

UNM Medical Group, Inc. (UNMMG)

UNM Board of Regents
Annual Meeting of the Member
February 17, 2026

Presented by: Christopher Arndt, MD, Interim President and Chief Executive Officer - UNMMG, Professor and Chair, Anesthesiology and Critical Care Medicine

Executive Summary

This annual report provides an in-depth overview of UNM Medical Group, Inc. and our performance in FY25 and into end of CY25. We assess our strategic initiatives and financial achievements, with an emphasis placed on access to care, sustainable growth, fiscal health, customer and patient satisfaction, employee engagement and operational efficiency, all while focusing on alignment with our School of Medicine and Health System.

History of UNM Medical Group, Inc.



- UNM Medical Group, Inc. (UNMMG) was formed as a New Mexico nonprofit, and University Research Park and Economic Development Act Corporation, by the UNM Board of Regents in 2007. UNMMG has one sole Member, the Regents of the University of New Mexico.
- Serving primarily as the faculty practice plan for the School of Medicine (SOM), UNMMG has annual revenues of nearly \$300 million, the majority of which represent clinical revenues of the academic departments of the SOM. UNMMG serves several critical UNM Health System roles as well.



MISSION

To provide an innovative, flexible and efficient faculty practice organization supporting excellence in the clinical, education and research missions of the UNM School of Medicine to improve the health of all New Mexicans.

VISION

UNMMG strives to be a national leader in the delivery of high quality and innovative academic medicine.

CORE VALUES

Attitude

Service

Patient-Centric

Integrity

Respect

Excellence

We **ASPIRE** to exceed our vision by living our core values.

Board of Directors CY25



Patricia Finn, MD, School of Medicine Dean (Chairperson)
James Chodosh, MD, MPH (Operations Committee Chairperson)
Chandra Cullen, MD (CAG Chair)
Dale Dekker, AIA
Sharmila Dissanaiké, MD
Nancy Joste, MD
Justin Miller, MD (CAG Chair-Elect)
Diane Rimple, MD
Mark Unruh, MD (Finance Committee Chairperson)

Senior Leadership Team



Christopher Arndt, MD
Interim President and
Chief Executive Officer,
Professor and Chair,
Anesthesiology and
Critical Care Medicine



Jill C. Klar
Chief Operating Officer



Jared Udall
Chief Financial Officer

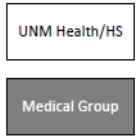
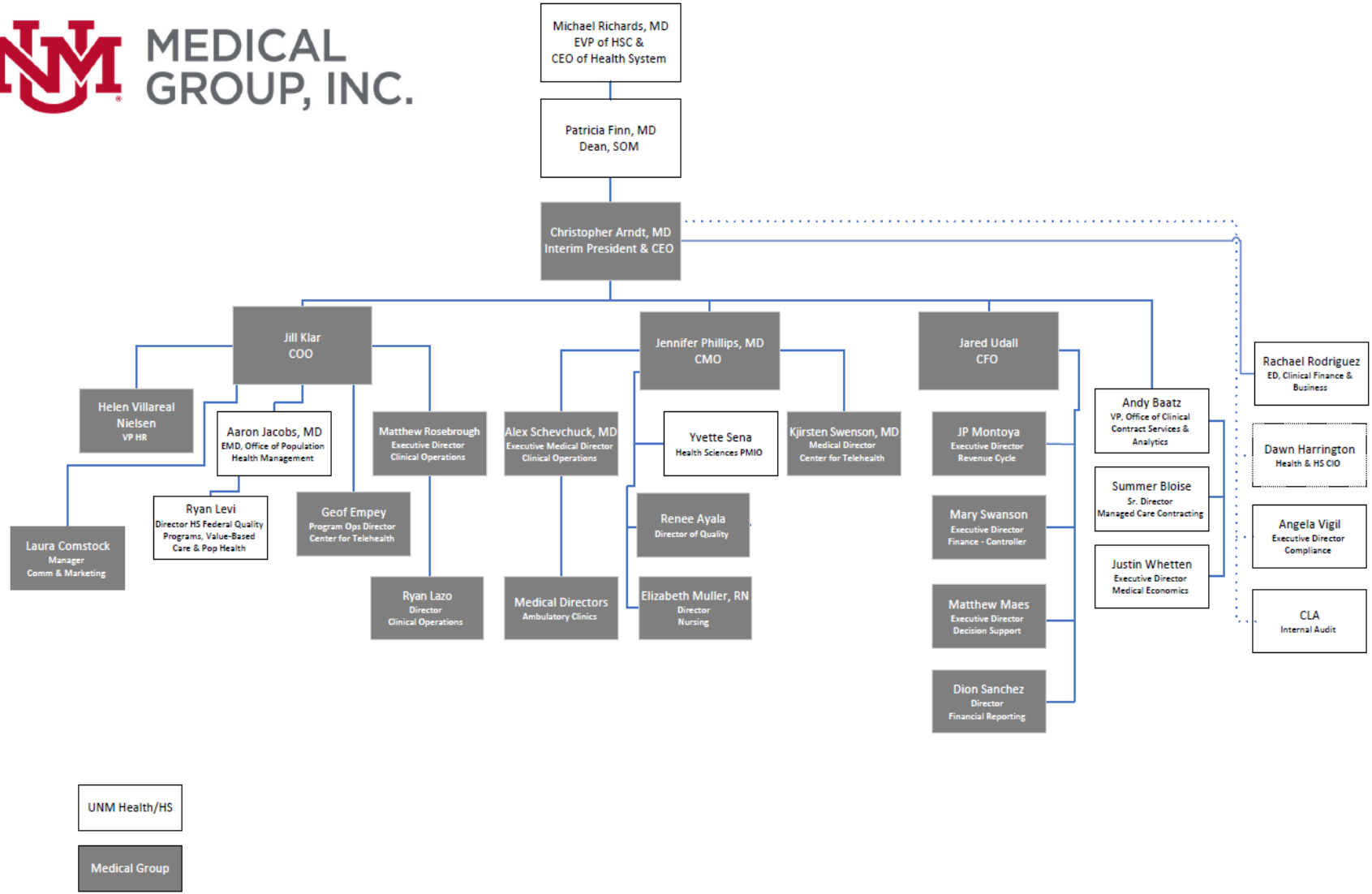


Jennifer K. Phillips, MD
Chief Medical Officer



Helen Villarreal Nielsen
Vice President,
Human Resources

Organizational Chart



Health System Scope

- **Revenue Cycle Functions for School Of Medicine (SOM)**
 - 100% billing and collection of professional (faculty) component
 - Professional Fee coding – except UNMH ambulatory clinics
- **UNMMG Clinics and Clinical Programs, including Locum Tenens**
- **Clinical and Managed-Care Contracting** for the UNM Health System
- **Health System Strategy and Support, including:**
 - Center for Telehealth
 - Office of Population Health Management
 - Clinical Practice Excellence (Data Team)
 - Health Sciences Project Management and Improvement Office (PMIO)
 - Clinician Advisory Group (CAG)
- **Vehicle for Joint Ventures and Community Partnerships of the Health System**
- **UNM Student Health and Counseling Center (SHAC) – Support One University**
- **Medical Leadership Academy – Support One University**

Strategic Goal Planning *(in process)*

Strategic Goals – Guiding Pillars

1. Optimize financial strength of the Health System (HS)
2. Drive clinically led and professionally managed health care delivery
3. Support HSC Academic Mission
4. Lead key Health System activities and support Health System integration to drive system wide alignment
5. Invest in innovative partnerships and business models to grow revenue

Finances

Health System Unified Operating Plan (UOP) Financial Metrics FY26 YTD through December 2025

- **Total Revenues of \$148.6M**
 - Net Pt. Services (\$6.8M) (5.6%) to budget and (\$6M) (5.2%) YOY
 - Total Revenues (\$2.7M) (1.8%) to budget and (\$1.1M) (0.8%) YOY
- **Total wRVU's 1,895,524**
 - Behind budget by (84k) (4.3%) and favorable YOY by 43k or 2.4%
- **Operating Income unfavorable to budget by (\$4.2M)**
- **UNMMG Clinics**
 - \$462k behind budget
 - Billed visits increased 15% YOY
 - wRVUs increased 7% YOY
 - Pharmacy revenues \$31.1M, up \$4M YOY, up \$3.7M to budget

Fiscal Accountability

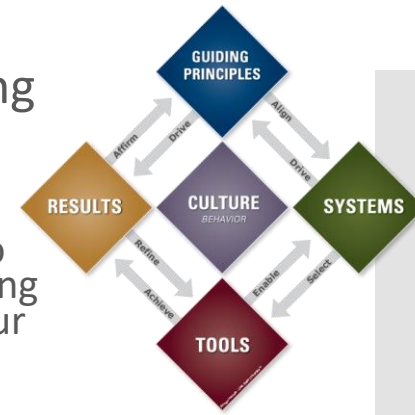
- UNMMG collaboration with School of Medicine (SOM) in strategic planning with an eye on fiscal stability and supporting LCME accreditation
- Mission Support partner to the SOM
- Health System Integration and Alignment
 - Collaborative approach to evaluating requests for new clinical programs/service lines/clinical programming
- Operations Efficiency and Patient Access
 - Understanding capacity and ensuring maximum use of space
- Revenue generation
 - Coding – detailed review of related processes to ensure full capture of work effort
 - Support development, alongside CPE and HSC Finance teams, of modernized faculty compensation plan and funds flow

Operations

Key Operational Highlights

Throughout FY25 and CY25, UNMMG has focused on optimizing operational efficiency and sustainability. Key initiatives include:

- **Adoption of a new Management System (in process)** - based off the Shingo Model, focusing on standard work enhancing employee productivity, reducing duplication of effort and supporting an engaged workforce; supported by our PMIO Office
- **Optimization of IDX – Patient Accounting Billing System Optimization**
- **Implementation of UKG, a new HR, Pay, and Workforce Management System**
 - Payroll and Benefits launched in Spring of 2025
 - HRIS launch complete as of January 2026
- **Sunsetting of Huron Rounding and Leader Evaluation Manager Tools and Replaced with home-built Rounding and Leader Incentive Program and Goal Tracking Tools**
- **Development of Vendor Review Committee** – cross functional team approach to refining procurement, leveraging of purchasing power, and vendor accountability
- **Compensation Committee Hardwired**
 - Equity and Market Reviews
 - Comp Benchmarking
 - Redesign and implementation of Leadership Incentive Program
 - Compensation Transparency



UNMMG Clinics and Clinical Programs



UNMMG Clinics/Clinical Programs

Center for Development and Disability (CDD) – *(support role)*

Center for Inclusive Health – Street Medicine – *(support role)*

Center for Life (CFL)

Center for Reproductive Health (CRH)

Locums Tenens– rural placement of providers

Truman Health Services (THS) *(includes Pharmacy)*

Truman Health Services, Roswell

UNM Behavioral Health Clinic

UNM Dental Clinic and Ambulatory Surgical Center (ASC)

UNM Special Care Dental Clinic

UNM Grande Primary Care Clinic

UNM School-Based Health Centers

Albuquerque High School

Highland High School

Manzano High School

West Mesa High School

Van Buren Middle School

Washington Middle School

East San Jose Elementary

UNM Sports Medicine Clinic at Tow Diehm Athletic Facility

UNMMG Clinics Financial Metrics FYTD26 through December 2025

- **UNMMG Clinic Financial Performance**
 - \$462k behind budget
 - Billed visits increased 15% YOY
 - wRVUs increased 7% YOY
 - 9% growth in Pharmacy revenues in FY25
 - \$15% growth YOY FY26 YTD
 - 31.1M, up \$4M YOY, up \$3.7M to budget



UNMMG Clinics FY25 (CY25) Operational Metrics

- **Quality**

- Annual Quality Plan Report fully developed and approved and outlined with clinic-specific goals/measures
- UNMMG Medication Reconciliation was 90% in FY25 (Goal of 80% compliance)

- **Service**

- UNMMG Patient satisfaction for medical practice was at the 27th %tile in FY25 (Goal of 47th %tile.) An active quality improvement project is underway to improve scores.

- **Operations – Access to Care**

Metrics trending positively:

- No Show Rate 8.8% December/9.3% rolling year (Target $\leq 9\%$)
- New Patient Percentage 11.3% December/10.4% Rolling Year (Target $\geq 11\%$)
- Schedule Utilization 68% December/66% Rolling Year (up 9% YOY)

Clinic Improvement Initiatives

- **Clinic Operational Improvements**
 - Custom approach to operational improvements that align with the specific mission of each clinic
 - Implementation of Space Utilization Tracking
- **LoboSTEPPS**
 - UNMMG Leader Training complete; Clinic trainings in progress between October 2025 and April 2026
- **Standard Work**
 - Update of COG Leader Standard Work near finalization
 - Ambulatory Chassis/Standard work refresh with clinic teams underway



Clinic Improvement Initiatives



- **Onboarding/Education**
 - Added Clinical Education capacity to the UNMMG COG Team; Updated and Standardized Onboarding for RNs and MAs
 - Pilot of standardized Practice Manager onboarding; adjustments in progress
 - Work toward expanding standard onboarding to all clinic roles
- **Patient Experience Project**
 - In collaboration with PMIO, conducted a Gap Analysis/RCA to identify root cause of low response rates and variable scores
 - Action planning around root cause (communication) conducted
 - Implementing Action Plan – Increased Signage; Regular huddles; standard work; LoboSTEPPS
- **Procurement**
 - Working to standardize products to reduce clinic expenses

Clinics & Clinical Programs Regulatory Compliance FY25 (CY25)

- **URAC Pharmacy Mid-Cycle Review**
 - Truman Pharmacy – March 2025 (*see below – appendix*)
- **HRSA Ryan White HIV/AIDS Program Parts C&D Site Visit Assessment**
 - Truman – April 2025
- **NCQA Patient Centered Medical Home Re-Certification**
 - Truman – May 2025
- **NCQA Patient Centered Medical Home Behavioral Health Distinction Re-Certification**
 - Truman – May 2025
- **AAAHHC Deemed Status Re-Accreditation**
 - Dental ASC – May 2025 (*see below – appendix*)
- **COLA Re-Accreditation**
 - CRH – November 2025 (*see below - appendix*)



Achieved Accreditation by



Clinical Grants Summary FY25 (CY25)



UNM Medical Group clinics receive awards and grants directly and via UNM HSC that support clinical care and outreach activities.

