

**New Mexico Community Foundation  
And Consolidated Subsidiary**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

THIS PAGE INTENTIONALLY LEFT BLANK



**New Mexico Community Foundation and Consolidated Subsidiary**  
**Table of Contents**  
**December 31, 2019 and 2018**

	<b>Page</b>
<b>REPORT</b>	
Independent Auditors' Report.....	1
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
New Mexico Community Foundation  
And Consolidated Subsidiary

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the New Mexico Community Foundation ("the Foundation"), a nonprofit organization, and its subsidiary NMCF Building, LLC, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Mexico Community Foundation and subsidiary as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of New Mexico Community Foundation as of and for the year ended December 31, 2018, were audited by another auditor whose report dated March 29, 2019, expressed an unmodified opinion on those statements.

## **Report on Restatement Adjustment to 2018 Financial Statements**

As part of our audit of the 2019 consolidated financial statements, we also audited the adjustment described in Note 3 that was applied to restate the 2018 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Foundation other than with respect to the adjustment, and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Santa Fe, New Mexico  
August 31, 2020

**New Mexico Community Foundation and Consolidated Subsidiary  
Consolidated Statements of Financial Position**

<i>December 31,</i>	<b>2019</b>	2018 (Restated)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,938,456	\$ 1,993,673
Restricted cash	995,120	836,165
Accounts receivable	47,273	46,921
Promises to give	200,000	-
Prepaid expenses	4,848	13,544
Total current assets	3,185,697	2,890,303
Non-current assets		
Investments in marketable securities	22,553,749	21,638,900
Investments in privately held companies	13,652	13,652
Property and equipment, net	570,608	14,831
Right of use leased asset	18,871	148,516
Unimproved land	8,000	8,000
Total non-current assets	23,164,880	21,823,899
Total assets	\$ 26,350,577	\$ 24,714,202
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 62,163	\$ 58,011
Accrued expenses	39,929	37,043
Current portion of lease liabilities	6,900	69,293
Total current liabilities	108,992	164,347
Long-term liabilities		
Lease liabilities	11,971	79,223
Agency funds	4,172,865	5,462,889
Total long-term liabilities	4,184,836	5,542,112
Total liabilities	4,293,828	5,706,459
Net assets		
Without donor restrictions	444,610	328,099
With donor restrictions	21,612,139	18,679,644
Total net assets	22,056,749	19,007,743
Total liabilities and net assets	\$ 26,350,577	\$ 24,714,202

*The accompanying notes are an integral part of these financial statements.*

**New Mexico Community Foundation and Consolidated Subsidiary  
Consolidated Statements of Activities**

<i>For the years ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Summarized Total (Restated)
<b>Revenue and Other Support</b>				
Contributions	\$ 244,337	\$ 4,095,896	\$ 4,340,233	\$ 2,782,000
Investment income, net	37,379	2,014,265	2,051,644	(1,291,907)
Management fees	380,719	-	380,719	350,265
Miscellaneous revenue	(701)	9,289	8,588	71,485
Net assets released from restrictions	3,186,955	(3,186,955)	-	-
<b>Total revenue and other support</b>	<b>3,848,689</b>	<b>2,932,495</b>	<b>6,781,184</b>	<b>1,911,843</b>
<b>Expenses</b>				
<i>Program services</i>				
Program and fund	1,864,227	-	1,864,227	2,092,154
Grants	1,401,997	-	1,401,997	1,914,010
<b>Total program services</b>	<b>3,266,224</b>	<b>-</b>	<b>3,266,224</b>	<b>4,006,164</b>
<i>Supporting services</i>				
General and administrative	404,345	-	404,345	335,734
Fundraising	61,609	-	61,609	88,756
<b>Total supporting services</b>	<b>465,954</b>	<b>-</b>	<b>465,954</b>	<b>424,490</b>
<b>Total expenses</b>	<b>3,732,178</b>	<b>-</b>	<b>3,732,178</b>	<b>4,430,654</b>
<b>Change in Net Assets</b>	<b>116,511</b>	<b>2,932,495</b>	<b>3,049,006</b>	<b>(2,518,811)</b>
Net assets at beginning of year (before restatement)	328,099	18,835,629	19,163,728	21,694,884
Restatement of net assets	-	(155,985)	(155,985)	(168,330)
Net assets at beginning of year (as restated)	328,099	18,679,644	19,007,743	21,526,554
<b>Net assets at end of year</b>	<b>\$ 444,610</b>	<b>\$21,612,139</b>	<b>\$ 22,056,749</b>	<b>\$ 19,007,743</b>

