

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
New Mexico Foundation and Subsidiary

### ***Opinion***

We have audited the accompanying consolidated financial statements of New Mexico Foundation and Subsidiary (the Foundation), a nonprofit organization, which comprise the statement of financial position as of December 31, 2023 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2023 and the changes in its net assets and its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the 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 Consolidated 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 the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the 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 the 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2025 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

February 12, 2025

  
Pulakos CPAs, PC

**The New Mexico Foundation**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2023**

**Assets**

Current assets	
Cash and cash equivalents	\$ 322,873
Restricted cash	4,382,143
U.S. treasury bills	3,507,184
Accounts receivable, net	57,645
Grants receivable, net	2,081,712
Prepaid expenses	63,885
Total current assets	10,415,442
Non-current assets	
Investments in marketable securities	24,876,822
Investments in privately held companies	23,150
Property and equipment, net	602,355
Total non-current assets	25,502,327
Total assets	\$ 35,917,769

**Liabilities and Net Assets**

Current liabilities	
Accounts payable	\$ 333,424
Accrued expenses	37,829
Total current liabilities	371,253
Long-term liabilities	
Agency funds	4,576,598
Total long-term liabilities	4,576,598
Total liabilities	4,947,851
Net assets	
Without donor restrictions	
Undesignated	948,629
Board designated	343,286
Total net assets without donor restrictions	1,291,915
With donor restrictions	29,678,003
Total net assets	30,969,918
Total liabilities and net assets	\$ 35,917,769

## The New Mexico Foundation

### CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Contributions and grants	\$ 270,374	\$ 9,880,361	\$ 10,150,735
Investment income, net	(58,624)	2,948,287	2,889,663
Management fees	899,063	-	899,063
Miscellaneous revenue	123,561	230,142	353,703
Net assets released from restriction	9,145,036	(9,145,036)	-
	<u>10,379,410</u>	<u>3,913,754</u>	<u>14,293,164</u>
Total support and revenues			
Expenses:			
Program services			
Program and fund	5,959,206	-	5,959,206
Grants	3,435,475	-	3,435,475
	<u>9,394,681</u>	<u>-</u>	<u>9,394,681</u>
Total program services			
Supporting services			
Management and general	632,148	-	632,148
Fundraising	187,957	-	187,957
	<u>820,105</u>	<u>-</u>	<u>820,105</u>
Total supporting services			
Total expenses	<u>10,214,786</u>	<u>-</u>	<u>10,214,786</u>
Change in net assets	164,624	3,913,754	4,078,378
Net assets, beginning of year (as restated)	<u>1,127,291</u>	<u>25,764,249</u>	<u>26,891,540</u>
Net assets, end of year	<u>\$ 1,291,915</u>	<u>\$ 29,678,003</u>	<u>\$ 30,969,918</u>

## The New Mexico Foundation

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Program and Fund</u>	<u>Grants</u>	<u>Management and General</u>	<u>Fundraising</u>	
Accounting and audit	\$ 3,621	\$ -	\$ 21,456	\$ -	\$ 25,077
Advertising	7,514	-	-	5,611	13,125
Building expenses	71,079	-	-	-	71,079
Consulting and professional services	2,625,068	-	125,155	981	2,751,204
Depreciation	-	-	29,511	-	29,511
Dues and subscriptions	11,072	-	8,817	836	20,725
Employee benefits	26,132	-	12,440	7,143	45,715
Fees and charges	5,610	-	71,117	-	76,727
Grants to other	-	3,435,475	-	-	3,435,475
Insurance	18,030	-	5,067	1,849	24,946
Interest	-	-	90	-	90
Management fees	897,688	-	-	-	897,688
Non-NMCF project disbursements	931,267	-	-	-	931,267
Office expenses	47,985	-	76,639	695	125,319
Other	72,000	-	6,556	994	79,550
Payroll taxes	23,782	-	10,848	10,512	45,142
Rent and utilities	97,095	-	10,704	2,409	110,208
Repairs and maintenance	11,162	-	22,832	-	33,994
Salaries and wages	337,648	-	184,950	134,858	657,456
Service contracts	182,582	-	31,284	5,099	218,965
Special events	434,593	-	-	16,970	451,563
Travel and training	155,278	-	14,682	-	169,960
	<u>\$ 5,959,206</u>	<u>\$ 3,435,475</u>	<u>\$ 632,148</u>	<u>\$ 187,957</u>	<u>\$ 10,214,786</u>

See Notes to Financial Statements and Independent Auditors' Report.

