The New Mexico Foundation

Consolidated Financial Statements and
Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

Schlenker &
Cantwell, P.A.

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Albuquerque, NM 87113

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico Foundation
and Consolidated Subsidiary
Albuquerque, New Mexico

Opinion

We have audited the accompanying consolidated financial statements of New Mexico Foundation (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Foundation and affiliates as of December 31, 2022, 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.

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 New Mexico Foundation 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Mexico Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated 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 consolidated 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 New Mexico Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Mexico Foundation'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.

Report on Summarized Comparative Information

We have previously audited New Mexico Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

May 18, 2023
Albuquerque, New Mexico

NEW MEXICO FOUNDATION

Consolidated Statements of Financial Position

December 31, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	$ 5,076,602	$ 3,959,919
Restricted cash	3,490,954	2,835,431
Accounts receivable	54,012	51,592
Prepaid expenses	8,604	8,375
Total current assets	8,630,172	6,855,317
Non-current assets		
Investments in marketable securities	21,922,880	26,315,558
Investments in privately held companies	23,150	23,150
Property and equipment, net	608,501	536,751
Right-of-use leased asset	-	6,585
Total non-current assets	22,554,531	26,882,044
Total assets	$ 31,184,703	$ 33,737,361

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable	$ 57,417	$ 60,287
Accrued expenses	30,644	36,383
Current portion of lease liabilities	-	6,585
Total current liabilities	88,061	103,255
Long-term liabilities		
Agency funds	4,092,255	5,082,044
Total long-term liabilities	4,092,255	5,082,044
Total liabilities	4,180,316	5,185,299
Net assets		
Without donor restrictions		
Undesignated	787,197	691,635
Board designated	343,286	340,000
Total net assets without donor restrictions	1,130,483	1,031,635
With donor restrictions	25,873,904	27,520,427
Total net assets	27,004,387	28,552,062
Total liabilities and net assets	$ 31,184,703	$ 33,737,361

See independent auditors' report and notes to the consolidated financial statements

NEW MEXICO FOUNDATION

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2022

(with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
Revenue and support				
Contributions and grants	$ 76,717	$ 7,249,081	$ 7,325,798	$ 6,186,415
Investment income (loss), net	16,657	(3,332,774)	(3,316,117)	2,378,512
Management fees	824,414	-	824,414	747,223
Miscellaneous revenue	-	47,118	47,118	5,823
Net assets released from restrictions	5,609,948	(5,609,948)	-	-
Total revenue and support	6,527,736	(1,646,523)	4,881,213	9,317,973
Expenses				
Program services				
Program and fund	3,621,202	-	3,621,202	2,499,359
Grants	2,286,601	-	2,286,601	2,365,213
Total program services	5,907,803	-	5,907,803	4,864,572
Supporting Services				
Management and General	458,262	-	458,262	389,886
Fundraising	62,823	-	62,823	68,895
Total supporting services	521,085	-	521,085	458,781
Total expenses	6,428,888	-	6,428,888	5,323,353
Changes in net assets	98,848	(1,646,523)	(1,547,675)	3,994,620
Net assets, beginning of year	1,031,635	27,520,427	28,552,062	24,557,442
Net assets, end of year	$ 1,130,483	$ 25,873,904	$ 27,004,387	$ 28,552,062

See independent auditors' report and notes to the consolidated financial statements

NEW MEXICO FOUNDATION

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(with comparative totals for 2021)

