

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL
EQUIPMENT LOAN COUNCIL**

**ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021**

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
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**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
OFFICIAL ROSTER (UNAUDITED)
AS OF JUNE 30, 2022**

COUNCIL

- Daniel Lyon Chair
- R. Greg Leyendecker Vice-Chair
- Christina Campos Secretary
- Kent Carruthers Treasurer
- Vacant Member

PROGRAM ADMINISTRATOR

- Erika Campos President, Hospital Services Corporation

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Brian S. Colón, Esq., CFE
New Mexico State Auditor
and
Council Members
New Mexico Hospital Equipment Loan Council
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of the business-type activities of the New Mexico Hospital Equipment Loan Council (the Council), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons information presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2022, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Council as of June 30, 2022, and the respective changes in financial position, cash flows and its respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Council as of June 30, 2021 were audited by other auditors whose report dated October 29, 2021 expressed an unmodified opinion on those statements.

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 Council'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.

Auditors' 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 auditors' 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 generally accepted 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 generally accepted 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 Council'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 Council'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.

Emphasis of Matter

As discussed in the notes, the financial statements of the Council are intended to present the net position, and the changes in net position and cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the Council. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2022, and the changes in its net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 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 opinions on the financial statements that collectively comprise the Council's basic financial statements. The statements of revenue and expenditures - budget and actual (budgetary basis) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenue and expenditures - budget and actual (budgetary basis) 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 11, 2022, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Council's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak, Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 11, 2022

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Introduction

The New Mexico Hospital Equipment Loan Council (the "Council") discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the Council's financial activity, and 3) identify changes in the Council's financial position. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts.

The financial statement presented include the statement of net position, statements of revenues, expenses, and changes in net position, and the statement of cash flows. Also included are notes to financial statements.

The Council is a special-purpose government agency engaged in only one business-type activity, i.e., helping qualified medical facilities obtain financing for capital purchases and improvements. Accordingly, no government-wide presentation of the financial statement information is appropriate. The Council is a proprietary enterprise fund. Enterprise funds are required to account for operations which charge a fee to external users for goods and services, and the activity is: (a) financed with debt that is solely secured by a pledge of the net revenues, or (b) has third party requirements that has costs of providing services be recovered with fees and charges, or (c) has a pricing policy designed so the fees and charges recover these costs.

The statements of net position give the financial position as of June 30, 2022, and 2021, the statements of revenues, expenses and changes in net position present the yearly activity, and the statements of cash flows reflect the change in cash and cash equivalents position for the years being reported. The notes to financial statements consist of information that is essential to a user's understanding of the basic financial statements.

The Council does not use government money in its financing operations. However, the Council has a legally adopted budget and presents the budgetary comparison schedule as supplementary information, as required.

Condensed Financial Information

The Council's net position was \$2,764,768 and \$2,868,145 as of June 30, 2022, and 2021, respectively. The net position was all business-type net position.

The Council's total assets were \$2,787,562 and \$2,988,634 as of June 30, 2022, and 2021, respectively.

The Council's total liabilities were \$22,794 and \$120,489 as of June 30, 2022, and 2021, respectively.

The investment activity revenue (loss) was \$(119,306) and \$(5,789), and program activity revenue was \$146,971 and \$159,309 for the years ended June 30, 2022, and 2021, respectively.

The change in net position was \$(103,377) in fiscal year 2022 and \$20,944 in fiscal year 2021.

The total cost of program activity was \$131,042 and \$132,576 for the years ended June 30, 2022, and 2021, respectively.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Analysis

The Council assists qualified medical facilities to finance capital equipment and improvement projects through the issuance of bonds or other financing arrangements. There was one new transaction originating in fiscal year 2022 and one new transaction originating in fiscal year 2021.

Program activity revenue, which consists of loan origination fees and ongoing fees, experienced a decrease of 7.7% in fiscal year 2022.

In recent years, the Council has issued revenue bonds to individual hospitals and other healthcare organizations. Most of the financing activity has been in the form of conduit debt where neither the Council, nor any political subdivision of the State, is obligated in any manner for repayment. It is expected that this will continue into the future.