# The New Mexico Foundation

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

Operating activities	
Change in net assets	\$ 4,078,378
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,511
Unrealized gain on investments	(1,599,661)
Changes in certain operating assets and liabilities	
Accounts receivable, net	(3,633)
Grants receivable, net	(2,081,712)
Prepaid expenses	(55,281)
Accounts payable	163,160
Accrued expenses	7,185
Agency funds	484,343
	<hr/>
Net cash provided by operating activities	1,022,290
Investing activities	
Purchase of investments	(27,144,240)
Proceeds from the sale of investments	22,282,775
Purchases of property and equipment	(23,365)
	<hr/>
Net cash used by investing activities	(4,884,830)
Net change in cash and cash equivalents	(3,862,540)
Cash and cash equivalents, beginning of year	<hr/> 8,567,556
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 4,705,016
Cash and cash equivalents, end of year	\$ 322,873
Restricted cash, end of year	<hr/> 4,382,143
Total cash and equivalents and restricted cash	<hr/> <hr/> \$ 4,705,016
Supplemental disclosures of cash flows - cash paid for interest	<hr/> <hr/> \$ 90

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**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.



# New Mexico Foundation and Subsidiary

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 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 consolidated financial position and consolidated statement of activities and changes in net assets according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present the consolidated statement of cash flows and consolidated statement of functional expenses.

#### Revenue Recognition

The Foundation's consolidated financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under ASC 2014-19, 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:

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Contributions Received and Contributions Made – Continued

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.

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 consolidated 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 consolidated 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, 2023, uninsured balances totaled approximately \$2,465,600. 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, U.S. treasury bills, 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.

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Accounts and Grants Receivable

Accounts and Grants receivable are stated as unpaid balances, less an allowance for credit losses. 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 credit losses was zero as of December 31, 2023. Unbilled grants receivable are amounts where costs have been incurred and are billable, but for various reasons, have not yet been fully billed. Unbilled grants receivable was \$121,712 at December 31, 2023 and is included in grants receivable.

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 statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated 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 are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years.

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**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 ROU assets – financing and lease liability-financing in the consolidated statement 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 ROU assets on the consolidated statement of financial position.

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.

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**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 consolidated 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 \$13,125 for the year ended December 31, 2023.

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, 2023 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.

# New Mexico Foundation and Subsidiary

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Subsequent Events

The Foundation has evaluated all events occurring subsequent to December 31, 2023 through February 12, 2025, which is the date that the consolidated financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying consolidated financial statements.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as December 31, 2023 available for general expenditure within one year of the consolidated statement of financial position date:

Cash and cash equivalents	\$ 322,873
Restricted cash	4,382,143
U.S. Treasury Bills	3,507,184
Investments	24,876,822
Accounts and grants receivable	<u>2,081,712</u>
Total financial assets	35,170,734
Less amounts not available to be used within one year:	
Net assets with donor restrictions:	
Perpetual in nature - endowment	(13,144,395)
Time or purpose restricted - endowment	(3,718,562)
Time or purpose restricted – other	(12,963,333)
Agency funds	<u>(4,576,598)</u>
Financial assets available to meet cash needs for general expenditure	<u>\$ 767,846</u>

The Foundation manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. 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.

The Foundation's endowment is subject to an annual spending rate as discussed in Note 12. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowments are not available for general expenditure. Agency obligations are funds where the Foundation acts as a fiscal agent on behalf of a donor. Funds for both the endowment and agency obligations are in the investment portfolio.

