Report of Independent Auditors
and Financial Statements
with Supplementary Information

University of New Mexico Hospital

June 30, 2025 and 2024

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University of New Mexico Hospital
Official Roster
Year Ended June 30, 2025

UNM Hospital Board of Trustees

Administrative Officers

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Report of Independent Auditors

The University of New Mexico Health Sciences Center
Board of Trustees,
The University of New Mexico Hospital Board of Trustees,
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 the University of New Mexico Hospital (the Hospital), a division 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 the Hospital'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 the Hospital 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 the Hospital 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.

Emphasis of Matter

As discussed in Notes 2 and 9 to the basic financial statements, in 2025, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 the Hospital'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 the Hospital'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 the Hospital'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 19 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 the Hospital's basic financial statements. The accompanying comparison of budgeted and actual revenues and expenses (Schedule 1), pledged collateral by banks (Schedule 2), and schedule of individual deposit and investment accounts (Schedule 3) (collectively Schedules 1-3) for the year ended June 30, 2025, 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, Schedules 1-3 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 3, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Albuquerque, New Mexico
October 3, 2025

Management's Discussion and Analysis

This section of the University of New Mexico Hospital's (the Hospital) annual financial report presents management's discussion and analysis of the financial performance of the Hospital during the fiscal 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 financial statements and the related note disclosures along with this discussion and analysis. As such, the financial statements, notes and this discussion are the responsibility of the Hospital's management.

Using the annual financial report – This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended.

The financial statements prescribed by GASB Statement No. 34 (the statements of net position; statements of revenues, expenses, and changes in net position; and the statements of cash flows) present financial information in a form similar to that used by commercial corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service or goods are received, regardless of when cash is exchanged.

The statements of net position include all assets, deferred outflows, liabilities, and deferred inflows. Over time, increases or decreases in net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) is one indicator of the improvement or erosion of the Hospital's financial health when considered with nonfinancial facts such as patient statistics and the condition of facilities. This statement includes all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by nongovernmental hospitals and healthcare organizations.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public Hospital's dependency on state or county aid can result in an operating deficit since the financial reporting model classifies such aid as nonoperating revenues, which is the case with the state appropriation and the Bernalillo and Sandoval Counties (the Counties) mill levy received by the Hospital. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating, capital, and noncapital financing and investing activities.

Overview of entity – The Hospital, operated by the University of New Mexico (UNM) Health Sciences Center (HSC), is certified as a short-term acute care provider with a full range of medical services provided primarily to the New Mexico community. The Hospital is not a legally separate entity and is, therefore, reported as a division of UNM and included in the basic financial statements of UNM. Effective January 1, 2024, the Hospital acquired UNM Sandoval Regional Medical Center, Inc. under a zero dollar purchase agreement. Under the purchase agreement, the Hospital acquired all of the assets and liabilities of the Sandoval Campus. With the effective date of the acquisition, the Sandoval Campus ceased to be a separate legal entity and became known as UNM Sandoval Regional Medical Center, a Campus of UNM Hospital (Sandoval Campus) and is operated as a site of the Hospital. This transaction is classified as a government merger and, in accordance with GASB 69, *Government Combinations and Disposals of Government Operations,* the accompanying financial statements include the results of operations for the full year ended June 30, 2025, of the Sandoval Campus.

Three-year comparison of financial results

Condensed Summary of Net Position

	June 30, 2025	June 30, 2024	June 30, 2023
Assets			
Current assets	$ 665,970,056	$ 756,604,252	$ 559,213,526
Capital assets	990,333,544	887,539,104	673,611,906
Right to use and SBITA assets	26,030,876	33,432,450	38,159,089
Other noncurrent assets	137,510,633	128,962,178	139,656,722
Total assets	$ 1,819,845,109	$ 1,806,537,984	$ 1,410,641,243
Deferred outflows			
Total deferred outflows of resources	$ 1,753,422	$ 1,877,582	$ 138,988
Liabilities			
Current liabilities	$ 501,032,741	$ 459,151,876	$ 329,622,509
Noncurrent liabilities	450,877,741	435,807,669	259,258,706
Total liabilities	$ 951,910,482	$ 894,959,545	$ 588,881,215
Deferred inflows			
Total deferred inflows of resources	$ 272,650	$ 348,292	$ 464,028
Net position			
Net investment in capital assets	$ 539,502,110	$ 460,962,795	$ 438,442,255
Restricted net position, expendable	61,032,953	57,958,026	39,429,517
Unrestricted net position	268,880,336	394,186,908	343,563,216
Total net position	$ 869,415,399	$ 913,107,729	$ 821,434,988

Current assets include assets that are deemed to be consumed or convertible to cash within one year and include unrestricted cash, marketable securities and accounts receivable. The Hospital's most significant current asset is unrestricted cash and cash equivalents. The unrestricted cash balance was $189.0 million, $290.2 million, and $183.1 million as of June 30, 2025, 2024, and 2023, respectively. The $101.2 million decrease in unrestricted cash balances from June 30, 2024 to June 30, 2025, is primarily due to investment in capital assets and management retricting the remaining amount due for completion of the Critical Care Tower. The $107.1 million increase in unrestricted cash balances from June 30, 2023 to June 30, 2024, is primarily due to an increase in net patient service revenue of $255.8 million.

The unrestricted days cash on hand for the Hospital was 46, 70, and 45 as of June 30, 2025, 2024, and 2023, respectively. As part of cash management practices, the Hospital centrally manages all cash receipts and disbursements for all its affiliates. These affiliates include the University of New Mexico Psychiatric Center and the University of New Mexico Children's Psychiatric Center, which are collectively referred to as the "Center." The corresponding liability, due to affiliates, reflects the cash balances held by the Hospital on behalf of its affiliates.

The second most significant current asset is patient receivables. The patient receivables balance was $190.7 million, $182.8 million, and $154.9 million as of June 30, 2025, 2024, and 2023, respectively. The increase in net patient receivables of $7.8 million as of June 30, 2025 as compared to June 30, 2024 is due to an increase in surgeries and ambulatory access, declining length of stay and a consistently high case mix index. The increase in net patient receivables of $27.9 as of June 30, 2024 as compared to June 30, 2023 is due to $15.2 million of acquired receivables for Sandoval Campus and an increase in net patient service revenue.

At June 30, 2025, 2024, and 2023, the Hospital's current assets of $666.0 million, $756.6 million, and $559.2 million, respectively, were sufficient to cover current liabilities of $501.0 million (current ratio of 1.3), $459.2 million (current ratio of 1.6), and $329.6 million (current ratio of 1.7), respectively.

Noncurrent assets include assets designated by management for capital replacement, donated funds, assets designated by the UNM Hospital Board of Trustees and assets held by a trustee for the mortgage reserve funds. The restricted cash balance was $57.5 million, $59.6 million, and $37.4 million as of June 30, 2025, 2024, and 2023, respectively. The restricted cash includes cash designated by management for capital replacement and cash restricted by donors. The decrease of $2.1 million at June 30, 2025 compared to June 30, 2024 is primarily due to the use of funds for the continuing capital project to build the Critical Care Tower and spending for equipment, supplies and capital as determined by donor funding. The increase of $22.1 million at June 30, 2024 compared to June 30, 2023 is primarily due to $37.5 million restricted by management for the funding of capital and equipment costs related the Critical Care Tower.

Current liabilities are generally defined as amounts due within one year and include accounts payable, accrued payroll, accrued compensated absences, amounts due to UNM and estimated third-party payor settlements payable.

The most significant current liability is estimated third-party payor settlements payable of $267.3 million, $222.0 million, and $141.4 million as of June 30, 2025, 2024, and 2023, respectively. The increase of $45.3 million in estimated third-party payor settlements at June 30, 2025 as compared to June 30, 2024 and the $80.6 million increase at June 30, 2024 as compared to June 30, 2023 are primarily due to increases in intergovernmental transfers (IGT) due to NM Department of Health for an intergovernmental transfer and the timing of IGT payments.

The next most significant current liability is the accounts payable balance of $81.4 million, $76.9 million, and $62.1 million as of June 30, 2025, 2024, and 2023, respectively. The balances in accounts payable were primarily related to medical services, contract labor, medical supplies, including pharmaceuticals and biologics as well as capital projects at June 30, 2025 and 2024.

Total net position as of June 30, 2025, decreased by $43.7 million to $869.4 million. The decrease is due to an operating loss of $169.5 million driven by sustained high labor costs and inflationary costs on medical supplies and increased funding for medical services offset by net nonoperating income of $125.8 million which is lower in the current year as nonrecurring Federal Emergency Management Agency (FEMA) revenues were recognized in the prior year. Total net position as of June 30, 2024, increased by $91.7 million to $913.1 million. The increase is due to an operating loss of $85.5 million offset by net nonoperating income of $170.1 million, of which $52.0 million in FEMA revenue was recognized, as well as the acquisition of $19.4 million in Sandoval Campus net assets offset by the cumulative effect of GASB 101 implementation of $12.2 million. Total net position as of June 30, 2023, decreased by $16.0 million to $821.4 million. The decrease is due to an operating loss of $130.0 million primarily driven by a decrease in operating revenues of $35.3 million.

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

	Years Ended June 30,		
	2025	2024	2023
Total operating revenues	$ 1,604,416,021	$ 1,590,541,200	$ 1,301,443,587
Total operating expenses	(1,773,869,242)	(1,676,062,143)	(1,431,431,798)
Operating loss	(169,453,221)	(85,520,943)	(129,988,211)
Nonoperating revenues and expenses	125,760,891	170,059,581	113,942,596
Total (decrease) increase in net position	(43,692,330)	84,538,638	(16,045,615)
Net position, beginning of year	913,107,729	821,434,988	837,480,603
Sandoval net assets acquired	-	19,352,302	-
Cumulative effect of GASB 101 implementation	-	(12,218,199)	-
Net position, end of year	$ 869,415,399	$ 913,107,729	$ 821,434,988

Operating revenues – The sources of operating revenues for the Hospital are net patient services, state and local contracts and grants, and other operating revenues, with the most significant source being net patient service revenues. Operating revenues were $1.604 billion, $1.591 billion, and $1.301 billion for the years ended 2025, 2024, and 2023, respectively.

Net patient service revenues are comprised of gross patient revenues net of contractual allowances, charity care, provision for doubtful accounts, and any third-party cost report settlements. Also included in net patient service revenues are payments received for Indirect Medical Education (IME), Graduate Medical Education (GME), Directed Upper Payment Limit (UPL), and IGT expense. Net patient service revenues were $1.542 billion, $1.520 billion, and $1.264 billion for the years ended 2025, 2024, and 2023, respectively.

Net patient service revenues for the year ended June 30, 2025, increased $22.0 million from $1.52 billion, or 1.4%. This increase is primarily due to an increase in surgeries and ambulatory access combined with a slightly lower length of stay and consistently high case mix index.

Net patient service revenues for the year ended June 30, 2024, increased $255.8 million from $1.264 billion, or 20.0%. This increase is primarily due to an increase in net Directed Payment of $102.0 million and $109.0 million of net patient service revenues at Sandoval Campus.

Patient days and visits are important statistics for the Hospital and are presented below:

	Years Ended June 30,		
	2025	2024	2023
Total licensed beds	597	597	537
Percent of occupancy (staffed beds)	94.7 %	96.4 %	97.2 %
Discharges	30,269	30,618	26,518
Patient days	191,681	195,867	177,449
Observation days	15,211	14,792	13,497
Average length of stay	6.3	6.4	7.0
Outpatient visits	594,253	591,154	549,832
Emergency visits	98,520	97,880	75,036
Urgent care visits	23,294	22,513	22,638
Surgeries	25,735	24,765	21,064

Overall patient and observations days for the year ended June 30, 2025, decreased by 3,767 from the year ended June 30, 2024, which represents a 1.8% decrease. The Hospital was operating at full or above full capacity after taking into account both the inpatient days and observation volumes during the years ended June 30, 2025 and 2024. Patient discharges were flat compared to the prior year resulting in slightly lower length of stay. Surgical volumes increased for the year ended June 30, 2025, by 970 cases or 3.9%.

Overall patient and observation days for the year ended June 30, 2024, increased by 19,713 from the year ended June 30, 2023, which represents a 10% increase. The Hospital was operating at full or above full capacity after taking into account both the inpatient days and observation volumes during the years ended June 30, 2024, and 2023. However, the expiration of the public health emergency and the decline in COVID-19 patient volumes resulted in an occupancy lower than 100% for the year ended June 30, 2024. Patient discharges increased by 4,100 compared to the year ended June 30, 2023, which represents a 15% increase. Surgical volumes increased for the year ended June 30, 2024, by 3,701 cases.

The Hospital offers a financial assistance program called UNM Care to which all eligible patients are encouraged to apply. This program assigns patients to primary care providers and enables them to receive care throughout the Hospital and at all clinic locations. This program is available to Bernalillo and Sandoval County residents who also meet certain income and asset thresholds. Patients applying for coverage under UNM Care must apply for coverage under Medicaid or the Health Insurance Exchange (HIX), if eligible. Patients may continue to receive UNM Care until they receive Medicaid eligibility or notification of coverage under the HIX. Patients certified under Medicaid or the HIX may continue to qualify for UNM Care as a secondary coverage for copays and deductibles if they meet the income guidelines.

As of June 30, 2025, 2024, and 2023, there were approximately 5,400, 5,300, and 4,800 active enrollees in UNM Care, respectively. The income threshold for UNM Care is 300% of the Federal Poverty Level (FPL), and patients may apply for this program at various locations throughout the Hospital. The Hospital does not pursue collection of amounts determined to qualify as charity care. The cost of charity care provided under this program for the years ended June 30, 2025, 2024, and 2023, was approximately $76.5 million, $63.7 million, and $53.7 million, respectively.

The Hospital provides care to patients who are either uninsured or underinsured and who do not meet the criteria for financial assistance. These accounts are fully reserved and recorded as provision for uncollectible accounts. Provision expense recorded for the years ended June 30, 2025, 2024, and 2023, was $60.1 million, $54.8 million, and $35.0 million, respectively.

The Hospital recognized IGTs to the State of New Mexico in the amounts of $119.0 million, $122.0 million, and $65.0 million, respectively, for the years ended June 30, 2025, 2024, and 2023. Due to the economic conditions in the State of New Mexico and nationally, the state has been unable in prior years to fund a portion of the nonfederal share to obtain federal matching funds (the State's Portion) for certain aspects of Directed Payments, IME, GME, and enhanced capitation payments, thereby jeopardizing the viability of the Directed Payments, Enhanced Payments, IME and GME programs. As a result, the Hospital may, in the next year, enter into Memoranda of Understanding (MOUs) with the State of New Mexico under which the Hospital would agree to make IGTs to fund the nonfederal share of the Medicaid payment pursuant to federal Medicaid regulations at 42 CFR 433.51 (Eligible Operating Funds). The IGTs are recorded as a reduction of net patient service revenues in the accompanying statements of revenues, expenses, and changes in net position.