- Current grants and awards provide almost **\$4.6 million** annually across multiple UNMMG clinics including:
 - **Rio Rancho Behavioral Health**, Center for Reproductive Health, Dental, Center for Life, Truman Health Services, and School Based Health Clinics
- Funding sources include HRSA, DOH, Bernalillo County, Sandoval County Mill Levy, State Appropriations and private parties

Truman Health Services (THS) ABQ Land Development



On schedule for a
Summer 2026 opening!



Dona Ana County Clinic Development

Planning for a Winter 2026 opening!



Northern New Mexico Clinic Development

Exploring available land options for
feasibility



Joint Venture



Lovelace UNM Rehabilitation Hospital (LUNMRH)



- Home to our Physical Medicine and Rehabilitation Residency Program; builds educational programs and drives revenue into our Health System
- Continuing growth of the Residency program – supporting workforce development
- The JV has created 30 graduate medical education positions
- Graduated **4th** Class of Physical Medicine and Rehabilitation Residents, totaling 30 Residents and 3 Fellows to date!
- Residency Program has retained 5 graduates in NM, 3 currently at UNM
- 7 additional graduates are currently practicing in the Southwest region
- >40% of physiatrists in NM are associated with the JV’s training programs
- FY25 PM&R Clinic Visits: 4,679, up 24% YOY
- FY25 Pain Clinic Visits: 12,920, up 2% YOY
- Commission on Accreditation of Rehabilitation Facilities (CARF) accredited
- Modern Healthcare Best Places to Work 2025
- **From two of our current Residents:**
 - “We have one of the best Sports, Spine and Pain programs across the country.”
 - “Lovelace UNM Rehabilitation Hospital is a special place to train and give care.”

Academic Mission



UNM Collegiate Health Governance Council Launched in August 2024 FY25

Purpose: Foster collaboration and synergy between the UNM Student Health and Counseling (SHAC), UNM Health System (HS) and UNM Health Sciences (HSC), with the goal of providing student focused coordinated, accessible, and holistic healthcare services. We strive to enhance the overall well-being and academic success of students by promoting preventive care, mental health support, and health education.

Council Chairs: Stephanie McIver, PhD (SHAC) & Christina O'Connell, DNP (UNMH)

Executive Sponsors: UNM VP Student Affairs & UNMMG Chief Operating Officer

FY2025 successes include:

- **Student Programs and Related Collaboration:** SHAC leadership partnered with UNM SOM Office of Professional Wellbeing to complete 99 Lobo Checks for the Year One Medical School cohort.
- **TigerConnect HIPAA Compliant Communication Network:** SHAC healthcare providers join communication network alongside Health System providers.
- **HSC Student Compliance Improvements:** Streamline sharing of information to enable SHAC clinicians to fully support all healthcare students and help ensure compliance upon admission with specific immunizations, tests, and physical examinations, if required.
- **Dental Hygiene Program Collaboration:** Partnered to address graduate students' lack of affordable access to dental care, and the Dental Hygiene Clinic's trainees need for access to an adequate pool of patients.

UNM SHAC and
UNM HSC/HS



Medical Leadership Academy



UNMMG and Medical Leadership Academy in Partnership with UNM Anderson School of Management

1st cohort underway and set to graduate early 2026!

Background:

- UNM Medical Leadership Academy (MLA) was established in 2010 by UNM Medical Group and UNM Health System Leaders
- Created to address the need for mentoring and the development of future physician and provider leaders within the UNM Health System
- Focus on leadership training and process improvement with an emphasis on lifelong learning, continuous improvement, and fostering diversity, equity, and inclusion
- Partnership with UNM Anderson School of Management since Fall 2024 to educate on management and leadership
- Collaboration also incorporates Anderson's expertise in project management
- Participants successfully completing the program earn:
 - A certificate of completion
 - Academic credits toward an MBA from UNM Anderson School of Management (credits may also apply to other degree programs)
 - 3 credits per semester (6 credits per year)
 - \$2,500 MBA Lobo for Life Scholarship

Our People



People Operational Highlights *and* Recognitions FY25 (CY25)

- **People**

- 732 Employees
- 100 Physician and APP Clinicians
- **44 Cancer Center Employees**
- 5 Metropolitan Detention Center (MDC) Physicians/Dentists; 19 since inception of program
- SOM and UNMMG Staff Physician Hires – Total YOY Volume:

2021	2022	2023	2024	2025
5	13	41	18	27

- **Culture**

- UNMMG named by Modern Healthcare as Best Places to Work!
- **Staff and Provider Engagement Survey completed for FY25 (CY25)**
 - Survey Participation Rate Goal 80%: Achieved 86%
 - Engagement Goal 3.91: Achieved 4.17, up from 3.98 in 2024; Ranked 92%tile amongst Academic Health Centers

Congratulations Truman Health Services Team!

2024 New Mexico Public Relations Society
of America (NMPRSA)
DEI Leadership Award Winner!



Congratulations to UNMMG's Nursing Excellence Award Nominees!



Sonrisa Garcia Nominated for **Distinguished Nurse of the Year** for her work with Lobo Athletics.



Lisa Chavez Nominated for **Excellence in Rural Health Nursing** for her work with opening the Roswell Truman clinic site.

CONGRATULATIONS to our very own HELEN NIELSEN!!

2025 HUMAN RESOURCES PROFESSIONAL OF THE YEAR



Recognized by: SOCIETY OF HUMAN RESOURCE MANAGEMENT'S NEW MEXICO (SHRM NM) CHAPTER

SHRM NM's HR Professional of the Year award honors an HR professional who has elevated the profession, served as a role model for his or her peers, and set the standard for other HR professionals to follow. Nominees are evaluated on their leadership, innovation, integrity, strategic thinking, character, objectivity, passion, influence, and HR knowledge.



BEST PLACES TO WORK™
Modern Healthcare 2025



Congratulations
UNMMG!

*Ranking #36 out of 76
total in
Providers/Insurers
Category*

**BEST PLACES
TO WORK™**

Modern Healthcare

Press Ganey Survey Results 2025 Congratulations!

UNMMG Participation **Goal Set 80% - Achieved 86%**
Clinicians Participation Overall **Goal Set 55% - Achieved 77%**
UNMMG Employee Engagement **Goal Set 3.98 - Achieved 4.17**
Clinicians Engagement Overall - **Achieved 3.76, down -0.03 from 2024**



National Association of Medical Staff Services (NAMSS) elects UNMMG leader for key role!



- **Summer Bloise, Senior Director Managed Care Contracting and Credentialing** named Chair of the NAMSS Certification Commission.
- Ms. Bloise steps into the role in 2026.



2025
New Mexico
Alliance for School
Based Health Care
(NMASBHC)
**Champions of
School Based
Health Care
Award Winners!**

Priscilla Juarez and **Roberta Wiggins** were selected for this NMASBHC award based on their willingness to overcome challenges and embrace opportunities for growth in the school-based health care field.

Their effort to expand access to care in the Albuquerque Public School District with the recent opening of a SBHC at West Mesa High School was highlighted.



UNMMG is a Platinum Award Winner from Family Friendly New Mexico!



Since 2021, Family Friendly New Mexico has honored UNM Medical Group with their highest award – Platinum!

We have been honored for our family friendly policies that help ensure UNMMG teammates are successful at work and at home.

Congratulations!

Health System Strategy and Support

Health System Payor Contracting and Professional Services Agreements FY25

Managed Care Agreements

- 7 Managed Care Amendments
- 1 New PBM Agreement
- 5 Single Case Agreements

Credentialing/Privileging

- 32 initial credentialing and privileging
- 91 re-credentialing and reappointment

Professional Services/DOH Agreement

- 220 Professional Service agreements
- 60 Department of Health agreements
- 31 IHS and VA agreements
- 40 miscellaneous agreement types (BAA, Transfer Agreement, CNDA, etc.)

Integrated Medical Economics: MCO Contracting and System Analytics

Office of Clinical Contracting Services MCO Related Work

- \$16.5M decrease in managed care repayment obligations to MCOs
- Successful MCP/PCPR Adoption
 - \$3.3M revenue received
- Cost and reimbursement analysis of MCO proposed delegated care coordination for maternity services and CARA patients
- Rx Costs removed from Humana Contract
 - This resulted in \$2M deficit changing to a \$4.9M surplus

Impact Across UNM Health System

- 66 projects completed across key departments
 - Including CARA/Maternity DCC/SDOH/Grande ROI

Office of Population Health Accomplishments FY25

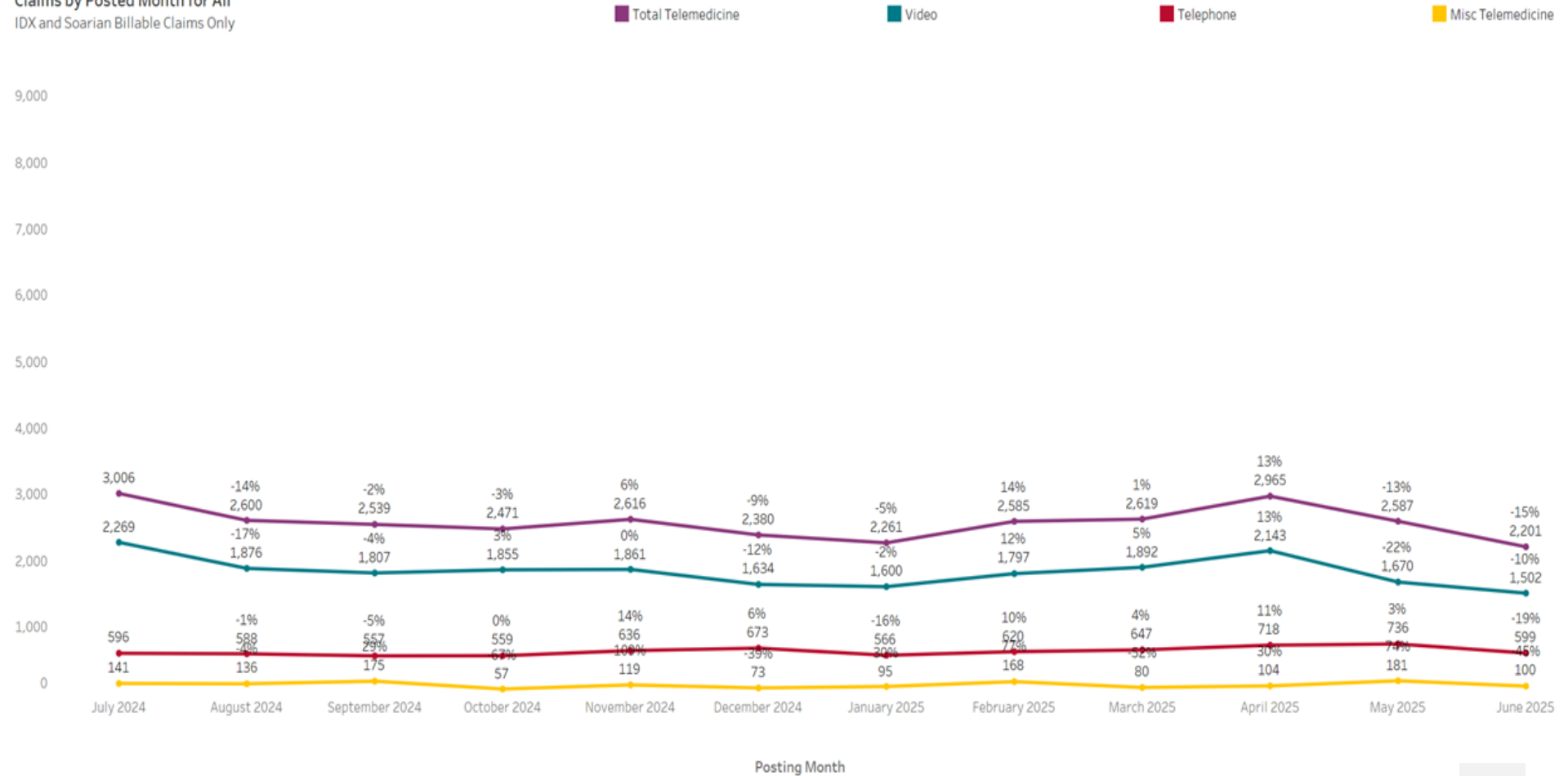
- **BCBS Medicaid Quality Program (Projected CY 25)**
 - Outstanding Quality: 14/16 of measures exceeding target
- **Humana Medicare – (Projected CY25)**
 - > 3 (out of 5) Quality Stars for Humana UNM Members
 - All Pt Safety Measures Improved Performance YTD
 - >25% increase in Annual Wellness Visits
 - 1.3M\$ Surplus to UNMHS
- **Federal Quality**
 - Hospital Promoting Interoperability
 - CY 2024: Avoided penalties
 - Merit-Based Incentive Program
 - CY 2024
 - UNMH 91.8/100: +0.7% Med Part B 2026
 - UNMMG 89.6/100: +0.61% Med Part B 2026
- **Making Care Primary**
 - Fully Participated till early closure
 - \$751,449 additional revenue
- **NM Primary Care Payment Reform**
 - Fully participating
 - \$1,760,477 projected additional revenue

