recording available on Rainforest Innovations YouTube Channel: <https://youtu.be/Tv3Xy1sIJ5Q>.

UNM Rainforest Innovations

25th Anniversary

Please join us for an
Anniversary Celebration

Tuesday, November 17, 2020 ▪ 4:00 - 5:00 pm ▪ Online Event

This year marks UNM Rainforest Innovations' 25th Anniversary! Join us as we celebrate this milestone year and honor the 2020 Rainforest Innovation Fellow:

David G. Whitten, Ph.D.

Distinguished Professor, Department of Chemical & Biological Engineering
Associate Professor, Center for Biomedical Engineering

To register for this event, click on the button below.

[Click Here](#)

UNM Rainforest Innovations



SUPPORTING UNM

NMTC Women in Technology

- ❖ Sandra Begay is a 2021 NMTC Women in Technology Honoree.
- ❖ The applicants were evaluated on four criteria: Impact to their Profession, Volunteerism, Mentorship, and Entrepreneurialism.
- ❖ Honoree video:
<https://www.youtube.com/watch?v=6owa5pl8FKY>



Sandra Begay
Principal Member of
Technical Staff
Sandia National Laboratories

Sandra has worked at Sandia National Laboratories for 29 years. She previously worked at the Lawrence Livermore National Laboratory and Los Alamos National Laboratory as a facilities engineer. Sandra is well known in the minority engineering and science arenas for her engaging presentations and advocacy for diversity within the STEM fields.



SUPPORTING UNM

NMTC Women in Technology Awards Event Ad

“Dear Lisa, I wanted to say 'thank you' for this email and recognition. It has been a tough year due to COVID losses and the need to conduct teaching and keep research going under virtual circumstances, and seeing this email in my inbox (arrival was delayed by several weeks until this afternoon!) was a lovely surprise.”

- Susan Atlas, Associate Professor, Chemistry



*Our hats go off to women innovators at
the University of New Mexico!*

 UNM Rainforest Innovations
Lobo Rainforest Building
101 Broadway Blvd. NE, Suite 1100
Albuquerque, NM 87102
(505) 272-7900
innovations.unm.edu



START-UP SUPPORT

New Start-up Option/Licenses Signed – FY 2021

- ❖ VIC Foundry, Inc.
 - Option signed
- ❖ Nanoplasmonics, LLC
 - Option signed
- ❖ Flagship Labs 72, Inc.
 - Option signed
- ❖ Mike Freedland & Ian Rennie
 - Option signed
- ❖ Troy Sensor Company, LLC
 - Option signed
- ❖ Advanced Concepts in Biology, LLC
 - Option signed

PRESIDENT'S REPORT FY 2021

ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

UNM Rainforest Forum – FY 2021

- ❖ Formerly the UNM Economic Development Forum; Over 200 members from the business community. Meetings began August 24, 2012, meetings now quarterly

Speaker(s)	Date	Topic (Recordings linked)
NSF I-Corps Mentor Panel: Tom Chepucavage, Susan Cornelius, Bill Szaroletta, Denise Pliskin, Robert Frank; Moderated by: Lisa Kuuttila and Rob DelCampo	9/17/2020	<u>What is the NSF I-Corp program? And testimonies from I-Corp mentors about program experiences.</u>
Synthia Jaramillo, Director, Economic Development, City of Albuquerque	11/19/2020	<u>City's plan to position Albuquerque to step into its future.</u>
Rob Black, CEO, New Mexico Chamber of Commerce	4/14/2021	<u>Update on Driving New Mexico's Future Plan</u>
Perkins&Will and HATCHspaces	7/15/2021	<u>Innovate ABQ Master Plan Update</u>

ECONOMIC DEVELOPMENT

UNM Economic Development Council – FY 2021

- ❖ Meetings began on June 26, 2013
- ❖ EDC will be an advisory board for NM Rainforest University Center (EDA Grant)
- ❖ FY 2021 topics/presenters:

Speaker(s)	Date	Topic
Lisa Kuuttila, UNM Rainforest Innovations and Rob Delcampo, UNM Innovation Academy	10/22/2020	Updates on New Mexico Rainforest University Center and CARES Act Expansion
Lisa Kuuttila, UNM Rainforest Innovations	1/21/2021	Discussion on 2021 UNM Business and Economic Summit
Dean Mitzi Montoya, UNM ASM & Leba Freed, Wheels Museum	4/15/2021	ASM's Economic Development Activities and Update on Wheels Museum and Railyards

ECONOMIC DEVELOPMENT

UNM Economic Summit

The 2021 Virtual University of New Mexico Business and Economic Summit

When: Tuesday, January 12, 2021, 10am-3:30pm MST

Where: Zoom

- ❖ UNM and UNM Rainforest Innovations is hosting a 3rd Business and Economic Summit. It is an event to continue our statewide dialogue about ways to grow our New Mexico economy and our innovation ecosystem.
- ❖ The summit will build on the results of New Mexico Association of Commerce and Industry's recent "Creating New Mexico's Future – A Statewide Economic Strategic Action Plan".

ECONOMIC DEVELOPMENT

UNM Economic Summit



The University of New Mexico
BUSINESS & ECONOMIC SUMMIT | 2021

The University of New Mexico Business and Economic Summit: New Mexico 2030
Tuesday, January 12, 2021, 10:00 a.m. – 3:30 p.m. (MST) | Online via Zoom
Hosted by the University of New Mexico and UNM Rainforest Innovations

Welcome to UNM's third Business & Economic Summit. The purpose of today's event is to continue our statewide dialogue about ways to grow our New Mexico economy and our innovation ecosystem. This summit will build on New Mexico Chamber of Commerce's strategic plan: "Driving New Mexico's Future: Empowering a Competitive Economy in a Post-Pandemic World."

AGENDA - PART 1

10:00 - 10:10 a.m.	Welcome and Opening Remarks Garrett S. Stokes, Ph.D., President, University of New Mexico
10:10 - 10:45 a.m.	Presentation of New Mexico Chamber of Commerce "Driving New Mexico's Future" Report Rob Black, President & CEO, New Mexico Chamber of Commerce Ted Abernathy, Principal & Founder, Economic Leadership
10:45 - 11:00 a.m.	Break
11:00 - 11:30 a.m.	Panel Discussions around Implementing the New Mexico Chamber of Commerce Plan ➤ Research Universities in New Mexico Interviewer: Mitzi Montoya, Ph.D., Dean, Anderson School of Management, UNM Garrett S. Stokes, Ph.D., President, University of New Mexico Dan Arvizu, Ph.D., Chancellor, New Mexico State University Van Romero, Ph.D., Vice President of Research, New Mexico Tech University
11:30 a.m. - 12:00 p.m.	➤ National Laboratories in New Mexico Interviewer: James Holloway, Ph.D., Provost & Executive Vice President for Academic Affairs, UNM Colonel Eric Felt, Ph.D., Commander of the Phillips Research Site & Director, Space Vehicles Directorate, Air Force Research Laboratory Kelly D. Hammett, Ph.D., Director, Directed Energy Directorate, Air Force Research Laboratory Thomas (Thom) Mason, Ph.D., CEO of Triad National Security & Director, Los Alamos National Laboratory Scott Aelitis, Associate Labs Director and Chief Financial Officer, Sandia National Laboratories
12:00 - 12:15 p.m.	Break/Grab your lunch

Continues



AGENDA - PART 2

12:15 - 1:15 p.m.	Keynote Speaker: The Role of Public Universities in State-wide Economic Development Introduced by Lisa Kurlilla, CEO & Chief Economic Development Officer, UNM Rainforest Innovations Michael M. Crow, Ph.D., President, Arizona State University
1:15 - 1:30 p.m.	Reflect on Michael Crow Remarks Mayor Timothy M. Keller, City of Albuquerque
1:30 - 2:15 p.m.	Zoom Breakout Room Sessions Introduction of Breakout Sessions Mitzi Montoya, Ph.D., Dean, Anderson School of Management, UNM Breakout Rooms – Developing Specific Actions in Areas of Competitiveness <i>Moderator: Tracey Bryan, President/CEO, The Bridge of Southern New Mexico</i> 1. To address the challenge of insufficient skilled workers <ul style="list-style-type: none">• Increase the overall labor pool for employers• Improve the number of workers with work readiness skills and in-demand middle skills• Extend opportunity to underserved communities and populations <i>Moderator: Richard Anklam, President, New Mexico Tax Research Institute</i> 2. To address the top concern of stakeholders and improve overall regulatory business climate <ul style="list-style-type: none">• Make the New Mexico regulatory environment among the most business friendly in America <i>Moderator: Mathis Shinnick, CEO, OptiPulse, Inc.</i> 3. To take advantage of the state's location, respond to corporate needs and spread opportunity more broadly <ul style="list-style-type: none">• Strengthen the State's infrastructure <i>Moderator: Waneta Tuttle, Manager, Trainway Venture Partners</i> 4. To acknowledge rapid change and take advantage of emerging opportunities <ul style="list-style-type: none">• Prioritize and emphasize entrepreneurship <i>Moderator: Jon Clark, Deputy Cabinet Secretary, New Mexico Economic Development Department</i> 5. To align business needs, higher education assets and government efforts to efficiently grow the New Mexico economy and raise the prosperity of the state's citizens <ul style="list-style-type: none">• Amplify the voice of business• Create forums for ongoing collaboration and partnerships between the public and private sector
2:15 - 2:30 p.m.	Break
2:30 - 3:15 p.m.	Report-out by Areas of Competitiveness Facilitated by Rob Black, President & CEO, New Mexico Chamber of Commerce
3:15 - 3:30 p.m.	Closing Remarks: Economic Development Strategic Planning Process Jon Clark, Deputy Cabinet Secretary, New Mexico Economic Development Department
3:30 p.m.	Closing and Adjourn James Holloway, Ph.D., Provost & Executive Vice President for Academic Affairs, UNM



The University of New Mexico
BUSINESS & ECONOMIC SUMMIT | 2021

The Role of Public Universities in State-wide Economic Development
Presented by Michael M. Crow, Ph.D., President, Arizona State University

UNM THE UNIVERSITY OF NEW MEXICO UNM Rainforest Innovations
UNM Business & Economic Summit | January 12, 2021 | Online

Video recordings and slides from the event are available at:

GRANTS

Lobo Rainforest I-Corps Site



- ❖ To encourage and support entrepreneurs from all disciplines and backgrounds at UNM to commercialize their projects, create new start-up businesses, generate licensing agreements and business models, and submit fundable proposals to the I-Corps program
- ❖ Receive up to \$3,000 to participate in the customer discovery process of a STEM-related innovation
- ❖ 2 cohorts per year
- ❖ Program consists of workshops and meetings over 10 weeks, where teams work to validate the market size, value propositions, and customer segments of their innovations
- ❖ First Cohort started in October 2017 –9th cohort completed in fall 2021
- ❖ <http://loborainforest.com/icorps/>

ECONOMIC DEVELOPMENT

PARTNERSHIPS

PARTNERSHIPS

Partnership Intermediary Agreement with AFRL Through New Mexico Tech – FY 2021

❖ **UNM Rainforest Innovations Members Providing Support For AFRL:**

- Arlene Young, Director of Commercialization, AFRL PIA Project Manager
- Gabe Wilkinson, Commercialization Associate
- Cecilia Pacheco, Economic Development & Project Specialist
- Innovation Interns

❖ **PIA Subaward concluded February 28, 2021**



PARTNERSHIPS

Partnership Intermediary Agreement with AFRL Through New Mexico Tech – FY 2021

❖ FY 2019 vs. FY 2020 Comprehensive Metrics Highlights

	FY 2019 Total	FY 2020 Total
Invention Disclosures	23	34
Issued Patents	9	8
Technology Campaigns	23	17
Company Interactions	59	28
Response Rate	19.2%	14.5%
COVID-19 Campaigns	-	25
Response Rate	-	14.7%



PARTNERSHIPS

Jointly-owned Inventions - Activity with Sandia and LANL

	Sandia	LANL
Jointly-owned inventions	222	56
• Active	100	27
• Closed	122	30
Number of commercialization agreements	118	28
Number in which UNM Rainforest Innovations has taken lead	85	27
Number of option and license agreements executed with UNM Rainforest Innovations as lead	36	5
Number of option and license agreements executed with partners as lead	6	-
Income from option and license agreements with UNM Rainforest Innovations as lead	\$85,222,698 ^(a)	\$355,363
Start-ups from option and license agreements with UNM Rainforest Innovations as lead	8	2
Revenues from option and license agreements with partners as lead	\$134,950	\$-0-
Start-ups from option and license agreements with partners as lead	2	-

(a) Gross licensing income composed of pooled technologies that also include other non-jointly-owned technologies

- ❖ Currently have 9 outstanding commercialization agreements with Sandia
- ❖ 5 new joint invention(s) with Sandia disclosed during FY 2021
- ❖ 9 commercialization agreements with Sandia and 5 commercialization agreements with LANL executed during FY 2021

PARTNERSHIPS

Historical Distributions to Sandia Over Last 10 Years

Fiscal Year	Distribution Amount
FY2011	\$14,633.04
FY2012	\$11,004.14
FY2013	\$5,892.88
FY2014	\$12,520.91
FY2015	\$244,325.24
FY2016	\$7,653.45
FY2017	\$106,544.49
FY2018	\$11,133.20
FY2019	\$59,908.22
FY2020	\$147,709.81
Total	\$621,325.38

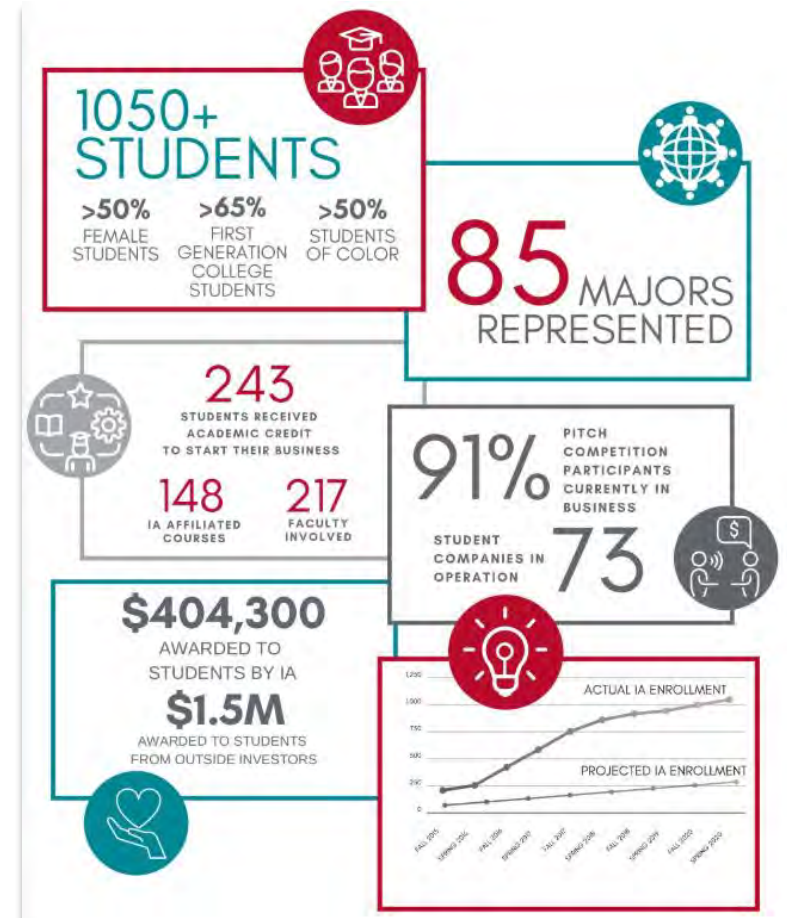
PARTNERSHIPS

Innovation Academy - Program Data



Robert G. DelCampo, Ph.D.

Sr. Executive Director, Corporate & Community Engagement
Executive Director, innovationAcademy
Rutledge Professor of Management
Anderson School of Management



PARTNERSHIPS

Innovation Academy – Rainforest Student Pitch Competition

- ❖ Hosted by UNM Rainforest Innovations and the UNM Innovation Academy, 13 competitions have now been held
- ❖ Student entrepreneurs present their innovative ideas for products, services or technologies in 60-90 second presentations before entrepreneurs, investors, and business professionals in the community
- ❖ Competition open to students from any university in the state of New Mexico

PARTNERSHIPS

Rainforest Student Pitch Competition – November 2020



- ❖ 48 submissions
- ❖ Ideas ranged from emergency preparedness support, to a virtual magazine platform that brings artists together.



Pictured are the top ten students featuring 7 Finalists who will each receive \$250, and 3 Judges' Choice winners who received \$1000 each.

PARTNERSHIPS

Rainforest Student Pitch Competition – March 2021



- ❖ 24 submissions (90 second videos)
- ❖ Their innovative ideas ranged from a patented liquid metal that can be used for repair purposes, to a task-based language learning video game.
- ❖ Prize money provided by Bernalillo County
- ❖ Pictured are the top ten students featuring 7 Finalists who will each receive \$250, and 3 Judges' Choice winners who each receive \$1,000!

PARTNERSHIPS

Comcast Pitch Deck Competition

April 15, 2021 - Virtually via Zoom

- ❖ \$20,000 in cash prizes for pitch deck presentations sponsored by Comcast
- ❖ First round (5 minute presentation) – 18 submissions
- ❖ Second round (10 minute presentation) – 5 finalists

Awardees:

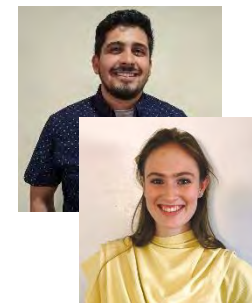
- ❖ First Place \$10,000 Prize – Alexander Hafez, Circular Genomics – A circular RNA technology to help in the clinical fight against depression.
- ❖ Second Place \$5,000 Prize – Isabel Last & Miguel Roman, Faena – A research-based, intuitive video game to engage language learning for non-native speakers.
- ❖ Third Place \$2,500 Prize – Savannah Hoover, Modest House – An app to help millennials “Learn, Turn and Earn” in today’s real estate market.
- ❖ Finalist \$1,250 Prize – Daniel Martinez, Omnos Sleep – An innovative device for the treatment of sleep apnea.
- ❖ Finalist \$1,250 Prize – Tina Memarian, Lamiflo – An innovative solution for ischemic strokes.



Lisa Kuuttila with Pitch Deck Judges: Francine Sommer, Chris Hemmeter, and Tom Chepucavage



Alexander Hafez



Left to Right: Miguel Roman, Isabel Last, Savannah Hoover, Daniel Martinez, and Tina Memarian




PARTNERSHIPS

Pitch Competition Companies in Business

- ❖ BioSafe Defenses
- ❖ EcoPesticides
- ❖ Carnivore
- ❖ Armis
- ❖ \$ave \$quad
- ❖ Pencil-In
- ❖ Ale Republic
- ❖ Blossom Beauty
- ❖ TABS
- ❖ Back to Earth (raised over \$1M in crowdfund campaign)
- ❖ Inde Beat
- ❖ Saavy
- ❖ CRAFTED ABQ
- ❖ RepUniversity
- ❖ Shutter Bombs, LLC
- ❖ Adaptive Biomedical Design
- ❖ Dipped by Dee
- ❖ Kaiser Music LLC
- ❖ Wild Woman Kombucha Company
- ❖ Parental Values
- ❖ Sipavax
- ❖ EasyFlo
- ❖ Perspective Components
- ❖ ClassBucks, LLC
- ❖ ArmaTech, LLC
- ❖ Circular Genomics

PARTNERSHIPS

UNM Network of Student Inventors




The importance of Student Inventions and Patents

Christos Christodoulou
School of Engineering & Computing

UNM Network of Student Inventors

March 10, 2021
Lobo Rainforest, Albuquerque, NM



Christos Christodoulou...

JOIN US FOR THE NEXT LOBO RAINFOREST

UNM NETWORK OF STUDENT INVENTORS

Hey! I'm an Inventor too!
Join us to hear from **Dr. Christos Christodoulou**, Dean, **UNM School of Engineering**, to talk about the importance of inventing and opportunities around your ideas!

.....

MARCH 10, 2021, 3:00PM
VIRTUAL | ZOOM MEETING

[Click here to register.](#)



PARTNERSHIPS

Grow Innovate New Mexico

INNOVATE NEW MEXICO®

Discover The State of Innovation

- ❖ Alliance among the State's research institutions to promote New Mexico technology and start-ups
- ❖ Members: UNM Rainforest Innovations, New Mexico State University, New Mexico Tech, Sandia National Laboratories, Los Alamos National Laboratory, Air Force Research Laboratory, NASA (White Sands/JSC)
- ❖ 2021 Online Showcase – March 2 & 3, 2021, 10am-1pm
- ❖ Save the date - 2022 Tech Showcase – March 1, 2022



PARTNERSHIPS

Grow Innovate New Mexico

- ❖ 2021 Online Showcase
- ❖ Day 1: March 2 – Physical Sciences



INNOVATE NEW MEXICO®

Discover *The State of Innovation*



Technology Presentations

Fluid-Infused Elastomers for Improved Resistance to Degradation in High Temperature Applications - Erica Redline (Sandia)

Pressure-Induced Synthesis of Highly Uniform Metal Nanostructures - Hongyou Fan (Sandia)

Adaptimize: Smarter and Faster UAV/drone Radiation Mapping for Enhanced Decision Making - Tony Shin (LANL)

Integrated Trigger PCSS - Joseph Teague (AFRL)

Separation Unit for Per- and Polyfluoroalkyl Substances (PFAS) Remediation - Dr. Reza Foudazi, Associate Professor, Chemical and Materials Engineering (NMSU)

In-line Angular Optical Multi-Point Scatterometry for Nanomanufacturing Systems - Juan J. Faria-Briceno, Post-Doctoral Fellow (UNM)

Company Presentations

Osazda Energy - Sang Han, Chief Technical Officer

NASA White Sands Test Facility Technology Update - Joe Bullington, Commercialization Manager, Jacobs Technology

Build with Robots, Inc. - Chris Ziomek, CEO and Matthew Ennis, CSO

Identification of Volatile Organic Compounds using Tandem Differential Mobility Spectrometry - G.A. Eiceman, President, GP Ionics, LLC

SoniView: See the Unseen in your Production Processes - Eric Davis, LANL

OptiPulse - Mathis Shinnick, COO

PARTNERSHIPS

Grow Innovate New Mexico

❖ Day 2: March 3 – Life Sciences



EnPeel
High Yield Recovery of Plastic Waste

Tatyana Elkin
2021 UC-LANL Postdoc Entrepreneur Fellow
Innovate New Mexico Technology Showcase
March 3rd, 2021
LA-UR-20-29848





INNOVATE NEW MEXICO®

Discover *The State of Innovation*



Technology Presentations

EnPeel: High Yield Recovery of Plastic Waste - Tatyana Elkin (LANL)

Inhibition of Cellular Uptake to Treat Bacterial Infections - Larry Sklar (UNM)

Multifunctional Central Pattern Generator-Based Neuromimetic Control Systems - Jeremy Wojcik (AFRL)

Bio-inspired Cancer Vaccines - Rita Serda (UNM)

Novel Vascular Access Device - Sam Pedrotty and Gus Pedrotty (UNM)

ScFv Antibodies as Non-opioid Therapeutic for Pain Management - Karin High (UNM)

Company Presentations

Nob Hill Therapeutics - Yun Li, CEO

BennuBio, Inc. - Matthew Hess, COO

Just Breathe Free, LLC - Antonio ("Tony") Garcia, Ph.D. and George W. Lucky, Professor of Chemical Engineering (NMSU)

GPER G-1 - John Elling, CEO

RS21 - Angelica Bruhnke, Division President, RS21 Health Lab

BioSafe Defenses - David Whitten, CEO & Scientific Advisor

ECONOMIC DEVELOPMENT

EVENTS

EVENTS

Rainforest Innovations Technology Showcase

August 26, 2020 on Zoom

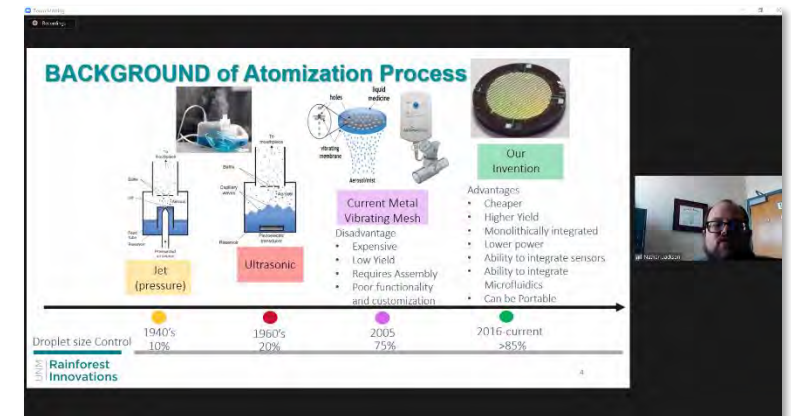
❖ Life Science Technology Presentations

- Rita Serda, Ph.D., Research Assistant Professor, Cancer Therapeutics, Silicified Tumors Cancer Treatment
- Nikolaos Mellios, Ph.D., Assistant Professor, Neurosciences, Circular RNAs for Diagnostics and Treatment of Brain Disorders
- Gabriel Lopez, Ph.D., Vice President for Research, Catheters for Debonding Fouling Agents form an Interior Surface

❖ Physical Sciences & Engineering Technology

- Nathan Jackson, Ph.D., Assistant Professor, Portable Vibrating Mesh Atomizer
- Steven Brueck, Ph.D., Distinguished Professor, In-line Angular Optical Multi-point Scatterometry for Nanomanufacturing Systems
- Sang M. Han, Ph.D., Professor, Super-Scattering: Spectrally Tuned Camouflage by Accelerated Evolution

❖ [Recordings available on UNM Rainforest Innovations YouTube.](#)



EVENTS

Rainforest Innovations Technology Showcase

November 10, 2020 on Zoom

❖ Life Science Technology Presentations

- Christina Salas, Ph.D., Associate Professor, Orthopedic Research, *3D Bioprinting and Near-Field Electrospinning for Targeted Fabrication of Scaffolds for Bone-Soft Tissue Interface Engineering*
- Surojit Paul, Ph.D., Professor, Neurosciences, *Therapeutic Potential of the Tyrosine Phosphatase STEP in Reducing Ischemic Brain Injury*
- Ke Jian (Jim) Liu, Ph.D., Professor, Pharmaceutical Sciences, *Blood Biomarker for Early Blood Brain Barrier Disruption in Ischemic Stroke*

❖ Physical Sciences & Engineering Technology Presentations

- Marek Osinski, Ph.D., Distinguished Professor, Electrical & Computer Engineering, *Integrated Silicon Photonics Platforms for Scalable Quantum Systems*
- Kannan Ramaiyan, Ph.D., Research Assistant Professor, Chemical & Biological Engineering, *Low Cost, Printable Colorimetric UV Personal Dosimetry*
- Mansoor Sheik-Bahae, Ph.D., Distinguished Professor, Physics & Astronomy, *Optical Cryocooler & Refrigeration Portfolio*

❖ [Recordings available on UNM Rainforest Innovations YouTube.](#)



TECHNOLOGY SHOWCASE FEATURING WOMEN INNOVATORS



- ❖ On June 8, UNM Rainforest Innovations, in partnership with the New Mexico Technology Council, hosted a special Technology Showcase – *Women in Technology Edition* featuring women innovators from the University of New Mexico.
- ❖ The event featured six University of New Mexico women innovators presenting life-science and physical-science technologies available for commercialization.



Life-Science Presenters:

- **Kathryn Frietze, Ph.D.** *Virus-like Particle Vaccines for Opioid Drugs*
- **Michelle Ozbun, Ph.D.** *Inhibitor of Early and Late Stage HPV Infection*
- **Eva Chi, Ph.D.** *Novel Theranostics for Protein Misfolding Diseases*

Physical-Science Presenters:

- **Mahya Hatambeigi** *A Novel Liquid Metal of High Density and Low Viscosity at Room Temperature*
- **Ivy Hurwitz, Ph.D.** *Environmentally Friendly Larvicide*
- **Lydia Tapia, Ph.D.** *Autonomous Defense Escort Teams*

EVENTS

2021 Virtual Innovation Awards

- ❖ Date: April 27, 2021, 4:00-5:30 PM
Online via Zoom
- ❖ 2021 Innovation Fellow:
Eric Prossnitz, Ph.D.
- ❖ Keynote Speaker:
Patrick Mooney, Linnaeus Therapeutics



EVENTS

2021 Virtual Innovation Awards

- ❖ April 27, 2021, 4:00-5:30 PM, Online via Zoom

48 UNM inventors received patents
49 U.S. patents and trademark issued
32 patents from UNM main campus
17 patents from HSC

- ❖ Inventor Award pick-up
Thursday, April 29 at Lobo Rainforest

2021 Virtual

Innovation AWARDS

Tuesday, April 27, 2021 | 4:00 - 5:30 pm MT

[CLICK HERE TO REGISTER](#)

Celebrate with us as we recognize University of New Mexico faculty, staff, and students who have received issued patents and registered copyrights/trademarks from March 1, 2020 through February 28, 2021.

In addition, the 2021 UNM Rainforest Innovation Fellow Award will be presented to

Eric Prossnitz, PhD
Professor, Department of Internal Medicine
Chief, Division of Molecular Medicine

Keynote Speaker

Patrick Mooney, MD
CEO & Director of Linnaeus Therapeutics, Inc.



ECONOMIC DEVELOPMENT

INNOVATE ABQ

INNOVATE ABQ

Updated Master Plan



PRESIDENT'S REPORT FY 2021

BOARD RETREAT GOALS

CONTINUE TO EXPAND NATIONAL RECOGNITION

Advanced Economic Development Leadership

ADVANCED
Economic Development
LEADERSHIP

- ❖ AEDL immerses participants in a collaborative, team-centric approach that fosters learning through exploration, debate, exercises and team competition. The program attracts practitioners from across the U.S. bringing a wide range of thought, ideas and experiences to these sessions. Through this approach and the diversity of thought represented, participants often learn as much from interaction with fellow professionals as they do from faculty instruction.
- ❖ University Partners – UNM, Clemson University, The University of Southern Mississippi, Texas Christian University
- ❖ Lisa presented the Rainforest concept in Kansas City, MO on November 6, 2019
- ❖ **Event held November 3-5, 2020 – Online due to COVID**
- ❖ **Event held November 8-11, 2021 in Kansas City, MO**

CONTINUE TO EXPAND NATIONAL RECOGNITION

Advanced Economic Development Leadership

❖ Participants

- Sunnyvale (TX) EcD Corp
- Florida West EDA (Pensacola)
- Columbus 2020
- England Airpark, Alexandra, LA
- Dept. of EcD, City of York, PA
- Cedar Hill (TX), EDC
- Chatham County (NC) EcD Corp.
- Alachua County (FL)
- Pinellas County EcD – (FL)
- Big Sky EcD (MT)
- West Point (GA) Development Authority
- Washington County Chamber of Commerce and EcD (FL)
- Lee County EcD Group (IA)
- Duke Energy (NC)
- Economic Development, City of Center, TX
- Winston County (MS) EcD District Partnership
- East Mississippi Business Development Corp.
- Economic Development, City of Houston (MO)
- Detroit (MI) Regional Workforce Fund
- Effingham County (GA) Industrial Development Authority
- Minot Area Development Corp. (ND)
- Michigan City EDC (IN)
- Mayor, Lakeside, TX
- Sherman EcD Corp. (TX)
- College of Business, Montana State University Billings
- Develop Danville, Inc.
- Owner, consulting firm
- WV Dept. of Commerce
- St. Tammany Corporation (LA)
- Team Taylor County/Campbellsville (KY)
- Upstate SC Alliance
- Cherokee County (SC) Development Board
- Economic Development, Florida Power & Light
- New Castle Henry County EcD Corp. (IN)
- 58Inc., Shelby County AL
- ThriveED/Jefferson Co. Econ. Development (WI)
- One Dearborn, Inc. (IN/Cincinnati MSA)
- Baton Rouge (LA) Area Chamber
- Tarrant County, TX
- Team Volusia (FL)
- North Carolina's Southeast
- City of Kyle, Texas
- Choctaw Nation of Oklahoma
- SC Power Team
- The Right Place, Grand Rapids, MI
- Campbell Co. Econ. Dev. (SD)
- Tomball (TX) Economic Development Corp.
- City of Saginaw, TX
- Marion County Development Partnership (MS)
- U.S. Dept. of Commerce EcD Administration
- Boone County EcD Corp. (IN)
- Tomball (TX) EcD Corp.

CONTINUE TO EXPAND NATIONAL RECOGNITION

Milken Institute 2020 State Technology & Science Index

- ❖ Compares each U.S. state's capacity for achieving prosperity through scientific discovery and technological innovation
- ❖ New Mexico ranked 18th overall, rising six places since the 2018 index.



FY 2021 UNM RAINFOREST INNOVATIONS

FY 2021 Data, Income Analysis & Forecast

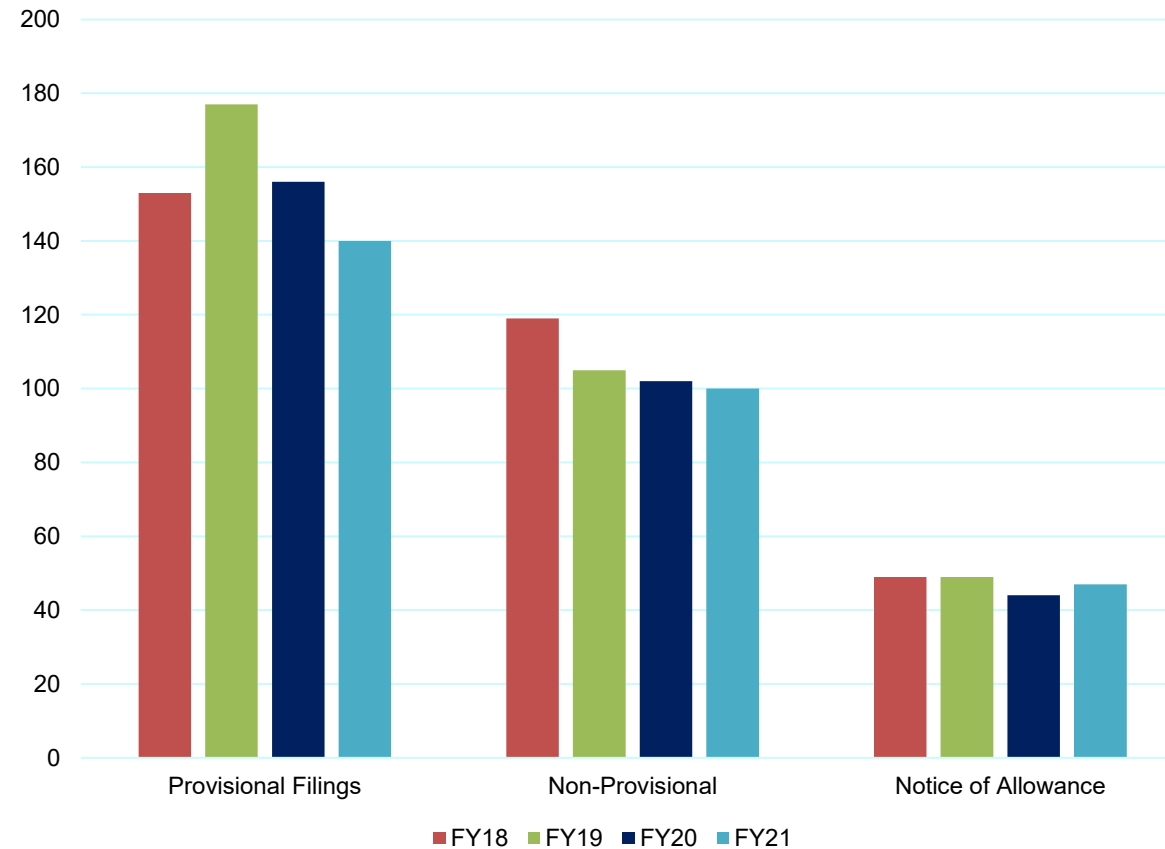
DATA, INCOME ANALYSIS, & FORECAST

❖ FY 2021 Data

- UNM Rainforest Innovations filed first-time patent applications on 54 of the 81 patent disclosures in FY 2021 (67% in FY 2021 vs. 56% in FY 2020)
- UNM Rainforest Innovations generated \$53,612,829 of new (agreements) license revenues in FY 2021, representing 98% of total license revenues (vs. \$51,313,841 of new revenues in FY 2020 – 98% of total)
- Of the 81 total disclosures (patents & copyrights) received in FY 2021, representing 60 lead inventors, 16 were first-time inventors (27% vs. 40% in FY 2020)

PATENT ANALYSIS

Trends in Patent Activity



	FY18	FY19	FY20	FY21
Provisional Filings	153	177	156	140
Non-Provisional	119	105	102	100
Notice of Allowance	49	49	44	44

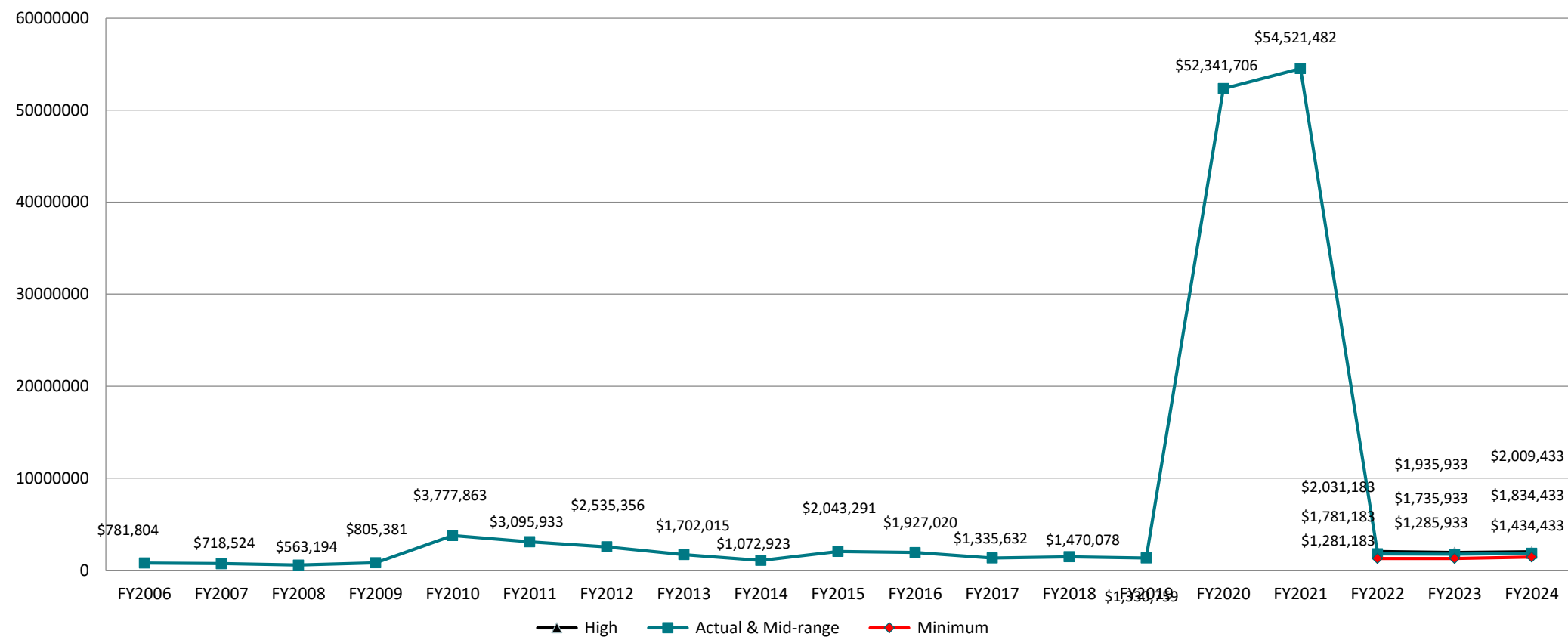
DATA, INCOME ANALYSIS, & FORECAST

License Revenues - Actual & Forecast Assumptions (same assumptions as prior year projections)

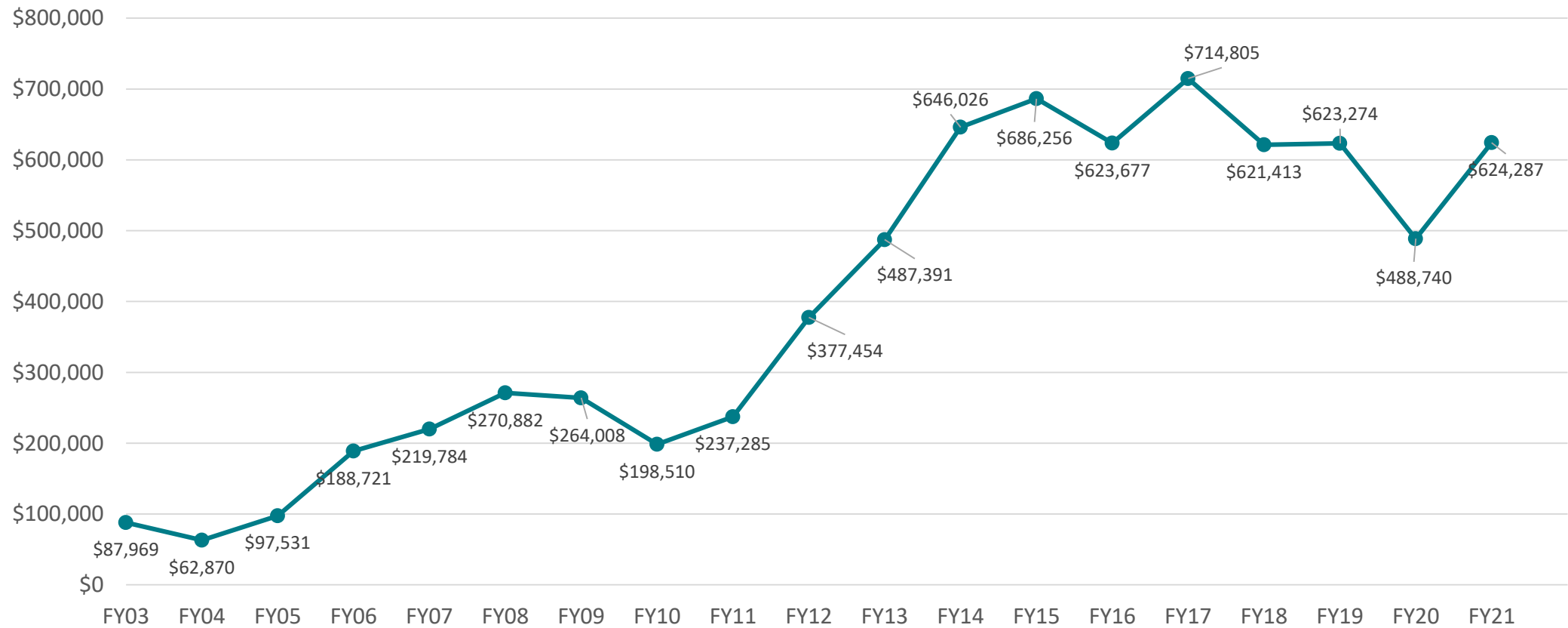
- ❖ Minimum numbers for FY2022 through FY2024 represent minimum fees and payments from existing licenses.
- ❖ FY2022 mid-level represents approx. \$500,000 of new license income. FY2022 upper end represents \$750,000 of new license income.
- ❖ FY2023 mid-level represents \$450,000 of new license income and/or minimums from deals closed in FY2022. FY2023 upper end represents \$650,000 of new license income and/or minimums from deals closed in FY2022.
- ❖ FY2024 mid-level represents \$400,000 of new license income and/or minimums from deals closed in FY2022 and FY2023. FY2024 upper end represents \$575,000 of new license income and/or minimums from deals closed in FY2022 and FY2023.
- ❖ No equity liquidations included.
- ❖ No forecasted terminations of agreements included.
- ❖ No unknown substantial earned royalties forecasted.