Budget Comparison

The Council's budgetary comparison schedule is presented as supplementary information.

Request for Information

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the Council's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please contact us at 505-343-0070.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
STATEMENTS OF NET POSITION
JUNE 30,**

	Business-Type Activities	
	2022	2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 73,417	\$ 140,339
Accounts Receivable	102,731	123,109
Accrued Interest Receivable	2,627	5,488
Prepaid Assets	515	809
Total Current Assets	179,290	269,745
Noncurrent Assets:		
Investments - Fixed Income Securities	2,608,272	2,718,889
Total Noncurrent Assets	2,608,272	2,718,889
TOTAL ASSETS	\$ 2,787,562	\$ 2,988,634
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 14,060	\$ 15,622
Due to Hospital Services Corporation	8,734	104,867
Total Current Liabilities	22,794	120,489
Net Position, Unrestricted	2,764,768	2,868,145
TOTAL LIABILITIES AND NET POSITION	\$ 2,787,562	\$ 2,988,634

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30,**

	Business-Type Activities	
	2022	2021
OPERATING REVENUES		
Program Administration Fees	\$ 116,431	\$ 120,809
Loan Origination Fees	<u>30,540</u>	<u>38,500</u>
TOTAL OPERATING REVENUES	<u>146,971</u>	<u>159,309</u>
OPERATING EXPENSES		
Program Administrator Fees	105,180	108,250
Professional Fees	13,122	14,082
Administrative	12,446	9,950
Insurance	<u>294</u>	<u>294</u>
TOTAL OPERATING EXPENSES	<u>131,042</u>	<u>132,576</u>
OPERATING INCOME (LOSS)	<u>15,929</u>	<u>26,733</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	19,849	37,875
Unrealized Gain (Loss) on Investments	(132,256)	(36,678)
Trustee Fees	<u>(6,899)</u>	<u>(6,986)</u>
TOTAL NON-OPERATING REVENUES AND EXPENSES	<u>(119,306)</u>	<u>(5,789)</u>
CHANGE IN NET POSITION	(103,377)	20,944
NET POSITION, BEGINNING OF YEAR	<u>2,868,145</u>	<u>2,847,201</u>
NET POSITION, END OF YEAR	<u>\$ 2,764,768</u>	<u>\$ 2,868,145</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts From Conduit Debt Operators	\$ 167,349	\$ 104,981
Payments for Goods and Services	<u>(228,443)</u>	<u>(31,241)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(61,094)</u>	<u>73,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in Fixed Income Securities Purchased	(1,468,997)	(1,861,558)
Proceeds From Sales of Investments	1,579,614	1,714,117
Investment Income (Loss)	<u>(116,445)</u>	<u>(5,789)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(5,828)</u>	<u>(153,230)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(66,922)</u>	<u>(79,490)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>140,339</u>	<u>219,829</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 73,417</u>	<u>\$ 140,339</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 15,929	\$ 26,733
Adjustments to reconcile operating income (loss) to Net cash used by operating activities:		
Changes in assets and liabilities:		
(Increase) Decrease in Accounts Receivable	20,378	(49,555)
(Increase) Decrease in Prepaid Assets	294	(590)
Increase (Decrease) in Accounts Payable	(1,562)	1,228
Increase (Decrease) in Due to Hospital Services Corporation	<u>(96,133)</u>	<u>95,924</u>
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	<u>\$ (61,094)</u>	<u>\$ 73,740</u>

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1: ORGANIZATION AND OPERATIONS

The New Mexico Hospital Equipment Loan Council (Council) is a public body corporate and politic, separate and apart from the State of New Mexico, constituting a governmental instrumentality organized under the laws of the State, and governed by a five-member board appointed by the Governor of the State of New Mexico.

