



*The Community Foundation
Of Southern New Mexico*

Consolidated Financial Statements and Independent
Auditors' Report

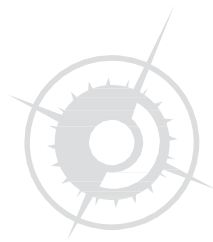
For the Years Ended December 31, 2023 and 2022

Schlenker &
Cantwell, P.A.

8830 Horizon Blvd NE
Albuquerque, NM 87113

TABLE OF CONTENTS

Independent Auditors' Report.....	3-4
Consolidated Statements of Financial Position.....	5
Consolidated Statements of Activities and Changes in Net Assets	6-7
Consolidated Statement of Functional Expenses.....	8
Consolidated Statements of Cash Flows.....	9
Notes to the Consolidated Financial Statements.....	10-28



SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Community Foundation of Southern New Mexico
Las Cruces, New Mexico

Opinion

We have audited the accompanying consolidated financial statements of The Community Foundation of Southern New Mexico (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 notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Southern New Mexico as of December 31, 2023, and the changes in 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. 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 Community Foundation of Southern New Mexico 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 Community Foundation of Southern New Mexico'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 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 consolidated 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 The Community Foundation of Southern New Mexico'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 Community Foundation of Southern New Mexico'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 The Community Foundation of Southern New Mexico's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.

Certified Public Accountants

July 24, 2024

Albuquerque, New Mexico

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Consolidated Statements of Financial Position

December 31, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 2,761,943	\$ 4,582,720
Certificates of deposit	1,001,585	-
Grants, pledges, and accounts receivable	1,120,531	1,126,912
Prepaid expenses	11,833	15,208
Total current assets	<u>4,895,892</u>	<u>5,724,840</u>
Property and equipment, net	1,762,735	1,764,738
Accounts receivable, net of current	15,000,000	16,047,886
Cash surrender value of life insurance	65,122	58,394
Investments	27,009,106	14,424,961
Beneficial interest in remainder trusts	41,808	41,808
Fine art	42,221	42,221
Total assets	<u>\$ 48,816,884</u>	<u>\$ 38,104,848</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 106,740	\$ 20,012
Accrued payroll and related expenses	22,877	32,383
Total current liabilities	<u>129,617</u>	<u>52,395</u>
Agency obligations	2,080,305	1,844,284
Discount on pledge receivable	4,482,590	4,905,883
Total liabilities	<u>6,692,512</u>	<u>6,802,562</u>
Net assets		
Without donor restrictions		
Undesignated	2,600,319	2,781,225
Board designated	6,872,260	6,682,692
Total net assets without donor restrictions	<u>9,472,579</u>	<u>9,463,917</u>
With donor restrictions		
Restricted for time or purpose	14,867,659	15,187,330
Restricted in perpetuity	17,784,134	6,651,039
Total net assets with donor restrictions	<u>32,651,793</u>	<u>21,838,369</u>
Total net assets	<u>42,124,372</u>	<u>31,302,286</u>
Total liabilities and net assets	<u>\$ 48,816,884</u>	<u>\$ 38,104,848</u>

See independent auditors' report and notes to the financial statements

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grants	\$ 1,965,435	\$ 10,171,718	\$ 12,137,153
In-kind donations	31,952	-	31,952
Special events	19,279	-	19,279
Investment income, net	488,898	1,411,430	1,900,328
Management fees	356,124	-	356,124
Other income	158,760	-	158,760
Present value adjustment for pledge receivable	423,293	-	423,293
Net assets released from restrictions	769,724	(769,724)	-
Total revenue and support	4,213,465	10,813,424	15,026,889
Expenses			
Program services	3,953,460	-	3,953,460
Management and general	153,671	-	153,671
Fundraising	97,672	-	97,672
Total expenses	4,204,803	-	4,204,803
Changes in net assets	8,662	10,813,424	10,822,086
Net assets, beginning of year	9,463,917	21,838,369	31,302,286
Net assets, end of year	<u>\$ 9,472,579</u>	<u>\$ 32,651,793</u>	<u>\$ 42,124,372</u>

See independent auditors' report and notes to the financial statements

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions and grants	\$ 1,743,701	\$ 545,944	\$ 2,289,645
In-kind donations	48,865	-	48,865
Special events	31,553	-	31,553
Investment loss, net	(1,274,882)	(1,318,897)	(2,593,779)
Management fees	269,667	-	269,667
Other income	72,153	-	72,153
Present value adjustment for pledge receivable	96,787	-	96,787
Net assets released from restrictions	438,367	(438,367)	-
Total revenue and support	1,426,211	(1,211,320)	214,891
Expenses			
Program services	2,482,771	-	2,482,771
Management and general	256,252	-	256,252
Fundraising	78,755	-	78,755
Total expenses	2,817,778	-	2,817,778
Changes in net assets	(1,391,567)	(1,211,320)	(2,602,887)
Net assets, beginning of year	10,855,484	23,049,689	33,905,173
Net assets, end of year	<u>\$ 9,463,917</u>	<u>\$ 21,838,369</u>	<u>\$ 31,302,286</u>