*The accompanying notes are an integral part of these financial statements.*

## New Mexico Community Foundation and Consolidated Subsidiary Consolidated Statements of Functional Expenses

<i>For the years ended December 31,</i>	Program Services			Supporting Services		2019 Total	2018 Summarized Total
	Grants	Program and fund	Program services subtotal	General and administrative	Fundraising		
Accounting and audit	\$ -	\$ 650	\$ 650	\$ 23,950	\$ -	\$ 24,600	\$ 26,510
Advertising	-	14,536	14,536	-	-	14,536	9,964
Business and bank fees	-	3,419	3,419	12,313	-	15,732	10,296
Benefits: health & dental	-	22,858	22,858	8,618	5,934	37,410	82,777
Benefits: insurances	-	1,131	1,131	610	193	1,934	2,261
Building expenses	-	-	-	10,449	-	10,449	-
Consulting and professional services	-	674,793	674,793	27,120	21	701,934	574,314
Depreciation	-	-	-	20,819	-	20,819	14,020
Dues and subscriptions	-	7,693	7,693	2,843	4,398	14,934	17,610
Grants issued: funds to programs	1,401,997	-	1,401,997	-	-	1,401,997	1,914,010
Insurance	-	17,970	17,970	4,594	1,780	24,344	15,611
Interest expense	-	-	-	26,810	-	26,810	1,380
Licensing and fees	-	3,577	3,577	135	-	3,712	3,043
Maintenance and repairs	-	2,073	2,073	6,748	-	8,821	2,627
Meals and entertainment	-	40,550	40,550	2,850	-	43,400	46,054
Moving	-	-	-	2,509	-	2,509	6,586
Non-NMCF project disbursements	-	381,778	381,778	-	-	381,778	753,245
Office supplies	-	5,014	5,014	10,148	-	15,162	20,577
Other miscellaneous expenses	-	580	580	6,874	-	7,454	19,773
Parking	-	2,036	2,036	862	296	3,194	-
Pension plan - 401(k) employer expense	-	4,725	4,725	6,485	498	11,708	12,151
Postage and shipping	-	1,139	1,139	1,660	-	2,799	2,139
Printing and copying	-	31,941	31,941	687	49	32,677	5,464
Rent	-	56,843	56,843	6,795	2,479	66,117	83,578
Salaries and wages	-	289,166	289,166	160,505	39,499	489,170	520,221
Service contracts	-	62,755	62,755	19,541	2,121	84,417	31,000
Software	-	15	15	5,346	-	5,361	4,310
Special events	-	154,422	154,422	9,250	-	163,672	118,355
Taxes and benefits	-	22,247	22,247	13,365	3,044	38,656	39,335
Telephone, internet, and utilities	-	12,919	12,919	5,637	1,257	19,813	-
Travel and training	-	49,397	49,397	6,822	40	56,259	93,443
<b>Total</b>	<b>\$ 1,401,997</b>	<b>\$ 1,864,227</b>	<b>\$ 3,266,224</b>	<b>\$ 404,345</b>	<b>\$ 61,609</b>	<b>\$ 3,732,178</b>	<b>\$ 4,430,654</b>