The purpose of the Council is to provide the healthcare industry with access to low-cost capital through the issuance of tax-exempt and taxable bonds, loans, and leases. The Council can finance any real or personal property, instrument, service, or operational necessity that is determined by the Council to be directly or indirectly needed for medical care, treatment, or research, or to operate a health facility. The Council is authorized to borrow money and to issue bonds to provide financing for the purpose and projects of the Council pursuant to the New Mexico Hospital Equipment Loan Act, contained in Sections 58-23-1 through 58-23-32 of the New Mexico Statutes Annotated, 1978 and the New Mexico Public Securities Short-Term Interest Rate Act, Sections 6-18-1 through 6-18-16 of the New Mexico State Statutes, 1978, inclusive and amended (collectively, the "Act"). The Act provides that the Council shall be separate and apart from the State and shall not be subject to the supervision or control of any board, bureau, department, or agency of the State except as specifically provided in the Act. In order to effectuate the separation of the State from the Council, no use of the terms "state agency" or "instrumentality" in any other law of the State shall be deemed to refer to the Council unless the Council is specifically referred to therein.

The Council is a component of the State of New Mexico and these financial statements include all funds and activities over which the Council has oversight responsibility. The Council is part of the primary government of the State of New Mexico and its financial data of the State. The State of New Mexico will issue an audited Annual Comprehensive Financial Report inclusive of all agencies of the primary government. The Council has no component units that are required to be reported in its financial statements. As further described in *Note 5*, the financial statements do not include activities of conduit debtors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements

The Council's financial statements are prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing standards for accounting principles for state and local governments. The standards require a management discussion and analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.

The Council's accounting is reported as a business-type activity with one proprietary-type fund. Proprietary funds are accounted for on the economic resource measurement focus and accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flows. The Council's proprietary fund is an enterprise fund. Enterprise funds are used for activities that are financed and operated in a manner similar to that of a private business enterprise where the costs of providing goods and services are recovered primarily through user charges.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are program administration fees to conduit debtors as customers for services. Operating expenses for proprietary funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Information

The Council shall annually prepare a budget which shall be adopted by the Council Board. The budget is prepared on the accrual basis of accounting and is controlled at the fund level. The Council reports a budgetary comparison statement as supplementary information. Unrestricted net position at the beginning of the year may be used to complete the budget process.

Use of Estimates

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

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Investments

It is the policy of the Council to invest monies not needed for immediate disbursement in accordance with State statutes, more particularly Chapter 58, Article 23, Section 12 (A), NMSA 1978, at the maximum interest rate available for maturities coincident with the future need for these funds.

The Council restricts authorized investments to direct U.S. Treasury obligations, U.S. Agency obligations, and obligations of the State of New Mexico or its political subdivisions, repurchase agreements secured by U.S. Treasury or U.S. Agency obligations, and qualified certificates of deposit or time deposits which are insured by the FDIC.

The Council's stated objective with regard to investments is to ensure that principal is preserved and enhanced over time, both in real and nominal terms. The goal is to increase capital both in absolute (nominal) terms and in real terms, i.e. after consideration of the effects of inflation.

The Council has adopted a detailed set of investment guidelines within which an investment manager may be granted discretion regarding asset allocation, selection of investment securities, and the timing of transactions.

Accounts Receivable

Accounts receivable consist of annual administration fees assessed to conduit debtors. All receivables are considered fully collectible.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position under the consumption method of accounting.

Revenue Recognition

The Council collects loan origination fees in relation to its conduit debt obligations. These fees are recorded as revenue at the time the debt obligation is closed. In addition, the Council performs certain quarterly accounting and administration services for each of its conduit debt obligations and collects annual fees for these services.

The annual fees are recorded as revenue as the quarterly services are rendered. The Council classifies these program administration fees as operating revenues.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Net Position

The government-wide fund financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Council did not have any capital assets or related debt during the years ended June 30, 2022 and 2021.

Restricted Net Position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – are all other net position that do not meet the definition of restricted or net investment in capital assets.

The Council's policy is to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

COVID-19 (Coronavirus) Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. In response to the COVID-19 Pandemic, there have been variations of federal, state, and local mandates that impacted the Council's operations. These mandates resulted in an overall decline in economic activity and a rise in economic uncertainties. However, the related financial impact and duration cannot be reasonably estimated at this time.