See independent auditors' report and notes to the financial statements

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2023

(With comparative totals for the Year Ended December 31, 2022)

	Program Services	Management and General	Fundraising	2023 Totals	2022 Totals
Personnel expenses:					
Salaries and wages	\$ 207,271	\$ 40,908	\$ 24,546	\$ 272,725	\$ 227,515
Payroll taxes	16,147	3,187	1,912	21,246	16,924
Total personnel expenses	223,418	44,095	26,458	293,971	244,439
Distributions and scholarships	3,182,904	-	-	3,182,904	1,815,072
Professional fees	278,298	54,927	32,956	366,181	281,189
Community events	43,574	-	4,842	48,416	40,105
Insurance	31,414	6,200	3,719	41,333	35,708
Contract labor	13,015	19,023	1,335	33,373	32,080
Office expenses	25,196	4,973	2,984	33,153	11,705
In-kind expenses	31,952	-	-	31,952	48,863
Advertising	23,654	4,670	2,800	31,124	31,492
Rental and maintenance	19,199	3,789	2,274	25,262	58,233
Occupancy	10,140	2,002	1,201	13,343	19,149
Donor development	-	-	10,710	10,710	5,682
Education and development	7,623	1,506	902	10,031	2,985
Fees and charges	6,574	1,296	779	8,649	6,249
Supplies	5,860	1,158	693	7,711	8,937
Printing and postage	5,357	1,058	635	7,050	10,257
Conferences and meetings	1,907	376	226	2,509	2,876
Travel	1,241	245	147	1,633	932
Bad debt expense	-	-	-	-	125,000
Total expenses before depreciation	3,911,326	145,318	92,661	4,149,305	2,780,953
Depreciation	42,134	8,353	5,011	55,498	36,825
Total expenses	<u>\$ 3,953,460</u>	<u>\$ 153,671</u>	<u>\$ 97,672</u>	<u>\$ 4,204,803</u>	<u>\$ 2,817,778</u>

See independent auditors' report and notes to the financial statements

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Consolidated Statements of Cash Flows

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ 10,822,086	\$ (2,602,887)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	55,498	36,825
Realized and unrealized (gain) loss on investments, net	(1,586,578)	2,868,293
Decrease (increase) in operating assets:		
Grants, pledges, and accounts receivable	1,054,267	1,284,730
Prepaid expenses	3,375	(7,180)
Cash surrender value of life insurance	(6,728)	4,915
Increase (decrease) in operating liabilities:		
Accounts payable	86,728	(9,187)
Accrued payroll and related expenses	(9,506)	22,582
Agency obligations	236,021	(219,584)
Discount on pledge receivable	(423,293)	96,787
Net cash provided by operating activities	<u>10,231,870</u>	<u>1,475,294</u>
Cash flows from investing activities		
Purchases of investments	(29,781,222)	(998,673)
Proceeds from sale of investments	17,782,070	1,479,737
Purchases of property and equipment	(53,495)	(345,578)
Net cash (used) provided by investing activities	<u>(12,052,647)</u>	<u>135,486</u>
Net (decrease) increase in cash	(1,820,777)	1,610,780
Cash and cash equivalents, beginning of year	<u>4,582,720</u>	<u>2,971,940</u>
Cash and cash equivalents, end of year	<u>\$ 2,761,943</u>	<u>\$ 4,582,720</u>

See independent auditors' report and notes to the financial statements

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 1 - NATURE OF FOUNDATION

The Community Foundation of Southern New Mexico (the Foundation) is a nonprofit corporation whose mission is to improve the quality of life by building, managing, and distributing charitable gifts to benefit all citizens of Southern New Mexico.

During 2021, the Foundation formed Southern New Mexico Community Building, LLC. The Foundation is the single member of the LLC. In 2021, the LLC purchased the office building, which serves as the headquarters of the Foundation, in Las Cruces, 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 the Southern New Mexico Community 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.

Basis of Presentation

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

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Financial Statements

The statement of functional expenses includes certain prior-year summarized comparative information by natural classification, but not by functional classification. 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, 2022, from which the summarized information was derived.

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. Total uninsured balances were approximately \$1,870,000 and \$2,297,000 as of December 31, 2023, and 2022, respectively. 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.