Center for Telehealth (CfTH) FY25 # Consults by Month

Telehealth Big 8 Dashboard

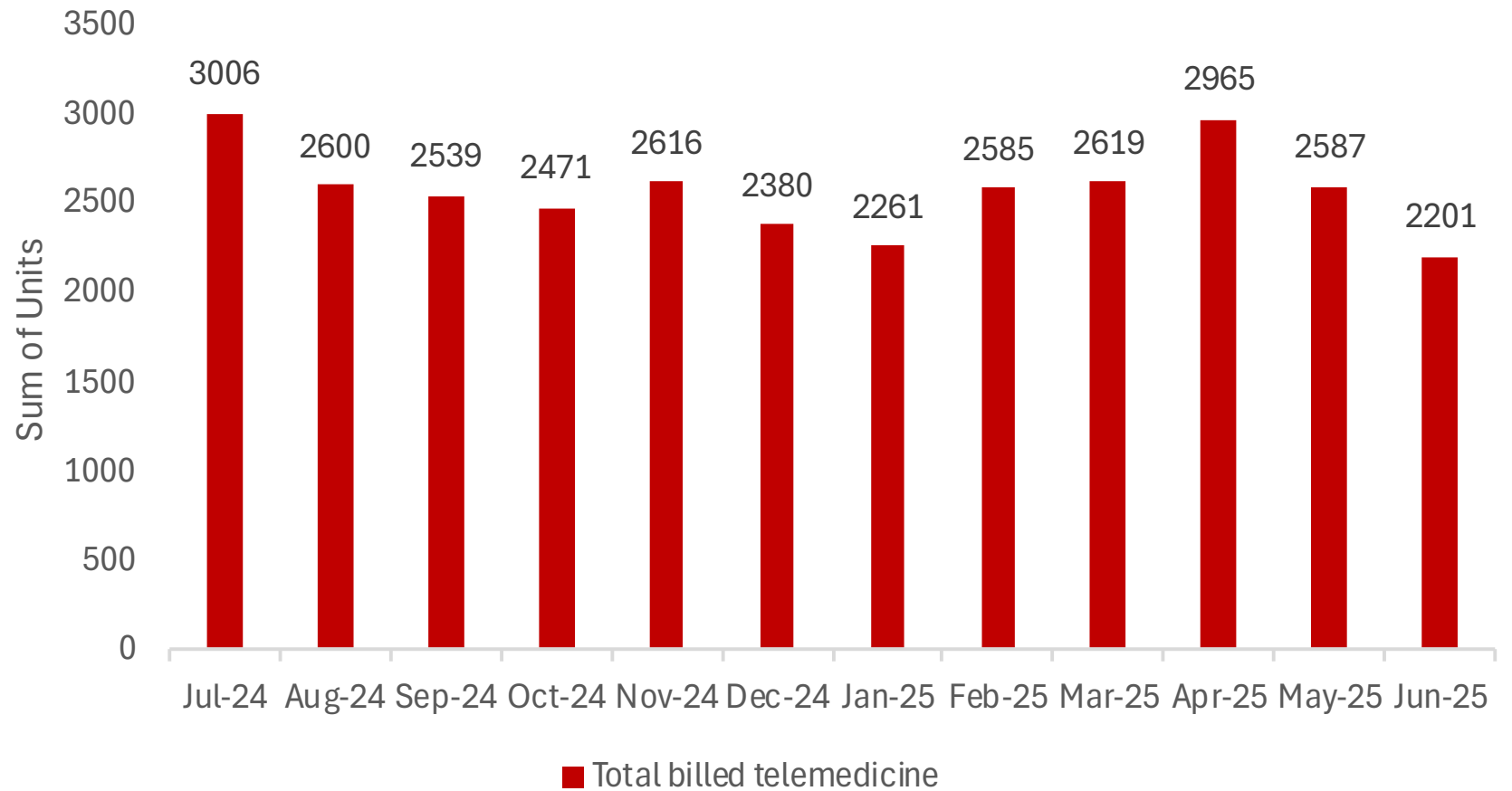
Data Source Filter	Month, Year of Posting Month	Facility Name	Provider	Telephone	Video	Store & Forward	InterPro	E-Visits & Virtual Check-in
<input checked="" type="radio"/> ALL <input type="radio"/> IDX <input type="radio"/> Soarian	Multiple values	All	All	7,580	22,703	139	1,289	2

Claims by Posted Month for All
IDX and Soarian Billable Claims Only



Center for Telehealth FY25 # of Billed Consults by Month

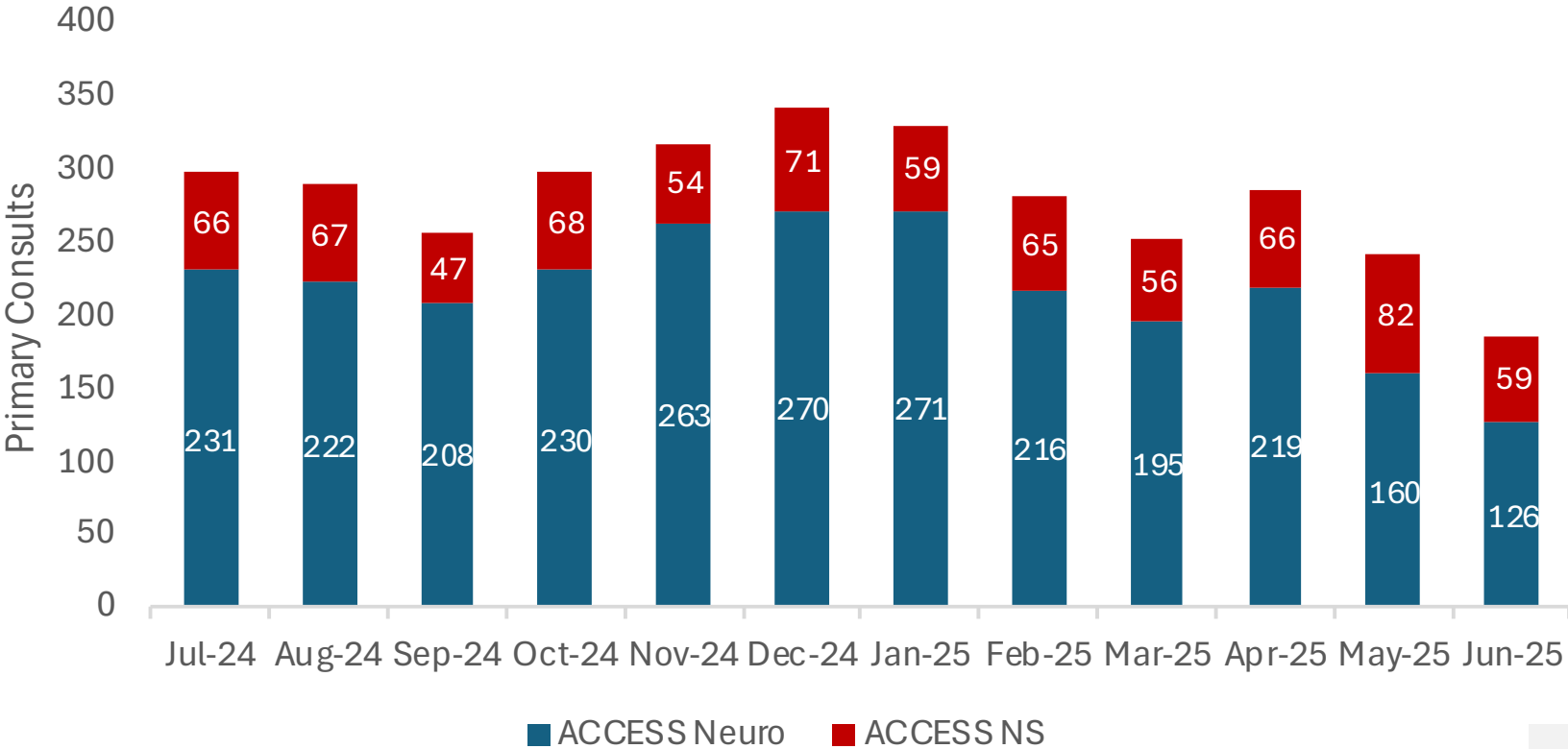
FY25 All Billed Telemedicine by Posted Month



UNM Health’s Access to Critical Cerebral Emergency Support Services (ACCESS) Telemedicine is available throughout New Mexico, connecting rural and regional hospitals to on-call expertise in neurology and neurosurgery.

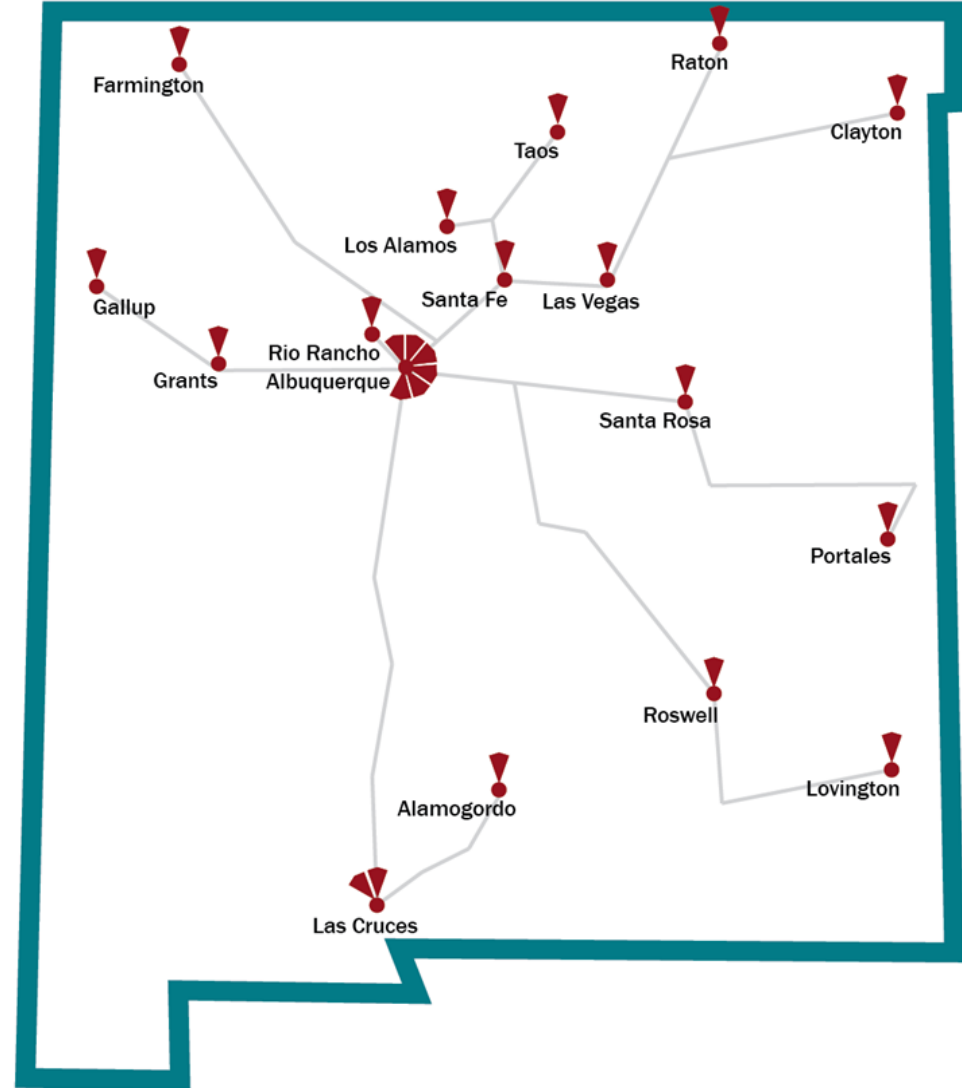
CfTH
ACCESS Program
FY25
of Consults by
Month

FY25 ACCESS Primary Consults by Discipline



CfTH ACCESS Program FY25 Map

ACCESS Partner Hospitals



ABQ ER East
ABQ ER West
Alta Vista
Christus St. Vincent
Christus Southern NM
Cibola General
Guadalupe County
Holy Cross
Los Alamos
Lovelace Main
Heart Hospital
Lovelace Womens
Lovelace Westside
Lovelace Roswell
Memorial Medical Center
Miners Colfax
Nor Lea
Roosevelt General
San Juan
Union County

Opportunities

Looking ahead, financial strain and regulatory uncertainty continue to play out across the entire US national healthcare delivery system. We are grateful for the support from our State and local communities.

Areas of Opportunities and Focus:

Access to Care: Ambulatory will be an area of focus, considering our patient demand for access and the continued concern for high cost of care.

Technology: Adoption of AI tools, automation and leveraging of innovation are being touted and believed as fundamental for operational efficiency, cost reduction, maximization on work effort capture, and patient engagement.

Workforce Development: Growing the healthcare workforce – supporting our new School of Medicine.

Health System Alignment and Integration: To optimize on efficiencies and access to care.

Thank you!

EXCELLENCE
IN CARE & SERVICE

Appendix

Revenue Cycle Functions for School of Medicine (SOM)

2025 Highlight: IDX (Patient Accounting System)
Optimization

IDX (Patient Accounting System) Optimization Summary

- **Dictionary Cleanup/Standardization - COMPLETE**
 - Removed all special programming so that we could go to an on premises hosted environment.
- **Streamlined Charge Corrections - COMPLETE**
 - Great time saver
- **Transaction Editing System (TES) workfiles optimization - COMPLETE**
 - Allowed us to move to Enterprise Transaction Management (ETM)
 - Created better workflow and workflow management
- **Automated Remit Load (EDI) – IN PROCESS**
 - Electronic Data Interface
 - Will allow for future enhancements to allow for Data to move electronically and remove manual data entry for things like payment posting and other areas for coding applications like 3M Coderyte that allows for Computer Assisted Coding
- **Migrate to hosting - COMPLETE**
 - This will allow us to move forward on the Information Analytics which could save us money IF we are able to replace Anodyne with it, about \$140k-\$150k annually
- **ETM is currently live for AR & Denials, (RCA/RCW) (Revenue Cycle Analytics/Revenue Cycle Workflow) - COMPLETE**
 - Went live for coding on 7/01/2025
- **3M Scrubbing tools & Computer Assisted Coding (CAC) – IN PROCESS**
 - Converting from image transfer to EDI
 - Currently developing HL7 interface and will start with ECGs and then move to other areas depending on HL7 development.

Report of Independent Auditors
and Financial Statements
with Supplementary Information

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)

June 30, 2025 and 2024

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UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Official Roster
Year Ended June 30, 2025

Board of Directors

Patricia Finn, M.D.	Dean, UNM School of Medicine
Michael Richards, M.D., MPA,	Executive Vice President, UNM Health Sciences Center and Chief Executive Officer, UNM Health System
James Chodosh, M.D., MPH	Chair, Anesthesiology & Critical Care Medicine
Chandra Cullen, M. D.	PAG Chair-Elect
Dale Dekker, AIA	Dekker Architectural Firm
Nancy Joste, M.D.	Chair, Pathology
Mark Unruh, M.D.	Chair, Internal Medicine
Sharmila Dissanaikie, M. D.	Chair, Surgery
Justin Miller, M. D.	CAG Vice Chair-Elect, Division of Hospital Medicine
Diane Rimple, M. D.	Chair, Emergency Medicine

Officers of UNM Medical Group, Inc.