The safety and health of our employees as well as the general public that we serve is of great importance to the Council. We remain committed to the purpose of our Council and ensuring that adequate internal controls over financial transactions and reporting were maintained while complying with federal state, and local mandates.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 3: CASH AND CASH EQUIVALENTS

At June 30, 2022, cash and cash equivalents consist of the following:

<u>Name of Depository / Type of Account</u>	<u>Account Type</u>	<u>Balance per Books</u>	<u>Balance per Bank</u>
Bank of the West:			
Demand Deposit Account	Non-Interest Bearing	\$ 36,281	\$ 36,281
New Mexico Bank and Trust:			
Heartland-wide Savings Account	Interest Bearing	37,136	37,136
Total Cash and Cash Equivalents		<u>\$ 73,417</u>	<u>\$ 73,417</u>

At June 30, 2021, cash and cash equivalents consist of the following:

<u>Name of Depository / Type of Account</u>	<u>Account Type</u>	<u>Balance per Books</u>	<u>Balance per Bank</u>
Bank of the West:			
Demand Deposit Account	Non-Interest Bearing	\$ 97,375	\$ 97,375
New Mexico Bank and Trust:			
Heartland-wide Savings Account	Interest Bearing	42,964	42,964
Total Cash and Cash Equivalents		<u>\$ 140,339</u>	<u>\$ 140,339</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. Cash and cash equivalents at June 30, 2022 and 2021, consists of a demand deposit account in Bank of the West and cash in an investment account through New Mexico Bank & Trust (NMB&T). Under the terms of the agreements, NMB&T acts as the Council's agent in placing funds in money market deposit accounts which do not exceed the FDIC standard maximum deposit insurance amount of \$250,000 at destination institutions.

At June 30, 2022 and 2021, no cash and cash equivalents were exposed to custodial credit risk due to all accounts being fully insured.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 4: INVESTMENTS

As of June 30, 2022 and 2021, the Council has invested in U.S. Treasury obligations and obligations of Government Sponsored Enterprises.

The following schedule details the investments held by the Council as of June 30, 2022 and 2021, and the years to maturity:

<u>June 30, 2022</u>		<u>Investment Maturities in Years</u>	
<u>Type</u>	<u>Fair Value</u>	<u>Less Than 1+</u>	<u>1 to 5</u>
U.S. Treasuries	\$ 534,875	\$ 171,569	\$ 363,306
U.S. Government-Sponsored Enterprises	2,073,397	188,862	1,884,535
Total	\$ 2,608,272	\$ 360,431	\$ 2,247,841

<u>June 30, 2021</u>		<u>Investment Maturities in Years</u>	
<u>Type</u>	<u>Fair Value</u>	<u>Less Than 1+</u>	<u>1 to 5</u>
U.S. Treasuries	\$ 358,009	\$ 283,179	\$ 74,830
U.S. Government-Sponsored Enterprises	2,360,880	422,325	1,938,555
Total	\$ 2,718,889	\$ 705,504	\$ 2,013,385

Fair Value Measurements

The fair value framework uses a hierarchy that prioritizes the inputs to the 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- 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 unobservable 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. See above for discussion of valuation methodologies used to measure fair value of investments.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 4: INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Council's assets at fair value as of June 30, 2022 and 2021:

June 30, 2022	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of June 30, 2022
U.S. Treasury Notes	\$ 534,875	\$ -	\$ -	\$ 534,875
U.S. Government Sponsored Enterprises	-	2,073,397	-	2,073,397
Total Investments at fair market value	\$ 534,875	\$ 2,073,397	\$ -	\$ 2,608,272
June 30, 2021	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of June 30, 2021
U.S. Treasury Notes	\$ 358,009	\$ -	\$ -	\$ 358,009
U.S. Government Sponsored Enterprises	-	2,360,880	-	2,360,880
Total Investments at fair market value	\$ 358,009	\$ 2,360,880	\$ -	\$ 2,718,889

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 4: INVESTMENTS (CONTINUED)

Investment Risks

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Council's policy is to minimize investment credit risk. The Council's fixed income securities rated are presented below using the Standard and Poor's rating scale.