*The accompanying notes are an integral part of these financial statements.*



**New Mexico Community Foundation and Consolidated Subsidiary  
Consolidated Statements of Cash Flows**

<i>For the years ended December 31,</i>	<b>2019</b>	2018 (Restated)
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,049,006	\$ (2,518,811)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	20,819	14,020
Loss on sale of property and equipment	4,100	428
Unrealized and realized (gain) loss on investments	(1,895,662)	1,765,729
Beneficial interest in charitable remainder unitrust	-	13,390
Donated investments	(116,682)	-
Changes in operating assets and liabilities		
Accounts receivable	(352)	710
Promises to give	(200,000)	-
Prepaid expenses	8,696	18,795
Right of use leased asset	129,645	-
Accounts payable	4,152	9,016
Accrued expenses	2,886	-
Lease liabilities	(129,645)	-
Agency funds	(1,290,024)	(604,760)
<b>Net cash (used in) operating activities</b>	<b>(413,061)</b>	<b>(1,301,483)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(580,696)	(3,044)
Purchase of investments	(1,824,351)	(1,671,377)
Proceeds from sale of investments	2,921,846	2,399,930
<b>Net cash provided by investing activities</b>	<b>516,799</b>	<b>725,509</b>
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>103,738</b>	<b>(575,974)</b>
<b>Cash, cash equivalents, and restricted cash at beginning of year</b>	<b>2,829,838</b>	<b>3,405,812</b>
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 2,933,576</b>	<b>\$ 2,829,838</b>
Cash and cash equivalents at end of year	\$ 1,938,456	\$ 1,993,673
Restricted cash at end of year	995,120	836,165
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 2,933,576</b>	<b>\$ 2,829,838</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 26,810	\$ 1,380

*The accompanying notes are an integral part of these financial statements.*

## **New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements**

### **Note 1: DESCRIPTION OF THE FOUNDATION**

New Mexico Community Foundation (“the Foundation”) is a New Mexico not-for-profit Organization located in Santa Fe, New Mexico. The Foundation is a statewide philanthropic institution that works to preserve and create resources for communities across the State while supporting a quality of life that reflects and honors their diverse values, traditions and aspirations. Through its work, the Foundation seeks solutions to complex challenges through the engagement of the people and the communities closest to them, including individuals from diverse backgrounds and all levels of society. To fulfill this mission, the Foundation accepts contributions and grants from individuals, corporations, foundations and the government.

The Foundation awards grants to organizations through a number of established funds and special program initiatives. Also, the Foundation serves as a fiscal sponsor for a number of charitable community-based projects.

Activity within the Donor Advised and Designated Funds includes: (1) funds that address a wide range of interests (arts, environment, social justice, health, education, economic sustainability) from which the donor makes grant recommendations; (2) community-advised funds, advised by a community group; and (3) designated funds to support New Mexico not-for-profit organizations.

During 2019, the Foundation formed NMCF Building, LLC. The Foundation is the single member of the LLC. In 2019, the LLC purchased the office building which is the headquarters in Santa Fe, New Mexico for the Foundation.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the New Mexico Community Foundation and the NMCF Building, LLC. All material intercompany transactions have been eliminated in consolidation.

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

## **New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements**

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation of assets over their estimated useful lives, the allocation of expenses by function, and the determination of fair value measurements related to investments.

#### ***Comparative Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class nor functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

#### ***Cash, Cash Equivalents, and Restricted Cash***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less. Restricted cash represents the balance separately maintained to be used for fiscal sponsor purposes as specified in agreements.

#### ***Accounts Receivable***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

## **New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements**

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Promises to Give***

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are all classified as current as they were subsequently collected in 2020.

#### ***Prepaid Expenses***

Prepaid expenses consist of service contract expenses paid in advance for operations in the subsequent year.

#### ***Right of Use Leased Assets***

The Foundation adopted Financial Accounting Standards Board (FASB) ASU 2016-02, Leases (Topic 842) during the year ended December 31, 2017. The Foundation recognizes right of use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right of use assets are measured at the present value of lease payment, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Foundation is reasonably certain to obtain ownership of the leased asset at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### ***Lease Liabilities***

At the commencement date of the lease, the Foundation recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if applicable

#### ***Investments***

The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments in privately held companies in which the Foundation has less than a 20% interest are carried at cost. Dividends received from those companies are included in investment income.

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Property and Equipment***

All acquisitions of property and equipment in excess of \$500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Building and improvements	10 – 30 Years
Furniture, fixtures and equipment	3 – 10 Years

#### ***Agency Funds***

Contributions are not recognized as revenue when the Foundation functions in the capacity of an intermediary, trustee, or agent. In these situations, contributions are recognized as a liability. The related assets of investments in marketable securities are considered restricted by the Foundation.

#### ***Net Assets***

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

## **New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements**

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Contributions***

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

#### ***Management Fee Income***

The Foundation receives management fees for services provided that range from grant making, gift and fund management, and investment oversight.