Christopher Arndt, M. D.	Interim President and Chief Executive Officer
Jill Klar	Chief Operating Officer
Jared Udall	Chief Financial Officer
Jennifer Phillips, M.D.	Chief Medical Officer
Cory McDowell	Secretary, UNMMG Board of Directors

Report of Independent Auditors

The Board of Directors
UNM Medical Group, Inc.
and Mr. Joseph M. Maestas, PE, CFE
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UNM Medical Group, Inc. (UNMMG), a component unit of the University of New Mexico, which comprise the statements of net position as of June 30, 2025 and 2024, 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 UNMMG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of UNMMG as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UNMMG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UNMMG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UNMMG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UNMMG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 6 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of pledged collateral by banks (Schedule 1) and individual deposit and investment account balances (Schedule 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 October 7, 2025, 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.

Baker Tilly US, LLP

Albuquerque, New Mexico
October 7, 2025

Management Discussion and Analysis (unaudited)

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Management Discussion and Analysis (unaudited)
June 30, 2025 and 2024

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, 2025 and 2024. 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 (GASB). 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 Discussion and Analysis (unaudited)
June 30, 2025 and 2024

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,		
	2025	2024	2023
Assets			
Current assets	\$ 100,715,566	\$ 102,665,503	\$ 100,062,025
Restricted cash and cash equivalents	17,556,416	-	-
Capital assets, net	7,407,101	3,317,692	2,801,546
Right-to-use and subscription assets, net	9,562,368	6,959,527	2,959,543
Other noncurrent assets	54,320,194	85,651,899	88,449,255
Total assets	<u>\$ 189,561,645</u>	<u>\$ 198,594,621</u>	<u>\$ 194,272,369</u>
Liabilities			
Current liabilities	\$ 78,294,608	\$ 104,121,900	\$ 95,831,085
Noncurrent liabilities	27,815,369	5,891,153	1,683,857
Total liabilities	<u>106,109,977</u>	<u>110,013,053</u>	<u>97,514,942</u>
Net position			
Net investment in capital assets	4,827,335	3,317,563	2,774,641
Unrestricted	78,624,333	85,264,005	93,982,786
Total net position	<u>83,451,668</u>	<u>88,581,568</u>	<u>96,757,427</u>
Total liabilities and net position	<u>\$ 189,561,645</u>	<u>\$ 198,594,621</u>	<u>\$ 194,272,369</u>

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Management Discussion and Analysis (unaudited)
June 30, 2025 and 2024

Current assets include cash and other assets that are deemed to be consumable or convertible to cash within one year. As of June 30, 2025, total current assets of \$100.7 million included \$41.2 million of cash and cash equivalents compared to \$102.7 million in total current assets and \$43.7 million of cash and cash equivalents at June 30, 2024, and compared to \$100.1 million in total current assets and \$29.6 million of cash and cash equivalents at June 30, 2023. The increase in cash from 2024 to 2025 is the result of an increase in amounts due from affiliates. The increase in cash from 2023 to 2024 is due to a reduction in receivables from local Managed Care Organizations (MCOs) as well as an increase in patient collections. Current assets also include net patient receivables of \$33.4 million, \$29.9 million, and \$27.8 million at June 30, 2025, 2024, and 2023, respectively. Also included in current assets within net patient receivables at June 30, 2025, 2024, and 2023, respectively, is \$15.1 million, \$20.0 million, and \$32.4 million in receivables related to a Medicaid managed care supplemental provider fee program (Medicaid supplemental program) that began in 2019. Also included in current assets at June 30, 2025, are amounts due from affiliates of \$9.0 million (consisting of \$4.4 million due from UNM Health Sciences Center (UNM HSC), \$3.6 million due from UNM Hospitals (UNMH), and \$1.0 million due from Sandoval Regional Medical Center (SRMC)), compared to \$7.1 million at June 30, 2024 (consisting of \$4.2 million due from UNM HSC, \$2.6 million due from UNMH, and \$0.3 million due from SRMC), and \$8.2 million at June 30, 2023 (consisting of \$5.2 million due from UNM HSC, \$2.6 million due from UNMH, and \$0.4 million due from SRMC). The increase in due from affiliates from 2024 to 2025 is attributable to an increase in staffing contracted to SRMC and amounts committed by UNMH to support UNMMG programs. The decrease in amounts due from affiliates from 2023 to 2024 is largely due to a decrease in locum tenens and other services contracted by UNMMG on behalf of the School of Medicine (SOM). Current assets also include other current assets of \$2.0 million, \$1.9 million, and \$2.0 million at June 30, 2025, 2024, and 2023, respectively.

The most significant component of noncurrent assets is board-designated investments in cash and cash equivalents, money market funds, U.S. government securities, and corporate debt securities of \$31.9 million, \$71.6 million, and \$75.2 million at June 30, 2025, 2024, and 2023, respectively. In 2025 the UNMMG Board of Directors (BOD) passed a resolution directing the use of board-designated assets to provide additional mission support to the SOM as well as to offset deficits associated with the increased costs of purchased services provided by the SOM. This use of reserve caused the reduction in board-designated assets from 2024 to 2025. Noncurrent assets include capital assets of \$7.4 million, \$3.3 million, and \$2.8 million at June 30, 2025, 2024, and 2023, respectively. Also included in noncurrent assets are right-to-use (RTU) and subscription assets of \$9.6 million, \$7.0 million, and \$3.0 million at June 30, 2025, 2024, and 2023, respectively. Noncurrent assets also include a \$20.1 million, \$12.8 million, and \$11.9 million investment in the Lovelace UNM Rehabilitation Hospital, LLC (LURH) joint venture as of June 30, 2025, 2024, and 2023, respectively.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Management Discussion and Analysis (unaudited)
June 30, 2025 and 2024

Current liabilities are generally defined as amounts due within one year. As of June 30, 2025, total current liabilities of \$78.3 million include purchased services due to UNM HSC of \$26.0 million. These amounts compare to total current liabilities and purchased services due to UNM HSC of \$104.1 million and \$27.7 million at June 30, 2024, respectively, and \$95.8 million and \$23.1 million at June 30, 2023, respectively. Also included in current liabilities at June 30, 2025, are operating expenses due to UNM of \$11.7 million, due to affiliates of \$18.4 million, and other accrued liabilities of \$20.3 million, compared to \$21.1 million, \$36.3 million, and \$18.1 million, respectively, at June 30, 2024, and \$22.4 million, \$33.4 million, and \$15.6 million, respectively, at June 30, 2023. The decrease in due to affiliates from 2024 to 2025 is related to amounts owed to UNM HSC and UNMH for the Medicaid supplemental program. The increase in amounts due to affiliates in 2023 and 2024 is related to amounts owed to UNM HSC and UNMH for the Medicaid supplemental program.

UNMMG's current ratio, the ratio of current assets available to cover current liabilities, was 1.29, 0.99, and 1.04 at June 30, 2025, 2024, and 2023, respectively. Payment of UNMMG's current liabilities is dependent on UNMMG's ability to collect patient and other receivables.

The total net position of \$83.5 million at June 30, 2025, decreased by \$5.1 million from \$88.6 million at June 30, 2024, due to an excess of expenses over revenues which was largely driven by the additional support provide to the SOM from board-designated assets.

The total net position of \$88.6 million at June 30, 2024, decreased by \$8.2 million from \$96.8 million at June 30, 2023, due to an excess of expenses over revenues which was driven by the additional support provide to the SOM from board-designated assets.

Condensed Summary of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2025	2024	2023
Net operating revenues	\$ 296,487,114	\$ 303,636,442	\$ 290,003,565
Operating expenses			
Purchased clinical services	197,979,172	203,713,930	187,287,723
Salaries and benefits	44,904,262	43,583,385	40,597,373
Other	74,664,672	73,117,270	70,226,238
Total operating expenses	317,548,106	320,414,585	298,111,334
Operating loss	(21,060,992)	(16,778,143)	(8,107,769)
Nonoperating revenues	15,931,092	8,602,284	7,219,348
Change in net position	(5,129,900)	(8,175,859)	(888,421)
Net position, beginning of year	88,581,568	96,757,427	97,645,848
Net position, end of year	\$ 83,451,668	\$ 88,581,568	\$ 96,757,427

UNM Medical Group, Inc.
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Management Discussion and Analysis (unaudited)
June 30, 2025 and 2024

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, 2025, decreased \$7.1 million from \$303.6 million in 2024 to \$296.5 million in 2025; a 2.4% decrease. The primary driver for the decrease in 2025 was a reduction in revenue from the supplemental provider fee program related to Medicaid Managed Care services. Patient service revenue decreased by \$10.2 million, but was offset by an increase in pharmacy revenue of \$4.2 million. Net operating revenues for the year ended June 30, 2024, increased \$13.6 million, from \$290.0 million in 2023 to \$303.6 million in 2024, a 4.7% increase. The primary driver of the growth in 2024 was a Medicaid Fee Schedule increase that was effective July 1, 2023, that contributed \$8.9 million in net operating revenues. Furthermore, prescription volume drove an additional \$3.0 million in pharmacy revenues for the year.

Pharmacy revenues increased \$4.2 million in 2025, from \$52.1 million in 2024 to \$56.3 million in 2025 and increased \$3.0 million in 2024, from \$49.1 million in 2023 to \$52.1 million in 2024. The pharmacy revenue growth in 2025 and 2024 is a result of the increased activity at the outpatient pharmacy at UNM Truman Health Services (Truman) and an increase in patients utilizing the pharmacy services.

Included in net operating revenues are \$0.8 million in 2025, \$2.2 million in 2024, and \$1.3 million in 2023 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 3,750,365 in 2025, representing an increase of 17,367, or 0.5%, from 2024. In 2024, wRVUs of 3,732,998 increased 26,061, or 0.7%, from 2023.

UNMMG operated clinics with approximately 52,000 patient visits in 2025, approximately 56,000 patient visits in 2024, and approximately 47,000 patient visits in 2023. Including pharmacy revenues, these clinics contributed \$70.1 million, \$65.9 million, and \$60.7 million in revenues in 2025, 2024, and 2023, respectively. Excluding pharmacy revenues, the clinics contributed revenues of \$14.3 million, \$14.8 million, and \$12.3 million in 2025, 2024, and 2023, respectively.

UNM Medical Group, Inc.
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Management Discussion and Analysis (unaudited)
June 30, 2025 and 2024

A condensed summary of net operating revenues follows:

	Years Ended June 30,		
	2025	2024	2023
Patient service charges billed at established rates	\$ 651,976,539	\$ 620,837,787	\$ 589,581,356
Adjustments to charges			
Contractual adjustments	(345,873,571)	(313,968,911)	(298,590,911)
Charity care	(13,593,280)	(12,518,167)	(9,767,249)
Net patient billings	292,509,688	294,350,709	281,223,196
Provision for uncollectible accounts	(56,058,185)	(47,647,510)	(43,437,174)
Net patient service revenues	236,451,503	246,703,199	237,786,022
Pharmacy revenue	56,250,034	52,126,535	49,080,824
Other revenue	3,785,577	4,806,708	3,136,719
Total net operating revenues	<u>\$ 296,487,114</u>	<u>\$ 303,636,442</u>	<u>\$ 290,003,565</u>

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, 2025, 2024, and 2023, there were approximately 4,443, 5,002, and 3,782 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, 2025, UNMMG provided, in terms of foregone charges, \$13.6 million in charity care, compared to \$12.5 million in 2024 and \$9.8 million in 2023.

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, 2025, UNMMG recorded \$56.1 million as a provision for uncollectible accounts, which primarily represents the write-off of self-pay accounts, compared to \$47.6 million and \$43.4 million for the years ended June 30, 2024 and 2023, respectively.

UNMMG incurs costs associated with providing charity care and other services for which payment is not received. For the year ended June 30, 2025, the estimated cost of care for providing these services was \$34.0 million, compared to \$31.0 million in 2024 and \$26.9 million in 2023.

Total operating expenses were \$317.5 million, \$320.4 million, and \$298.1 million for the years ended June 30, 2025, 2024, and 2023, respectively. These costs primarily consist of costs related to the purchase of clinical services from UNM HSC and the associated academic enrichment fund (formerly known as dean's tax), from the UNM SOM, which when combined totaled \$212.4 million in 2025, \$216.9 million in 2024, and \$200.3 million in 2023.

UNM Medical Group, Inc.
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June 30, 2025 and 2024

The changes in the purchase of clinical services from 2024 to 2025 are the result of the additional distributions directed by the UNMMG BOD to support the mission of the UNM SOM.

The academic enrichment fund, paid to the UNM SOM, is assessed as a fixed percentage of clinical revenues collected. Total academic enrichment fund was \$14.5 million in 2025, \$13.2 million in 2024, and \$13.0 million in 2023, and is reported on the statements of revenues, expenses, and changes in net position as an operating expense.

In 2025, 2024, and 2023, UNMH provided reimbursement to UNMMG in the amount of \$1.9 million, \$1.8 million, and \$1.8 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.

Nonoperating revenues of \$15.9 million in 2025, \$8.6 million in 2024, and \$7.2 million in 2023 consist primarily of equity in the earnings of the LURH joint venture, allocations of programmatic support from UNM HSC, and investment income. The increase in nonoperating revenues from 2024 to 2025 was related to a return on investment from the LURH joint venture. The increase in nonoperating revenues from 2023 to 2024 was related to increased market related returns.

Capital assets – At June 30, 2025, UNMMG had \$7.4 million invested in capital assets, net of accumulated depreciation of approximately \$12.1 million, compared to \$3.3 million and \$12.2 million at June 30, 2024, respectively, and \$2.8 million and \$11.8 million at June 30, 2023, respectively. Capital assets consist primarily of construction work in process, leasehold improvements, application software, and equipment. With the exception of UNMMG clinics, capital assets used to provide clinical services are owned by UNMH or SRMC and are not reported on UNMMG's financial statements. The increase in capital assets was primarily due to the ongoing construction of the new Truman Clinic. This project, classified under Construction in Progress (CIP), is scheduled for completion by June 30, 2026.