State and local contracts and grants – The Hospital contracts with various state and local agencies to provide specific community programs. In fiscal year 2024, the Hospital began providing medical services to inmates of the Bernalillo County Detention Center under an agreement with Bernalillo County. This contract is the most significant source of contract revenue during the years ended June 30, 2025 and 2024, and is the driver of the $11.7 million increase in state and local contracts and grants as compared to the year ended June 30, 2024.

Other operating revenue – In order to expand its outpatient pharmacy capacity, the Hospital has entered into contract pharmacy service arrangements. These contracted pharmacies are located throughout Albuquerque and the state and are able to fill and refill prescriptions written by physicians credentialed at the Hospital for patients of the Hospital. The contracted pharmacy bills the patient's underlying insurance and remits the payments to the Hospital on a monthly basis, net of a dispensing fee. The Hospital has recorded $14.5 million, $35.3 million, and $29.6 million for pharmacy services in other operating revenue for the years ended June 30, 2025, 2024 and 2023, respectively. The decrease in contract pharmacy revenue from the years ended June 30, 2024 to June 30, 2025, is primarily due to manufacturers restricting participation in the programs. The increase in contract pharmacy revenue from the years ended June 30, 2023 to June 30, 2024, is primarily due to drugs used to treat cystic fibrosis.

Operating expenses – Operating expenses for the Hospital include items such as employee compensation and benefits, medical services, medical supplies, purchased services, depreciation and equipment. For the year ended June 30, 2025, operating expenses totaled $1.774 billion, an increase from the year ended June 30, 2024, of $97.8 million or 5.8% as compared to the year ended June 30, 2024. For the year ended June 30, 2024, operating expenses totaled $1.676 billion, an increase from the year ended June 30, 2023, of $244.2 million or 17.1% as compared to the year ended June 30, 2023.

Compensation and benefits combined were $798.4 million, $770.4 million, and $689.7 million for the years ended June 30, 2025, 2024, and 2023, respectively. For the years ended June 30, 2025, 2024 and 2023, the percentage of compensation and benefits combined to total operating expenses was 45%, 46% and 48%, respectively. Compensation and benefits increased $27.9 million, or 3.6%, during the year ended June 30, 2025, primarily due to wage increases of approximately 4% and an increase in health insurance expenses. Compensation and benefits increased $80.7 million, or 10.5%, during the year ended June 30, 2024, primarily due to the acquisition of the Sandoval Campus which accounted for $60.5 million of the increase. Additionally, the Hospital provided a 3% wage increase in January 2024.

After compensation and benefits the most significant change in operating expense is an increase in medical supplies of $29.5 million, or 8.8%, during the year ended June 30, 2025, as a result of pharmaceutical supplies increasing 21.0% due to inflation and the purchase and administration of Elevidys, a high dollar drug used to treat Duchenne muscular dystrophy.

Medical services increased $27.1 million, or 8.4%, as result of increased resident expense and physician support during the year ended June 30, 2025.

Operating expense mix for the years ended June 30, 2025, 2024, and 2023, is detailed below:

	2025	2024	2023
Employee compensation	37%	39 %	41 %
Benefits	8	7	7
Medical supplies	19	18	18
Medical services	18	18	17
Purchased services	6	6	5
Equipment	4	4	4
Depreciation	3	2	2
Gross receipts tax	2	2	2
Occupancy	1	2	2
Other supplies	1	1	1
Other	1	1	1

Nonoperating revenues and expenses – The sources of nonoperating revenues for the Hospital are Bernalillo County mill levy, Sandoval County mill levy, state appropriation, bequests and contributions, State of New Mexico Land and Permanent fund, investment revenues, and other nonoperating revenues. The sources of nonoperating expenses for the Hospital are interest on capital asset related debt and other nonoperating expenses. Net nonoperating revenues were $125.8 million, $170.1 million, and $113.9 million for the years ended June 30, 2025, 2024, and 2023, respectively.

The Bernalillo County mill levy tax subsidy is the most significant nonoperating revenue, totaling $112.3 million, $108.4 million, and $102.6 million for the years ended June 30, 2025, 2024, and 2023, respectively. The Bernalillo County tax subsidy is provided for the operations and maintenance of the Hospital. The proceeds of the mill levy may not be repurposed for any purpose other than that which the voters approved. The Sandoval County mill levy subsidy is provided for Trauma and Behavioral Health services provided at the Sandoval Campus. The Sandoval County mill levy tax totaled $9.2 million for the year ended June 30, 2025.

The Hospital received state appropriation funding of $9.5 million, $8.8 million and $7.4 million in 2025, 2024, and 2023, respectively. Included in this amount was $9.0 million, $8.3 million, and $7.0 million for the Carrie Tingley Hospital (CTH) in 2025, 2024, and 2023, respectively, and $484 thousand, $473 thousand, and $451 thousand for the Young Children's Health Center (YCHC) in 2025, 2024, and 2023, respectively. State land revenue and oil and gas royalties for CTH for 2025, 2024, and 2023 were $1.0 million, $967 thousand, and $1.2 million, respectively.

Contribution revenue was $4.8 million, $4.3 million, and $5.1 million for the years ended June 30, 2025, 2024, and 2023, respectively. The primary source for contributions was the annual Children's Miracle Network fundraising drive. In addition, there were donations restricted as to use for Roots & Wings prenatal and Carrie Tingley Hospital. All donations are received by the UNM Foundation and are drawn upon by the Hospital.

Included in nonoperating expense was $14.0 million, $11.6 million, and $6.0 million of interest expense on capital asset related debt for each of the years ended June 30, 2025, 2024, and 2023, respectively. Included in the current year interest expense is $1.9 million for the Sandoval Campus as well as increased amounts for the interest related to the Critical Care Tower currently under construction.

Capital assets – At June 30, 2025, the Hospital had $990.3 million invested in capital assets, net of accumulated depreciation of $617.1 million. Depreciation charges for the year ended June 30, 2025, totaled $43.0 million compared to $41.0 million and $33.8 million for the years ended June 30, 2024 and 2023, respectively.

	2025	2024	2023
Land, building, and improvements	$ 390,190,511	$ 383,650,782	$ 264,563,411
Building service equipment	257,828,448	247,051,057	224,510,559
Major moveable equipment	248,948,487	239,567,540	189,103,502
Computer software	52,606,771	51,582,864	49,732,507
Computer equipment	31,295,157	29,587,976	27,260,444
Fixed equipment	23,574,606	22,839,772	18,016,443
Construction in progress	602,996,766	496,830,968	381,615,258
Artwork	12,333	12,333	-
	1,607,453,079	1,471,123,292	1,154,802,124
Less accumulated depreciation	(617,119,535)	(583,584,188)	(481,190,218)
Net property and equipment	$ 990,333,544	$ 887,539,104	$ 673,611,906

During the year ended June 30, 2025, the Hospital continued construction on the Critical Care Tower increasing the investment in that asset by $115.3 million. During the year ended June 30, 2025, the largest capital increases were building service equipment and major moveable equipment, ($20.2 million).

During the year ended June 30, 2024, the Hospital acquired $90.2 million in capital assets net of depreciation from the Sandoval Campus acquisition. During the year ended June 30, 2024, the largest capital increases were land, building, and improvements, building service equipment and major moveable equipment, ($192.1 million) and construction in progress ($255.7 million in additions offset by $140.5 million of completed projects). These increases were offset by retirements of assets in the amount of $6.2 million. Included in these increases are the acquired assets of the Sandoval Campus, which was $156.4 million.

During the year ended June 30, 2023, the largest capital increases were building service equipment, major moveable equipment and computer equipment ($31.6 million) and construction in progress ($261.7 million in additions offset by $22.7 million of completed projects), these increases were offset by retirements of assets in the amount of $7.2 million.

Capital commitments – As discussed further in the Debt Activity section, during the year ended June 30, 2022, the Hospital began construction on an extensive addition project with plans to occupy the new building in October of 2025. The Hospital is funding the expansion through a mixture of debt issuance, cash reserved for Capital Initiatives and operating cash.

Debt activity – The Hospital’s bonds payable totaled $54.8 million, $61.5 million, and $68.0 million at June 30, 2025, 2024, and 2023, respectively. The bonds are Federal Housing Administration (FHA) insured Hospital Mortgage Revenue Bonds and were issued pursuant to a trust indenture, dated May 1, 2015. The bonds carry interest rates that range from 0.484% to 3.532%.

The current portion of this debt is $6.9 million, $6.7 million, and $6.5 million at June 30, 2025, 2024, and 2023, respectively.

On September 9, 2021, the Hospital closed on a mortgage loan to partially finance the construction of a new patient tower. The debt was issued under the HUD Section 242 loan guarantee program and is backed by GNMA securities. The mortgage was drawn down as needed to fund the construction project, not to exceed $320.0 million, and carries an interest rate of 3.275%. The terms of the loan require interest only payments through construction. Principal and interest payments began on October 1, 2024, with loan maturity occurring on September 1, 2049. During the years ended June 30, 2025, 2024, and 2023, the Hospital drew down $43.1 million, $110.4 million, and $114.8 million and incurred interest of $10.0 million, $7.2 million, and $3.5 million, respectively.

As part of the acquisition of the Sandoval Campus, the Hospital assumed the liability associated with Sandoval Campus debt. In July 2020, the Sandoval Campus entered into an agreement to refinance a previous mortgage collateralized by the Sandoval Campus building. The debt was issued under the HUD Section 242 loan guarantee program and is backed by GNMA securities. The mortgage carries an interest rate of 1.98%. The current and long-term portion of this debt is $6.2 million and $76.7 million, respectively, at June 30, 2025.

The loan guarantee associated with all three debt issuances is considered federal assistance subject to the requirements of Office of Management and Budget (OMB) uniform guidance. Accordingly, the loan guarantee is considered a federal award for purposes of UNM's June 30, 2025 Single Audit.

Change in net position – The Hospital's total change in net position was a net decrease for the year ended June 30, 2025. Total net position (assets plus deferred outflows minus liabilities minus deferred inflows) is classified by the Hospital's ability to use these assets to meet operating needs. Unrestricted net position may be used to meet all operating needs of the Hospital. A portion of the Hospital's net position may be restricted as to use by sponsoring agencies, donors, or other nonhospital entities. The restricted net position is further classified as to the purpose for which the funds must be used. Restricted net position represents funds generated by contributions, gifts, and grants, as well as funds restricted for use in accordance with the trust indenture and debt agreements. Net position decreased approximately $43.7 million in the year ended June 30, 2025. The decrease in net position is due to increases in operating expenses of $97.8 million and decreases in nonoperating revenue of $44.3 million. Net position increased approximately $91.7 million in the year ended June 30, 2024. The increase in net position is due to increases in operating revenue of $289.1 million and nonoperating revenue of $56.1 million as well as the acquisition of Sandoval Campus.

Factors impacting future periods – The Bernalillo County mill levy that the Hospital receives is based on property values. It is possible that the amount of the mill levy may remain flat or potentially increase as a result of increased property values. The voters approved the renewal of the mill levy in the November 2024 election. The mill levy is subject to approval by the Bernalillo County voters every eight years and it will be up for renewal in the November 2032 election. The Hospital's facilities are leased from the County by UNM under the 1999 lease agreement, as described under note 1 to the financial statements. Term of this agreement provides for either party to the lease to reopen the terms and conditions by giving notices in the first three months of 2014, 2022, 2030, and 2038. Neither party requested to reopen the terms and conditions of the lease in 2022. On March 25, 2014, the County Commission approved Administrative Resolution AR 2014-21 to open negotiations with UNM on the lease agreement and to establish a taskforce to provide healthcare expertise to the County in support of the negotiations. The agreement was finalized in February 2018. Under the MOU, the Hospital is required to allocate 15% of the mill levy proceeds to the UNM Psychiatric Center, fund one or more navigational services and a transition planning and case management service (Re-entry Resource Center) at $2.06 million adjusted annually for inflation, and to comply with certain reporting and collaboration efforts as described in the MOU. In June 2018, the Hospital and County entered into a program MOU for the Bernalillo County Re-entry Resource Center, under which UNM Hospitals would establish within its budget at least $800 thousand for this program.

The Sandoval County mill levy that the Sandoval Campus receives is based on property values. It is possible that the amount of the mill levy may remain flat or potentially increase as a result of increased property values. In November of 2018, voters approved an eight-year tax levy at 1.9 mills on property owned within Sandoval County and the next vote will be in November of 2026. The mill levy funds expansion of outpatient behavioral health services and an increase in staffing to achieve a level III trauma center designation at the Medical Center. The mill levy contract with Sandoval County was effective July 1, 2019.

The Hospital continues to operate at physical capacity for adult patients. The new Critical Care Tower is scheduled to open October 2025. The tower will contain 9 floors, of which 2 of the floors will be completed at a later date. It will contain 96 Intensive Care Unit beds, 18 new operating rooms and additional radiology modalities to include cardiac catheterization lab, MRI, CT, and interventional radiology. The adult emergency room will also move to the new tower.

On August 4, 2025, the Centers for Medicare and Medicaid Services (CMS) released the Federal Fiscal Year (FFY) 2026 Inpatient Prospective Payment System (IPPS) Final Rule. The final rule included a IPPS update factor of 2.6%. The Hospital will receive a 1.94% increase to the national labor and nonlabor components of the DRG rate and a 2.43% increase in the Hospitals wage index as the Metropolitan Statistical Area's average hourly wage for Bernalillo County increased. The total aggregate impact to the Hospital's reimbursement after taking into account the year-to-year change in Medicare fee-for-service discharges is an estimated 6.28% or $4.9 million increase not including the change in UC DSH noted below.

The Hospital continues to qualify for a geographical wage reclassification to Santa Fe County through FFY 2028. The Hospital plans to apply again for the 3-year Medicare Geographic Wage Index Reclassification to Santa Fe County in September 2027 for the period FFY2029 through FFY2031.

The Hospital's Uncompensated Care (UC) disproportionate share Hospital (DSH) payments are estimated to increase $4.3 million or 77.68%. This is primarily due to the $2.4 billion increase in the National UC funding Pool compared to FFY2025. The final UC DSH pool is also impacted by the change in the national uninsured rate estimated by the National Expenditure Health Accounts (NEHA) data.