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 4 – INVESTMENTS**

The cost, fair value and unrealized appreciation of investments in marketable securities as of December 31, 2023, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds – equity	\$ 10,359,513	\$ 10,447,952	\$ 88,439
Mutual funds – fixed income	6,018,596	7,093,779	1,075,183
ETFs	3,697,044	3,786,071	89,027
Money market funds	244,714	308,959	64,245
Alternative investments	<u>3,090,501</u>	<u>3,240,061</u>	<u>149,560</u>
Total investments	<u>\$ 23,410,368</u>	<u>\$ 24,876,822</u>	<u>\$ 1,466,454</u>

Investment income consists of the following for the year ended December 31, 2023:

Dividends and interest income	\$ 809,531
Realized gains	602,088
Unrealized gains	<u>1,599,661</u>
Total investment income	3,011,280
Broker fees	<u>(121,617)</u>
Net investment income	<u>\$ 2,889,663</u>

Investment allocation between pooled and non-pooled investments consists of the following as of December 31, 2023:

Pooled investments:	
Mutual funds – equity	\$ 10,447,952
Mutual funds – fixed income	7,093,779
ETFs	3,786,071
Money market funds	308,959
Alternative investments	<u>2,397,369</u>
Total pooled investments	24,034,130
Non-pooled investments:	
Alternative investments	<u>842,692</u>
Total investments	<u>\$ 24,876,822</u>

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 4 – INVESTMENTS – CONTINUED**

Investments in privately held companies consist of the following as of December 31, 2023:

Investments, cost	
1.024% interest in New Mexico Community Capital Fund I, LP	<u>\$ 23,150</u>
Total investments in privately held companies	<u>\$ 23,150</u>

**NOTE 5 – 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 I measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level I – 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.



**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 5 – 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, 2023.

Mutual funds and Exchange Traded Funds (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 Fund – 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds – equity	\$ 10,447,952	\$ -	\$ -	\$ 10,447,952
Mutual funds – fixed income	7,093,779	-	-	7,093,779
ETFs	3,786,071	-	-	3,786,071
Money market funds	308,959	-	-	308,959
Alternative investments	-	-	3,240,061	3,240,061
Total fair market value	<u>\$ 21,636,761</u>	<u>\$ -</u>	<u>\$ 3,240,061</u>	<u>\$ 24,876,822</u>

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 year ended December 31, 2023:

Beginning balance	\$ 2,795,128
Cash invested	229,698
Gain on investments, net	<u>215,235</u>
Ending balance	<u>\$ 3,240,061</u>

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 5 – FAIR VALUE MEASUREMENT – CONTINUED**

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 year ended December 31, 2023.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2023:

Buildings and improvements	\$ 492,934
Furniture, fixtures and equipment	50,511
Improvements	<u>115,613</u>
Total property and equipment	659,088
Accumulated depreciation	(122,518)
Land	<u>65,815</u>
Property and equipment, net	<u>\$ 602,355</u>

Depreciation expense was \$29,511 for the year ended December 31, 2023.

**NOTE 7 – 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.

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 7 – NOTE PAYABLE TO ENDOWMENT – CONTINUED**

Internal note payable, monthly payments of \$3,613, plus interest of 3.25% per annum, maturing June 2044	<u>\$ 479,320</u>
Total note payable	479,320
Less current portion of	<u>(8,785)</u>
Long-term note payable, net	<u>\$ 470,535</u>

Interest expense related to the internal note payable agreement was \$34,020 for the year ended December 31, 2023.

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

2024	\$	8,785
2025		9,585
2026		10,458
2027		11,411
2028		12,451
Thereafter		<u>426,630</u>
Total	\$	<u>479,320</u>

**NOTE 8 – LINE-OF-CREDIT**

The Foundation has an unsecured \$250,000 bank line-of-credit, which expired October 2023. The line of credit was not renewed. Amounts borrowed under this agreement bore a rate of 6.25%, the Wall Street Journal Prime Rate. No amounts were outstanding on the line-of-credit as of December 31, 2023.

**NOTE 9 – 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:

Agency funds, beginning of year	\$ 4,092,255
Contributions	250
Net investments gain	663,040
Distributions	(134,595)
Fees	<u>(44,352)</u>
Ending balance	<u>\$ 4,576,598</u>

**New Mexico Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 9 – AGENCY FUNDS – CONTINUED**

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 2023 consolidated statement of activities and changes in net assets.