LICENSE REVENUES

Updated 3-year Forecast

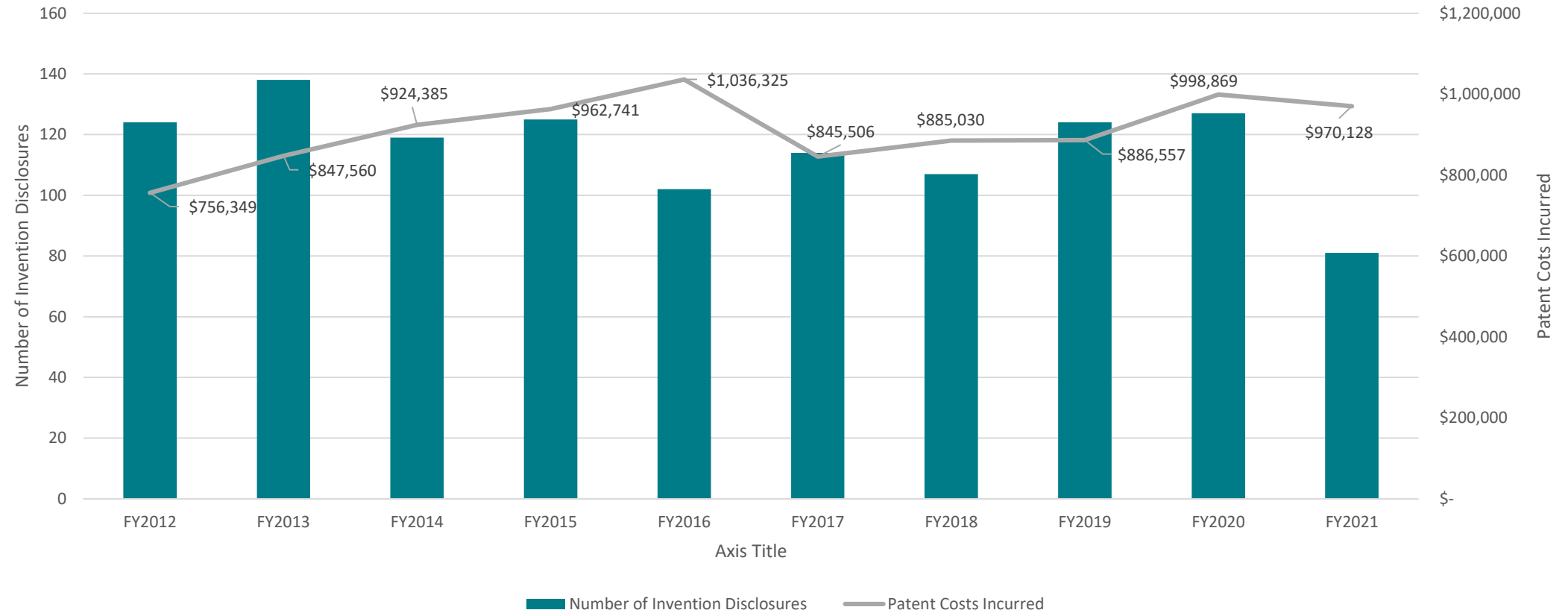


PATENT COST REIMBURSEMENT REVENUES

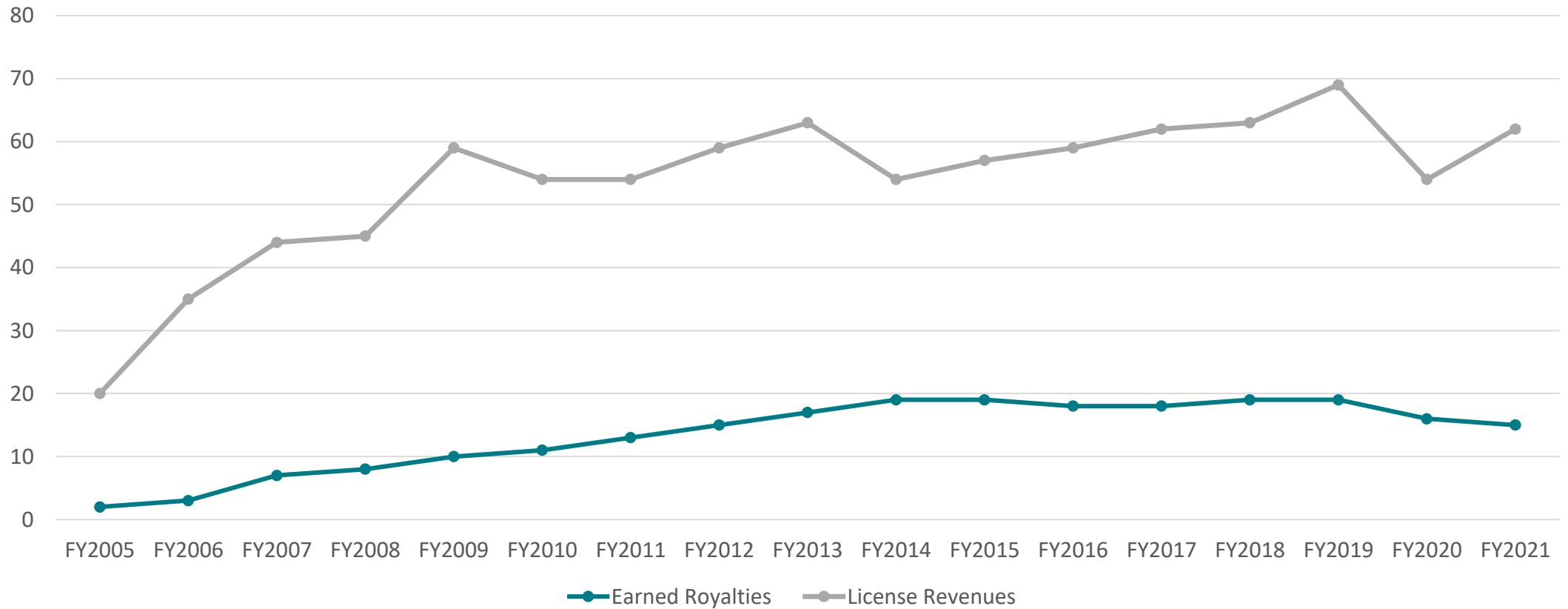


PATENT COSTS INCURRED

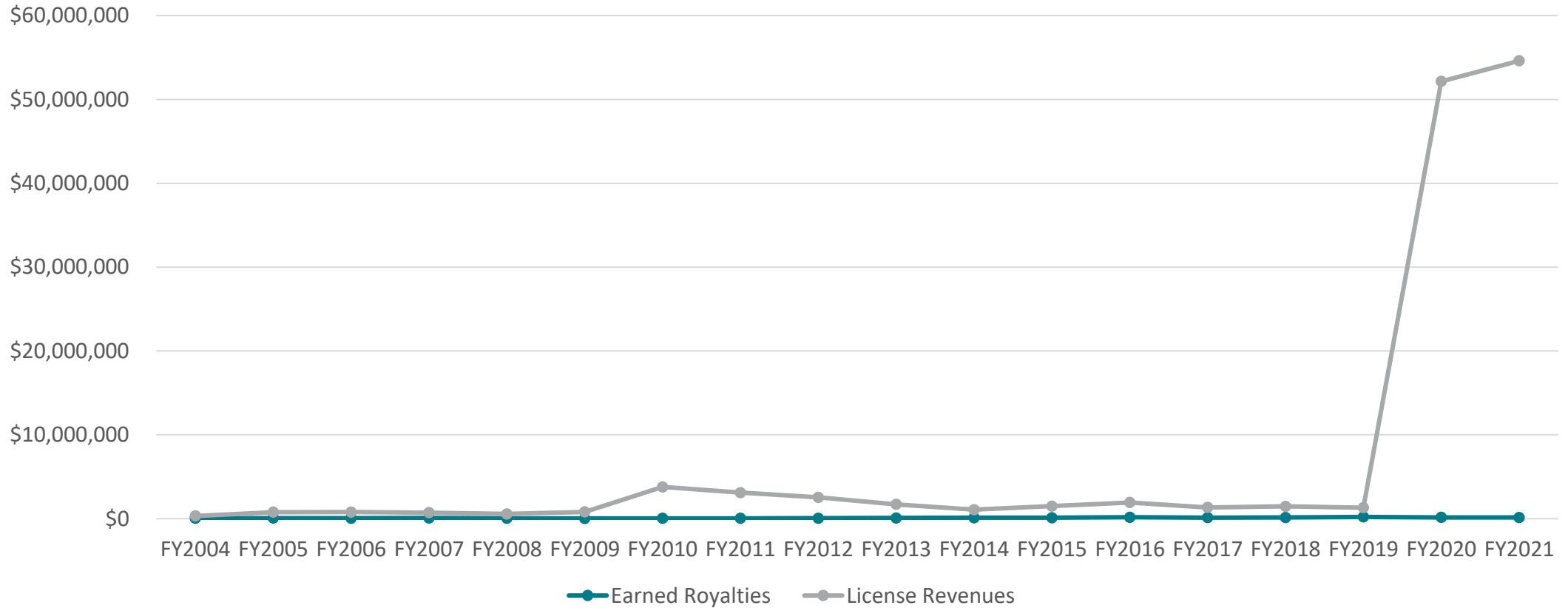
Rainforest Innovations-initiated; non-licensee reimbursed



TOTAL NUMBER OF LICENSES/OPTIONS YIELDING REVENUES



TOTAL DOLLAR AMOUNT OF LICENSES/OPTIONS YIELDING REVENUES



INCOME COMPARISON

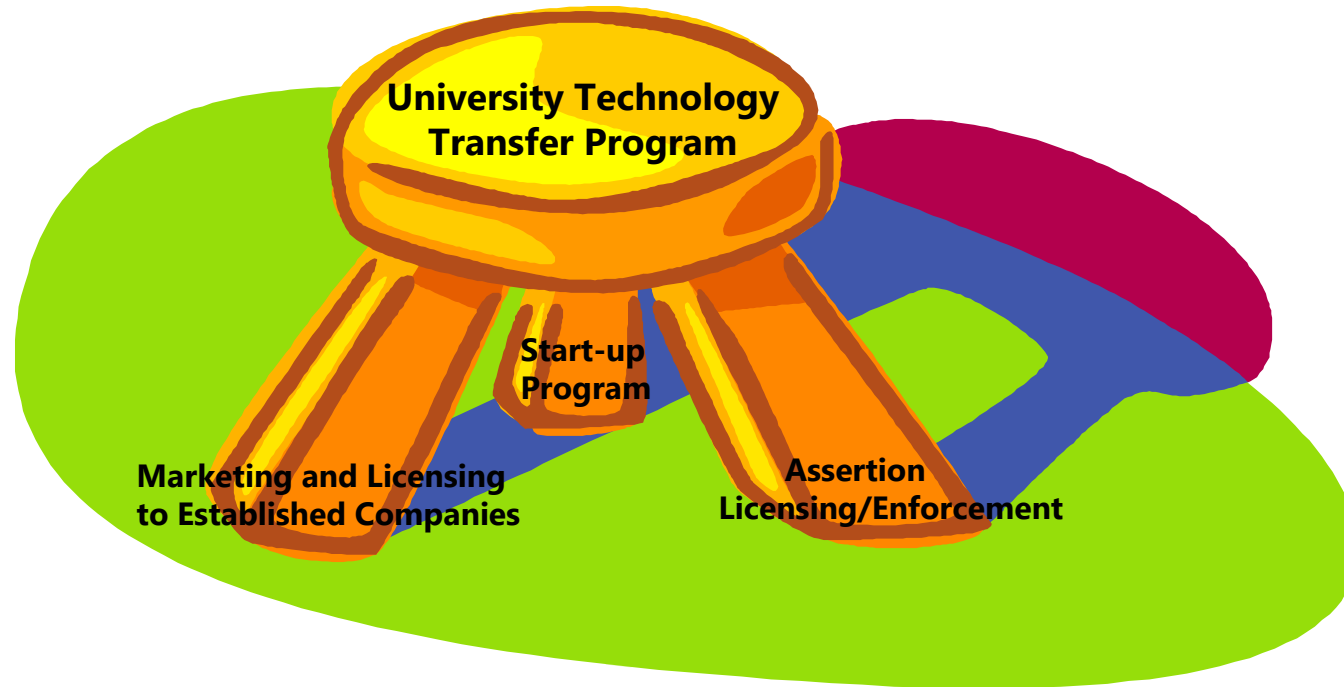
Institution Name	2019 Gross License Income
The General Hospital dba Massachusetts General Hospital	\$298,897,875
Northwestern University	\$261,129,388
Memorial Sloan Kettering Cancer Center	\$160,801,301
University of Texas System	\$134,667,864
University of California System	\$103,761,000
Harvard University	\$97,891,618
University of Florida	\$79,536,998
Mayo Foundation for Medical Education and Research	\$77,007,005
Johns Hopkins University	\$73,494,269
New York University	\$71,630,327
University of Houston	\$65,686,595
Duke University	\$57,795,470
UNM Rainforest Innovations	\$54,521,482*

*2021 Income

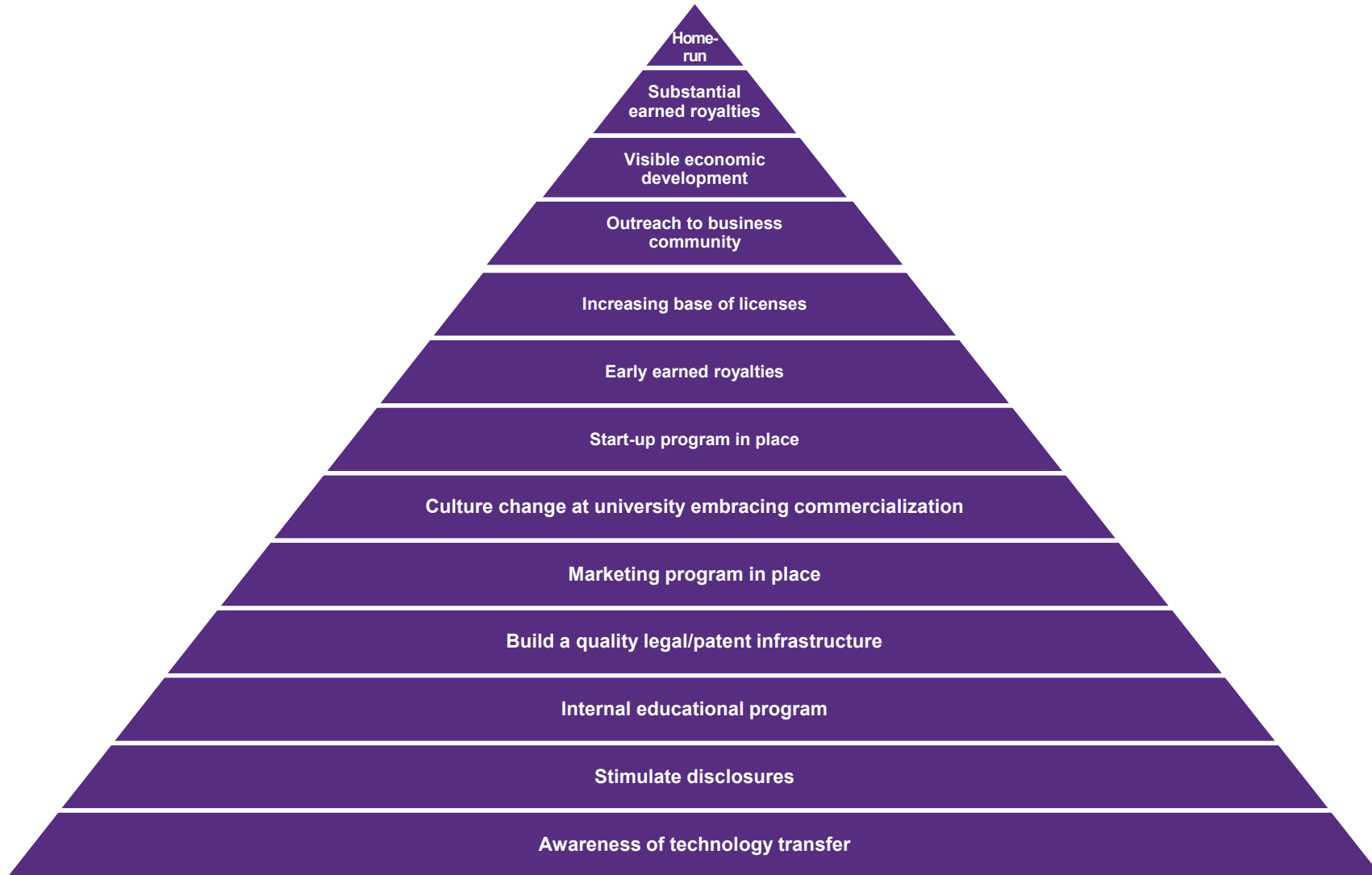
UNM RAINFOREST INNOVATIONS

Stage of Maturity

- ❖ A mature technology transfer program needs all 3 legs of the stool as transfer mechanisms



BUILDING A TECHNOLOGY TRANSFER PROGRAM



STAGES OF MATURITY IN TECHNOLOGY TRANSFER

Expected Issues

Early	Mid-Stage	Mature
Faculty cooperation	Marketing (technology and organization)	Assertion licensing
Disclosure growth	Negotiation norms	Inventor disputes
Internal systems	Start-up practices	Contract disputes
Cost management	Events management	Patent litigation
Royalty-sharing policies	Visibility locally	Complaints about licensing practices
Website management		Visibility nationally

UPDATED ON RECENT ACTIVITY

FY 2022

- ❖ Provisionally warded EDA grant - \$800,000
 - NM Tribal Entrepreneurship Enhancement
- ❖ Provisionally awarded sub-award under New Mexico Tech PIA with AFRL - \$1,435,187
- ❖ Right to Start project underway with Victor Hwang
- ❖ Corporate Engagement Director began November 1, 2021



**SUPPORTING TECHNOLOGY TRANSFER AND
CATALYZING ECONOMIC DEVELOPMENT AT
THE UNIVERSITY OF NEW MEXICO**

(A Blended Component Unit of the University of New Mexico)

Financial Statements

June 30, 2021 and 2020

(With Report of Independent Auditors Thereon)

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

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UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Official Roster (unaudited)

June 30, 2021

Officers

Ms. Sandra Begay	Chair
Ms. Terri Cole	Vice Chair
Dr. James P. Holloway	Vice Chair
Dr. John H. Stichman	Secretary/Treasurer
Ms. Elizabeth Kuuttila	CEO & Chief Economic Development Officer
Ms. Denise M. Bissell	Assistant Secretary

Committee Chairs

Ms. Sandra Begay	Chair, Executive Committee and Nominating Committee
Dr. John H. Stichman	Chair, Finance and Compensation Committee
Mr. Gregg L. Mayer	Chair, Endowment Fund Committee
Mr. Chuck Wellborn	Chair, Co-Investment Fund Committee

Board Members

Ms. Sandra Begay	Dr. Richard S. Larson
Mr. Joe Christian	Dr. Richard Luarkie
Dr. Christos Christodoulou	Dr. Gregg L. Mayer
Ms. Terri Cole	Dr. Mitzi M. Montoya
Dr. Julie A. Coonrod	Mr. Robert H. Nath
Ms. Teresa Costantinidis	Dr. Eric R. Prossnitz
Dr. Ellen Fisher	Mr. Alex O. Romero
Dr. David H. Foster	Dr. Alton D. Romig, Jr.
Dr. Robert H. Fisher	Ms. Kimberly Sanchez Rael
Mr. David W. Gibson	Dr. John H. Stichman
Mr. Riis Gonzales	Dr. Garnett S. Stokes
Ms. Maria Griego-Raby	Dr. John C. Stormont
Dr. Kelly D. Hammett	Mr. Chuck I. Wellborn
Mr. James P. Holloway	Dr. Douglas Ziedonis
Ms. Elizabeth Kuuttila	

Report of Independent Auditors

The Board of Directors
UNM Rainforest Innovations
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of UNM Rainforest Innovations, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UNM Rainforest Innovations as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021 on our consideration of UNM Rainforest Innovations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UNM Rainforest Innovations' 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 UNM Rainforest Innovations' internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
September 10, 2021

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Management's Discussion and Analysis (unaudited)

June 30, 2021 and 2020

This management's discussion and analysis (MD&A) of the UNM Rainforest Innovations (formerly known as STC.UNM) (the Corporation) provides an overview of the Corporation's financial performance for the fiscal years ended June 30, 2021, 2020, and 2019.

Overview of the Financial Statements

The statements of net position of the Corporation provide both long-term and short-term information about the Corporation's overall financial status. The statements of revenues, expenses, and changes in net position provide information about the operating revenues and expenses and nonoperating revenues and expenses of the Corporation. The statements of cash flows provide information about the sources and uses of cash by the Corporation.

Condensed Financial Information

	June 30		
	2021	2020	2019
Current assets	\$ 22,549,315	11,167,715	2,890,863
Capital assets, net	35,656	32,879	33,040
Investment in stock	1,750	1,735	1,519
Total assets	<u>\$ 22,586,721</u>	<u>11,202,329</u>	<u>2,925,422</u>
Current liabilities	\$ 7,819,778	3,579,384	1,919,454
Net position			
Investment in capital assets	35,656	32,879	33,040
Unrestricted	14,731,287	7,590,066	972,982
Total liabilities and net position	<u>\$ 22,586,721</u>	<u>11,202,329</u>	<u>2,925,476</u>
Operating revenues	\$ 57,767,707	56,375,187	4,441,927
Operating expenses	52,298,752	50,005,387	4,604,146
Operating income (loss)	<u>5,468,955</u>	<u>6,369,800</u>	<u>(162,219)</u>
Nonoperating revenues	1,675,043	247,177	38,376
Change in net position	7,143,998	6,616,977	(123,843)
Net position, beginning of year	7,622,945	1,005,968	1,129,811
Net position, end of year	<u>\$ 14,766,943</u>	<u>7,622,945</u>	<u>1,005,968</u>

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Management's Discussion and Analysis (unaudited)

June 30, 2021 and 2020

Financial Position

The Corporation's current assets increased by \$11,381,600 as of June 30, 2021 to \$22,549,315 compared to \$11,167,715 as of June 30, 2020; and current assets increased by \$8,276,852 as of June 30, 2020 to \$11,167,715 compared to \$2,890,863 as of June 30, 2019. The increase from fiscal year 2020 to fiscal year 2021 was primarily attributable to several fully-paid license agreements entered into during 2021.

Current liabilities increased by \$4,240,394 as of June 30, 2021 to \$7,819,778 compared to \$3,579,384 as of June 30, 2020; and increased by \$1,659,930 as of June 30, 2020 to \$3,579,384 compared to \$1,919,454 as of June 30, 2019. The change from fiscal year 2020 to fiscal year 2021 is primarily attributable to the increase in the liability due to UNM as of June 30, 2021 associated with several fully-paid license agreements entered into during the year.

Capital Assets

Capital asset purchases during fiscal years 2021, 2020, and 2019 were \$12,373, \$7,850, and \$12,662, respectively, for buildings, software, leasehold improvements, computer equipment, and furniture and had depreciation expense of \$9,596, \$8,011, and \$8,065, respectively.

Comparison of Fiscal 2021 to Fiscal 2020 Results of Operations

Total operating revenues increased by \$1,392,520 from \$56,375,187 in fiscal year 2020 to \$57,767,707 for fiscal year 2021. The majority of the increase is primarily attributable to new fully-paid license agreements executed in fiscal year 2021.

Total operating expenses increased by \$2,293,365 for fiscal year 2021 compared to fiscal year 2020. The increase was primarily attributable to legal expenses incurred related to new fully-paid settlement license agreements entered into during fiscal year 2021.

Comparison of Fiscal 2020 to Fiscal 2019 Results of Operations

Total operating revenues increased by \$51,933,260 from \$4,441,927 in fiscal year 2019 to \$56,375,187 for fiscal year 2020. The majority of the increase is directly attributable to several fully-paid license agreements and a patent monetization agreement. This was offset by a decrease in patent cost reimbursement in fiscal year 2020 compared to fiscal year 2019. Additionally, other revenues increased by \$59,682 in fiscal year 2020 compared to fiscal year 2019 primarily due new events and programs and increases in registration of existing events offered during 2020.

Total operating expenses increased by \$45,401,241 for fiscal year 2020 compared to fiscal year 2019. The increase was primarily attributable with the associated fees and distributions related to the fully-paid license agreements of \$33,835,952, the foreign taxes associated with the fully-paid license agreements of \$9,197,500, incentive compensation associated with the positive results incurred during the year of \$1,794,304, and the patent monetization distributions of \$760,000 in fiscal year 2020.

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Management's Discussion and Analysis (unaudited)

June 30, 2021 and 2020

Economic Conditions

The uncertainty of the general economic condition impacts university technology transfer offices such as the Corporation. The stability of the economy will be critical in the venture capital industry, which provides funding for start-up companies that may license university intellectual property.

Contacting the Company's Management

This report is meant to accurately describe the financial condition and position of the Corporation.

If you have any questions about this report or need additional financial information, contact UNM Rainforest Innovations at 101 Broadway Blvd NE, Suite 1100, Albuquerque, New Mexico 87102.

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Statements of Net Position

June 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 9,148,216	6,864,189
Investments	12,646,362	3,897,683
Accounts receivable, net	754,737	405,843
Total current assets	<u>22,549,315</u>	<u>11,167,715</u>
Capital assets:		
Furniture and equipment	256,336	310,388
Accumulated depreciation	(220,680)	(277,509)
Total capital assets, net	<u>35,656</u>	<u>32,879</u>
Investment in stock	1,750	1,735
Total assets	<u>\$ 22,586,721</u>	<u>11,202,329</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 233,299	247,351
Due to University of New Mexico	4,425,383	427,185
Accrued royalty sharing, net	1,018,038	890,126
Accrued expenses	2,143,058	2,014,722
Total current liabilities	<u>7,819,778</u>	<u>3,579,384</u>
Net position:		
Investment in capital assets	35,656	32,879
Unrestricted	14,731,287	7,590,066
Total net position	<u>14,766,943</u>	<u>7,622,945</u>
Total liabilities and net position	<u>\$ 22,586,721</u>	<u>11,202,329</u>

See accompanying notes to financial statements.

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Operational funding from UNM	\$ 794,000	794,000
Patent funding from UNM	952,000	952,000
Economic development funding from UNM	288,000	288,000
Patent cost reimbursement, net	624,287	488,740
Licensing and royalties, net (Notes 3 and 4)	54,521,482	52,341,706
Patent monetization fees (Note 4)	-	1,000,000
Rental income	90,825	128,631
Other	497,113	382,110
Total operating revenues	<u>57,767,707</u>	<u>56,375,187</u>
Operating expenses:		
Patent costs incurred	1,594,415	1,466,547
Licensing distributions (Note 3)	12,002,640	12,821,385
Depreciation	9,596	8,011
Foreign tax expense (Note 7)	-	9,197,500
Patent monetization distributions (Note 4)	-	760,000
Economic development initiative	614,249	441,356
General and administrative (Note 3)	38,077,852	25,310,588
Total operating expenses	<u>52,298,752</u>	<u>50,005,387</u>
Operating income	<u>5,468,955</u>	<u>6,369,800</u>
Nonoperating revenues:		
Interest income	164,578	34,047
Net increase in fair value of investments	1,510,465	213,130
Total nonoperating revenues	<u>1,675,043</u>	<u>247,177</u>
Change in net position	7,143,998	6,616,977
Net position, beginning of year	<u>7,622,945</u>	<u>1,005,968</u>
Net position, end of year	<u>\$ 14,766,943</u>	<u>7,622,945</u>

See accompanying notes to financial statements.

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from licensees	\$ 54,168,113	52,846,404
Receipts for patent monetization agreements	-	1,000,000
Receipts for patent funding revenue from UNM	952,000	952,000
Receipts for operational funding revenue from UNM	794,000	794,000
Receipts for patent cost reimbursements	628,762	655,208
Receipts from other	497,113	382,111
Receipts for economic development initiatives funding revenue from UNM	288,000	288,000
Receipt of rental income	90,825	128,631
Receipts for co-investment funding from UNM	189,993	100,000
Payment to start up companies for co-investment funding	(189,993)	(100,000)
Payments associated with the patent monetization agreement	-	(760,000)
Payment for patent costs incurred	(1,594,415)	(1,466,547)
Payments of foreign taxes	-	(9,197,500)
Payment for licensing distribution expense	(7,876,530)	(13,014,527)
Payments to suppliers and employees	<u>(38,577,817)</u>	<u>(23,898,873)</u>
Net cash provided by operating activities	<u>9,370,051</u>	<u>8,708,907</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(12,373)</u>	<u>(7,850)</u>
Net cash used in capital and related financing activities	<u>(12,373)</u>	<u>(7,850)</u>
Cash flows from investing activities:		
Investments purchased	(7,814,729)	(3,384,375)
Investment proceeds	741,093	495,660
Investment in stock	<u>(15)</u>	<u>(216)</u>
Net cash used in investing activities	<u>(7,073,651)</u>	<u>(2,888,931)</u>
Net change in cash and cash equivalents	2,284,027	5,812,126
Cash and cash equivalents, beginning of year	<u>6,864,189</u>	<u>1,052,063</u>
Cash and cash equivalents, end of year	<u>\$ 9,148,216</u>	<u>6,864,189</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,468,955	6,369,800
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	9,596	8,011
Bad debt expense	103,324	525,000
Changes in operating assets and liabilities:		
Accounts receivable, net	(452,218)	146,166
Accounts payable	(14,052)	61,448
Due to University of New Mexico	3,998,198	(47,008)
Accrued royalty sharing, net	127,912	(146,134)
Accrued expenses	<u>128,336</u>	<u>1,791,624</u>
Net cash provided by operating activities	<u>\$ 9,370,051</u>	<u>8,708,907</u>

See accompanying notes to financial statements.

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

Year Ended June 30, 2021

(1) Organization

UNM Rainforest Innovations (the Corporation) is a blended component unit of The University of New Mexico (UNM). The Corporation was organized on April 26, 1993 to facilitate the commercialization of UNM faculty inventions and to manage UNM's Science & Technology Park in Albuquerque, New Mexico. On December 14, 2004, UNM and UNM Rainforest Innovations entered into a revised Memorandum of Agreement (MOA) containing the expectations and performance obligations UNM is seeking from the Corporation. The MOA may be terminated at any time by either party, at which point all property of the Corporation shall be transferred to UNM or other successor organization designated by resolution of the UNM Board of Regents. The Corporation was incorporated under the State of New Mexico's University Research Park and Economic Development Act. As of June 30, 2021, the governing board consisted of 29 members, including 11 members of certain officers and faculty of UNM, the President of the Corporation, and 17 members of the community. The Corporation has no component units.

(2) Summary of Significant Accounting Policies

(a) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

As a blended component unit of UNM, the Corporation prepared its financial statements in accordance with the accounting disclosure requirements under the Governmental Accounting Standards Board (GASB) pronouncements as the Corporation meets the criteria of a governmental not-for-profit. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies are summarized below.

The Corporation's financial statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and expenses are those incurred that primarily relate directly to facilitating commercialization of UNM faculty, staff, and student inventions, as well as economic development initiatives and venture development income. All other revenues and expenses are considered nonoperating.

(b) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

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Years Ended June 30, 2021 and 2020

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include deposits and funds invested in short-term money market mutual funds. The Corporation is not subject to statutory or policy restrictions on the types of deposits held.

For purposes of the statements of cash flows, the Corporation considers all cash on hand, cash in banks, and all highly liquid securities with original maturities less than 90 days to be cash equivalents.

(d) *Accounts Receivable*

Accounts receivable represent the amount earned based on existing terms under license agreements but uncollected on accrued royalties earned from customers.

Accounts receivable are carried at original amount billed less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. During fiscal 2021 and 2020, management wrote-off \$103,324 and \$425,000, respectively, deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. There were no recoveries in fiscal years 2021 or 2020. There was an allowance for doubtful accounts of \$2,198 and \$100,000 as of June 30, 2021 and 2020, respectively.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past due accounts receivable.

(e) *Capital Assets*

Capital assets are carried at cost. Depreciation is provided on the straight-line method based on estimated useful lives of three to seven years, except for depreciation of buildings, which have a useful life of 30 years. Capital assets costing over \$1,000 and with a useful life greater than a year are capitalized. Repairs and maintenance expenses are charged to expense as incurred.

(f) *Patent Costs*

UNM, a related party, provides annual funding for patent costs. The funding revenue is deferred on receipt. As patent costs are incurred, expense is recognized and an equal amount of the deferred revenue is recognized as income.

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Year Ended June 30, 2021

(g) *Revenue Recognition*

Upfront, nonrefundable licensing fees are recognized when earned. These fees are ordinarily earned when a license agreement is signed and the Corporation has no further obligations with respect to the license. Minimum annual royalty and license maintenance fee income is accrued as it is earned, if it is determined that collection is reasonably assured.

Operational and patent cost funding from UNM is recognized when all eligibility requirements have been met. Patent cost reimbursement is recognized when earned.

Economic development funding and other professional service income is on a cost-reimbursement basis and thus revenue is recognized equal to the amount of allowable expenses incurred.

Patent monetization fees are recognized when an agreement is signed and the Corporation has no further obligations with respect to the agreement.

Rental income from operating leases is recognized on a month-to-month basis according to lease terms.

Accounts receivable, net was \$754,737 and \$405,843 as of June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, the Corporation had bad debt expense related to royalties and licenses of \$98,849 and \$504,698, respectively. For the years ended June 30, 2021 and 2020, the Corporation had \$4,475 and \$20,302 of bad debt expense related to patent cost reimbursement, respectively. The Corporation netted bad debt expense with the corresponding revenue.

(h) *Income Taxes*

The Corporation has received a determination letter from the Internal Revenue Service (IRS) that it is an organization described in Internal Revenue Code Section 501(c)(3). As such, it would be exempt from federal income tax on income generated from activities related to its exempt function.

The Corporation is taxable on unrelated business taxable income. Under some license agreements, the Corporation will take an equity position in the licensee. If the licensee is a limited liability company, the IRS treats income allocable to interests held by a tax-exempt entity as unrelated business taxable income. The Corporation had no unrelated business taxable income during the years ended June 30, 2021 or 2020.

(i) *Accrued Employee Benefits*

The Corporation's employees may accumulate paid personal time, which is payable to the employee upon termination or retirement. Personal time costs are recognized as a liability when earned by the employee.

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Year Ended June 30, 2021

(j) Investments

The investment portfolio is valued based on quoted market values. The portfolio primarily consists of mutual funds. Investments in stock consist of ownership interest in start-up companies and are carried at cost basis.

(k) Net Position

Net position is classified as follows:

Invested in capital assets (net of related debt) is intended to reflect the portion of net position that is associated with non-liquid, capital assets less outstanding capital asset-related debt. The Corporation does not have any debt related to its capital assets.

Restricted net position is the net position that has third-party (statutory or granting agency) limitations on its use. There was no restricted net position as of June 30, 2021 and 2020.

Unrestricted net position represents liquid assets available for use.

(l) Impact of Recently Issued Accounting Standards

GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. This statement extends the implementation dates of several existing GASB authoritative guidance, including GASB No. 87 to fiscal years beginning after June 15, 2021.

GASB Statement No. 87 – Leases. This statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. The Corporation is currently evaluating the impact GASB Statement No. 87 will have on its financial statements.

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Notes to Financial Statements

Years Ended June 30, 2021 and 2020

(3) License Agreements

During fiscal years 2021 and 2020, the Corporation entered into several fully-paid license agreements. The fully-paid license agreements grant a non-exclusive, irrevocable, non-transferable, world-wide license under the licensed patents. The Company incurred \$45,131,032 and \$33,835,952 in fiscal years 2021 and 2020, respectively, in associated fees and distributions included in general and administrative and licensing distributions on the statement of revenues, expense, and changes in net position.

Net licensing revenues are subject to distributions, based on mutual agreements and UNM policy, to joint owners of intellectual property, UNM inventors, and certain offices at UNM. As of June 30, 2021 and June 30, 2020, \$4,425,383 and \$427,185, respectively, are owed to UNM for UNM's share of licensing distributions.

(4) Patent Monetization Agreement

On July 12, 2019, the Corporation entered into a Patent Monetization Agreement and related documents with multiple third-parties to fund expenses incurred by or on behalf of the Corporation in pursuing certain patent infringement claims. The terms of the agreements are subject to confidentiality provisions and/or Attorney-Client Privilege. During fiscal year 2021, certain patent settlement claims resulted in three fully-paid license agreements.

(5) Cash, Cash Equivalents, and Investments

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents:		
Cash on deposit at financial institution	\$ 8,840,547	6,824,692
Cash equivalents not considered deposits:		
Money market accounts	307,569	39,397
Petty cash	100	100
Total cash and cash equivalents	<u>\$ 9,148,216</u>	<u>6,864,189</u>
Investments:		
Mutual funds:		
Domestic fixed income	\$ 3,206,189	1,730,910
International fixed income	120,220	60,646
Domestic equity	5,867,004	1,356,556
International equity	3,452,949	749,571
Total investments	<u>\$ 12,646,362</u>	<u>3,897,683</u>

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Year Ended June 30, 2021

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the entity's deposits may not be returned to it. The Corporation maintains cash and cash equivalents in interest-bearing transaction accounts with financial institutions and, as such, the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) up to \$250,000. The Corporation does not believe there is any significant credit risk related to their deposits. The Corporation does not require collateral on its cash deposits in excess of \$250,000.

As of June 30, the Corporation's deposits were exposed to custodial credit risk as follows:

The following schedule details the Corporation's deposit accounts at June 30, 2021:

Bank Name/ Account	Account Type	Financial Statement Balance	Outstanding Checks	Bank Balance
Bank of the West:				
Operating	Checking	\$ 8,840,547	213,911	\$ 9,054,458
TIAA:				
Money market account	Money market	307,569	-	307,569
				<u>9,362,027</u>
Less FDIC insurance				(250,000)
Less SIPC insurance				<u>(250,000)</u>
Uninsured and uncollateralized at June 30, 2021				<u>\$ 8,862,027</u>

The following schedule details the Corporation's deposit accounts at June 30, 2020:

Bank Name/ Account	Account Type	Financial Statement Balance	Outstanding Checks	Bank Balance
Bank of the West:				
Operating	Checking	\$ 6,824,692	251,255	\$ 7,075,947
TIAA:				
Money market account	Money market	39,397	-	39,397
				<u>7,115,344</u>
Less FDIC insurance				(250,000)
Less SIPC insurance				<u>(39,397)</u>
Uninsured and uncollateralized at June 30, 2020				<u>\$ 6,825,947</u>

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Years Ended June 30, 2021 and 2020

(b) *Investment Policy*

Up until March 2020, the Corporation had its funds in the “Aggressive” investment objective option under the “Passive Meet/Beat Market” TIAA Portfolio Advisor Investment Strategy. Due to negative long-term forecasts in the global market, the Corporation changed its investment objective option to “Moderate/Intermediate-Term” under the Passive Meet/Beat Market” TIAA Portfolio Advisor Investment Strategy. TIAA has a general investment account policy developed for the Corporation’s funds. The policy establishes an understanding as to the investment goals, objectives, and management policies for this specific portfolio. The objective of the fund is an emphasis on the total return of the portfolio with some consideration on additional customization options. Investments are primarily in equity securities and other asset classes, with growth as the primary objective. Fixed income securities are utilized for risk control. Real assets are utilized for diversification and complementary strategies may be utilized to improve the return/risk relationship of the portfolio. The risk of tolerance of the Corporation can currently be described as “moderate/intermediate-term”. The performance of the portfolio will be monitored, measured, and reported by TIAA to the Corporation.

On July 31, 2020, the Corporation’s Board of Directors approved a Quasi-Endowment Fund Investment Policy establishing investment objectives, policies, guidelines, and eligible securities for the investment and management of funds held in the Quasi-Endowment Fund. The amended investment policy eliminated the concept of and use of a Strategic Initiatives Fund and authorized the creation of a Spending Account, as described in the policy, for the determination of the amount of funds available for expenditure on the Corporation’s strategic initiatives.

(c) *Interest Rate Risk and Credit Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that the credit quality of investments fluctuates or downgrades from the time of purchase or the risk that an issuer of an investment will not fulfill its obligations. The Corporation’s investments subject to interest rate and credit risk are the fixed income mutual funds. The Corporation’s investment policy limits interest rate risk by limiting the percentage of assets invested in bond funds and by requiring the weighted average duration of its portfolio of bond funds to not exceed the duration of the Barclays Aggregate Bond Index by more than two years. The Corporation’s investment policy limits credit risk by requiring that domestic investment grade bond funds held have a credit rating of BBB or above at purchase, and by limiting the percentage of assets invested in bond funds.

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Year Ended June 30, 2021

The Corporation had the following investments and maturities at June 30, 2021 and 2020.

Investment Type	June 30, 2021					
	Fair Value	Weighted Average Investment Maturities (in Years)				
		Less Than 1	1 – 5	6 – 10	More Than 10	Not Available
Fixed income:						
Domestic bond mutual funds	\$ 3,206,189	—	328,657	2,877,532	—	—
International bond mutual funds	120,220	—	—	—	120,220	—
	<u>\$ 3,326,409</u>	<u>—</u>	<u>328,657</u>	<u>2,877,532</u>	<u>120,220</u>	<u>—</u>
Investment Type	June 30, 2020					
	Fair Value	Weighted Average Investment Maturities (in Years)				
		Less Than 1	1 – 5	6 – 10	More Than 10	Not Available
Fixed income:						
Domestic bond mutual funds	\$ 1,730,910	—	111,779	1,619,131	—	—
International bond mutual funds	60,646	—	—	—	—	60,646
	<u>\$ 1,791,556</u>	<u>—</u>	<u>111,779</u>	<u>1,619,131</u>	<u>—</u>	<u>60,646</u>

The following tables provide information on the credit ratings associated with the Corporation's investments in debt securities at June 30, 2021 and 2020.

Investment Type	June 30, 2021									
	Fair Value	AAA	AA	A	BBB	BB	B	Below B	NR	Not Available
Fixed income:										
Domestic bond mutual funds	\$ 3,206,189	111,173	2,396,857	240,004	300,765	—	157,390	—	—	—
International bond mutual funds	120,220	—	—	—	—	—	120,220	—	—	—
	<u>\$ 3,326,409</u>	<u>111,173</u>	<u>2,396,857</u>	<u>240,004</u>	<u>300,765</u>	<u>—</u>	<u>277,610</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investment Type	June 30, 2020									
	Fair Value	AAA	AA	A	BBB	BB	B	Below B	NR	Not Available
Fixed income:										
Domestic bond mutual funds	\$ 1,730,910	—	1,522,777	55,910	55,869	—	96,354	—	—	—
International bond mutual funds	60,646	—	—	—	—	—	60,646	—	—	—
	<u>\$ 1,791,556</u>	<u>—</u>	<u>1,522,777</u>	<u>55,910</u>	<u>55,869</u>	<u>—</u>	<u>157,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

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Years Ended June 30, 2021 and 2020

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All foreign investments of the Corporation are in mutual funds, as disclosed elsewhere in this note.

(e) Net Increase in Fair Value of Investments

During the years ended June 30, the Corporation experienced realized gains and unrealized losses on investments held as follows:

	2021	2020
Realized gains	\$ 70,133	26,135
Unrealized gains	1,440,332	186,995
Net increase in fair value of investments	\$ 1,510,465	213,130

Fair Value Measurement

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

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

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

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Year Ended June 30, 2021

The Corporation has the following recurring fair value measurements as of June 30, 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Domestic fixed income	\$ 3,206,189	3,206,189	—	—
International fixed income	120,220	120,220	—	—
Domestic equity	5,867,004	5,867,004	—	—
International equity	3,452,949	3,452,949	—	—
Total investments	<u>\$ 12,646,362</u>	<u>12,646,362</u>	<u>—</u>	<u>—</u>

The Corporation has the following recurring fair value measurements as of June 30, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Domestic fixed income	\$ 1,730,910	1,730,910	—	—
International fixed income	60,646	60,646	—	—
Domestic equity	1,356,556	1,356,556	—	—
International equity	749,571	749,571	—	—
Total investments	<u>\$ 3,897,683</u>	<u>3,897,683</u>	<u>—</u>	<u>—</u>

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Year Ended June 30, 2021

(6) Capital Assets

The Corporation has the following capital assets as of June 30:

		2021		
		Beginning Balance	Increases	Decreases
				Ending Balance
Capital assets being depreciated:				
Furniture and equipment	\$	310,388	12,373	(66,425)
Accumulated depreciation		(277,509)	(9,596)	66,425
Capital assets, net	\$	<u>32,879</u>	<u>2,777</u>	<u>35,656</u>
		2020		
		Beginning Balance	Increases	Decreases
				Ending Balance
Capital assets being depreciated:				
Furniture and equipment	\$	302,538	7,850	—
Accumulated depreciation		(269,498)	(8,011)	—
Capital assets, net	\$	<u>33,040</u>	<u>(161)</u>	<u>32,879</u>

(7) Commitments and Contingencies

(a) Occupancy Agreement

The Corporation entered into an occupancy agreement with UNM for lease of the office facilities, effective August 15, 2017, as amended on February 28, 2021, with an end date of August 31, 2027. Future minimum payments required under the occupancy agreements are as follows:

Year ending June 30, 2022	\$	146,919
Year ending June 30, 2023		146,919
Year ending June 30, 2024		146,919
Year ending June 30, 2025		159,253
Year ending June 30, 2026		161,719
Thereafter		188,673
	\$	<u>950,402</u>

Rent expense in fiscal years 2021 and 2020 was \$204,528 and \$233,332, respectively, which are included in general and administrative expense in the accompanying statement of revenues, expenses, and changes in net position. The Corporation entered into sublease agreement with a third party effective September 1, 2017; however, the sublease was terminated on February 28, 2021. Previously the minimum receipts required under the sublease were \$86,403 each fiscal year. During the year, due to the Corporation's sublease termination, the Corporation and

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Year Ended June 30, 2021

UNM amended the occupancy agreement as follows: the monthly rent decreased to \$12,243 beginning March 1, 2021 through August 31, 2024; and monthly rent will increase to \$13,477 beginning September 1, 2024 through lease termination date of August 31, 2027.

The Corporation also enters into various short-term monthly agreements with venture lab tenants for virtual and physical space. The Corporation recorded \$90,825 and \$128,631 of rental/occupancy income associated with these agreements in fiscal years 2021 and 2020, respectively.

(b) Risk Management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. The Corporation is insured under the UNM's Risk Management for liability and casualty insurance, and through a private carrier for director and officer liability insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements in any of the past years.

(c) Litigation

In the normal course of its commercialization activities and the protection of its patent portfolio, the Corporation engages in litigation to enforce its contractual rights under existing license agreements and to enforce its patent rights against infringers. During fiscal years 2021 and 2020, the Corporation resolved litigation in several infringement cases. The terms of the agreements related to the resolution of each case are subject to confidentiality restrictions set out in the agreements.

(d) Foreign Taxes

In the normal course of its commercialization activities, the Corporation may pay taxes to foreign jurisdictions on royalty income. In some cases, the Corporation may be entitled to refunds based upon tax treaties between the U.S. Government and the foreign jurisdiction or other law. During the fiscal years ended June 30, 2021 and 2020, the Corporation paid foreign taxes in the amount of \$0 and \$9,197,500, respectively, and is currently seeking a refund of all or a portion of such amount. The Company has not recorded any gain contingency as of June 30, 2021 and June 30, 2020 associated with these taxes.

(e) COVID-19

The outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies and created uncertainty regarding potential impacts to the Company's operations and customer demand. The ongoing pandemic has impacted the Corporation's operations and the operations of the Corporation's start-up companies and UNM as a result of quarantines, and travel and logistics restrictions. While there have been disruptions caused by the pandemic, the Corporation has successfully adapted to using various tools and applications to manage operations remotely and to enhance communications. The Corporation has followed

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UNM's guidance related to the pandemic and has had limited operations with partial opening of the office facilities. All events and meetings were changed to be held online and in some cases the attendance has increased compared to pre-pandemic in-person gatherings. Despite the challenges, the level of licensing and patent activity remained very strong during the current year. With the newly discovered variant of the novel coronavirus COVID-19 having possible further global implications, there is continued uncertainty regarding the pandemic's duration. The Corporation's management expects the continuing pandemic will have a certain level of ongoing impact on its results of operations, financial position, and liquidity; however, management cannot reasonably estimate the future impact at this time.