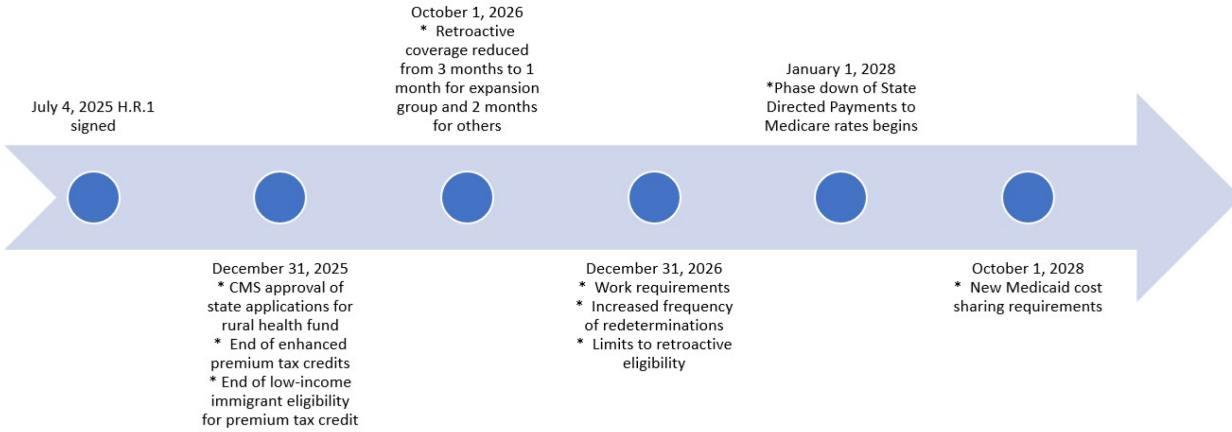
On July 17, 2025, CMS released the Calendar Year 2026 Outpatient Prospective Payment System (OPPS) Proposed Rule. CMS has proposed updates to the APC conversion factor utilizing a Hospital market basket increase of 3.2% less productivity adjustment of (0.8%) for a net 2.4% increase for CY2026 OPPS rates nationally. This increase will be offset/equalized by certain site-based payments and the acceleration of a planned across-the-board payment decrease related to 2022 remedy payments that were made to 340B Drug Pricing Program participants. The Administration moved the claw back from 0.5% over 16 years to 2% over 6 years. As proposed, the Hospital's decrease is estimated to be 0.75% or $471,000.

CMS will be conducting surveys on acquisition cost of 340b drugs prescribed to Medicare patients. The results may impact Hospital reimbursement starting in 2027.

The Hospital purchases outpatient medications under the 340B program which provides an upfront discount on most medications to qualifying covered entities. On July 31, 2025 the Department of Health and Human Services (HHS) issued a notice announcing a 340B Rebate Model Pilot Program for qualifying drug manufacturers. Under this program certain drug manufacturers may apply for participation in the pilot program for a minimum of one year and the program will be limited to the NDC-11s included on the CMS Medicare Drug Price Negotiation Selected Drug List. Manufacturers must submit applications to participate in the pilot by September 15, 2025 and approvals will be made by October 15, 2025 with a January 1, 2026 effective date.

Under this program a rebate means a reimbursement from the manufacturer to the covered entity in the amount of the standard acquisition cost of a covered outpatient drug less the statutory 340B ceiling price as defined in section 340B(a)(1) of the Public Health Service Act. Currently the Hospital purchases the medication at a discounted 340B price whereas under the rebate model the Hospital would pay for the drug at a higher price upfront and then later receive a post-purchase rebate that reflects the difference between the higher initial price and the 340B price. The Health Resources and Services Administration (HRSA) is soliciting comments on the structure and application process of the 340B Rebate Model Pilot Program by August 31, 2025. While the pilot program is limited to a small number of medications, expansion beyond this could cause a financial strain from delayed rebates, increased administrative complexity of managing multiple rebate systems and the overall burdensome nature of the shift from upfront discounts to after-the-fact payments. This could hinder the Hospital's ability to serve the safety-net population that this program was designed for.

On July 4, 2025 President Trump signed H.R. 1, the One Big Beautiful Bill Act (OBBBA). Key timelines of the bill are noted below however most of the key provisions will not go into effect until the middle of the Hospital's FY27 budget year. Some timelines in the bill remain unclear which complicates planning for future Medicaid policy adjustments. These clarifications will come through rulemaking that is not expected until sometime in CY 2026 or 2027. There is also a possibility that there could be some changes made to the bill after the mid-term elections in November 2026.



The New Mexico Health Care Authority (HCA) estimates that as many as 89,000 New Mexicans could lose Medicaid coverage due to some of the provisions in the bill. Potential impacts to the New Mexico Medicaid program could include:

- Reduced state funding could lead to adjustments in the eligibility requirements or reduced benefits. This could result in reduced coverage or services for vulnerable populations which could lead to an increase in the Hospital's uncompensated care.
- The addition of work requirements and 6-month redeterminations for the expansion population could result in additional administrative complexity as well as cost to HCA and the Hospital to manage the program changes and compliance.
- Retroactive coverage will be reduced from 3 months to 1 month for Medicaid expansion enrollees and 2 months for other Medicaid beneficiaries leading to an increase in uncompensated care.

State Directed Payments (SDPs) are currently capped based on average commercial rates (ACR); however, H.R.1 caps new SDPs at the Medicare rates. The Hospital has received SDP funding since CY2020 and is currently capped at ACR. The State submitted the Hospital's complete preprint for CY2025 in March 2025 and the approval letter was dated June 23, 2025. If the SDP was approved before May 1, 2025 or if the completed preprint was submitted by July 4, 2025, the SDP will be grandfathered in. Grandfathered SDPs should be able to continue payments at their current levels until 2028. Payments will then be phased down at 10 percentage points a year until the total payment rate equals the H.R.1 limit of 100% of Medicare.

The H.R. 1 calls for the creation of a Rural Health Transformation Program. This will provide $10 billion a year for FY 2026 – 2030. The intent is to support rural health facilities which was broadly defined in the law. Fifty percent (50%) will be based on a CMS-developed formula with the remainder distributed evenly across states. Each state must submit a plan to CMS who will approve the plans no later than December 31, 2025. Funding will be distributed based on the state's rural transformation plan. The State is developing a plan to submit. It is unknown at this time if the Hospital could qualify for funding under this program.

The Statutory Pay-As-You-Go Act (S-PAYGO Act) of 2010 requires Congress to ensure new legislation is budget neutral. The Congressional Budget Office (CBO) estimated H.R.1 will increase the federal deficit by $2.1 trillion from 2025 to 2029, and by $3.4 trillion through 2034. S-PAYGO rules require the Office of Management and Budget to implement automatic spending cuts to offset the increases unless Congress passes corrective legislation. The CBO estimates this action could set off a $415 billion sequestration in fiscal 2026. Medicare cuts under this would be capped at 4%. The current sequestration adjustment is set at 2%, this would increase that adjustment by 2% or an estimated $5 million for the Hospital. Congress would have to act by September 30, 2025 to prevent this from happening on October 1, 2025.

Contacting the Hospital's financial management – This financial report is designed to provide the Hospital's patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital's Finance and Accounting Department, Attn.: Controller, P.O. Box 80600, Albuquerque, NM 87198-0600.

Financial Statements

University of New Mexico Hospital
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 189,042,886	$ 290,211,664
Marketable securities	39,853,001	37,794,162
Restricted assets by trustee for debt service	705,739	529,698
Receivables		
Patient (net of allowance for doubtful accounts and contractual adjustments of approximately $240,311,000 in 2025 and $227,621,000 in 2024)	190,662,425	182,834,572
Due from University of New Mexico entities	12,962,203	11,802,883
Estimated third-party payor settlements	188,715,733	174,641,997
Bernalillo and Sandoval County Treasurers	1,862,669	2,437,884
Other	7,433,459	22,778,671
Total net receivables	401,636,489	394,496,007
Prepaid expenses	6,734,763	6,898,444
Inventories	27,997,178	26,674,277
Total current assets	665,970,056	756,604,252
NONCURRENT ASSETS		
Restricted and designated assets		
Assets held by trustee		
Restricted for mortgage reserve fund	37,170,681	35,433,100
Assets restricted by donors	23,507,205	22,087,786
Assets designated by UNM Hospital	34,017,803	37,500,000
Assets designated by UNM Hospital Board of Trustees	33,819,674	33,052,916
Total restricted and designated assets	128,515,363	128,073,802
Capital assets, net	990,333,544	887,539,104
Right-to-use and SBITA assets, net	26,030,876	33,432,450
Due from affiliates	8,995,270	888,376
Total noncurrent assets	1,153,875,053	1,049,933,732
TOTAL ASSETS	$ 1,819,845,109	$ 1,806,537,984
DEFERRED OUTFLOWS		
Related to pensions	$ 81,461	$ 53,624
Related to loss on bond defeasance	1,671,961	1,823,958
Total deferred outflows	$ 1,753,422	$ 1,877,582

See accompanying notes.

University of New Mexico Hospital
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 81,385,205	$ 76,945,551
Accrued payroll	27,416,663	27,510,101
Due to University of New Mexico entities	43,111,295	54,301,785
Bonds payable – current	6,975,000	6,690,000
Mortgages payable – current	14,796,547	12,338,548
Lease and SBITA liability – current	6,401,955	7,534,390
Accrued compensated absences	47,054,137	46,221,120
Estimated third-party payor settlements	267,257,697	221,987,921
Other accrued liabilities	6,634,242	5,622,460
Total current liabilities	501,032,741	459,151,876
NONCURRENT LIABILITIES		
Bonds payable	47,820,000	54,795,000
Mortgages payable	381,780,733	353,454,658
Lease and SBITA liability	20,760,034	27,020,115
Net pension liability	516,974	537,896
Total noncurrent liabilities	450,877,741	435,807,669
Total liabilities	$ 951,910,482	$ 894,959,545
DEFERRED INFLOWS		
Total deferred inflows related to pensions	$ 272,650	$ 348,292
NET POSITION		
Net investment in capital assets	$ 539,502,110	$ 460,962,795
Restricted, expendable		
For grants, bequests, and contributions	23,156,533	21,995,229
In accordance with the trust indenture and debt agreement	37,876,420	35,962,797
Unrestricted	268,880,336	394,186,908
TOTAL NET POSITION	$ 869,415,399	$ 913,107,729

See accompanying notes.

University of New Mexico Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Net patient service	$ 1,541,721,274	$ 1,519,684,951
State and local contracts and grants	39,919,536	28,218,429
Other operating	22,775,211	42,637,820
Total operating revenues	1,604,416,021	1,590,541,200
OPERATING EXPENSES		
Employee compensation	663,588,331	646,762,911
Benefits	134,769,448	123,662,478
Medical supplies	336,359,790	306,893,615
Medical services	323,014,933	295,954,055
Purchased services	97,341,485	101,063,666
Equipment	70,955,480	58,021,864
Depreciation and amortization	51,134,532	49,924,556
Gross Receipts Tax	31,942,473	30,602,372
Occupancy	25,019,833	26,255,591
Other supplies	14,291,255	13,853,918
Other	25,451,682	23,067,117
Total operating expenses	1,773,869,242	1,676,062,143
Operating loss	(169,453,221)	(85,520,943)
NONOPERATING REVENUES (EXPENSE)		
Bernalillo County mill levy	112,275,125	108,441,567
Sandoval County mill levy	9,208,660	8,795,040
State appropriation	9,495,208	8,786,500
Bequests and contributions	4,777,164	4,274,225
Equity gain (loss) of TriCore and TriCore Lab Svc Corp.	396,583	(3,977,684)
State of New Mexico Land and Permanent Fund proceeds	1,043,907	966,829
FEMA funding	245,779	52,514,007
Investment income	6,901,463	6,118,475
Interest on capital asset-related debt	(14,031,824)	(11,553,119)
Other nonoperating expense, net	(4,551,174)	(4,306,259)
Net nonoperating revenue (expense)	125,760,891	170,059,581
(Decrease) increase in net position	(43,692,330)	84,538,638
NET POSITION		
Beginning of year	913,107,729	821,434,988
Sandoval Campus net assets acquired	-	19,352,302
Cumulative effect of GASB 101 implementation	-	(12,218,199)
End of year	$ 869,415,399	$ 913,107,729

See accompanying notes.

University of New Mexico Hospital
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from Medicaid and Medicare	$ 1,138,342,097	$ 1,092,621,471
Cash received from insurance and patients	512,383,078	484,396,226
Cash received from contracts and grants	39,551,812	29,712,031
Cash payments to employees	(555,613,843)	(522,041,628)
Cash payments for contract labor	(86,415,958)	(111,745,343)
Cash payments to suppliers	(759,564,276)	(690,526,988)
Cash payments to University of New Mexico entities	(298,450,544)	(254,316,338)
Cash payments to State of New Mexico for intergovernmental transfer	(84,311,494)	(43,571,091)
Cash payments to the State of New Mexico for gross receipts tax	(31,443,021)	(30,602,372)
Cash payments to affiliates	(8,106,894)	(630,859)
Other receipts	38,549,149	24,397,430
Net cash from operating activities	(95,079,894)	(22,307,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from Bernalillo County mill levy	112,862,369	107,764,632
Cash received from Sandoval County mill levy	9,196,631	8,763,916
Cash received from Sandoval acquisition	-	14,347,917
Cash received from state general fund and other state fund appropriations	9,287,008	8,578,300
Cash received from State of New Mexico Land and Permanent Fund	1,043,907	966,829
Cash received from contributions for other-than-capital purposes	4,813,006	4,447,345
Cash received from FEMA	245,779	49,914,007
Net cash from noncapital financing activities	137,448,700	194,782,946
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal payments of bonds	(6,690,000)	(6,480,000)
Principal payments of mortgage	(12,338,548)	(5,938,858)
Interest payments on capital assets-related to debt	(13,879,827)	(11,401,122)
Purchases of capital assets	(145,941,783)	(164,653,083)
Cash payments on lease and SBITA liabilities	(9,061,311)	(9,798,181)
Cash received from draws on construction loan	43,122,622	110,377,410
Cash received from UNM Capital Initiatives	-	46,000,000
Cash payments for debt-related activities	(3,301,363)	(4,197,072)
Net cash from capital financing activities	(148,090,210)	(46,090,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	31,648,569	26,550,496
Purchase of investments	(35,513,000)	(26,801,130)
Interest and dividends on investments	6,354,279	3,112,723
Net cash from investing activities	2,489,848	2,862,089
Net increase (decrease) in cash and cash equivalents	(103,231,556)	129,246,668
CASH AND CASH EQUIVALENTS, beginning of year	349,799,450	220,552,782
CASH AND CASH EQUIVALENTS, end of year	$ 246,567,894	$ 349,799,450

See accompanying notes.