#### ***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

#### ***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. There were no donated services that met the requirements for recognition for the years ended December 31, 2019 and 2018.

#### ***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a fixed percentage. Grant and award expenses are tracked individually and specifically assigned to either program or support services.

#### ***Advertising***

The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 2019 and 2018, advertising costs totaled \$14,536 and \$9,964, respectively.

## **New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements**

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from taxes on income other than unrelated business income. Unrelated business income results from the Foundations status as a limited partner in a privately held partnership.

The Foundation utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019 and 2018, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Foundation believes it is no longer subject to income tax examinations for years prior to 2016.

#### ***Reclassifications***

Certain reclassifications were made to 2018 balances to conform with 2019 presentation of investment expenses netted against investment return on the Statement of Activity and no longer as a component of expenses.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, August 31, 2020. See Note 17 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

#### ***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. The effective date will be for fiscal years beginning after Dec. 15, 2019. Foundation is currently assessing the impact the new revenue recognition guidance will have on its financial statements.

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recent Accounting Pronouncements (Continued)*

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, adding changes in unrealized gains and losses included in other comprehensive income (loss) (“OCI”) for recurring Level 3 fair value measurements, and providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. The Foundation is currently evaluating the impact of the guidance on its financial statements.

### Note 3: RESTATEMENT

Prior to 2019, the Foundation was the named beneficiary of a Charitable Remainder Unitrust (CRUT) which was reported as an asset by the Foundation since 2003. In 2019, the executor of the CRUT replaced the Foundation as the beneficiary. An investigation revealed that because the Foundation could be replaced as beneficiary of the CRUT, it should not have been reported as an asset of the Foundation. Accordingly, the accompanying 2018 financial statements have been restated as follows:

<i>December 31, 2018</i>	<b>As previously reported</b>	<b>Restatement</b>	<b>As restated</b>
Net assets with donor restrictions	\$ 18,835,629	\$ (155,985)	\$ 18,679,644
Total revenue and other support	1,899,498	12,345	1,911,843
Charitable remainder unitrust receivable	168,330	(168,330)	-

### Note 4: FINANCIAL ASSET AVAILABILITY

The Foundation maintains its financial assets primarily in cash and cash equivalents and actively traded investments to provide liquidity to ensure funds are available as the Foundation’s expenditures come due. The following reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Financial assets, at year-end	<b>\$ 25,748,250</b>	\$ 24,529,311
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<b>(21,612,139)</b>	(18,679,644)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 4,136,111</b>	\$ 5,849,667



**New Mexico Community Foundation and Consolidated Subsidiary  
Notes to the Consolidated Financial Statements**

**Note 4: FINANCIAL ASSET AVAILABILITY (Continued)**

Financial assets at year-end as noted in the above schedule exclude property and equipment, right of use leased asset, unimproved land, and prepaid expenses.

**Note 5: ACCOUNTS RECEIVABLE AND PROMISES TO GIVE**

Accounts receivable consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Management fees	\$ 47,273	\$ 46,921
<b>Total accounts receivable</b>	<b>\$ 47,273</b>	<b>\$ 46,921</b>

Promises to give consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Receivable within one year	\$ 200,000	\$ -
<b>Total promises to give</b>	<b>\$ 200,000</b>	<b>\$ -</b>

Bad debt expense for the years ended December 31, 2019 and 2018 were both \$0.

**Note 6: INVESTMENTS**

Investments in marketable securities consist of the following:

<i>December 31, 2019</i>	<b>Cost</b>	<b>Market Value</b>
Mutual funds and ETFs	\$ 19,399,317	\$ 20,249,190
Money market funds	1,276,405	\$ 1,276,405
Alternative investments	927,860	1,028,154
<b>Total investments in marketable securities</b>	<b>\$ 21,603,582</b>	<b>\$ 22,553,749</b>
<i>December 31, 2018</i>	<b>Cost</b>	<b>Market Value</b>
Equity securities	\$ 3,948,978	\$ 4,211,801
Mutual funds and ETFs	14,124,063	13,588,054
Money market funds	2,537,952	2,537,952
Alternative investments	1,216,045	1,301,093
<b>Total investments in marketable securities</b>	<b>\$ 21,827,038</b>	<b>\$ 21,638,900</b>