(8) Defined Contribution Plan

The Corporation sponsors a defined contribution retirement plan for eligible employees. Employees may contribute up to the maximum allowed by the IRS. In fiscal years 2021 and 2020, the Corporation matched employee contributions below 7.975% commensurately; employee contributions that equaled or exceeded 7.975% were matched up to 12.4% of the employee's base salary. There is no vesting period. The Corporation's contributions were \$132,558 and \$124,518 in fiscal years 2021 and 2020, respectively. Employee contributions were \$90,282 and \$85,001 in fiscal years 2021 and 2020, respectively.

(9) Incentive Compensation Plan

The Corporation has an incentive compensation plan in which the finance and compensation committee of the Corporation's Board of Directors (UNMRI Board) has the discretion to provide a cash and/or equity incentive award based on performance. Cash bonuses awarded to employees were \$1,863,650 and \$1,790,639 in fiscal years 2021 and 2020, respectively. Equity incentive awards are provided to eligible employees in shares of start-up company common or preferred stock. The total shares awarded to employees for various companies during fiscal years 2021 and 2020 were 5,993 and 79,312, respectively.

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Year Ended June 30, 2021

(10) Quasi-Endowment

The Corporation's Board approved, as amended, an internal UNM Rainforest Innovations endowment policy for management of large one-time license-fee related payments received by the Corporation. The endowment policy, as amended, states that if the Corporation's net position balance exceeds \$500,000 then the excess balance may be allocated as follows: 80% to the Corporation's Quasi-Endowment, the interest from which could be used to fund the Corporation's operations; and 20% to the Corporation's Strategic Initiatives Fund to be used for the inventor recognition awards program, the gap fund program, and other strategic initiatives of the Corporation, as determined by the Corporation Board's Executive Committee. Reallocation of balances between the Quasi-Endowment, Strategic Initiatives Fund, and other net position balances may be made at the discretion of the Corporation's Finance Committee. The Corporation's Board designated endowment of \$500,000 is accounted for and included under unrestricted net position. The Corporation Board's Endowment Committee meets on a quarterly basis to closely monitor the endowment fund activities and investment fund portfolio.

(11) Co-Investment Fund

Based on a working relationship with the UNM Foundation, a related party, during fiscal year 2014, the UNM RI Board of Directors approved the UNM RI Policy on Investment from Co-Investment Fund. The UNM Foundation revised its Consolidated Investment Fund Policy (the Policy) to set aside \$1,000,000 for their investment in private startup companies, which were started based on technology transferred and licensed from the Corporation. Under the Policy, any positive returns realized and received by the Co-Investment Fund in the future shall be shared 10% by the Corporation and 90% by the UNM Foundation. The Policy agreement was amended on October 21, 2016 removing the \$1,000,000 threshold.

During fiscal year 2021, the Corporation approved two proposals from two separate start-up companies and provided successful co-investments totaling \$189,993 based on direct pass-through funding from the UNM Foundation to the Corporation per the terms of the policy.

During fiscal year 2020, the Corporation approved one proposal from a start-up company and provided successful co-investments totaling \$100,000 based on direct pass-through funding from the UNM Foundation to the Corporation per the terms of the policy.

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

The Board of Directors
UNM Rainforest Innovations
and
Mr. Brian S. Colón, Esq.
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 UNM Rainforest Innovations, which comprise the statement of net position as of and for the year ended June 30, 2021, and the statements of revenues, expenses, and changes in net position and cash flow for the year then ended, and have issued our report thereon dated September 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UNM Rainforest Innovations' internal control over financial reporting (internal control) as a basis for designing 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 UNM Rainforest Innovations' internal control. Accordingly, we do not express an opinion on the effectiveness of UNM Rainforest Innovations' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UNM Rainforest Innovations' 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 financial statements. 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
September 10, 2021

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)
Summary of Auditor's Results (as Required by 2.2.2.10 NMAC L(1) (f))
June 30, 2021

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Compliance and other matters noted? ☐ Yes ☒ No

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Schedule of Findings

Year Ended June 30, 2021

No matters were reported.

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)
Schedule of Prior Audit Findings
Year Ended June 30, 2021

No prior audit findings

UNM RAINFOREST INNOVATIONS
(A Blended Component Unit of the University of New Mexico)

Exit Conference
Year Ended June 30, 2021

An exit conference was held on September 7, 2021. During this meeting, the contents of this report were discussed with the following individuals:

UNM Rainforest Innovations (a blended component unit of the University of New Mexico)

Elizabeth Kuuttila, CEO and Chief Economic Development Officer

Sandra Begay, Board Chair

Teresa Costantinidis, Board Member

Dr. Douglas Ziedonis, Board Member

Kyung Salazar, CFO

Preston Hendrix, Controller

Moss Adams LLP

Lisa Todd, Partner

Lauren Kistin, Senior Manager

Lauren Casias, Senior

UNM Rainforest Innovations (a blended component unit of the University of New Mexico) is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.



Lobo Energy, Incorporated

January 26, 2022

Ms. Teresa Costantinidis
Senior Vice President for Finance & Administration
The University of New Mexico
Scholes Hall, Room 111 MSC 05-3500
Albuquerque, NM 87131-0001

Dear Senior Vice President Costantinidis :

Lobo Energy, Incorporated requests that the annual meeting of the member be held during the Finance and Facilities Committee meeting on February 08, 2022.

There are two action items for the agenda:

- Approval of the Minutes from the Annual Meeting of the Member held on February 16, 2021
- Approval of the FY 2020-21 audit

Although the Regents' Finance & Facilities Committee has approved the UNM audit, which includes the audit of Lobo Energy, the University Research Park and Economic Development Act requires that the auditor present the corporation's audit to the Board of Regents. We wish to fulfill that obligation. Jason Strauss will present.

Thank you

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Strauss".

Jason Strauss
President/CEO

c: Lisa Marbury

In terms of innovation impact, a George W. Bush Institute study ranked UNM 27 among US universities and ranked it second among midsize research universities. Ms. Kuuttila discussed the recent Business and Economic Summit that was held in January and hosted by UNM. The summit was built around a study conducted by the New Mexico Chamber of Commerce that centered on how to move the state forward in terms of economic development. The study had a lot of great recommendations and UNM wanted to facilitate discussion of those recommendations among a larger group in the state, including the business community, higher education, government, and other groups. All together there were 260 participants, the largest number ever. Ms. Kuuttila discussed summit activities and outcomes, including continued discussions on how to move forward the new ideas. She also talked about plans for the next summit which will focus on a statewide strategic plan for economic development.

The Regents thanked Ms. Kuuttila for her report; there was some discussion.

VOTE TO RECESS THE BOARD OF REGENTS IN ORDER TO HOLD THE ‘MEETING OF THE MEMBER’ FOR LOBO DEVELOPMENT CORPORATION; LOBO ENERGY, INC.; UNM SANDOVAL REGIONAL MEDICAL CENTER, INCL.; AND UNM MEDICAL GROUP, INC. (1st Lee; 2nd Begay; roll call vote – all members voted yes) The Board of Regents went into recess at 12:19 PM.

MEETING OF THE MEMBER – LOBO DEVELOPMENT CORPORATION (LDC)

Convene the Meeting of the Member

Regent President Brown convened the meeting of the member at 12:20 PM.

Approval of Minutes and Acceptance of the FY2019-20 Audit

Regent Brown asked if there were any questions for SVP Costantinidis or Kelly Ward regarding the minutes or the audit report. The audit was an approved, unmodified audit. There being no questions, he asked for a motion to approve both.

- The motion to approve the Minutes of the December 10, 2019 meeting and the FY 2019-20 Audit passed with a unanimous vote in favor (1st Lee; 2nd Schwartz; roll call vote – all Regents voted yes)

Vote to adjourn (1st Schwartz; 2nd Lee; all Regents voted yes)

The meeting adjourned at 12:21 PM.

MEETING OF THE MEMBER – LOBO ENERGY, INC. (LEI)

Convene the Meeting of the Member

Regent President Brown convened the meeting of the member at 12:21 PM.

Approval of Minutes and Acceptance of the FY2019-20 Audit

Regent Brown asked if there were any questions for Jason Strauss regarding the minutes or the audit report. The audit was an approved, unmodified audit. There being no questions, he asked for a motion to approve both.

- The motion to approve the Minutes of the December 10, 2019 meeting and the FY 2019-20 Audit passed with a unanimous vote in favor (1st Lee; 2nd Schwartz; roll call vote – all Regents voted yes)

Vote to adjourn (1st Schwartz; 2nd Lee; all Regents voted yes)

The meeting adjourned at 12:22 PM.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Financial Statements
June 30, 2021 and 2020
(With Report of Independent Auditors Thereon)

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

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LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Official Roster (unaudited)

June 30, 2021

OFFICERS

Jason Strauss

Matthew Cherrin

Julie Alberti

Alfred Sena

MEMBERS

Jason Strauss

Kate Becker

Garnett Stokes

Teresa Costantinidis

Robert Gonzalez

Jon Word

Thomas J. Ruiz

Bruno E. Carrara

Marron Lee (thru 12/31/2020)

Jack Fortner (as of 01/01/2021)

Report of Independent Auditors

The Board of Directors
Lobo Energy, Incorporated
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of Lobo Energy, Incorporated (Lobo Energy), a blended component unit of the University of New Mexico, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Lobo Energy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lobo Energy as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021 on our consideration of Lobo Energy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lobo Energy's 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 Lobo Energy's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
September 16, 2021

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021 and 2020

The following discussion and analysis provides an overview of the financial position and activities of Lobo Energy, Incorporated (Lobo Energy) as of and for the fiscal years ended June 30, 2021, 2020, and 2019. 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 financial statements, notes, and this discussion are the responsibility of Lobo Energy's management.

Financial Highlights

- Lobo Energy's change in net position was \$766,639, \$673,206, and \$674,139 for the years ended June 30, 2021, 2020, and 2019, respectively. The change in net position for 2021 was due to a decrease in operating expense caused by a slow-down in operations as a result of COVID-19 restrictions and a decrease in nonoperating interest expense. The change in net position for 2020 was due to an increase in operating expenses that were offset by decreases in nonoperating expenses.
- During fiscal year 2021, Lobo Energy's operating revenue remained the same and operating expenses decreased by \$65,439, resulting in a net operating gain of \$808,645 in fiscal year 2021, compared to a net operating gain of \$743,206 in fiscal year 2020. During fiscal year 2020, Lobo Energy's operating revenue remained the same and operating expenses increased by \$30,602, resulting in a net operating gain of \$743,206 in fiscal year 2020, compared to a net operating gain of \$773,808 in fiscal year 2019.
- Cash increased in fiscal year 2021 by \$102,050 resulting in cash on deposit with fiscal agent and cash on hand at the close of fiscal year 2021 of \$885,649. The increase during fiscal year 2021 is primarily due to a slow-down in operations as a result of COVID-19 restrictions. Cash increased in fiscal year 2020 by \$61,892 resulting in cash on deposit with fiscal agent and cash on hand at the close of fiscal year 2020 of \$783,599. The increase during fiscal year 2020 is primarily due to the GLHN Architects and Engineers, Inc. Utility Master Plan.

Overview of the Basic Financial Statements

The statements of net position of Lobo Energy provide both long-term and short-term information about Lobo Energy's overall financial position. The statements of revenues, expenses, and changes in net position provide information about the operating revenues and expenses and the nonoperating revenues and expenses of Lobo Energy. The statements of cash flows provide information related to the cash inflows and outflows of Lobo Energy. The notes to the basic financial statements provide more detailed information about amounts reported in the basic financial statements.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021 and 2020

Financial Information

Lobo Energy's condensed financial information as of and for the fiscal years ended June 30, 2021, 2020, and 2019 are provided in the following table:

	2021	2020	2019
Current assets	\$ 895,825	\$ 793,487	\$ 732,723
Capital assets	7,433,941	7,858,737	8,292,488
Total assets	<u>\$ 8,329,766</u>	<u>\$ 8,652,224</u>	<u>\$ 9,025,211</u>
Current liabilities	\$ 1,184,440	\$ 1,153,082	\$ 1,108,014
Long-term liabilities	94,714	1,215,169	2,306,430
Net position	7,050,612	6,283,973	5,610,767
Total liabilities and net position	<u>\$ 8,329,766</u>	<u>\$ 8,652,224</u>	<u>\$ 9,025,211</u>
Operating revenue	\$ 2,171,065	\$ 2,171,065	\$ 2,171,065
Operating expenses	1,362,420	1,427,859	1,397,257
Operating income	<u>808,645</u>	<u>743,206</u>	<u>773,808</u>
Nonoperating revenue	5,799	6,241	4,264
Nonoperating expenses	47,805	76,241	103,933
Change in net position	<u>766,639</u>	<u>673,206</u>	<u>674,139</u>
Net position, beginning of year	6,283,973	5,610,767	4,936,628
Net position, end of year	<u>\$ 7,050,612</u>	<u>\$ 6,283,973</u>	<u>\$ 5,610,767</u>

Statements of Net Position

As of June 30, 2021, 2020, and 2019, Lobo Energy has cash in the amount of \$885,649, \$783,599, and \$721,707, respectively, of which \$380,239, \$309,075, and \$297,765, respectively, is held by Lobo Energy's fiscal agent, UNM, and \$505,410, \$474,524, and \$423,942, respectively, is held in an operating bank account at a financial institution.

As of June 30, 2021, 2020, and 2019, net assets are held as equity in the form of unrestricted net position of \$831,840, \$731,666, and \$687,535, respectively. Additionally, at June 30, 2021, 2020, and 2019, Lobo Energy has \$6,218,772, \$5,552,307, and \$4,923,232, shown as net investment in capital assets.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021 and 2020

Capital Assets and Debt Administration

Lobo Energy's investment in capital assets as of June 30, 2021, 2020, and 2019 was \$7,433,941, \$7,858,737, and \$8,292,488, respectively. This investment in capital assets includes a co-generation project in construction and internally generated software. Additional information concerning Lobo Energy's capital assets may be found in Note 5 in notes to the financial statements.

At the end of the current fiscal year, Lobo Energy had total debt outstanding of \$1,215,169. This debt was incurred when Lobo Energy borrowed \$10,000,000 during fiscal year (FY) 2012–13 for the purchase of the co-generation project described above. Additional information concerning Lobo Energy's long-term debt may be found in Note 5 to the financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

Revenues – Under the current Management Services Agreement (MSA), total operating revenue earned during each fiscal years 2021 and 2020 for utility project management services and other project management services was \$2,171,065, and includes \$480,000 in both fiscal years for utilities management services. Other management services for each fiscal year 2021 and 2020 was \$1,691,065.

Expenses – Total operating expenses decreased by \$65,439 during fiscal year 2021 is primarily due to not having the GLHN Utility Master Plan project. During fiscal year 2020, total operating expenses attributable to the GLHN Utility Master Plan project was \$30,602.

Contacting Lobo Energy's Financial Management

This report is meant to describe the financial condition and position of Lobo Energy.

If you have questions about this report or need additional financial information, contact:

Lobo Energy, Incorporated
800 Bradbury Drive SE, Suite 216
Albuquerque, New Mexico 87106-4310
(505) 272-7118

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash on deposit with fiscal agent	\$ 380,239	\$ 309,075
Cash on deposit with BBVA Compass Bank	505,410	474,524
Accounts receivable	10,176	9,888
Total current assets	<u>895,825</u>	<u>793,487</u>
Capital assets:		
Property, plant, and equipment	11,284,927	11,284,927
Less accumulated depreciation	<u>(3,850,986)</u>	<u>(3,426,190)</u>
Net capital assets	<u>7,433,941</u>	<u>7,858,737</u>
Total assets	<u>\$ 8,329,766</u>	<u>\$ 8,652,224</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ -	\$ 1,164
Accrued expenses	63,985	60,657
Current portion of long-term debt	<u>1,120,455</u>	<u>1,091,261</u>
Total current liabilities	1,184,440	1,153,082
Long-term debt, excluding current installments	<u>94,714</u>	<u>1,215,169</u>
Total liabilities	<u>1,279,154</u>	<u>2,368,251</u>
Net position:		
Net investment in capital assets	6,218,772	5,552,307
Unrestricted	<u>831,840</u>	<u>731,666</u>
Total net position	<u>7,050,612</u>	<u>6,283,973</u>
Total liabilities and net position	<u>\$ 8,329,766</u>	<u>\$ 8,652,224</u>

See accompanying notes to financial statements.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Utilities management services	\$ 480,000	\$ 480,000
Other management services	1,691,065	1,691,065
Total operating revenues	<u>2,171,065</u>	<u>2,171,065</u>
Operating expenses:		
Administrative expenses	225,143	230,839
Depreciation expenses	424,796	433,751
Project expenses	712,481	763,269
Total operating expenses	<u>1,362,420</u>	<u>1,427,859</u>
Operating income	808,645	743,206
Nonoperating revenue:		
Interest income	5,799	6,241
Nonoperating expenses:		
Interest expense	<u>(47,805)</u>	<u>(76,241)</u>
Change in net position	766,639	673,206
Net position, beginning of year	<u>6,283,973</u>	<u>5,610,767</u>
Net position, end of year	<u><u>\$ 7,050,612</u></u>	<u><u>\$ 6,283,973</u></u>

See accompanying notes to financial statements.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,170,777	\$ 2,171,065
Payments to other suppliers of goods or services	(385,210)	(426,021)
Payments to employees for services	(550,250)	(550,326)
Net cash provided by operating activities	<u>1,235,317</u>	<u>1,194,718</u>
Cash flow from investing activities:		
Interest earned	<u>5,799</u>	<u>6,241</u>
Net cash provided by investing activities	<u>5,799</u>	<u>6,241</u>
Cash flow from capital financing activities:		
Payments of long-term debt	(1,091,261)	(1,062,826)
Interest expense	(47,805)	(76,241)
Net cash used in financing activities	<u>(1,139,066)</u>	<u>(1,139,067)</u>
Net increase in cash and cash equivalents	102,050	61,892
Cash and cash equivalents, beginning of year	<u>783,599</u>	<u>721,707</u>
Cash and cash equivalents, end of year	<u>\$ 885,649</u>	<u>\$ 783,599</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 808,645	\$ 743,206
Depreciation expense	424,796	433,751
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in prepaid expenses	-	1,128
Change in accounts receivable	(288)	-
Change in accounts payable	(1,164)	1,158
Change in accrued expenses	3,328	15,475
Net cash provided by operating activities	<u>\$ 1,235,317</u>	<u>\$ 1,194,718</u>

See accompanying notes to financial statements.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(1) Description of Business

Lobo Energy, Incorporated (Lobo Energy) (a blended component unit of the University of New Mexico) is owned, controlled, and was established by the University of New Mexico's (UNM) Board of Regents.

Lobo Energy was incorporated in the State of New Mexico on July 15, 1998. It was organized under the amended State of New Mexico's University Research Park Act. The name of the Act has since been changed to the University Research Park and Economic Development Act.

Lobo Energy was established to provide UNM with services outlined in an Interim Services Agreement (ISA) that included procuring electricity and natural gas for UNM, installing an energy metering and management system, and developing a Master Utility Business Plan (Plan) for the upgrade and improvement of the utility infrastructure. Lobo Energy completed the installation of a metering and monitoring system and developed and integrated energy procurement methods into UNM's procurement processes. Lobo Energy's board of directors approved the Plan in June 2000. UNM implemented the Plan and financed and constructed the projects contemplated in the Plan.

In developing the plan, Lobo Energy employed several consultants to assist in assessing the utility infrastructure needs, defining a technical solution, and determining the financial parameters of that solution. The combined efforts resulted in a comprehensive plan that identified many utility improvement projects, their construction costs, and the financial impacts upon the utility services. The utility systems included in the plan were renewed through a series of construction projects over a period of several years.

Lobo Energy conducted its business under the terms of a November 2000–2005 Management Services Agreement (MSA) that replaced the original ISA. Under the MSA, with respect to existing and any and all new utility systems and equipment, UNM continued to own, finance, operate, maintain, and in all respects control the utility equipment and systems. Lobo Energy provided project management services and transition management services for the duration of the project. The utility upgrade project was completed during 2006.

Lobo Energy currently provides services to UNM under the terms of a revised MSA, which is effective November 2020–2025 (Note 3). The agreement continues for consecutive one-year periods after its expiration or until such time as it is terminated. UNM may terminate the MSA thirty-days after written notice to Lobo Energy. UNM has not notified Lobo Energy that it intends to exercise this right. Upon termination of this agreement all rights and privileges granted, assigned, or shared between Lobo Energy and UNM shall terminate. Upon termination of the agreement, all property of Lobo Energy shall transfer to UNM subject to the prior rights, if any, of any creditors of Lobo Energy.

UNM requested that Lobo Energy implement an energy conservation program on the campus during fiscal year 2008. Lobo Energy entered into a contract with Energy Education, Inc. (EEI), a corporation that specializes in energy conservation (EEI is now known as Cenergistic). Lobo Energy hired six energy conservation specialists (ECSs). Contract payments began after the first six months the contract was in effect. The ongoing program continues to be very effective. UNM has experienced a dramatic decrease in its energy consumption, as well as a reduction in the size of its carbon footprint, since the onset of the project. The four-year contract with EEI expired on September 30, 2012. The energy conservation project continues on campus.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

During fiscal years 2008 and 2009, energy-conservation programs were started on UNM's Valencia, Gallup, Los Alamos, and Taos campuses. The program on each of those campuses is administered by an employee who was already employed on each campus. The programs are ongoing during fiscal years 2020 and 2021.

During fiscal year 2013, at the request of UNM, Lobo Energy began providing technical support for the smart-grid, renewable-energy project owned by Shimizu NA on the Mesa del Sol campus. Lobo Energy is compensated by Shimizu for its participation in this project. Lobo Energy's contract with Shimizu expired on March 31, 2014. The solar unit was given to UNM's Engineering Department by Shimizu and the maintenance is provided by UNM Physical Plant personnel.

(2) Summary of Significant Accounting Policies and Practices

(a) *Basis of Accounting and Presentation*

As a proprietary fund, Lobo Energy's financial statements are reported using a flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred. Operating revenues and expenses are those incurred that relate directly to energy and project management services. All other revenues and expenses are considered nonoperating.

The accompanying financial statements include only the accounts of Lobo Energy, which has no component units.

(b) *Net Position*

For accounting and reporting purposes, Lobo Energy reports its net position in the following net asset categories as applicable:

- Net investment in capital assets – capital assets, net of accumulated depreciation and debt incurred to finance the capital asset acquisition.
- Unrestricted – net position that is not subject to externally imposed constraints.

(c) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statements dates and the reported amounts of revenues and expenses during these reporting periods. Due to uncertainties inherent in the estimation process, actual results could differ from those estimates.

(d) *Cash on Deposit*

For purposes of the statement of cash, Lobo Energy considers cash to be cash deposits and amounts held by its fiscal agent.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(e) Revenue Recognition

Lobo Energy provides two types of project management services: utilities management services and other management services (see Note 3). Revenue is recognized for each type of service based on the terms of the MSA.

(f) Accounts Receivable

Accounts receivable balances represent amounts due from an affiliated entity (UNM) for services performed under the MSA. All amounts are considered collectible and therefore no allowance for doubtful accounts has been recorded.

(g) Capital Assets

Capital assets are stated at cost. Lobo Energy's policy is to capitalize all disbursements for equipment, software, and furnishings in excess of a \$5,000 per unit price. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Donated equipment is recorded at fair market value at the date of donation. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized.

(h) Compensated Absences

Under Lobo Energy's internal policy terminating employees are not entitled to unused sick leave except for amounts unused exceeding a balance of 600 hours. If a terminating employee's balance exceeds 600 hours the employee can request that the amounts in excess of 600 be paid out to the employee upon termination at 50% of their pay rate. Lobo Energy does accrue for annual leave at a maximum of 252 hours per employee, which is payable to each employee upon termination. Lobo Energy recorded \$63,985 and \$60,624 of annual leave as accrued expenses at June 30, 2021 and 2020, respectively.

(i) Income Taxes

Lobo Energy is exempt from federal income tax on income related to its exempt purposes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Section 501(c)(3) of the Code.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(j) *Impact of Recently Issued Accounting Standards*

GASB Statement 87 – *Leases*. This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This Statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. In light of the COVID-19 pandemic, GASB issued Statement 95, which postpones the effective date of GASB Statement 87 by 18 months. Therefore, GASB Statement 87 is effective for periods beginning after June 15, 2021 (fiscal year 2022), and earlier application is encouraged. Lobo Energy is currently evaluating the impact GASB Statement 87 will have on its financial statements.

(3) Project Management Services under The Revised Management Services Agreement

(a) *Utilities Management Services*

Lobo Energy may provide assistance to UNM, as requested, for the management and supervision of its contracts that provide for the:

- a. Planning, design, engineering, contracting, energy conservation, and commissioning services for assigned projects.
- b. Procurement of equipment and services in the course of implementing the projects.
- c. Management of UNM's energy procurement strategies.
- d. Recommendations for obtaining cost-effective energy commodities and services from energy suppliers.
- e. Management of UNM's energy-related regulatory issues.
- f. Recommendations for appropriate actions and strategies in response to regulatory opportunities or events.
- g. Administrative tools capable of providing utility operational budgeting, capital project budgeting, major maintenance budgeting, cash flow tracking, and energy savings tracking.
- h. Assistance with developing the energy and administrative capabilities described in items a through g above.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(b) Other Management Services

- a. Commercial development planning services.
- b. Additional infrastructure development plans.
- c. Other planning services as assigned.

Under the revised MSA, as of November 1, 2020, UNM pays Lobo Energy a mutually agreed-upon monthly fee for the duration of each project.

Under the terms of the revised MSA, effective November 1, 2020, UNM compensates Lobo Energy for these services at the rate of \$40,000 per month related to utility project management and \$46,000 per month related to energy conservation projects, over a five-year period. Additionally, UNM compensates Lobo Energy an additional \$94,922 per month to cover the debt service related to the second cogeneration unit, until the debt service is fulfilled.

(4) Cash

Lobo Energy's cash balances include cash on deposit with its fiscal agent and an operating account. Lobo Energy has no statutory or policy requirements; however, it has a policy to deposit funds only in FDIC-insured accounts. UNM serves as the fiscal agent for Lobo Energy through which Lobo Energy participates in a pooled bank account maintained by UNM. At June 30, 2021 and 2020, Lobo Energy had a book and bank balance in that pooled account of \$380,239 and \$309,075, respectively. As fiscal agent, UNM requires the financial institution holding these pooled funds to maintain minimum collateral amounts. Interest is allocated monthly to Lobo Energy's account based on its balance in the pooled bank account at the end of the preceding month. At June 30, 2021 and 2020, Lobo Energy realized a gain of \$5,799 and \$6,241, respectively, via year-end adjustments to the interest account by UNM.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. At June 30, 2021 and 2020, the bank balance in Lobo Energy's separate checking account was \$505,410 and \$491,483, respectively, and the book balance was \$505,410 and \$474,524, respectively. At June 30, 2021 and 2020, the checking account balance was in excess of amounts insured by the FDIC by \$255,410 and \$241,483, respectively.

(5) Capital Assets and Long-Term Debt

(a) Co-generation Unit

In July 2012, Lobo Energy entered into a \$10,000,000 commitment to finance the construction of a new co-generation unit to be installed on the UNM main campus in Ford Utilities Center. The Master Equipment Lease/Purchase Agreement with Banc of America Leasing and Capital, LLC (Banc of America) was entered into and is to be repaid over a period of 10 years. Monthly payments in the amount of \$94,922 commenced on August 25, 2012. The final lease payment is anticipated to be made on July 25, 2022.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(b) Depreciation

Lobo Energy depreciates the co-generation unit using the straight-line method based upon a useful life of 25 years. Lobo Energy estimates useful life based upon internal information and similar assets at UNM. The unit was placed into service and Lobo Energy began depreciating the asset in January 2014. Lobo Energy estimates useful life of software using the straight-line method over a useful life of 5 years. Lobo Energy has recorded \$3,808,554 and \$3,383,758 of accumulated depreciation as of the years ended June 30, 2021 and 2020, respectively.

	Balance at June 30, 2020	Additions	Retirements/ disposals	Balance at June 30, 2021
Plant in service	\$ 10,619,916	\$ -	\$ -	\$ 10,619,916
Internally generated software	665,011	-	-	665,011
Accumulated depreciation	(3,426,190)	(424,796)	-	(3,850,986)
Net property, plant, and equipment	<u>\$ 7,858,737</u>	<u>\$ (424,796)</u>	<u>\$ -</u>	<u>\$ 7,433,941</u>
	Balance at June 30, 2019	Additions	Retirements/ disposals	Balance at June 30, 2020
Plant in service	\$ 10,619,916	\$ -	\$ -	\$ 10,619,916
Internally generated software	665,011	-	-	665,011
Accumulated depreciation	(2,992,439)	(433,751)	-	(3,426,190)
Net property, plant, and equipment	<u>\$ 8,292,488</u>	<u>\$ (433,751)</u>	<u>\$ -</u>	<u>\$ 7,858,737</u>

(c) Lease Obligations

Payments are due monthly to Banc of America and the lease payments include explicit interest rate of 2.64% and matures on July 25, 2022. The outstanding principal balance at June 30, 2021 and 2020 was \$1,215,169 and \$2,306,430, respectively. The following is a summary of lease liability transactions, including the current portion:

	Balance at July 1	Proceeds	Payments	Balance at June 30	Due within one year
Lease liability, FY 2020	\$ 3,369,256	\$ -	\$ (1,062,826)	\$ 2,306,430	\$ 1,091,261
Lease liability, FY 2021	\$ 2,306,430	\$ -	\$ (1,091,261)	\$ 1,215,169	\$ 1,120,455

At June 30, 2021, minimum future lease payments are as follows:

	Principal	Interest	Total
Fiscal years ending June 30:			
2022	\$ 1,120,455	\$ 18,609	\$ 1,139,064
2023	94,714	209	94,923
	<u>\$ 1,215,169</u>	<u>\$ 18,818</u>	<u>\$ 1,233,987</u>

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(6) Defined-Contribution Plan

Lobo Energy entered into, and administers, a 403(b) defined-contribution plan effective February 1, 2000 and amended January 1, 2009 and May 1, 2020. As a defined-contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan may be amended by a board of directors' resolution. All employees of Lobo Energy are eligible to participate and are considered to be immediately vested. The plan allows for variable employee contributions up to the Internal Revenue Service maximum allowed amount. Lobo Energy contributed a 100% match up to 6% of each participating employee's gross salary per compensation period through April 2020. Effective May 1, 2020, Lobo Energy contributes a 100% of compensation, provided that the participant's elective deferrals do not exceed that percentage of the participant's compensation determined by reference to, and in the same percentage designated as the Employer Rate published by the State of New Mexico Educational Retirement Board. The Employer Rate was 14.15% as published by State of New Mexico Educational Retirement Board. Contributions to the plan for the fiscal years ended June 30, 2021 and 2020 were \$117,879 and \$72,199, respectively, which consisted of \$58,940 and \$37,600 contributed by employees and \$58,939 and \$34,599 contributed by Lobo Energy, respectively.

(7) Related-Party Transactions

Effective December 1, 1998, UNM and Lobo Energy entered into a Memorandum of Agreement (MOA) containing the expectations and performance obligations that UNM was seeking from Lobo Energy at that time. The MOA articulates UNM's and Lobo Energy's mutual obligations in planning, developing, and implementing the utility facilities and services required by UNM. Pursuant to the MOA, UNM provides to Lobo Energy, at no cost to Lobo Energy, facilities support and general business office and associated workspace. The MOA also establishes UNM as the fiscal agent for Lobo Energy, with UNM providing cash and investment management activities for Lobo Energy, at no cost to Lobo Energy. The MOA may be terminated by UNM and, upon termination, all property of Lobo Energy will be transferred to UNM or other successor organizations designated by a resolution of UNM's Board of Regents.

In FY 2014, Lobo Energy paid a total of \$365,077 to Facility Facts, Inc., a company owned by an employee of Lobo Energy, for a 10% common stock interest in order to help get the company established in order to market and sell the Facility Facts software internally generated by Lobo Energy. There were no additional payments made in FY 2020 or FY 2021. Lobo Energy accounts for its investment in Facility Facts, Inc. using the equity method of investment. The investment was considered fully impaired in 2015, therefore not reported in the statements of net position as of June 30, 2021 and 2020.

Pursuant to the licensing agreement made with Facility Facts Inc., Lobo Energy retains the patent rights, permanent royalty-free rights to use the Facility Facts software, and will receive royalties representing 50% of gross receipts of sublicenses granted during each calendar year for the life of the filed patents. Lobo Energy recorded no royalties as of June 30, 2021 and June 30, 2020.

Lobo Energy is a member of New Mexico Industrial Energy Consumers (NMIEC), which advocates high quality of energy service at fair, just and reasonable prices for its members and all classes of customers. Jason Strauss, President and CEO of Lobo Energy is an officer of NMIEC. Lobo Energy paid dues of \$48,735 and \$29,082 for the fiscal year ended June 30, 2021 and 2020, respectively.

Lobo Energy did not purchase goods or services of companies that board members are employed by during the fiscal years ended June 30, 2021 and 2020.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(8) Risk Management

Lobo Energy, through UNM, participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability, auto liability, 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 UNM from its operating budget. UNM's exposure is limited to \$2,500 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

(9) Uncertainty due to COVID-19 Pandemic

During 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to Lobo Energy is unknown.

(10) Subsequent Events

Subsequent events are evaluated by management through the date the accompanying financial statements are available to be issued, which is September 16, 2021.

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

The Board of Directors
Lobo Energy, Incorporated
and
Mr. Brian S. Colón, Esq.,
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 Lobo Energy, Incorporated (Lobo Energy), a blended component unit of the University of New Mexico, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lobo Energy's internal control over financial reporting (internal control) as a basis for designing 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 Lobo Energy's internal control. Accordingly, we do not express an opinion on the effectiveness of Lobo Energy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lobo Energy'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 financial statements. 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
September 16, 2021

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Summary of Auditor's Results
Year Ended June 30, 2021

Financial Statements

Type of report the auditor issued on whether the financial
statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Compliance and other matters noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Schedule of Findings and Response
Year Ended June 30, 2021

No matters were reported.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)
Schedule of Prior Audit Findings
Year Ended June 30, 2021

No matters were reported.

LOBO ENERGY, INCORPORATED
(A Blended Component Unit of the University of New Mexico)

Exit Conference

Year Ended June 30, 2021

An exit conference was held on September 14, 2021. During this meeting, the contents of this report were discussed with the following individuals:

Lobo Energy, Incorporated

Jason Strauss President/CEO, LEI; Member of Board of Directors, LEI
Julie Alberti Chief Financial Officer

Moss Adams LLP

Lisa Todd Partner
Sujan Bhandari Senior Manager

Lobo Energy is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.



February 1, 2022

Regent Doug Brown, Chair
Regents of the University of New Mexico
The University of New Mexico
Albuquerque NM 87131-0001

Dear Regent Brown:

Lobo Development Corporation requests that the Annual Meeting of the Member be held during the Board of Regents meeting on February 15, 2022. There are two action items to be presented.

- A. Approval of the Summarized Minutes of the February 16, 2021 Meeting
- B. Acceptance of the FY 2020-21 Audit

Please feel free to contact me or Keelie Garcia if you have any questions.

Sincerely,

Teresa Costantinidis
CEO, Lobo Development Corporation

In terms of innovation impact, a George W. Bush Institute study ranked UNM 27 among US universities and ranked it second among midsize research universities. Ms. Kuuttila discussed the recent Business and Economic Summit that was held in January and hosted by UNM. The summit was built around a study conducted by the New Mexico Chamber of Commerce that centered on how to move the state forward in terms of economic development. The study had a lot of great recommendations and UNM wanted to facilitate discussion of those recommendations among a larger group in the state, including the business community, higher education, government, and other groups. All together there were 260 participants, the largest number ever. Ms. Kuuttila discussed summit activities and outcomes, including continued discussions on how to move forward the new ideas. She also talked about plans for the next summit which will focus on a statewide strategic plan for economic development.

The Regents thanked Ms. Kuuttila for her report; there was some discussion.

VOTE TO RECESS THE BOARD OF REGENTS IN ORDER TO HOLD THE 'MEETING OF THE MEMBER' FOR LOBO DEVELOPMENT CORPORATION; LOBO ENERGY, INC.; UNM SANDOVAL REGIONAL MEDICAL CENTER, INCL.; AND UNM MEDICAL GROUP, INC. (1st Lee; 2nd Begay; roll call vote – all members voted yes) The Board of Regents went into recess at 12:19 PM.

MEETING OF THE MEMBER – LOBO DEVELOPMENT CORPORATION (LDC)

Convene the Meeting of the Member

Regent President Brown convened the meeting of the member at 12:20 PM.

Approval of Minutes and Acceptance of the FY2019-20 Audit

Regent Brown asked if there were any questions for SVP Constantinidis or Kelly Ward regarding the minutes or the audit report. The audit was an approved, unmodified audit. There being no questions, he asked for a motion to approve both.

- The motion to approve the Minutes of the December 10, 2019 meeting and the FY 2019-20 Audit passed with a unanimous vote in favor (1st Lee; 2nd Schwartz; roll call vote – all Regents voted yes)

Vote to adjourn (1st Schwartz; 2nd Lee; all Regents voted yes)

The meeting adjourned at 12:21 PM.

MEETING OF THE MEMBER – LOBO ENERGY, INC. (LEI)

Convene the Meeting of the Member

Regent President Brown convened the meeting of the member at 12:21 PM.

Approval of Minutes and Acceptance of the FY2019-20 Audit

Regent Brown asked if there were any questions for Jason Strauss regarding the minutes or the audit report. The audit was an approved, unmodified audit. There being no questions, he asked for a motion to approve both.

- The motion to approve the Minutes of the December 10, 2019 meeting and the FY 2019-20 Audit passed with a unanimous vote in favor (1st Lee; 2nd Schwartz; roll call vote – all Regents voted yes)

Vote to adjourn (1st Schwartz; 2nd Lee; all Regents voted yes)

The meeting adjourned at 12:22 PM.



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

LOBO DEVELOPMENT CORPORATION
(A Blended Component Unit of the University of New Mexico)

June 30, 2021 and 2020

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Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Official Roster (unaudited)
June 30, 2021

OFFICERS

Teresa Costantinidis

Thomas Neale

Angela Hernandez

MEMBERS

Stephen Ciepiela

Louis Abruzzo

Teresa Costantinidis

Maria Griego-Raby

Angela Hernandez

Eddie Nunez

William Payne

Kim Sanchez Rael

Eric M. Siegel

Garnett Stokes, Ph.D.

Doug Ziedonis

Report of Independent Auditors

The Board of Directors
Lobo Development Corporation
and Mr. Brian Colón, Esq., New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of Lobo Development Corporation (Lobo Development), a component unit of the University of New Mexico, which comprise the statements of the net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Lobo Development's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lobo Development Corporation as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 on our consideration of Lobo Development's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lobo Development's 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 Lobo Development's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
September 15, 2021

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021

The following discussion and analysis provides an overview of the financial position and activities of Lobo Development Corporation (Lobo Development) as of and for the fiscal years ended June 30, 2021, 2020, and 2019. 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 financial statements, notes, and this discussion are the responsibility of Lobo Development's management.

Financial Highlights

Cash increased in 2021 by \$502,233, resulting in cash on deposit with fiscal agent and cash on hand at the close of fiscal year 2021 of \$3,875,978. The increase during fiscal year 2021 is primarily due to an increase in reimbursement revenue. Cash decreased in 2020 by \$2,144,972, resulting in cash on deposit with fiscal agent and cash on hand at the close of fiscal year 2020 of \$3,373,745. The decrease during fiscal year 2020 is primarily due to a loan disbursement, decrease in interest income, and increased project expenses. Interest earned during fiscal year 2021 decreased \$40,406 from \$82,423 to \$42,017, due to a decrease in earnings on cash being held by the University of New Mexico (UNM), Lobo Development's fiscal agent.

Lobo Development's net position decreased \$122,732 during the year, from \$7,110,644 in 2020 to \$6,987,912 in fiscal year 2021. During fiscal year 2020, Lobo Development's net position increased \$521,339, from \$6,589,305 in 2019 to \$7,110,644 in fiscal year 2020.

During fiscal year 2021, operating revenue decreased by \$274,430 and operating expenses increased by \$514,803, resulting in a decrease in net operating income of \$789,233. During fiscal year 2020, operating revenue increased by \$111,233 and operating expenses decreased by \$108,088, resulting in an increase in net operating income of \$219,321.

Overview of the Basic Financial Statements

The statements of net position of Lobo Development provide both long-term and short-term information about Lobo Development's overall financial position. The statements of revenues, expenses, and changes in net position provide information about the operating revenues and expenses and the non-operating revenues and expenses of Lobo Development. The statements of cash flows provide information related to the cash inflows and outflows of Lobo Development. The notes to the basic financial statements provide more detailed information about amounts reported in the basic financial statements.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021

Financial Information

Lobo Development's condensed financial information as of and for the fiscal years ended June 30, 2021, 2020, and 2019 are provided in the following table:

	2021	2020	2019
Current assets	\$ 3,878,684	\$ 3,483,926	\$ 5,528,194
Net capital assets	16,841,263	16,877,113	15,941,759
Other noncurrent assets	-	883,331	-
Total assets	\$ 20,719,947	\$ 21,244,370	\$ 21,469,953
Current liabilities	\$ 681,787	\$ 528,258	\$ 775,514
Noncurrent liabilities	13,050,248	13,605,468	14,105,134
Total liabilities	13,732,035	14,133,726	14,880,648
Net investment in capital assets	3,273,004	2,772,967	1,356,108
Unrestricted	3,714,908	4,337,677	5,233,197
Total net position	6,987,912	7,110,644	6,589,305
Total liabilities and net position	\$ 20,719,947	\$ 21,244,370	\$ 21,469,953
Operating revenue	\$ 2,109,656	\$ 2,415,216	\$ 2,308,983
Operating expenses	1,271,460	756,657	864,745
Operating income	838,196	1,658,559	1,444,238
Nonoperating revenue	143,847	82,423	85,014
Nonoperating expenses	1,104,775	1,219,643	1,238,595
Change in net position	(122,732)	521,339	290,657
Net position, beginning of year	7,110,644	6,589,305	6,298,648
Net position, end of year	\$ 6,987,912	\$ 7,110,644	\$ 6,589,305

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021

Statements of Net Position

Assets – As of June 30, 2021 and 2020, Lobo Development has cash in the amount of \$3,875,978 and \$3,373,745, respectively, of which \$3,624,859 and \$3,121,469, respectively, is held by UNM, and \$251,119 and \$252,276, respectively, is held in an operating bank account at a financial institution. Cash increased primarily due to an increase in reimbursement revenue.

Liabilities and Net Position – Lobo Development's net position at June 30, 2021, 2020, and 2019 was allocated between unrestricted and net investment in capital assets.

Statements of Revenues, Expenses, and Changes in Net Position

Revenues – During the fiscal year ended June 30, 2021, Lobo Development generated operating revenue in the amount of \$2,140,786, which included lease payments from four buildings, and two student housing buildings. During the fiscal year ended June 30, 2020, Lobo Development generated operating revenue in the amount of \$2,415,216, which included lease payments from three buildings, and two student housing buildings. Nonoperating revenue amounted to \$112,717 and \$82,423 during the fiscal years ended June 30, 2021 and 2020, respectively. For 2021, other income was the result of interest income earned from UNM of \$47,159, and a transfer in from Innovate ABQ, Inc. of \$68,558. For 2020, other income was the result of interest earned from UNM.

Expenses – Total operating expenses increased \$514,803 during the fiscal year ended June 30, 2021 due to an increase in administrative and project expenses. Total operating expenses decreased \$108,088 during the fiscal year ended June 30, 2020 due to a decrease in administrative and project expenses.

UNM is the fiscal agent of Lobo Development. UNM holds the majority of Lobo Development's cash and invests the holdings in a commingled account with UNM's other investments. The pro rata interest earnings are credited to Lobo Development's account monthly and losses are charged at the end of the fiscal year. Lobo Development transfers funds to its checking account as needed.

Capital Assets and Debt Administration

Lobo Development's investment in capital assets as of June 30, 2021 amounts to \$3,273,004 (net of accumulated depreciation and debt incurred to finance). This investment in capital assets includes two buildings purchased during fiscal year 2013 and one building purchased in fiscal year 2017. Lobo Development's construction in process (CIP) asset balance is \$2,181,836. This includes several in-process projects, such as a new bioscience lab near UNM's Lobo Rainforest Building, a new research facility on UNM's South Campus, a property development under a Tax Increment Development District, a commercial site along Gibson Boulevard, and a charter school expansion on UNM's South Campus. Additional information concerning Lobo Development's capital assets may be found in Note 4 in the notes to the financial statements.

At the end of the current fiscal year, Lobo Development had total debt outstanding of \$13,568,259. This debt was incurred during fiscal year 2013 for the purchase of the two buildings noted above and during fiscal year 2017 for the purchase of one building a noted above. Additional information concerning Lobo Development's long-term debt may be found in Note 5 in the notes to the financial statements.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2021

Factors Impacting Future Periods

Lobo Development is currently working on forming a Tax Incremental Development District (TIDD) with the City of Albuquerque to fund public infrastructure.

Lobo Development is currently involved in the commercial development of vacant UNM property and has been negotiating with developers. Once a firm commitment is received, work will begin on building the infrastructure to support the retail outlets on UNM property. It is not known when this expansion of business will transpire.

Anticipated revenue sources for 2021 include campus student housing ground rent, commercial development ground rent, and real estate income.

Contacting Lobo Development's Financial Management

This report is meant to describe the financial condition and position of Lobo Development.