University of New Mexico Hospital
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	$ (169,453,221)	$ (85,520,943)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	43,045,367	40,969,541
Lease and SBITA amortization	8,089,165	8,955,014
Provision for doubtful accounts	60,065,806	54,827,031
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Patient receivables	(67,893,659)	(72,151,062)
Due from University of New Mexico entities	(1,159,320)	13,098,968
Estimated third-party payor settlements receivable	(14,073,736)	(47,083,259)
Other receivables and prepaid expenses	15,577,872	(16,717,750)
Inventories	(1,322,901)	(1,798,844)
Deferred outflows related to pensions	(27,837)	85,364
Accounts payable and other accrued liabilities	5,457,163	6,454,584
Accrued payroll and related liabilities	739,579	8,249,654
Due to University of New Mexico entities	(11,190,490)	(9,073,069)
Estimated third-party payor settlements payable	45,269,776	78,141,604
Due to/from affiliates	(8,106,894)	(630,859)
Net pension liability	(20,922)	2,301
Deferred inflows of resources related to pensions	(75,642)	(115,736)
Net cash from operating activities	$ (95,079,894)	$ (22,307,461)

See accompanying notes.

Note 1 – Description of Business

University of New Mexico Hospital (the Hospital), operated by the University of New Mexico (UNM) Health Sciences Center (HSC), is certified as a short-term acute care provider with a full range of medical services provided primarily to the New Mexico community. UNM is a state institution of higher education created by the New Mexico Constitution. The accompanying financial statements of the Hospital are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of UNM, which is attributable to the transactions of the Hospital. The Hospital is not a legally separate entity and is, therefore, reported as a division of UNM and included in the basic financial statements of UNM. The Hospital, as a division of UNM, has no component units.

One of the Hospital's facilities is leased from Bernalillo County by UNM. The lease provides for a $1 annual rental payment, an allocation of the Bernalillo County mill levy, and medical treatment for American Indians as required by a 1952 agreement with the federal government and is contingent on approval of the mill levy by the electorate every eight years with the last voter approval in November 2024. Effective as of November 18, 2004, the UNM Board of Regents and the Board of County Commissioners entered into a First Amendment to the Original Lease, as amended (the Lease), under which, among other things, (i) the term of the Original Lease was extended until June 30, 2055, which is after the maturity of the Department of Housing and Urban Development (HUD)-insured loan (refer to Note 10, Bonds Payable); (ii) the Hospital was authorized to obtain the HUD-insured loan; (iii) the Hospital was authorized to encumber the Lease with a leasehold mortgage; and (iv) the actions that are to be taken concerning the operations of the Hospital in the event of a default under the HUD-insured loan were described.

The UNM Board of Regents is the ultimate governing authority of the Hospital, but it has delegated certain oversight responsibilities to the UNM Hospital Board of Trustees. The Hospital is governed by the UNM Hospital Board of Trustees, which consists of nine members, including seven members appointed by the UNM Board of Regents, two of which are nominated by the All Pueblo Council of Governors (APCG). The two remaining members are appointed by the County Commission.

UNM Carrie Tingley Hospital (CTH) is a pediatric unit of the Hospital. CTH was created in 1989 by the legislature of the State of New Mexico to provide care and treatment for the physically challenged children of the State of New Mexico in need of long-term inpatient or outpatient care. A brief summary of CTH's financial results for the years ended June 30 is as follows:

	2025	2024
Total operating revenues	$ 12,790,356	$ 12,027,581
Total operating expenses	(22,121,914)	(21,509,628)
Operating loss	(9,331,558)	(9,482,047)
Nonoperating revenue	10,212,909	9,153,743
Total increase (decrease) in net position	881,351	(328,304)
Net position, beginning of year	2,870,719	3,199,023
Net position, end of year	$ 3,752,070	$ 2,870,719

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles for healthcare organizations, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; as amended by GASB Statement No. 100, *Accounting Changes and Error Corrections;* GASB Statement No. 38, *Certain Financial Statement Note Disclosures;* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resource, and Net Position*.

The Hospital follows the business-type activities' requirements of GASB Statement No. 34 and No. 63. This approach requires the following components of the Hospital's financial statements:

- Management's discussion and analysis
- Basic financial statements, including statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows using the direct method for the Hospital as a whole
- Notes to financial statements

GASB Statement No. 34 and subsequent amendments, including GASB Statement No. 63 as discussed below, established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position, expendable – Assets whose use by the Hospital is subject to externally imposed constraints that can be fulfilled by actions of the Hospital pursuant to those constraints or that expire by the passage of time.

Unrestricted net position – Assets that are not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of UNM Hospital Board of Trustees or the UNM Board of Regents or may otherwise be limited by contractual agreements with outside parties.

Recent accounting pronouncements – GASB Statement No. 101, *Compensated Absences*, was issued in June 2022 and provides guidance on the accounting and financial reporting for compensated absences for government end users. This statement is effective for fiscal years beginning after December 15, 2023, and requires recognition of a liability for compensated absences to reflect when the obligation is incurred. This statement was adopted for the year ended June 30, 2025. As required by GASB Statement No. 100, *Accounting Changes & Error Corrections*, for a change in accounting principle retroactive application of the standard is required and net assets ending June 30, 2024 have been restated accordingly. See Note 9.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023 and requires governments to access whether a concentration or constraint exists that would impact the issuers ability to operate or service debt. This statement is effective for fiscal years beginning after June 15, 2024. The Hospital has evaluated the concentration of risks in the note disclosures below as it related to Medicare and Medicaid future funding.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024 and provides improvements to key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement is effective for fiscal years beginning after June 15, 2025, and requires that MD&A be limited to five specific topics with detailed discussion and analysis over changes in results of operations. This statement is expected to have minimal impact on the future financial statements of the Hospital.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2024. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires that lease assets recognized in accordance with Statement No. 87, right-to-use assets recognized in accordance with Statement No. 94, and subscription-based information technology assets recognized in accordance with Statement No. 96 be disclosed separately by major class in the capital assets note disclosures. In addition, other intangible assets must be disclosed separately by major class. This statement also requires separate disclosure for capital assets held for sale, which are defined as assets that a government has decided to sell and for which it is probable that the sale will be finalized within one year of the financial statement date. Governments should evaluate each reporting period whether assets meet the criteria for being held for sale. If so, the ending balance, including historical cost and accumulated depreciation by major class, as well as the carrying amount of debt for which the assets are pledged as collateral, should be disclosed. These disclosure requirements are intended to improve the consistency, comparability, and usefulness of capital asset information for users of government financial statements. The Hospital has included right-to-use assets and subscription-based information technology assets separately by major class with the capital assets note disclosures. The Hospital does not have capital assets held for sale and will continue to evaluate capital asset held for sale on an annual basis.

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.

Operating revenues and expenses – The Hospital’s statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues, such as patient service revenues, result from exchange transactions associated with providing healthcare services, the Hospital’s principal activity. Exchange transactions are those in which each party to the transaction receives and gives up essentially equal values. Operating expenses are all expenses incurred to provide healthcare services.

Grants and contracts – Revenue from grants and contracts is recognized to the extent of direct costs and allowable indirect expenses incurred under the terms of each agreement. Funds restricted by grantors for operating purposes are recognized as revenue when the terms of the grant have been met.

Nonoperating revenue and expenses – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as appropriations, gifts, government levies and subsidies, interest, and other expenses related to issuing and servicing debt. Nonoperating revenues also include revenues earned outside the clinical operations of the Hospital and their associated costs.

These revenue and expense streams are recognized under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Bequests and contributions are recognized when all applicable eligibility requirements have been met. Investment income is recognized in the period in which it is earned. The mill levy is recognized in the period in which it is collected by the Counties. Interest expense incurred on the outstanding debt obligations and other expenses related to servicing debt are recognized when due.

Cash and cash equivalents – The Hospital considers all highly liquid investments (excluding amounts whose use is limited) purchased with an original maturity of three months or less to be cash equivalents. For purposes of the statement of cash flows, cash and cash equivalents includes cash and cash equivalents, restricted cash for unexpended capital appropriation and cash with donor restrictions. Cash balances restricted by donors held for the Center and cash designated by UNM Hospital are included in the assets designated by UNM Hospital in the statements of net position. Total cash within the statements of net position at June 30 are as follows:

	2025	2024
Current assets		
Unrestricted cash and cash equivalents	$ 189,042,886	$ 290,211,664
Noncurrent assets		
Cash restricted by donors, the Hospital	23,156,531	21,745,239
Cash restricted by donors, the Center	350,674	342,547
Cash designated by UNM Hospital	34,017,803	37,500,000
	$ 246,567,894	$ 349,799,450

Investments and investment return – Investments are recorded at fair market value. At June 30, 2025 and 2024, investments consist of obligations of the U.S. government and U.S. government agencies. Investment income includes interest and realized and unrealized gains and losses on investments and interest earned on operating cash. Investment income is reported as nonoperating revenue when earned.

The Hospital follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of risk, interest rate risk, and foreign currency risk, and also requires certain disclosures of investments at fair values that are highly sensitive to changes in interest rates, as well as deposit and investment policies related to the risks identified in the statement.

Inventories – Inventories are recorded at the lower of cost or market. Cost is determined using the first-in, first-out method, except the replacement cost method is used for pharmacy and operating room inventories. Inventory consists principally of medical and surgical supplies and pharmaceuticals are stated at the lower of cost or market.

Assets designated by UNM Hospital Board of Trustees, designated by management, restricted by donors and restricted by trustee – Assets designated by UNM Hospital Board of Trustees are invested in healthcare related entities. The investment in TriWest Healthcare Alliance Corporation (TriWest) is accounted for using the fair value method. The investments in TriCore Reference Laboratories (TRL or TriCore) and TriCore Laboratory Services Corporation (TLSC) are accounted for using the equity method.

Assets designated by management include receivables and cash designated for the partial construction and purchase of equipment for the planned patient tower.

Assets restricted by donors include cash balances donated and held for expenditures as specified by the donors.

Assets held by trustee are restricted by the Federal Housing Administration (FHA) as a mortgage reserve fund for long-term debt.

Capital assets – Capital assets are stated at cost or at estimated fair value on date of acquisition. Donated property and equipment are stated at fair market value when received. The Hospital's capitalization policy for assets includes all items with a unit cost of more than $5,000. Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of the assets as indicated in the "*Estimated Useful Lives of Depreciable* Hospital *Assets*," Revised 2023 Edition published by the American Hospital Association. Repair and maintenance costs are charged to expense as incurred. On a quarterly basis, the Hospital assesses long-lived assets in order to determine whether or not it is necessary to retire, replace, or impair based on condition of the assets and their intended use. There were no capital assets deemed impaired at June 30, 2025 and 2024.

Leases – The Hospital is a lessee for various noncancellable leases of buildings and equipment. For leases with a maximum possible term of 12 months or less at commencement, the Hospital recognizes the expense based on the provisions of the lease contract. For all other leases, the Hospital recognizes a lease liability.

At lease commencement, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into lease expense on a straight-line basis over the shorter of the lease terms or the useful life of the underlying asset. If the Hospital is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Key estimates and judgments include how the Hospital determines the discount rate it uses to calculate the present value of the expected lease, lease term and lease payments.

The Hospital generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The Hospital's incremental borrowing rate for leases is based on the rate of interest it would pay for any amounts borrowed for capital projects.

The lease term includes the noncancellable period of the lease plus any additional periods covered by either a Hospital or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain not to be exercised.

Payments are evaluated by the Hospital to determine if they should be included in the measurement of the lease liability, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties and other payments.

The Hospital monitors changes in circumstances that may require remeasurement of a lease arrangement. When certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured, and a corresponding adjustment is made to the lease.

Lease assets are reported with long-term assets and lease liabilities are reported with short and long-term liabilities in the statements of net position.

Subscription-based information technology arrangements (SBITAs) – The Hospital is the end user for various 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, the Hospital recognizes an intangible right-to-use (RTU) 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 incremental borrowing rate. The right to use asset is amortized on a straight-line basis over the subscription term.

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.

Due from/to affiliates – As part of cash management practices, the Hospital centrally manages all cash receipts and disbursements for all its affiliates, the University of New Mexico Psychiatric Center and the University of New Mexico Children’s Psychiatric Center, which are collectively referred to as the “Center.” The Hospital receives all cash on behalf of the Center and pays all obligations. Amounts due from affiliates consist mainly of cash paid in excess of cash collected and do not bear interest. Amounts due to affiliates consist mainly of cash collected in excess of expenses paid and do not bear interest. The asset or liability is classified as noncurrent because it is not expected to be settled in the next year.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Education Retirement Board (ERB) plan and additions to/deductions from ERB’s fiduciary net position have been determined to be the same basis as they are reported by ERB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Compensated absences – Hospital policy grants eligible employees various forms of compensated absences. In accordance with GASB Statement No. 101, the Hospital accrued 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. The liability is measured at the employee’s pay rate in effect at the financial statement date and includes the Hospital’s share of associated costs such as Social Security, Medicare, and applicable retirement contributions. The Hospital 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)). Additional details regarding the Hospital’s compensated absences policies and liability are provided in Note 9.

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

Contractual adjustments resulting from agreements with various organizations to provide services for amounts that differ from billed charges, including services under Medicare, Medicaid, and certain managed care programs, are recorded as deductions from patient revenues.

The Hospital receives Medicaid Indirect Medical Education (IME) payments as outlined in the New Mexico Administrative Code §8.311.3.12F(8). IME funding is provided to hospitals that have residents in an approved Graduate Medical Education (GME) program to subsidize the higher patient care costs of teaching hospitals relative to nonteaching hospitals. GME funding is provided to the Hospital to subsidize the cost of direct and indirect medical education expenses for training residents in community-based primary care residency programs.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policy without expectation of payment or at amounts less than established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care with the exception of co-payments. Charity care is treated as a deduction from gross revenue.

County taxes

Bernalillo – The amount of the property tax levy is assessed annually on November 1 on the valuation of property as determined by the County Assessor and is due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due date unless the original levy date has been formally extended. Taxes are collected on behalf of the Hospital by the County Treasurer and are remitted to the Hospital in the month following collection. Revenue is recognized in the fiscal year the levy is collected by the County. This tax subsidy is provided for the operation and maintenance of the Hospital. The proceeds of the levy may not be used for any purpose other than that which the voters approved.

Sandoval – The amount of the property tax levy is assessed annually on January 1 on the valuation of property as determined by the County Assessor and is due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due date unless the original levy date has been formally extended. Taxes are collected on behalf of Sandoval Campus by the County Treasurer and are remitted to the Sandoval Campus in the month following collection. On November 6, 2018, voters approved a new eight year, 1.90 mills tax levy on property owned within Sandoval County. The mill levy is intended to fund expansion of outpatient behavioral health services and an increase in staffing to provide a level III trauma center designation at the Medical Center. The mill levy contract with Sandoval County was effective July 1, 2019.