Leases and subscription-based IT assets – At June 30, 2025, UNMMG had \$9.6 million in RTU and subscription assets, net of accumulated amortization of approximately \$7.4 million, compared to \$7.0 million and \$5.3 million at June 30, 2024, respectively, and \$3.0 million and \$3.3 million at June 30, 2023, respectively. UNMMG is a lessee for various noncancelable leases of buildings used for delivery of clinical services. For leases with a maximum possible term of 12 months or less at commencement (short term), UNMMG recognizes expense based on the provisions of the lease contract. For leases that are not short term, UNMMG recognizes a lease liability and an intangible RTU lease asset. Additionally, UNMMG has a number of Subscription-Based Information Technology Arrangements (SBITAs). These SBITAs are noncancelable contracts that convey the right to use another party's software for periods of more than 12 months. UNMMG records the resulting RTU assets and corresponding subscription liabilities in accordance with GASB guidance.

Change in net position – UNMMG's change in net position reflects a net decrease of \$5.1 million from 2024 to 2025, due primarily to an increase in net operating expenses related to the BOD resolution directing additional payments to the UNM SOM to support the purchased services provided as well as to enhance their mission. This compares to a net decrease of \$8.2 million from 2023 to 2024.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Management Discussion and Analysis (unaudited)
June 30, 2025 and 2024

Factors impacting future periods – The Managed Care Organization Upper Payment Limit program has decreased. The basis of this program is the gap in reimbursement between the Medicaid Fee Schedule and the average of the commercial contracts. Starting January 1, 2025, the Medicaid Fee Schedule increased which decreased the gap between Medicaid and Commercial payments which also drove down the expected revenues of this program.

In 2023, a proposal was approved by the UNMMG BOD to acquire land and build a clinical facility for one of UNMMG's clinical operations, Truman. Truman currently rents space in a location that they have outgrown and is in subpar condition. They have been able to rent various suites within the same medical complex, but their space is not contiguous which disrupts patient flow and creates inefficiencies. Land was purchased by the UNM Board of Regents as a site for the new Truman clinic in September of 2024. Construction financing was arranged through New Mexico Finance Authority (NMFA), as approved by the UNM Board of Regents. Significant investments are being made to build and open the facility. The projected completion date is June of 2026, and it is anticipated that debt service payments will begin in June of 2026. Truman will occupy the space and pay rent to offset the debt.

UNMMG is subject to risks and uncertainties arising from potential changes in federal health care policy, grants, and budgetary adjustments affecting Medicare and Medicaid programs. Proposed and potential cuts to Medicaid could indirectly impact Medicare beneficiaries by straining state budgets. Cuts to Medicaid, including elimination of the enhanced federal match rate for expansion enrollees or the imposition of work requirements, could lead to significant coverage losses, particularly among low-income individuals, those with disabilities, or chronic conditions. States may respond to reduced federal funding by raising taxes or cutting other essential programs. Potential policy changes under consideration include reductions in the federal Medicaid matching rate, imposition of work requirements, more frequent eligibility redeterminations leading to disenrollments, implementation of per-capita caps on federal funding, and elimination of provider taxes used to offset Medicaid costs. If implemented, such changes could force states to reduce benefits, lower payments to providers, and increase financial pressures on state budgets, which may, in turn, adversely affect UNMMG's operations. However, the timing, likelihood, and specific impact of these policy changes remain uncertain.

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 800 Bradbury Drive SE, Suite 116, Albuquerque, NM 87106.

Financial Statements

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 41,164,078	\$ 43,672,510
Receivables		
Net patient receivables (net of allowance for uncollectible accounts of \$63,357,032 in 2025 and \$57,548,258 in 2024)	48,485,921	49,971,239
Due from affiliates	9,015,176	7,128,056
Total net receivables	57,501,097	57,099,295
Other current assets	2,050,391	1,893,698
Total current assets	100,715,566	102,665,503
NONCURRENT ASSETS		
Board-designated assets		
Cash and cash equivalents, noncurrent	1,706,330	43,113,836
Investments	30,218,833	28,522,978
Total board-designated assets	31,925,163	71,636,814
Restricted cash and cash equivalents	17,556,416	-
Investment in Lovelace UNM Rehab Hospital, net	20,066,635	12,820,253
Capital assets, net	7,407,101	3,317,692
Right-to-use and subscription assets, net	9,562,368	6,959,527
Other assets	2,328,396	1,194,832
Total noncurrent assets	88,846,079	95,929,118
TOTAL ASSETS	\$ 189,561,645	\$ 198,594,621

See accompanying notes.

UNM Medical Group, Inc.
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Statements of Net Position
June 30, 2025 and 2024

	2025	2024
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to affiliates	\$ 18,398,178	\$ 36,251,774
Operating expenses due to UNM HSC	11,733,373	21,050,866
Purchased services due to UNM HSC	25,926,309	27,682,618
Accrued liabilities	20,278,567	18,068,139
Accrued interest payable	75,000	-
Lease and subscription liabilities	1,883,181	1,068,503
Total current liabilities	78,294,608	104,121,900
NONCURRENT LIABILITIES		
Lease and subscription liabilities	7,906,836	5,891,153
Loan payable, net	19,908,533	-
Total noncurrent liabilities	27,815,369	5,891,153
TOTAL LIABILITIES	106,109,977	110,013,053
NET POSITION		
Net investment in capital assets	4,827,335	3,317,563
Unrestricted	78,624,333	85,264,005
Total net position	83,451,668	88,581,568
TOTAL LIABILITIES AND NET POSITION	\$ 189,561,645	\$ 198,594,621

See accompanying notes.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Patient service revenues, net	\$ 236,451,503	\$ 246,703,199
Pharmacy revenue	56,250,034	52,126,535
Other revenue	3,785,577	4,806,708
Total net operating revenues	<u>296,487,114</u>	<u>303,636,442</u>
OPERATING EXPENSES		
Purchased clinical services from UNM HSC	197,979,172	203,713,930
Salaries and benefits	44,904,262	43,583,385
Pharmacy expenses	37,011,539	35,267,255
Academic enrichment fund	14,464,988	13,201,608
Other administrative	5,448,466	6,971,020
Patient care costs	4,986,334	4,420,934
Malpractice insurance	3,219,226	3,374,399
Depreciation and amortization	3,099,669	3,153,877
Data processing costs	3,068,919	2,514,525
Patient registration and enrollment support	2,098,017	2,088,049
Occupancy	728,592	1,049,728
Consulting	538,922	1,075,875
Total operating expenses	<u>317,548,106</u>	<u>320,414,585</u>
Operating loss	<u>(21,060,992)</u>	<u>(16,778,143)</u>
NONOPERATING REVENUES (EXPENSES)		
Equity in earnings of Lovelace UNM Rehab Hospital	12,575,543	5,488,593
State appropriations	1,233,900	1,216,092
Investment income	2,697,180	2,123,902
Interest expense	(571,807)	(226,303)
Loss on disposition of assets	(3,724)	-
Total nonoperating revenue	<u>15,931,092</u>	<u>8,602,284</u>
Change in net position	<u>(5,129,900)</u>	<u>(8,175,859)</u>
NET POSITION		
Beginning of year	<u>88,581,568</u>	<u>96,757,427</u>
End of year	<u>\$ 83,451,668</u>	<u>\$ 88,581,568</u>

See accompanying notes.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from insurance and patients	\$ 294,030,525	\$ 309,881,441
Payments to affiliates	(263,607,660)	(230,702,585)
Payments to suppliers	(45,019,184)	(45,922,832)
Payments to employees	(30,066,434)	(27,918,975)
Payments for employee benefits	(4,359,612)	(3,795,568)
Other receipts	2,652,013	4,891,792
Net cash from operating activities	<u>(46,370,352)</u>	<u>6,433,273</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	1,233,900	1,216,092
Net cash from noncapital financing activities	<u>1,233,900</u>	<u>1,216,092</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(5,082,373)	(1,672,995)
Sale of capital assets	19,467	-
Lease and subscription payments	(2,196,028)	(2,250,107)
Proceeds from loan payable	19,908,533	-
Interest payments on loan payable	(203,155)	-
Net cash from capital and related financing activities	<u>12,446,444</u>	<u>(3,923,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(32,458,767)	(29,624,825)
Sales of investments	31,437,721	29,389,421
Investment income	2,022,371	797,986
Distributions from Lovelace UNM Rehab Hospital	5,329,161	4,593,379
Net cash from investing activities	<u>6,330,486</u>	<u>5,155,961</u>
Net (decrease)/increase in cash and cash equivalents	(26,359,522)	8,882,224
CASH AND CASH EQUIVALENTS		
Beginning of year	86,786,346	77,904,122
End of year	<u>\$ 60,426,824</u>	<u>\$ 86,786,346</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 41,164,078	\$ 43,672,510
Board-designated assets		
Cash and cash equivalents, noncurrent	1,706,330	43,113,836
Restricted cash and cash equivalents	17,556,416	-
End of year	<u>\$ 60,426,824</u>	<u>\$ 86,786,346</u>

See accompanying notes.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (21,060,992)	\$ (16,778,143)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	3,099,669	3,153,877
Provision for doubtful accounts	56,058,185	47,647,510
Changes in assets and liabilities		
Patient receivables	(54,572,867)	(37,344,116)
Due from affiliates	(1,887,120)	1,063,342
Other current assets	(156,693)	80,816
Other assets	(1,133,564)	85,084
Due to affiliates	(17,853,596)	2,898,342
Operating expenses due to UNM	(9,317,493)	(1,390,964)
Purchase services due to UNM HSC	(1,756,309)	4,595,489
Accrued liabilities	2,210,428	2,422,036
Net cash from operating activities	\$ (46,370,352)	\$ 6,433,273
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Right-to-use assets obtained in exchange for new lease liabilities	\$ 980,740	\$ 5,997,012
Subscription assets obtained in exchange for new subscription liabilities	\$ 3,751,997	\$ -

See accompanying notes.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 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.

Note 2 – Summary of Significant Accounting Policies and Practices

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.

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 and amortization, as well as outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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).

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.

Cash and cash equivalents – UNMMG considers all highly liquid investments purchased with an original maturity of 12 months or less to be cash equivalents. Interest-bearing deposit accounts are subject to Federal Deposit Insurance Corporation (FDIC)'s standard deposit insurance amount of \$250,000. Cash in excess of FDIC insurance is collateralized at June 30, 2025 and 2024, by U.S. government sponsored entity securities held by the financial institution in UNMMG's name.

UNM Medical Group, Inc.
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Notes to Financial Statements

Investments – Investments are recorded at fair value. At June 30, 2025 and 2024, 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.

Capital assets – Capital assets consist primarily of leasehold improvements, construction in process, 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 their useful lives, 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.

Leases – UNMMG is a lessee for various noncancelable leases of buildings used for delivery of clinical and administrative services. For leases with a maximum possible term of 12 months or less at commencement (short term), UNMMG recognizes expense based on the provisions of the lease contract. For leases that are not short term, UNMMG recognizes a lease liability and an intangible right-to-use (RTU) lease asset. UNMMG records the resulting RTU asset and corresponding liability in accordance with GASB guidance.

Initial measurement of the RTU asset/liability is calculated at the present value of payments expected to be paid during the lease term, discounted using the UNMMG's incremental borrowing rate. The lease asset is amortized on a straight-line basis over the lease term.

Subscription-Based Information Technology Arrangements (SBITAs) – UNMMG is the end user for numerous SBITAs. Short-term SBITAs, which have a maximum possible term of 12 months or less, are recognized as an outflow of resources when payment is made. For SBITAs with subscription terms extending beyond one year, UNMMG recognizes an intangible subscription asset and a corresponding subscription liability.

Initial measurement of the subscription asset/liability is calculated at the present value of payments expected to be paid during the subscription term, discounted using the UNMMG's incremental borrowing rate. The subscription asset is amortized on a straight-line basis over the subscription term.

Compensated absences – UNMMG's policy grants eligible employees various forms of compensated absences. In accordance with GASB Statement No. 101, UNMMG accrues a liability for compensated absences when the leave is earned by the employee, and it is more likely than not that the leave will be used or paid out to the employee.

UNM Medical Group, Inc.
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Notes to Financial Statements

The liability is measured at the employee's pay rate in effect at the financial statement date and includes UNMMG's share of associated costs such as Social Security, Medicare, and applicable retirement contributions. UNMMG does not accrue for compensated absences related to sporadic events affecting only a small portion of employees in a particular reporting period (parental leave, holidays, military leave, bereavement leave, catastrophic leave, jury duty, and family and medical leave (FMLA)).

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.

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, 2025 and 2024, the net revenue related to this program is \$28.9 million and \$45.6 million, respectively. Approximately \$9.5 million and \$19.6 million of the revenue recorded in fiscal years 2025 and 2024, 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, 2025, \$15.1 million is recorded in net patient receivables, \$19.5 million is recorded as a current liability due to UNM HSC, and \$6.8 million is recorded as a current liability due to UNMH related to this program. At June 30, 2024, \$20.0 million is recorded in net patient receivables, \$44.9 million is recorded as a current liability due to UNM HSC, and \$9.3 million is recorded as a current liability due to UNMH related to this program.

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.

UNM Medical Group, Inc.
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Pharmacy revenues and expenses – UNMMG operates an outpatient pharmacy, as part of the UNM Truman Health Clinic, to supply and bill prescriptions for patients, including those eligible under the Section 340B program, a program designed to allow certain entities to purchase outpatient prescription drugs at favorable discounts. Pharmacy revenues are recorded at the estimated net realizable value at the time the drugs are dispensed. UNM Truman Health Clinic is also contracted for external pharmacy services (contract pharmacy). Under the terms of the agreements, the contract pharmacy orders, receives, and dispenses drugs, and charges and collects for the drugs on behalf of UNMMG. Revenues from external pharmacy services 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.

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.

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.

Salaries and benefits – At June 30, 2025 and 2024, the staff of UNMMG comprised 655 UNMMG and 14 UNM employees, and 645 UNMMG and 15 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.

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 recorded as the net income, if any, from any unrelated trade or business is, in the opinion of management, not material to the financial statements taken as a whole.

Interest expense – UNMMG now reports interest expense separate from investment income for the years ended June 30, 2025 and 2024.

UNM Medical Group, Inc.
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Notes to Financial Statements

Reclassifications – Certain 2024 amounts have been reclassified to conform with the 2025 presentation. There was no impact to the 2024 assets, liabilities, or net position.

Recent accounting pronouncements – UNMMG has reviewed GASB Statement No. 101, *Compensated Absences*, and is in compliance with the guidance and no accounting or reporting changes are needed as a result. In addition, UNMMG has reviewed GASB Statement No. 102, *Certain Risk Disclosures* and has evaluated exposure for concentrations and constraints that might have substantial impact on operations. There is no impact on the financial statements as a result of adopting this pronouncement.