June 30, 2022		Quality Ratings		
Type	Fair Value	AA+	Not Rated	
U.S. Treasuries	\$ 534,875	\$ -	\$ 534,875	
U.S. Government-Sponsored Enterprises	2,073,397	2,073,397	-	
Total	\$ 2,608,272	\$ 2,073,397	\$ 534,875	

June 30, 2021		Quality Ratings		
Type	Fair Value	AA+	Not Rated	
U.S. Treasuries	\$ 358,009	\$ -	\$ 358,009	
U.S. Government-Sponsored Enterprises	2,360,880	2,360,880	-	
Total	\$ 2,718,889	\$ 2,360,880	\$ 358,009	

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. The Council's policy is to minimize investment interest risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and also satisfy requirements for cash reserves, thereby avoiding the need to sell securities on the open market prior to maturity and to maintain an average maturity of no more than three years. Based on stated final maturity date, the investments' WAM at June 30, 2022 and 2021 is 2.45 years and 3.05 years, respectively.

Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., brokers-dealer) to a transaction, the Department will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Department has an investment policy that would limit the investments to the safest type of securities. Financial institutions, brokers/dealers, intermediaries, and advisors are to be prequalified, and the investment portfolio is to be diversified so that potential losses on individual securities will be minimized.

Concentrations of Credit Risk – Investment in securities issued by the Federal Home Loan Mortgage Corporation with a total value of \$1,323,582 and \$1,502,671 represent 51% and 55% of total investments at June 30, 2022 and 2021, respectively.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Council has no foreign currency risk, as all investments are in United States dollar denominated assets.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 5: CONDUIT DEBT OBLIGATIONS

Accounting Standards define conduit debt obligations as certain limited obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local government entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Although the conduit debt obligations bear the name of the issuer, the entity has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

The Council has issued revenue bonds, lease purchase agreements, and master financing agreements to provide financing for the acquisition and construction of equipment and facilities. These bonds, lease purchase agreements and master financing agreements are secured by the property financed and are payable solely from payments received on the underlying loans. Neither the Council nor any political subdivision of the State is obligated in any manner for repayment of either the bonds or the lease purchase or master financing agreements. Accordingly, the bonds and the obligations under the lease purchase and master financing agreements are not reported as liabilities in the accompanying financial statements.

At June 30, 2022 and 2021, conduit debt obligations outstanding are as follows:

	2022	2021
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL		
Hospital Revenue Bonds and Leases		
Dialysis Clinic, Inc. Project, Series 2000	\$ 5,000,000	\$ 5,000,000
Lovelace Woman's Hospital, Series 2007	12,617,082	12,617,082
Presbyterian Healthcare Services, Series 2008 A-D	139,865,000	150,645,000
Lovelace Health Systems, Series 2011	32,800,000	32,800,000
Presbyterian Healthcare Services, Series 2012 A	75,000,000	75,000,000
La Vida Llana, Series 2012	35,490,000	36,385,000
Lovelace Health Systems, Series 2012	26,164,550	26,164,600
Gerald Champion Regional Medical Center, Series 2012	60,825,000	64,315,000
Presbyterian Healthcare Services, Series 2015 A	201,690,000	207,500,000
San Juan Regional Medical Center, Series 2017	11,290,524	17,115,622
Presbyterian Healthcare Services, Series 2017 A-B	303,175,000	303,595,000
Haverland Carter Series 2019 A-C	110,550,000	111,750,000
Presbyterian Healthcare Series 2019 A-C	304,245,000	304,245,000
San Juan Regional Medical Center Series 2020	32,950,000	34,730,000
Haverland Carter Series 2022	30,540,000	-
Total	\$ 1,382,202,156	\$ 1,381,862,304

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 (Conduit Debt Obligations), effective for reporting periods beginning after December 15, 2021 (GASB Statement No. 95 delayed implementation date). The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 5: CONDUIT DEBT OBLIGATIONS (CONTINUED)

The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers.

Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. Management is in the process of evaluating impact of this Statement but believes it has no significant impact to the Council.

NOTE 6: RELATED PARTY TRANSACTIONS

The Council has entered into Deposit Placement Agreements and Custodial Agreements with NMB&T as further described in *Notes 3 and 4*. The Council entered into a management agency agreement with NMB&T for investment of Council assets. One Council member is affiliated with NMB&T. Agreements were executed in accordance with Council policies and procedures.