Both Bernalillo and Sandoval Counties may utilize property tax exemptions and abatements to stimulate economic development and investment in the community. Agencies enter into abatement agreements under the authority of NMSA 7 37 6 and NMSA 7 38. The Bernalillo County proceeds of the levy were reduced by $1.4 million and $1.1 million in aggregate, authorized by Bernalillo County, the City of Albuquerque, and the New Mexico Hospital Equipment Loan Council, during the years ended June 30, 2025 and 2024, respectively, as a result of the exemptions and abatements granted. The Sandoval County proceeds of the levy were reduced by $46 thousand and $62 thousand during the years ended June 30, 2025 and 2024, respectively, authorized by the City of Rio Rancho.

State appropriation – The funding for the state appropriation is included in the General Appropriation Act, which is approved by the House and Senate of the State Legislature and signed by the governor before going into effect. Total funds appropriated for the years ended 2025 and 2024 include $9.5 million and $8.8 million, respectively, in the General Fund. The General Fund is designated as a nonreverting fund, per House Bill 2, Section 4, Subsection J, Higher Education.

FEMA funding – The Federal Government declared the COVID-19 pandemic a federal emergency. This allowed the Federal Emergency Management Agency (FEMA) to issue monetary assistance for COVID-19 expenses incurred during the federal emergency period (March 2020 to May 2023). FEMA funding is for specific projects submitted for reimbursement and is recognized in revenues once fully obligated. The Hospital recognized $246 thousand and $52.5 million in FEMA funding during the years ended June 30, 2025 and 2024, respectively. These amounts relate to reimbursed costs that were incurred by the Hospital during the height of the COVID-19 pandemic. The majority of the funding is a reimbursement of contract labor expense that was incurred during the year ended June 30, 2021 to care for COVID-19 positive patients.

Income taxes – As part of a state institution of higher education, the income of the Hospital is generally excluded from federal and state income taxes under Section 115(1) of the Internal Revenue Code. However, income generated from activities unrelated to the Hospital’s exempt purpose is subject to income taxes under Internal Revenue Code, Section 511(a)(2)(B). During the years ended June 30, 2025 and 2024, there was no income generated from unrelated activities.

Gross receipts taxes – The Hospital is subject to a 5% gross receipts tax on all service generated revenues after a 60% deduction on applicable receipts. Gross receipts tax is calculated and recorded in the accompanying financial statements on an accrual basis. Taxes are paid on a cash basis for the period received.

Intergovernmental transfers – Intergovernmental transfers (IGTs) are recognized in the period in which the Hospital incurs an obligation to make payments to other governmental entities as evidenced by executed Memoranda of Understanding (MOUs) between the State of New Mexico and the Hospital. The Hospital recorded $118.8 million and $122.0 million in IGT obligations for the years ended June 30, 2025 and 2024 respectively. Due to the nature of the MOUs to fund a portion of the nonfederal share to obtain federal matching funds for the Medicaid “Turquoise (formally Centennial) Care,” and since the Medicaid “Turquoise Care” program is for the provision of patient care, IGTs are recorded as a reduction of net patient service revenue.

Net investment in capital assets – Net investment in capital assets represents the Hospital’s total investment in capital assets, net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. There were no unspent bond or mortgage proceeds at June 30, 2025 and 2024.

Risk management – The Hospital sponsors a self-insured health plan in which the Center also participates, as all employees are under the centralized umbrella of the Hospital. Blue Cross and Blue Shield of New Mexico and HMO New Mexico (BCBSNM) provide administrative claim payment services for the Hospital's plan. Liabilities are based on an estimate of claims that have been incurred but not reported (IBNR) and claims received but not yet paid. The estimated amount of the Hospital's IBNR and accrued claims was approximately $5.9 million and $5.4 million at June 30, 2025 and 2024, respectively, which is included in accrued payroll. As the Hospital receives all cash and pays all obligations of the Center, the estimated amount of the Center's IBNR and accrued invoices recorded in the Hospital's accrued payroll was approximately $445 thousand and $430 thousand at June 30, 2025 and 2024, respectively. The liability for IBNR was based on actuarial analysis calculated using information provided by BCBSNM.

Changes in the reported Hospital liability during the years 2025 and 2024 resulted from the following:

	Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2024-2025	$ 5,399,093	$ 64,114,239	$ (63,584,770)	$ 5,928,562
2023-2024	$ 5,169,173	$ 62,252,478	$ (62,022,558)	$ 5,399,093

Reclassification – Certain 2024 amounts have been reclassified to conform to the 2025 presentation.

Note 3 – Cash, Cash Equivalents, and Investments

Cash and cash equivalents

Deposits – The Hospital's deposits are held in demand accounts with a financial institution. State statutes require financial institutions to pledge qualifying collateral to the Hospital to cover at least 50% of the uninsured deposits; however, the Hospital requires more collateral as it considers prudent. All collateral is held in third-party safekeeping.

The bank balances of the Hospital's deposits with financial institutions at June 30, 2025 and 2024, are $259,131,917 and $374,743,630, respectively.

The following collateral was held for bank balances at June 30:

	2025	2024
Amount insured by the Federal Deposit Insurance Corporation (FDIC)	$ 500,000	$ 500,000
Amount collateralized with securities held in the Hospital's name	451,441,534	440,188,243
	$ 451,941,534	$ 440,688,243

Custodial credit risk – deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital has a custodial risk policy for deposits that requires collateral in an amount greater than or equal to 50% of the deposit not insured by the FDIC. A greater amount of collateral is required when the Hospital determines it is prudent. As of June 30, 2025 and 2024, the Hospital's bank deposits were not exposed to custodial credit risk.

Marketable securities

Interest rate risk – debt investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, the Hospital does not have a specific policy to limit its exposure to interest rate risk.

A summary of the marketable securities and their respective maturities and their exposure to interest rate risk is as follows:

	June 30, 2025		
	Fair Value	Less Than 1 Year	1–5 Years
Items subject to interest rate risk			
Money market funds	$ 139,780	$ 139,780	$ -
U.S. Treasury notes	39,713,221	8,714,542	30,998,679
Total items subject to interest rate risk	39,853,001	8,854,322	30,998,679
Total marketable securities	$ 39,853,001	$ 8,854,322	$ 30,998,679

	June 30, 2024		
	Fair Value	Less Than 1 Year	1–5 Years
Items subject to interest rate risk			
Money market funds	$ 24,476	$ 24,476	$ -
U.S. Treasury notes	37,769,686	7,694,434	30,075,252
Total items subject to interest rate risk	37,794,162	7,718,910	30,075,252
Total marketable securities	$ 37,794,162	$ 7,718,910	$ 30,075,252

Custodial credit risk – debt investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital 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 $39.9 million and $37.8 million at 2025 and 2024, respectively, are insured, registered, and held by the counterparty's agent in the Hospital's name.

The Hospital's custodial risk policy for investments in U.S. Treasury securities and U.S. government agency obligations is in accordance with Chapter 6, Article 10, Section 10 of the NMSA, 1978. An outside consulting firm makes investment decisions, and the investments are held in safekeeping by a financial institution.

Credit risk – debt investments – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Hospital is required to disclose credit ratings of its debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. government, and nondebt investments are excluded from this requirement. Currently, the Hospital has a policy that restricts short-term investments to specific investment ratings issued by nationally recognized statistical rating organizations. The policy states that cash equivalent reserves shall consist of interest-bearing or discount instruments of the U.S. government or agencies thereof.

A summary of the marketable securities at June 30, 2025 and 2024, and their exposure to credit risk is as follows:

	2025		2024	
	Rating	Fair Value	Rating	Fair Value
Items not subject to credit risk				
U.S. Treasury securities				
Treasury notes	N/A	$ 39,713,221	N/A	$ 37,769,686
Items subject to credit risk				
Money market funds	Not rated	139,780	Not rated	24,476
Total marketable securities		$ 39,853,001		$ 37,794,162

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.

For long-term investments, the Hospital has a policy to limit its exposure to concentrated risk. It states the portfolio will be constructed and maintained to provide prudent diversification with regard to concentration of holdings in individual issues, corporations, or industries.

The Hospital has no exposure to concentrated credit risk as of June 30, 2025.

Long-term investments

Interest rate risk – debt investments – Currently, the Hospital does not have a specific policy to limit its exposure to interest rate risk.

A summary of the long-term investments and their respective maturities and their exposure to interest rate risk is as follows:

	June 30, 2025		
	Fair Value	Less Than 1 Year	Greater Than 1 Year
Items subject to interest rate risk			
Money market fund	$ 29,361,913	$ 29,361,913	$ -
U.S. Treasury securities	7,808,748	3,861,933	3,946,815
Items not subject to interest rate risk			
Investments in nonpublic entities*	33,819,674	-	33,819,674
Total long-term investments	$ 70,990,335	$ 33,223,846	$ 37,766,489

* Investments in nonpublic entities include TriWest (recorded at fair value) and TRL and TLSC (recorded using the equity method of accounting).

	June 30, 2024		
	Fair Value	Less Than 1 Year	Greater Than 1 Year
Items subject to interest rate risk			
Money market fund	$ 23,923,807	$ 23,923,807	$ -
U.S. Treasury securities	11,509,293	3,883,884	7,625,409
Items not subject to interest rate risk			
Investments in nonpublic entities*	33,052,916	-	33,052,916
Total long-term investments	$ 68,486,016	$ 27,807,691	$ 40,678,325

* Investments in nonpublic entities include TriWest (recorded at fair value) and TRL and TLSC (recorded using the equity method of accounting).

Custodial credit risk – debt investments – As of June 30, 2025 and 2024, the Hospital held no U.S. government obligations for long-term investment purposes.

The Hospital's custodial risk policy for the bond proceeds conforms to the trust indenture, and the trustee holds the investments in safekeeping.

Credit risk – debt investments – The Hospital is required to disclose credit ratings of its debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. government, and nondebt investments are excluded from this requirement. Currently, the Hospital has a policy that restricts long-term investments to specific investment ratings issued by nationally recognized statistical rating organizations. The policy states that cash equivalent reserves shall consist of interest-bearing or discount instruments of the U.S. government or agencies thereof.

A summary of long-term investments at June 30, 2025 and 2024, and their exposure to credit risk is as follows:

	2025		2024	
	Rating	Fair Value	Rating	Fair Value
Items subject to credit risk				
Money market funds	Not rated	$ 29,361,913	Not rated	$ 23,923,807
Items not subject to credit risk				
U.S. Treasury securities	N/A	7,808,748	N/A	11,509,293
Investments in nonpublic entities*	N/A	33,819,674	N/A	33,052,916
Total long-term investments		$ 70,990,335		$ 68,486,016

* Investments in nonpublic entities include TriWest (recorded at cost which approximates fair value) and TRL and TLSC (recorded using the equity method of accounting).

Note 4 – Fair Value Measurement

The Hospital accounts for investments in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 requires the use of valuation techniques for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Level 2 – inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobserved and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Fixed Income – U.S. Treasury securities are recorded at fair value using quoted market prices (Level 1).

U.S. Agency and Government-Sponsored Entity Securities – Mortgage pass-through securities are model-driven based on spreads of the comparable to-be-announced security (Level 2).

Investment in TriWest – The Hospital holds a noncontrolling equity interest in TriWest, which is recorded at fair value based on the results of operations of the investee (Level 3).

	Assets at Fair Value as of June 30, 2025		
	Level 1	Level 2	Level 3
Fixed income	$ 47,521,969	$ -	$ -
Investment in TriWest	-	-	5,370,176
Total	$ 47,521,969	$ -	$ 5,370,176

	Assets at Fair Value as of June 30, 2024		
	Level 1	Level 2	Level 3
Fixed income	$ 49,278,979	$ -	$ -
Investment in TriWest	-	-	5,000,000
Total	$ 49,278,979	$ -	$ 5,000,000

Note 5 – Concentration of Risk

The Hospital receives payment for services rendered to patients under payment arrangements with payors, which include: (i) Medicare and Medicaid; (ii) other third-party payors including commercial carriers and health maintenance organizations; and (iii) others. The other payor category includes U.S. Public Health Service, self-pay, counties and other government agencies. The following table summarizes patient accounts receivable and the percentage of gross accounts receivable from all payors as of June 30:

	2025		2024	
Medicaid	$ 118,166,668	27%	$ 105,070,613	26%
Medicare	103,108,369	24%	103,818,854	25%
Other third-party payors	139,774,011	33%	138,047,774	34%
Others	69,924,024	16%	63,518,762	15%
Total patient accounts receivable	430,973,072	100 %	410,456,003	100 %
Less allowance for uncollectible accounts and contractual adjustments	(240,310,647)		(227,621,431)	
Patient accounts receivable, net	$ 190,662,425		$ 182,834,572	

Federal and state health care policy and budget cuts – The Hospital 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 the Hospital's operations. However, the timing, likelihood, and specific impact of these policy changes remain uncertain.

Note 6 – Restricted and Designated Assets

The following table summarizes restricted and designated assets as of June 30:

	2025	2024
Cash designated by management for capital replacement	$ 34,017,803	$ 37,500,000
Cash with donor restrictions, the Hospital	23,156,531	21,745,239
Cash with donor restrictions, the Center	350,674	342,547
Restricted for debt service	705,739	529,698
Restricted for mortgage reserve funds	37,170,681	35,433,100
Designated by UNM Hospital Board of Trustees	33,819,674	33,052,916
	$ 129,221,102	$ 128,603,500

Various assets above are either restricted by third parties or designated by management for capital projects. These amounts are reflected as noncurrent assets as the funds will be utilized to construct capital assets that will be classified as noncurrent.

The Hospital has established mortgage reserve funds in accordance with the requirements and conditions of the FHA Regulatory Agreement. Notwithstanding any other provision in the Regulatory Agreement, the Mortgage Reserve Funds may be used by HUD if the Hospital is unable to make a mortgage note payment on the due date. The Hospital is required to make contributions to the fund based on the Mortgage Reserve Fund schedules.

Assets designated by UNM Hospital Board of Trustees – The Hospital owns 382.1 shares of tracking stock in TriWest, an organization formed to administer healthcare benefits to military retirees and dependents of active-duty personnel in the CHAMPUS/TriCare Central Region. The investment in TriWest is accounted for at fair value, which approximates cost. For years ending June 30, 2025 and 2024, fair value cost was $5.4 million. The Hospital recognized no return on investment during the years ended June 30, 2025 and 2024.

The Hospital has an affiliation agreement with Presbyterian Healthcare Services for the operation of a consolidated clinical laboratory (TriCore) to optimize the quality, performance, and delivery of routine and specialized clinical laboratory tests for patients throughout the State of New Mexico in a cost-effective and timely manner. UNM, through the Hospital, has a 50% interest in TriCore totaling approximately $21.7 million and $21.3 million at June 30, 2025 and 2024, respectively.