Note 3 – Cash, Cash Equivalents, and Investments

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, 2025 and 2024, are categorized as follows:

	2025	2024
Operating accounts	\$ 42,676,556	\$ 86,394,626
Restricted accounts	17,556,416	-
Total bank balances	60,232,972	86,394,626
Amount insured by FDIC	250,000	250,000
Amount collateralized with securities held in UNMMG’s name	\$ 59,982,972	\$ 86,144,626

Also included in cash and cash equivalents is a money market account which was \$0.5 million in 2025 and \$0.6 million in 2024. This account is subject to minimal interest rate risk as all money markets are invested in short-term, high-quality municipal securities. In addition, UNMMG holds \$0.5 million in a certificate of deposit as of June 30, 2025, which is included in operating accounts in the table above. Restricted accounts are reserved for unexpended capital projects.

Investments

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.

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Notes to Financial Statements

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 \$30,218,833 and \$28,522,978 at June 30, 2025 and 2024, 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. 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, 2025 and 2024, follows:

Credit Rating	2025			
	Total	U.S. Government and Agency Obligations	Corporate Bonds	Other Government Bonds
AAA	\$ 15,726,125	\$ 15,726,125	\$ -	\$ -
AA	1,127,219	-	1,127,219	-
A	11,646,683	-	11,309,153	337,530
BBB	1,505,595	-	1,505,595	-
BB	213,211	-	213,211	-
Total	<u>\$ 30,218,833</u>	<u>\$ 15,726,125</u>	<u>\$ 14,155,178</u>	<u>\$ 337,530</u>

	2025		
	Investment Maturities (in years)		
	Fair Value	Less Than 1	1 to 5
U.S. government obligations	\$ 15,726,125	\$ 4,759,024	\$ 10,967,101
Corporate bonds	14,155,178	1,413,164	12,742,014
Municipal bonds	337,530	40,176	297,354
Total	<u>\$ 30,218,833</u>	<u>\$ 6,212,364</u>	<u>\$ 24,006,469</u>

Credit Rating	2024			
	Total	U.S. Government and Agency Obligations	Corporate Bonds	Other Government Bonds
AAA	\$ 15,794,017	\$ 15,794,017	\$ -	\$ -
AA	431,416	-	431,416	-
A	9,597,786	-	9,262,225	335,561
BBB	2,699,759	-	2,699,759	-
Total	<u>\$ 28,522,978</u>	<u>\$ 15,794,017</u>	<u>\$ 12,393,400</u>	<u>\$ 335,561</u>

UNM Medical Group, Inc.
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	2024		
	Investment Maturities (in years)		
	Fair Value	Less Than 1	1 to 5
U.S. government obligations	\$ 15,794,017	\$ 4,604,530	\$ 11,189,487
Corporate bonds	12,393,400	4,803,445	7,589,955
Municipal bonds	335,561	335,561	-
Total	<u>\$ 28,522,978</u>	<u>\$ 9,743,536</u>	<u>\$ 18,779,442</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, 2025 and 2024, UNMMG's investment portfolio had no investments exposed to concentration of credit risk.

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.

UNM Medical Group, Inc.
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Notes to Financial Statements

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, 2025 and 2024:

	2025			Total
	Level 1	Level 2	Level 3	
Investments at fair value				
Cash and cash equivalents	\$ 60,426,824	\$ -	\$ -	\$ 60,426,824
U.S. government obligations	-	15,726,125	-	15,726,125
Corporate bonds	-	14,155,178	-	14,155,178
Municipal bonds	-	337,530	-	337,530
Total assets	<u>\$ 60,426,824</u>	<u>\$ 30,218,833</u>	<u>\$ -</u>	<u>\$ 90,645,657</u>
	2024			
	Level 1	Level 2	Level 3	Total
Investments at fair value				
Cash and cash equivalents	\$ 86,786,346	\$ -	\$ -	\$ 86,786,346
U.S. government obligations	-	15,794,017	-	15,794,017
Corporate bonds	-	12,393,400	-	12,393,400
Municipal bonds	-	335,561	-	335,561
Total assets	<u>\$ 86,786,346</u>	<u>\$ 28,522,978</u>	<u>\$ -</u>	<u>\$ 115,309,324</u>

Note 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, 2025 and 2024, excluding self-pay, which UNMMG substantially reserves.

	2025	2024
Medicare and Medicaid	63 %	64 %
Commercial insurance	37	34
Other	-	2
	<u>100 %</u>	<u>100 %</u>

UNM Medical Group, Inc.
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Notes to Financial Statements

Note 5 – Board-Designated Assets and Restricted 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, 2025 and 2024, these assets comprise investments in money market funds, corporate bonds, municipal bonds, U.S. government obligations, and cash and cash equivalents. The amounts reflected as noncurrent restricted assets are the funds that will be utilized to construct a medical office building.

As of June 30, 2025 and 2024, assets are designated for the following purposes:

	2025	2024
Board-designated assets		
Department reserve	\$ 11,667,869	\$ 8,970,105
Other UNMMG reserve	10,231,748	9,656,573
Investment reserve	4,336,898	21,214,567
Hardware and technology	3,389,325	2,836,474
Quality reserve	1,743,928	1,244,008
Dean's discretionary reserve	555,395	27,715,087
	\$ 31,925,163	\$ 71,636,814
Total board-designated assets		
Restricted assets		
Project fund	\$ 14,661,472	\$ -
Debt service fund	1,453,286	-
Reserve fund	1,441,658	-
	\$ 17,556,416	\$ -
Total restricted assets		

Board-designated assets

Department reserve – Represents funds designated on behalf of the SOM departments for funding of future department initiatives.

Other UNMMG reserve – Represents funds designated on behalf of UNMMG clinical activities that advance the strength and sustainability of UNMMG services in an effort to improve access to healthcare in communities throughout New Mexico.

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.

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.

UNM Medical Group, Inc.
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Restricted assets

Project fund – Represents the public project revolving funds held by New Mexico Finance Authority (NMFA) for payment of construction expenses.

Debt service fund – Represents the Debt Service Account held by NMFA during the construction period.

Reserve fund – Represents the Loan Agreement Reserve Account deposit account held by NMFA.

Note 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 post-acute 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, 2025 and 2024, is summarized as follows:

	2025	2024
Beginning balance of investment in LURH	\$ 12,820,253	\$ 11,925,039
UNMMG share of LURH net income	12,575,543	5,488,593
Distributions from LURH	(5,329,161)	(4,593,379)
Ending balance of investment in LURH	\$ 20,066,635	\$ 12,820,253

Financial statements of LURH are not publicly available.

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Note 7 – Capital Assets

Activity in capital assets for the years ended June 30, 2025 and 2024, is summarized as follows:

	2025			
	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets being depreciated				
Building and building improvements	\$ 3,455,092	\$ 350,871	\$ (616,176)	\$ 3,189,787
Construction work in process	-	4,524,051	-	4,524,051
Equipment	12,035,436	207,451	(484,738)	11,758,149
Total capital assets being depreciated	<u>15,490,528</u>	<u>5,082,373</u>	<u>(1,100,914)</u>	<u>19,471,987</u>
Less accumulated depreciation				
Building and building improvements	(2,828,102)	(96,035)	615,646	(2,308,491)
Equipment	(9,344,734)	(873,738)	462,077	(9,756,395)
Total accumulated depreciation	<u>(12,172,836)</u>	<u>(969,773)</u>	<u>1,077,723</u>	<u>(12,064,886)</u>
Total capital assets, net	<u>\$ 3,317,692</u>	<u>\$ 4,112,600</u>	<u>\$ (23,191)</u>	<u>\$ 7,407,101</u>
	2024			
	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets being depreciated				
Building and building improvements	\$ 3,447,854	\$ 9,140	\$ (1,902)	\$ 3,455,092
Equipment	11,162,550	1,663,855	(790,969)	12,035,436
Total capital assets being depreciated	<u>14,610,404</u>	<u>1,672,995</u>	<u>(792,871)</u>	<u>15,490,528</u>
Less accumulated depreciation				
Building and building improvements	(2,771,631)	(58,373)	1,902	(2,828,102)
Equipment	(9,037,227)	(1,098,476)	790,969	(9,344,734)
Total accumulated depreciation	<u>(11,808,858)</u>	<u>(1,156,849)</u>	<u>792,871</u>	<u>(12,172,836)</u>
Total capital assets, net	<u>\$ 2,801,546</u>	<u>\$ 516,146</u>	<u>\$ -</u>	<u>\$ 3,317,692</u>

Note 8 – Leases and Subscription-Based Information Technology Arrangements (SBITAs)

UNMMG is committed under various leases for building and office space. Short-term leases (term of 12 months or less) are excluded from the measurement of lease liability; the related costs are recognized as rent expense in the period in which the obligation for those payments is incurred. Rent expense on short-term leases was \$0.7 million and \$1.0 million for the years ended June 30, 2025 and 2024, respectively.

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Longer term leases are accounted for as prescribed by GASB 87, whereby RTU assets and lease liabilities are recognized on the statements of net position. For the years ended June 30, 2025 and 2024, there were no material variable payments or residual value guarantees that were not included in the measurement of the lease liabilities.

UNMMG is the end user for numerous SBITAs. Short-term SBITAs, which have a maximum possible term of 12 months or less, are recognized as an outflow of resources when payment is made. For SBITAs with subscription terms extending beyond one year, UNMMG recognizes an intangible subscription asset and a corresponding subscription liability. Expense on short-term SBITAs was \$3.1 million and \$2.5 million for the years ended June 30, 2025 and 2024, respectively.

Initial measurement of the subscription asset/liability is calculated at the present value of payments expected to be paid during the subscription term, discounted using UNMMG's incremental borrowing rate. The subscription asset is amortized on a straight-line basis over the subscription term. For the years ended June 30, 2025 and 2024, there were no material variable payments or residual value guarantees that were not included in the measurement of the SBITA liabilities.

There have been no outflows of resources recognized in the reporting periods for variable payments not previously included in the measurement of the SBITA liability, or other payments such as termination penalties.

A summary of leases and SBITAs asset activity during the years ended June 30, 2025 and 2024, is as follows:

	2025			Ending Balance
	Beginning Balance	Additions	Deductions	
Lease assets				
Buildings	\$ 8,194,226	\$ 980,740	\$ -	\$ 9,174,966
Total lease assets	8,194,226	980,740	-	9,174,966
Less accumulated amortization				
Lease assets				
Buildings	(1,654,055)	(1,124,167)	-	(2,778,222)
Total accumulated amortization	(1,654,055)	(1,124,167)	-	(2,778,222)
Total lease assets, net	6,540,171	(143,427)	-	6,396,744
Subscription IT assets	4,035,039	3,751,997	-	7,787,036
Less accumulated amortization	(3,615,683)	(1,005,729)	-	(4,621,412)
Subscription IT assets, net	419,356	2,746,268	-	3,165,624
Total lease and subscription IT assets, net	<u>\$ 6,959,527</u>	<u>\$ 2,602,841</u>	<u>\$ -</u>	<u>\$ 9,562,368</u>

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	2024			
	Beginning Balance	Additions	Deductions	Ending Balance
Lease assets				
Buildings	\$ 2,197,214	\$ 5,997,012	\$ -	\$ 8,194,226
Total lease assets	2,197,214	5,997,012	-	8,194,226
Less accumulated amortization				
Lease assets				
Buildings	(726,036)	(928,019)	-	(1,654,055)
Total accumulated amortization	(726,036)	(928,019)	-	(1,654,055)
Total lease assets, net	1,471,178	5,068,993	-	6,540,171
Subscription IT assets	4,035,039	-	-	4,035,039
Less accumulated amortization	(2,546,674)	(1,069,009)	-	(3,615,683)
Subscription IT assets, net	1,488,365	(1,069,009)	-	419,356
Total lease and subscription IT assets, net	<u>\$ 2,959,543</u>	<u>\$ 3,999,984</u>	<u>\$ -</u>	<u>\$ 6,959,527</u>

A summary of changes in the related lease and subscription IT liabilities during the years ended June 30, 2025 and 2024, is as follows:

	2025				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Lease liabilities	\$ 6,552,863	\$ 980,740	\$ (896,783)	\$ 6,636,820	\$ 935,248
Subscription IT liabilities	406,793	3,751,997	(1,005,593)	3,153,197	947,933
Total	<u>\$ 6,959,656</u>	<u>\$ 4,732,737</u>	<u>\$ (1,902,376)</u>	<u>\$ 9,790,017</u>	<u>\$ 1,883,181</u>
	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Lease liabilities	\$ 1,489,654	\$ 5,997,012	\$ (933,803)	\$ 6,552,863	\$ 724,101
Subscription IT liabilities	1,496,794	-	(1,090,001)	406,793	344,402
Total	<u>\$ 2,986,448</u>	<u>\$ 5,997,012</u>	<u>\$ (2,023,804)</u>	<u>\$ 6,959,656</u>	<u>\$ 1,068,503</u>

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The following is a schedule of future annual lease payments:

<u>Years Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2026	\$ 935,248	\$ 217,219	\$ 1,152,467
2027	566,814	196,641	763,455
2028	568,984	181,165	750,149
2029	506,357	166,639	672,996
2030	301,574	155,237	456,811
2031–2043	3,757,843	1,119,318	4,877,161
	<u>\$ 6,636,820</u>	<u>\$ 2,036,219</u>	<u>\$ 8,673,039</u>

Future annual subscription IT payments are as follows:

<u>Years Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2026	\$ 947,933	\$ 64,984	\$ 1,012,917
2027	952,937	42,332	995,269
2028	647,159	21,385	668,544
2029	484,444	9,054	493,498
2030	120,724	477	121,201
	<u>\$ 3,153,197</u>	<u>\$ 138,232</u>	<u>\$ 3,291,429</u>

Note 9 – Accrued Liabilities

Current accrued liabilities consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accrued operating expenses	\$ 10,896,442	\$ 10,330,401
Accrued leave	3,377,483	2,941,257
Payroll and benefits liability	3,317,707	2,859,024
Refunds payable	2,527,289	1,777,033
Unclaimed property	159,646	160,424
	<u>\$ 20,278,567</u>	<u>\$ 18,068,139</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.