NOTE 7: PROGRAM ADMINISTRATION

The Council has an ongoing contract with a corporate third party, Hospital Services Corporation (HSC), that was entered into on April 12, 2017, for program administrator services. This agreement automatically renews each year unless terminated by either party. The duties of HSC include responding to all requests for information about the Council's various financing programs, processing loan applications, and requests for issuance of financing by the Council. In addition, HSC provides all support services necessary for the Council to carry out its responsibilities, including maintaining files to document Council activities, preparing the annual budget and annual report, analyzing the Council's financial position, and providing the Council with current and complete information on all program related activity. The Council has recorded administrator fees related to these services in the amounts of \$105,180 and \$108,250 for the years ended June 30, 2022 and 2021, respectively, based on conduit debt issued and conduit debt outstanding.

The Council had the following amounts due to HSC at June 30, 2022 and 2021: \$8,734 and \$104,867, respectively.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8: RISK MANAGEMENT

The Council is exposed to various risks of loss for which the Council purchases commercial insurance coverage. There have been no settled claims which have exceeded insurance coverage in any of the past three fiscal years.

NOTE 9: TAX ABATEMENT

The Council has no taxing authority; however, under the New Mexico Hospital Equipment Loan Act ("Act"), property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of thirty years. At June 30, 2022 and 2021, there are three bond issues outstanding for which the financed property is exempt from property tax based on the Act: Lovelace Women's Hospital, Series 2007, Lovelace Health Systems, Series 2011, and Lovelace Health Systems, Series 2012. The other bond issues outstanding at June 30, 2022 and 2021, as described in *Note 5* to the financial statements pertain to entities whose property may not be subject to tax based upon their non-profit status.

The amount of the tax abatement provided by the above exemption is determined based the assessed value of the property together with the property tax rates in the locale where the property is located.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
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NOTE 9: TAX ABATEMENT (CONTINUED)

Agency Number	452
Agency Name	New Mexico Hospital Equipment Loan Council
Agency Type	State Agency
Tax Abatement Agreement Name	Lease Agreement (New Mexico Hospital Equipment Loan Council/Lovelace Health System, Inc. dated 12/1/2007; 'Lovelace Women's Hospital Project')
Recipient(s) of tax abatement	Lovelace Health System, Inc.
Parent company(ies) of recipient(s) of tax abatement	LHS Services, Inc.; Ardent Health Services
Tax abatement program (name and brief description)	Hospital Equipment Loan Act (New Mexico Statue 58-23-29)
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 7-38; Hospital Equipment Loan Act (New Mexico Statue 58-23-29)
Criteria that make a recipient eligible to receive a tax abatement	Health facilities that are licensed by the New Mexico Department of Health to provide health-related services, assisted living support or long term care; provides health-related research; or is properly accredited or certified and eligible to receive Medicare or Medicaid reimbursement for all or part of its activities providing mental health services, developmental disabilities services, or related specialized support to, or on behalf of, a defined group of persons.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Taxes may be abated through an exemption of property tax. Property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of 30 years.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The amount of the tax abatement is determined based on the assessed value of the property with the applied property tax rates for the location of the property.
Are there provisions for recapturing abated taxes? (Yes or No)	No.
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	
List each specific commitment made by the recipient of the abatement.	Expansion of the Lovelace Women's Hospital located at 4701 NE in Bernalillo County to include the construction of a Neonatal Intensive Care Unit and the acquisition and upgrade of equipment and technology for the NICU.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This cannot be determined by the New Mexico Hospital Equipment Loan Council as the abating agency. The Council is not a taxing authority, nor does it provide for valuation of qualifying property.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment. None	
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year. N/A	
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year. N/A	
List each specific commitment made by your agency or any other government, other than the tax abatement. None	
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency. Yes	
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission. N/A	

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9: TAX ABATEMENT (CONTINUED)

