

NEW MEXICO FOUNDATION
Consolidated Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2021 and 2020

TABLE OF CONTENTS

Independent Auditors' Report.....	3-4
Consolidated Statements of Financial Position.....	5
Consolidated Statement of Activities and Changes in Net Assets.....	6
Consolidated Statement of Functional Expenses.....	7
Consolidated Statements of Cash Flows.....	8
Notes to the Consolidated Financial Statements.....	9-27

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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, 2022
Albuquerque, New Mexico

NEW MEXICO FOUNDATION
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 3,959,919	\$ 2,675,314
Restricted cash	2,835,431	1,549,868
Accounts receivable	51,592	47,650
Prepaid expenses	8,375	6,166
Total current assets	<u>6,855,317</u>	<u>4,278,998</u>
Non-current assets		
Investments in marketable securities	26,315,558	24,458,121
Investments in privately held companies	23,150	23,150
Property and equipment, net	536,751	546,930
Right of use leased asset	6,585	12,871
Total non-current assets	<u>26,882,044</u>	<u>25,041,072</u>
Total assets	<u><u>\$ 33,737,361</u></u>	<u><u>\$ 29,320,070</u></u>

<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 60,287	\$ 53,123
Accrued expenses	36,383	26,438
Refundable contributions	-	5,588
Current portion of lease liabilities	6,585	6,900
Total current liabilities	<u>103,255</u>	<u>92,049</u>
Long-term liabilities		
Lease liabilities	-	5,971
Agency funds	5,082,044	4,664,608
Total long-term liabilities	<u>5,082,044</u>	<u>4,670,579</u>
Total liabilities	5,185,299	4,762,628
Net assets		
Without donor restrictions		
Undesignated	646,196	669,567
Board designated	385,439	-
Total net assets without donor restrictions	<u>1,031,635</u>	<u>669,567</u>
With donor restrictions	<u>27,520,427</u>	<u>23,887,875</u>
Total net assets	<u>28,552,062</u>	<u>24,557,442</u>
Total liabilities and net assets	<u><u>\$ 33,737,361</u></u>	<u><u>\$ 29,320,070</u></u>

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, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Revenue and support				
Contributions and grants	\$ 206,878	\$ 5,979,537	\$ 6,186,415	\$ 5,926,276
Investment income, net	2,211	2,376,301	2,378,512	2,107,482
Management fees	747,223	-	747,223	437,428
Miscellaneous revenue	2,642	3,181	5,823	6,487
Net assets released from restrictions	4,726,467	(4,726,467)	-	-
Total revenue and support	5,685,421	3,632,552	9,317,973	8,477,673
Expenses				
Program services				
Program and fund	2,499,359	-	2,499,359	2,639,199
Grants	2,365,213	-	2,365,213	2,930,329
Total program services	4,864,572	-	4,864,572	5,569,528
Supporting Services				
Management and General	389,886	-	389,886	343,056
Fundraising	68,895	-	68,895	64,396
Total supporting services	458,781	-	458,781	407,452
Total expenses	5,323,353	-	5,323,353	5,976,980
Changes in net assets	362,068	3,632,552	3,994,620	2,500,693
Net assets, beginning of year	669,567	23,887,875	24,557,442	22,056,749
Net assets, end of year	<u>\$ 1,031,635</u>	<u>\$ 27,520,427</u>	<u>\$ 28,552,062</u>	<u>\$ 24,557,442</u>

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, 2021
(with comparative totals for 2020)

	Program Services		Supporting Services		2021 Totals	2020 Totals
	Program and Fund	Grants	Management and General	Fundraising		
Grants to others	\$ -	\$ 2,365,213	\$ -	\$ -	\$ 2,365,213	\$ 2,914,129
Management fees	705,364	-	-	-	705,364	398,095
Non-NMCF project disbursements	591,204	-	-	-	591,204	645,945
Consulting and professional services	537,331	-	8,545	209	546,085	876,369
Salaries and wages	286,473	-	181,776	45,339	513,588	469,710
Rent and utilities	120,345	-	12,171	1,877	134,393	146,203
Service contracts	86,066	-	27,894	2,820	116,780	125,872
Employee benefits	31,884	-	12,830	12,045	56,759	45,833
Office expenses	11,985	-	29,508	-	41,493	45,764
Payroll taxes	22,751	-	13,780	3,612	40,143	37,582
Special events	27,864	-	9,360	-	37,224	52,524
Insurance	19,196	-	4,122	1,633	24,951	15,187
Depreciation	-	-	24,139	-	24,139	23,678
Travel and training	18,598	-	3,115	177	21,890	32,243
Dues and subscriptions	11,674	-	8,881	1,183	21,738	18,707
Accounting and audit	-	-	20,898	-	20,898	27,305
Fees and charges	4,193	-	15,766	-	19,959	32,250
Other	15,105	-	1,575	-	16,680	12,683
Repairs and maintenance	1,468	-	13,144	-	14,612	34,849
Advertising	7,858	-	178	-	8,036	18,180
Building expenses	-	-	1,870	-	1,870	1,257
Interest	-	-	334	-	334	2,615
Total expenses	\$ 2,499,359	\$ 2,365,213	\$ 389,886	\$ 68,895	\$ 5,323,353	\$ 5,976,980