**NOTE 10 – DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS**

Designated net assets without donor restrictions are amounts designated by the Board of Directors. As of December 31, 2023, the designated balances consist of the following:

Sustaining New Mexico	\$ 50,058
Maintenance and repairs	210,728
Future funds	<u>82,500</u>
Total designated net assets	<u>\$ 343,286</u>

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following as of December 31, 2023:

Purpose restricted	
Donor-advised funds	\$ 1,240,999
Designated funds	873,815
Field of interest funds	234,219
Scholarship funds	1,363,451
Program and other	4,565,998
Fiscal sponsorship funds	4,503,855
Native relief funds	32,709
Endowments	<u>16,862,957</u>
Total net assets with donor restrictions	<u>\$ 29,678,003</u>

With purpose restricted net assets were released from restriction by the expiration of time, purpose and receipt of the actual contributions.

**NOTE 12 – ENDOWMENTS**

The Foundation's endowment consists of individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, 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 Foundation and Subsidiary**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023**

**NOTE 12 – ENDOWMENTS – CONTINUED**

Changes in endowment net assets are as follows for the year ended December 31, 2023, respectively.

	<b>With Donor Restrictions</b>
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 13,144,395
Donor-restricted gifts for time or purpose and accumulated investment gains	3,718,562
	<b>\$ 16,862,957</b>
Endowment net assets, beginning of year	\$ 15,297,499
Contributions	47,240
Investment income	2,292,191
Grants issued	(267,186)
Fees	(203,782)
Appropriation of endowment assets for expenditure	(303,005)
Endowment net assets, end of year	<b>\$ 16,862,957</b>

**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.

# New Mexico Foundation and Subsidiary

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### NOTE 12 – ENDOWMENTS – CONTINUED

#### 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.

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 7. 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.

# New Mexico Foundation and Subsidiary

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### NOTE 12 – ENDOWMENTS – CONTINUED

#### 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, 2023.

### NOTE 13 – 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 was \$14,662 in 2023 is included in "employee benefits" on the consolidated statement of functional expenses.

### NOTE 14 – 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, 2023, net assets with donor restrictions held for fiscal sponsorship were \$4,503,855.

### NOTE 15 – RESTATEMENT

During 2024, it was determined by Management that certain expenditures were improperly recorded in 2023, rather than 2022. When the error was identified, an adjustment to prior year expenses was necessary to reflect the expenses as incurred, not paid.

The effects of the restatement are as follows:

<u>Description</u>	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Net assets without donor restrictions, December 31, 2022	\$ 1,130,483	\$ (3,192)	\$ 1,127,291
Net assets with donor restrictions, December 31, 2022	25,873,904	(109,655)	25,764,249

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**New Mexico Foundation and Subsidiary**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

December 31, 2023

	<b>Assistance Listing Number /Contract Number</b>	<b>Agency or Pass-Through Number</b>		<b>Total Federal Expenditures</b>
U.S. Department of Education				
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects	84.215			\$ 921,243
U.S. Fish and Wildlife				
New Mexico Community Foundation Cooperative Agreement	F19AC00724			51,425
U.S. Department of Health				
Passed through the New Mexico Department of Health Immunization Cooperative Agreements	93.268			55,855
Total expenditures of Federal awards				\$ 1,028,523

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Foundation under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of the *Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic consolidated financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

The Foundation has elected to not use the 10% de minimus indirect cost rate for its federal programs.

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

To the Board of Directors of  
New Mexico Foundation and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the consolidated financial statements of New Mexico Foundation and Subsidiary (the Foundation), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related consolidated notes to the financial statements and have issued our report thereon dated February 12, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


## **The Foundation's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

February 12, 2025

  
Pulakos CPAs, PC

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
New Mexico Foundation and Subsidiary

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited New Mexico Foundation and Subsidiary's (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2023. the Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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 auditing standards generally accepted in the United States of America Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-004, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. the Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

February 12, 2025

  
Pulakos CPAs, PC

New Mexico Foundation and Subsidiary

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

December 31, 2023

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

Noncompliance material to consolidated financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  Yes  No

Identification of major programs:

CFDA Numbers(s) Name of Federal Program or Cluster

84.215 Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects.

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

# New Mexico Foundation and Subsidiary

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

December 31, 2023

### SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

#### 2023-001: Revenue Recognition – Material Weakness

**Criteria and Condition:** Under accounting principles generally accepted in the United States of America (GAAP), revenue should be recognized in the period earned.