Agency Number	452
Agency Name	New Mexico Hospital Equipment Loan Council
Agency Type	State Agency
Tax Abatement Agreement Name	Lease Agreement (New Mexico Hospital Equipment Loan Council/Lovelace Health System, Inc. dated 10/1/2011; 'Lovelace Heart Hospital')
Recipient(s) of tax abatement	Lovelace Health System, Inc.
Parent company(ies) of recipient(s) of tax abatement	LHS Services, Inc.; Ardent Health Services
Tax abatement program (name and brief description)	Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 7-38; Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Criteria that make a recipient eligible to receive a tax abatement	Health facilities that are licensed by the New Mexico Department of Health to provide health-related services, assisted living support or long term care; provides health-related research; or is properly accredited or certified and eligible to receive Medicare or Medicaid reimbursement for all or part of its activities providing mental health services, developmental disabilities services, or related specialized support to, or on behalf of, a defined group of persons.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Taxes may be abated through an exemption of property tax. Property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of 30 years.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The amount of the tax abatement is determined based on the assessed value of the property with the applied property tax rates for the location of the property.
Are there provisions for recapturing abated taxes? (Yes or No)	No.
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	
List each specific commitment made by the recipient of the abatement.	Provide a full range of cardiology services and increased capabilities in other specialties to more than 300,000 people in Albuquerque and throughout New Mexico.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This cannot be determined by the New Mexico Hospital Equipment Loan Council as the abating agency. The Council is not a taxing authority, nor does it provide for valuation of qualifying property. Valuation of property is determined by Bernalillo County. However, the following values are based on what has been determined by Bernalillo County. The Council does not confirm nor validate these amounts. Property Tax = \$269,495.21
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment. None	
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year. N/A	
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year. N/A	
List each specific commitment made by your agency or any other government, other than the tax abatement. None	
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency. Yes	
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission. N/A	

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9: TAX ABATEMENT (CONTINUED)

Agency Number	452
Agency Name	New Mexico Hospital Equipment Loan Council
Agency Type	State Agency
Tax Abatement Agreement Name	Lease Agreement (New Mexico Hospital Equipment Loan Council/Lovelace Health System, Inc. dated 12/1/2012; 'Roswell Regional Hospital Project')
Recipient(s) of tax abatement	Lovelace Health System, Inc.
Parent company(ies) of recipient(s) of tax abatement	LHS Services, Inc.; Ardent Health Services
Tax abatement program (name and brief description)	Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 7-38; Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Criteria that make a recipient eligible to receive a tax abatement	Health facilities that are licensed by the New Mexico Department of Health to provide health-related services, assisted living support or long term care; provides health-related research; or is properly accredited or certified and eligible to receive Medicare or Medicaid reimbursement for all or part of its activities providing mental health services, developmental disabilities services, or related specialized support to, or on behalf of, a defined group of persons.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Taxes may be abated through an exemption of property tax. Property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of 30 years.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The amount of the tax abatement is determined based on the assessed value of the property with the applied property tax rates for the location of the property.
Are there provisions for recapturing abated taxes? (Yes or No)	No.
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	
List each specific commitment made by the recipient of the abatement.	Acquisition of the 26-bed acute care hospital and related properties, including the Roswell Family and Urgent Care Clinic, which the Borrower intends to reopen.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This cannot be determined by the New Mexico Hospital Equipment Loan Council as the abating agency. The Council is not a taxing authority, nor does it provide for valuation of qualifying property. Valuation of property is determined by Chavez County. However, the following values are based on what has been determined by Chavez County. The Council does not confirm nor validate these amounts. Property Tax = \$302,965.37
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment. None	
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year. N/A	
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year. N/A	
List each specific commitment made by your agency or any other government, other than the tax abatement. None	
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency. Yes	
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission. N/A	

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 10: NEW ACCOUNTING STANDARDS

The Council conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

The following pronouncements have been issued but are not yet effective and will be evaluated in year of implementation:

- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 97, *Certain Component Unit Criteria*
- GASB Statement No. 99, *Omnibus 2022*
- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*
- GASB Statement No. 101, *Compensated Absences*

The following pronouncements that are issued and effective and have been adopted by the Council but do not impact the Council's financial statements:

- GASB Statement No. 87, *Leases*
- GASB Statement No. 89, *Interest Costs Incurred before End of Construction*
- GASB Statement No. 92, *Omnibus* (Paragraphs 6 through 10 and 12)
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* (Paragraphs 11b,13, and 14)