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

NEW MEXICO FOUNDATION
Consolidated Statements of Cash Flows
December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 3,994,620	\$ 2,500,693
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	24,139	23,678
Realized and unrealized gain on investments	(2,625,888)	(2,294,225)
Donated investments	(220,382)	(191,325)
(Increase) decrease in operating assets:		
Accounts receivable	(3,942)	(377)
Promises to give	-	200,000
Prepaid expenses	(2,209)	(1,318)
Right of use leased asset	6,286	6,000
Increase (decrease) in operating liabilities:		
Accounts payable	7,164	(9,040)
Accrued expenses	9,945	(13,491)
Refundable contributions	(5,588)	5,588
Lease liabilities	(6,286)	(6,000)
Agency funds	417,436	491,743
Net cash provided by operating activities	1,595,295	711,926
Cash flows from investing activities		
Purchases of investments	(550,656)	(898,976)
Proceeds from sale of investments	1,539,489	1,470,656
Proceeds from sale of land	-	8,000
Purchases of property and equipment	(13,960)	-
Net cash provided by investing activities	974,873	579,680
Net increase in cash	2,570,168	1,291,606
Cash and cash equivalents and restricted cash, beginning of year	4,225,182	2,933,576
Cash and cash equivalents and restricted cash, end of year	\$ 6,795,350	\$ 4,225,182
Cash and cash equivalents, end of year	\$ 3,959,919	\$ 2,675,313
Restricted cash, end of year	2,835,431	1,549,868
Total Cash, cash equivalents, and restricted cash	\$ 6,795,350	\$ 4,225,181
Supplemental Disclosures of Cash Flows:		
Cash paid for interest	\$ 334	\$ 2,615

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

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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 are 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
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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 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, 2020 from which the summarized information was derived.

Revenue Recognition

The organization'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 Organization is required to recognize revenue to transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Revenue recognition for the Organization 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 Organization will record such disallowance at the time the final assessment is made.

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

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk (continued)

As of December 31, 2021 and 2020, uninsured balances totaled approximately \$6,589,000 and \$3,721,000, 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.

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, 2021 and 2020.

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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Right of Use Leased Assets

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

Lease Liabilities

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

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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$8,036 and \$18,180 for the years ended December 31, 2021 and 2020, 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, 2021, 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, 2021 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
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	<u>\$ 22,074,838</u>	<u>\$ 26,315,558</u>	<u>\$ 4,240,720</u>

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

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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		<u>822,574</u>
Total investment gains		2,459,065
Broker fees		<u>(80,553)</u>
Net investment income	\$	<u><u>2,378,512</u></u>

The cost, fair value, and unrealized appreciation of investments as of December 31, 2020 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual funds - equity	\$ 7,883,466	\$ 8,922,500	\$ 1,039,034
Mutual funds - fixed income	6,533,751	6,842,516	308,765
ETFs	4,652,977	6,431,991	1,779,014
Money market funds	1,209,741	1,209,741	-
Alternative investments	<u>985,908</u>	<u>1,051,373</u>	<u>65,465</u>
Total investments	<u><u>\$ 21,265,843</u></u>	<u><u>\$ 24,458,121</u></u>	<u><u>\$ 3,192,278</u></u>

Investment income consists of the following for the year ended December 31, 2020:

Dividends and interest income	\$	380,148
Realized gains		27,612
Unrealized gains		<u>1,777,313</u>
Total investment gains		2,185,073
Broker fees		<u>(77,591)</u>
Net investment income	\$	<u><u>2,107,482</u></u>

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

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 3 - INVESTMENTS (continued)

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

	<u>2021</u>	<u>2020</u>
Pooled investments:		
Mutual funds - equity	\$ 10,903,860	\$ 8,922,500
Mutual funds - fixed income	6,716,874	6,842,516
ETFs	6,864,244	6,431,991
Money market funds	360,372	1,088,172
Alternative investments	558,624	224,718
Total pooled investments	25,403,974	23,509,897
Non-pooled investments:		
Money market funds	41,157	121,569
Alternative investments	870,427	826,655
Total non-pooled investments	911,584	948,224
Total investments	<u>\$ 26,315,558</u>	<u>\$ 24,458,121</u>

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

	<u>2021</u>	<u>2020</u>
Investments, cost		
1.024% interest in NM Community Capital Fund I, LP	\$ 23,150	\$ 23,150
Total investments in privately held companies	<u>\$ 23,150</u>	<u>\$ 23,150</u>

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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

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

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, 2021 and 2020.