	Program Services		Supporting Services			
	Program and Fund	**Grants**	**Management and General**	**Fundraising**	**2022 Totals**	**2021 Totals**
Grants to others	$ -	$ 2,286,601	$ -	$ -	$ 2,286,601	$ 2,365,213
Consulting and professional services	1,265,154	-	5,088	290	1,270,532	546,085
Management fees	781,059	-	-	-	781,059	705,364
Non-NMCF project disbursements	595,412	-	-	-	595,412	591,204
Salaries and wages	356,769	-	189,544	45,078	591,391	513,588
Service contracts	141,901	-	69,192	3,935	215,028	116,780
Travel and training	127,080	-	3,496	-	130,576	21,890
Rent and utilities	101,924	-	12,250	1,580	115,754	134,393
Special events	94,548	-	53	-	94,601	37,224
Employee benefits	36,969	-	17,830	7,519	62,318	56,759
Payroll taxes	25,199	-	13,517	2,434	41,150	40,143
Other	28,114	-	12,826	-	40,940	16,680
Office expenses	16,922	-	23,625	-	40,547	41,493
Advertising	9,636	-	22,474	-	32,110	8,036
Repairs and maintenance	11,085	-	15,853	-	26,938	14,612
Depreciation	-	-	25,862	-	25,862	24,139
Fees and charges	7,590	-	16,050	-	23,640	19,959
Accounting and audit	-	-	21,026	-	21,026	20,898
Insurance	14,696	-	4,127	1,633	20,456	24,951
Dues and subscriptions	7,144	-	5,435	354	12,933	21,738
Interest	-	-	14	-	14	334
Building expenses	-	-	-	-	-	1,870
Total expenses	$ 3,621,202	$ 2,286,601	$ 458,262	$ 62,823	$ 6,428,888	$ 5,323,353

See independent auditors' report and notes to the consolidated financial statements

NEW MEXICO FOUNDATION
Consolidated Statements of Cash Flows
December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Changes in net assets	$ (1,547,675)	$ 3,994,620
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	25,862	24,139
Realized and unrealized loss (gain) on investments	4,494,479	(2,625,888)
Donated investments	(59,565)	(220,382)
(Increase) decrease in operating assets:		
Accounts receivable	(2,420)	(3,942)
Prepaid expenses	(229)	(2,209)
Right-of-use leased asset	6,585	6,286
(Decrease) increase in operating liabilities:		
Accounts payable	(2,870)	7,164
Accrued expenses	(5,739)	9,945
Refundable contributions	-	(5,588)
Lease liabilities	(6,585)	(6,286)
Agency funds	(989,789)	417,436
Net cash provided by operating activities	1,912,054	1,595,295
Cash flows from investing activities		
Purchases of investments	(1,345,779)	(550,656)
Proceeds from sale of investments	1,303,543	1,539,489
Purchases of property and equipment	(97,612)	(13,960)
Net cash (used) provided by investing activities	(139,848)	974,873
Net increase in cash	1,772,206	2,570,168
Cash and cash equivalents and restricted cash, beginning of year	6,795,350	4,225,182
Cash and cash equivalents and restricted cash, end of year	$ 8,567,556	$ 6,795,350
Cash and cash equivalents, end of year	$ 5,076,602	$ 3,959,919
Restricted cash, end of year	3,490,954	2,835,431
Total cash, cash equivalents, and restricted cash	$ 8,567,556	$ 6,795,350
Supplemental Disclosures of Cash Flows:		
Cash paid for interest	$ 14	$ 334

See independent auditors' report and notes to the consolidated financial statements

NOTE 1 - NATURE OF ORGANIZATION

New Mexico Foundation (the Foundation) is a nonprofit organization located in Santa Fe, New Mexico. The Foundation is a statewide philanthropic institution that works to preserve and create resources for communities across New Mexico 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. The Foundation also 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 (art, 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 nonprofit 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 serves as the headquarters of the Foundation, in Santa Fe, New Mexico.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

Principles of Consolidation

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

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. Accordingly, certain revenues are recognized when earned rather than when received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The Foundation's consolidated financial statements are presented in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements.* Under ASC 2016-14, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows and a statement of functional expenses.

Comparative Financial Statements

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Adoption of New Accounting Standards - Leases

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Adoption of New Accounting Standards - Contributed Nonfinancial Assets

In September 2020, FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type, and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The Foundation adopted ASU 2020-07 for the year ending December 31, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Foundation's financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers.* Under ASC 2014-09, the Foundation is required to recognize revenue to transfer of goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

Revenue recognition for the Foundation is as follows:

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Foundation will record such disallowance at the time the final assessment is made.

Contributions Received and Contributions Made

The Foundation adopted FASB ASU No. 2018-08 - *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.

- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Received and Contributions Made (continued)

In addition, this ASU also requires the Foundation to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome or whether a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Major estimates of the Foundation include depreciable lives and estimated residual value of property and equipment.