**New Mexico Community Foundation and Consolidated Subsidiary  
Notes to the Consolidated Financial Statements**

**Note 6: INVESTMENTS (Continued)**

Investment allocation between pooled and non-pooled funds consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Pooled Investments:		
Mutual funds and ETFs	\$ 20,249,190	\$ 12,752,056
Money market accounts	1,219,958	2,421,273
Alternative investments	259,548	300,186
Equity securities	-	3,596,904
Total pooled investments	<b>21,728,696</b>	19,070,419
Non-Pooled Investments:		
Alternative investments	768,606	1,000,907
Money market accounts	56,447	116,679
Mutual funds and ETFs	-	835,998
Equity securities	-	614,897
Total non-pooled investments	<b>825,053</b>	2,568,481
Total investments	<b>\$ 22,553,749</b>	\$ 21,638,900

Investments in privately held companies consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Investments - cost		
1.024% interest in NM Community Capital Fund I, LP	\$ 13,652	\$ 13,652
Total investments in privately-held companies	<b>\$ 13,652</b>	\$ 13,652

Total investment income (loss) consists of the following for the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Interest and dividends	\$ 531,129	\$ 331,571
Net realized gains	978,099	820,153
Investment fees	(375,147)	(307,612)
Subtotal	<b>1,134,081</b>	844,112
Net unrealized gains (losses)	<b>917,563</b>	(2,136,019)
Total investment income (loss), net	<b>\$ 2,051,644</b>	\$ (1,291,907)

**New Mexico Community Foundation and Consolidated Subsidiary  
Notes to the Consolidated Financial Statements**

**Note 7: PROPERTY AND EQUIPMENT**

Property and equipment - net consist of the following:

<i>December 31,</i>	<b>2019</b>	2018
Land	\$ 65,815	\$ -
Building and related improvements	492,933	-
Furniture, fixtures and equipment	101,060	97,784
Total property and equipment	659,808	97,784
Less accumulated depreciation	(89,200)	(82,953)
Property and equipment, net	\$ 570,608	\$ 14,831

Depreciation expense for the years ended December 31, 2019 and 2018 was \$20,819 and \$14,020, respectively. Furniture, fixtures and equipment with accumulated depreciation of \$14,572 was disposed of during the year ended December 31, 2019, at a loss of \$4,100.

**Note 8: NOTE PAYABLE TO ENDOWMENT**

In 2019, the Foundation borrowed \$550,000 through an internal note payable to the Foundation's endowment funds. Net assets with donor restrictions in the amount of \$550,000 were internally borrowed to provide funding to purchase the Foundation's headquarters building. The internal principal balance was \$553,300 at December 31, 2019, due to interest accruing prior to first scheduled repayment. Monthly payments, including interest, of \$3,613 began on June 15, 2019. Interest is charged on the note based on the current Wall Street Journal prime rate, plus one-half of one percent. At December 31, 2019, the interest rate was 6%. The internal note is due in full March 15, 2044. The internal note has been eliminated in these financial statements.

Internal note payable consists of the following:

<i>December 31,</i>	<b>2019</b>	2018
Internal note payable to financial institution, monthly payments of \$3,613, plus interest of 6% per annum, maturity of June 2044, collateralized by real property with net book value of \$558,748.	\$ 553,300	\$ -
Less current portion	(10,442)	-
Long-term debt, less current portion	\$ 542,858	\$ -

Interest expense related to the internal note payable agreement was \$24,978 and \$0 for the years ended December 31, 2019 and 2018, respectively.