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 unites 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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>\$ 24,886,507</u>	<u>\$ -</u>	<u>\$ 1,429,051</u>	<u>\$ 26,315,558</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - equity	\$ 8,922,500	\$ -	\$ -	\$ 8,922,500
Mutual funds - fixed income	6,842,516			6,842,516
ETFs	6,431,991	-	-	6,431,991
Money market funds	1,209,741	-	-	1,209,741
Alternative investments	-	-	1,051,373	1,051,373
Total fair market value	<u>\$ 23,406,748</u>	<u>\$ -</u>	<u>\$ 1,051,373</u>	<u>\$ 24,458,121</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 years ended December 31:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,051,373	\$ 1,028,154
Cash invested	433,515	-
Distributions	(80,002)	-
Gain on investments, net	24,165	23,219
Ending balance	<u>\$ 1,429,051</u>	<u>\$ 1,051,373</u>

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

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 4 - 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 years ended December 31, 2021 and 2020.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 492,934	\$ 492,933
Furniture, fixtures, and equipment	106,687	101,060
Land and improvements	<u>74,149</u>	<u>65,815</u>
Total property and equipment	673,770	659,808
Accumulated depreciation	<u>(137,019)</u>	<u>(112,878)</u>
Property and equipment, net	<u><u>\$ 536,751</u></u>	<u><u>\$ 546,930</u></u>

Depreciation expense was \$24,139 and \$23,678 for the years ended December 31, 2021 and 2020, 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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 6 - NOTE PAYABLE TO ENDOWMENT (continued)

Note Payable Endowment, (continued)

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.

	2021	2020
Internal note payable, monthly payments of \$3,613, plus interest of 3.25% per annum, maturing June 2044.	\$ 513,033	\$ 536,668
Total note payable	513,033	536,668
Less current portion	(18,889)	(17,710)
Long-term note payable, net	\$ 494,144	\$ 518,958

Interest expense related to the internal note payable agreement was \$19,722 and \$26,724 for the years ended December 31, 2021 and 2020, respectively.

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

2022	\$ 18,889
2023	14,091
2024	14,960
2025	14,157
2026	15,882
Thereafter	435,054
Total	\$ 513,033

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 7 - 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:

	<u>2021</u>	<u>2020</u>
Agency funds, beginning of year	\$ 4,664,608	\$ 4,172,865
Contributions	12,000	99,165
Net investment gain	619,294	567,417
Distributions	(171,999)	(116,959)
Fees	<u>(41,859)</u>	<u>(57,880)</u>
Agency funds, end of year	<u>\$ 5,082,044</u>	<u>\$ 4,664,608</u>

The financial effects of transactions related to agency funds are recorded as changes in the funds held for agency liability and investments in marketable securities and are not included in the 2021 and 2020 Statement of Activities and Changes in Net Assets.

NOTE 8 – 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:

	<u>2021</u>	<u>2020</u>
Sustaining New Mexico	\$ 240,000	\$ -
NMCF Building Fund	<u>145,439</u>	<u>-</u>
Total designated net assets	<u>\$ 385,439</u>	<u>\$ -</u>

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Donor advised funds	\$ 1,953,595	\$ 2,069,164
Designated funds	100,985	86,285
Field of interest funds	494,634	461,467
Scholarship funds	1,785,498	1,896,499
Program and other	1,346,103	253,165
Fiscal sponsorship funds	2,835,431	1,549,868
Native relief funds	225,488	476,422
Endowments	<u>18,778,693</u>	<u>17,095,005</u>
 Total net assets with donor restrictions	 <u><u>\$ 27,520,427</u></u>	 <u><u>\$ 23,887,875</u></u>

NOTE 10 - ENDOWMENTS

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

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

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 17,095,005	\$ 15,732,918
Contributions	44,014	24,300
Investment income	2,195,702	1,981,347
Grants issued	(98,379)	(146,264)
Fees	(152,269)	(153,610)
Appropriation of endowment assets for expenditure	<u>(305,380)</u>	<u>(343,686)</u>
 Endowment net assets, end of year	 <u><u>\$ 18,778,693</u></u>	 <u><u>\$ 17,095,005</u></u>

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

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 10 - ENDOWMENTS (continued)

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 are 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.

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.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 10 - ENDOWMENTS (continued)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

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, 2021, and 2020.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 11 - COMMITMENTS

Retirement Plan

The Foundation has a 401k 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 \$16,496 and \$9,092 in 2021 and 2020, respectively, and are included in "Employee benefits" on the consolidated statement of functional expenses.

Leases

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, 2021, and 2020 was \$6,585 and \$12,871, respectively. Imputed interest for the years ended December 31, 2021, and 2020 was \$314 and \$929, respectively.

The following table reconciles the undiscounted cash flows from the Foundation's lease as of December 31, 2020 to the lease liability recorded in the consolidated statement of financial position:

2022	<u>\$ 6,900</u>
Undiscounted lease payments	6,900
Less imputed interest at 4.77%	<u>(315)</u>
Present value of lease payments	6,585
Less current portion	<u>(6,585)</u>
Lease liability, net of current portion	<u><u>\$ -</u></u>

NOTE 12 - 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, 2021, and 2020, net assets with donor restrictions held for fiscal sponsorship were \$2,835,431 and \$1,549,868, respectively.

NEW MEXICO FOUNDATION
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 13 - 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.

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, 2021, and 2020, the Foundation had working capital of approximately \$6,752,062 and \$4,186,949 and average days cash on hand of 466 days and 258 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 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2022, 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, 2021.