If you have questions about this report or need additional financial information, contact:

Lobo Development Corporation
801 University Boulevard SE, Suite 207
Albuquerque, New Mexico 87106-4345

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Statements of Net Position

	June 30,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash on deposit with fiscal agent	\$ 3,624,859	\$ 3,121,469
Cash on deposit with bank	251,119	252,276
Accounts receivable	-	18,750
Note receivable, current	-	87,937
Prepaid insurance	2,706	3,494
Total current assets	3,878,684	3,483,926
CAPITAL ASSETS		
Buildings	18,310,085	18,310,085
Construction in progress	2,181,837	1,748,198
Less accumulated depreciation	(3,650,659)	(3,181,170)
Net capital assets	16,841,263	16,877,113
NOTE RECEIVABLE, NET OF CURRENT	-	883,331
TOTAL ASSETS	\$ 20,719,947	\$ 21,244,370
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 157,015	\$ 22,819
Accrued expenses	6,761	6,761
Current portion of long-term debt	518,011	498,678
Total current liabilities	681,787	528,258
NONCURRENT LIABILITIES		
Long-term debt, net of current	13,050,248	13,605,468
Total noncurrent liabilities	13,050,248	13,605,468
NET POSITION		
Net investment in capital assets	3,273,004	2,772,967
Unrestricted	3,714,908	4,337,677
Total net position	6,987,912	7,110,644
TOTAL LIABILITIES AND NET POSITION	\$ 20,719,947	\$ 21,244,370

See accompanying notes to these financial statements.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2021	2020
OPERATING REVENUES		
Rental revenue	\$ 1,428,262	\$ 1,344,244
Project revenue	348,098	1,050,972
Reimbursement revenue, net	333,296	20,000
Total operating revenues	2,109,656	2,415,216
OPERATING EXPENSES		
Depreciation	469,489	469,490
Administrative expenses	702,046	287,167
Project expenses	99,925	-
Total operating expenses	1,271,460	756,657
Operating income	838,196	1,658,559
NONOPERATING REVENUES		
Interest income	47,159	82,423
Transfers in from Innovate ABQ	96,688	-
Total nonoperating revenues	143,847	82,423
NONOPERATING EXPENSES		
Interest expense	454,775	444,643
Distributions to UNM	650,000	600,000
Distributions to UNM-Athletics	-	175,000
Total nonoperating expenses	1,104,775	1,219,643
Change in net position	(122,732)	521,339
NET POSITION, beginning of year	7,110,644	6,589,305
NET POSITION, end of year	<u>\$ 6,987,912</u>	<u>\$ 7,110,644</u>

See accompanying notes to these financial statements.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from fiscal agent	\$ 681,394	\$ 2,395,216
Payments received from contractors	1,428,262	7,500
Payments to suppliers of goods or services	(410,145)	(148,420)
Payments to UNM	-	(269,143)
Payments to employees for services	(256,842)	(135,288)
Net cash provided by operating activities	1,442,669	1,849,865
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions to UNM	(650,000)	(600,000)
Distributions to UNM-Athletics	-	(175,000)
Transfers in from Innovate ABQ	115,438	-
Net cash used in noncapital financing activities	(534,562)	(775,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets	(433,639)	(1,404,844)
Debt repayment to fiscal agent principal	(535,887)	(481,505)
Debt repayment to fiscal agent interest	(454,775)	(444,643)
Net cash used in capital and related financing activities	(1,424,301)	(2,330,992)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on deposits with fiscal agent	47,159	82,423
Note receivable issued to fiscal agent	-	(1,000,000)
Principal repayment from fiscal agent	971,268	28,732
Net cash provided by (used in) investing activities	1,018,427	(888,845)
Net increase (decrease) in cash and cash equivalents	502,233	(2,144,972)
CASH AND CASH EQUIVALENTS, beginning of year	3,373,745	5,518,717
CASH AND CASH EQUIVALENTS, end of year	\$ 3,875,978	\$ 3,373,745
Reconciliation of cash to the statement of net position		
Cash on deposit with fiscal agent	\$ 3,624,859	\$ 3,121,469
Cash on deposit with the bank	251,119	252,276
Cash on statement of cash flows	\$ 3,875,978	\$ 3,373,745
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 838,196	\$ 1,658,559
Depreciation expense	469,489	469,490
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in accounts receivable	-	(12,500)
Change in prepaid insurance	788	(267)
Change in accounts payable	134,196	13,989
Change in accrued expenses	-	(10,263)
Change in due to UNM	-	(269,143)
Net cash provided by operating activities	\$ 1,442,669	\$ 1,849,865

See accompanying notes to these financial statements.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 1 – Description of Business

Lobo Development Corporation (Lobo Development), a blended component unit of The University of New Mexico (UNM), is owned, controlled, and was established by UNM's Board of Regents (UNM Regents).

Lobo Development was incorporated in the State of New Mexico on October 4, 2007. It was organized under the amended State of New Mexico's University Research Park Act. The name of the Act has since been changed to the University Research Park and Economic Development Act.

Lobo Development was established to benefit the UNM Regents by relieving the University of New Mexico from the responsibilities to acquire, own, manage, and develop certain real estate in a commercially reasonable manner and to maximize the University's return from these assets; by contributing all of the corporation's net revenues to the University for the support of the teaching, research, and service mission of the University; and by creating learning opportunities for students in this development activity. The activities of the corporation shall include the acquisition, development, disposition, and rental of real estate for the benefit of the University.

Under the Memorandum of Agreement (MOA) between the UNM Regents and Lobo Development signed in the first quarter of fiscal year 2009, Lobo Development may plan, direct, and coordinate its business activities in accordance with a mutually agreed-upon development proposal and development agreement between Lobo Development and UNM. Lobo Development operations will be funded by an administrative fee assigned to approved projects. If Lobo Development revenues are more than sufficient to meet its anticipated financial obligations based on a mutually approved annual budget, it is the intent of the parties that excess revenue shall be distributed back to UNM. For the years ended June 30, 2021 and 2020, \$650,000 and \$775,000 was distributed back to UNM, respectively.

Primary activities performed by Lobo Development during the year ended June 30, 2021 focused on efforts to establish a bioscience lab near the Lobo Rainforest Building, marketing of commercial sites along Gibson Boulevard, and the establishment of a Tax Increment Development District in partnership with the City of Albuquerque.

Lobo Development provides services only to UNM. Lobo Development does not have any component units.

Note 2 – Summary of Significant Accounting Policies and Practices

Basis of Accounting and Presentation

As a proprietary fund, Lobo Development's financial statements are reported using a flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred. Operating revenues and expenses are those incurred that relate directly to project management services. All other revenues and expenses are considered non-operating.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies and Practices (continued)

The accompanying financial statements include only the accounts of Lobo Development, which has no component units.

Net Position

For accounting and reporting purposes, Lobo Development reports its net position in the following categories as applicable:

- Net investment in capital assets – capital assets net of accumulated depreciation and debt incurred to finance the capital asset acquisition.
- Unrestricted – net position that is not subject to externally imposed constraints.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the financial statements dates and the reported amounts of revenues and expenses during these reporting periods. Due to uncertainties inherent in the estimation process, actual results could differ from those estimates.

Cash and Cash Equivalents

Lobo Development considers all highly liquid investments with a maturity of three months or less when purchase to be cash equivalents. For purposes of the statement of cash flows, Lobo Development considers cash and cash equivalents to be cash deposits and amounts held by its fiscal agent.

Revenue Recognition

Lobo Development recognizes operating revenue for services earned under the terms of the MOA.

Lobo Development's revenue for the fiscal year ended 2021 originated from the following sources: (1) Student Housing project/ACC Component I, (2) Reimbursement Revenue, (3) Rent from four occupancy leases. Lobo Development's revenue for the fiscal year ended 2020 originated from the following sources: (1) Student Housing project/ACC Component I, (2) Student Housing project/ACC Component II, (3) Reimbursement Revenue, (4) Rent from three occupancy leases. All revenue from these sources is originally paid to UNM and UNM determines which revenue streams are allocated to Lobo Development.

Income Taxes

Lobo Development is exempt from federal income tax on income related to its exempt purposes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Section 501(c)(3) of the Code.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies and Practices (continued)

Capital Assets

Capital assets are recorded at original cost, or fair value if donated. Per Section 12-6-10 NMSA 1978, Lobo Development follows UNM's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. 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 39 years for buildings.

Cash

Lobo Development's cash balances include cash on deposit with fiscal agent and an operating account. Lobo Development has no statutory policy requirements related to cash deposits. UNM serves as the fiscal agent for Lobo Development through which Lobo Development participates in a pooled bank account maintained by UNM. At June 30, 2021 and 2020, Lobo Development had a balance in that pooled account of \$3,624,859 and \$3,121,469, respectively. As fiscal agent, UNM requires the financial institution holding these pooled funds to maintain minimum collateral amounts. Interest is allocated monthly to Lobo Development's account based on its balance in the pooled bank account at the end of the preceding month.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. At June 30, 2021, the bank balance and the book balance in Lobo Development's separate checking account with Compass Bank were \$252,617 and \$251,119, respectively. At June 30, 2020, the bank balance and the book balance in Lobo Development's separate checking account with Compass Bank were \$252,680 and \$252,276, respectively. The Federal Deposit Insurance Corporation (FDIC) will insure balances up to \$250,000. The majority of the book balance was insured by the FDIC for 2021 and 2020.

Reclassifications

We have reclassified certain prior year amounts in the financial statements to conform to the current-year presentation.

Note 3 – Related-Party Transactions

Effective August 12, 2008, UNM and Lobo Development entered into a MOA containing the expectations and performance obligations that UNM is seeking from Lobo Development.

Pursuant to the MOA, UNM provides to Lobo Development, at no cost to Lobo Development, facilities support and general business office and associated workspace. Under the agreement, UNM holds cash earned by Lobo Development, at no cost to Lobo Development. UNM transferred \$379,228 and \$1,050,972 to Lobo Development for the years ended June 30, 2021 and 2020, respectively. This amount is included in project revenue.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 3 – Related-Party Transactions (continued)

The MOA may be terminated by UNM, effective upon written notice to Lobo Development. Upon termination, all property of Lobo Development shall be transferred to UNM or other successor organization designated by resolution of the UNM Regents.

On April 1, 2013, Lobo Development executed a Promissory Note with UNM to finance a capital assets purchase made in fiscal year 2013. The Note was originally executed for \$27,800,000 at 3.00% interest per annum with a maturity date of May 1, 2020. A Loan Revision Agreement was executed on January 1, 2016 to reduce the principal balance to \$15,211,543 with no change in interest rate or maturity date. In August 2019, the loan expiration was extended to May 1, 2027 (see Note 5).

On December 21, 2016, Lobo Development executed a Promissory Note with the University of New Mexico Foundation, Inc. (UNM Foundation) to provide funds to finalize the purchase of a building. The Note was originally executed for \$1,000,000 at 3.75% interest per annum, with a maturity date of December 21, 2026 (see Note 5).

On April 1, 2016, Lobo Development entered into a MOA with Innovate ABQ, Inc. (Innovate), a component unit of the University of New Mexico, wherein Lobo Development provides bookkeeping and operations management services to Innovate. Net revenue received under this MOA was \$0 and \$20,000 for the fiscal years ended June 30, 2021 and 2020, respectively. Effective December 30, 2020, Innovate was dissolved and its assets and liabilities were acquired by UNM. Under a Management Authorization Agreement, Lobo Development is authorized to issue invoices, pay remaining obligations, and perform close out activities related to Innovate ABQ's assets and liabilities. Innovate ABQ's remaining cash of \$84,308 was transferred to Lobo Development. For the year ended June 30, 2021, expenses totaling \$365,003 were incurred on behalf of Innovate and are included in project and administrative expenses.

On May 29, 2015, Lobo Development entered into a MOA with the University of New Mexico Athletics Department (Athletics), wherein Lobo Development will allocate annually to Athletics half of the "Lobo Village" ground lease income received from UNM. For the fiscal year ended June 30, 2021, Lobo Development distributed \$0 of "Lobo Village" ground lease income to Athletics. For the fiscal year ended June 30, 2020, Lobo Development distributed \$175,000 of "Lobo Village" ground lease income to Athletics.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 3 – Related-Party Transactions (continued)

Lobo Development receives rental revenue from UNM and Athletics under four occupancy lease agreements. For the fiscal year ended June 30, 2021, rental revenue received from UNM was \$1,375,022, rental revenue received from Athletics was \$104,710, and rental revenue received from others of \$2,938, for total rental revenue of \$1,482,670. For the fiscal year ended June 30, 2020, rental revenue received from UNM was \$1,235,899 and rental revenue received from Athletics was \$108,345, for total rental revenue of \$1,344,244. Future rents due are as follows:

<u>Fiscal Years Ended June 30:</u>	<u>1312 Basehart</u>	<u>933 Bradbury</u>	<u>AIMS</u>	<u>Baseball Clubhouse</u>
2022	\$ 396,458	\$ 822,499	\$ 101,657	\$ 102,423
2023	396,458	822,499	101,657	102,423
2024	396,458	822,499	101,657	102,423
2025	396,458	822,499	101,657	102,423
2026	396,458	822,499	101,657	102,423
2027-2030	<u>1,486,719</u>	<u>3,084,370</u>	<u>914,913</u>	<u>51,211</u>
	<u>\$ 3,469,009</u>	<u>\$ 7,196,865</u>	<u>\$ 1,423,198</u>	<u>\$ 563,326</u>

Lobo Development did not purchase goods and services from companies that board members are employed by during fiscal years ended June 30, 2021 and 2020.

During fiscal year 2020, Lobo Development entered into a Research Park Corporation Funds Transfer Agreement with UNM. The agreement was for Lobo Development to transfer \$1,000,000 to UNM for the purpose of funding improvements to the UNM Advanced Materials Laboratory. The note receivable was to be repaid over a period of 10 years at an interest rate of 3.00% per annum. Upon mutual agreement of both parties, the note was fully repaid in July 2020.

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance at June 30, 2020</u>	<u>Additions/ Completions</u>	<u>Retirements/ Disposals</u>	<u>Balance at June 30, 2021</u>
Capital assets				
Non depreciable				
Construction in progress	\$ 1,748,198	\$ 433,639	\$ -	\$ 2,181,837
Depreciable				
Buildings	18,310,085	-	-	18,310,085
Accumulated depreciation	<u>(3,181,170)</u>	<u>(469,489)</u>	<u>-</u>	<u>(3,650,659)</u>
Net capital assets	<u>\$ 16,877,113</u>	<u>\$ (35,850)</u>	<u>\$ -</u>	<u>\$ 16,841,263</u>

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 4 – Capital Assets (continued)

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Additions/ Completions	Retirements/ Disposals	Balance at June 30, 2020
Capital assets				
Non depreciable				
Construction in progress	\$ 343,354	\$ 1,404,844	\$ -	\$ 1,748,198
Depreciable				
Buildings	18,310,085	-	-	18,310,085
Accumulated depreciation	<u>(2,711,680)</u>	<u>(469,490)</u>	<u>-</u>	<u>(3,181,170)</u>
Net capital assets	<u>\$ 15,941,759</u>	<u>\$ 935,354</u>	<u>\$ -</u>	<u>\$ 16,877,113</u>

Note 5 – Long-Term Debt

A promissory note payable to UNM was issued to finance the capital assets purchase made in fiscal year 2013. A Loan Revision Agreement was issued January 1, 2016 to reduce the principal due to a transfer of one of the three buildings. Principal and interest payments are due monthly on the first day of each month. This note bears interest at 3.00% and as of year-end and is set to mature on May 1, 2027.

A promissory note payable to the University of New Mexico Foundation, Inc. was issued to finance a capital asset purchased on December 21, 2016. A First Amendment to the Promissory Note was issued March 31, 2017 to reduce the monthly payments from \$10,006 to \$8,555. This was due to a \$141,941 payment made on March 31, 2017 to reduce the principal from \$979,292 to \$837,351 at that time. Principal and interest payments are due monthly on the twenty-first day of each month. The note has a variable interest rate; therefore, effective January 21, 2021, the annual interest rate decreased from 5.5% to 3.25%. This note matures December 21, 2026.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 5 – Long-Term Debt (continued)

Notes payable activity consists of the following:

	Year Ended June 30, 2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Note payable to UNM	\$ 13,506,793	\$ -	\$ (453,749)	\$ 13,053,044	\$ 431,043
Note payable to UNM Foundation	597,353	-	(82,138)	515,215	86,968
	<u>\$ 14,104,146</u>	<u>\$ -</u>	<u>\$ (535,887)</u>	<u>\$ 13,568,259</u>	<u>\$ 518,011</u>

	Year Ended June 30, 2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Note payable to UNM	\$ 13,912,764	\$ -	\$ (405,971)	\$ 13,506,793	\$ 418,320
Note payable to UNM Foundation	672,887	-	(75,534)	597,353	80,358
	<u>\$ 14,585,651</u>	<u>\$ -</u>	<u>\$ (481,505)</u>	<u>\$ 14,104,146</u>	<u>\$ 498,678</u>

Minimum future payments under the promissory notes as of June 30, 2021 are as follows:

<u>Fiscal Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 518,011	\$ 369,495	\$ 887,506
2023	533,989	355,052	889,041
2024	550,461	369,763	920,224
2025	567,443	352,782	920,225
2026	584,949	335,276	920,225
2027	10,813,406	474,592	11,287,998
	<u>\$ 13,568,259</u>	<u>\$ 2,256,960</u>	<u>\$ 15,825,219</u>

Note 6 – Risk Management

Lobo Development, through UNM, participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability at Lobo Development's expense. Workers' compensation insurance and property insurance are provided by private companies at Lobo Development's expense. 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 UNM from its operating budget. UNM'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.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 7 – Defined-Contribution Plan

Lobo Development entered into a 403(b) defined-contribution plan effective January 1, 2013. As a defined-contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan may be amended by a board of directors' resolution. The plan is available to all employees of Lobo Development, beginning the first day of the plan year quarter coincident with or next following the date the employee first performs their first day of service and are considered to be immediately vested. The plan allows for variable employee contributions up to the Internal Revenue Service maximum allowed amount. Principal Financial Group administers the plan, and Lobo Development contributes the sum of (a) a 6.00% match for employees that contribute to the plan and (b) a discretionary contribution as determined by Lobo Development for employees who do not contribute to the plan. Contributions to the plan for the fiscal years ended June 30, 2021 and 2020 were \$21,858 and \$9,654, respectively, which consisted of \$10,929 and \$4,827 contributed by employees and \$10,929 and \$4,827 contributed by Lobo Development, respectively.

Note 8 – Subsequent Events

Subsequent events are evaluated by management through the date the accompanying financial statements are available to be issued, which is September 15, 2021.

Note 9 – COVID-19

During the fiscal year, the outbreak of a novel coronavirus (COVID-19) pandemic, continued to impact the United States of America, along with various other countries globally. A variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the organization is unknown.

Lobo Development experienced a decrease in rental revenue from student housing. Lobo Development's Central Campus property generated \$593,261 in revenue in 2020, reduced to \$348,098 in 2021. South Campus property generated \$457,711 in revenue in 2020, and \$0 in 2021.

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

The Board of Directors
Lobo Development Corporation
and Mr. Brian Colón, Esq., 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 Lobo Development Corporation (Lobo Development), a component of the University of New Mexico, which comprise of the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lobo Development's internal control over financial reporting (internal control) as a basis for designing 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 Lobo Development's internal control. Accordingly, we do not express an opinion on the effectiveness of Lobo Development's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lobo Development'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 financial statements. 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
September 15, 2021

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L(1) (f))
June 30, 2021

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Compliance and other matters noted? ☐ Yes ☒ No

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
June 30, 2021

Current Year Findings

No matters were reported.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
June 30, 2021

Prior Year Findings

No matters were reported.

Lobo Development Corporation
(A Component Unit of the University of New Mexico)
Exit Conference
June 30, 2021

An exit conference was held on September 15, 2021. During this meeting, the contents of this report were discussed with the following individuals:

Lobo Development Corporation

Rick Siegel	Secretary/Treasurer
Keelie Garcia	Administrative Operations Manager
Kelly Ward	Director of Business Development
Teresa Constantinidis	Senior VP for Finance and Administration, UNM

Moss Adams LLP

Lisa Todd	Partner
Lauren Kistin	Senior Manager
Koen Alberts	Senior

Lobo Development Corporation is responsible for the contents of the financial statements.
Moss Adams LLP assisted with the preparation of the financial statements.



HSC REGENTS COMMITTEE
ANNUAL MEETING OF THE MEMBER
FEBRUARY 8, 2022

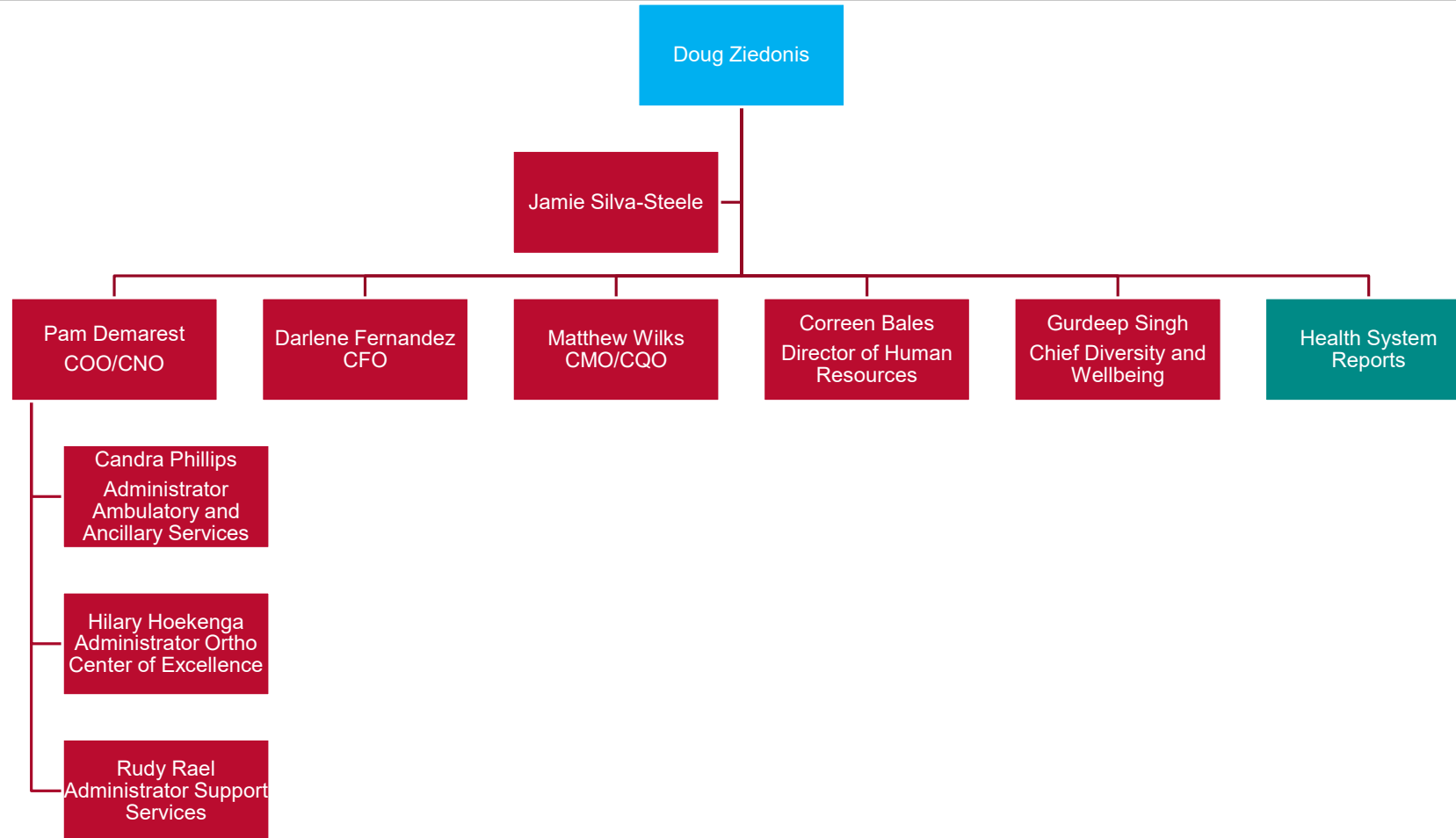


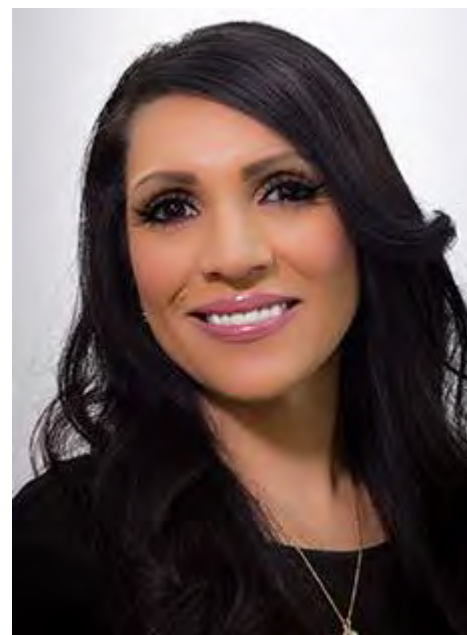
SANDOVAL REGIONAL MEDICAL CENTER

CELEBRATING **9 YEARS**
OF PUTTING YOU FIRST!



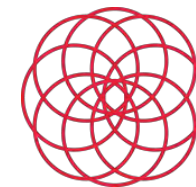
SRMC Executive Team





Recognitions

- 2021 Family Friendly Platinum Award
- 2021 CMS 3 Star Rating
- 2021 Vizient 3 Star Rating
- 2021 US News & World Report
- 2021 Ambulatory Services Award Best of Rio Rancho
- 2021 Re-Certification Patient-Centered Medical Home (PCMH) recognition from NCQA
- 2021 Lown Institute – Most Socially Responsible Hospital in NM



LOWN
INSTITUTE



Quality

SEVERE PATIENT HARM EVENTS (SPHE)	Last Incident Date	Days Since Last
PSI-3: Pressure Ulcer	10/20/21	105
PSI-6: Iatrogenic PTX	1/11/21	1.1 YRS
PSI-9: Peri-op Hemor/Hematoma	3/25/17	4.9 YRS
PSI-11: Post-op Respiratory Failure	2/16/19	3 YRS
PSI-12: Peri-op DVT/PE	8/3/19	2.6 YRS
PSI-13: Post-op Sepsis	10/23/18	3.3 YRS
PSI-14: Wound Dehiscence	2/19/18	4 YRS
PSI-15: Accidental Punct/Laceration	9/8/17	4.5 YRS

HOSPITAL ACQUIRED INFECTIONS (HAI)	Last Incident Date	Days Since Last
CLABSI (central line associated bloodstream infection)	2/1/21	1.1 YRS
CAUTI (catheter associated urinary tract infection)	12/22/21	42
CDiff (hospital onset <i>Clostridioides difficile</i> infection)	12/14/21	50
SSI COLO (colon surgery - DIP/OrgSpace)	10/14/21	111
SSI HYST (abdominal hysterectomy - DIP/OrgSpace)	-	-

HOSPITAL ACQUIRED CONDITIONS (HAC)	Last Incident Date	Days Since Last
PSI Harm: Patient Falls	12/19/21	45
PSI Harm: Medication Errors	10/21/21	104
PSI Harm: Other (Skin Integrity/Pressure Injury)	12/22/21	42

Data Source: SPHE: Vizient Oct'15-Oct'21; HAI/HAC: NHSN Jan'15-Nov'21; Pt. Harm: PSI system Nov'21

2/2/2022

Service



FY 2022 UOP/QAPI Performance Measures Quality & Safety, Growth and Service

INPATIENT (MED/SURG/ICU)	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	FYTD 2022	FY'22 Target	UOP/QAPI RY Trend	FY 2021	FY 2020
HCAHPS Recommend the hospital	35	18	65	88	38	60	83	75	56	52	58	97	88	76	74th Percentile		76	68
Press Ganey (Outpt.) Recommend this practice	20	20	21	13	11	9	11	9	14	10	30	15	18	16	25th Percentile		14	13

Facility Overview

615 Hospital Employees

\$47M in Payroll and Benefits FY21
(unaudited)



Current State

60 Beds - 200,000 sq. ft. acute care facility

- 48 Medical Surgical Beds
- 12 Intensive Care Beds

16 Bay Emergency Department

6 ORs and Special Procedures

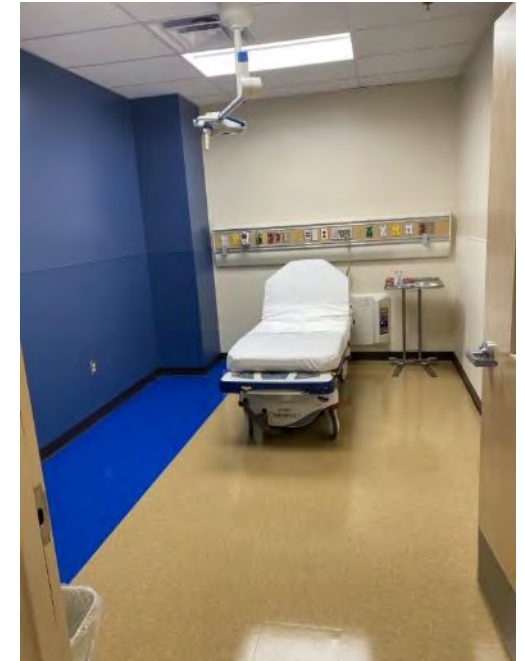
Ambulatory Services

- Medicine Specialties and Infusion
- Primary Care
- Surgical Care Clinics

Center of Excellence

- Orthopaedics
- Physical Therapy

Future Facility Planning



Current Services

➤ Inpatient

- 16 years and older
- General medical
- General surgical
- Critical care

➤ Surgical

- Orthopaedics
- Bariatrics
- ENT
- General Surgery
- Gynecology
- Plastics
- Uro/Gyn
- Urology

➤ Medical

- Family Medicine
- GI
- Pulmonary
- Rheumatology
- Cardiology
- Endocrinology
- Sleep
- Nephrology
- ID/OPAT
- Audiology
- Dermatology
- Behavioral Health



Future and Expanded Services

➤ Surgical

➤ Bariatrics

➤ Dr. McClain

➤ Ortho Spine

➤ Dr. Metkar

➤ Neurosurgery Spine

➤ Dr. Ricks

➤ Hand

➤ Dr. Aubin-Lemay

➤ Chronic Pain

➤ Dr. Dahlgren



➤ Medical

➤ Dermatology

➤ Dr. Altman

➤ Dr. Konstantinov

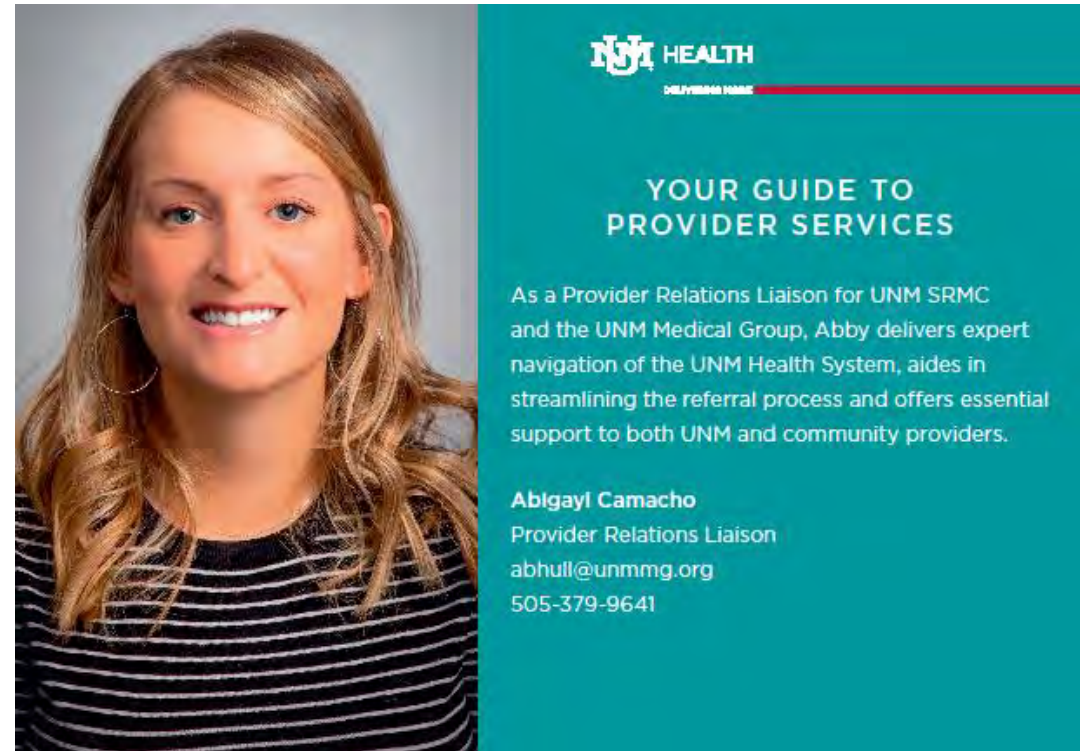
➤ Expanded GI

➤ Chronic Pain



Provider Relations

- Provider Satisfaction: Internal and External
 - New provider 1:1's
 - Provider Tools
- Service Line Support: Business Development
 - Physician Relations
 - Patient Referrals
- Community Primary Care Provider Partnerships
 - Outreach strategy with local and regional providers
 - Clinic Rounds



2021 Priorities

SRMC

COVID-19 Response

Behavioral Health Programs

Level III Trauma Certification

Diversity and Wellbeing

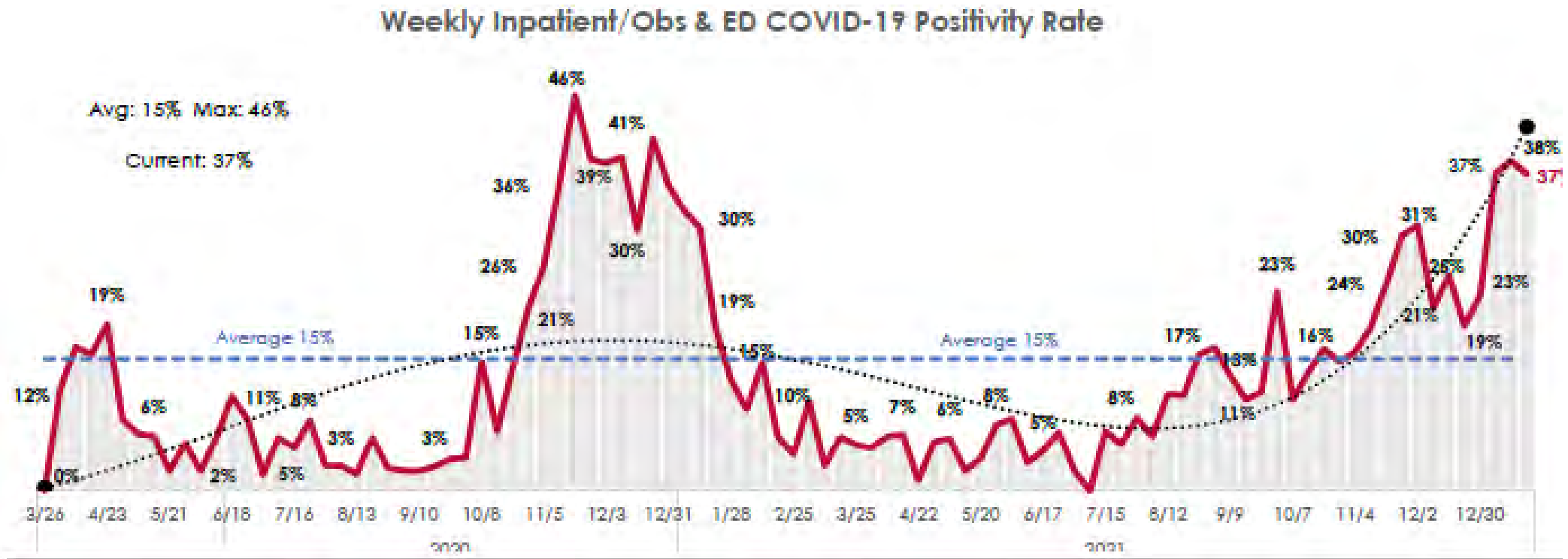
SRMC Strategic Plan

Orthopaedic Center of Excellence

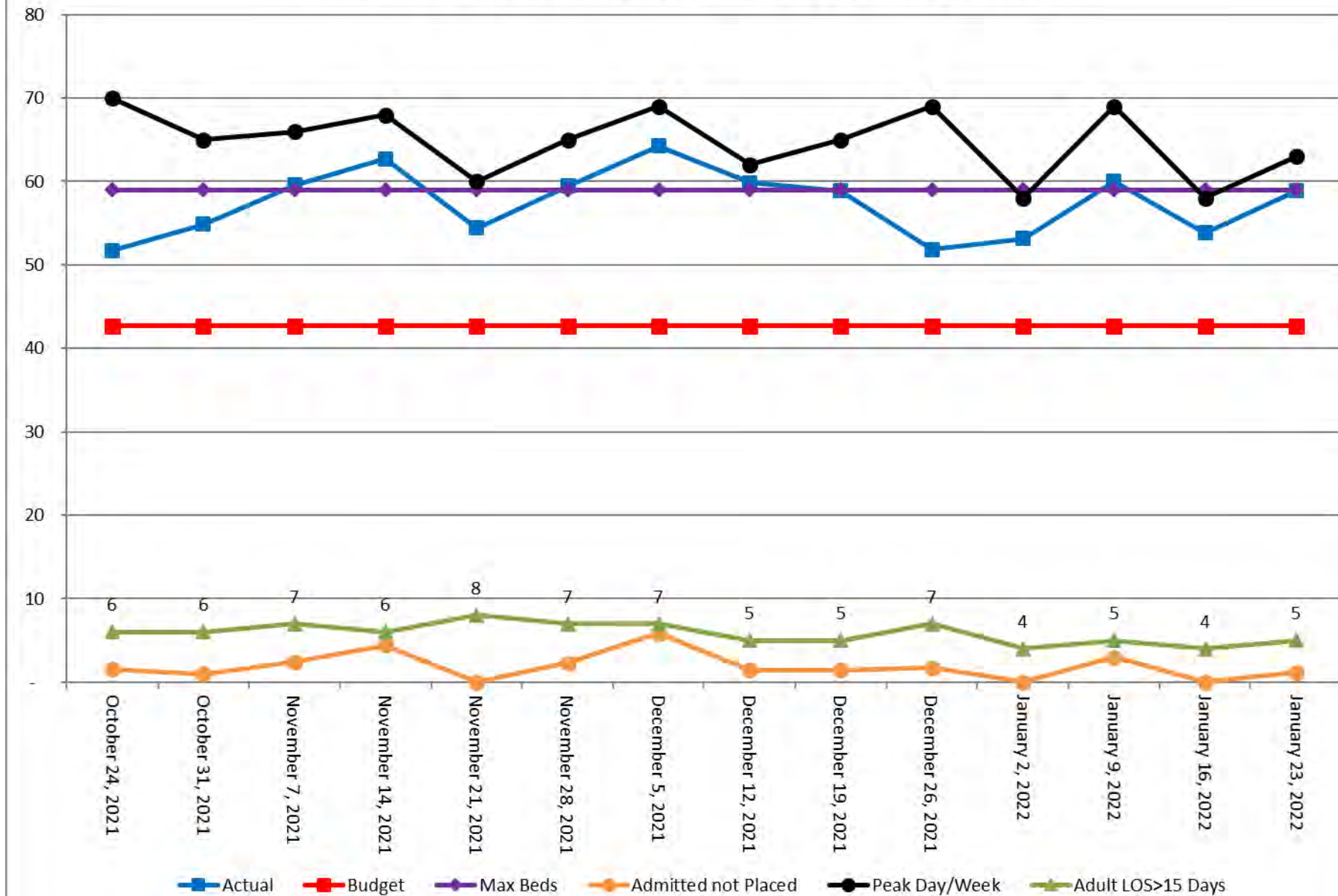
Backfill Planning and Campus Development

COVID and High Census

SRMC COVID-19 Testing and Positivity Rate



SRMC - Adult Medical Average Daily Census by week



Emergency Operations Center

- SRMC EOC Level 2
 - Crisis Standards of Care
 - Focus high census
 - Surge Planning
 - Maintaining Situational Awareness
- Joint Operations Center (JOC) – Health System
- Daily Communications
- Evaluating Daily EOC triggers during morning huddle

Mill Levy Programs

- **Behavioral Health**

- UNM Medical Group Clinic at Health Sciences Rio Rancho Campus
- Community Outreach with Rio Rancho and Cuba Public Schools
- SRMC Primary Care Clinic
- SRMC Emergency Department
- SRMC Inpatient
- Sandoval County Jail Behavioral Health Services

- **Trauma**

- January 13, 2022 State Site Visit



SANDOVAL REGIONAL
MEDICAL CENTER

Behavioral Health

Patient Demographics

Emergency Department

34% Hispanic, 31% White,
21% Native American

56% between the ages of
21-50yo

56% female

73% encounters Rio
Rancho (60%) and
Bernalillo (13%)

Alcohol/ Sub Abuse

Inpatient

38% White, 28% Hispanic,
20% Native American

71% between the ages of 41-
80yo (61-70 19.3%)

52% female

70% encounters Rio Rancho
(57%) and Bernalillo (13%)

Alcohol/ Sub Abuse, Suicidal

Clinics

51% White, 34% Hispanic

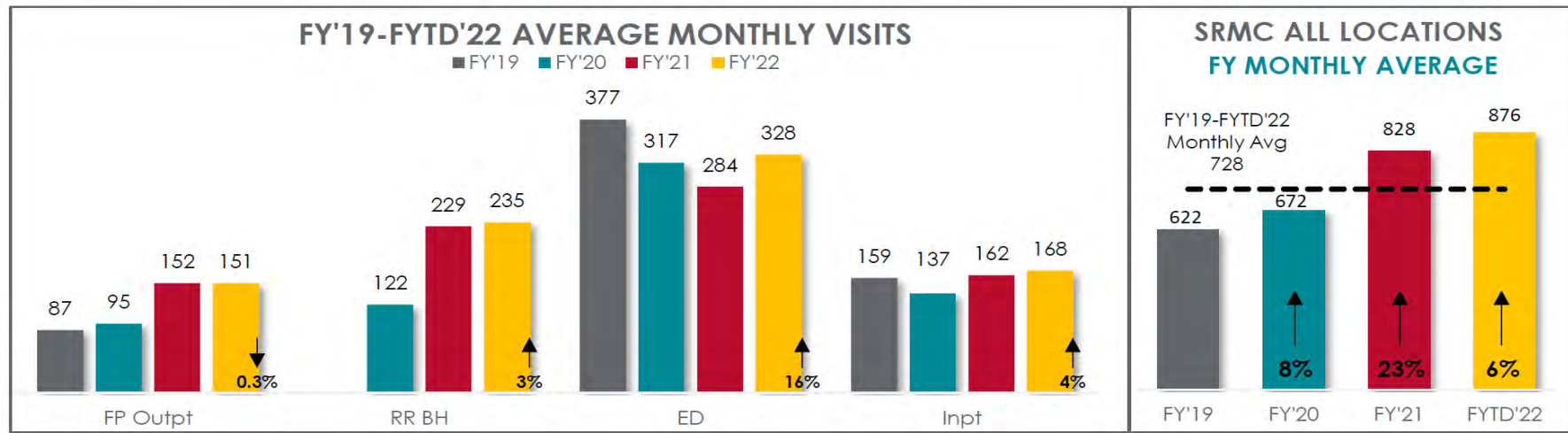
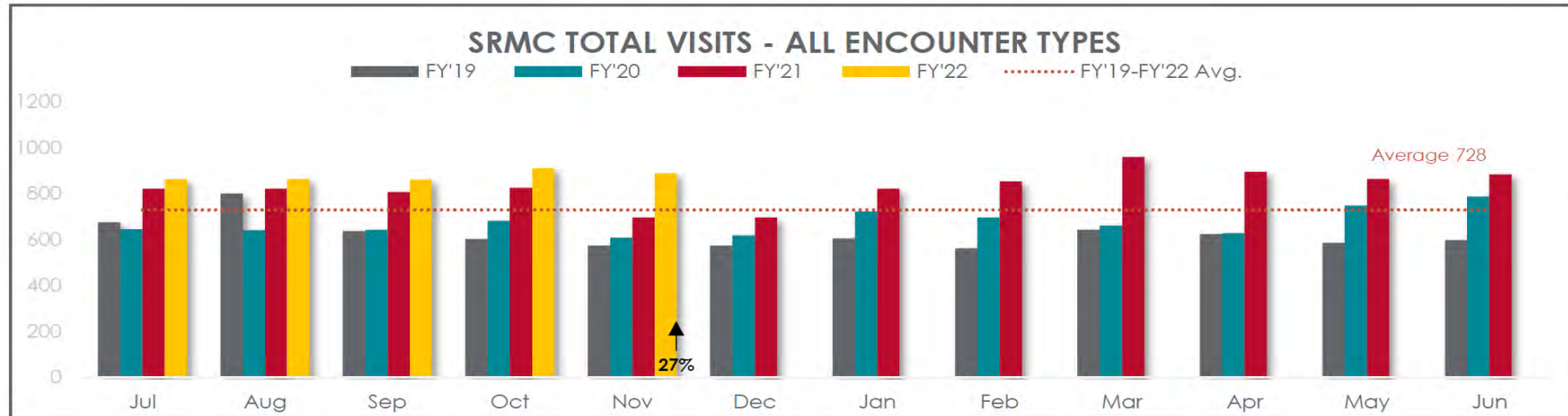
36% between the ages of 51-
70yo

66% female

84% encounters Rio Rancho

Depression, Anxiety, PTSD

SRMC BEHAVIORAL HEALTH PATIENTS MONTHLY ENCOUNTERS BY LOCATION FY 2019-2022



Location monthly encounters for patients with any BH diagnosis primary/secondary. FP/RR through Dec'21, ED/Inpt Nov'21:All locations total Nov'21

Trauma

State Visit for Level 3 Trauma

Thank you to the entire team!!