**New Mexico Community Foundation and Consolidated Subsidiary  
Notes to the Consolidated Financial Statements**

**Note 8: NOTE PAYABLE TO ENDOWMENT (Continued)**

Principal maturities for each of the next five years and thereafter follow:

<i>For the years ending December 31,</i>	Amount
2020	\$ 10,442
2021	11,086
2022	11,770
2023	12,496
2024	13,267
Thereafter	494,239
<b>Total</b>	<b>\$ 553,300</b>

**Note 9: NET ASSETS**

A summary of net assets without donor restrictions follows:

<i>December 31,</i>	2019	2018
Undesignated	\$ 444,610	\$ 328,099
<b>Total net assets without donor restrictions</b>	<b>\$ 444,610</b>	<b>\$ 328,099</b>

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2019	2018 (Restated)
Purpose restricted		
Donor advised funds	\$ 1,980,574	\$ 2,012,168
Designated funds	78,388	70,900
Field of interest funds	687,878	590,532
Scholarship funds	2,118,609	1,736,880
Program and other	19,068	42,017
Fiscal sponsorship funds	994,704	835,754
Endowments	15,732,918	13,391,393
<b>Total net assets with donor restrictions</b>	<b>\$ 21,612,139</b>	<b>\$ 18,679,644</b>

**Note 10: ENDOWMENTS**

The Foundation's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### **Note 10: ENDOWMENTS (Continued)**

Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. In 2019, \$550,000 of endowment assets were loaned to the Foundation under terms of an interest bearing note. See details in Note 8. The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 5.7% – 7.2% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

*Spending Policy.* The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an average rate of 2-3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**New Mexico Community Foundation and Consolidated Subsidiary  
Notes to the Consolidated Financial Statements**

**Note 10: ENDOWMENTS (Continued)**

Changes in endowment net assets follow:

<i>December 31,</i>	<b>2019 Endowment Net Assets</b>	2018 Endowment Net Assets (Restated)
Endowment net assets -		
January 1,	\$ 13,391,393	\$ 14,869,750
Contributions	751,550	86,497
Investment income	2,166,866	(944,328)
Grants issued	(136,365)	(94,974)
Fees	(140,133)	(145,247)
Amounts appropriated for expenditure	(300,393)	(380,305)
Endowment net assets - December 31,	<b>\$ 15,732,918</b>	\$ 13,391,393

**Note 11: FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- 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; or
  - can be corroborated by observable market data.

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.

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### **Note 11: FAIR VALUE MEASUREMENTS (Continued)**

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

*Mutual funds and ETFs:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds and ETFs held by the Foundation are deemed to be actively traded.

*Equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds:* Valued at the closing price reported by the fund sponsor from an actively traded exchange.

*Alternative investments:* Valued based on value as reported by the fund manager, multiplied by the number of shares or units held as of the measurement date.

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

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### Note 11: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended December 31, 2019 and 2018:

<b>December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds and ETFs	\$ 20,249,190	\$ -	\$ -	\$ 20,249,190
Money market funds	1,276,405	-	-	1,276,405
Alternative investments	-	-	1,028,154	1,028,154
<b>Total investments at fair value</b>	<b>\$ 21,525,595</b>	<b>\$ -</b>	<b>\$ 1,028,154</b>	<b>\$ 22,553,749</b>

<b>December 31, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	\$ 4,193,741	\$ 18,060	\$ -	\$ 4,211,801
Mutual funds and ETFs	13,588,054	-	-	13,588,054
Money market funds	2,537,952	-	-	2,537,952
Alternative investments	253,036	-	1,048,057	1,301,093
<b>Total investments at fair value</b>	<b>\$ 20,572,783</b>	<b>\$ 18,060</b>	<b>\$ 1,048,057</b>	<b>\$ 21,638,900</b>

The following presents the Foundation's activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

<b>December 31,</b>	<b>2019</b>	<b>2018</b>
Beginning balance	<b>\$ 1,048,057</b>	1,104,433
Cash invested	-	-
Distributions	<b>(25,567)</b>	(72,152)
Gain on investments, net	<b>5,664</b>	15,776
<b>Ending balance</b>	<b>\$ 1,028,154</b>	<b>\$ 1,048,057</b>

### Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.



## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### Note 12: FISCAL SPONSORSHIPS (RESTRICTED CASH)

The Foundation acts as fiscal sponsor to a number of groups which engage in activities that are consistent with NMCF's mission. NMCF accepts tax-deductible donations on behalf of fiscally sponsored groups and administers the expenditures of those funds for designated tax-exempt charitable purposes. Fiscal sponsorship support is offered on a case by case basis, in situations in which there is no appropriate community-based 501(c)(3) organization that could otherwise act as fiscal sponsor.