The following pronouncements that are issued and effective have been adopted by the Council and have an impact on the Council's financial statements:

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*

NOTE 11: SUBSEQUENT EVENTS

The Council has evaluated subsequent events through October 11, 2022, which is the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Origination Fees	\$ -	\$ 30,540	\$ 30,540	\$ -
Annual Fees	122,559	121,308	116,431	(4,877)
Investment Income	40,000	-	19,849	19,849
Unrealized Gain (Loss)	<u>20,000</u>	<u>(88,900)</u>	<u>(132,256)</u>	<u>(43,356)</u>
Total Revenues	<u>182,559</u>	<u>62,948</u>	<u>34,564</u>	<u>(28,384)</u>
OPERATING EXPENSES				
General Counsel	-	-	-	-
Annual Audit	16,000	16,000	13,122	2,878
Program Administrator Fees	113,333	113,333	105,180	8,153
Origination Fees	-	-	-	-
Council Expense	-	-	-	-
Investment Fees	7,500	7,500	6,899	601
Miscellaneous	12,700	12,700	12,446	254
Insurance	<u>295</u>	<u>295</u>	<u>294</u>	<u>(1)</u>
Total Operating Expenses	<u>149,828</u>	<u>149,828</u>	<u>137,941</u>	<u>11,885</u>
Change in Net Position	<u>\$ 32,731</u>	<u>\$ (86,880)</u>	<u>(103,377)</u>	<u>\$ (16,499)</u>
Net Position, Beginning of Year			<u>2,868,145</u>	
Net Position, End of Year			<u>\$ 2,764,768</u>	

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Origination Fees	\$ 38,500	\$ 38,500	\$ 38,500	\$ -
Annual Fees	121,309	121,309	120,809	(500)
Investment Income	<u>53,000</u>	<u>53,000</u>	<u>1,197</u>	<u>(51,803)</u>
Total Revenues	<u>212,809</u>	<u>212,809</u>	<u>160,506</u>	<u>(52,303)</u>
OPERATING EXPENSES				
General Counsel	2,000	2,000	1,122	878
Annual Audit	14,000	14,000	12,960	1,040
Program Administrator Fees	95,000	95,000	95,417	(417)
Origination Fees	12,833	12,833	12,833	-
Council Expense	2,700	2,700	1,330	1,370
Investment Fees	4,900	4,900	6,986	(2,086)
Miscellaneous	14,000	14,000	8,620	5,380
Insurance	<u>295</u>	<u>295</u>	<u>294</u>	<u>(1)</u>
Total Operating Expenses	<u>145,728</u>	<u>145,728</u>	<u>139,562</u>	<u>6,164</u>
Change in Net Position	<u>\$ 67,081</u>	<u>\$ 67,081</u>	<u>20,944</u>	<u>\$ (46,139)</u>
Net Position, Beginning of Year			<u>2,847,201</u>	
Net Position, End of Year			<u>\$ 2,868,145</u>	

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Brian S. Colón, Esq., CFE
New Mexico State Auditor
and
Council Members
New Mexico Hospital Equipment Loan Council
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Mexico Hospital Equipment Loan Council (Council), as of and for the year ended June 30, 2022, the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and the related budgetary comparison schedule, presented as supplementary information, and have issued our report thereon dated October 11, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kubiak Melton & Associates, LLC

Kubiak, Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 11, 2022

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of Auditors' Report Issued: | Unmodified |
| 2. Internal Control Over Financial Reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to financial statements noted? | No |

SECTION II. CURRENT YEAR AUDIT FINDINGS

There are no audit findings in the current year.

SECTION III. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings in the prior year.

**STATE OF NEW MEXICO
NEW MEXICO HOSPITAL EQUIPMENT LOAN COUNCIL
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2022**

An exit conference was held on October 11, 2022, to discuss the results of the audit.

Representing the New Mexico Hospital Equipment Loan Council:

Kent Carruthers, Treasurer
Erika Campos, President – Hospital Services Corporation
Jody Belkofer, CFO – Hospital Services Corporation

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA, Member – Director of Audit
Jose “Joe” J. Ortiz - Audit Manager

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of The New Mexico Hospital Equipment Loan Council. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.