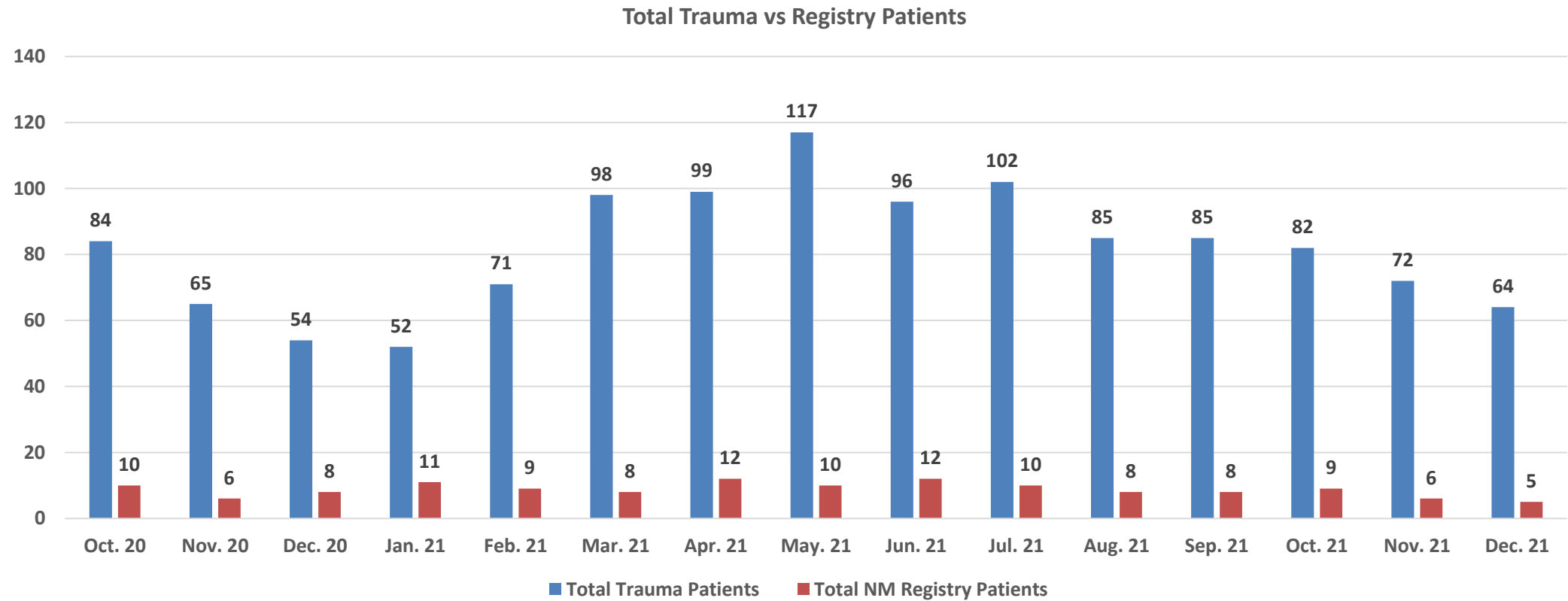
Dr. Souchon, Heather Ouellette, Antoinette Jaramillo, Paul Nelson,
Drew Bartkus, Dr. Hodes-Villamar, Jenn Stafford, Nancy
Santiesteban, Drs. Zamora and Marinaro, Liz Stauss, Lora Ann
Lovato, Dr. Leachman (Anesthesia), Jason Perry, Dr. Griggs (Blood
Bank), Kim Schneider, Dr. Jenna White (EMS), Jenn Montano, Dr.
Cushnyr, Diana Olivas,

Pam Demarest, Dr. Wilks

All staff and providers

All support areas

Trauma



Diversity, Equity, Inclusion and Wellbeing

Diversity, Equity, Inclusion and Wellbeing

Education/Trainings/Outreach

- Pronouns
- Mental Health First Aid
- CME
- Unconscious Bias
- Heritage Months

Wellbeing

- Recognition/ Awards (internal and external)
- Seminars / Resources
- Champions
- Peer-to-Peer
- Drop-ins

Community Engagement

- Equity Walk
- Monthly/Quarterly Engagements

Foundation

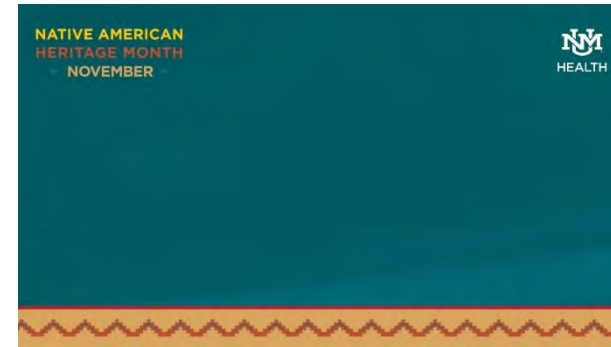
- Retrospective/Prospective
- Accreditation/Policy/Regulatory
- CLAS Standards

Heritage Months

A period within the year that are designated to celebrate and acknowledge various ethnic groups

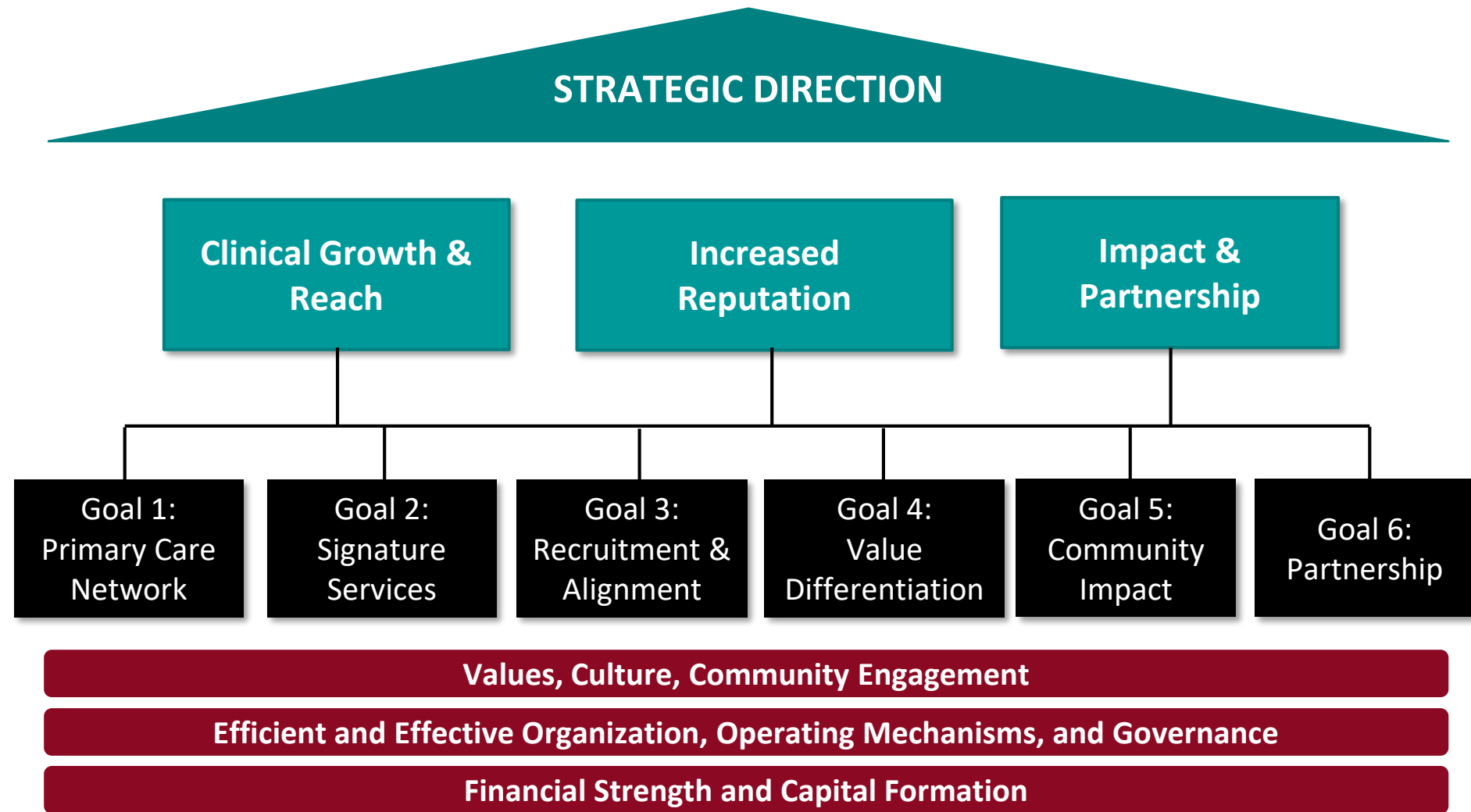
Times to also educate others about various groups' histories and contributions to American History

**CELEBRATE
PRIDE**



Diversity 多样性 Pagkakaiba-iba 多様性 Ntau haiv neeg
Perbedaan 상이 ຄວາມຫຼາກຫຼາຍ Kepelbagaian Đa dạng
Олон янз байдал Eseelega မတူကွဲပြားခြင်း Diversity

Strategic Planning



Strategic Planning Progress

Whitecap Consulting Engagement in 2019

Final Approval by the Board on January 23, 2020

- Near Term Goals – 3 years
- Long-Aspirations – 10+ years

Majority of deliverables were moderate to high impact and high to moderate resource requirements

Approximately 87% of objectives are at expected progress or complete (35 of 39)

FY22 engage consultant to update plan

- COVID impacts

Legend	
Expected Progress	
Some Progress	
No Workplan Initiated	
Completed	

2019 Community Health Needs Assessment



- **Behavioral Health**
- **Access to Services**
- **Chronic Disease Prevention & Management**



MENTAL AND BEHAVIORAL HEALTH

- Open a Behavioral health outpatient clinic in Fall 2019
- Expand crisis intervention teams
- Establish Counselors, Social Workers and Psychologist 24x7 in the Emergency Department



ACCESS TO HEALTH CARE SERVICES

- Expand Primary Care service access
- Provide prompt availability of general surgeons, orthopedists and anesthesiologist
- Provide expanded trauma services



CHRONIC DISEASE PREVENTION & MANAGEMENT

- Increase comprehensive diabetes care
- Increase colorectal cancer screening
- Increase breast cancer screening
- Reduce hospital readmissions

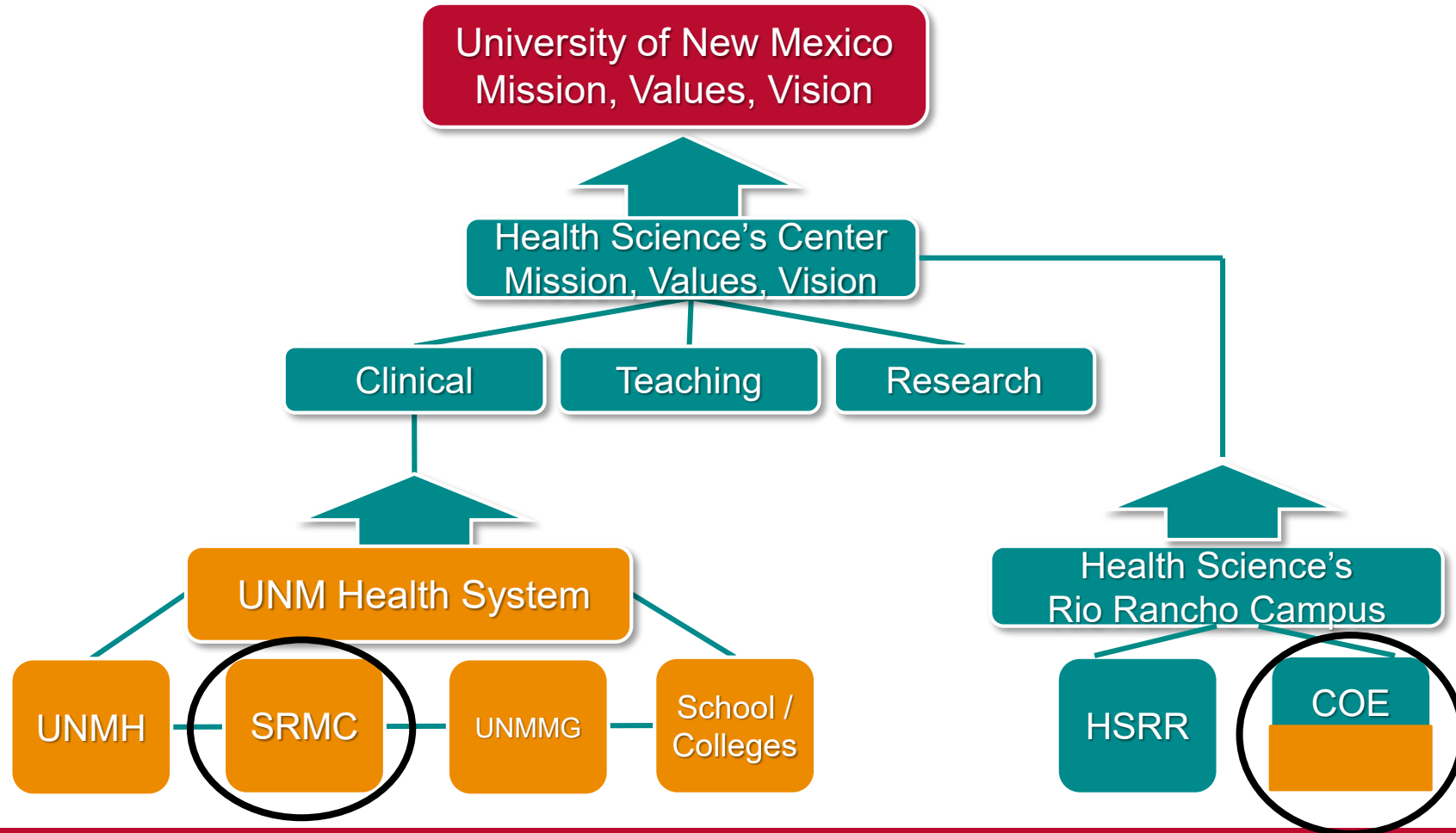
Center of Excellence (COE) for Orthopaedic Surgery and Rehabilitation

Opened to see patients
11/22/21

Ribbon Cutting 12/1/21



UNM Health Sciences Center and Health System



2022 Priorities

SRMC

COVID-19 Response

Mill Levy Programs (Trauma and Behavioral Health)

Diversity and Wellbeing

Orthopaedic Center of Excellence

SRMC Strategic Plan

Community Health Needs Assessment

Backfill Planning and Campus Development

Health Sciences Rio Rancho Campus

Health Sciences Rio Rancho Campus Update

- **Broadmoor Extension**
 - **Completed December 2020**
- **Campus Park**
 - **Completed February 2021**
- **Senior Center Update**
 - **Completed 30, 2021**
- **Center of Excellence**
 - **Completed November 2021**



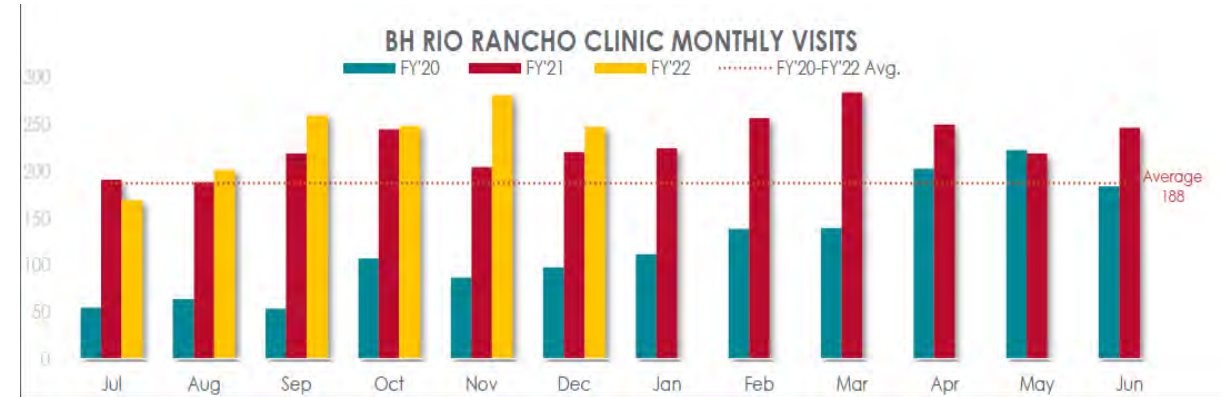
Update on Building 1

- College of Nursing
 - Renovations
 - Planned Space
 - CON Student Data
 - Total number of students admitted into HSRR since the start: 156 students
 - Total HSRR CON graduates since the start: 40 students
 - Total number of HSRR CON students currently in program at HSRR: 109
 - 6 Interns hired at SRMC graduating in spring and fall 2022

HSRR - College of Nursing		
Semester	Admissions	Graduates
F18	8	7
S19	8	6
F19	15	14
S20	16	13
F20	23	Graduates May 22
S21	24	Graduates Aug 22
F21	32	Graduates May 23
S22	30	Graduates Aug 23

Update on Building 1

- Behavioral Health
 - Providers
 - Patient Volumes
- CNM Collaboration
 - New Director
 - MA Program
 - Total of 48 medical assistant graduates
 - Current enrollment:
 - 12 in the entry level
 - 20 in level 2 (final level)
 - Total of 32 current MA students
 - There are 28 students in the introductory MA course



Update COE



Current Research Studies in the COE

- **Phantom Foot:** Recreate injury seen in skiers that tears the ACL. Compare the ability of different ski bindings to release prior to ACL injury
- **Lisfranc:** Comparing a commonly used rigid treatment for the Lisfranc injury to a novel treatment that may have clinical benefits to the patient.
- **Suture anchor:** Explore an alternate technique used by orthopaedic surgeons to reattach torn ligaments and tendons to the bone.
- **IM nail removal:** Study of clinical experience of removing intermedullary nails that have failed and have become “stuck.”
- **Knee internal brace:** Compare a new surgical implant for repair of a medial collateral ligament (MCL) injury in the knee to popular techniques currently in use.
- **March Test study:** This study is a collaboration with physical therapy. It is a study looking at the stability/mobility of the sacroiliac joint (pelvis).
- **Tissue Engineering in OTEAM lab:** Exploring a new polymer for bone tissue engineering applications.

SRMC Board of Directors and Bylaws

Board Members

POSITIONAL

Dr. Doug Ziedonis – Board Chair

Dr. Michael Richards – Vice Chancellor
Clinical Affairs

Vacant - Dean SOM

Dr. Chris Guest - Chief of Staff

Kim Hedrick – County Appointed
Community Member

Vacant – UNMH pending appointment

NON-POSITIONAL

Donnie Leonard – Community Member

Joanna Boothe – Community Member

Charlotte Garcia – Community Member

Dave Panana – Community Member

Louis McDonald – Community Member

Bylaws Changes

Putting U First





UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Official Roster

June 30, 2021

Board of Directors

Douglas Ziedonis, M.D.	Chairperson (Term expires 12/31/22, Regent appointed)
Michael Richards, M.D.	Member (Term expires 12/31/22, Regent appointed)
Martha McGrew, M.D.	Member (Term expires 12/31/22, Regent appointed)
Brad Cushnyr, M.D.	Member (Term expires 12/31/22, Regent appointed)
Honorable Louis P. McDonald	Member (Term expires 12/31/22, County appointed)
Joanna Boothe	Member (Term expires 12/31/21, Regent appointed)
Charlotte Garcia	Member (Term expires 12/31/21, Regent appointed)
Donnie Leonard	Member (Term expires 12/31/22, Regent appointed)
Kim Hedrick	Member (Term expires 12/31/22, County appointed)
Dave Panana	Member (Term expires 12/31/21, Regent appointed)

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Official Roster

June 30, 2021

Administrative Officers

Douglas Ziedonis, M.D.	Executive Vice President – UNM Health Sciences Center
Michael Richards, M.D.	Vice Chancellor of Clinical Affairs – UNM Health System
Ava Lovell	Senior Executive Officer for Finance & Administration – UNM Health Sciences Center
Jamie Silva-Steele	Chief Executive Officer and President – Sandoval Regional Medical Center
Matthew Wilks, M.D.	Chief Medical Officer – Sandoval Regional Medical Center
Pamela Demarest	Chief Nursing Officer and Chief Operating Officer – Sandoval Regional Medical Center
Darlene Fernandez	Chief Financial Officer – Sandoval Regional Medical Center

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Table of Contents

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

Independent Auditors' Report

The Board of Directors
UNM Sandoval Regional Medical Center, Inc. and
Mr. Brian Colón, New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of UNM Sandoval Regional Medical Center, Inc. (the Medical Center), a component unit of the University of New Mexico, State of New Mexico, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's 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 Medical Center's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
December 13, 2021

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis

June 30, 2021 and 2020

The following discussion and analysis provides an overview of the financial position and activities of UNM Sandoval Regional Medical Center, Inc. (the Medical Center or SRMC) as of and for the years ended June 30, 2021, 2020, and 2019. 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 financial statements, notes, and this discussion are the responsibility of the Medical Center's management.

Using This Annual Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. The Medical Center is reporting as a special-purpose government engaged in business-type activities (BTA). In accordance with BTA reporting, the Medical Center presents management's discussion and analysis, statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service or goods are received, regardless of when cash is exchanged.

The statements of net position include all assets, deferred outflows of resources, and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) are one indicator of the improvement or erosion of the Medical Center's financial health when considered with nonfinancial facts, such as patient statistics and the condition of facilities. This statement includes all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by nongovernmental hospitals and healthcare organizations.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public hospital's dependency on governmental funding can result in an operating deficit since the financial reporting model classifies such aid as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities.

Overview of Entity

The Regents of the University of New Mexico (UNM) formed SRMC as a New Mexico nonprofit corporation under and pursuant to the New Mexico University Research Park and Economic Development Act (URPEDA). Under the URPEDA, research park corporations are separate and apart from the State of New Mexico and UNM. The corporation was formed to promote the social welfare of New Mexico through the advancement of healthcare. The corporation is organized for the development, construction, and operation of the Medical Center, which is a licensed general community teaching hospital located in Sandoval County, New Mexico in support of and under the operating aegis as a component unit of the UNM Health System (UNM HSC) and, in connection therewith, to facilitate and develop the clinical and medical practices of the faculty of the University of New Mexico School of Medicine (UNM SOM). SRMC is considered a component unit of UNM even though it is a legally separate organization under the URPEDA, because UNM is sole member of SRMC (with the rights

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis

June 30, 2021 and 2020

of a member under and pursuant to the New Mexico Nonprofit Corporation Act and as specified in the Bylaws of SRMC) and the Board of Regents, as required by the URPEDA, appoints all members of the Board of Directors of SRMC. Having said this, the long-term debt issued by SRMC as described herein is not, pursuant to the URPEDA, a debt, liability, obligation of or a pledge of the faith and credit of either the State of New Mexico or of UNM, and is payable solely from the revenue or assets of SRMC.

The Medical Center's mission is to improve the overall health of the community by providing the highest-quality healthcare services that meet the needs of Sandoval County's diverse population, as well as providing, increasingly over time, healthcare and medical educational opportunities.

The following summarizes the healthcare services that are offered by the Medical Center:

Inpatient Care – Acute care provided by practitioners in 48 acute medical-surgical beds and 12 intensive care unit beds. The Medical Center is equipped with an emergency department with 11 exam rooms, 2 trauma rooms, and 2 triage rooms. Additionally, the Medical Center is equipped with 6 operating rooms, 3 minor procedure rooms, and 1 interventional radiology lab.

Outpatient Care – Comprehensive offering of primary care, sleep disorders clinic, laboratory, radiology, diagnostic services, rehabilitation services, behavioral health, infusion, medical, and surgical clinics.

Surgical Services – Anesthesia, general surgery, bariatric, podiatry, otolaryngology, urologic, gynecologic, urogynecologic, gastrointestinal, breast, minimally invasive spine surgery, and outpatient laparoscopic surgery.

Physician Services – The Medical Center has an “open” medical staff, allowing community physicians in addition to the UNM SOM providers to be members of the active medical staff and to admit and follow their patients at the Medical Center. There are currently 559 physicians credentialed, of which 469 are UNM SOM physicians and 90 are community physicians.

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Financial Summary

Condensed summary of net position

		June 30		
		2021	2020	2019
Assets:				
Current assets	\$	42,011,428	51,573,550	41,156,850
Capital assets, net		94,706,913	95,475,016	99,508,641
Noncurrent assets		15,275,857	15,083,228	13,206,575
Total assets	\$	151,994,198	162,131,794	153,872,066
Deferred outflows of resources	\$	2,279,949	—	—
Liabilities:				
Current liabilities	\$	29,559,960	32,515,359	20,278,279
Noncurrent liabilities		100,677,206	109,005,000	113,280,000
Total liabilities	\$	130,237,166	141,520,359	133,558,279
Net position:				
Net deficiency in capital assets	\$	(9,398,805)	(17,804,984)	(17,846,359)
Restricted net position, expendable		15,383,735	21,497,655	20,420,964
Unrestricted		18,052,051	16,918,764	17,739,182
Total net position	\$	24,036,981	20,611,435	20,313,787

Total Medical Center assets at June 30, 2021 decreased \$10.1 million from June 30, 2020, ending at \$152.0 million. Cash and cash equivalents at June 30, 2021 decreased by \$10.5 million, primarily due to the closing of a trustee account held for debt service of \$6.3M, which was applied to the Medical Center's mortgage during the mortgage refinancing on July 16, 2020. Net patient accounts receivable increased by \$2.1 million from June 30, 2020, primarily due to the timing of the COVID-19 stay at home orders and limitations on elective visits and procedures in healthcare services implemented by the Governor of New Mexico in March 2020. The Medical Center's most significant assets at June 30, 2021 were net capital assets of \$94.7 million, cash and cash equivalents of \$27.9 million, and restricted investments held by trustee for mortgage reserve fund of \$15.3 million.

Operating cash decreased by \$4.2 million during the year ended June 30, 2021, from \$32.1 million at June 30, 2020 to \$27.9 million at June 30, 2021. This decrease was driven by increased operating costs related to the COVID-19 pandemic. Other changes to cash include the receipt of Coronavirus Aid, Relief and Economic Stimulus (CARES) Act funding of \$3.4 million and mill levy funds of \$6.9 million. The Medical Center also applied \$0.6 million of Center for Medicare and Medicaid Services (CMS) Medicare Accelerated and Advance Payment Program funding received in 2020. The CARES Act funding and CMS advance payment programs were in response to COVID-19.

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Total Medical Center assets at June 30, 2020 increased \$7.3 million from June 30, 2019, ending at \$162.1 million. Cash and cash equivalents at June 30, 2020 increased by \$9.3 million, primarily due to a CMS advance of \$7.3 million under the Medicare Accelerated and Advance Payment Program and CARES Act funding of \$6.7 million, while net accounts receivable decreased by \$1.9 million, primarily due to the impact of COVID-19 on patient volumes. The Medical Center's patient volumes began to decrease in March 2020 due to the COVID-19 stay at home orders and limitations on elective visits and procedures. Net capital assets decreased by \$4.0 million, predominantly due to increased accumulated depreciation, and restricted investments held by trustee for mortgage reserve fund increased by \$1.9 million, in line with contract requirements. The Medical Center's most significant assets at June 30, 2020 were net capital assets of \$95.5 million, cash and cash equivalents of \$38.4 million, and restricted investments held by trustee for mortgage reserve fund of \$15.1 million.

Operating cash increased by \$10.1 million during the year ended June 30, 2020, from \$21.9 million at June 30, 2019 to \$32.0 million at June 30, 2020. This increase was driven by the CARES Act funding of \$6.7 million, CMS advance payment of \$7.3 million, and mill levy funds of \$6.4 million.

The Medical Center's total liabilities were \$130.2 million at June 30, 2021, compared to \$141.5 million at June 30, 2020. At June 30, 2021, current and noncurrent mortgage payable of \$106.4 million was the largest liability, followed by accounts payable of \$7.3 million, and CMS advance of \$6.7 million. The decrease in total liabilities is primarily due to the mortgage refinancing and subsequent defeasance of the bonds. There were also decreases in CARES Act funding liability of \$3.4 million, CMS advance payment of \$0.6 million, and related-party liabilities of \$0.3 million.

The Medical Center's total liabilities were \$141.5 million at June 30, 2020, compared to \$133.6 million at June 30, 2019. At June 30, 2020, current and noncurrent bonds payable of \$113.3 million was the largest liability, followed by CMS advance payment of \$7.3 million, and accounts payable of \$6.0 million. The increase in total liabilities is primarily due to the CMS advance of \$7.3 million and CARES Act funding liability of \$3.6 million. There were also increases in accrued payroll of \$1.4 million and in related-party liabilities of \$0.9 million. These increases were offset by a decrease in bonds payable resulting from the payments of the scheduled mandatory bond redemptions of \$4.1 million during the year ended June 30, 2020. There was also a decrease in liabilities from estimated third-party settlements of \$2.2 million.

At June 30, 2021, 2020, and 2019, the Medical Center's current assets of \$42.0 million, \$51.6 million, and \$41.2 million, respectively, were sufficient to cover current liabilities of \$29.6 million (current ratio of 1.42), \$32.5 million (current ratio of 1.59), and \$20.3 million (current ratio of 2.03), respectively.

Total net position (assets plus deferred outflows minus liabilities) is classified by the Medical Center's ability to use these assets to meet operating needs. Unrestricted net position may be used to meet all operating needs of the Medical Center. A portion of the Medical Center's net position is restricted by the trust indenture. In 2020 and prior, a portion of net position was also restricted by the debt agreement, however, this restriction was eliminated when the bonds were defeased in fiscal year 2021.

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Total net position as of June 30, 2021 increased by \$3.4 million to \$24.0 million, which included an operating loss of \$8.1 million, which was driven by the COVID-19 pandemic and mill levy program ramp up, and net nonoperating revenues of \$11.5 million. Unrestricted net position totaled \$18.1 million, with a net deficiency in capital assets of \$9.4 million at June 30, 2021. Restricted net position, expendable as of June 30, 2021 decreased by \$6.1 million to \$15.4 million, which was driven by a \$6.3 million decrease in the debt fund trust account as a result of the bond defeasance.

Total net position as of June 30, 2020 increased by \$0.3 million to \$20.6 million, which included an operating loss of \$4.6 million, which was driven by the COVID-19 pandemic and mill levy programs, and net nonoperating revenues of \$4.9 million. Unrestricted net position totaled \$16.9 million, with a net deficiency in capital assets of \$17.8 million at June 30, 2020. Restricted net position, expendable as of June 30, 2020 increased by \$1.1 million to \$21.5 million, which was driven by a \$1.1 million increase in the bond fund trust account.

Condensed summary of revenues, expenses, and changes in net position

	Year ended June 30		
	2021	2020	2019
Total operating revenues	\$ 86,495,929	78,203,988	84,180,161
Total operating expenses	(94,563,411)	(82,806,019)	(80,037,405)
Operating gain (loss)	(8,067,482)	(4,602,031)	4,142,756
Net nonoperating (expenses) revenues	11,493,028	4,899,679	(3,975,297)
Total increase in net position	3,425,546	297,648	167,459
Net position, beginning of year	20,611,435	20,313,787	20,146,328
Net position, end of year	\$ 24,036,981	20,611,435	20,313,787

Operating Revenues

The sources of operating revenues for the Medical Center are net patient service and other operating revenues, with the most significant source being net patient service revenues. Total operating revenues were \$86.5 million, \$78.2 million, and \$84.2 million for the years ended June 30, 2021, 2020, and 2019, respectively.

Net patient service revenue comprises gross patient revenue, net of contractual allowances, charity care, provision for doubtful accounts, and any third-party cost report settlements. Net patient service revenues were \$84.9 million, \$76.5 million, and \$83.0 million for the years ended June 30, 2021, 2020, and 2019, respectively. The increase of \$8.4 million from 2020 to 2021 is primarily the result of the 2020 cancellation of all nonessential healthcare services from mid-March to the beginning of June in compliance with the New Mexico Governor's Executive Order due to the COVID-19 pandemic. The decrease of \$6.5 million from 2019 to 2020 is primarily the result of canceling all nonessential healthcare services as a result of this Executive Order.

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The following table summarizes key operating statistics for the years ended June 30, 2021, 2020, and 2019:

	Year ended June 30		
	2021	2020	2019
Total inpatient days	\$ 13,371	10,453	11,951
Total discharges	2,911	2,575	2,950
Inpatient surgeries	\$ 532	686	977
Outpatient surgeries	2,480	2,184	2,516
Total surgeries	\$ 3,012	2,870	3,493
Outpatient visits	\$ 45,556	42,426	48,257
Emergency visits	18,327	19,520	21,045

ICU and medical/surgical inpatient days increased by 2,918 from fiscal year 2020 to 2021 primarily due to the cancellation of nonessential services in 2020. The ICU and medical/surgical average daily census (ADC) for the year ended June 30, 2021 was 36.6 and increased by 8.0 from an ICU and medical/surgical ADC of 26.6 for the year ended June 30, 2020. The ADC increase was primarily due to COVID-19 patients.

Net patient service revenue for the fiscal years ended June 30, 2021 and 2020 includes cost report estimates for the Medicare and Medicaid programs. Beginning July 1, 2016, the Medical Center was subject to the prospective federal capital rate. The Medical Center's cost reports have been audited through June 30, 2017 for Medicare and through June 30, 2018 for Medicaid. Management believes that estimated settlements accrued related to unaudited cost reports are adequate. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

The Medical Center is committed to providing quality healthcare to all, regardless of one's ability to pay. The Medical Center offers a financial assistance program called SRMC Care for healthcare services provided by the Medical Center. This program is only available to Sandoval County residents. Patients who meet the criteria of this charity care policy receive services at no charge or at amounts less than established rates. The criteria for charity care consider household income in relation to the federal poverty guidelines, as well as asset thresholds. Patients with adjusted gross income equal to or less than 200% of federal poverty guidelines receive services at no charge. For uninsured patients with adjusted gross income at 201% to 300% of federal poverty guidelines, a discount is applied. Patients applying for coverage under SRMC Care must apply for coverage under Medicaid or the Health Insurance Exchange (HIX), if eligible. Patients may continue to receive SRMC Care until they receive Medicaid eligibility or notification of coverage under the HIX.

The Medical Center does not pursue collection of amounts determined to qualify as charity care. The costs of charity care provided under this program for the years ended June 30, 2021, 2020, and 2019 approximated \$0.9 million for 2021 and 2020, and \$1.8 million for 2019. The costs incurred are estimated based on the cost-to-charge ratio for the Medical Center as applied to the charity care charges.

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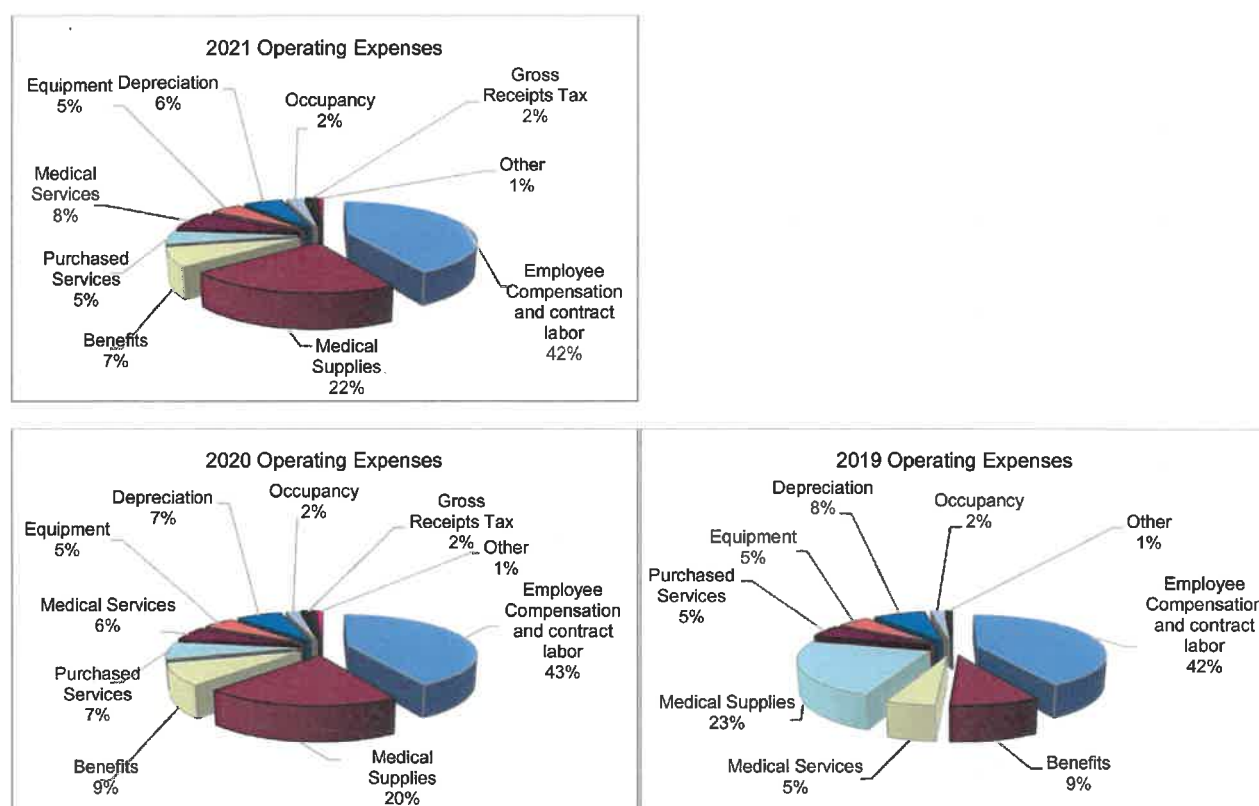
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Bad debt accounts are fully reserved and recorded as provision for uncollectible accounts. Provision expense recorded for fiscal years 2021, 2020, and 2019 was \$5.0 million, \$3.9 million, and \$5.4 million, respectively. The cost of care provided to patients who are either uninsured or underinsured and who do not meet the criteria for financial assistance for years ended June 30, 2021, 2020, and 2019 was \$2.1 million, \$1.7 million, and \$2.0 million, respectively.

Operating Expenses

The following pie charts depict the distribution of the operating expenses for the Medical Center for the years ended June 30, 2021, 2020, and 2019:



Operating expenses for the Medical Center include items such as employee compensation and contract labor and benefits, medical services, medical supplies, purchased services, depreciation, equipment, and occupancy.

For the year ended June 30, 2021, total operating expenses were \$94.6 million and represent an increase of \$11.8 million from the year ended June 30, 2020. The most significant changes were increases of \$4.6 million in employee compensation and contract labor, \$4.3 million in medical and other supplies, \$2.6 million in medical services, and \$0.7 million in equipment, primarily in response to COVID-19, annual wage increase, and

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mill levy program ramp up. These increases were partially offset by a \$0.8 million decrease in purchased services, due to a consulting services agreement ending in fiscal year 2020.

For the year ended June 30, 2020, total operating expenses were \$82.8 million and represent an increase of \$2.8 million from the year ended June 30, 2019. The most significant changes were an increase of \$1.9 million in employee compensation and contract labor primarily due to COVID-19 staffing, annual wage increase and mill levy program ramp up, a \$1.3 million increase in purchased services primarily for operational improvement consulting fees, and a \$1.5 million increase in gross receipts tax, which was a new tax on nonprofit hospitals beginning in fiscal year 2020. These increases were partially offset by a \$2.4 million decrease in medical and other supplies as a result of cancelling nonessential services from mid-March to early June.

Nonoperating Revenues and Expenses

For the year ended June 30, 2021, nonoperating revenues net of nonoperating expenses was \$11.5 million. For the years ended June 30, 2020 and 2019, the Medical Center recorded net nonoperating revenue of \$4.9 million and net nonoperating expense of \$4.0 million, respectively.

Net nonoperating revenues increased by \$6.6 million from 2020 to 2021. The increase is primarily due to a \$5.2 million decrease in bond interest expense, offset by a \$1.7 million decrease in federal bond subsidy interest and a \$2.3 million increase in mortgage interest. There was also a \$4.0 million increase in CARES Act funding revenue recognition. The largest source of nonoperating revenues for the year ended June 30, 2021 was the Sandoval County mill levy tax subsidy totaling \$7.1 million. The second largest source of nonoperating revenues for the year ended June 30, 2021 was \$7.0 million from CARES Act funding. The largest source of nonoperating revenues for the year ended June 30, 2020 was the Sandoval County mill levy tax subsidy totaling \$6.5 million. The second largest source of nonoperating revenues for the year ended June 30, 2020 was \$3.1 million from CARES Act funding.

The most significant nonoperating expense recorded for the year ended June 30, 2021 was mortgage interest and insurance in the amount of \$2.3 million. The most significant nonoperating expense recorded for the years ended June 30, 2020, and 2019 was bond interest expense in the amount of \$5.2 million and \$5.4 million, respectively.

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Capital Assets

At June 30, 2021, the Medical Center had \$94.7 million invested in capital assets, net of accumulated depreciation of \$58.6 million. Depreciation expense totaled \$5.5 million for the year ended June 30, 2021. Depreciation expense was \$5.6 million and \$6.1 million for the years ended June 30, 2020 and 2019, respectively.

	Year ended June 30		
	2021	2020	2019
Building and building improvements	\$ 105,702,629	105,650,011	105,650,011
Building service equipment	4,950,674	4,724,428	4,302,846
Fixed equipment	4,223,199	4,223,199	4,094,180
Major moveable equipment	34,658,158	35,822,042	37,504,986
Construction in progress	3,787,279	300,910	362,234
	153,321,939	150,720,590	151,914,257
Less accumulated depreciation	(58,615,026)	(55,245,574)	(52,405,616)
Net property and equipment	\$ 94,706,913	95,475,016	99,508,641

For the year ended June 30, 2021, total depreciable capital assets decreased by \$0.9 million from June 30, 2020, due to \$1.2 million of major movable equipment additions offset by \$2.1 million of retirements. Construction in process increased \$3.5 million with the largest increase related to a CT scanner of \$1.4 million and pharmacy renovations of \$1.1 million. Major moveable equipment retirements were \$2.1 million, with a net book value of \$31 thousand.

For the year ended June 30, 2020, total depreciable capital assets decreased by \$1.1 million from June 30, 2019. Major moveable equipment additions were \$1.2 million, with the largest asset addition being \$0.4 million for ICU beds. Major moveable equipment retirements were \$2.8 million, with a net book value of \$29 thousand.

Debt Activity

In July 2020, the Medical Center entered into an agreement and mortgage with KeyBank National Association to refinance the Medical Center's mortgage from an APR of 4.86% (3.33% net of BAB Subsidy) to an APR of 1.98%. In connection with the mortgage refinance, in July 2020 \$118.3 million was placed into irrevocable trust to make the mandatory bond redemption payments on the Government National Mortgage Association (GNMA) Collateralized Series 2010A and Series 2010B bonds through the bond callable date in January 2021. The Medical Center was released from all obligations related to the bonds in July 2020. A loss on defeasance of \$2.4 million was recorded as a deferred outflow at the July defeasance date. The Medical Center entered into this refinance transaction to reduce the Medical Center's mortgage interest expense.

The Medical Center had mortgage liability of \$106.4 million at June 30, 2021. The current portion of mortgage liability at June 30, 2021 was \$5.7 million. The Medical Center bonds totaled \$113.3 million and \$117.4 million at June 30, 2020 and 2019, respectively. The current portion of the bond debt was \$4.3 million and \$4.1 million

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at June 30, 2020 and 2019, respectively. The bond debt was related to the Series 2010A and Series 2010B bonds.

During fiscal year 2021, the Medical center paid \$2.2 million in mortgage interest expense and \$5.3 million in mortgage principal.

On July 20, 2019 and on January 20, 2020, the Medical Center paid the scheduled mandatory bond redemption payments on the Series 2010A, which consisted of principal payments of \$2.0 million and \$2.1 million, respectively, as well as interest payments of \$2.5 million and \$2.4 million, respectively. On July 20, 2019 and on January 20, 2020, the scheduled interest payments of \$0.2 million were paid on the Series 2010B bonds. No principal payments were scheduled for either period.

There is a loan guarantee associated with the mortgage that is considered federal assistance subject to the requirements of Office of Management and Budget Uniform Guidance. Accordingly, the loan guarantee is considered a federal award for purposes of UNM's June 30, 2021, 2020, and 2019 Single Audit.

Factors Impacting Future Periods

The Medical Center's future performance may differ depending on economic conditions within the healthcare industry and other factors. Among other factors that might affect future performance are changes to Medicare and Medicaid reimbursement resulting in reductions in payments. Healthcare systems nationwide are being challenged by reductions in Medicare and Medicaid payments, taking on more risk for outcome measures, and uncertainty regarding patient coverage from the Affordable Care Act (ACA).

(a) Provider Contracts

Many of the Medical Center's payor and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not become known until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations.

On August 3, 2021, CMS released the fiscal year 2022 Inpatient Prospective Payment (IPPS) Final Rule. The Medical Center's IPPS rate is estimated to increase 3.2% or \$0.3 million as a result of the IPPS final rule. This increase is primarily due to a 2.7% increase to the national labor and non-labor components of the DRG rate and a finalized wage index increase of 2.5%, increasing from 0.8670 to 0.8886.

The 2022 IPPS final rule continued the ACA provision that hospitals scoring in the top quartile of the nation for Hospital-Acquired Conditions (HACs) are subject to a 1.0% penalty reduction in payments. The Medical Center's HAC score has never been in the highest quartile, and thus has never been subject to the 1% decrease. The Medical Center's payment rates are expected to have a 1.94% negative impact under the Hospital Readmission Reduction Program and a 0.44% positive impact under the Value Based Purchasing Program as required by ACA. The negative impact of these three quality pay-for-performance programs is estimated at \$139,000 for federal fiscal year (FFY) 2022.

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Under FFY 2022 IPPS Final Rule, CMS removed the requirement to report payer-specific negotiated rates on hospital cost reports that had been promulgated in the FFY 2021 IPPS final rule. CMS had planned to use Managed Medicare negotiated rates to recalibrate MS-DRG weights by fiscal year 2024.

On August 4, 2021, CMS issued the proposed calendar year (CY) 2022 Outpatient Prospective Payment System (OPPS) rule. CMS proposes to raise the base OPPS Payment rate by 2.3%, which is a market basket increase of 2.5%, less a multi-factor productivity adjustment of 0.2%. CMS proposed continuation of average sales price minus 22.5% for 340b drugs. CMS had proposed to halt the elimination of the Inpatient Only (IPO) List and after reviewing services that were removed in the CY 2021 OPPS Final Rule, has proposed that 298 services be put back on the IPO list beginning in CY 2022. The overall impact of the proposed OPPS rule on the Medical Center's reimbursement is estimated to be an increase of 0.3%, or \$268,000.