**Context:** Audit procedures identified one instance where a multi-year unconditional contribution was recorded for the first year of the gift but excluded the second year. Audit procedures identified one instance where a grant was recorded net of management fees ultimately to be charged to the fund and not at amounts to be paid as earned in accordance with the grant document. Additionally, as a result of finding 2023-002, revenues for a cost reimbursement grant were not recognized in the correct accounting period.

**Cause:** Procedures and controls in place did not identify the correct timing of revenue recognition.

**Effect:** Revenue was not recorded in the correct accounting period.

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** All transactions should be evaluated based on the available facts and circumstances for recording in the proper fiscal period.

**Views of Responsible Officials and Planned Corrective Actions:** NMF has taken several actions to rectify this revenue recognition material weakness. The position of Program Director has been created. This position is responsible for ensuring that all of the grant terms, for both NMF direct grants and grants benefitting fiscally sponsored projects, are adhered to, including budget monitoring, expense review, and reporting. The position of Finance Grants Manager, who works with the Program Director, has also been created to ensure that grants are booked correctly into the accounting system according to the grant award letter, including revenue recognition. In addition, a Sales Force software grants management system is being implemented that will assist in the correct tracking of all grants. The grants management system is directly connected to the accounting system.

#### 2023-002: Expense Recognition – Material Weakness

**Criteria and Condition:** Under accounting principles generally accepted in the United States of America (GAAP), expenses should be recognized in the period incurred.

**Context:** Audit procedures identified multiple instances where expenses were not recorded in the correct accounting period. As a result, Management assisted in the evaluation of cash disbursements made and identified additional instances where expenses were not recorded in the correct accounting period. The impacts of these corrections resulted in a restatement of the 2022 consolidated financial statements.



# New Mexico Foundation and Subsidiary

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

December 31, 2023

### SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS – CONTINUED

#### 2023-002: Expense Recognition – Material Weakness – Continued

**Cause:** Procedures and controls in place did not identify the correct timing of expense recognition.

**Effect:** Expenses were not recorded in the correct accounting period.

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** All transactions should be evaluated based on the available facts and circumstances for recording in the proper fiscal period.

**Views of Responsible Officials and Planned Corrective Actions:** When invoices are submitted for payment by fiscally sponsored projects, they include a check request and the attached invoice. The majority of the cases identified in the expense recognition material weakness finding arose when the check request from a fiscally sponsored project had a January date and the attached invoice had a December date. A policy has been implemented to ensure that the invoice date is the date used to book the expense. The same policy governs NMF invoices. The Finance and Grants Manager is responsible for reviewing paid invoices to ensure that they are booked in the correct period in Intacct, the accounting software.

#### 2023-003: Documentation Retention – Material Weakness

**Criteria and Condition:** Documentation should be maintained to support the business purpose of all transactions.

**Context:** Audit procedures identified eleven instances in a sample of twenty-five transactions for fiscal sponsor activity where adequate supporting documentation to substantiate the expenditure was missing, either in whole or in part. Three of these transactions had no documentation. Two of these transactions were missing supporting documentation but did include a check request executed by the client. Six of these transactions were related to payroll where an applicable timecard was provided, however there was no substantiation as to the appropriateness of the rate paid. All transactions identified appeared to be within the normal course of business and at reasonable amounts, however the ultimate determination would require additional supporting documentation to substantiate the transaction.

**Cause:** Procedures in place do not ensure adequate supporting documentation is retained for all transactions.

**Effect:** Expenses do not have documentation supporting the appropriate business purpose of the transaction.

## New Mexico Foundation and Subsidiary

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

December 31, 2023

#### SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS – CONTINUED

##### 2023-003: Documentation Retention – Material Weakness – Continued

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** All transactions should be evaluated based on adequate supporting documentation to substantiate all costs incurred and documentation should be maintained to substantiate any and all decisions made by Management.

**Views of Responsible Officials and Planned Corrective Actions:** The Finance Grants Manager is responsible for ensuring that all of appropriate supporting documentation is attached to every check request for fiscally sponsored projects. She has begun auditing the invoices paid in 2024 to ensure that all required documentation is attached to the check request. The Finance Grants Manager will conduct internet searches to gain the proper knowledge to determine the appropriateness of the rate paid for fiscally sponsored project payrolls.

#### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

##### 2023-004: Data Collection Form Submission – Material Weakness

**Criteria and Condition:** 2 CFR 200.512 requires that the data collection form be submitted at the earlier of nine months after the audit period or thirty days after the auditee receives the auditors' report.