Concentrations of Credit Risk

The Foundation maintains its cash balances in various financial institutions located in New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times the Foundation's cash balances have exceeded federally insured limits. The Foundation has not experienced any loss in such accounts.

As of December 31, 2022, and 2021, uninsured balances totaled approximately $8,316,000 and $6,589,000, respectively. In 2020, a sweep account was set up that invested the funds nightly in treasury bills. Management does not consider there to be significant risk from uninsured balances.

Financial Instruments

The carrying amounts of cash, receivables, other assets, payables, and other liabilities approximate fair value due to the short maturity periods of these instruments.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include all monies in banks and highly-liquid investments with original maturity dates of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Restricted cash represents the balance separately maintained to be used for fiscal sponsor purposes as specified in agreements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Management reviews the collectability of its receivables and records a reserve for its estimate of uncollectible accounts. Historical bad debts, third-party contracts, and current facts and circumstances are the primary bases for this estimate. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. When an account is deemed uncollectible, it is charged off against the allowance. The allowance for doubtful accounts was zero as of December 31, 2022, and 2021.

Unconditional and Conditional Promises to Give

Contributions received, including unconditional promises to give, are recognized at fair value as revenues in the period received. Additionally, contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Prepaid Expenses

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

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair values in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. If 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, the investment income is reported as without donor restrictions.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchased or donated property in excess of $2,500 is capitalized. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-Use Leased Assets and Liabilities

The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets – operating and lease liability – operating, and finance leases are included in right-of-use (“ROU”) assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Foundation’s right to use an underlying asset for the lease term and lease liabilities represent the Foundation’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. There were no leases that met the requirements of capitalization for ASC-842.

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital asset reserve.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Fee Income

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

Donated Materials and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, performed by people with those skills, which would otherwise be purchased by the Foundation. No amounts have been recorded in the financial statements as they do not meet the criteria for recognition.

Functional Expense Allocation

Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Common costs are allocated among the classifications benefited based upon estimated usage. 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 of the 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 supporting services.

Advertising

The Foundation expenses advertising costs as incurred. Advertising expense was $32,110 and $8,036 for the years ended December 31, 2022, and 2021, respectively.

Income Taxes

The Foundation is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The Foundation has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the year ended December 31, 2022, and has evaluated its tax positions taken for all open tax years. The Foundation is not currently under audit nor has the Foundation been contacted by this jurisdiction. Management believes that the activities of the Foundation are within their tax-exempt purpose and that there are no uncertain tax positions.

NOTE 3 - INVESTMENTS

The cost, fair value, and unrealized appreciation of investments in marketable securities as of December 31, 2022, are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds - equity	$ 9,440,741	$ 8,571,016	$ (869,725)
Mutual funds - fixed income	5,498,876	4,828,477	(670,399)
ETFs	4,340,288	5,381,505	1,041,217
Money market funds	346,754	346,754	-
Alternative investments	2,696,902	2,795,128	98,226
Total investments	$ 22,323,561	$ 21,922,880	$ (400,681)

Investment income consists of the following for the year ended December 31, 2022:

Dividends and interest income	$ 384,270
Realized gains	111,140
Unrealized losses	(3,729,112)
Total investment losses	(3,233,702)
Broker fees	(82,415)
Net investment loss	$ (3,316,117)

The cost, fair value, and unrealized appreciation of investments as of December 31, 2021, are as follows:

	Cost	Fair Value	Unrealized Appreciation
Mutual funds - equity	$ 9,819,534	$ 10,903,860	$ 1,084,326
Mutual funds - fixed income	6,654,949	6,716,874	61,925
ETFs	3,863,762	6,864,244	3,000,482
Money market funds	401,529	401,529	-
Alternative investments	1,335,064	1,429,051	93,987
Total investments	$ 22,074,838	$ 26,315,558	$ 4,240,720

NOTE 3 - INVESTMENTS (continued)

Investment income consists of the following for the year ended December 31, 2021:

Dividends and interest income	$ 384,481
Realized gains	1,252,010
Unrealized gains	822,574
Total investment gains	2,459,065
Broker fees	(80,553)
Net investment income	$ 2,378,512