(b) Medicare Disproportionate Share Hospital (DSH)

The Medical Center's Uncompensated Care (UC) DSH payments are estimated to decrease \$44,000 in fiscal year 2022. Under the 2022 Final IPPS Rule, CMS proposed to continue using one year of UC data from worksheet S-10 of the Medicare cost report to calculate each hospital's share of UC in the DSH calculation. For fiscal year 2022 UC-based DSH payments, CMS proposed to use federal fiscal year 2018 cost report data, which is the Medical Center's fiscal year ending June 30, 2019, which CMS has audited.

(c) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) outbreak a global pandemic. COVID-19 is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). It was first identified in December 2019 in Wuhan, Hubei, China, and has resulted in an ongoing pandemic. On January 31, 2020, Health and Human Services Secretary Alex Azar II declared a Public Health Emergency (PHE) for the United States to help the healthcare community respond to COVID-19. On March 13, 2020, the American College of Surgeons issued Recommendations for Management of Elective Surgical Procedures, which included recommendations on minimizing, postponing, or cancelling elective surgeries, endoscopies, or other invasive procedures. On March 24, 2020, the New Mexico Department of Health issued a Public Health Order prohibiting hospitals and other healthcare facilities from providing nonessential healthcare services, procedures, and surgeries. The Medical Center resumed nonessential healthcare services, procedures, and surgeries in early June 2020, shortly after the New Mexico Public Health Order for nonessential healthcare services was lifted. Although nonessential services have resumed, ambulatory and ancillary volumes have not returned to budgeted levels. The Medical Center has provided care to more than 2,749 COVID-19 patients admitted into the facility. Vaccinations of caregivers and patients are being provided in accordance with state and federal guidelines. The COVID-19 pandemic is ongoing, and the national PHE order is still in place.

The Medical Center has received support under the CARES Act enacted on March 27, 2020, including Provider Relief Funds (PRF). The CARES Act authorizes \$100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (PHSSEF). Payments from the PHSSEF are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using PHSSEF funds to reimburse expenses or losses that other

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sources are obligated to reimburse. In fiscal years 2020 and 2021, the Medical Center received approximately \$10.1 million in payments from the initial PHSSEF general distribution, Safety Net Hospitals and High Impact Hospital payments, of which \$6.2 million was recognized as revenue for the year ended June 30, 2021.

To increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals could request accelerated payments of up to 100% of the Medicare payment amount for a 6-month period (not including Medicare Advantage payments). CMS-based payment amounts for inpatient acute care hospitals were based on the provider's Medicare fee-for-service reimbursements in the last 6 months of 2019. Such accelerated payments are interest free for inpatient acute care hospitals for 18 months, and the program requires CMS to recoup the payments at 25% of fee-for-service claims beginning one year after the advance payment was received. After 11 months at 25% recoupment, the percentage increases to 50% for 6 months and then there are 30 days before interest will accrue at 4% per annum on any remaining outstanding balance. In April 2020, the Medical Center received \$7.3 million of accelerated payments and recoupments began in April 2021. As of June 30, 2021, CMS has recouped \$588 thousand of the Medical Center's Medicare Advance. The Medicare Accelerated and Advance Payment Program liability was \$6.7 million and \$7.3 million as of June 30, 2021 and 2020, respectively. The advance payments were made for services a healthcare entity has provided or will provide to its Medicare patients and are therefore considered exchange transactions that will be recognized in patient service revenue, net, once services have been provided.

Lastly, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Medical Center began deferring the employer portion of social security taxes in mid-April 2020. As of June 30, 2021, the Medical Center deferred \$600 thousand in social security taxes.

CMS has issued multiple 1135 waivers since the PHE was declared. The waivers help ensure that sufficient healthcare items and services are available to meet the needs of individuals enrolled in the Medicare, Medicaid, and Children's Health Insurance Program programs. One of the waivers expanded the use of telehealth and telephone visits. The waiver implemented payment for telephone visits under the physician fee schedule, which previously were not payable on the fee schedule. The telehealth visits for professional fees are paid at the same rate as an in-person visit under the physician fee schedule. The Medical Center is only able to bill and be paid for one code. The payment for this code is significantly less than what the payment would be for an in-person visit. In December 2020, CMS permanently expanded some telehealth services. There is support to continue to expand telehealth and telephone services. The New Mexico Human Services Department (HSD) issued a LOD to NM MCOs to increase hospital inpatient payment rates from April 1, 2020 through September 30, 2020 for COVID-19 DRG and ICU hospital admissions.

The Medical Center continues to assess the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on our business, results of operations, financial condition, and cash flows. The long-term financial impact of COVID-19 is not known at this time as there are multiple factors, which may influence the outcome, including whether there will be additional federal funding (grants or loans), the impact of an additional surge if any, the impact of telehealth on a

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historical business model or whether there will be another total shutdown of nonessential healthcare services. The Medical Center continues to monitor developments and the directives of federal, state, and local officials to determine what precautions and procedures may need to be implemented by the Medical Center in the event of the continued spread of COVID-19. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration, the full impact of COVID-19, and the scope of any cumulative adverse impact on the Medical Center's finances and operations cannot be fully determined at this time and largely depends on the ongoing severity, duration, and spread of COVID-19. Management continues to monitor key factors such as the impact within the Medical Center's service area, impact on volumes, staffing, and the impact of federal and state legislation, emergency measures, and funding within healthcare and the economy as a whole. The Medical Center continues to incur incremental supply costs, contract labor and other expenditures for COVID-19 preparedness and response to COVID-19 in an effort to provide safe and effective patient care. The Medical Center will continue to focus on collecting receivables and managing expenses to ensure it is able to continue providing essential services to patients. The Medical Center believes it will maintain compliance with debt covenants and meet its obligations as they become due as a result of the initiatives implemented and its strong cash position.

(d) Sandoval County Mill Levy

On November 6, 2018, voters approved a new eight-year tax levy at 1.9 mill on property owned within Sandoval County. The mill levy funds expansion of outpatient behavioral health services and an increase in staffing to achieve a level III trauma center designation at the Medical Center. The mill levy contract with Sandoval County was effective July 1, 2019. Due to the impact of COVID-19 pandemic, effective March 2020, Sandoval County and the Medical Center amended the contract to allow for remaining mill levy proceeds, not allotted toward provision of behavioral health and substance abuse services, for use in the Medical Center's general operations for so long as the Medical Center and the County agree. Mill levy proceeds from fiscal year 2020 in the amount of \$2.8 million were redirected for the Medical Center's general operations per the contract amendment. The need to redirect the mill levy proceeds was a result of lost revenue and increased expenses related to the pandemic. Very similar to other hospitals around the world, the Medical Center experienced a significant loss of revenue as nonessential services were reduced to free up resources to treat COVID-19 patients. At the same time, the Medical Center incurred costs to fight the virus such as buying personal protective equipment supplies, transforming units to alternative care sites, and operating various check-in stations for staff and visitors. The hospital received some federal stimulus payments and Medicare advance payments, but these emergency relief funds were not enough to keep up with the continued downward revenue trend. Once the Executive Order was lifted for nonessential healthcare services, the Medical Center began to reschedule canceled visits and procedures. In fiscal year 2021, the Medical Center no longer required use of mill levy funds for general hospital operations.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis

June 30, 2021 and 2020

(e) Expansion Projects

The Medical Center has partnered with UNM HSC in the development, construction, and operation of the UNM Orthopedic Center of Excellence (COE). The COE property and building are owned by UNM HSC and managed by the Medical Center. In this connection, the Medical Center will enter into a fair market value lease of significant amount of the net rentable space in the COE from UNM to use for orthopedic clinics, as described more fully below. The UNM Center of Excellence for Orthopedic Surgery and Rehabilitation in Rio Rancho, New Mexico, will be complete in November 2021. The 50,000-square-foot center is adjacent to SRMC, where most of UNM's joint replacement procedures are performed. The UNM Center of Excellence for Orthopedic Surgery and Rehabilitation will include exam rooms for patients to consult with surgeons, an extensive orthopedics research laboratory, and a rehabilitation facility. The new facility will also provide ample space on the first floor for research. It will include room for a cadaver lab and two bio-safety level 2 workstations. The second floor will have 40 clinic rooms, X-rays, and multiple avenues to treat patients. This COE will teach future providers, will teach young students, and will do research that will change and create a better life in New Mexico, from an orthopedic perspective, and also allow practitioners from all over the United States to come and learn.

Contacting the Medical Center's Financial Management

This financial report is designed to provide the public with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Medical Center's Controller's office at 3001 Broadmoor Blvd., NE, Rio Rancho, NM 87144.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of University of New Mexico)

Statements of Net Position

June 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 27,906,640	32,069,503
Restricted cash and cash equivalents:		
Held by trustee for debt service	—	6,313,272
Total cash and cash equivalents	<u>27,906,640</u>	<u>38,382,775</u>
Receivables:		
Patient (net of allowance for uncollectible accounts and contractual adjustments of \$19,067,248 in 2021 and \$14,866,132 in 2020)	9,913,976	7,861,196
Due from related parties	275,108	405,437
Estimated third-party settlements	648,008	427,806
Interest receivable – bond subsidy proceeds	—	870,380
Other	203,274	339,177
Total net receivables	<u>11,040,366</u>	<u>9,903,996</u>
Prepaid expenses	483,431	1,021,035
Inventories	<u>2,580,991</u>	<u>2,265,744</u>
Total current assets	<u>42,011,428</u>	<u>51,573,550</u>
Noncurrent assets:		
Restricted investments:		
Held by trustee for mortgage reserve fund	15,275,857	15,083,228
Capital assets, net	<u>94,706,913</u>	<u>95,475,016</u>
Total noncurrent assets	<u>109,982,770</u>	<u>110,558,244</u>
Total assets	151,994,198	162,131,794
Deferred Outflows		
Deferred outflows of resources – loss on bond defeasance	<u>2,279,949</u>	—
Total assets and deferred outflows	<u>\$ 154,274,147</u>	<u>162,131,794</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 7,303,682	6,016,483
Accrued payroll	3,262,172	3,186,216
Due to related parties	1,230,503	1,574,965
Estimated third-party settlements	3,123,295	1,922,718
Mortgage payable – current	5,708,461	—
Bonds payable – current	—	4,275,000
Interest payable bonds	—	2,573,150
Medicare Accelerated and Advance Payment Program	6,742,718	7,330,765
CARES Act funding	—	3,617,914
Accrued compensated absences	2,189,129	2,018,148
Total current liabilities	<u>29,559,960</u>	<u>32,515,359</u>
Noncurrent liabilities:		
Mortgage payable	100,677,206	—
Bonds payable	—	109,005,000
Total noncurrent liabilities	<u>100,677,206</u>	<u>109,005,000</u>
Total liabilities	<u>130,237,166</u>	<u>141,520,359</u>
Net Position		
Net deficiency in capital assets	(9,398,805)	(17,804,984)
Restricted, expendable:		
Expendable bequests and contributions	107,878	101,155
In accordance with the trust indenture and debt agreement	15,275,857	21,396,500
Unrestricted	<u>18,052,051</u>	<u>16,918,764</u>
Total net position	<u>24,036,981</u>	<u>20,611,435</u>
Total liabilities and net position	<u>\$ 154,274,147</u>	<u>162,131,794</u>

See accompanying notes to financial statements.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of University of New Mexico)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Net patient service revenues	\$ 84,893,742	76,453,989
Other operating revenues	<u>1,602,187</u>	<u>1,749,999</u>
Total operating revenues	<u>86,495,929</u>	<u>78,203,988</u>
Operating expenses:		
Employee compensation and contract labor	39,882,696	35,326,209
Medical and other supplies	20,550,916	16,206,936
Benefits	7,219,482	7,399,946
Depreciation	5,452,586	5,629,891
Purchased services	4,888,992	5,655,568
Medical services	7,425,614	4,787,950
Equipment	4,498,991	3,754,606
Occupancy	2,390,376	1,942,541
Gross receipts tax	1,627,978	1,463,415
Other	<u>625,780</u>	<u>638,957</u>
Total operating expenses	<u>94,563,411</u>	<u>82,806,019</u>
Operating loss	<u>(8,067,482)</u>	<u>(4,602,031)</u>
Nonoperating revenues (expenses):		
Sandoval County mill levy	7,149,790	6,465,723
Federal bond subsidy	7,333	1,756,026
Interest income, net	4,913	219,797
Interest on bonds	—	(5,192,650)
Mortgage interest and insurance	(2,314,784)	—
Bequests and contributions	23,111	19,676
CARES Act funding	7,017,914	3,065,689
Other nonoperating expense	<u>(395,249)</u>	<u>(1,434,582)</u>
Net nonoperating revenues	<u>11,493,028</u>	<u>4,899,679</u>
Increase in net position	3,425,546	297,648
Net position, beginning of year	<u>20,611,435</u>	<u>20,313,787</u>
Net position, end of year	<u>\$ 24,036,981</u>	<u>20,611,435</u>

See accompanying notes to financial statements.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of University of New Mexico)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from patient services	\$ 83,520,597	75,806,628
Cash received from CMS Advance	—	7,330,765
Cash payments to employees	(34,537,849)	(31,369,119)
Cash payments to suppliers and contractors	(45,526,199)	(40,304,445)
Cash payments to related parties	(5,383,328)	(2,809,663)
Cash payments to Department of Revenue	(2,215,013)	(710,126)
Other receipts	1,357,716	1,139,582
Net cash (used in) provided by operating activities	<u>(2,784,076)</u>	<u>9,083,622</u>
Cash flows from noncapital financing activities:		
Cash received from Sandoval County mill levy	6,878,846	6,690,081
Cash received from CARES Funding	3,400,000	6,683,603
Cash received from FEMA	172,792	—
Cash received from contributions	23,111	19,676
Net cash provided by noncapital financing activities	<u>10,474,749</u>	<u>13,393,360</u>
Cash flows from capital financing activities:		
Purchases of capital assets	(4,714,674)	(1,624,881)
Cash received from federal bond subsidy	877,713	885,646
Interest payments on bonds	(2,573,150)	(5,284,337)
Cash payment to refunded bond escrow agent	(2,431,946)	—
Principal payments on mortgage	(5,134,468)	—
Cash payments into mortgage reserve fund	(187,827)	(1,876,653)
Principal payments on bonds	(113,280,000)	(4,075,000)
Cash received from mortgage refinancing	111,440,227	—
Cash payments for mortgage interest and insurance	(2,162,787)	—
Cash payments for mortgage-related activities (mortgage servicing, MIP, GNMA guaranty)	—	(1,405,967)
Net cash used in capital financing activities	<u>(18,166,912)</u>	<u>(13,381,192)</u>
Cash flows from investing activities:		
Interest on investments	104	219,797
Net cash provided by investing activities	<u>104</u>	<u>219,797</u>
Net (decrease) increase in cash and cash equivalents	(10,476,135)	9,315,587
Cash and cash equivalents, beginning of year	<u>38,382,775</u>	<u>29,067,188</u>
Cash and cash equivalents, end of year	<u>\$ 27,906,640</u>	<u>38,382,775</u>

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of University of New Mexico)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ (8,067,482)	(4,602,031)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation expense	5,452,586	5,629,891
Provision for doubtful accounts	4,951,343	3,894,191
Change in assets and liabilities:		
Patient receivables	(7,004,123)	(2,033,820)
Due from related parties	130,329	(314,907)
Estimated third-party settlements	1,267,683	(2,507,732)
Other receivables and prepaid expenses	199,209	(583,168)
Inventories	(315,247)	(177,472)
Accounts payable	1,287,199	(35,173)
CMS Advance	(588,047)	7,330,765
Due to related parties	(344,462)	897,651
Accrued payroll	75,956	1,371,657
Accrued compensated absences	170,980	213,770
Net cash (used in) provided by operating activities	\$ <u>(2,784,076)</u>	<u>9,083,622</u>

See accompanying notes to financial statements.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(1) Description of Business

UNM Sandoval Regional Medical Center Inc. (SRMC or the Medical Center) is a corporation formed by the Regents of the University of New Mexico (UNM) and exists as a New Mexico government nonprofit and University Research Park and Economic Development Act (URPEDA) corporation. SRMC is governed by its Board of Directors (the Board), which is empowered to do all things necessary for the proper operation of the Medical Center. UNM, by and through its Board of Regents, is the sole member of the Medical Center.

The healthcare-related education, research, and clinical programs and services offered by UNM and/or provided in UNM's facilities and those of certain of its URPEDA subsidiaries are designated as the UNM Health Sciences Center (UNM HSC), which is a component unit of UNM. The clinical elements of UNM HSC are intended to be a fully integrated academic health center and healthcare delivery system and are collectively administered as the UNM Health System. As part of ongoing operations, the Medical Center engages in certain related-party transactions as described further in note 13.

The Medical Center owned by SRMC operates as a licensed acute care hospital along with numerous onsite clinics located in Rio Rancho, New Mexico. The Medical Center is a community-teaching component of UNM HSC and provides primary and specialty health services in Sandoval County, New Mexico. SRMC, together with UNM Hospital (UNMH), operates the clinical settings through which the UNM School of Medicine (SOM) educates medical and graduate students, trains residents and clinical fellows, and supports faculty and community clinicians.

The Medical Center owned by SRMC consists of an approximately 200,000 square foot community-teaching Medical Center, with 48 acute medical/surgical beds and 12 intensive care unit beds. There is also an onsite 40,000 square foot medical office building. The Medical Center is adjacent to the City Center in Rio Rancho, New Mexico. The Medical Center is located on land owned by UNM and is next to the UNM Health Sciences Rio Rancho campus. The Medical Center is a blended component unit of UNM and is reported as such in the basic financial statements of UNM. The Medical Center has no component units.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for healthcare organizations, and are presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The Medical Center follows the business-type activities requirements of GASB Statement No. 34. This approach requires the following components of the Medical Center's financial statements:

- Management's discussion and analysis

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

- Basic financial statements, including statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows
- Notes to financial statements

GASB Statement No. 34, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- *Net Deficiency in Capital Assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt, and related deferred outflows of resources, attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position – Expendable* – Assets whose use by the Medical Center is subject to externally imposed constraints that can be fulfilled by actions of the Medical Center pursuant to those constraints or that expire by the passage of time.
- *Unrestricted Net Position* – Assets that are not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board.

(b) Recent Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 addresses the accounting and financial reporting for leases, establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of Statement No. 87 to fiscal years beginning after June 15, 2021.

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*, was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement will be effective for fiscal years beginning after June 15, 2022 and requires recognition of SBITAs as intangible assets with a corresponding subscription liability based on the payment provisions of the contract.

The Medical Center is evaluating the impact these standards will have on its financial statements.

(c) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the financial statement dates, and the reported amount of revenues and expenses during the reporting periods. Due to uncertainties inherent in the estimation process, actual results could differ from those estimates.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

(d) Operating Revenues and Expenses

The Medical Center's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenue, result from exchange transactions associated with providing healthcare services, the Medical Center's principal activity. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values. Operating expenses are all expenses incurred to provide healthcare services.

(e) Nonoperating Revenues and Expenses

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as government levies and subsidies, and gifts or income not directly related to the provision of patient care, such as investment income. These revenue streams are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Investment income is recognized in the period when it is earned. The mill levy is recognized in the period it is collected by Sandoval County. Bequests and contributions are recognized when all applicable eligibility or contingent requirements have been met. Nonoperating expenses include interest expense on bonds, mortgage interest and servicing fees, mortgage insurance premium, GNMA guaranty fees, and other.

(f) Cash and Cash Equivalents

The Medical Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Medical Center follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of risk, interest rate risk, and foreign currency risk, and also requires certain disclosures of investments at fair values that are highly sensitive to changes in interest rates, as well as deposit and investment policies related to the risks identified in the statement.

(g) Restricted Cash and Cash Equivalents

The balance of restricted cash and cash equivalents is cash held by trustee for debt service to be used for the principal and interest components of debt service.

(h) Net Patient Accounts Receivables

The Medical Center records patient receivables at the estimated net realizable value after deducting contractual discounts and allowances, free service, and allowances for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Medical Center analyzes historical trends for each of the major payor sources of revenue to estimate the appropriate allowance for doubtful accounts. Management regularly reviews data for each of the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
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Notes to Financial Statements

June 30, 2021 and 2020

(i) Inventories

Inventories consisting of medical and surgical supplies and pharmaceuticals are stated at the lower of cost or market. Cost is determined using the first-in, first-out valuation method.

(j) Restricted Investments Noncurrent

The Medical Center has established a mortgage reserve fund in accordance with the requirements and conditions of the Federal Housing Administration (FHA) Regulatory Agreement. Notwithstanding any other provision in the Regulatory Agreement, the mortgage reserve fund may be used by Housing and Urban Development if the Medical Center is unable to make a mortgage note payment on the due date. The Medical Center is required to make contributions to the fund based on the mortgage reserve fund schedule.

(k) Capital Assets

Capital assets are stated at cost or at estimated fair value on date of acquisition. The Medical Center's capitalization policy for assets includes all items with a unit cost of more than \$5,000, as well as items in the aggregate whose total cost is more than \$5,000. Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of the assets as indicated in the *Estimated Useful Lives of Depreciable Medical Center Assets*, Revised 2018 Edition published by the American Medical Center Association. Repairs and maintenance costs are charged to expense as incurred. On an annual basis, the Medical Center assesses long-lived assets to determine whether it is necessary to retire, replace, or impair any assets based on condition of the assets and their intended use.

(l) Net Deficiency in Capital Assets

Net deficiency in capital assets represents the Medical Center's total investment in capital assets, net of outstanding debt and related deferred outflows of resources related to those capital assets. Since the outstanding debt at June 30, 2021 and 2020 is greater than the investment in capital assets, this category of net position is reported as a negative amount in the statements of net position.

(m) Net Patient Service Revenues

Net patient service revenues are recorded at the estimated net realizable amount due from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and are 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.

(n) Charity Care

The Medical Center provides care to all patients, regardless of ability to pay for needed services. A patient classified as a charity care patient in accordance with the Medical Center's charity care policy is provided care without charge or at amounts less than established rates. The Medical Center does not

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
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Notes to Financial Statements

June 30, 2021 and 2020

pursue collection of amounts determined to qualify as charity care; therefore, they are deducted from gross revenue, with the exception of co-payments.

(o) Sandoval County Mill Levy Taxes

On November 6, 2018, voters approved a new eight-year, 1.9 mill tax levy on property owned within Sandoval County. The mill levy is intended to fund expansion of outpatient behavioral health services and an increase in staffing to achieve a level III trauma center designation at the Medical Center. The mill levy contract with Sandoval County was effective July 1, 2019. Mill levy revenues recognized in fiscal years 2021 and 2020 were \$7.1 million and \$6.5 million, respectively.

The amount of the property tax levy is assessed annually on January 1 on the valuation of property as determined by the County Assessor and is due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due date unless the original levy date has been formally extended. Taxes are collected on behalf of the Medical Center by the County Treasurer and are remitted to the Medical Center in the month following collection.

Any taxes remitted to the Medical Center by the County Treasurer are paid after any potential impacts related to GASB Statement No. 77, *Tax Abatement Disclosures*. Foregone mill levy proceeds resulting from Sandoval County tax abatements are not included in any mill levy proceeds received by the Medical Center, and the financial impacts are the responsibility of the taxing agency to disclose. The proceeds of the levy were reduced by approximately \$44 thousand and \$41 thousand during the years ended June 30, 2021 and 2020, respectively, as a result of the exemptions and abatements granted. Throughout the course of the mill levy period, distribution of mill levy proceeds by the County Treasurer is contingent on existence of a Health Facilities Contract between the County and the Medical Center.

(p) Federal Bond Subsidy

Prior to the defeasance of the Series 2010A and Series 2010B bonds in fiscal year 2021, the Medical Center received subsidy payments related to interest payments under the federal Build America Bond and Taxable Revenue Recovery Zone Economic Development Bond programs. These funds were accounted for as nonoperating revenues and recorded as they were earned. Under the program, the Medical Center applied for subsidy funds commensurate with each bond payment, so the application for the subsidy was made semiannually. The Medical Center recognized \$7 thousand and \$1.8 million in federal bond subsidy revenue for the years ended June 30, 2021 and 2020, respectively.

(q) Income Taxes

The Medical Center received a determination letter from the Internal Revenue Service (IRS) in April 2010 that it is an organization described in Internal Revenue Code (IRC) Section 501(c)(3) and further classified as an organization described in IRC Section 509(a)(c). As such, it would be exempt from federal income tax on income generated from activities related to its exempt function. However, the Medical Center is subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
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Notes to Financial Statements

June 30, 2021 and 2020

(r) Risk Management

The Medical Center sponsors a self-insured health plan for employees. Blue Cross and Blue Shield of New Mexico (BCBS NM) and HMO New Mexico provide administrative claim payment services for the Medical Center's plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR) and claims received but not yet paid. At June 30, 2021 and 2020, the estimated amount of the Medical Center's IBNR and accrued claims are \$0.3 million and \$0.4 million, respectively, which are included in accrued payroll. The liability for IBNR is based on actuarial analysis calculated using information provided by BCBS NM and management estimates.

	<u>Balance at beginning of fiscal year</u>	<u>Claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at fiscal year-end</u>
2020–2021	\$ 391,634	3,071,838	(3,123,748)	339,724
2019–2020	349,682	3,725,392	(3,683,440)	391,634

(s) Reclassifications

Certain fiscal year 2020 amounts have been reclassified to conform to fiscal year 2021 presentation.

(3) Cash and Cash Equivalents, and Investments

(a) Cash and Cash Equivalents

(i) Deposits

The Medical Center's deposits are held in demand accounts with a financial institution.

The carrying amounts of the Medical Center's deposits with financial institutions at June 30, 2021 and 2020 are \$27.9 million and \$32.1 million, respectively.

Bank balances are categorized at June 30 as follows:

	<u>2021</u>	<u>2020</u>
Amount insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000	250,000
Other cash	<u>29,504,902</u>	<u>31,772,284</u>
Total	<u>\$ 29,754,902</u>	<u>32,022,284</u>

Interest-bearing deposit accounts are subject to FDIC's standard deposit insurance amount of \$250,000 per depositor.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
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Notes to Financial Statements

June 30, 2021 and 2020

(b) Restricted Cash and Cash Equivalents

Before the defeasance of the bonds and in connection with the 2010 financing transaction (note 9), as a requirement of the trust indenture and the Financing Agreement, the Medical Center was required to establish trust funds for debt service. The debt service fund collected the interest income and necessary funds to make the semiannual coupon payments for the bonds. The fund also included a depository account for the proceeds received from the Build America Bond and Taxable Revenue Recovery Zone Economic Development Bond payments.

(i) Interest Rate Risk – Debt Investments – Cash and Cash Equivalents

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, the Medical Center does not have a specific policy to limit its exposure to interest rate risk. The Medical Center holds no investments that are subject to interest rate risk.

(ii) Custodial Credit Risk – Debt Investments – Cash and Cash Equivalents

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investments or collateral that is in the possession of an outside party. As of June 30, 2021 and 2020, there are no investments or cash and cash equivalents subject to custodial credit risk.

The Medical Center's custodial risk policy for the bond proceeds conforms to the trust indenture, and the trustee holds the investments in safekeeping.

(iii) Credit Risk – Debt Investments – Cash and Cash Equivalents

The Medical Center is required to disclose credit ratings of its debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. government, and nondebt investments are excluded from this requirement. Currently, the Medical Center does not have a specific policy to limit its exposure to credit risk. The debt service fund was closed on July 16, 2020 as part of the mortgage refinance and bond defeasance (note 9), resulting in a \$0 balance for the fund as of June 30, 2021.

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A summary of the debt investments – cash and cash equivalents at June 30, 2021 and 2020 and their exposure to credit risk is as follows:

	June 30, 2021		June 30, 2020	
	Rating	Fair value	Rating	Fair value
Items subject to credit risk:				
Money market fund	Not rated	\$ —	Not rated	\$ 6,313,272
Total items subject to credit risk		—		6,313,272
Total debt investments – cash and cash equivalents		\$ —		\$ 6,313,272

(c) Long-Term Investments

(i) Interest Rate Risk – Debt Investments – Long-Term Investments

Currently, the Medical Center does not have a specific policy to limit its exposure to interest rate risk. The Medical Center holds no investments that are subject to interest rate risk.

(ii) Custodial Credit Risk – Debt Investments – Long-Term Investments

As of June 30, 2021 and 2020, there are no investments subject to custodial credit risk.

The Medical Center's custodial risk policy for the mortgage proceeds conforms to the trust indenture, and the trustee holds the investments in safekeeping.

(iii) Credit Risk – Debt Investments – Long-Term Investments

The Medical Center is required to disclose credit ratings of its debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. government, and nondebt investments are excluded from this requirement. Currently, the Medical Center does not have a specific policy to limit its exposure to credit risk.

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A summary of the long-term investments at June 30, 2021 and 2020 and their exposure to credit risk is as follows:

	June 30, 2021		June 30, 2020	
	Rating	Fair value	Rating	Fair value
Items subject to credit risk:				
Money market fund	Not rated	\$ 15,275,857	Not rated	\$ 15,083,228
Total items subject to credit risk		15,275,857		15,083,228
Total long-term investments		\$ 15,275,857		\$ 15,083,228

(4) Concentration of Risk

The Medical Center receives payment for services rendered to patients under payment arrangements with payors, which include: (i) Medicare and Medicaid; (ii) other third-party payors, including commercial carriers and health maintenance organizations; and (iii) others. The following summarizes patient accounts receivable and the percentage of gross accounts receivable from all payors as of June 30:

	2021		2020	
Medicare	\$ 8,220,557	28 %	\$ 7,546,482	33 %
Medicaid	5,116,174	18	3,530,532	15
Other third-party payors	10,974,368	38	7,417,950	33
Others	4,670,125	16	4,232,364	19
Total patient accounts receivable	28,981,224	100 %	22,727,328	100 %
Less allowance for uncollectible accounts and contractual adjustments	(19,067,248)		(14,866,132)	
Patient accounts receivable, net	\$ 9,913,976		\$ 7,861,196	

(5) Federal Legislative Relief Funds

Congress appropriated funds to reimburse eligible healthcare providers for healthcare expenses incurred and/or loss in revenue due to the COVID-19 pandemic. The Health Resources and Services Administration is administering the distribution of the payments, which are funded through the Coronavirus Aid, Relief and Economic Security (CARES) Act (P.L. 116-136). These distributions are not subject to repayment, provided management is able to attest to and comply with the terms and conditions of the funding, including

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demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. As of June 30, 2021, the Medical Center received CARES Act relief funding in the amount of \$10,083,603 million as follows:

Description	FY21	FY20
CARES Act Provider Relief Fund (\$30B funds)	\$ —	1,058,039
CARES Act Provider Relief Fund (\$20B funds)	—	601,292
CARES Act Safety Net Hospital	—	5,000,000
CARES Act General Distribution	—	24,272
CARES Act High Impact Hospitals	3,400,000	—
	<u>\$ 3,400,000</u>	<u>6,683,603</u>

The Medical Center recognized \$7.0 million and \$3.1 million of CARES Act nonoperating revenue for the years ended June 30, 2021 and June 30, 2020, respectively. The methodology used to recognize CARES Act relief funding is based on COVID-19 costs to prevent, prepare for, and respond to COVID-19 and for lost patient revenue from March 2020 through June 2021. The Health and Human Services Department (HHS) can and does retrospectively adjust grant distribution formulas and may adjust funding already received, which may have subsequent impacts on the amount the Medical Center has recorded as of June 30, 2021 or on future financial statement periods.

In April 2020, the Medical Center received \$7.3 million in accelerated Medicare payments as provided for in legislation passed by Congress and the Center for Medicare and Medicaid Services (CMS), which allowed eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, recoupments of 25% of Medicare payments began one year after the advance and will continue for 11 months, at which time the recoupment will increase to 50% for 6 months and any remaining balance will be due within 30 days. The Medical Center recoupments began in April 2021 and \$588 thousand has been recouped as of June 30, 2021, resulting in a liability on the statement of net position of \$6.7 million as of June 30, 2021.

(6) Estimated Third-Party Payor Settlements

The Medical Center is reimbursed by the Medicare and Medicaid programs on a prospective payment basis for hospital services, with certain items reimbursed at an interim rate with final settlement determined after submission of annual cost reports by the Medical Center. The annual cost reports are subject to audit by the Medicare Administrative Contractor and the Medicaid audit agent. The Medical Center is subject to the prospective federal capital rate. 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. In fiscal years 2021 and 2020, the Medical Center recognized \$0.4 million and \$1.5 million of net patient service revenues, respectively, related to prior year settlements.

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(7) Capital Assets

The major classes of capital assets at June 30, and related activity for the year then ended are as follows:

	Year ended June 30, 2021				
	Beginning balance	Additions	Transfers	Retirements	Ending balance
SRMC capital assets not being depreciated:					
Construction in progress	\$ 300,910	3,486,369	—	—	3,787,279
SRMC depreciable capital assets:					
Building and building improvements	105,650,011	52,618	—	—	105,702,629
Building service equipment	4,724,428	226,246	—	—	4,950,674
Fixed equipment	4,223,199	—	—	—	4,223,199
Major moveable equipment	35,822,042	949,441	—	(2,113,325)	34,658,158
Total depreciable capital assets	150,419,680	1,228,305	—	(2,113,325)	149,534,660
Less accumulated depreciation for:					
Building and building improvements	(21,218,701)	(2,678,658)	—	—	(23,897,359)
Building service equipment	(2,383,045)	(338,819)	—	—	(2,721,864)
Fixed equipment	(2,514,319)	(254,192)	—	—	(2,768,511)
Major moveable equipment	(29,129,509)	(2,180,917)	—	2,083,134	(29,227,292)
Total accumulated depreciation	(55,245,574)	(5,452,586)	—	2,083,134	(58,615,026)
SRMC depreciable capital assets, net	95,174,106	(4,224,281)	—	(30,191)	90,919,634
SRMC capital assets, net	\$ 95,475,016	(737,912)	—	(30,191)	94,706,913

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	Year ended June 30, 2020				Ending balance
	Beginning balance	Additions	Transfers	Retirements	
SRMC capital assets not being depreciated:					
Construction in progress	\$ 362,234	464,542	(525,866)	—	300,910
SRMC depreciable capital assets:					
Building and building improvements	105,650,011	—	—	—	105,650,011
Building service equipment	4,302,846	10,003	411,579	—	4,724,428
Fixed equipment	4,094,180	14,732	114,287	—	4,223,199
Major moveable equipment	37,504,986	1,135,604	—	(2,818,548)	35,822,042
Total depreciable capital assets	151,552,023	1,160,339	525,866	(2,818,548)	150,419,680
Less accumulated depreciation for:					
Building and building improvements	(18,545,844)	(2,672,857)	—	—	(21,218,701)
Building service equipment	(2,071,186)	(311,859)	—	—	(2,383,045)
Fixed equipment	(2,204,097)	(310,222)	—	—	(2,514,319)
Major moveable equipment	(29,584,489)	(2,334,953)	—	2,789,933	(29,129,509)
Total accumulated depreciation	(52,405,616)	(5,629,891)	—	2,789,933	(55,245,574)
SRMC depreciable capital assets, net	99,146,407	(4,469,552)	525,866	(28,615)	95,174,106
SRMC capital assets, net	\$ 99,508,641	(4,005,010)	—	(28,615)	95,475,016

(8) Compensated Absences

Qualified Medical Center employees are entitled to accrue sick, holiday, and annual leaves as one inclusive paid time off (PTO) bank based on their full-time equivalent status and accrue extended illness leave into an extended illness bank (EIB).

As of June 30, 2021, full-time and part-time employees accrue PTO every pay-period based on hours worked and number of years of service up to a maximum of 360 to 416 hours, based on years of service.

At termination, employees are eligible for payment of unused accumulated hours at 100% of their regular hourly rate. Accrued PTO as of June 30, 2021 and 2020 of \$2.2 million and \$2.0 million, respectively, is computed by multiplying each employee's current hourly rate by the number of hours accrued.

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EIB hours are accrued per pay period for full time employees and pro-rated for part-time employees based on hours paid. EIB hours are not eligible for payment at termination therefore they are not reflected as a liability on the Medical Center financial statements.

As of June 30, 2020, full-time and part-time employees accrue PTO, every pay-period, based on hours worked and number of years of service up to a maximum of 500 hours.

For the years ended June 30, 2021 and 2020, the following changes occurred in accrued compensated absences, which includes annual leave, sick leave, and holiday.

	Balance June 30, 2021	Balance June 30, 2020	Increase
\$	2,189,129	2,018,148	170,981

	Balance June 30, 2020	Balance June 30, 2019	Increase
\$	2,018,148	1,804,378	213,770

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

(9) Debt

In November 2010, the Medical Center issued \$133,425,000 in aggregate principal amount of Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized – UNM Sandoval Regional Medical Center Project) Series 2010A with a maturity date of July 20, 2036 and \$10,000,000 in aggregate principal amount of Taxable Revenue Recovery Zone Economic Development Bonds (Direct Pay) (GNMA Collateralized – UNM Sandoval Regional Medical Center Project) Series 2010B with a maturity date of July 20, 2037. Series 2010A and 2010B bonds are callable January 2021. The bonds were issued pursuant to a trust indenture, dated October 1, 2010, by and between the Medical Center and Wells Fargo Bank, National Association, the Trustee for the purpose of financing the Medical Center facility and to pay certain costs associated with the issuance of the bonds.

The bonds were issued as special limited obligations of the Medical Center and were secured primarily by fully modified mortgage-backed securities in the aggregate principal amount of \$143,425,000 (the GNMA Securities), issued by Prudential Huntton Paige Associates, Ltd. (the Lender), guaranteed as to principal and interest by GNMA, with respect to the mortgage note.

Under the GNMA Mortgage-Backed Securities Program, the GNMA Securities are a “fully modified pass-through” mortgage-backed security issued and serviced by the Lender. The face amount of the GNMA Securities is to be the same amount as the outstanding principal balance of the mortgage note. The Lender is required to pass through to the Trustee, as the holder of the GNMA Securities, by the 15th day of each month, the monthly scheduled installments of principal and interest on the mortgage note (less the

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GNMA guarantee fee and the Lender's servicing fee), whether or not the Lender receives such payment from the Medical Center under the mortgage note, plus any unscheduled prepayments of principal of the mortgage note received by the Lender. The GNMA Securities are issued solely for the benefit of the Trustee on behalf of the bondholders and any and all payments received with respect to the GNMA Securities are solely for the benefit of the bondholders.

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

The Medical Center is eligible to receive subsidy payments from the U.S. Department of Treasury related to these bonds. The amount received is subject to periodic adjustment due to federal budget sequestration.

In July 2020, the Medical Center entered into an agreement and mortgage with KeyBank National Association to refinance the Medical Center's mortgage from an APR of 4.86% (3.33% net of BAB Subsidy) to an APR of 1.98%. In connection with the mortgage refinance, in July 2020 the outstanding principal of the Series 2010A and Series 2010B bonds, net of the original issue discount, totaling \$113.3 million, along with \$5.1 million for interest payments due in fiscal year 2021 through the January 2021 bond call date, were placed in an irrevocable trust from which the remaining debt service payments for bond defeasance were paid in January 2021. The Medical Center was released from all obligations related to the bonds in July 2020. A loss on defeasance of \$2.4 million was recorded as a deferred outflow at the July defeasance date. The deferred outflow will be amortized over the life of the mortgage, which is the same as the life of the defeased bonds. The Medical Center completed the mortgage refinance to reduce its total debt service payments over the next 16 years by \$17.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$13.7 million.

Under the terms of the trust indenture, the Medical Center has granted to the Trustee all rights, title, and interests to all revenues, receipts, interest, income, investment earnings, and other monies received or to be received by the Trustee, including monies received or to be received from the GNMA Securities and all investment earnings from the GNMA Securities. Upon issuance of the bonds, the proceeds were placed in trust with the Trustee, and the proceeds are to be used to purchase from the Lender the GNMA Securities, or to redeem the bonds according to the various early, optional, and mandatory redemption provisions of the bonds. As of June 30, 2020, the balance of the mortgage note equaled the balance of the GNMA Securities.

The terms of the bonds issued were as follows:

Bond	Maturity date	Original principal	Interest rate
Series 2010A	July 20, 2036	\$ 133,425,000	4.50 %
Series 2010B	July 20, 2037	10,000,000	5.00

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Bonds payable activity consists of the following:

Year ended June 30, 2021					
	Beginning balance	Additions	Deductions	Ending balance	Amounts due within one year
Bond Series 2010A	\$ 103,540,000	—	(103,540,000)	—	—
Bond Series 2010B	9,740,000	—	(9,740,000)	—	—
Total	\$ 113,280,000	—	(113,280,000)	—	—

Year ended June 30, 2020					
	Beginning balance	Additions	Deductions	Ending balance	Amounts due within one year
Bond Series 2010A	\$ 107,615,000	—	(4,075,000)	103,540,000	4,275,000
Bond Series 2010B	9,740,000	—	—	9,740,000	—
Total	\$ 117,355,000	—	(4,075,000)	113,280,000	4,275,000

The mortgage note with KeyBank National Association has an original outstanding principal amount of \$111.5 million with monthly principal payments of \$644 thousand until July 2037, for a total of 204 installments. The note is insured by the United States Department of Housing and Urban Development and is collateralized by the Medical Center building.

Mortgage Payable activity consists of the following:

Year ended June 30, 2021					
	Beginning balance	Principal additions	Principal payments	Ending balance	Amounts due within one year
Mortgage	\$ —	111,520,135	(5,134,468)	106,385,667	5,708,461
Total	\$ —	111,520,135	(5,134,468)	106,385,667	5,708,461

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The following schedule summarizes the required principal and interest mortgage payments as of June 30, 2021:

Fiscal year	Principal	Interest
2022	\$ 5,708,461	2,054,817
2023	5,822,520	1,940,758
2024	5,938,858	1,824,420
2025	6,057,520	1,705,758
2026	6,178,553	1,584,724
2027–2031	32,794,620	6,021,769
2032–2036	36,204,481	2,611,908
2037	7,680,654	82,624
	<u>\$ 106,385,667</u>	<u>17,826,778</u>

(10) Net Patient Service Revenues

The majority of the Medical Center's revenue is generated through agreements with third-party payors that provide for reimbursement to the Medical Center at amounts different from its established gross charges. Approximately 41% and 23% of the Medical Center's gross patient revenue for the year ended June 30, 2021 was derived from the Medicare and Medicaid programs, respectively, the continuation of which is dependent upon governmental policies and government funding. For the year ended June 30, 2020, the approximate gross patient revenue was 42% and 24%, respectively, for income derived from the Medicare and Medicaid programs. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded revenue estimates could change as a result of regulatory review. Contractual adjustments under third-party reimbursement programs represent the difference between the Medical Center's billings at established charges for services and amounts reimbursed by third-party payors. A summary of payment arrangements with major third-party payors is as follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These Medicare Severity Diagnosis Related Group (MS-DRG) rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Most Medicare outpatient services are prospectively paid through Medicare's Outpatient Prospective Payment System (OPPS). Services excluded from the OPPS and paid under separate fee schedules include clinical lab, certain rehabilitation services, durable medical equipment, renal dialysis treatments, ambulance services, and professional fees of physicians and nonphysician practitioners.

Medicaid – Inpatient acute care services rendered to Medicaid Fee-for-Service (FFS) program beneficiaries are paid at prospectively determined rates per discharge based upon the MS-DRG system. These rates vary according to clinical factors and patient diagnosis. Medicaid outpatient services are paid through Medicaid's OPPS.

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In addition, the Medical Center has reimbursement agreements with certain Managed Care Organizations (MCOs) that have contracted with the State of New Mexico Centennial Care programs to administer services to enrolled Medicaid beneficiaries. The basis for reimbursement under these agreements includes prospectively determined MS-DRG rates or per diem for inpatient services, and prospectively determined payments for outpatient services.

Other – The Medical Center has entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

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

	<u>2021</u>	<u>2020</u>
Charges at established rates	\$ 221,117,494	192,373,856
Charity care	(2,135,208)	(2,006,449)
Contractual adjustments	(129,137,201)	(110,019,228)
Provision for doubtful accounts	<u>(4,951,343)</u>	<u>(3,894,191)</u>
Net patient service revenues	<u>\$ 84,893,742</u>	<u>76,453,988</u>

(11) Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Charges foregone, based on established rates	\$ 2,135,208	2,006,449
Estimated costs and expenses incurred to provide charity care	918,139	862,773
Equivalent percentage of charity care charges foregone to total gross revenue	1.0 %	1.0 %

The estimated cost of providing charity care is based on a calculation that applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Medical Center's total operating expenses divided by gross patient service charges.

(12) Malpractice Insurance

Under the terms of the URPEDA, the Medical Center has governmental immunity from tort liability except as set forth in the New Mexico Tort Claims Act, Sections 41-4-1 et seq. NMSA 1978, as amended (NMTCA). In this connection, the New Mexico Legislature waived the state's and the Medical Center's

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immunity for tort claims arising out of negligence of Medical Center employees in the operation of its hospital, the negligent treatment of the Medical Center's patients by Medical Center employees, and the negligence of Medical Center employees in providing healthcare services. Additionally, as described below, consistent with the provisions of URPEDA, the Medical Center elected to purchase its medical malpractice, professional, and general liability coverage from the Risk Management Division of the State of New Mexico General Services Department (RMD), who administers the Public Liability Fund established under the NMTCA.

The NMTCA limits, as an integral part of this waiver of immunity, the amount of damages that can be assessed against the Medical Center on any tort claim, including medical malpractice, professional, or general liability claims. The NMTCA provides that total liability for all claims that arise out of a single occurrence shall not exceed \$750,000 set forth as follows: (a) \$200,000 for real property; (b) up to \$300,000 for past and future medical and medically related expenses; and (c) up to \$400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant. While the language of the NMTCA does not expressly provide for claims of loss of consortium, New Mexico appellate court decisions have allowed claimants to seek loss of consortium. As a result, if loss of consortium claims is presented, those claims cannot exceed \$350,000 in the aggregate. Thus, it appears that if a claim presents both direct claims and third-party claims, the maximum exposure of the Public Liability Fund and, therefore, the Medical Center, cannot exceed \$1,050,000. The NMTCA prohibits the award of punitive or exemplary damages against the Medical Center. These limitations of liability are subject to adjustment by the New Mexico Legislature.