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Accrued leave are compensated absences that are recorded as a liability when earned and more likely than not to be used or paid out in accordance with UNMMG's policy. UNMMG's liability is estimated based on its policies for all forms of leave, including annual leave and sick leave, and historical employee usage data.

The following table summarizes the changes in the accrued compensated absences liability for the years ended June 30, 2025 and 2024. The column labeled "Additions/(Reductions)" represents the net change during the fiscal year.

	2025	2024
Balance at July 1	\$ 2,941,257	\$ 2,356,633
Additions/(Reductions)	436,226	584,624
Balance at June 30	\$ 3,377,483	\$ 2,941,257

Note 10 – Long-Term Debt

UNMMG entered into a loan agreement with NMFA dated February 25, 2025, in the original amount of \$18,000,000, plus an original premium issue of \$1,945,378 for the construction of a new Truman Clinic. The loan agreement requires monthly principal payments commencing in December 2026. The loan bears interest at a blended rate of 5.00%, payable monthly, and matures on May 1, 2047. Under the term of the loan agreement, UNMMG has certain covenants.

A summary of long-term debt activity for the year ended June 30, 2025, is as follows:

	2025				Amounts Due Within One Year
	Beginning Balance	Additions	Deductions	Ending Balance	
Loan payable	\$ -	\$ 18,000,000	\$ -	\$ 18,000,000	\$ -
Loan premium	-	1,945,378	(36,845)	1,908,533	-
Total	\$ -	\$ 19,945,378	\$ (36,845)	\$ 19,908,533	\$ -

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Scheduled principal and interest repayments on long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2026	\$ 260,000	\$ 900,000	\$ 1,160,000
2027	535,000	900,000	1,435,000
2028	565,000	887,000	1,452,000
2029	590,000	860,250	1,450,250
2030	620,000	832,000	1,452,000
2031-2035	3,605,000	3,686,500	7,291,500
2036-2040	4,600,000	2,738,000	7,338,000
2041-2045	5,870,000	1,527,000	7,397,000
2046-2047	1,355,000	200,000	1,555,000
	<u>\$ 18,000,000</u>	<u>\$ 12,530,750</u>	<u>\$ 30,530,750</u>

Note 11 – 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 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.

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Note 12 – Patient Service Revenues

UNMMG generates net operating revenues through the provision of healthcare services and is reimbursed through the billing and collection of services rendered. The majority of UNMMG revenues are 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 91% of UNMMG’s gross patient revenue was derived from third-party payors in 2025 and 91% in 2024. Of this, Medicare and Medicaid represented approximately 63% in 2025 and 64% in 2024. 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.

A summary of net patient service revenues for the years ended June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Patient service charges billed at established rates	\$ 651,976,539	\$ 620,837,787
Adjustments to charges		
Contractual adjustments	(345,873,571)	(313,968,911)
Charity care	<u>(13,593,280)</u>	<u>(12,518,167)</u>
Net patient billing	292,509,688	294,350,709
Provision for uncollectible accounts	<u>(56,058,185)</u>	<u>(47,647,510)</u>
Net patient service revenues	<u><u>\$ 236,451,503</u></u>	<u><u>\$ 246,703,199</u></u>

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Note 13 – 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Charges forgone, based on established rates	\$ 13,593,280	\$ 12,518,167
Estimated costs and expenses incurred to provide charity care	6,619,927	6,459,374
Equivalent percentage of charity care to total gross revenue	2.1 %	2.0 %
 Cost to charge ratio	 48.7%	 51.6%

Note 14 – Related-Party Transactions

A summary of the related-party balances as of June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Current assets		
Due from UNM HSC	\$ 4,365,672	\$ 4,214,960
Due from UNMH	3,676,469	2,621,020
Due from SRMC	973,035	292,076
Total	<u>\$ 9,015,176</u>	<u>\$ 7,128,056</u>
Current liabilities		
Purchased services due to UNM HSC	\$ 25,926,309	\$ 27,682,618
Operating expenses due to UNM HSC	11,733,373	21,050,866
Due to affiliates		
Due to UNM HSC	9,561,213	24,875,406
Due to UNMH	8,767,997	11,330,033
Due to SRMC	68,968	46,335
Total	<u>\$ 56,057,860</u>	<u>\$ 84,985,258</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, 2025 and 2024, UNMMG's receivable for these expenses was approximately \$4.4 million and \$4.2 million, respectively. The offset to expenses is shown within the appropriate categories in the statements of revenues, expenses, and changes in net position.

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Certain transactions that are billed to UNM are not recorded as an offset to expense but are recorded as revenue in the statements of revenues, expenses, and changes in net position. 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, 2025 and 2024, these revenues were \$1.7 million and \$1.6 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 \$1.2 million and \$0.9 million for the years ended June 30, 2025 and 2024, respectively. 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, 2025 and 2024, these expenses were \$13.1 million and \$12.9 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, 2025 and 2024, total UNMMG purchased services from UNM HSC were \$198.0 million and \$203.7 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 \$25.9 million and \$27.7 million at June 30, 2025 and 2024, respectively, are reported as a current liability in the statements of net position.

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 an academic enrichment fund. The tax is assessed as a fixed percentage of professional revenues collected. For 2025 and 2024, the Board approved an additional academic enrichment fund tax of \$2.0 million as part of the budget. Total academic enrichment fund of approximately \$14.5 million and \$13.2 million for the years ended June 30, 2025 and 2024, respectively, is reported as an operating expense in the statements of revenues, expenses, and changes in net position.

In 2025 and 2024, UNMH provided reimbursement to UNMMG in the amount of \$1.9 million and \$1.8 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, 2025 and 2024, was approximately \$6.0 million and \$5.0 million, respectively. In addition, UNMMG purchases from UNMH various clinical supplies. The cost of these supplies for the year ended June 30, 2025, was approximately \$0.4 million and for the year ended June 30, 2024, was approximately \$0.6 million. These expenses are reported within the appropriate categories in the statements of revenues, expenses, and changes in net position. At June 30, 2025 and 2024, approximately \$2.0 million, for both years, related to these services and supplies are included in due to affiliates in the statements of net position.

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UNMMG leases office space under 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 \$0.6 million for the year ended June 30, 2025, and was \$0.8 million for the year ended June 30, 2024, and is reported within occupancy expense in the statements of revenues, expenses, and changes in net position. The related-party leases are primarily categorized as short term. Long-term leases are summarized in Note 8.

Note 15 – 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. It was further amended to a five-year vesting schedule in fiscal year 2022. 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 2025 and 2024. Total employer contributions were \$2.0 million and \$1.8 million and employee contributions were \$3.3 million and \$3.1 million for the years ended June 30, 2025 and 2024, 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.

Note 16 – 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 of New Mexico to UNM HSC (which excludes medical malpractice premiums of \$3.2 million and \$3.4 million, for the years ended June 30, 2025 and 2024, respectively), which was \$0.01 million, for both of the years ended June 30, 2025 and 2024, 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.

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UNMMG is subject to risks and uncertainties arising from potential changes in federal health care policy, grants, and budgetary adjustments affecting Medicare and Medicaid programs. Proposed and potential cuts to Medicaid could indirectly impact Medicare beneficiaries by straining state budgets. Cuts to Medicaid, including elimination of the enhanced federal match rate for expansion enrollees or the imposition of work requirements, could lead to significant coverage losses, particularly among low-income individuals, those with disabilities, or chronic conditions. States may respond to reduced federal funding by raising taxes or cutting other essential programs. Potential policy changes under consideration include reductions in the federal Medicaid matching rate, imposition of work requirements, more frequent eligibility redeterminations leading to disenrollments, implementation of per-capita caps on federal funding, and elimination of provider taxes used to offset Medicaid costs. If implemented, such changes could force states to reduce benefits, lower payments to providers, and increase financial pressures on state budgets, which may, in turn, adversely affect UNMMG's operations. However, the timing, likelihood, and specific impact of these policy changes remain uncertain.

Note 17 – Subsequent Events

UNMMG has evaluated subsequent events from the date of the statement of net position through October 7, 2025, the date at which the financial statements were available to be issued. No matters requiring adjustment to the financial statements have been identified.

Supplementary Information

UNM Medical Group, Inc.
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Pledged Collateral by Banks – Schedule 1
June 30, 2025

Deposits per bank (Wells Fargo)	\$ 42,676,556
Less	
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>42,426,556</u>
State of New Mexico: Collateral requirement – 50%	<u>21,213,278</u>
Pledged collateral	
107829898 Travelers N/A	70,000,000
1004935 FHLB N/A 9/17/2029	<u>50,000,000</u>
Total pledged collateral	<u>120,000,000</u>
Over collateralized	<u>\$ 98,786,722</u>

All pledged collateral is held by Wells Fargo's trust departments or their agent in UNMMG's name.

See accompanying report of independent auditors.

UNM Medical Group, Inc.
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Individual Deposit and Investment Account Balances – Schedule 2
June 30, 2025

Account	Type of Account Name of Asset	Bank Balance	Reconciling Items	Book Balance
Wells Fargo	UNMMG Main Operating - interest bearing checking	\$ 42,075,805	\$ (264,594)	\$ 41,811,211
	Certificate of Deposit - CDs and money market	486,000	-	486,000
	Truman RX - non-interest bearing checking	75,000	-	75,000
	Cancer Center - non-interest bearing checking	39,751	-	39,751
		<u>42,676,556</u>	<u>(264,594)</u>	<u>42,411,962</u>
	Cash on hand - petty cash	<u>5,310</u>	<u>-</u>	<u>5,310</u>
NMFA	Project Fund	14,661,472	-	14,661,472
	Debt Service Fund	1,453,286	-	1,453,286
	Reserve Fund	<u>1,441,658</u>	<u>-</u>	<u>1,441,658</u>
		<u>17,556,416</u>	<u>-</u>	<u>17,556,416</u>
Investments US Bank	Money market			
	Bank deposit	<u>455,876</u>	<u>(2,740)</u>	<u>453,136</u>
	Total money market	<u>455,876</u>	<u>(2,740)</u>	<u>453,136</u>
	Total cash and cash equivalents	<u>\$ 60,694,158</u>	<u>\$ (267,334)</u>	<u>\$ 60,426,824</u>
	Corporate bonds			
	Abbvie Inc.-00287YAY5	\$ 104,435	\$ -	\$ 104,435
	Abbvie Inc.-00287YAY5	39,785	-	39,785
	Adobe Inc.-00724PAE9	107,745	-	107,745
	Adobe Inc.-00724PAH2	109,133	-	109,133
	Adobe-00724PAE9	41,046	-	41,046
	Adobe-00724PAH2	41,574	-	41,574
	Aflac Inc-001055BK7	102,904	-	102,904
	American Honda-02665WEM9	214,237	-	214,237
	American Honda-02665WEM9	83,605	-	83,605
	Amphenol Corp-032095AM3	15,213	-	15,213
	Amphenol Corp-032095AN1	107,892	-	107,892
	Amphenol Corp-032095AN1	41,102	-	41,102
	Aon North America-03740MAA8	102,887	-	102,887
	Aon North America-03740MAA8	41,155	-	41,155
	Applied Materials-038222AL9	104,493	-	104,493
	Axa Equitable-054561AJ4	110,735	-	110,735
	Axa Equitable-054561AJ4	40,267	-	40,267
	Banco-05964HAJ4	201,382	-	201,382
	Bank of American Corp-06051GJS9	78,371	-	78,371
	Bank of American Corp-06051GJS9	44,084	-	44,084
	Bank of New York Mtn-06406RBQ9	30,407	-	30,407
	BHP Billiton-055451AY4	101,958	-	101,958
	BHP Billiton-055451AY4	40,783	-	40,783
	Blackrock Fund-09290DAH4	103,202	-	103,202
	Blackrock-09290DAH4	268,324	-	268,324
	Bp Capital-05565QDN5	163,368	-	163,368
	Bp Capital-05565QDN5	64,357	-	64,357
	Bunge Ltd Fin.-120568BD1	40,546	-	40,546
	Bunge Ltd-120568BD1	106,434	-	106,434
	Caterpillar Financial-14913UAR1	86,374	-	86,374
	Caterpillar-14913UAR1	218,476	-	218,476
	Credit Suisse-22550L2M2	276,773	-	276,773
	Chevron Corp-166756BB1	87,335	-	87,335
	Chevron USA-166756BB1	220,906	-	220,906
	Cisco Sys Inc-17275RBQ4	102,880	-	102,880
	Cisco Sys-17275RBQ4	41,152	-	41,152
	Citigroup Inc-172967NX5	60,995	-	60,995

See accompanying report of independent auditors.