The Hospital has a 50% interest in TriCore Laboratory Services Corporation (TLSC), which was organized to provide laboratory services, on a centralized basis for its members, the Hospital and Presbyterian Healthcare Services. The investment carrying amounts are approximately $6.7 million at June 30, 2025 and 2024. The investment is accounted for using the equity method. The Hospital recorded laboratory expenses of approximately $48.1 million in 2025 and $46.3 million in 2024.

Note 7 – Capital Assets

The major classes of capital assets at June 30 and related activity for the years then ended are as follows:

	Year Ended June 30, 2025				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Hospital capital assets not being depreciated					
Land	$ 4,223,019	$ -	$ -	$ -	$ 4,223,019
Construction in progress	496,830,968	124,511,974	(18,346,176)	-	602,996,766
Artwork	12,333	-	-	-	12,333
	$ 501,066,320	$ 124,511,974	$ (18,346,176)	$ -	$ 607,232,118
Hospital depreciable capital assets					
Land and land improvements	$ 37,616,340	$ -	$ 237,964	$ -	$ 37,854,304
Building and building improvements	341,811,423	-	6,301,765	-	348,113,188
Building service equipment	247,051,057		10,813,976	(36,585)	257,828,448
Major moveable equipment	239,567,540	18,449,115	37,711	(9,105,879)	248,948,487
Fixed equipment	22,839,772	-	734,834	-	23,574,606
Computer equipment	29,587,976	1,956,787	219,926	(469,532)	31,295,157
Computer software	51,582,864	1,023,907	-	-	52,606,771
Total depreciable capital assets	970,056,972	21,429,809	18,346,176	(9,611,996)	1,000,220,961
Less accumulated depreciation for					
Land improvements	(12,801,593)	(1,665,883)	-	-	(14,467,476)
Building and building improvements	(148,105,662)	(10,958,586)	-	-	(159,064,248)
Building service equipment	(153,966,908)	(10,687,872)	-	35,772	(164,619,008)
Major moveable equipment	(181,093,725)	(15,851,085)	-	9,048,943	(187,895,867)
Fixed equipment	(17,491,627)	(1,021,093)	-	-	(18,512,720)
Computer equipment	(20,701,981)	(1,897,624)	-	425,305	(22,174,300)
Computer software	(49,422,692)	(963,224)	-	-	(50,385,916)
Total accumulated depreciation	(583,584,188)	(43,045,367)	-	9,510,020	(617,119,535)
Hospital depreciable capital assets, net	$ 386,472,784	$ (21,615,558)	$ 18,346,176	$ (101,976)	$ 383,101,426
Capital asset summary					
Hospital capital assets not being depreciated	$ 501,066,320	$ 124,511,974	$ (18,346,176)	$ -	$ 607,232,118
Hospital depreciable capital assets at cost	970,056,972	21,429,809	18,346,176	(9,611,996)	1,000,220,961
Hospital total cost of capital assets	1,471,123,292	145,941,783	-	(9,611,996)	1,607,453,079
Less accumulated depreciation	(583,584,188)	(43,045,367)	-	9,510,020	(617,119,535)
Hospital capital assets, net	$ 887,539,104	$ 102,896,416	$ -	$ (101,976)	$ 990,333,544

	Year Ended June 30, 2024					
	Beginning Balance	Sandoval Campus Acquisition	Additions	Transfers	Retirements	Ending Balance
Hospital capital assets not being depreciated						
Land	$ 2,739,087	$ -	$ 1,483,932	$ -	$ -	$ 4,223,019
Construction in progress	381,615,258	1,505,480	138,611,850	(24,901,620)	-	496,830,968
Artwork	-	12,333	-	-	-	12,333
	$ 384,354,345	$ 1,517,813	$ 140,095,782	$ (24,901,620)	$ -	$ 501,066,320
Hospital depreciable capital assets						
Land and land improvements	$ 20,200,773	$ -	$ 167,841	$ 17,247,726	$ -	$ 37,616,340
Building and building improvements	241,623,551	106,376,549	53,753	(6,242,430)	-	341,811,423
Building service equipment	224,510,559	6,481,505	4,395,491	11,667,855	(4,353)	247,051,057
Major moveable equipment	189,103,502	39,152,318	16,953,626	-	(5,641,906)	239,567,540
Fixed equipment	18,016,443	4,369,347	17,655	448,744	(12,417)	22,839,772
Computer equipment	27,260,444	-	2,334,858	-	(7,326)	29,587,976
Computer software	49,732,507	-	634,077	1,779,725	(563,445)	51,582,864
Total depreciable capital assets	770,447,779	156,379,719	24,557,301	24,901,620	(6,229,447)	970,056,972
Less accumulated depreciation for						
Land improvements	(11,184,505)	-	(1,617,088)	-	-	(12,801,593)
Building and building improvements	(110,426,618)	(29,443,527)	(8,235,517)	-	-	(148,105,662)
Building service equipment	(140,409,133)	(3,432,433)	(10,126,632)	-	1,290	(153,966,908)
Major moveable equipment	(138,480,866)	(31,758,528)	(16,574,970)	-	5,720,639	(181,093,725)
Fixed equipment	(13,314,182)	(3,090,628)	(1,094,804)	-	7,987	(17,491,627)
Computer equipment	(18,818,124)	-	(1,891,183)	-	7,326	(20,701,981)
Computer software	(48,556,790)	-	(1,429,347)	-	563,445	(49,422,692)
Total accumulated depreciation	(481,190,218)	(67,725,116)	(40,969,541)	-	6,300,687	(583,584,188)
Hospital depreciable capital assets, net	$ 289,257,561	$ 88,654,603	$ (16,412,240)	$ 24,901,620	$ 71,240	$ 386,472,784
Capital asset summary						
Hospital capital assets not being depreciated	$ 384,354,345	$ 1,517,813	$ 140,095,782	$ (24,901,620)	$ -	$ 501,066,320
Hospital depreciable capital assets at cost	770,447,779	156,379,719	24,557,301	24,901,620	(6,229,447)	970,056,972
Hospital total cost of capital assets	1,154,802,124	157,897,532	164,653,083	-	(6,229,447)	1,471,123,292
Less accumulated depreciation	(481,190,218)	(67,725,116)	(40,969,541)	-	6,300,687	(583,584,188)
Hospital capital assets, net	$ 673,611,906	$ 90,172,416	$ 123,683,542	$ -	$ 71,240	$ 887,539,104

Note 8 – Leases and Subscription-Based Information Technology Agreements

Leases – A summary of the lease asset activity during the years ended June 30, 2025 and 2024, is as follows:

	Balance at June 30, 2024	Additions	Deductions	Balance at June 30, 2025
Lease assets				
Buildings	$ 17,534,820	$ -	$ -	$ 17,534,820
Equipment	1,536,545	-	-	1,536,545
Total lease assets	19,071,365	-	-	19,071,365
Less accumulated amortization				
Buildings	(7,175,043)	(1,758,793)	-	(8,933,836)
Equipment	(1,506,822)	(29,723)	-	(1,536,545)
Total accumulated amortization	(8,681,865)	(1,788,516)	-	(10,470,381)
Total lease assets, net	$ 10,389,500	$ (1,788,516)	$ -	$ 8,600,984

	Balance at June 30, 2023	Sandoval Campus Acquisition	Additions	Deductions	Balance at June 30, 2024
Lease assets					
Buildings	$ 12,496,041	$ 5,038,779	$ -	$ -	$ 17,534,820
Equipment	1,536,545	-	-	-	1,536,545
Total lease assets	14,032,586	5,038,779	-	-	19,071,365
Less accumulated amortization					
Buildings	(4,430,056)	(810,404)	(1,934,583)	-	(7,175,043)
Equipment	(1,150,151)	-	(356,671)	-	(1,506,822)
Total accumulated amortization	(5,580,207)	(810,404)	(2,291,254)	-	(8,681,865)
Total lease assets, net	$ 8,452,379	$ 4,228,375	$ (2,291,254)	$ -	$ 10,389,500

Changes in long-term lease liabilities for the years ended June 30, 2025 and 2024, are summaries below:

Balance at June 30, 2024	Additions	Deductions	Balance at June 30, 2025	Amounts Due Within One Year
$ 10,898,867	$ -	$ (1,793,453)	$ 9,105,414	$ 819,459

Balance at June 30, 2023	Sandoval Campus Acquisition	Additions	Deductions	Balance at June 30, 2024	Amounts Due Within One Year
$ 8,839,124	$ 4,292,012	$ -	$ (2,232,269)	$ 10,898,867	$ 1,793,454

Future annual lease payments are as follows:

Years Ending June 30,	Principal Amount	Interest Amount	Total
2026	$ 819,459	$ 250,175	$ 1,069,634
2027	837,300	229,664	1,066,964
2028	834,621	208,791	1,043,412
2029	835,467	188,432	1,023,899
2030	856,189	167,710	1,023,899
2031-2035	2,365,960	564,245	2,930,205
2036-2040	1,504,981	298,613	1,803,594
2041-2044	1,051,437	56,897	1,108,334
Total	$ 9,105,414	$ 1,964,527	$ 11,069,941

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

	Balance at June 30, 2024	Additions	Deductions	Balance at June 30, 2025
SBITA assets				
Software	$ 43,137,658	$ 687,591	$ -	$ 43,825,249
Total SBITA assets	43,137,658	687,591	-	43,825,249
Less accumulated amortization				
Software	(20,094,708)	(6,300,649)	-	(26,395,357)
Total accumulated amortization	(20,094,708)	(6,300,649)	-	(26,395,357)
Total SBITA assets, net	$ 23,042,950	$ (5,613,058)	$ -	$ 17,429,892

	Balance at June 30, 2023	Additions	Deductions	Balance at June 30, 2024
SBITA assets				
Software	$ 43,137,658	$ -	$ -	$ 43,137,658
Total SBITA assets	43,137,658	-	-	43,137,658
Less accumulated amortization				
Software	(13,430,948)	(6,663,760)	-	(20,094,708)
Total accumulated amortization	(13,430,948)	(6,663,760)	-	(20,094,708)
Total SBITA assets, net	$ 29,706,710	$ (6,663,760)	$ -	$ 23,042,950

Changes in SBITA liabilities for the years ended June 30, 2025 and 2024, are summarized below:

Balance at June 30, 2024	Additions	Deductions	Balance at June 30, 2025	Amounts Due Within One Year
$ 23,655,638		$ (5,599,063)	$ 18,056,575	$ 5,582,496

Balance at June 30, 2023	Additions	Deductions	Balance at June 30, 2024	Amounts Due Within One Year
$ 30,024,647	$ -	$ (6,369,009)	$ 23,655,638	$ 5,740,936

A schedule of future minimum SBITA payments for the Hospital as of June 30, 2025, is as follows:

Years Ending June 30,	Principal Amount	Interest Amount	Total
2026	$ 5,582,496	$ 489,435	$ 6,071,931
2027	4,947,319	320,912	5,268,231
2028	1,239,501	224,617	1,464,118
2029	1,280,596	183,297	1,463,893
2030	1,323,053	140,608	1,463,661
2031-2033	3,683,610	157,351	3,840,961
Total	$ 18,056,575	$ 1,516,220	$ 19,572,795

Note 9 – Compensated Absences

Qualified hospital employees are entitled to accrue sick leave and annual leave based on their full-time equivalent (FTE) status. Accrued sick leave and annual leave balances are carried as a liability within compensated absences on the Statement of Net Position and consist of the following as of June 30:

	2025	2024
Annual leave	$ 29,429,855	$ 28,352,836
Minor sick leave	5,267,787	5,201,134
Major sick leave	12,356,495	12,667,150
	$ 47,054,137	$ 46,221,120

Annual leave – Full-time employees accrue annual leave based on their length of employment up to a maximum of 480 hours. Part-time employees who are at least 0.5 FTE earn annual leave on a prorated basis each pay period. At June 30 of each year, employees have the opportunity to exchange for cash up to 80 annual leave hours accumulated in excess of 240 hours. At termination, employees are eligible for payment of unused accumulated hours, not to exceed 480 hours. Accrued annual leave is computed by multiplying each employee’s current hourly rate by the number of hours accrued.

Sick leave – Full-time employees accrue four hours of sick leave each two-week pay period (13 days per annum) up to a maximum of 104 hours to be used for major and minor sick leave. Seven of these days are accumulated into a minor sick leave bank and the remaining six days accumulate into a major sick leave bank. Part-time employees who are at least 0.5 FTE earn sick leave on a prorated basis each pay period. At June 30 of each year, employees have the opportunity to exchange for annual leave, major sick leave or cash all hours accumulated in excess of 24 hours on an hour-for-hour basis. At termination, only employees who retire from the Hospital and qualify under the Hospital's policy or estates of employees who die as the result of a compensable occupational illness or injury are eligible for payment of unused accumulated hours. Accrued minor sick leave is computed by multiplying each employee's current hourly rate by the number of hours accrued. Accrued major sick leave under GASB 101 is based on payouts required on FTEs that have met the years of service plus age requirement, based on their respective dates of hire. An additional amount is accrued for hours earned but not yet vested as of year-end that are expected to vest within the next three years.

Changes in compensated absences – 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.

Balance July 1, 2024	Additions/(Reductions)	Balance June 30, 2025
$ 46,221,120	$ 833,017	$ 47,054,137

Balance July 1, 2023	Additions/(Reductions)	Balance June 30, 2024
$ 43,300,301	$ 2,920,819	$ 46,221,120

During fiscal year 2025 the Hospital implemented GASB Statement No. 101, *Compensated Absences*. This statement changed how the compensated absences liability is recognized and measured by moving from a vesting to more likely than not recognition model, as well as including certain salary related expenses in the measurement of the liability.

Implementation of this statement reduced the ending fiscal year 2024 and 2023 net position, increased accrued compensated absences, and total operating expenses as reflected in the following schedule.

Ending fiscal year 2024 net position as previously reported	$ 925,774,879
Reduced by implementing GASB 101	12,667,150
Adjusted fiscal year 2024 ending net position	$ 913,107,729
Ending fiscal year 2024 accrued compensated absences as previously reported	$ 33,553,970
Increased by implementing GASB 101	12,667,150
Adjusted fiscal year 2024 ending accrued compensated absences	$ 46,221,120
Ending fiscal year 2024 operating expenses as previously reported	$ 1,675,613,192
Increased by implementing GASB 101	448,951
Adjusted fiscal year 2024 ending operating expenses	$ 1,676,062,143

Note 10 – Bonds Payable and Mortgages Payable

Bonds payable – On December 12, 2014, the Regents adopted a Parameters Resolution authorizing the issuance of the Government National Mortgage Association (GNMA)-Backed, HUD-Insured Mortgage Bonds to redeem and refinance prior bonds. On May 7, 2015, the Regents adopted Resolutions authorizing the execution of amended FHA Documents and loan modification documents. On May 14, 2015, the Hospital issued $115,000,000 in bonds (2015 Series bonds). The bonds were issued pursuant to a trust indenture, dated as of May 1, 2015, by and between the Hospital and Wells Fargo Bank, National Association, as trustee for the purpose of refinancing a previously issued bond series. The 2015 Series bonds carry interest rates that range from 0.484% to 3.532%.