The URPEDA authorizes URPEDA corporations to obtain their liability coverages from RMD for those torts where the legislature has waived the state's immunity up to the damages limits of the NMTCA, as described above, plus the cost incurred in defending any claims and/or lawsuits (including attorney fees and expenses), with no deductible and with no self-insured retention by the Medical Center. As stated previously, the Medical Center did elect to purchase, and did in fact purchase, its coverage-basis medical malpractice, professional, and general liability coverage from RMD. As a result of this, the Medical Center is fully covered up to the maximum liability set forth in the NMTCA for tort claims and/or lawsuits relating to medical malpractice or professional liability occurring at its hospital.

(13) Related-Party Transactions

The Medical Center is a separately incorporated but UNM-affiliated entity, which is the basis for intercompany or related-party transactions between SRMC and any UNM or UNM-affiliated entity. The clinical elements of UNM HSC are a fully integrated, academic health center and healthcare delivery system and are collectively administered as the UNM Health System. The UNM Health System consists of SRMC, UNM Hospitals, UNM Behavioral Health Operations, UNM Cancer Center, and UNM Medical Group, Inc. (UNMMG).

The Medical Center enters into intercompany transactions with UNM and other entities associated with UNM, which includes UNMH (division of UNM) and UNMMG (separately incorporated but UNM-affiliated entity). These costs include, but are not limited to, medical services, payroll and employee benefits, malpractice insurance, liability insurance, safety and risk services, and physician coverage incurred on behalf of the Medical Center. The Medical Center incurred expenses, included in total expenses in the

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accompanying statements of revenues, expenses, and changes in net position, related to the following entities during the years ended June 30:

	<u>2021</u>	<u>2020</u>
UNM (excluding UNM Hospital)	\$ 1,882,634	832,195
UNM Hospital	3,270,443	3,144,998
UNM Medical Group	<u>802,781</u>	<u>690,840</u>
	<u>\$ 5,955,858</u>	<u>4,668,033</u>

The statements of net position include the following payables to related parties at June 30:

	<u>2021</u>	<u>2020</u>
UNM (excluding UNM Hospital)	\$ 314,703	246,130
UNM Hospital	855,658	801,629
UNM Medical Group	<u>60,142</u>	<u>527,206</u>
	<u>\$ 1,230,503</u>	<u>1,574,965</u>

In addition, UNMH and UNM Health System provide overhead support and some management oversight for centralized administrative personnel and support with analytics, cost reports, and audit. The support is not an incremental cost to UNMH or UNM Health System; therefore, it is not reimbursed by the Medical Center. The estimated value of the support and overhead is \$0.8 million and \$0.7 million for the years ended June 30, 2021 and 2020, respectively. The value of the support is estimated based on various units of measure that are standard to the industry's practice, such as gross revenue, FTEs, purchase orders issued, and AP invoices keyed.

The Medical Center provides medical services and leases equipment to UNM and other entities associated with UNM. SRMC receives payment from UNM HSC for services provided to UNM Health Sciences Rio Rancho campus, including building maintenance, housekeeping, and security. SRMC receives payment from UNMH for data and equipment leases, from UNMMG for collections of physician services, and from UNMH for medical services provided to UNM Care patients. The Medical Center included the following amounts in the accompanying statements of revenues, expenses, and changes in net position for services rendered during the years ended June 30:

	<u>2021</u>	<u>2020</u>
UNM Hospital	\$ 574,626	383,027
UNM Medical Group	64,307	171,368
UNM (excluding UNM Hospital)	<u>388,043</u>	<u>395,365</u>
	<u>\$ 1,026,976</u>	<u>949,760</u>

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The statements of net position include the following receivables from related parties at June 30:

	<u>2021</u>	<u>2020</u>
UNM Hospital	\$ 250,136	349,977
UNM Medical Group	24,972	15,638
UNM (excluding UNM Hospital)	<u>—</u>	<u>39,822</u>
	<u>\$ 275,108</u>	<u>405,437</u>

UNM and the Medical Center are parties to a ground lease under which the Medical Center leases approximately 18.4 acres of land from UNM. The ground lease provides for rent of \$1.00 per year for the primary and extended terms of the lease. The ground lease further provides that the primary term of the lease will be for a term of 74 years and grants the Medical Center the option to renew the lease for an extended term of 25 years.

(14) Benefit Plans

The Medical Center has a defined-contribution plan that provides retirement benefits to eligible employees. The name of the plan is UNM Sandoval Regional Medical Center 403(b) Retirement Plan (the Plan). The Plan was adopted on October 1, 2011. It is a participant-directed defined-contribution plan covering employees of the Medical Center.

Contributions to the Plan are made through employee deferrals on earned compensation. Participants may contribute, on a tax-deferred basis, up to the annual limitations as prescribed by the IRS. Participants may designate all or a portion of 403(b) elective deferral contributions as Roth elective deferral contributions. Participants may also make rollover contributions representing distributions from other qualified plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers various mutual funds and an insurance investment contract as investment options for participants. The Medical Center may make matching contributions equal to a percentage of participant contributions. If matching contributions are made, the percentage contributed is determined by the Medical Center. The Medical Center may also make a discretionary contribution each plan year. Contributions are subject to regulatory limitations. The Medical Center's expense for the Plan was \$1.0 million and \$0.8 million for the years ended June 30, 2021 and 2020, respectively. Total employee contributions under the Plan were \$1.8 million and \$1.6 million for the years ended June 30, 2021 and 2020, respectively.

(15) Contingencies

The Medical Center is currently a party to various claims and legal proceedings. The Medical Center makes provisions for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Medical Center believes it has adequate provisions for potential liability in litigation matters. The Medical Center reviews these provisions on a periodic basis and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

UNM Health System was subject to a network intrusion that occurred on April 2, 2021 and was initially detected by the organization on April 30, 2021. The organization responded quickly to contain the incident. On June 4, 2021, further investigation determined that certain systems containing patient information were accessed by an unauthorized party on May 2, 2021. UNM Health System notified all affected patients and the Office for Civil Rights pursuant to HIPAA, as well as the Governor and Attorney General of New Mexico.

Based on the information that is currently available to the Medical Center, the Medical Center believes that the ultimate outcome of litigation matters, individually and in aggregate, will not have a material adverse effect on its results of operations or financial position. However, litigation is inherently unpredictable.

(16) Subsequent Events

The Medical Center has evaluated subsequent events from the date of the statement of net position through December 13, 2021, the date at which the financial statements were available to be issued. No matters requiring adjustment to or disclosure in the financial statements have been identified.



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 Directors
UNM Sandoval Regional Medical Center, Inc. and
Mr. Brian Colón, 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 UNM Sandoval Regional Medical Center, Inc. (the Medical Center), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center'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 note a certain matter that is required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as item 2021-001.



The Medical Center's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center'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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
December 13, 2021

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Summary of Audit Results

June 30, 2021

Type of auditor report issued: Unmodified opinion

Fiscal year 2021 findings and responses:

Material weaknesses: No matters to report

Significant deficiencies: No matters to report

Material noncompliance: No matters to report

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Summary Schedule of Prior Audit Findings

June 30, 2021

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

2021-001 (2020-001). User Access Review – Other Matter

Condition

In our testwork related to the controls over user access reviews, we noted in the one sampled quarter for the Soarian and Lawson systems that lookback procedures or impact assessments were not completed after the user access reviews for the individuals identified for access change (termination, user change, etc.), to determine whether the user(s) performed any inappropriate activity from the time the applicable change noted/requested to the time they were removed from the application.

In prior years we identified certain controls over user access reviews were not operating effectively. Management has continued to update processes and procedures to address the specific deficiencies identified in prior years. The root cause of prior year deficiencies related to departmental leadership training of account disable requirements and the employee termination checklist when employees leave the organization, as well as the training of application administration personnel on accurate documentation and timely completion of disabling accounts.

Management has implemented the following changes over the past several years to address the control deficiencies: updated documented procedures for the Cerner account audits and increased the audit sample sizes, developed more specific training for IT analysts; and emphasized IT and HR collaborations on the termination processes and procedures. In addition, in fiscal year 2021 a monthly distribution of a termination listing to application owners was implemented and SRMC HR worked to modify their termination processes so that nightly termination records could be included in the safety net reporting. These newer procedures are in the review stage.

Management is still in process of refining the policy, process and procedures for lookback or impact assessments. Subsequent to the 2021 audit period, instructions have been communicated to the application analysts for the Soarian and Lawson systems to include account last login dates to support the lookback requirements during quarterly audits for all exceptions identified.

Criteria

The entity's systems process, record, and store information that is vital to the entity's daily operations, and certain systems contain protected health information of the entity's patients. It is critical that access to these systems is properly maintained to prevent inappropriate transactions from occurring, data from being lost, and protected health information from being released. The entity has a formal policy to periodically review user access to ensure active employees have the proper level of access in the applicable systems and that terminated employees have been timely deactivated. Based on industry standards, the appropriate disabling of access within IT systems would occur within a reasonable time, three business days from termination per the entity's policy.

Effect

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

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Summary Schedule of Prior Audit Findings

June 30, 2021

Cause

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

Recommendation

We recommend that the entity develop lookback procedures to ensure no inappropriate activity has occurred due to access changes. Management should continue to enhance its review of user access, which should occur periodically during the year.

A departmental manager or individual responsible for the functional data should perform the user access review. Evidence of the performance of the review, including remedial action taken, should be maintained.

Management Response

User Access Reviews will continue to be performed by the Soarian and Lawson teams. For accounts identified as active after the employee termination date, the last login for the HSCNetID AD account will be documented. These documented dates will be the lookback documentation.

The Chief Information Officer will be responsible for the corrective action plan, with a completion date of March 31, 2022.

UNM SANDOVAL REGIONAL MEDICAL CENTER, INC.
(A Component Unit of the University of New Mexico)

Exit Conference

June 30, 2021

An exit conference was conducted on October 13, 2021, with members of the board of directors and members of SRMC management. During this meeting, the contents of this report were discussed with the following board members, management personnel, and KPMG LLP representatives present:

Kim Hedrick	Board Member
Charlotte Garcia	Board Member
Michael Richards, MD	Senior Vice President for Clinical Affairs
Jamie Silva-Steele	Chief Executive Officer and President, SRMC
Darlene Fernandez	Chief Financial Officer, SRMC
Pam Demarest	Chief Operating Officer and Chief Nursing Officer, SRMC
Robin Cole	Controller, SRMC
Angela Vigil	Executive Director of Compliance, UNM Hospital
Arthur Culpepper	Chief HSC Compliance Officer, HSC
Laura Putz	Privacy Officer, HSC
Victor Griego	Interim Director, Internal Audit
Sara Navarette	Associate University Counsel
Matthew Wilks, MD	Chief Medical Officer, SRMC
Brian Menapace	Executive Director System Development – IT, UNM Hospital
Dave Stryzewski	Clifton Larson Allen
Ajay Gupta	Clifton Larson Allen
Randy Romes	Clifton Larson Allen
John Kennedy	Partner, KPMG LLP
Jaime Cavin	Managing Director, KPMG LLP

UNM Medical Group, Inc.

HSC Regents Committee
Annual Meeting of the Member
February 2022

Recent Successes and Recognitions!

- UNMMG Work-from-Home Plan and COVID-safe Clinic practices
- UNMMG and UNM Speech & Hearing Collaboration
- Grande Primary Care Clinic opening July 2021
- Lovelace UNM Rehabilitation Hospital (Joint Venture)
 - ACGME site visit Summer 2021
 - First resident class graduates 2022
 - Continued financial success
- Truman Health Service Clinic Expansion to Roswell
- UNMMG Platinum Family Friendly New Mexico Business Award

LovelaceUNM
Rehabilitation Hospital



FY21 Operational Highlights

- **Growth**
 - Patient Visits up 7% in UNMMG Clinics
 - New Rio Rancho primary care clinic open July 2021
 - New Center for Life Clinic opened March 2021
- **Quality**
 - AAAHC Clinic Re-Accreditation visit successful in early 2021
 - New nursing leadership structure to improve patient safety
- **People**
 - 2021 Provider/Staff engagement survey improved from 15%ile to 72%ile against national academic benchmarks
 - Over 600 employed staff and providers
- **Finance**
 - UNMMG Clinic Revenues increased 14%
 - Management company costs 5.6% lower than budget
 - Worked closely with HRSA on CARES Act funding submission (realized FY22)
 - \$7.9 million use of reserves in FY21 due to COVID impacts on clinical volumes/revenues
- **Service**
 - MG Patient satisfaction declined (25%ile) in FY21 against goal of 29%ile

Clinic Operations – Supporting the Mission

School Based Health Centers (SBHC)

- ✓ Offered first summer clinic at Albuquerque High School to all APS students; both Medical and Behavioral Health services provided

Center for Reproductive Health (CRH)

- ✓ Expanded access to women traveling from out of state
- ✓ Awarded two grants to provide long acting reversible contraceptives to uninsured patients

Center for Life (CFL)

- ✓ Relocated clinic to new site, which opened March 2021

New Grants Awarded

- ✓ **Behavioral Health:** \$500,000 CYFD Grant - 1 year
- ✓ **CRH:** Two \$150,000 Grants for long acting reversible contraceptive devices
- ✓ **Truman:** \$1,000,000 HRSA Grant - COVID Vaccine

Clinic Operations – Supporting the Mission (continued)



Truman Health Services (THS)

- ✓ Opening new clinic in Roswell, FY22. Utilizing mobile unit to provide services in Roswell until building remodel for new clinic is complete.
- ✓ Received \$1M HRSA grant to provide COVID outreach and vaccinations to underserved populations. Partnered with School Based Health Center and UNM Health Grande clinics to extend reach.
- ✓ Expanded Hepatitis C Virus treatment access. Created bridges to state-funded insurance for uninsured or Medicaid-ineligible patients. Partnering with Office of Population Health and Health System clinical sites.

Clinic Operations – Supporting the Mission



UNM Athletics Clinic

- ✓ Resumed in-person student athlete service during FY21
- ✓ Virtual health options for student athletes living off-campus

Primary Care Clinic – Sandoval County

- ✓ Opened UNM Health Grande Clinic July 2021
- ✓ COVID Vaccination Site
- ✓ 957 referrals to SRMC in first five months
- ✓ Team-Based care model
- ✓ 66.8% of all patients seen since opening are New Patients

Center for Telehealth

- Finalized Health System Telehealth Strategy
- Telehealth Governance Structure implemented
- Increased Synchronys HIE (Health Information Exchange) use by 68%, made possible by HITECH Grant funding
- Foundational work completed for billing Internal Interprofessional Consults
- Helped launch Audiology Telehealth to Rehoboth McKinley for Newborn Hearing Screening
- Telehealth Metrics developed for a Health System Tableau Dashboard

Health System Payor Contracting and Professional Services Agreements

- **Managed Care agreements**
 - 12 managed care amendments
 - 1 settlement agreement
 - 11 single case agreements
- **Credentialing/Privileging**
 - 25 initial credentialing and privileging
 - 111 re-credentialing and reappointment
- **Professional Services/DOH agreements**
 - 184 professional service agreements executed
 - 97 Department of Health agreements
 - 24 IHS and VA agreements
 - 25 miscellaneous agreement types (BAA, Transfer Agreement, CNDA, etc.)

Population Health and Federal Program Activities

- **Value Based Care Contracting**
 - Medicare Advantage
 - Humana
 - 25% increase in UNMH membership
 - Maintained Star Score
 - Managed Medicaid
 - BCBS
 - 20%→75% Panel/Attribution Alignment
 - 6/8 Performance Metrics Met (CY21)
 - In discussions of Delegated Care Coordination
 - Western Sky
 - Q3 FY22
 - UNM Employee Plan: LoboHealth
 - ~40% of Paneled Population are within a VBC
- **Clinical Care Programs**
 - Diabetes Care Process Model
- **Hep C Elimination Program in partnership with Truman Health Services**



State of New Mexico Office of the State Auditor

CONSTITUENT SERVICES
(505) 476-3821

Via Email

December 17, 2021

SAO Ref. No. 969-G

Garnett S. Stokes, President
Medical Group, Inc. (A Component Unit of UNM)

unmpres@unm.edu

Re: Authorization to Release FY2021 Medical Group, Inc. (A Component Unit of UNM) Audit Report

The Office of the State Auditor (OSA) received the audit report for your agency on 10/28/2021. The OSA has completed the review of the audit report required by Section 12-6-14(B) NMSA 1978 and 2.2.2.13 NMAC. This letter is your authorization to make the final payment to the Independent Public Accountant (IPA) who contracted with your agency to perform the financial and compliance audit. In accordance with the audit contract, the IPA is required to deliver to the agency the number of copies of the report specified in the contract.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become a public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the OSA. Once the five-day period has expired, or upon the OSA's receipt of a written waiver:

- the OSA will send the report to the Department of Finance and Administration, the Legislative Finance Committee and other relevant oversight agencies;
- the OSA will post the report on its public website; and
- the agency and the IPA shall arrange for the IPA to present the report to the governing authority of the agency, per 2.2.2.10.M(4) NMAC, at a meeting held in accordance with the Open Meetings Act, if applicable.

The IPA's findings and comments are included in the audit report on pages 39-40. It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.

Sincerely,

A handwritten signature in blue ink, appearing to be "B. Colón", with a stylized flourish at the end.

Brian S. Colón, Esq.
State Auditor

cc: Moss Adams LLP



UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)
Financial Statements with Supplementary Information
June 30, 2021 and 2020
(With Independent Auditors' Report Thereon)

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

2021 Official Roster

Board of Directors

Michael Richards, M.D., MPA, FACEP	Vice Chancellor for Clinical Affairs, UNM Health System Professor of Emergency Medicine, UNM Health Sciences Center
Martha McGrew, M.D.	Executive Vice Dean, UNM School of Medicine
Mark Unruh, M.D.	Chair, Internal Medicine
Gary Mlady, M.D.	Chair, Radiology
Robert Schenck, M.D.	Chair, Orthopedics
Eve Espey, M.D.	Chair, Obstetrics & Gynecology
Lisa Hofler, M.D.	Associate Professor, Division of Family Planning, Department of Obstetrics & Gynecology
Karen Hawley, M.D.	Clinician Ed-Assist Prof, Surgery Head Neck Reconstructive
Michelle Hernandez	Non-UNM Faculty, Esq., Modrall-Sperling Law Firm
Robert DeFelice	Non-UNM Faculty, CEO, First Choice Community Healthcare

Officers of UNM Medical Group, Inc.

Robb McLean, M.D.	President and Chief Executive Officer
Jill Klar	Chief Operating Officer
Marjorie Goldstein	Chief Financial Officer
Jennifer Phillips, M.D.	Interim Chief Medical Officer
Donna Sigl, M.D.	Secretary, UNMMG Board of Directors Vice Chair of Administration and Finance, Psychiatry

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

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

Independent Auditors' Report

The Board of Directors
UNM Medical Group, Inc. and
Mr. Brian Colón, New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of UNM Medical Group, Inc. (UNMMG), a component unit of the University of New Mexico, State of New Mexico, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise UNMMG's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UNMMG as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise UNMMG's basic financial statements. The accompanying schedules of pledged collateral by banks (schedule 1) and individual deposit and investment account balances (schedule 2) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 and 2 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, schedules 1 and 2 are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of UNMMG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UNMMG's 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 UNMMG's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
December 13, 2021

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis
June 30, 2021 and 2020
(Unaudited)

The following discussion and analysis provides an overview of the financial position and activities of the UNM Medical Group, Inc. (UNMMG) as of and for the years ended June 30, 2021 and 2020. 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 financial statements, notes, and this discussion are the responsibility of UNMMG management.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. UNMMG is reporting as a special-purpose government entity engaged in business-type activities (BTA). In accordance with BTA reporting, UNMMG presents management's discussion and analysis, statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. The financial statements are prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service, regardless of when cash is exchanged.

The statements of net position include all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) are one indicator of the improvement or erosion of UNMMG's financial health when considered with nonfinancial facts such as patient statistics. This statement includes all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private sector institutions.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during each of the years presented. Activities are reported as either operating or nonoperating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities.

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Overview of Entity

UNMMG is a New Mexico nonprofit corporation organized under and pursuant to the New Mexico University Research Park and Economic Development Act. The Regents of the University of New Mexico (UNM) are the sole members of UNMMG. Pursuant to an agreement with the UNM Regents, UNMMG is responsible for the practice oversight and management of the professional medical practice of UNM.

Condensed Summary of Net Position

		June 30	
	2021	2020	2019
Assets:			
Current assets	\$ 92,951,388	64,879,640	80,127,515
Capital assets, net	4,168,404	3,545,874	2,476,680
Other noncurrent assets	55,097,974	53,404,349	40,279,814
Total assets	\$ 152,217,766	121,829,863	122,884,009
Liabilities:			
Current liabilities	\$ 74,973,622	52,180,945	44,271,977
Total liabilities	74,973,622	52,180,945	44,271,977
Net position:			
Net investment in capital assets	4,168,404	3,545,874	2,476,680
Unrestricted	73,075,740	66,103,044	76,135,352
Total net position	77,244,144	69,648,918	78,612,032
Total liabilities and net position	\$ 152,217,766	121,829,863	122,884,009

Current assets include cash and other assets that are deemed to be consumable or convertible to cash within one year. As of June 30, 2021, total current assets of \$93.0 million included \$31.2 million of cash and cash equivalents compared to \$64.9 million in total current assets and \$20.4 million of cash and cash equivalents at June 30, 2020, and compared to \$80.1 million in total current assets and \$30.2 million of cash and cash equivalents at June 30, 2019. The increase in cash from 2020 to 2021 is due primarily to the increase in patient revenues. In fiscal year 2020, a public health order enacted by the Governor of New Mexico in response to the global COVID-19 pandemic resulted in a significant decrease in cash over the last three months of the year. This public health order halted elective surgeries and significantly curtailed other patient care activities. Current assets also include net patient receivables of \$30.1 million, \$24.5 million, and \$26.7 million at June 30, 2021, 2020, and 2019, respectively. Patient receivables were higher at June 30, 2021 due to the decline in patient revenues in the final quarter of the previous fiscal year. Also included in current assets within net patient receivables at June 30, 2021 and 2020, respectively, is \$23.6 million and \$11.0 million in receivables related to a Medicaid managed care supplemental provider fee program (Medicaid supplemental program) that began in 2019. The increase from 2020 to 2021 is due to the fact that there were two quarters of the Medicaid

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

supplemental program receivables outstanding at June 30, 2021, compared to only one quarter outstanding in 2020. Also included in current assets at June 30, 2021 are amounts due from affiliates of \$6.3 million (consisting of \$3.8 million due from UNM Health Sciences Center (UNM HSC), \$2.5 million due from UNM Hospitals (UNMH), and \$0.06 million due from Sandoval Regional Medical Center (SRMC)), compared to \$7.5 million at June 30, 2020 (consisting of \$5.1 million due from UNM HSC, \$1.8 million due from UNMH, and \$0.5 million due from SRMC), and \$3.2 million at June 30, 2019 (consisting of \$2.6 million due from UNM HSC, \$0.5 million due from UNMH, and \$0.06 million due from SRMC). The decrease in amounts due from affiliates from 2020 to 2021 is largely due to locum services contracted by UNMMG on behalf of the UNM School of Medicine (SOM). The amounts due to UNMMG from HSC for these services were lower in 2021 than in 2020, due to decreased usage. Current assets also include other current assets of \$1.7 million, \$1.5 million, and \$0.3 million at June 30, 2021, 2020, and 2019, respectively.

The most significant component of noncurrent assets is board-designated investments in cash and cash equivalents, money markets, U.S. government securities, and corporate debt securities of \$38.0 million, \$37.8 million, and \$29.4 million at June 30, 2021, 2020, and 2019, respectively. The Medicaid supplemental program contributed \$8.0 million of this increase in 2020. Noncurrent assets include capital assets of \$4.2 million, \$3.5 million, and \$2.5 million at June 30, 2021, 2020, and 2019, respectively. Increases in capital assets over the two years are primarily related to the expansion of clinical and pharmacy operations, as well as the purchase of a mobile outreach unit. Noncurrent assets also include a \$15.6 million, \$14.1 million, and \$9.2 million investment in a joint venture, Lovelace UNM Rehabilitation Hospital, LLC (LURH), as of June 30, 2021, 2020, and 2019, respectively. The LURH joint venture saw growth in 2021 and 2020, as well as favorable reimbursement increases.

Current liabilities are generally defined as amounts due within one year. As of June 30, 2021, total current liabilities of \$75.0 million include purchased services due to UNM HSC of \$24.1 million. These amounts compare to total current liabilities and purchased services due to UNM HSC of \$52.2 million and \$21.9 million at June 30, 2020, respectively, and \$44.3 million and \$27.4 million at June 30, 2019, respectively. Also included in current liabilities at June 30, 2021 are operating expenses due to UNM of \$28.5 million, due to affiliates of \$11.3 million, and other accrued liabilities of \$11.1 million, compared to \$12.7 million, \$5.5 million, and \$12.0 million, respectively, at June 30, 2020 and \$2.0 million, \$6.5 million, and \$8.4 million, respectively, at June 30, 2019. The change in purchased services due to UNM HSC over the period is due to COVID-19 related decline in patient revenues in the fourth quarter of 2020. The increase in amounts due to affiliates in 2021 is related to payments received by UNMMG on behalf of UNMH from the Medicaid supplemental program. Amounts received by UNMMG on behalf of UNMH but not paid as of year-end are included in due to affiliates in the statement of net position.

UNMMG's current ratio, the ratio of current assets available to cover current liabilities, was 1.24, 1.24, and 1.81 at June 30, 2021, 2020, and 2019, respectively. Payment of UNMMG's current liabilities is dependent on UNMMG's ability to collect patient and other receivables.

The total net position of \$77.2 million at June 30, 2021 increased \$7.6 million from \$69.6 million at June 30, 2020, due to the excess of revenue over expenses in 2021 of \$7.6 million. The primary driver of the change in net position for the period ended June 30, 2021 is the decrease in purchased clinical services expense, which decreased from \$191.3 million in fiscal year 2020 to \$157.1 million in fiscal year 2021, which is partially offset

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by an decrease in patient service revenues, net, which decreased from \$224.2 million in fiscal year 2020 to \$206.2 million in fiscal year 2021. The decrease in both revenues and expenses is related to the Medicaid supplemental program and the resulting mission support provided to the UNM SOM.

The total net position of \$69.6 million at June 30, 2020 decreased \$9.0 million from \$78.6 million at June 30, 2019, due to the excess of expenses over revenue in 2020 of \$9.0 million. The increase in both revenues and expenses is related to the Medicaid supplemental program and the resulting mission support provided to the UNM SOM.

Condensed Summary of Revenues, Expenses and Changes in Net Position

	Years ended June 30		
	2021	2020	2019
Net operating revenues	\$ 249,439,050	261,026,111	225,588,600
Operating expenses:			
Purchased clinical services	157,060,546	191,304,979	136,764,945
Salaries and benefits	32,869,784	30,286,028	29,183,193
Other	59,708,379	58,704,465	49,102,595
Total operating expenses	249,638,709	280,295,472	215,050,733
Operating (loss) income	(199,659)	(19,269,361)	10,537,867
Nonoperating revenues	7,794,885	10,306,247	6,065,335
Change in net position	7,595,226	(8,963,114)	16,603,202
Net position, beginning of year	69,648,918	78,612,032	62,008,830
Net position, end of year	\$ 77,244,144	69,648,918	78,612,032

Net operating revenues, generated primarily through the delivery of professional clinical services, are reduced by contractual allowances and by a provision for uncollectible accounts. Net operating revenues for the year ended June 30, 2021 decreased \$11.6 million, from \$261.0 million in 2020 to \$249.4 million in 2021, a 4.4% decrease. The adjustments for the Medicaid supplemental program, as previously described, contributed \$10.3 million of this decrease in 2021. Net operating revenues for 2020 increased \$35.4 million, from \$225.6 million in 2019 to \$261.0 million in 2020, reflecting an increase of 15.7%. The Medicaid supplemental program contributed \$30.0 million of this increase in 2020. Net patient revenues decreased \$18.0 million in 2021, from \$224.2 million in 2020 to \$206.2 million in 2021. Net patient revenues increased \$29.3 million in 2020, from \$194.9 million in 2019 to \$224.2 million in 2020. These fluctuations were primarily a result of the Medicaid supplemental program.

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Pharmacy revenues increased \$4.7 million in 2021, from \$34.2 million in 2020 to \$38.9 million in 2021, and increased \$5.6 million in 2020, from \$28.6 million in 2019 to \$34.2 million in 2020. The pharmacy revenue growth in 2021 is a result of the increased activity at the outpatient pharmacy at UNM Truman Health Services, and an increase in patients utilizing the pharmacy services.

Included in net operating revenues are \$1.7 million in 2021, \$0.9 million in 2020, and \$0.7 million in 2019 of funds allocated from UNM HSC to support costs incurred by UNMMG for physicians and nonphysician providers providing services at SRMC.

UNMMG measures patient service volume in work relative value units (wRVUs), an industry standard unit of measure of physician clinic effort to provide clinical care. wRVUs were 3,324,482 in 2021, representing an increase of 106,100, or 3.3%, from 2020. In 2020, wRVUs of 3,218,382 decreased 156,035, or 4.6%, from 2019. The decrease in 2020 wRVUs is related to the decrease in patient services provided in the fourth quarter of the fiscal year during the peak of the COVID-19 related public health order. For 2021, wRVUs returned to a more normal volume after restrictions of the public health order were lifted. In January 2021, the Centers for Medicare and Medicaid Services (CMS) made changes to the Medicare Physician Fee Schedule for calendar 2021, which also contributed to the increase in wRVUs.

UNMMG operated 14 clinics with approximately 40,000 patient visits in 2021, 14 clinics with approximately 37,000 patient visits in 2020, and 14 clinics with approximately 37,000 patient visits in 2019. Including pharmacy revenues, these clinics contributed \$45.3 million, \$39.7 million, and \$33.1 million in revenues in 2021, 2020, and 2019, respectively. Excluding pharmacy revenues, the clinics contributed revenues of \$7.0 million in 2021, \$6.4 million in 2020, and \$4.5 million in 2019.

A condensed summary of net operating revenues follows:

	Years ended June 30		
	2021	2020	2019
Patient service charges billed at established rates	\$ 544,849,744	501,179,571	526,038,410
Adjustments to charges:			
Contractual adjustments	(282,108,778)	(235,850,438)	(276,409,968)
Charity care	(7,210,116)	(8,832,785)	(9,929,881)
Net patient billings	255,530,850	256,496,348	239,698,561
Provision for uncollectible accounts	(49,367,598)	(32,283,271)	(44,793,638)
Net patient service revenues	206,163,252	224,213,077	194,904,923
Pharmacy revenue	38,876,057	34,192,316	28,562,765
Other revenue	4,399,741	2,620,718	2,120,912
Total net operating revenues	\$ 249,439,050	261,026,111	225,588,600

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UNMMG encourages all patients to apply for financial assistance and participates in a financial assistance program called UNM Care. This program assigns qualifying patients to primary care providers and allows them to receive care throughout UNM HSC locations. This program is available to Bernalillo County residents whose income is below 300% of the federal poverty level. As of June 30, 2021, 2020, and 2019, there were approximately 4,599, 5,917, and 7,279 active enrollees, respectively, in UNM Care. UNMMG does not pursue collection of amounts that qualify as charity care, and accordingly, they are deducted from gross revenue. For the year ended June 30, 2021, UNMMG provided, in terms of foregone charges, \$7.2 million in charity care, compared to \$8.8 million in 2020 and \$9.9 million in 2019.

UNMMG also provides services to patients who do not have any form of healthcare insurance or do not qualify under any other financial assistance program and encourages these patients to meet with a financial counselor to develop payment arrangements. Although UNMMG 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 substantially reserved via the provision for uncollectible accounts.

For the year ended June 30, 2021, UNMMG recorded \$49.4 million as a provision for uncollectible accounts, which primarily represents the write-off of self-pay accounts, compared to \$32.3 million and \$44.8 million for the years ended June 30, 2020 and 2019, respectively.

UNMMG incurs costs associated with providing charity care and other services for which payment is not received. For the year ended June 30, 2021, the estimated cost of care for providing these services was \$18.7 million, compared to \$23.4 million in 2020 and \$17.8 million in 2019.

Total operating expenses were \$249.6 million for the year ended June 30, 2021, and \$280.3 million and \$215.1 million for the years ended June 30, 2020 and June 30, 2019, respectively. These costs primarily consist of costs related to the purchase of clinical services from UNM HSC and the associated dean's tax from the UNM SOM, which when combined totaled \$169.5 million in 2021, \$203.8 million in 2020, and \$148.9 million in 2019.

The changes in the purchase of clinical services from 2019 to 2020 and from 2020 to 2021 are due to changes in distributions to support the mission of the UNM SOM, which are related to the changes in the Medicaid supplemental program revenues.

The dean's tax, paid to the UNM SOM, is assessed as a fixed percentage of clinical revenues collected. For 2021, 2020, and 2019, the UNMMG board of directors approved an additional dean's tax of \$2.0 million as part of the budget. Total dean's tax was \$12.4 million in 2021, \$12.5 million in 2020, and \$12.1 million in 2019, and is reported on the statements of revenues, expenses, and changes in net position as an operating expense.

In 2021, 2020 and 2019, UNMH provided reimbursement to UNMMG in the amount of \$1.4 million, \$2.1 million, and \$1.7 million, respectively, to provide a portion of support for clinical contract services, process improvement services, and certain ambulatory and other reporting activities that benefit UNMH and the overall health system. This funding support from UNMH is reported on the statements of revenues, expenses, and changes in net position as a reduction of operating expense. The amount of funding provided is negotiated annually.

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Nonoperating revenues of \$7.8 million in 2021, \$10.3 million in 2020, and \$6.1 million in 2019 consist primarily of equity in the earnings of the LURH joint venture, allocations of programmatic support from UNM HSC, and investment income. The decrease in nonoperating revenues in 2021 is largely due to a \$1.4 million decrease in investment income and \$1.6 million of funding received under the Coronavirus Aid, Relief and Economic Security (CARES) Act only in 2020. The decrease in investment income from 2020 to 2021 was driven by lower market related returns.

Capital Assets

At June 30, 2021, UNMMG had \$4.2 million invested in capital assets, net of accumulated depreciation of approximately \$9.7 million, compared to \$3.5 million and \$8.5 million at June 30, 2020, respectively, and \$2.5 million and \$7.5 million at June 30, 2019, respectively. Capital assets consist primarily of leasehold improvements, application software, and equipment. With the exception of UNMMG clinics, capital assets used to provide clinical services are owned by UNMH and are not reported on UNMMG's financial statements.

Change in Net Position

UNMMG's change in net position reflects a net increase of \$7.6 million from 2020 to 2021 due primarily to a decrease in net operating expenses, compared to a net decrease of \$9.0 million from 2019 to 2020.

Factors Impacting Future Periods

The CARES Act, which was enacted on March 27, 2020, authorized funding to hospitals and other healthcare providers to be distributed through the Provider Relief Fund (PRF). Payments from the PRF are not subject to repayment, provided management is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) initially distributed \$30 billion of this funding based on each provider's share of total Medicare fee-for-service reimbursement in 2019, and later announced that a further \$20 billion in CARES Act funding to be allocated proportional to providers' share of 2018 net patient revenue. HHS indicated that distributions of the \$20 billion second tranche were targeted primarily to hospitals in COVID-19 high impact areas, to rural providers, and to reimburse providers for COVID-19-related treatment of uninsured patients. UNMMG received \$1.6 million in payments from the initial PRF payments, which was recognized as revenue in the year ended June 30, 2020. UNMMG also recognized an additional \$1.6 million in purchased services expense for the year ended June 30, 2020, therefore, there was no bottom-line impact to UNMMG for fiscal year 2020 from this funding. The additional purchased services expense was recognized as these funds were distributed to the UNM SOM to offset the decline in revenues resulting from the public health order in New Mexico that halted elective surgeries and curtailed other patient care activities. UNMMG applied for funds from supplemental targeted amounts, but as of June 30, 2021 had not received confirmation that additional funding would be received, therefore, no additional revenue was recorded in fiscal year 2021 related to that application. On October 19, 2021, UNMMG was notified that \$25.6 million had been awarded from the Phase 3 PRF application process, and these funds were received via ACH over the next several days. This was deemed to be a type II subsequent event for which management will analyze eligibility and revenue recognition in fiscal year 2022.

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UNMMG continues to assess the potential impact of the COVID-19 public health emergency, the CARES Act, the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on UNMMG business, results of operations, financial condition, and cash flows.

Contacting UNMMG's Financial Management

This financial report is designed to provide the public with a general overview of UNMMG's finances. If you have questions about this report or need additional financial information, contact UNMMG's Controller's office at 933 Bradbury Drive SE, Suite 2222, Albuquerque, NM 87106-4375.

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Statements of Net Position
June 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 31,222,843	20,440,060
Receivables:		
Net patient receivables (net of allowance for uncollectible accounts of \$53,932,919 in 2021 and \$49,984,278 in 2020)	53,747,251	35,476,025
Due from affiliates	6,286,082	7,478,257
Total net receivables	60,033,333	42,954,282
Other current assets	1,695,212	1,485,298
Total current assets	92,951,388	64,879,640
Noncurrent assets:		
Board-designated assets:		
Cash and cash equivalents, noncurrent	10,703,437	9,676,561
Investments	27,262,111	28,162,605
Total board-designated assets	37,965,548	37,839,166
Investment in Lovelace UNM Rehab Hospital, net	15,572,910	14,069,668
Capital assets, net	4,168,404	3,545,874
Other assets	1,559,516	1,495,515
Total noncurrent assets	59,266,378	56,950,223
Total assets	\$ 152,217,766	121,829,863
Liabilities		
Current liabilities:		
Operating expenses due to UNM	\$ 28,463,762	12,723,766
Purchased services due to UNM HSC	24,086,613	21,930,771
Due to affiliates	11,336,784	5,477,130
Accrued liabilities	11,086,463	12,049,278
Total current liabilities	74,973,622	52,180,945
Net Position		
Net investment in capital assets	4,168,404	3,545,874
Unrestricted	73,075,740	66,103,044
Total net position	77,244,144	69,648,918
Total liabilities and net position	\$ 152,217,766	121,829,863

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Patient service revenues, net	\$ 206,163,252	224,213,077
Pharmacy revenue	38,876,057	34,192,316
Other revenue	4,399,741	2,620,718
Total net operating revenues	<u>249,439,050</u>	<u>261,026,111</u>
Operating expenses:		
Purchased clinical services from UNM HSC	157,060,546	191,304,979
Salaries and benefits	32,869,784	30,286,028
Pharmacy expenses	23,955,405	21,072,554
Dean's tax	12,409,603	12,506,158
Other administrative	6,817,922	5,784,651
Malpractice insurance	3,780,720	4,067,820
Patient care costs	3,191,950	2,858,353
Data processing costs	2,531,888	2,373,711
Consulting	2,387,214	6,210,351
Patient registration and enrollment support	1,732,677	1,194,071
Occupancy	1,466,054	1,490,990
Depreciation	1,434,946	1,145,806
Total operating expenses	<u>249,638,709</u>	<u>280,295,472</u>
Operating loss	<u>(199,659)</u>	<u>(19,269,361)</u>
Nonoperating revenues (expenses):		
Equity in earnings of Lovelace UNM Rehab Hospital	6,638,593	6,106,692
State appropriations	1,149,900	1,160,200
Investment income	12,864	1,431,174
CARES Act funding	—	1,619,761
Loss on disposition of assets	(6,472)	(11,580)
Total nonoperating revenue	<u>7,794,885</u>	<u>10,306,247</u>
Change in net position	7,595,226	(8,963,114)
Net position, beginning of year	<u>69,648,918</u>	<u>78,612,032</u>
Net position, end of year	<u>\$ 77,244,144</u>	<u>69,648,918</u>

See accompanying notes to financial statements.

UNM MEDICAL GROUP, INC.
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Statements of Cash Flows
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from insurance and patients	\$ 226,382,095	268,001,177
Payments to affiliates	(166,811,078)	(225,647,870)
Payments to suppliers	(33,218,398)	(29,177,814)
Payments to employees	(20,715,599)	(18,018,001)
Payments for employee benefits	(3,297,762)	(2,499,045)
Other receipts	4,335,740	2,805,038
Net cash provided by (used in) operating activities	<u>6,674,998</u>	<u>(4,536,515)</u>
Cash flows from noncapital financing activities:		
State appropriations	1,149,900	1,160,200
CARES Act funding	—	1,619,761
Net cash provided by noncapital financing activities	<u>1,149,900</u>	<u>2,779,961</u>
Cash flows from capital financing activities:		
Purchase of capital assets	(2,063,948)	(2,226,580)
Net cash used in capital financing activities	<u>(2,063,948)</u>	<u>(2,226,580)</u>
Cash flows from investing activities:		
Purchases of investments	(11,040,558)	(20,783,851)
Sales of investments	12,158,097	20,628,025
Investment (loss) income	(204,181)	725,703
Distributions from Lovelace UNM Rehab Hospital	5,135,351	1,272,191
Net cash provided by investing activities	<u>6,048,709</u>	<u>1,842,068</u>
Net increase (decrease) in cash and cash equivalents	11,809,659	(2,141,066)
Cash and cash equivalents, beginning of year	<u>30,116,621</u>	<u>32,257,687</u>
Cash and cash equivalents, end of year	<u>\$ 41,926,280</u>	<u>30,116,621</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (199,659)	(19,269,361)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,434,946	1,145,806
Provision for doubtful accounts	49,367,598	32,283,271
Changes in assets and liabilities:		
Patient receivables	(67,638,824)	(21,335,115)
Due from affiliates	1,192,175	(4,286,138)
Other current assets	(209,914)	(1,168,266)
Other assets	(64,001)	184,320
Purchase services due to UNM HSC	2,155,842	(5,481,902)
Operating expenses due to UNM	15,739,996	6,785,469
Due to affiliates	5,859,654	2,913,843
Accrued liabilities	(962,815)	3,691,558
Net cash provided by (used in) operating activities	<u>\$ 6,674,998</u>	<u>(4,536,515)</u>

See accompanying notes to financial statements.

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June 30, 2021 and 2020

(1) Description of Business

UNM Medical Group, Inc. (UNMMG) is a New Mexico not-for-profit corporation that was organized to promote, advance, and support the clinical, educational, research, and charitable purposes of the School of Medicine (SOM) and the University of New Mexico Health Sciences Center (UNM HSC). UNMMG is a component unit of the University of New Mexico (UNM) and is reported as such in the basic financial statements of UNM. UNMMG has no component units.

UNMMG is a New Mexico nonprofit corporation organized under and pursuant to the New Mexico University Research Park and Economic Development Act. Regents of UNM are the sole members of UNMMG.

Pursuant to the affiliation and management services agreement with the UNM Regents, UNMMG is responsible for the delivery of patient clinical services, practice oversight, and management of the professional medical practice of UNM, which includes the SOM faculty and staff physicians and other professional healthcare providers under the patient care management, supervision, and quality control of the SOM clinical departments.

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles for state and local governments as prescribed by the Governmental Accounting Standards Board (GASB). UNMMG is reporting as a special-purpose government entity engaged in business-type activities.

(b) Net Position

For accounting and reporting purposes, UNMMG reports its net position in the following categories as applicable:

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation.
- *Unrestricted* – Net position that is not subject to externally imposed constraints; unrestricted net position may be designated for specific purposes by action of UNMMG Board of Directors (the Board).

(c) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the financial statement dates and the reported amount of revenues and expenses during the reporting periods. Due to uncertainties inherent in the estimation process, actual results could differ from those estimates.

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(d) Cash and Cash Equivalents

UNMMG considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Interest-bearing deposit accounts are subject to FDIC's standard deposit insurance amount of \$250,000. Cash in excess of FDIC insurance is collateralized at June 30, 2021 and 2020 by U.S. government sponsored entity securities held by the financial institution in UNMMG's name.

(e) Marketable Securities

Investments are recorded at fair value. At June 30, 2021 and 2020, investments consisted primarily of corporate debt securities, U.S. government and government agency securities, and money markets. Investment income includes interest and realized and unrealized gains and losses. Investment income is reported as nonoperating revenue when earned.

UNMMG uses the market approach to determine fair value, which uses prices and other relevant information generated by market transactions involving identical or similar items.

(f) Capital Assets

Capital assets consist primarily of leasehold improvements, application software, and equipment and are stated at cost at the date of acquisition. Capital assets with a cost of \$1,000 or greater are capitalized and depreciated over useful lives ranging from three to five years, or over the remaining term of a lease in the case of leasehold improvements. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Repairs and maintenance costs are charged to expense as incurred. With the exception of UNMMG operated clinics, capital assets used to provide clinical services are owned by the University of New Mexico Hospital (UNMH) or Sandoval Regional Medical Center (SRMC) and are not reported in UNMMG's financial statements.

(g) Revenue Recognition and Net Patient Receivables

UNMMG revenues result from providing professional medical services to patients in healthcare facilities of UNM HSC and other locations contracted with UNM or owned/managed by UNMMG.

Net patient revenues and receivables 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 is established when services are provided.

Self-pay patients are referred to and reclassified under financial assistance programs when applicable. Other discounts exist based on income earning levels if no other financial assistance programs are available. Self-pay accounts, regardless of days outstanding, are substantially reserved.

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.

Allowances for contractual adjustments and doubtful accounts are based on an analysis of historical collectability of patient accounts. Accounts, when determined to be uncollectible, are charged against the allowance for uncollectible accounts.

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June 30, 2021 and 2020

Beginning January 1, 2019, the Centers for Medicare and Medicaid Services (CMS) approved a proposal to provide delivery system and provider payment incentives as submitted by the State of New Mexico under a supplemental provider fee program related to Medicaid Managed Care services. For the years ended June 30, 2021 and 2020, the net revenue related to this program is \$22.5 million and \$45.8 million, respectively. Approximately \$15.7 million and \$11.0 million of the revenue recorded in fiscal year 2021 and 2020, respectively, is based on estimated payments to be received. Due to uncertainties inherent in the estimation process, actual results could differ from the estimate. At June 30, 2021, \$23.6 million is recorded in net patient receivables, \$30.0 million is recorded as a current liability due to UNM HSC, and \$6.0 million is recorded as a current liability due to UNMH related to this program. At June 30, 2020, \$11.0 million is recorded in net patient receivables and \$15.5 million is recorded as a current liability due to UNM HSC related to this program.