NMCF has variance power over the fiscal sponsorship contributions it receives. As of December 31, 2019, and 2018 net assets with donor restriction held for fiscal sponsorship were \$994,704 (net of \$416 accounts payable) and \$835,754 (net of \$416 accounts payable), respectively.

### Note 13: AGENCY FUNDS

Agency funds are those which are held by the Foundation on behalf of unrelated not-for-profit organizations. The following is a summary of the agency funds:

	2019	2018
Agency funds, beginning of year	\$ 5,462,889	\$ 6,067,649
Contributions	11,030	9,740
Net investment gain (loss)	604,036	(334,714)
Distributions	(1,863,507)	(232,554)
Fees	(41,583)	(47,232)
Agency funds, end of year	<u>\$ 4,172,865</u>	<u>\$ 5,462,889</u>

The financial effects of transactions related to agency funds are recorded as changes in the funds held for agency liability and investments in marketable securities and are not included in the 2019 and 2018 Statements of Activities.

### Note 14: CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash with a financial institution in excess of the FDIC limit of \$250,000 by approximately \$2,700,000 and \$2,600,000 at December 31, 2019 and 2018, respectively. Management believes the credit risk is low due to the overall strength of the financial institution and has incurred no losses to date.

### Note 15: COMMITMENTS

The Foundation's right of use leased asset and lease liability represents the lease for office equipment used to conduct its business. Lease expense for the years ended December 31, 2019 and 2018 was \$26,596 and \$61,202, respectively. Imputed interest for the years ended December 31, 2019 and 2018 was \$1,832 and \$1,380, respectively.

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### Note 15: COMMITMENTS (Continued)

The following table reconciles the undiscounted cash flows from the Foundation's lease at December 31, 2019 to the lease liability record on the Statement of Financial Position:

*For the years ending December 31,*

2020	\$	6,900
2021		6,900
2022		6,900
Subtotal undiscounted lease payments		20,700
Less: Imputed interest at 4.77%		(1,829)
<hr/>		
Present value of lease payments	\$	18,871
<hr/>		
Current portion of lease liability	\$	6,900
Lease liability		11,971
<hr/>		
Total lease liability	\$	18,871
<hr/>		

The Foundation also leased office space previously recorded as a right to use asset with future lease payments reflected as a lease liability. During March 2019, the Foundation terminated the lease and purchased its own building.

Rent expense on this office space, including termination expenses, for the years ended December 31, 2019 and 2018 was \$26,596 and \$61,202, respectively. Additional rent expense by the Foundation during the year were on behalf of fiscal sponsorship arrangements.

### Note 16: RETIREMENT PLAN

The Foundation sponsors a 401(k)-retirement plan covering all employees who have attained eligibility. The Foundation matched 100% of employee contributions up to 3% of an employee's total annual salary. The contribution made on behalf of participating employees was \$11,708 and \$12,151 for the years ended December 31, 2019 and 2018, respectively.

### Note 17: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2020 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended December 31, 2019. In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Company. As of the financial statement reporting date, the Company does not expect to close any business locations or to terminate any employees; there are no supply or worker shortages or issues accessing job sites.

## New Mexico Community Foundation and Consolidated Subsidiary Notes to the Consolidated Financial Statements

### **Note 17: SUBSEQUENT EVENTS (Continued)**

However, impacts to the Company's operations will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, (v) the effects on the economy overall, and (vi) the effects of the Company's access to federal and state legislative actions and programs enacted to promote business stabilization due to the pandemic, all of which are uncertain. While we expect this matter to possibly have a negative impact on the business and its operations, the related financial impacts cannot be reasonably estimated at this time.

The federal relief package known as the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed into law on March 27, 2020. One of the specific offerings in the stimulus package is the Paycheck Protection Program (PPP) which was designed to protect payroll. Under this provision, the SBA is backing loans through local lenders to help provide immediate assistance for small businesses hurt by the Coronavirus. In April 2020, the Company applied for and received a Paycheck Protection Program loan from its bank in the amount of \$102,500 with an interest rate of 1%. Monthly payments begin on November 8, 2020 and the loan matures on April 8, 2022. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 60% of the forgiven amount must have been used for payroll). No collateral or personal guarantees are required. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels and will be reduced if full-time headcount declines, or if salaries and wages decrease.