The Regents granted the GNMA Issuer in respect of the UNM Hospital HUD-Insured Bonds a security interest in all of the Hospital's revenues, cash (with the exception of the proceeds of the UNM Hospital mill levy and state appropriations), accounts receivable, contract rights, and the proceeds of the same. In addition, in that certain Regulatory Agreement signed by the Regents, that is still in effect today, the University agreed and committed to HUD that it would not "assign, transfer, dispose of, or encumber any personal property of the project including revenues from any source." Lastly, in accordance with the terms of the Lease under which the University leases a portion of the Hospital facility from Bernalillo County, all reserves of the Hospital covered by the Lease are restricted to use for operation and maintenance of the Hospital. Failure to abide by the terms of the regulatory agreement with HUD could trigger an event of default. Events of default with financial consequences include failure to pay monthly debt servicing payments as agreed; transfer of or use of the mortgaged property for purposes other than the operation of the Hospital; and failure to adequately maintain the mortgaged property. In the event of default, HUD has the option to declare the entire balance immediately due and payable if the triggering event is not remedied within 30 days.

The 2015 Series bonds were issued as special limited obligations of the Hospital and are secured primarily by fully modified mortgage-backed securities in the aggregate principal amount of $55,609,000 (the GNMA securities), issued by Prudential Huntoon Paige Associates, Ltd. (the Lender), guaranteed as to principal and interest by the GNMA, with respect to the mortgage note.

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

Interest expense associated with the bonds was approximately $2.0 million and $2.3 million for the years ended June 30, 2025 and 2024, respectively. Interest income earned from the investment of the bond proceeds was approximately $1.0 million and $1.1 million for the years ended June 30, 2025 and 2024, respectively.

Bonds payable activity consists of the following:

	Year Ended June 30, 2025				
	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
FHA Insured Hospital Mortgage Revenue Bond Series 2015	$ 61,485,000	$ -	$ (6,690,000)	$ 54,795,000	$ 6,975,000
	$ 61,485,000	$ -	$ (6,690,000)	$ 54,795,000	$ 6,975,000

	Year Ended June 30, 2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
FHA Insured Hospital Mortgage Revenue Bond Series 2015	$ 67,965,000	$ -	$ (6,480,000)	$ 61,485,000	$ 6,690,000
	$ 67,965,000	$ -	$ (6,480,000)	$ 61,485,000	$ 6,690,000

Future debt service (including mandatory redemptions) as of June 30, 2025, for the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2026	$ 6,975,000	$ 1,874,344	$ 8,849,344
2027	7,240,000	1,625,691	8,865,691
2028	7,520,000	1,367,502	8,887,502
2029	7,805,000	1,099,423	8,904,423
2030	8,105,000	821,102	8,926,102
2031-2032	17,150,000	764,237	17,914,237
Total	$ 54,795,000	$ 7,552,299	$ 62,347,299

On November 15, 2004, the Hospital established a Mortgage Reserve Fund in accordance with the requirements and conditions of the 2004 FHA Regulatory Agreement. On May 14, 2015, a new Mortgage Reserve Fund was established for the 2015 series bonds. The Mortgage Reserve Fund is fully funded.

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

Mortgages payable – On September 9, 2021, the Lomas Campus closed on a mortgage loan to partially finance the construction of a new patient tower. The debt was issued under the HUD Section 242 loan guarantee program and is backed by GNMA securities. The mortgage has been fully drawn and carries an interest rate of 3.275%. The terms of the loan require interest only payments through construction. Principal and interest payments began on October 1, 2024, with loan maturity occurring on September 1, 2049. During the years ended June 30, 2025 and 2024, the Lomas Campus drew down $43.1 million and $110.4 million and incurred interest of $10.0 million and $7.3 million, respectively.

In July 2020, the Sandoval Campus entered into an agreement and mortgage with KeyBank National Association to refinance the Medical Center's mortgage from an APR of 4.86% (3.33% net of BAB Subsidy) to an APR of 1.98%. In connection with the mortgage refinance, in July 2020 the outstanding principal of the Series 2010A and Series 2010B bonds, net of the original issue discount, totaling $113.3 million, along with $5.1 million for interest payments due in the year ended June 30, 2021 through the January 2021 bond call date, were placed in an irrevocable trust from which the remaining debt service payments for bond defeasance were paid in January 2021. The Sandoval Campus was released from all obligations related to the bonds in July 2020. A loss on defeasance of $2.4 million was recorded as a deferred outflow at the July 2020 defeasance date. The deferred outflow is being amortized over the life of the mortgage, which is the same as the life of the defeased bonds. The Sandoval Campus completed the mortgage refinance to reduce its total debt service payments by $17.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $13.7 million.

The mortgage note with KeyBank National Association has an original outstanding principal amount of $111.5 million with monthly principal payments of $0.6 million until July 2037, for a total of 204 installments. The note is insured by the United States Department of Housing and Urban Development and is collateralized by the Sandoval Campus building.

Mortgage payable activity consists of the following:

	Year Ended June 30, 2025				
	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Mortgage Payable					
Lomas Campus	$ 276,877,378	$ 43,122,622	$ (6,281,028)	$ 313,718,972	$ 8,617,994
Sandoval Campus	88,915,828	-	(6,057,520)	82,858,308	6,178,553
	$ 365,793,206	$ 43,122,622	$ (12,338,548)	$ 396,577,280	$ 14,796,547

	Year Ended June 30, 2024					
	Beginning Balance	Sandoval Campus Acquisition	Additions	Deductions	Ending Balance	Amount Due Within One Year
Mortgage Payable						
Lomas Campus	$ 166,499,958	$ -	$ 110,377,410	$ -	$ 276,877,378	$ 6,281,028
Sandoval Campus	-	94,854,686	-	(5,936,858)	88,915,828	6,057,520
	$ 166,499,958	$ 94,854,686	$ 110,377,410	$ (5,936,858)	$ 365,793,206	$ 12,338,548

The Lomas Campus mortgage has been drawn down fully as of June 30, 2025. The remaining $43,122,622 was drawn down and principal payments commenced during the year ending June 30, 2025. The following schedule summarizes the required future principal and interest mortgage payments as of June 30, 2025:

Years Ending June 30,	Principal	Interest	Total
2026	$ 14,796,547	$ 11,730,425	$ 26,526,972
2027	15,206,514	11,320,459	26,526,973
2028	15,628,472	10,898,500	26,526,972
2029	16,062,789	10,464,183	26,526,972
2030	16,509,841	10,017,132	26,526,973
2031–2035	89,728,687	42,906,176	132,634,863
2036–2040	79,079,227	30,265,803	109,345,030
2041–2045	75,215,048	18,603,425	93,818,473
2046–2050	74,350,155	5,395,548	79,745,703
Total	$ 396,577,280	$ 151,601,651	$ 548,178,931

Note 11 – Net Patient Service Revenues

The majority of the Hospital's revenue is generated through agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established charges. Approximately 57% and 59% of the Hospital's gross patient revenues for the years ended June 30, 2025 and 2024, were derived from the Medicare and Medicaid programs, the continuation of which are dependent upon governmental policies. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded revenue estimates could change as a result of regulatory review. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established charges for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement from major third-party payors is as follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These Medical Severity Diagnosis Related Group (MS-DRG) rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Most Medicare outpatient services are prospectively paid through Medicare's Outpatient Prospective Payment System (OPPS). Services excluded from the OPPS and paid under separate fee schedules include clinical lab, certain rehabilitation services, durable medical equipment, renal dialysis treatments, ambulance services, and professional fees of physicians and nonphysician practitioners.

Medicaid – Inpatient acute care services rendered to Medicaid FFS program beneficiaries are paid at prospectively determined rates per discharge based upon the MS-DRG system. These rates vary according to clinical factors, patient diagnosis, and negotiated base rates for each Medicaid Managed Care Organization (MCO).

As a state-operated teaching hospital, the Hospital is eligible for enhanced reimbursement rates under the SNCP program effective April 1, 2014. These enhanced reimbursement rates have been recorded in the financial statements in net patient service revenue. For outpatients, payments are made based upon an OPPS.

In addition, the Hospital has reimbursement agreements with certain MCOs that have contracted with Turquoise (formally Centennial) Care programs to administer services to enrolled Medicaid beneficiaries. The State of New Mexico began its Turquoise Care program effective January 1, 2014. The basis for reimbursement under these agreements includes prospectively determined rates (MS-DRG) or per diem for inpatient services, and prospectively determined payments for outpatient services.

Other – The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

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

	2025	2024
Charges at established rates	$ 3,022,832,165	$ 2,829,688,618
Charity care	(130,602,389)	(106,515,596)
Contractual adjustments	(1,645,100,254)	(1,527,601,597)
Settlements and other third-party payments	354,657,558	378,940,557
Provision for doubtful accounts	(60,065,806)	(54,827,031)
Net patient revenues	$ 1,541,721,274	$ 1,519,684,951

The Hospital is reimbursed by the Medicare and Medicaid programs on a prospective payment basis for hospital services, with certain items reimbursed at an interim rate with final settlement determined after submission of annual cost reports by the Hospital. The annual cost reports are subject to audit by the Medicare Administrative Contractor and the Medicaid audit agent. As of June 30, 2025, cost reports through 2023 have been final settled for the Medicaid program. Cost reports through 2018 have been final settled for the Medicare prograrm. Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Current year estimates, settlements of prior-year cost reports, and changes in prior-year estimates resulted in net increases to net patient service revenues of approximately $16.0 million and $17.3 million for the years ended June 30, 2025 and 2024, respectively. During the year ended June 30, 2025, a $4.3 million liability for Medicare and a $1.4 million liability for Medicaid were accrued as estimates for the year ended June 30, 2025 cost report. During the year ended June 30, 2024, a $4.9 million liability for Medicare and a $11.6 million receivable for Medicaid were accrued as estimates for the year ended June 30, 2024 cost report. UNM Hospital’s cost reports are typically filed by November 30. Management believes these estimates are appropriate. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

Note 12 – Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended June 30:

	2025	2024
Charges foregone, based on established rates	$ 130,602,389	$ 106,515,596
Estimated costs and expenses incurred to provide charity care	76,543,699	63,694,594
Equivalent percentage of charity care charges foregone to total gross revenue	4.3%	3.8%

Note 13 – Malpractice Insurance

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

The NMTCA provides that total liability for all claims that arise out of a single occurrence shall not exceed $750,000 set forth as follows: (a) $200,000 for real property; (b) up to $300,000 for past and future medical and medical-related expenses; and (c) up to $400,000 for past and future noneconomic losses (such as pain and suffering) incurred or to be incurred by the claimant. While the language of the NMTCA does not expressly provide for third-party claims, such as loss of consortium, the New Mexico appellate court decisions have allowed claimants to seek loss of consortium. As a result, if loss of consortium claims are presented, those claims cannot exceed $350,000 in the aggregate. Thus, if a claim presents both direct claims and third-party claims, the maximum exposure of the Public Liability Fund, and therefore, UNM Hospitals, cannot exceed $1,050,000. The NMTCA prohibits the award of punitive or exemplary damages against the Hospital.

The NMTCA requires the State Risk Management Division (RMD) to provide coverage to the Hospital for those torts where the Legislature has waived the State's immunity from liability up to the damages limits of the NMTCA, as described above, plus the cost incurred in defending any claims and/or lawsuits (including attorney's fees and expenses), with no deductible and with no self-insured retention by the Hospital.

Note 14 – Related-Party Transactions

The Hospital provides professional services, referral services, and office space to UNM and other entities associated with the UNM Health System. The UNM Health System is defined as the integrated, academic health center and healthcare delivery system. The Hospital billed the following amounts, included as expense reductions in the accompanying statements of revenues, expenses, and changes in net position, for services rendered during the years ended June 30:

	2025	2024
UNM Health Sciences Center	$ 6,609,310	$ 7,354,025
UNM Medical Group	5,726,490	5,968,478
	$ 12,335,800	$ 13,322,503

The Hospital reimburses UNM and other entities associated with UNM, for the cost of utilities, purchased services and the salaries of various medical and administrative personnel incurred on behalf of the Hospital. The Hospital incurred expenses, included in total expenses in the accompanying statements of revenues, expenses, and changes in net position, related to the following entities during the years ended June 30:

	2025	2024
UNM Health Sciences Center	$ 340,470,550	$ 300,561,580
UNM Medical Group	3,277,459	3,230,189
UNM	2,242,178	2,215,495
	$ 345,990,187	$ 306,007,264

The following amounts are reflected in the Due from/to University of New Mexico entities balance as of June 30:

	2025	2024
Due from UNM	$ 4,136,980	$ 434,205
Due from UNM Medical Group	8,825,223	11,368,678
	$ 12,962,203	$ 11,802,883

	2025	2024
Due to UNM	$ 38,453,608	$ 51,380,248
Due to UNM Medical Group	4,657,687	2,921,537
	$ 43,111,295	$ 54,301,785

The Hospital also provides administrative services, which primarily include accounting functions such as payroll and accounts payable processing as well as cash management and information technology activities for the Center. In addition, the Hospital provides medical support services and goods for the Center including laboratory, radiology, and pharmaceuticals, which is reflected in the net due to/from affiliates.

Note 15 – Defined-Contribution Benefit Plans

The Hospital has a defined-contribution plan covering eligible employees, which provides retirement benefits. The name of the plan is UNM Hospital Tax Sheltered Annuity Plan, formerly known as the University of New Mexico Hospital/Bernalillo Medical Center Tax Sheltered Annuity Plan. The Hospital contributes either 6% or 8% of an employee's salary to the plan, depending on employment level. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department.

The expense for the defined-contribution plan was approximately $23.2 million and $21.2 million in years ended June 30, 2025 and 2024, respectively. Total employee contributions under this plan were approximately $32.4 million and $29.4 million in years ended June 30, 2025 and 2024, respectively. The Hospital also offers a Roth 403(b) defined-contribution plan option. Total employee contributions were approximately $4.1 million and $3.4 million in years ended June 30, 2025 and 2024, respectively.

The Hospital offers a deferred compensation plan, called the UNM Hospital 457(b) Deferred Compensation Plan, which provides employees with additional retirement savings plan. Employees can make voluntary contributions to this plan. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. The plan is administered by the Hospital's Human Resources Department. There was no expense for the deferred compensation plan for years ended June 30, 2025 and 2024, as the Hospital does not contribute to this plan. Total employee contributions under this plan were approximately $4.8 million and $4.7 million in years ended June 30, 2025 and 2024, respectively.