(h) CARES Act Funding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, authorized funding to hospitals and other healthcare providers to be distributed through the Provider Relief Fund (PRF). Payments from the PRF are not subject to repayment, provided management is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) initially distributed \$30 billion of this funding based on each provider's share of total Medicare fee-for-service reimbursement in 2019, and later announced that a further \$20 billion in CARES Act funding to be allocated proportional to providers' share of 2018 net patient revenue. HHS indicated that distributions of the \$20 billion second tranche were targeted primarily to hospitals in COVID-19 high impact areas, to rural providers, and to reimburse providers for COVID-19-related treatment of uninsured patients. UNMMG received \$1.6 million in payments from the initial PRF payments, which was recognized as revenue for the year ended June 30, 2020. UNMMG also recognized an additional \$1.6 million in purchased services expense for the year ended June 30, 2020, therefore, there was no net increase in the change in net assets for fiscal year 2020 from this funding. The additional purchased services expense was recognized as these funds were distributed to the UNM SOM to offset the decline in revenues resulting from the public health order in New Mexico that halted elective surgeries and curtailed other patient care activities. UNMMG applied for funds from supplemental targeted amounts but as of June 30, 2021 had not received confirmation that additional funding would be received, therefore, no additional revenue was recorded in fiscal year 2021 related to that application. On October 19, 2021, UNMMG was notified that \$25.6 million had been awarded from the Phase 3 PRF application process, and these funds were received via ACH over the next several days. This was deemed to be a type II subsequent event for which management will analyze eligibility and revenue recognition in fiscal year 2022.

(i) Charity Care

UNMMG provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because UNMMG does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue in the statements of revenues, expenses, and changes in net position.

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(j) Pharmacy Revenues and Expenses

UNMMG is contracted, through UNM Truman Health Clinic, with a mail-order pharmacy (contract pharmacy) to supply and bill patients eligible under the Section 340B program, a program designed to allow certain entities to purchase outpatient prescription drugs at favorable discounts. Under the terms of the agreement, the contract pharmacy orders, receives, and dispenses drugs, and charges and collects for the drugs on behalf of UNMMG. UNMMG maintains title to the drugs, and accordingly, pharmacy revenues are recorded at the estimated net realizable value at the time the drugs are dispensed. Pharmacy expenses reflect cost of goods sold, pharmacy management, and dispensing fees. UNM Truman Health Clinic also operates an outpatient pharmacy.

(k) Operating Revenues and Expenses

UNMMG's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result primarily from the delivery of professional medical services and the related billing of those services to patients and third-party payors and are considered exchange transactions as each party receives and gives up equal value. Operating expenses include expenses incurred to provide medical services and the related billing and collection activities of these services.

(l) Purchase of Clinical Services from UNM HSC

UNMMG has entered into a purchased services agreement with UNM HSC to purchase the clinical effort of various clinical providers primarily from the SOM. This clinical effort is the basis of the clinical services rendered and billed by UNMMG. The cost of the clinical purchased services is negotiated by UNM HSC and the Board and is reported as an operating expense. The cost is agreed upon annually and UNMMG pays UNM HSC on a monthly basis. The agreement allows for renegotiation of the annual cost in the event of material changes in clinical effort during the course of the year.

Furthermore, if additional funding is required to support the clinical, educational, and research mission of the SOM, the UNMMG Finance Committee and the Board will determine and approve the purchase of any additional services.

(m) Salaries and Benefits

At June 30, 2021 and 2020, the staff of UNMMG comprised 584 and 556 UNMMG and 20 and 22 UNM employees, respectively. For staff who are UNM employees, all related salaries and benefits, including all retirement benefits, are paid by UNM. UNM allocates the salary and benefit costs of these employees to UNMMG via a monthly operating expense invoice in accordance with the Master Service Agreement between the entities. UNMMG does not have any further obligation or responsibility to pay these individuals beyond the allocated cost from UNM.

(n) Income Taxes

UNMMG has received a determination letter from the Internal Revenue Service (IRS) that it is an organization described in Internal Revenue Code (IRC) Section 501(c)(3) and further classified as an organization described in IRC Section 509(a)(2). As such, it would be exempt from federal income tax on income generated from activities related to its exempt function. However, UNMMG is subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been

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recorded as the net income, if any, from any unrelated trade or business is, in the opinion of management, not material to the consolidated financial statements taken as a whole.

(o) Recent Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 addresses the accounting and financial reporting for leases, establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Subsequent to the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, Statement No. 87 is effective for reporting periods beginning after June 15, 2021. UNMMG is evaluating the impact the standard will have on its financial statements, and planning for implementation in 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*, was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement will be effective for fiscal years beginning after June 15, 2022 and requires recognition of SBITAs as intangible assets with a corresponding subscription liability based on the payment provisions of the contract. UNMMG is evaluating the impact the standard will have on its financial statements.

(p) Reclassifications

Certain fiscal year 2020 amounts have been reclassified to conform to fiscal year 2021 presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Cash and Cash Equivalents

UNMMG's cash and cash equivalents are held in demand accounts with a local financial institution in the name of UNMMG. State statute requires financial institutions to pledge qualifying collateral to UNMMG to cover at least 50% of the uninsured deposits.

Bank balances as of June 30, 2021 and 2020 are categorized as follows:

	<u>2021</u>	<u>2020</u>
Operating accounts	\$ 41,346,932	29,939,668
Total bank balances	41,346,932	29,939,668
Amount insured by FDIC	<u>250,000</u>	<u>250,000</u>
Amount collateralized with securities held in UNMMG's name	<u>\$ 41,096,932</u>	<u>29,689,668</u>

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Also included in cash and cash equivalents at June 30, 2021 and 2020 is a money market account in the amount of \$0.3 million and \$0.6 million, respectively. This account is subject to minimal interest rate risk as all money markets are invested in short-term, high-quality municipal securities.

(b) Marketable Securities

Interest rate risk – Debt investments: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, UNMMG does not have a specific policy to limit its exposure to interest rate risk.

UNMMG has established an investment policy directing the investment activities of UNMMG. A summary of the marketable securities and their respective maturities and their exposure to interest rate risk is combined with the credit risk disclosure.

Custodial credit risk – Debt investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, UNMMG will not be able to recover the value of its investments or collateral that is in the possession of an outside party. Marketable securities of \$27,262,111 and \$28,162,605 at June 30, 2021 and 2020, respectively, are insured or are collateralized by securities registered and held by the counterparty's agent in UNMMG's name.

Credit risk – Debt investments: Credit risk is the risk that an issuer or other counterparty to the investment will not fulfill their obligations. UNMMG is required to disclose credit ratings of its debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. government, and nondebt investments are excluded from this requirement. Currently, UNMMG's policy restricts debt investments to specific investment ratings issued by nationally recognized statistical ratings organizations. A summary of the marketable securities and their respective maturities and their exposure to credit risk at June 30, 2021 and 2020 follows:

Credit rating (S&P)	Total	2021	
		U.S. government and agency obligations	Corporate bonds
AAA	\$ 14,459,996	14,419,137	40,859
AA	1,770,951	—	1,770,951
A	8,992,242	—	8,992,242
BBB	2,038,922	—	2,038,922
Total	\$ 27,262,111	14,419,137	12,842,974

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2021			
Investment maturities (in years)			
	Fair value	Less than 1	1 to 5
U.S. government obligations	\$ 14,419,137	1,246,403	13,172,734
Corporate bonds	12,842,974	1,495,354	11,347,620
Total	<u>\$ 27,262,111</u>	<u>2,741,757</u>	<u>24,520,354</u>

2020				
Credit rating (S&P)	Total	U.S. government and agency obligations	Corporate bonds	Other government bonds
AAA	\$ 18,895,729	18,854,069	41,660	—
AA	2,786,708	301,989	1,998,612	486,107
A	5,579,191	—	5,579,191	—
BBB	900,977	—	900,977	—
Total	<u>\$ 28,162,605</u>	<u>19,156,058</u>	<u>8,520,440</u>	<u>486,107</u>

2020			
Investment maturities (in years)			
	Fair value	Less than 1	1 to 5
U.S. government obligations	\$ 19,156,058	2,932,232	16,223,826
Corporate bonds	8,520,440	760,866	7,759,574
Other government bonds	486,107	486,107	—
Total	<u>\$ 28,162,605</u>	<u>4,179,205</u>	<u>23,983,400</u>

Concentration of credit risk – Investments: Concentration of credit risk is the risk of loss attributed to investments in a single issuer. Investments in any one issuer that represent 5% or more of all total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. UNMMG has a policy to limit its exposure to concentrated risk. The policy states the portfolio will be constructed and maintained to provide prudent diversification with regard to concentration of holdings in individual issues, corporations, or industries.

As of June 30, 2021 and 2020, UNMMG's investment portfolio had no investments exposed to concentration of credit risk.

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(c) Fair Value Measurement

UNMMG utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 consist of quoted prices (unadjusted) in the active markets for identical assets or liabilities accessible at the measurement date.

Level 2 include inputs other than quoted prices in Level 1 directly or indirectly observable for the assets or liabilities.

Level 3 are unobservable inputs for the assets or liabilities.

The table below presents the amounts within each valuation hierarchy level for those assets measured at fair value, cash and cash equivalents and investments, based on the inputs used to value them as of June 30, 2021 and 2020:

2021				
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Cash and cash equivalents	\$ 41,926,280	—	—	41,926,280
U.S. government obligations	—	14,419,137	—	14,419,137
Corporate bonds	—	12,842,974	—	12,842,974
Total assets	\$ 41,926,280	27,262,111	—	69,188,391

2020				
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Cash and cash equivalents	\$ 30,116,621	—	—	30,116,621
U.S. government obligations	—	19,156,058	—	19,156,058
Corporate bonds	—	8,520,440	—	8,520,440
Other government bonds	—	486,107	—	486,107
Total assets	\$ 30,116,621	28,162,605	—	58,279,226

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(4) Concentration of Risk

UNMMG receives payment for professional medical services to patients in healthcare facilities of UNM HSC and other locations contracted with UNM. These payor sources include Medicare, Medicaid, and other third-party payors. The following table summarizes the percentage of gross accounts receivable from all payors as of June 30, 2021 and 2020, excluding self-pay, which UNMMG substantially reserves.

	<u>2021</u>	<u>2020</u>
Medicare and Medicaid	62 %	63 %
Commercial insurance	36	35
Other	2	2
	<u>100 %</u>	<u>100 %</u>

(5) Board-Designated Assets

Board-designated assets are classified in the accompanying statements of net position as noncurrent assets, as these assets are designated by the Board for future use subject to approval by the Board. At June 30, 2021 and 2020, these assets comprise investments in money market funds, debt securities, sovereign securities, and U.S. government securities, and cash and cash equivalents.

As of June 30, 2021 and 2020, assets are designated for the following purposes:

	<u>2021</u>	<u>2020</u>
Department reserve	\$ 9,822,334	9,118,278
Dean's discretionary reserve	7,388,167	8,001,172
Investment reserve	6,453,794	4,558,178
Other MG reserve	6,429,845	5,607,085
Quality reserve	5,704,973	8,733,537
Hardware and technology	2,166,435	1,820,916
Total board-designated assets	<u>\$ 37,965,548</u>	<u>37,839,166</u>

Department reserve – Represents funds designated on behalf of SOM departments for funding of future department initiatives.

Quality reserve – Represents funds designated to support established incentive programs to improve quality of care measurements and initiatives.

Dean's discretionary reserve – Represents funds designated for use by the Dean of the SOM to fund provider compensation, incentives, and other initiatives that support the SOM mission and goals.

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Other UNMMG reserve – Represents funds designated on behalf of UNMMG specific programs, such as Locum Tenens, whose mission is to advance the strength and sustainability of those UNMMG serves in an effort to improve access to healthcare in communities throughout New Mexico, and other UNMMG clinic activities.

Investment reserve – Represents funds designated for mission support at UNM HSC and new initiatives such as new ambulatory clinics, new lines of clinic services, or expansion of existing initiatives.

Hardware and technology – Represents funds designated to fund future purchases of capital equipment and software.

(6) Investment in Joint Venture

UNMMG participates in a joint venture with Lovelace Health System, Inc. (Lovelace), for the purpose of managing, operating, and providing services at a postacute rehabilitation facility. The purpose of the joint venture is to improve the quality and cost efficiency in the delivery of healthcare services in Albuquerque, New Mexico and surrounding areas, to meet the healthcare needs of the community, and to engage in the education and training of medical students, residents, and/or fellows consistent with the academic mission of UNM. UNMMG is a 49% member of the joint venture, Lovelace UNM Rehabilitation Hospital, LLC (LURH), a limited liability company under the laws of the State of New Mexico. Lovelace, a 51% member of LURH, serves as its managing partner.

UNMMG and Lovelace each hold three seats on the board of directors of LURH. In the event of a deadlock vote related to a fundamental matter, the issue at hand may be referred to mediation if the members are unable to reach resolution. As a result, neither UNMMG nor Lovelace is considered to hold a controlling financial interest in LURH as neither party has exclusive authority over the decision making related to significant ordinary course of business actions.

Activity in UNMMG's investment in LURH for the years ended June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance of investment in LURH	\$ 14,069,668	9,235,167
UNMMG share of LURH net income	6,638,593	6,106,692
Distributions from LURH	<u>(5,135,351)</u>	<u>(1,272,191)</u>
Ending balance of investment in LURH	<u>\$ 15,572,910</u>	<u>14,069,668</u>

Financial statements of LURH are not publicly available.

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(7) Capital Assets

Activity in capital assets for the years ended June 30, 2021 and 2020 is summarized as follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Balance, June 30, 2019	\$ 9,941,639	(7,464,959)	2,476,680
Additions	2,226,581	(1,145,806)	1,080,775
Deletions	<u>(86,823)</u>	<u>75,242</u>	<u>(11,581)</u>
Balance, June 30, 2020	12,081,397	(8,535,523)	3,545,874
Additions	2,063,948	(1,434,946)	629,002
Deletions	<u>(292,509)</u>	<u>286,037</u>	<u>(6,472)</u>
Balance, June 30, 2021	<u>\$ 13,852,836</u>	<u>(9,684,432)</u>	<u>4,168,404</u>

(8) Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accrued operating expenses	\$ 5,781,672	7,071,117
Payroll and benefits liability	2,187,413	1,820,681
Accrued leave	2,080,337	1,959,641
Refunds payable	873,974	1,050,049
Unclaimed property	<u>163,067</u>	<u>147,790</u>
	<u>\$ 11,086,463</u>	<u>12,049,278</u>

Refunds payable are amounts received in error from third-party payors and/or payments on accounts receivable in excess of the patient account balance.

(9) Malpractice Insurance

As a New Mexico University Research Park and Economic Development Act corporation, UNMMG has sovereign immunity from suit for tort liability except as waived by the New Mexico Legislature. Under the New Mexico Tort Claims Act, the New Mexico Legislature waived the State's and UNMMG's sovereign immunity for claims arising out of negligence in the operation of UNMMG. 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 UNMMG on any tort. The New Mexico Tort Claims Act allows damages to be awarded as follows: (a) up to \$300,000 for past and future reasonable economic or property losses incurred or to be incurred by the claimant; (b) up to \$400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant; and (c) up to \$350,000 for family members of the claimant (to the extent they qualify therefore) for loss of consortium. The New Mexico Tort Claims Act also

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prohibits the award of punitive or exemplary damages against UNMMG. The New Mexico Tort Claims Act requires the Risk Management Division of the State of New Mexico General Services Department to provide coverage to UNMMG through UNM HSC for those torts where the Legislature has waived the State's sovereign immunity up to the damage limits of the New Mexico Tort Claims Act plus the cost incurred in defending any claims and/or lawsuits (including attorneys' fees and expenses), with no deductible and with no self-insured retention by UNMMG. As a result of the foregoing, UNMMG is fully covered for claims and/or lawsuits and does not have any responsibility for claims beyond this premium. UNMMG is allocated a portion of the premium assessed by the State to UNM HSC for this coverage, which is reported as malpractice insurance expense on the statements of revenues, expenses, and changes in net position.

(10) Patient Service Revenues

UNMMG generates net operating revenue through the provision of healthcare services and is reimbursed through the billing and collection of services rendered. The majority of UNMMG revenue is generated through agreements with third-party payors who provide reimbursement at amounts different from established gross charges. Contractual adjustments resulting from these agreements 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 uncollectible accounts.

Approximately 92% and 91% of UNMMG's gross patient revenue was derived from third-party payors in 2021 and 2020, respectively. Of this, Medicare and Medicaid represented approximately 65% in both 2021 and 2020. A summary of the basis of reimbursement from major third-party payors follows:

Medicare and Medicaid – Professional services are reimbursed based on a published fee schedule, which is determined by the related governing body of these programs. Continuation of these programs is dependent upon federal and state government policies and funding. There is a reasonable possibility that future revenue streams will be impacted as a result of regulatory policy changes.

Managed Care Contracts – UNMMG has entered into contractual agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The reimbursement of professional services is determined primarily via a negotiated conversion factor and associated fee schedule with each payor. Managed care contract rates are negotiated annually.

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A summary of net patient service revenues for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Patient service charges billed at established rates	\$ 544,849,744	501,179,571
Adjustments to charges:		
Contractual adjustments	(282,108,778)	(235,850,438)
Charity care	<u>(7,210,116)</u>	<u>(8,832,785)</u>
Net patient billing	255,530,850	256,496,348
Provision for uncollectible accounts	<u>(49,367,598)</u>	<u>(32,283,271)</u>
Net patient service revenues	<u>\$ 206,163,252</u>	<u>224,213,077</u>

(11) Charity Care

UNMMG maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Charges forgone, based on established rates	\$ 7,210,116	8,832,785
Estimated costs and expenses incurred to provide charity care	3,302,233	4,937,527
Equivalent percentage of charity care to total gross revenue	1.3 %	1.8 %

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(12) Related-Party Transactions

A summary of the related-party balances as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Current assets:		
Due from UNM HSC	\$ 3,759,036	5,119,334
Due from UNMH	2,466,904	1,831,717
Due from SRMC	60,142	527,206
	<u>\$ 6,286,082</u>	<u>7,478,257</u>
Current liabilities:		
Operating expenses due to UNM HSC	\$ 28,463,762	12,723,766
Purchased services due to UNM HSC	24,086,613	21,930,771
Due to UNMH	9,050,241	1,307,515
Due to UNM HSC	2,261,571	4,153,977
Due to SRMC	24,972	15,638
	<u>\$ 63,887,159</u>	<u>40,131,667</u>

UNMMG processes payroll and various other expenses through its business office on behalf of UNM. UNM reimburses UNMMG for the expenses. At June 30, 2021 and 2020, UNMMG's receivable for these expenses was approximately \$3.8 million and \$5.1 million, respectively. The offset to expenses is shown within the appropriate categories in the statements of revenues, expenses, and changes in net position.

Certain transactions that are billed to UNM are not recorded as an offset to expense but are recorded in the appropriate line item within the financial statements. These transactions are primarily related to state appropriations and other revenues that are allocated to UNMMG by UNM to fund programs that support the clinical and research missions of UNM. For the years ended June 30, 2021 and 2020, these revenues were \$1.6 million and \$1.5 million, respectively.

UNM processes payroll and various other expenses through its business office on behalf of UNMMG. UNMMG reimburses UNM for the expenses. UNMMG's liabilities for these expenses were approximately \$1.0 million for both 2021 and 2020. The related expenses are reported as operating expenses within the appropriate categories in the statements of revenues, expenses, and changes in net position. For the years ended June 30, 2021 and 2020, these expenses were \$12.2 million and \$12.3 million, respectively.

UNMMG is party to a purchased services agreement with UNM HSC to purchase the clinical effort of various clinical providers primarily from the SOM. For the years ended June 30, 2021 and 2020, total UNMMG purchased services from UNM HSC were \$157.1 million and \$191.3 million, respectively, and are recorded as operating expenses in the statements of revenues, expenses, and changes in net position. The related unpaid amounts of approximately \$24.1 million and \$21.9 million at June 30, 2021 and 2020, respectively, are reported as a current liability in the statements of net position.

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UNM HSC and the SOM allocate administrative support costs in exchange for administrative services provided to the SOM clinical departments and UNMMG via the assessment of a dean's tax. The tax is assessed as a fixed percentage of professional revenues collected. For 2021 and 2020, the Board approved an additional dean's tax of \$2.0 million as part of the budget. Total dean's tax of approximately \$12.4 million and \$12.5 million for the years ended June 30, 2021 and 2020, respectively, is reported as an operating expense in the statements of revenues, expenses, and changes in net position.

In 2021 and 2020, UNMH provided reimbursement to UNMMG in the amount of \$1.4 million and \$2.1 million, respectively, to provide a portion of support for clinical contract services, process improvement services, and certain ambulatory, quality, and other reporting activities that benefit UNMH and the overall health system. The amount of funding provided is negotiated annually and is reported as an offset of salary and benefit costs in the statements of revenues, expenses, and changes in net position.

UNMH performs patient registration, Medicaid eligibility, information technology services, and clinical support on behalf of UNMMG. UNMMG reimburses UNMH for the cost of these services, which for the years ended June 30, 2021 and 2020 was approximately \$4.2 million and \$3.4 million, respectively. In addition, UNMMG purchases from UNMH various clinical supplies. The cost of these supplies for the years ended June 30, 2021 and 2020 was approximately \$0.6 million and \$0.8 million, respectively. These expenses are reported within the appropriate categories in the statements of revenues, expenses, and changes in net position. At June 30, 2021 and 2020, approximately \$3.0 million and \$1.3 million, respectively, related to these services and supplies are included in due to affiliates in the statements of net position.

UNMMG leases office space under operating lease agreements with UNMH and UNM. UNMMG is also committed under facility lease arrangements related to the clinics established under UNMMG. UNMMG's related party rent expense was \$0.5 million for each of the years ended June 30, 2021 and 2020 and is reported within occupancy expense in the statements of revenues, expenses, and changes in net position.

(13) Benefit Plans

UNMMG has a defined-contribution plan covering eligible UNMMG employees. The plan was established on July 1, 2008 by the Board and can be amended at the Board's discretion. UNMMG provides a dollar for dollar match up to 6% of an employee's elective deferral. The plan document was amended so employees hired on or after January 1, 2012 follow a six-year vesting schedule. In addition, for employees hired prior to June 1, 2010, UNMMG may make a discretionary contribution to the employee's plan based on a percentage of the employee's salary. The discretionary contribution percentage was 4% in both 2021 and 2020. Total employer contributions were \$1.5 million and \$1.5 million and employee contributions were \$2.5 million and \$2.3 million for the years ended June 30, 2021 and 2020, respectively. Employees of UNM participate in the defined-benefit retirement plan under the Educational Retirement Act of the State. As these are employees of UNM, the net pension liability related to these employees is reflected in the financial statements of UNM.

(14) Operating Leases

UNMMG is committed under various leases for building and office space. Rent expense on operating leases was \$1.5 million in both 2021 and 2020.

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2021 and 2020

The following is a schedule of future minimum lease payments for operating leases:

Years ending June 30:	
2022	\$ 871,409
2023	315,007
2024	191,685
2025	118,106
2026	121,454
2027–2031	<u>616,297</u>
	<u>\$ 2,233,958</u>

(15) Contingencies

UNMMG is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. UNMMG is insured through the State of New Mexico for all insurable risks and employee benefits. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past. UNMMG is allocated a portion of the premium assessed by the State to UNM HSC (which excludes medical malpractice premiums of \$3.8 million and \$4.1 million, for the years ended June 30, 2021 and 2020, respectively), which was \$0.02 million in both 2021 and 2020 and is reported as an operating expense in the statements of revenues, expenses, and changes in net position.

UNMMG is currently a party to various claims and legal proceedings. UNMMG makes provisions for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. UNMMG believes it has adequate provisions for potential liability in litigation matters. UNMMG reviews these provisions on a periodic basis and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

UNM Health System was subject to a network intrusion that occurred on April 2, 2021 and was initially detected by the organization on April 30, 2021. The organization responded quickly to contain the incident. On June 4, 2021, further investigation determined that certain systems containing patient information were accessed by an unauthorized party on May 2, 2021. UNM Health System notified all affected patients and the Office for Civil Rights pursuant to HIPAA, as well as the Governor and Attorney General of New Mexico.

Based on the information that is currently available to UNMMG, UNMMG believes that the ultimate outcome of litigation matters, individually and in aggregate, will not have a material adverse effect on its results of operations or financial position. However, litigation is inherently unpredictable.

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements
June 30, 2021 and 2020

(16) Subsequent Events

UNMMG has evaluated subsequent events from the date of the statement of net position through December 13, 2021, the date at which the financial statements were available to be issued. No matters requiring adjustment to the financial statements have been identified. As discussed in note 2(h), Provider Relief Funding was received in October 2021, and will be appropriately recorded in fiscal year 2022.

Schedule 1

UNM MEDICAL GROUP, INC.
 (A Component Unit of the University of New Mexico)

Pledged Collateral by Banks

June 30, 2021

Deposits per bank (Wells Fargo)	\$ 41,346,932
Less:	
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>41,096,932</u>
State of New Mexico: Collateral requirement – 50%	<u>20,548,466</u>
Pledged collateral:	
31329KPA6 FMAC FEPC 3.500% 02/01/32	8,547,859
3132A5G74 FMAC FEPC 3.500% 06/01/47	5,196,253
3132A5HB4 FMAC FEPC 3.500% 07/01/47	6,669,873
3132A9R25 FMAC FEPC 2.500% 04/01/31	6,921,167
3133KGK49 FMAC FEPC 3.500% 08/01/49	5,059,043
3133KHLN4 FMAC FEPC 3.000% 02/01/50	6,641,861
3138E0RA9 FNMA FNMS 3.500% 12/01/41	9,126,369
3138NXE29 FNMA FNMS 3.000% 01/01/43	4,166,675
3138WPGZ1 FNMA FNMS 3.000% 04/01/43	11,810,502
3140GTUH1 FNMA FNMS 4.000% 07/01/47	7,495,932
3140K7N66 FNMA FNMS 3.000% 03/01/50	<u>2,866,282</u>
Total pledged collateral	<u>74,501,816</u>
Over collateralized	\$ <u>53,953,350</u>

All pledged collateral is held by Wells Fargo's trust departments or their agent in UNMMG's name.

See accompanying independent auditors' report.

Schedule 2

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Individual Deposit and Investment Account Balances

June 30, 2021

Account	Type of account name of asset	Bank balance	Reconciling Items	Book balance
Wells Fargo	UNMMG Main Operating	\$ 41,169,417	285,452	41,454,869
	Cancer Center	102,515	—	102,515
	Truman RX	75,000	—	75,000
		<u>41,346,932</u>	<u>285,452</u>	<u>41,632,384</u>
	Cash on hand	7,325	—	7,325
Investments: US Bank	Money market:			
	Bank deposit	286,577	(6)	286,571
	Total money market	<u>286,577</u>	<u>(6)</u>	<u>286,571</u>
	Total cash and cash equivalents	\$ <u>41,640,834</u>	<u>285,446</u>	<u>41,926,280</u>
	Corporate bonds:			
	Ace Ina Holdings Inc.-00440EAU1	\$ 77,570	—	77,570
	Ace Ina Holdings-00440EAU1	206,852	—	206,852
	Amazon.com Inc-023135AJ5	205,992	—	205,992
	Apple-037833DV9	100,978	—	100,978
	Apple-037833DV9	40,391	—	40,391
	Astrazeneca PLC-046353AR9	43,007	—	43,007
	Astrazeneca PLC-04636NAC7	34,955	—	34,955
	Astrazeneca-04636NAC7	99,870	—	99,870
	Astrazeneca-046353AR9	102,141	—	102,141
	Bank of America Corp Fxd-06051GGQ6	82,991	—	82,991
	Bank of America-06051GEU9	63,560	—	63,560
	Bank of American Corp-06051GGQ6	51,869	—	51,869
	Bank of Montreal-06368EA36	100,426	—	100,426
	Bank of Montreal-06368EA36	35,149	—	35,149
	Bank of New York Mellon-06406RAE7	210,401	—	210,401
	Bank of New York Mellon-06406RAE7	84,160	—	84,160
	Bank of New York Mellon-06406RAK3	97,481	—	97,481
	Bank of New York Mellon-06406RAK3	41,045	—	41,045
	Bank of Nova Scotia-064159SH0	102,517	—	102,517
	Bank of Nova Scotia-064159SH0	41,007	—	41,007
	Bank of Nova Scotia-064159VK9	10,247	—	10,247
	Bank of Nova Scotia-064159YM2	40,149	—	40,149
	Bb T Corp.-05531FBJ1	150,198	—	150,198
	Berkshire Hathaway Energy-59562VAY3	134,138	—	134,138
	Berkshire Hathaway-084670BF4	46,463	—	46,463
	Berkshire Hathaway-084670BF4	20,650	—	20,650
	Berkshire Hathaway-084670BR8	240,552	—	240,552
	Berkshire Hathaway-084670BR8	41,835	—	41,835
	BP Capital Markets-10373QAL4	41,805	—	41,805
	Bpt Corp. Mtn-05531FBJ1	51,792	—	51,792
	Bristol-Myers Squibb-110122CZ9	146,852	—	146,852
	Bristol-Myers Squibb-110122CZ9	10,565	—	10,565
	Bristol-Myers Squibb-110122DT2	150,287	—	150,287
	Bristol-Myers Squibb-110122DT2	55,105	—	55,105
	Canadian Imperial Bank-13607GKW3	50,511	—	50,511
	Canadian Imperial Bank-13607GKW3	20,204	—	20,204
	Canadian Imperial Bank-13607GRS5	99,751	—	99,751
	Canadian Imperial Bank-13607GRS5	34,913	—	34,913
	Canadian Imperial Bank-13607RAD2	43,163	—	43,163
	Canadian Imperial Bank-13607RAD2	102,513	—	102,513
	Caterpillar Financial Serv.-14913R2F3	10,033	—	10,033
	Caterpillar Financial-14913Q3A5	81,958	—	81,958

UNM MEDICAL GROUP, INC.
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Individual Deposit and Investment Account Balances

June 30, 2021

Account	Type of account name of asset	Bank balance	Reconciling Items	Book balance
	Caterpillar Financial-14913Q3A5	\$ 35,856	—	35,856
	Caterpillar Financial-14913Q3C1	51,215	—	51,215
	Caterpillar Financial-14913Q3C1	20,486	—	20,486
	Charles Schwab Corp.-808513AT2	151,554	—	151,554
	Charles Schwab Corp.-808513AT2	41,808	—	41,808
	Chevron Corp-166764BV1	91,480	—	91,480
	Chevron Corp-166764BV1	35,576	—	35,576
	Cisco Systems Inc-17275RBJ0	50,375	—	50,375
	Cisco Systems Inc-17275RBJ0	20,150	—	20,150
	Citigroup Inc.-17308CC46	50,497	—	50,497
	Citigroup Inc-172967LM1	98,631	—	98,631
	Citigroup Inc-172967LM1	41,529	—	41,529
	Citigroup Inc-17308CC46	15,149	—	15,149
	CME Group Inc.-12572QAE5	208,153	—	208,153
	CME Group Inc-12572QAE5	83,261	—	83,261
	Entergy Louisiana-29364WBF4	100,227	—	100,227
	Entergy Louisiana-29364WBF4	35,079	—	35,079
	Exxon Mobil Corp.-30231GBB7	56,413	—	56,413
	Exxon Mobil Corp-30231GBB7	25,642	—	25,642
	Fifth Third Bancorp-316773CZ1	102,245	—	102,245
	Fifth Third Bancorp-316773CZ1	35,786	—	35,786
	Goldman Sachs-38141GYE8	150,037	—	150,037
	Goldman Sachs-38141GYE8	55,014	—	55,014
	Home Depot-437076BV3	97,990	—	97,990
	Home Depot-437076BV3	41,259	—	41,259
	Honeywell Int. Inc.-438516BT2	41,104	—	41,104
	Honeywell Int. Inc.-438516CC8	40,084	—	40,084
	Honeywell International-438516BT2	97,623	—	97,623
	Honeywell International-438516CC8	100,209	—	100,209
	Hormel Foods Corp-440452AG5	30,081	—	30,081
	Hormel Foods-440452AG5	80,215	—	80,215
	HSBC Hldgs-404280CS6	200,033	—	200,033
	International Bus. Mach.-459200HU8	136,421	—	136,421
	International Bus. Mach.-459200JY8	106,957	—	106,957
	John Deere Capital-24422EUX5	154,046	—	154,046
	John Deere Capital-24422EUX5	47,807	—	47,807
	John Deere Capital-24422EVA4	96,707	—	96,707
	John Deere Capital-24422EVA4	40,719	—	40,719
	John Deere Capital-24422EVJ5	50,095	—	50,095
	John Deere Capital-24422EVJ5	20,038	—	20,038
	JPMorgan Chase & Co-46625HJJ0	52,914	—	52,914
	JPMorgan Chase & Co-46625HJX9	98,017	—	98,017
	JPMorgan Chase & Co-46647PCH7	99,877	—	99,877
	JPMorgan Chase-46625HJX9	54,454	—	54,454
	JPMorgan Chase-46647PCH7	34,957	—	34,957
	Merck & Co Inc.-589331AT4	20,547	—	20,547
	Merck & Co Inc.-58933YAU9	85,721	—	85,721
	Merck & Co-589331AT4	46,230	—	46,230
	Merck & Co-58933YAU9	251,806	—	251,806
	Microsoft Corp-594918BW3	40,859	—	40,859
	Mitsubishi UFJ Fin.-606822BA1	97,612	—	97,612
	Mitsubishi UFJ Fin.-606822BA1	43,383	—	43,383
	Morgan Stanley-61746BDJ2	144,036	—	144,036
	Morgan Stanley-61746BDJ2	53,347	—	53,347
	Novartis Capital-66989HAM0	45,924	—	45,924
	Novartis Capital-66989HAM0	20,411	—	20,411
	Nvidia Corp-67066GAL8	135,064	—	135,064

Schedule 2

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Individual Deposit and Investment Account Balances

June 30, 2021

Account	Type of account name of asset	Bank balance	Reconciling items	Book balance
	Nvidia Corp-67066GAL8	\$ 50,024	—	50,024
	Oncor Electric Delivery-68233JAR5	200,469	—	200,469
	Oncor Electric Delivery-68233JBM5	90,285	—	90,285
	Oncor Electric Delivery-68233JBM5	106,217	—	106,217
	Oracle Corp.-68389XAP0	51,622	—	51,622
	Oracle Corp-68389XBB0	203,733	—	203,733
	Paccar Financial Corp-69371RR24	154,400	—	154,400
	Paccar Financial Corp-69371RR24	54,787	—	54,787
	Pepsico Inc.-713448FB9	35,067	—	35,067
	Pepsico Inc.-713448FB9	10,019	—	10,019
	Pfizer Inc.-717081DH3	99,962	—	99,962
	Pfizer Inc.-717081ES8	42,878	—	42,878
	Pfizer Inc-717081DH3	36,828	—	36,828
	PNC Financials Svs-693475AY1	199,984	—	199,984
	Qualcomm Inc-747525AR4	99,460	—	99,460
	Qualcomm Inc-747525AR4	41,878	—	41,878
	Royal Bank of Canada-78015K7C2	26,292	—	26,292
	Royal bank of Canada-78015K7D0	41,348	—	41,348
	Royal bank of Canada-78015K7G3	10,249	—	10,249
	Royal Bank of Canada-78015K7J7	30,062	—	30,062
	Royal Bank of Mtn-78015K7C2	110,425	—	110,425
	Royal Bank of Mtn-78015K7D0	98,201	—	98,201
	Royal Bank of Mtn-78015K7J7	90,187	—	90,187
	Salesforce Com Inc-79466LAG9	100,035	—	100,035
	Salesforce Com-79466LAG9	35,012	—	35,012
	Shell International Finance-822582CJ9	100,038	—	100,038
	Shell International-822582AX0	43,000	—	43,000
	State Street Corp -857477AL7	147,660	—	147,660
	State Street Corp -857477AL7	52,736	—	52,736
	Sumito Mitsui Finance-86562MBB5	43,331	—	43,331
	Sumitomo Mitsui Fin -86562MBB5	102,912	—	102,912
	Target Corp-87612EAZ9	97,651	—	97,651
	Target Corp-87612EAZ9	41,116	—	41,116
	TD Ameritrade Holdings-87236YAE8	148,386	—	148,386
	Toronto-Dominion-89114QBL1	201,780	—	201,780
	Toronto-Dominion-89114QBL1	80,712	—	80,712
	Toronto-Dominion-89114QCA4	90,089	—	90,089
	Toronto-Dominion-89114QCA4	26,497	—	26,497
	Toyota Motor Credit-89236TDW2	192,076	—	192,076
	Toyota Motor Credit-89236TDW2	64,025	—	64,025
	Toyota Motor Credit-89236TGW9	105,183	—	105,183
	Toyota Motor Credit-89236TGW9	42,073	—	42,073
	Union Pacific Corp.-907818EU8	68,928	—	68,928
	Union Pacific Corp-907818EU8	31,813	—	31,813
	United Parcel Service-911312AQ9	41,336	—	41,336
	United Parcel Service-911312AQ9	98,173	—	98,173
	United Technologies-913017DB2	3,225	—	3,225
	United Technologies-913017DB2	1,075	—	1,075
	Unitedhealth Group-91324PDD1	98,012	—	98,012
	Unitedhealth Group-91324PDD1	41,268	—	41,268
	Unitedhealth Group-91324PEB4	99,920	—	99,920
	Unitedhealth Group-91324PEB4	34,972	—	34,972
	US Bancorp-91159HHX1	292,052	—	292,052
	US Bancorp-91159HHX1	111,511	—	111,511
	Virginia Electric and Power-927804FN9	151,194	—	151,194
	Virginia Electric and Power-927804FN9	52,136	—	52,136
	Visa Inc.-92826CAG7	154,212	—	154,212

Schedule 2

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Individual Deposit and Investment Account Balances

June 30, 2021

Account	Type of account name of asset	Bank balance	Reconciling Items	Book balance
	WEC Entergy Grp Inc.-92939UAC0	\$ 100,107	—	100,107
	Wells Fargo & Co-949746SK8	195,595	—	195,595
	Total corporate bonds	12,842,974	—	12,842,974
	Government and government sponsored enterprise (GSE) bonds:			
	First AM Govt 31846V567	—	6	6
	US T-Note 9128282S8	813,079	—	813,079
	US T-Note 9128282S8	132,956	—	132,956
	US T-Note 9128282W9	610,680	—	610,680
	US T-Note 9128282W9	287,379	—	287,379
	US T-Note 9128283C2	1,285,025	—	1,285,025
	US T-Note 9128285D8	197,024	—	197,024
	US T-Note 9128285D8	79,875	—	79,875
	US T-Note 9128285U0	163,784	—	163,784
	US T-Note 9128285ZU7	70,013	—	70,013
	US T-Note 9128287C8	1,173,789	—	1,173,789
	US T-Note 9128287C8	143,520	—	143,520
	US T-Note 912828M80	1,284,443	—	1,284,443
	US T-Note 912828M80	359,644	—	359,644
	US T-Note 912828UN8	1,555,101	—	1,555,101
	US T-Note 912828UN8	777,550	—	777,550
	US T-Note 912828V80	312,070	—	312,070
	US T-Note 912828XT2	460,563	—	460,563
	US T-Note 912828Z52	1,193,341	—	1,193,341
	US T-Note 912828Z52	402,946	—	402,946
	US T-Note 912828ZC7	1,410,415	—	1,410,415
	US T-Note 912828ZC7	505,910	—	505,910
	US T-Note 912828ZG8	65,204	—	65,204
	US T-Note 912828ZM5	210,109	—	210,109
	US T-Note 912828ZP8	204,649	—	204,649
	US T-Note 912828ZP8	84,855	—	84,855
	US T-Note 912828ZR4	360,150	—	360,150
	US T-Note 912828ZU7	170,032	—	170,032
	US T-Note 912828ZX1	105,025	—	105,025
	Total government bonds	14,419,131	6	14,419,137
	Total investments	\$ 27,262,105	6	27,262,111

See accompanying independent auditors' report.



KPMG LLP
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Albuquerque, NM 87110-8179

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

The Board of Directors
UNM Medical Group, Inc. and
Mr. Brian Colón, 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 UNM Medical Group, Inc. (UNMMG), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UNMMG'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UNMMG's internal control. Accordingly, we do not express an opinion on the effectiveness of UNMMG's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UNMMG'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 note a certain matter that is required to be reported per Section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and responses as item 2021-001.

UNMMG's Response to Finding

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

Purpose of this Report

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

KPMG LLP

Albuquerque, New Mexico
December 13, 2021

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Summary of Audit Results
Fiscal year ended June 30, 2021

Type of auditor report issued: Unmodified opinion

Fiscal year 2021 findings and responses:

Material weaknesses: No matters to report

Significant deficiencies: No matters to report

Material noncompliance: No matters to report

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Schedule of Findings and Responses

Fiscal year ended June 30, 2021

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

2021-001 (2020-001, 2019-002, 2018-002). User Access Review – Other Matter

Condition

In our testwork related to the controls over user access reviews, we noted in the one sampled quarter for the IDX and Lawson systems that lookback procedures or impact assessments were not completed after the user access reviews for the individuals identified for access change (termination, user change, etc.), to determine whether the user(s) performed any inappropriate activity from the time the applicable change was noted/requested to the time the user(s) was removed from the application.

In prior years we identified certain controls over user access reviews were not operating effectively. Management has continued to update processes and procedures to address the specific deficiencies identified in prior years. The root cause of prior year deficiencies related to departmental leadership training of account disable requirements and the employee termination checklist when employees leave the organization, as well as the training of application administration personnel on accurate documentation and timely completion of disabling accounts.

Management has implemented the following changes over the past several years to address the control deficiencies: updated documented procedures for the Cerner account audits and increased the audit sample sizes; developed more specific training for IT analysts; utilized a nightly safety net report from the HR department to identify employee records that were terminated; and emphasized IT and HR collaborations on the termination processes and procedures. In addition, in fiscal year 2021 a monthly distribution of a termination listing to application owners was implemented and this new procedure is in the review stage.

Management is still in process of refining the policy, process and procedures for lookback or impact assessments. Subsequent to the 2021 audit period, instructions have been communicated to the application analysts for the IDX and Lawson systems to include account last login dates to support the lookback requirements during quarterly audit for all exceptions identified.

Criteria

The entity's systems process, record, and store information that is vital to the entity's daily operations, and certain systems contain protected health information of the entity's patients. It is critical that access to these systems is properly maintained to prevent inappropriate transactions from occurring, data from being lost, and protected health information from being released. The entity has a formal policy to periodically review user access to ensure active employees have the proper level of access in the applicable systems and that terminated employees have been timely deactivated. Based on industry standards, the appropriate disabling of access within IT systems would occur within a reasonable time, three business days from terminations per the entity's policy.

Effect

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

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
Fiscal year ended June 30, 2021

Cause

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

Recommendation

We recommend that the entity develop lookback procedures to ensure no inappropriate activity has occurred due to access changes. Management should continue to enhance its review of user access, which should occur periodically during the year.

A departmental manager or individual responsible for the functional data should perform the user access review. Evidence of the performance of the review, including remedial action taken, should be maintained.

Management Response

User Access Reviews will continue to be performed by the IDX and Lawson teams. For accounts identified as active after the employee termination date, the last login date for the IDX account audit and the last login for the Lawson HSCNetID AD account will be documented. These documented dates will be the lookback documentation.

The Chief Information Officer and the Chief Financial Officer will be responsible for the corrective action plan, with a completion date of March 31, 2022.

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
Fiscal year ended June 30, 2021

Finding 2020-001. User Access Review – Other Matter
Current Status: Repeated and modified as finding 2021-001

UNM MEDICAL GROUP, INC.
(A Component Unit of the University of New Mexico)

Exit Conference

Fiscal year ended June 30, 2021

An exit conference was conducted on October 20, 2021 with members of the board of directors and UNMMG management. During this meeting, the contents of this report were discussed with the following board members, management personnel, and KPMG LLP representatives present:

Michelle Hernandez	Audit Committee Chair
Dr. Karen Hawley	Audit Committee Member
Dr. Robb McLean	Chief Executive Officer
Jared Udall	Controller
Jill Klar	Chief Operating Officer
Dr. Jennifer Phillips	Interim Chief Medical Officer
Mary Swanson	Executive Director, Finance
Angela Vigil	Executive Director, Compliance
Victor Griego	Director, Internal Audit
Diana Eells	Assistant
Kristie Garcia	Assistant
Cory McDowell	University Counsel
Ajay Gupta	Principal, Clifton Larson Allen
David Strzyzewski	Clifton Larson Allen
John Kennedy	Partner, KPMG LLP
Jaime Cavin	Managing Director, KPMG LLP



Regents' Advisors

Faculty Senate President

Finnie Coleman

Staff Council President

Scott Sanchez

ASUNM President

Gregory Romero

GPSA President

David Saavedra

Alumni Association Board President

Mike Silva

UNM Foundation Board Chair

Ryan Mummert

Retiree Association President

Tim Backes



Board of Regents Meeting: February 15, 2022

Alumni Award Nominations

- Deadline: March 1, 2022
- unmalumni.com/awards



Lobo Living Room

- “R.A.W. Tuba”: The Power of Overcoming, Resilience & Determination
- February 22, 6:30 p.m.
- Dr. Richard White
- unmalumni.com/events



CONGRATULATIONS TO THE

2022 BLACK ALUMNI CHAPTER

AWARD RECIPIENTS



Kenny Thomas, '19 BA
Living Legend Award



Harold J. Pope, '02 BS
Trailblazer Award

Incredible Alums

- Cynthia Chavez Lamar named director of the Smithsonian's National Museum of the American Indian.
- 2022 Women of Influence included 10 alumni: Board of Directors member, Yasine Armstrong; UNM's Chief Marketing and Communications Officer, Cinnamon Blair; and Gina Urias-Sandoval, Chief of Staff for HSC and Health Systems.