Investment allocation between pooled and non-pooled investments consists of the following as of December 31:

	2022	2021
Pooled investments:		
Mutual funds - equity	$ 8,571,016	$ 10,903,860
Mutual funds - fixed income	4,828,477	6,716,874
ETFs	5,381,505	6,864,244
Money market funds	299,926	360,372
Alternative investments	1,993,694	558,624
Total pooled investments	21,074,618	25,403,974
Non-pooled investments:		
Money market funds	46,828	41,157
Alternative investments	801,434	870,427
Total non-pooled investments	848,262	911,584
Total investments	$ 21,922,880	$ 26,315,558

NOTE 3 - INVESTMENTS (continued)

Investments in privately held companies consist of the following as of December 31:

	2022	2021
Investments, cost		
1.024% interest in NM Community Capital Fund I, LP	$ 23,150	$ 23,150
Total investments in privately held companies	$ 23,150	$ 23,150

NOTE 4 - FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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 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.

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2022, and 2021.

Mutual funds and ETFs: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-ended 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

Money Market Funds: Valued at the net asset value for shares held by the Foundation as of year-end as determined by quoted market prices.

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 methods 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 management 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 Foundation's assets at fair value as of December 31, 2022:

Description	Level 1	Level 2	Level 3	Total
Mutual funds - equity	$ 8,571,016	$ -	$ -	$ 8,571,016
Mutual funds - fixed income	4,828,477	-	-	4,828,477
ETFs	5,381,505	-	-	5,381,505
Money market funds	346,754	-	-	346,754
Alternative investments	-	-	2,795,128	2,795,128
Total fair market value	$ 19,127,752	$ -	$ 2,795,128	$ 21,922,880

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2021:

Description	Level 1	Level 2	Level 3	Total
Mutual funds - equity	$ 10,903,860	$ -	$ -	$ 10,903,860
Mutual funds - fixed income	6,716,874	-	-	6,716,874
ETFs	6,864,244	-	-	6,864,244
Money market funds	401,529	-	-	401,529
Alternative investments	-	-	1,429,051	1,429,051
Total fair market value	$ 24,886,507	$ -	$ 1,429,051	$ 26,315,558

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:

	2022	2021
Beginning balance	$ 1,429,051	$ 1,051,373
Cash invested	1,359,205	433,515
Distributions	(122,421)	(80,002)
Gain on investments, net	129,293	24,165
Ending balance	$ 2,795,128	$ 1,429,051

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. There were no significant transfers for the years ended December 31, 2022, and 2021.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2022	2021
Buildings and improvements	$ 492,934	$ 492,934
Furniture, fixtures, and equipment	106,687	106,687
Improvements	105,947	8,334
Total property and equipment	705,568	607,955
Accumulated depreciation	(162,882)	(137,019)
Land	65,815	65,815
Property and equipment, net	$ 608,501	$ 536,751

Depreciation expense was $25,862 and $24,139 for the years ended December 31, 2022, and 2021, respectively.

NOTE 6 - 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 as of 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. The internal note is due in full March 15, 2044. The internal note has been eliminated in these consolidated financial statements.

	2022	2021
Internal note payable, monthly payments of $3,613, plus interest of 3.25% per annum, maturing June 2044.	$ 492,256	$ 513,033
Total note payable	492,256	513,033
Less current portion	(17,940)	(18,889)
Long-term note payable, net	$ 474,316	$ 494,144

NOTE 6 - NOTE PAYABLE TO ENDOWMENT (continued)

Interest expense related to the internal note payable agreement was $22,593 and $19,722 for the years ended December 31, 2022, and 2021, respectively.

Future maturities related to the note payable are as follows as of December 31:

2023	$ 17,940
2024	18,905
2025	19,922
2026	20,993
2027	22,122
Thereafter	392,374
Total	$ 492,256

NOTE 7 – LINE OF CREDIT

The Foundation has an unsecured $250,000 bank line of credit, which expires October 2023. Amounts borrowed under this agreement bear a rate of 6.25%, the Wall Street Journal Prime Rate. No amounts were outstanding on the line of credit as of December 31, 2022, and 2021.