The Hospital has a 401(a) defined-contribution plan, called the UNM Hospital 401(a) Plan, which was established for the purpose of providing retirement benefits for eligible participants and their beneficiaries. The 401(a) plan allows for tax-deferred employer contributions based on management's recommendation that is approved by UNM Hospital Board of Trustees on an annual basis. The plan was established by the UNM Hospital Board of Trustees and can be amended at its discretion. All assets of the plan are held in a trust fund, are not considered Hospital assets, and are under the direction of a plan administrator. The expense for the 401(a) defined-contribution plan was $954 thousand and $785 thousand in years ended June 30, 2025 and 2024, respectively. Only the Hospital contributes to this plan.

Certain employees participate in the Education Employee Retirement Plan, a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for eligible employees. The Hospital has accrued a net pension liability at June 30, 2025 and 2024, of approximately $517 thousand and $538 thousand, respectively.

Note 16 – Commitments and Contingencies

The Hospital is currently a party to various claims and legal proceedings. The Hospital makes provisions for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Hospital believes it has adequate provisions for potential liability in litigation matters. The Hospital 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.

Based on the information that is currently available to the Hospital, the Hospital believes that the ultimate outcome of litigation matters, individually and in aggregate, will not have a material adverse effect on its results of operations or financial position. However, litigation is inherently unpredictable.

The Hospital began construction of a new critical care patient tower during the year ended June 30, 2022. The total budgeted construction related cost is $615.6 million. As of June 30, 2025, the Hospital has incurred construction cost of $588.6 million with an estimated cost to complete of $34.0 million, which is reserved in restricted funds.

Note 17 – Consolidating Schedule of Statements of Revenues, Expenses and Changes in Net Position

The Hospital acquired the assets and assumed the liabilities of the Sandoval Campus on January 1, 2024. The revenues, expenses and changes in net position for the years ended June 30, 2025 and 2024, include the operations of the Sandoval Campus. Following is a table illustrating the results of operations for both the Lomas and Sandoval Campus for the years ended June 30, 2025 and 2024:

	2025		
	Lomas Campus	Sandoval Campus	Consolidated
OPERATING REVENUES			
Net patient service	$ 1,422,464,875	$ 119,256,399	$ 1,541,721,274
State and local contracts and grants	38,891,654	1,027,882	39,919,536
Other operating	21,138,484	1,636,727	22,775,211
Total operating revenues	1,482,495,013	121,921,008	1,604,416,021
OPERATING EXPENSES			
Employee compensation	607,127,816	56,460,515	663,588,331
Benefits	125,675,319	9,094,129	134,769,448
Medical supplies	313,560,247	22,799,543	336,359,790
Medical services	302,829,350	20,185,583	323,014,933
Purchased services	92,304,151	5,037,334	97,341,485
Equipment	65,109,809	5,845,671	70,955,480
Depreciation and amortization	45,256,121	5,878,411	51,134,532
Gross Receipts Tax	29,778,536	2,163,937	31,942,473
Occupancy	20,902,881	4,116,952	25,019,833
Other supplies	12,911,863	1,379,392	14,291,255
Other	24,671,950	779,732	25,451,682
Total operating expenses	1,640,128,043	133,741,199	1,773,869,242
Operating loss	(157,633,030)	(11,820,191)	(169,453,221)
NONOPERATING REVENUES (EXPENSE)			
Bernalillo County mill levy	112,275,125	-	112,275,125
Sandoval County mill levy	-	9,208,660	9,208,660
State appropriation	9,495,208	-	9,495,208
Bequests and contributions	4,756,493	20,671	4,777,164
Equity loss of TriCore and TriCore Lab Svc Corp.	396,583	-	396,583
State of New Mexico Land and Permanent Fund proceeds	1,043,907	-	1,043,907
FEMA funding	245,779	-	245,779
Investment income	6,027,699	873,764	6,901,463
Interest on capital asset-related debt	(12,098,505)	(1,933,319)	(14,031,824)
Other nonoperating expense, net	(4,121,884)	(429,290)	(4,551,174)
Net nonoperating revenue	118,020,405	7,740,486	125,760,891
Decrease in net position	(39,612,625)	(4,079,705)	(43,692,330)
NET POSITION			
Beginning of year	889,287,523	23,820,206	913,107,729
Cumulative effect of GASB 101 implementation	-	-	-
End of year	$ 849,674,898	$ 19,740,501	$ 869,415,399

	2024		
	Lomas Campus	Sandoval Campus	Consolidated
OPERATING REVENUES			
Net patient service	$ 1,410,206,861	$ 109,478,090	$ 1,519,684,951
State and local contracts and grants	27,630,459	587,970	28,218,429
Other operating	41,153,172	1,484,648	42,637,820
Total operating revenues	1,478,990,492	111,550,708	1,590,541,200
OPERATING EXPENSES			
Employee compensation	595,510,016	51,252,895	646,762,911
Benefits	114,387,532	9,274,946	123,662,478
Medical supplies	284,484,294	22,409,321	306,893,615
Medical services	286,229,767	9,724,288	295,954,055
Purchased services	95,174,768	5,888,898	101,063,666
Equipment	52,807,785	5,214,079	58,021,864
Depreciation and amortization	43,671,513	6,253,043	49,924,556
Gross Receipts Tax	28,686,061	1,916,311	30,602,372
Occupancy	23,585,403	2,670,188	26,255,591
Other supplies	12,582,547	1,271,371	13,853,918
Other	22,360,848	706,269	23,067,117
Total operating expenses	1,559,480,534	116,581,609	1,676,062,143
Operating loss	(80,490,042)	(5,030,901)	(85,520,943)
NONOPERATING REVENUES (EXPENSE)			
Bernalillo County mill levy	108,441,567	-	108,441,567
Sandoval County mill levy	-	8,795,040	8,795,040
State appropriation	8,786,500	-	8,786,500
Bequests and contributions	4,117,428	156,797	4,274,225
Equity loss of TriCore and TriCore Lab Svc Corp.	(3,977,684)	-	(3,977,684)
State of New Mexico Land and Permanent Fund proceeds	966,829	-	966,829
FEMA funding	49,914,007	2,600,000	52,514,007
Investment income	5,513,618	604,857	6,118,475
Interest on capital asset-related debt	(9,576,702)	(1,976,417)	(11,553,119)
Other nonoperating expense, net	(3,624,787)	(681,472)	(4,306,259)
Net nonoperating revenue	160,560,776	9,498,805	170,059,581
Decrease in net position	80,070,734	4,467,904	84,538,638
NET POSITION			
Beginning of year	821,434,988	19,352,302	840,787,290
Cumulative effect of GASB 101 implementation	(12,218,199)	-	(12,218,199)
End of year	$ 889,287,523	$ 23,820,206	$ 913,107,729

Supplementary Information

University of New Mexico Hospital
Comparison of Budgeted and Actual Revenues and Expenses – Schedule 1
Year Ended June 30, 2025

	Budget (Original)	Budget (Final)	Actual	Budget Variance
Operating revenues				
Net patient service	$ 1,511,782,432	$ 1,545,847,824	$ 1,541,721,274	$ 72,784,650
Other operating revenue	68,500,000	60,757,516	62,694,747	3,491,427
Total operating revenues	1,580,282,432	1,606,605,340	1,604,416,021	76,276,077
Operating expenses	1,688,493,823	1,775,130,655	1,773,869,242	55,570,297
Operating loss	(108,211,391)	(168,525,315)	(169,453,221)	20,705,780
Nonoperating revenues and other revenues, net	112,645,512	122,612,031	125,760,891	61,225,527
Increase in net position	$ 4,434,121	$ (45,913,284)	$ (43,692,330)	$ 81,931,308

Note A: The Hospital prepares a budget for each fiscal year, using the accrual basis of accounting, which is subject to approval by the Board of Trustees and the UNM Board of Regents. The amount budgeted for the Hospital's operations is included in the UNM budget and submitted to the New Mexico Commission on Higher Education for approval. All revisions to the approved budget must be approved by the parties included in the original budget process. The budget is controlled at the major administrative functional area, which is reported at the UNM level. There is no carryover of budgeted amounts from one year to the next.

See accompanying report of independent auditors.

University of New Mexico Hospital
Pledged Collateral by Banks – Schedule 2
Year Ended June 30, 2025

	Pledged collateral			Wells Fargo Bank Albuquerque, New Mexico
	Type of security	CUSIP	Maturity	UH
Funds on deposit				
Demand deposits				$ 260,045,000
FDIC insurance				(250,000)
Total uninsured public funds				259,795,000
50% collateral requirement per Section 6-10-17 NMSA				129,772,500
Pledged collateral*				
	Letter of Credit	1005225	9/26/2029	220,000,000
	BOND	107829896		230,000,000
	GNMA	36179XDE3	8/20/2052	772
	GNMA	36179XAA4	6/20/2052	41,438
	GNMA	36179X2K1	5/20/2051	5,861
	GNMA	36179WRZ3	11/20/2051	8,098
	GNMA	36179T7K5	8/20/2048	12,910
	FNMA	31418EU81	8/1/2053	1,044,808
	FNMA	3140XCTL2	4/1/2047	27,919
	FNMA	3140XC6U7	12/1/2045	7,901
	FNMA	3140KFPK5	11/1/2050	82,183
	FNMA	3138M6P27	12/1/2042	42,949
	FMAC	3132DWAV5	1/1/2051	166,695
Total pledged collateral				451,441,534
Excess of pledged collateral over the required amount				$ 321,669,034

See accompanying report of independent auditors.

University of New Mexico Hospital
Schedule of Individual Deposit Investment Accounts – Schedule 3
Year Ended June 30, 2025

Name of bank/broker	Account type	Balance per bank statement	Reconciled balance per financial statement
UNM Hospital cash			
Wells Fargo Bank			
Operating	Checking	$ 260,045,000	$ 188,995,776
Petty cash	Cash on hand	-	47,110
Total UNM Hospital cash		$ 260,045,000	$ 189,042,886
UNM Hospital short-term investments			
US Bank	Money market funds	$ 139,780	$ 139,780
US Bank	U.S. Treasury notes	39,713,221	39,713,221
Total UNM Hospital short-term investments		$ 39,853,001	$ 39,853,001
UNM Hospital long-term investments			
Investment in TriWest	Equity securities	$ 5,370,176	$ 5,370,176
Investment in TriCore Reference Lab (TRL)	Equity securities	21,731,038	21,731,038
Investment in TLSC	Equity securities	6,718,460	6,718,460
Total UNM Hospital long-term investments		$ 33,819,674	$ 33,819,674

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 University of New Mexico Health Sciences Center
Board of Trustees,
The University of New Mexico Hospital Board of Trustees,
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 the University of New Mexico Hospital (the Hospital), a division 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 the Hospital's basic financial statements, and have issued our report thereon dated October 3, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 the Hospital'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.

The Hospital's Response to Finding

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital'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 3, 2025

Type of auditor report issued: Unmodified

Fiscal year 2025 findings and responses:

Material weakness: No matters to report

Significant deficiencies: No matters to report

Material noncompliance: No matters to report

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

2025-001 (2024-001) – User Access Review – Other Matter

Condition: In our testing of the controls over user access for Lawson and Cerner Millennium, 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. Management has made progress in the design of processes and controls to address the deficiency, however they have not yet been implemented.

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.

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. 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 user access review process is not adequately designed to include review of roles and permissions.

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.

- Management at the department level with a thorough understanding of appropriate employee access requirements should conduct periodic reviews of their employees' user access and confirm that access permissions are aligned with each employee's assigned roles and responsibilities.

- 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:

Lawson – With regards to active employee access reviews, Information Technology Management (IT Executive Director Systems & 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 is March 31, 2026.

Further, Information Technology Management (IT Executive Director Systems & Development) currently downloads the Infor SOC 1 report on an annual basis, reviews the report, and sends this report to the Finance Controller for review. IT Executive Management and Finance Controller will define a formalized SOC report review process for Infor/Lawson. Expected completion of formalized SOC report review process is March 31, 2026.

With regards to inconsistent access given, Information Technology Management (IT Executive Director Systems & Development) will work with the leadership of Human Resources, Finance, Purchasing, and Materials Management to define user access templates based on department defined employee roles. Creating employee role templates will minimize deviations from standard role definitions. Expected completion of department user access templates is March 31, 2026.

Soarian – The current process for Cerner Soarian access is to review users on a quarterly basis. Due to the large number of users, reviewing all on a quarterly basis is not viable or an effective approach. User accounts for administrator, financially significant, or management-type groups will continue to be audited on a quarterly basis, as these accounts may result in more damage to the organization if compromised. The remaining users will be divided across the four quarterly audits during each year, ensuring that each user group is actively audited at least once per year.

The normal user-audit process is to have one person do the initial review and a second person cross-check the proposed actions. Due to staffing vacancies, the secondary review did not occur for the administrator level reviewer. Additional staff have been trained to allow for the cross-checks to occur in future user audits. System administrator access and access for users conducting the audits will be approved by their immediate supervisor.

Cerner – With regards to access review, Information Technology Management (IT Executive Director Clinical Informatics) will work with the Clinical Informatics Governance committees to review the access provided for specific roles within Oracle Health. The Clinical Informatics Governance committee will develop a process for account access reviews to address the audit observation. Expected completion of Clinical governance committee review process is March 31, 2026.

Further, Information Technology Management (IT Executive Director Clinical Informatics) will define a formalized SOC report review process for Oracle Health with the Clinical Informatics Governance committees. Expected completion of formalized SOC report review process is March 31, 2026.

2024-001 – User Access Review – Other Matter

Current status: Repeated and modified as finding 2025-001

An exit conference was conducted on September 23, 2025, with members of the Finance and Audit Committee of UNM Hospital Board of Trustees and members of the Hospital's management. During this meeting, the contents of this report were discussed.

University of New Mexico Hospital
Kate Becker, UNM Hospital Chief Executive Officer
Bonnie White, UNM Hospital Chief Financial Officer
Julie Knight, Executive Director of Finance, UNM Hospitals
Angela Vigil, Executive Director of Compliance, UNM Hospitals
Sara M. Frasch, UNM Hospital Chief Human Resources Officer
Victor Griego, UNM Internal Audit Director
Monica Zamora, UNM Hospital Board of Trustees Chair
Dr. Anjali Taneja, UNM Hospital Board of Trustees Member
Kurt Riley, UNM Hospital Board of Trustees Member
Paula Williams, Senior Executive Director Revenue Cycle
Rodney McNease, Senior Executive Director, Governmental Affairs and Behavioral Health Administration
Emily Luke, UNM HSC Associate University Counsel

Baker Tilly US, LLP
Josh Lewis, Partner
Lauren Kistin, Senior Manager