UNM Medical Group, Inc.
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Individual Deposit and Investment Account Balances – Schedule 2
June 30, 2025

Account	Type of Account Name of Asset	Bank Balance	Reconciling Items	Book Balance
	Citigroup Inc-172967NX5	\$ 25,415	\$ -	\$ 25,415
	CNH Industrial-12592BAT1	70,922	-	70,922
	CNH Industrial-12592BAT1	25,329	-	25,329
	Colgate Palmolive-194162AM5	30,294	-	30,294
	Colgate Palmolive-194162AM5	15,147	-	15,147
	Comcast Corp-20030NED9	67,085	-	67,085
	Commonspirit Health-20268JAE3	109,531	-	109,531
	Commonspirit Health-20268JAE3	39,830	-	39,830
	Consumers Energy-210518DV5	223,463	-	223,463
	Consumers Energy-210518DV5	88,346	-	88,346
	Corebridge Fin.-21871XAF6	113,735	-	113,735
	Corebridge Fin.-21871XAF6	44,505	-	44,505
	Cummins Inc-231021AY2	45,480	-	45,480
	Dte Elec Co-23338VAN6	85,350	-	85,350
	Dte Elec. Co-23338VAN6	218,116	-	218,116
	Du Pont-263534CN7	40,266	-	40,266
	Duke Energy-26442UAT1	219,011	-	219,011
	Duke Energy-26442UAT1	86,586	-	86,586
	Eli Lilly Co-532457CE6	40,689	-	40,689
	Eli Lilly Co-532457CP1	45,932	-	45,932
	Eli Lilly-532457CE6	101,723	-	101,723
	Eli Lilly-532457CP1	107,174	-	107,174
	Entergy Louisiana-29364WAW8	108,309	-	108,309
	Entergy Louisiana-29364WAW8	44,308	-	44,308
	Glaxosmithkline Cap-377373AM7	218,895	-	218,895
	Honeywell Int. Inc.-438516BL9	19,638	-	19,638
	Honeywell Int. Inc.-438516CX2	20,600	-	20,600
	Honeywell Intenational-438516BL9	54,005	-	54,005
	Honeywell Intenational-438516CX2	51,500	-	51,500
	Intuit Inc-46124HAE6	154,027	-	154,027
	Intuit Inc-46124HAE6	61,611	-	61,611
	John Deere Capital-24422EVP1	164,765	-	164,765
	John Deere Capital-24422EVP1	65,906	-	65,906
	Lowe's Cos-548661EK9	40,534	-	40,534
	Lowe's-548661EK9	101,335	-	101,335
	Marsh McLennan-571748BG6	223,679	-	223,679
	Marsh McLennan-571748BG6	86,421	-	86,421
	Mastercard-57636QBA1	214,894	-	214,894
	Mastercard-57636QBA1	86,981	-	86,981
	Medtronic Global-58507LBB4	106,667	-	106,667
	Medtronic-58507LBB4	40,635	-	40,635
	Midamerican Energy-595620AT2	222,398	-	222,398
	Midamerican Energy-595620AT2	88,959	-	88,959
	Mizuho-60687YAM1	197,769	-	197,769
	Morgan Stanley-61747YFP5	110,101	-	110,101
	Morgan Stanley-61747YFP5	20,972	-	20,972
	Morgan Stanley-61772BAB9	107,621	-	107,621
	Morgan Stanley-61772BAB9	63,594	-	63,594
	National Rural-63742NP6	218,662	-	218,662
	National Rural-637432NP6	84,483	-	84,483
	Natwest Group-639057AJ7	205,630	-	205,630
	Netflix Inc.-64110LAX4	276,521	-	276,521
	Netflix Inc.-64110LAX4	65,064	-	65,064
	Paypal Hldgs-70450YAS2	224,916	-	224,916
	Paypal Hldgs-70450YAS2	86,899	-	86,899
	Pepsico Inc.-713448GA0	221,495	-	221,495
	Pepsico Inc.-713448GA0	87,568	-	87,568

See accompanying report of independent auditors.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Individual Deposit and Investment Account Balances – Schedule 2
June 30, 2025

Account	Type of Account Name of Asset	Bank Balance	Reconciling Items	Book Balance
	Public Svc Elec-74456QCF1	\$ 161,597	\$ -	\$ 161,597
	Public Svs Elec-74456QCF1	63,660	-	63,660
	Qualcomm Inc-747525AU7	104,063	-	104,063
	Quest Diagnostics-74834LBE9	111,220	-	111,220
	Quest Diagnostics-74834LBE9	40,444	-	40,444
	Republic Services-760759AR1	105,134	-	105,134
	Republic Services-760759AR1	40,051	-	40,051
	Royal Bk Cda-78016FZW7	270,721	-	270,721
	Royal Bk Cda-78016FZW7	104,123	-	104,123
	Royal Bk Cda-78017DAA6	67,344	-	67,344
	RTX-75513ECQ2	35,706	-	35,706
	Rtx-75513ECQ2	15,302	-	15,302
	Ryder Sys Inc-78355HLA5	103,051	-	103,051
	Ryder Sys-78355HLA5	41,220	-	41,220
	S P Global Inc-78409VBH6	103,034	-	103,034
	S P Global-78409VBH6	39,251	-	39,251
	San Diego Gas elec.-797440CE2	83,176	-	83,176
	San Diego Gas-797440CE2	213,139	-	213,139
	Southern Calif-842400JA2	102,595	-	102,595
	Southern Calif-842400JA2	41,038	-	41,038
	Starbucks-855244BG3	41,121	-	41,121
	State Street Corp.-857477CD3	41,269	-	41,269
	State Street Corp.-857477CL5	30,863	-	30,863
	Sumito Mitsui Finance-86562MAV2	44,471	-	44,471
	Sumitomo Mitsui Fin.-86562MAV2	163,061	-	163,061
	Target Corp.87612EBU9	10,085	-	10,085
	Target Corp-87612EBU9	25,214	-	25,214
	Texas Instrs-882508CE2	107,875	-	107,875
	Texas Instru-882508CE2	82,191	-	82,191
	Thermo Fisher-883556CV2	102,707	-	102,707
	Thermo Fisher-883556CV2	41,083	-	41,083
	Toronto-Dominion-89114A2V3	10,165	-	10,165
	Toronto-Dominion-89115A2U5	270,183	-	270,183
	Toronto-Dominion-89115A2U5	105,954	-	105,954
	Toyota Motor Credit-89236TKJ3	214,443	-	214,443
	Toyota Motor Credit-89236TKJ3	81,692	-	81,692
	Unitedhealth Group-91324PEN8	50,628	-	50,628
	Unitedhealth Group-91324PEN8	25,314	-	25,314
	Verizon-92343VGH1	109,625	-	109,625
	Verizon-92343VGH1	42,897	-	42,897
	Walmart Inc-931142FL2	197,224	-	197,224
	Walmart-931142FL2	106,198	-	106,198
	Waste Mgmt-94106LBX6	161,418	-	161,418
	Waste Mgmt94106LBX6	62,484	-	62,484
	Wec Energy-92939UAH9	40,518	-	40,518
	Wells Fargo & Co-95000U3T8	220,026	-	220,026
	Wells Fargo-95000U3T8	86,987	-	86,987
	Wisconsin Pub. Svs-976843BP6	70,742	-	70,742
	Wisconsin Pub. Svs-976843BP6	25,265	-	25,265
	Total corporate bonds	14,155,178	-	14,155,178
	Government and government sponsored enterprise (GSE) bonds			
	First Am Govt -31846V567	\$ -	\$ 2,738	\$ 2,738
	US T-Note 91282CAL5	971,288	-	971,288
	US T-Note 91282CAY7	432,496	-	432,496
	US T-Note 91282CCZ2	753,074	-	753,074

See accompanying report of independent auditors.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Individual Deposit and Investment Account Balances – Schedule 2
June 30, 2025

Account	Type of Account Name of Asset	Bank Balance	Reconciling Items	Book Balance
	US T-Note 91282CDK4	\$ 318,542	\$ -	\$ 318,542
	US T-Note 91282CEC1	931,628	-	931,628
	US T-Note 91282CFM8	412,896	-	412,896
	US T-Note 91282CJA0	478,090	-	478,090
	US T-Note 91282CJF9	433,333	-	433,333
	US T-Note 91282CJN2	952,866	-	952,866
	US T-Note 91282CJR3	545,546	-	545,546
	US T-Note 91282CJW2	610,295	-	610,295
	US T-Note 91282Z78	645,600	-	645,600
	US T-Note 9128284N7	215,902	-	215,902
	US T-Note 91282CAL5	325,312	-	325,312
	US T-Note 91282CAY7	167,418	-	167,418
	US T-Note 91282CCZ2	366,882	-	366,882
	US T-Note 91282CDK4	125,486	-	125,486
	US T-Note 91282CEC1	365,823	-	365,823
	US T-Note 91282CFM8	158,022	-	158,022
	US T-Note 91282CJA0	213,062	-	213,062
	US T-Note 91282CJF9	125,301	-	125,301
	US T-Note 91282CJN2	373,974	-	373,974
	US T-Note 91282CJR3	215,215	-	215,215
	US T-Note 91282CKG5	174,061	-	174,061
	US T-Note 91282Z78	232,998	-	232,998
	US T-Note 9128284N7	421,990	-	421,990
	US T-Note 91282CAJ0	472,067	-	472,067
	US T-Note 91282CBC4	505,251	-	505,251
	US T-Note 91282CCF6	247,652	-	247,652
	US T-Note 91282CCJ8	1,139,273	-	1,139,273
	US T-Note 91282CGV7	201,058	-	201,058
	US T-Note 91282ZM56	865,862	-	865,862
	US T-Note 91282CAJ0	168,950	-	168,950
	US T-Note 91282CBC4	397,333	-	397,333
	US T-Note 91282CCF6	335,059	-	335,059
	US T-Note 91282CGV7	80,423	-	80,423
	US T-Note 91282M56	343,359	-	343,359
	Total government bonds	<u>15,723,387</u>	<u>2,738</u>	<u>15,726,125</u>
	Municipal bonds			
	San Francisco CA-79768HJN9	215,325	-	215,325
	San Francisco CA-79768HJN9	82,029	-	82,029
	New Jersey ST-64613CEZ7	30,132	-	30,132
	New Jersey ST-64613CEZ7	10,044	-	10,044
	Total municipal bonds	<u>337,530</u>	<u>-</u>	<u>337,530</u>
	Total investments	<u>\$ 30,216,095</u>	<u>\$ 2,738</u>	<u>\$ 30,218,833</u>

See accompanying report of independent auditors.

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 Medical Group, Inc.
and Mr. Joseph M. Maestas, PE, CFE
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), a component unit of the University of New Mexico, which comprise the statement of net position as of June 30, 2025, 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, which collectively comprise UNMMG's basic financial statements, and have issued our report thereon dated October 7, 2025.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 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*.

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 2025-001.

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 other 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 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.

Baker Tilly US, LLP

Albuquerque, New Mexico
October 7, 2025

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Summary of Audit Results
Year Ended June 30, 2025

Type of auditor report issued: Unmodified

Fiscal year 2025 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
Year Ended June 30, 2025

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

2025-001 (2019-002) – User Access Review – Other Matter

Condition: In our testing of the controls over user access for Lawson and IDX, we noted that although management performs a quarterly audit to ensure accounts for terminated employees are disabled, the audit does not include the review of roles and permissions for active users. Additionally, for one sampled new hire, we also noted that the Lawson access provisioned for the user was not consistent with the access requested and approved. The absence of a periodic user access review on the users and their roles and permissions may result in users gaining access privileges beyond those necessary to perform their assigned duties, thereby breaking down segregation of duties. Further, unauthorized access to financial data may result in the destruction of financial data or improper changes to financial data, including the recording of unauthorized or nonexistent transactions or inaccurate recording of transactions.

The similar deficiency was identified and reported in the prior year. Management has made progress in the design of processes and controls to address the deficiency, however they have not yet been implemented.

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, a user access review should include a review over each user's roles and permissions for appropriateness and segregation of duties conflicts.

Effect: A lack of precision over the review of users' roles and permissions within a system may lead to 1) unauthorized access to data that might result in destruction of data or improper changes to data, including the recording of unauthorized or nonexistent transactions or inaccurate recording of transactions (particular risks might arise when multiple users access a common database), 2) the possibility of IT personnel gaining access privileges beyond those necessary to perform their assigned duties, thereby breaking down segregation of duties, and 3) unauthorized changes to data in master files.

Cause: The active user review for roles and permissions was outside the scope of the process that was in place.

Recommendation: Management should design and implement a control over user access review of all users with access to systems impacting financial reporting. Best practices for user access reviews include the following:

- The review should be thoroughly documented and cover all users and their assigned permissions, the reviewer, the review date, and the overall conclusion regarding appropriateness of user access.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
Year Ended June 30, 2025

- Individuals performing a review should not assess their own access. Instead, another member of management with the authority and knowledge of the specific area should confirm the reviewers' assigned access.
- Actions taken to implement any noted changes must be documented. This can be achieved by confirming with the reviewer and providing evidence to support that the change was fully processed.
- Document any conflicting permissions identified from the review and identify mitigating controls that would address the segregation of duties risks or remove the conflicting permissions.
- Management should retain evidence demonstrating that the information used for these reviews is complete and accurate. This may include, where applicable, any queries, date/time stamps indicating when information was extracted from systems, and/or screenshots displaying total record counts for comparison to the extracts.

Management response: UNMMG IT Applications Management will work with the leadership of each business department to review the access provided to their respective employees.

Lawson – With regards to active employee access reviews, Information Technology Management (IT Executive Director System & Development) will work with the leadership of Human Resources, Finance, Purchasing, and Materials Management (departments with access above normal employee level access) on an annual basis to review the access provided to the respective departments' employees. Information Technology will provide Role access reports from the Infor Security module to these business departments to review and determine if the access for each employee is appropriate.

Expected completion of initial annual departmental review process for Lawson is May 31, 2026.

IDX – The IT Applications team has defined position specific security roles for IDX to provide access that is appropriate for staff members based on their job duties; these roles are called User Profiles. The appropriate IDX User Profile will be identified by the management of the department at the time that IDX access is requested, and IT Applications will assign the User Profile as requested. On an annual basis, the UNMMG IT Applications team will provide User Profile reports to the business departments for review; this will encompass at least 75% of all IDX users. The review will ask that each department confirms that the individual is still employed in that department and the User Profile that is assigned is still appropriate.

Expected completion of the departmental review process for IDX is April 30, 2026.

The UNMMG Chief Financial Officer and Chief Information Officer will be responsible for the implementation of the corrective action plan steps as outlined above.

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Finding 2024-001 – User Access Review – Other Matter

Current status: Repeated and modified as finding 2025-001

UNM Medical Group, Inc.
(A Component Unit of the University of New Mexico)
Exit Conference
Year Ended June 30, 2025

An exit conference was conducted on October 2, 2025, with members of the Board and UNMMG management. During this meeting, the contents of this report were discussed with the following board members, management personnel, and Baker Tilly US, LLP representatives present:

Dale Dekker	Audit Committee Chair
Dr. Diane Rimple	Audit Committee Member
Dr. Chandra Cullen	Audit Committee Member
Dr. Christopher Arndt	Chief Executive Officer
Dr. Jennifer Phillips	Chief Medical Officer
Jill Klar	Chief Operating Officer
Jared Udall	Chief Financial Officer
Mary Swanson	Executive Director of Finance, Controller
Orlando L Moreno	Director of Finance
Angela Vigil	Compliance Officer
Salem Wondaferew	Privacy Officer
Victor Griego	Director of Internal Audit
Frances Garcia	Compliance – Supervisor Medical Coding Auditor
Nick Rahm	Project Manager
Ajay Gupta	CliftonLarsonAllen LLP
Jessa Zenor-Mckelvey	Sr. Executive Assistant
Josh Lewis	Principal, Baker Tilly
Sujan Bhandari	Senior Manager, Baker Tilly

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