NOTE 8 - 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:

	2022	2021
Agency funds, beginning of year	$ 5,082,044	$ 4,664,608
Contributions	3,500	12,000
Net investment (loss) gain	(799,683)	619,294
Distributions	(150,250)	(171,999)
Fees	(43,356)	(41,859)
Agency funds, end of year	$ 4,092,255	$ 5,082,044

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 2022 and 2021 Statement of Activities and Changes in Net Assets.

NOTE 9– DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated net assets without donor restrictions are amounts designated by the Board of Directors. As of December 31, the designated balances consist of the following:

	2022	2021
Sustaining New Mexico	$ 158,400	$ 240,000
Maintenance and repairs	102,386	100,000
Future Funds	82,500	-
Total designated net assets	$ 343,286	$ 340,000

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following as of December 31:

	2022	2021
Purpose restricted		
Donor-advised funds	$ 1,733,149	$ 1,953,595
Designated funds	758,559	100,985
Field of interest funds	233,710	494,634
Scholarship funds	1,355,740	1,785,498
Program and other	2,990,775	1,346,103
Fiscal sponsorship funds	3,490,954	2,835,431
Native relief funds	13,518	225,488
Endowments	15,297,499	18,778,693
Total net assets with donor restrictions	$ 25,873,904	$ 27,520,427

NOTE 11 - 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.

NOTE 11 - ENDOWMENTS (continued)

Changes in endowment net assets are as follows for the years ended December 31:

	2022	2021
Endowment net assets, beginning of year	$ 18,778,693	$ 17,095,005
Contributions	1,300	44,014
Investment (loss) income	(2,799,993)	2,195,702
Grants issued	(195,129)	(98,379)
Fees	(161,008)	(152,269)
Appropriation of endowment assets for expenditure	(326,364)	(305,380)
Endowment net assets, end of year	$ 15,297,499	$ 18,778,693

Interpretation of Relevant Law

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 of 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 (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the permanent 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 is subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the 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/depreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Return Objectives and Risk Parameters

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 seeking to maintain the purchasing power of the 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.

NOTE 11 - ENDOWMENTS (continued)

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 on Note 6. 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowments while seeking to maintain the purchasing power of the endowments. In determining the prudent amount to distribute in a given year, the Foundation considers the donor's intent that the fund continues in perpetuity, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Foundation's current spending policy is to distribute an amount as determined each year by the Board of Directors. 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 returns.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund in perpetuity. In accordance with accounting principles generally accepted in the United States of America, the deficiencies are reported as unrestricted net assets. There were no such deficiencies as of December 31, 2022, and 2021.

NOTE 12 - COMMITMENTS

Retirement Plan

The Foundation has a 401(k) retirement plan for its employees who have attained one year of service and 1,000 hours. The plan provides for a matching contribution by the Foundation of up to 3% of the employee's salary. Participants become fully vested immediately upon eligibility. The Foundation's contributions were $15,935 and $16,496 in 2022 and 2021, respectively, and are included in “Employee benefits” on the consolidated statement of functional expenses.

Right-of-use asset

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, 2022, and 2021 was $6,585. Imputed interest for the years ended December 31, 2022, and 2021 was $315 and $314, respectively. The asset is fully depreciated as of December 31, 2022.

NOTE 13 - FISCAL SPONSORSHIPS (RESTRICTED CASH)

The Foundation acts as fiscal sponsor to a number of groups that engage in activities which are consistent with the Foundation’s mission. The Foundation 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.

The Foundation has variance power over the fiscal sponsorship contributions it receives. As of December 31, 2022, and 2021, net assets with donor restrictions held for fiscal sponsorship were $3,490,954 and $2,835,431, respectively.

NOTE 14 - LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives management fees for services provided and support with and without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

NOTE 14 - LIQUIDITY AND AVAILABILITY (continued)

As part of the Foundation’s liquidity management, it ensures its financial assets are available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2022, and 2021, the Foundation had working capital of approximately $8,542,111 and $6,752,062 and average days cash on hand of 485 days and 466 days, respectively.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and,
- Maintaining sufficient reserves to provide reasonable assurance that obligations and commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2023, the date the consolidated financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended December 31, 2022.