**Context:** Delays in the audit process did not allow for audit completion prior to the nine month required report submission date.

**Cause:** Staffing changes and loss of institutional knowledge at the Foundation ultimately resulted in delays in providing requested audit documentation in a timely manner.

**Effect:** The data collection form for the 2023 audit was submitted outside of the required submission deadline.

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** Procedures should be developed whereby knowledge and documentation supporting the activities of the Foundation are not lost upon transition of staff and allows the Foundation maintain adequate operational efficiency and regulatory compliance.

## **New Mexico Foundation and Subsidiary**

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**December 31, 2023**

#### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED**

##### **2023-004: Data Collection Form Submission – Material Weakness – Continued**

*Views of Responsible Officials and Planned Corrective Actions:* I feel that there is a fundamental misunderstanding between the audit firm and NMF accounting staff on this issue. During the audit process, NMF accounting staff responded to requests from the auditors in a timely manner. Frequently, we would submit documentation and then we would not hear back for weeks. What would be helpful is an agreed upon time frame for the audit and due dates when responses are required. We will meet all due dates. It would be helpful if the Pulakos Accounting web portal for submitting documentation was organized according to the PBC requests using Smart Sheet or a similar software. It would make tracking response much easier.

#### **SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**None**



## CORRECTIVE ACTION PLAN NEW MEXICO FOUNDATION

### **Finding 2023-001: Revenue Recognition – Material Weakness**

**Planned Corrective Action:** NMF has taken several actions to rectify this revenue recognition material weakness. The position of Program Director has been created. This position is responsible for ensuring that all of the grant terms, for both NMF direct grants and grants benefitting fiscally sponsored projects, are adhered to, including budget monitoring, expense review, and reporting. The position of Finance Grants Manager, who works with the Program Director, has also been created to ensure that grants are booked correctly into the accounting system according to the grant award letter, including revenue recognition. In addition, a Sales Force software grants management system is being implemented that will assist in the correct tracking of all grants. The grants management system is directly connected to the accounting system.

**Anticipated Completion Date:** January 31, 2025.

**Responsible Contact Person:** Philip Varnum, Finance Director, and Finance Staff

### **Finding 2023-002: Expense Recognition – Material Weakness**

**Planned Corrective Action:** When invoices are submitted for payment by fiscally sponsored projects, they include a check request and the attached invoice. The majority of the cases identified in the expense recognition material weakness finding arose when the check request from a fiscally sponsored project had a January date and the attached invoice had a December date. A policy has been implemented to ensure that the invoice date is the date used to book the expense. The same policy governs NMF invoices. The Finance Grants Manager is responsible for reviewing paid invoices to ensure that they are booked in the correct period in Intacct, the accounting software.

**Anticipated Completion Date:** January 31, 2025.

**Responsible Contact Person:** Philip Varnum, Finance Director, and Finance Staff

### **Finding 2023-003: Documentation Retention – Material Weakness**

**Planned Corrective Action:** The Finance Grants Manager is responsible for ensuring that all of appropriate supporting documentation is attached to every check request for fiscally sponsored projects. She has begun auditing the invoices paid in 2024 to ensure that all required documentation is attached to the check request. The Finance Grants Manager will conduct internet searches to

gain the proper knowledge to determine the appropriateness of the rate paid for fiscally sponsored project payrolls.

***Anticipated Completion Date:*** January 31, 2025.

***Responsible Contact Person:*** Philip Varnum, Finance Director, and Finance Staff

**Finding 2023-004:            Data Collection Form Submission – Material Weakness**

***Planned Corrective Action:*** I feel that there is a fundamental misunderstanding between the audit firm and NMF accounting staff on this issue. During the audit process, NMF accounting staff responded to requests from the auditors in a timely manner. Frequently, we would submit documentation and then we would not hear back for weeks. What would be helpful is an agreed upon time frame for the audit and due dates when responses are required. We will meet all due dates. It would be helpful if the Pulakos Accounting web portal for submitting documentation was organized according to the PBC requests using Smart Sheet or a similar software. It would make tracking response much easier.

***Anticipated Completion Date:*** January 31, 2025.

***Responsible Contact Person:*** Philip Varnum, Finance Director, and Finance Staff