Contributed Nonfinancial Assets

In September 2020, FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type, and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. Total in-kind professional services were \$31,952 and \$48,865 for the years ended December 31, 2023, and 2022, respectively.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2014-09, the Foundation is required to recognize revenue to transfer of goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

Revenue recognition for the Foundation is as follows:

Contributions and Grants

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

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

Contributions Received and Contributions Made

The Foundation adopted FASB ASU No. 2018-08 - *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction.

To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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 an organization 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.

Cash and Cash Equivalents

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.

Cash Restricted for Endowments

Cash restricted for endowments is held in investment accounts with the explicit purpose of fulfilling the obligations of donor-restricted endowments.

Grants, Pledges, and Accounts Receivable

Receivables consist of grants, pledges, and accounts receivable. Accounts receivable consist of amounts due for the development of the road where the First Step building is located. The Foundation is to be reimbursed a portion of its costs from the sale of each lot that will be using the road. Accounts receivable were \$109,031 and \$124,916 as of December 31, 2023, and 2022, respectively. There were six unsold lots as of December 31, 2023, and 2022. The developer is paying the re-paving costs of one lot over 15 years. Management reviews the collectability of its receivables and records a reserve for its estimate of uncollectible accounts. Historical bad debts and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. The allowance for doubtful accounts was zero and \$23,834 as of December 31, 2023, and 2022, respectively.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants, Pledges, and Accounts Receivable (continued)

Included in grants, pledges, and accounts receivable is a pledge for \$16,000,000 which has been discounted to its present value of \$11,517,410. The discount on this pledge was \$4,482,590 as of December 31, 2023. The repayments are \$1,000,000 per year over the next seventeen years.

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.

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 statements 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. The Foundation operates under an investment policy that is reviewed annually by an investment committee and approved by the Board of Directors.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets – operating and lease liability – operating, and finance leases are included in right-of-use (“ROU”) assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Foundation’s right to use an underlying asset for the lease term and lease liabilities represent the Foundation’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

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

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 \$8,000 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 support with donor restrictions.

Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

Impairment of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets as of December 31, 2023, and 2022.

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 a board-designated endowment.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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.

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.

Advertising

The Foundation expenses advertising costs as incurred. Advertising expense was \$31,124 and \$31,492 for the years ended December 31, 2023, and 2022, 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, 2023, and has evaluated its tax positions taken for all open tax years. 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 as of December 31, 2023, are as follows:

	Cost	Fair Value	Unrealized Appreciation
Equity securities	\$ 16,022,919	\$ 17,226,615	\$ 1,203,696
Fixed income securities	9,191,771	9,296,242	104,471
Cash equivalent funds	486,249	486,249	-
Total investments	<u>\$ 25,700,939</u>	<u>\$ 27,009,106</u>	<u>\$ 1,308,167</u>

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 3 – INVESTMENTS (continued)

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

Dividends and interest income	\$ 489,752
Realized gains	610,342
Unrealized gains	<u>842,205</u>
Total investment income	1,942,299
Investment fees	<u>(41,971)</u>
Net investment income	<u><u>\$ 1,900,328</u></u>

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity securities	\$ 5,940,082	\$ 9,299,385	\$ 3,359,303
Fixed income securities	7,981,489	5,125,563	(2,855,926)
Cash equivalent funds	<u>13</u>	<u>13</u>	<u>-</u>
Total investments	<u><u>\$ 13,921,584</u></u>	<u><u>\$ 14,424,961</u></u>	<u><u>\$ 503,377</u></u>

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

Dividends and interest income	\$ 302,648
Realized gains	249,884
Unrealized losses	<u>(3,118,177)</u>
Total investment income	(2,565,645)
Investment fees	<u>(28,134)</u>
Net investment loss	<u><u>\$ (2,593,779)</u></u>

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 4 - FAIR VALUE MEASUREMENT

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

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

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The 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, and 2022:

Fixed income and mutual funds: Valued at the net asset value for shares held by the Foundation as of year-end as determined by quoted market prices.

Beneficial interest in remainder trusts: Valued at the present value of expected beneficial remainder interest using a discount rate of 5-7% determined at the date of the gifts.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

The methods described 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:

Description	Level 1	Level 2	Level 3	Total
Equity securities	\$ 17,226,615	\$ -	\$ -	\$ 17,226,615
Fixed income securities	9,296,242	-	-	9,296,242
Cash equivalent funds	486,249	-	-	486,249
Beneficial interest in remainder trusts	-	-	41,808	41,808
Total fair market value	<u>\$ 27,009,106</u>	<u>\$ -</u>	<u>\$ 41,808</u>	<u>\$ 27,050,914</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022:

Description	Level 1	Level 2	Level 3	Total
Equity securities	\$ 9,299,385	\$ -	\$ -	\$ 9,299,385
Fixed income securities	5,125,563	-	-	5,125,563
Cash equivalent funds	13	-	-	13
Beneficial interest in remainder trusts	-	-	41,808	41,808
Total fair market value	<u>\$ 14,424,961</u>	<u>\$ -</u>	<u>\$ 41,808</u>	<u>\$ 14,466,769</u>

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

Level 3 Investments

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended December 31, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 41,808	\$ 41,808
Payout of beneficial interest in remainder trust	-	-
Realized gain on beneficial interest in remainder trust	-	-
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 41,808</u>	<u>\$ 41,808</u>

NOTE 5 - BENEFICIAL INTEREST IN REMAINDER TRUSTS

The Foundation has a beneficial interest in one irrevocable charitable remainder trust in 2023 and 2022. The Foundation is not the trustee of either trust. Until the terms of the trusts have been met, the beneficial interest is to be recognized as with donor restrictions. The change in the value of the split-interest agreements resulted in no change in 2023 or 2022.

NOTE 6 – NOTE PAYABLE TO ENDOWMENT

In 2021, the Foundation borrowed \$506,695 through an internal note payable to the Foundation's endowment funds. Net assets with donor restrictions were internally borrowed to provide funding for the purchase of the Foundation's headquarters building. The internal principal balance was \$297,672 as of December 31, 2023. Annual payments are as follows:

2024	\$ 47,000
2025	15,000
2026	15,000
2027	15,000
2028	15,000
Thereafter	<u>190,672</u>
	<u>\$ 297,672</u>

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 7 - PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 1,837,938	\$ 1,795,130
Furniture and equipment	<u>16,999</u>	<u>6,311</u>
Total property and equipment	1,854,937	1,801,441
Accumulated depreciation	<u>(92,202)</u>	<u>(36,703)</u>
Property and equipment, net	<u>\$ 1,762,735</u>	<u>\$ 1,764,738</u>

Depreciation expense was \$55,498 and \$36,825 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 - CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation is the owner of four life insurance policies. Total cash surrender value is \$65,122 and \$58,394 as of December 31, 2023, and 2022, respectively.

NOTE 9 - FINE ART

Donated fine art received is recorded at fair market value at the time of donation. These assets are presented as other assets as they are not for sale at the present time.

NOTE 10 - ENDOWMENTS

The Foundation's endowment funds include both donor-restricted and Board-designated assets. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include monies designated for endowment purposes pursuant to the Board of Director's resolution and monies that have been appropriated for expenditures but are retained in the investment portfolio to earn better returns.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 10 - ENDOWMENTS (continued)

Endowment net assets composition by type of fund as of December 31, 2023:

	Board Designated	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 17,784,134	\$ 17,784,134
Board-designated endowment funds	6,872,260	-	6,872,260
Total	<u>\$ 6,872,260</u>	<u>\$ 17,784,134</u>	<u>\$ 24,656,394</u>

Changes in endowment net assets for the year ended December 31, 2023:

	Board Designated	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 6,682,692	\$ 6,651,039	\$ 13,333,731
Investment return:			
Net appreciation (realized and unrealized)	452,365	1,363,126	1,815,491
Appropriation of endowment assets for expenditure	(185,071)	(439,790)	(624,861)
Other changes:			
Contributions	11,099	10,171,718	10,182,817
Interfund transfers	(88,825)	38,041	(50,784)
Endowment net assets, end of year	<u>\$ 6,872,260</u>	<u>\$ 17,784,134</u>	<u>\$ 24,656,394</u>

Endowment net assets composition by type of fund as of December 31, 2022:

	Board Designated	Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 6,651,039	\$ 6,651,039
Board-designated endowment funds	6,682,692	-	6,682,692
Total	<u>\$ 6,682,692</u>	<u>\$ 6,651,039</u>	<u>\$ 13,333,731</u>

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 10 - ENDOWMENTS (continued)

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Board Designated</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,141,843	\$ 8,173,538	\$ 16,315,381
Investment return:			
Net appreciation (realized and unrealized)	(1,196,934)	(1,323,623)	(2,520,557)
Appropriation of endowment assets for expenditure	(218,160)	(438,366)	(656,526)
Other changes:			
Contributions	9,906	247,373	257,279
Interfund transfers	(53,963)	(7,883)	(61,846)
Endowment net assets, end of year	<u>\$ 6,682,692</u>	<u>\$ 6,651,039</u>	<u>\$ 13,333,731</u>

Interpretation of Relevant Law

The Foundation complies with the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has adopted its statement of investment policy in accordance with UPMIFA. The Foundation classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent 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 classified in net assets restricted in perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence.

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.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 10 - ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the consumer price index (CPI) plus 4%, net of expenses, while assuming a moderate level of investment risk. The Foundation recognizes the need to accept the inherent risks of various investments, including the diminution of principal during periodic market fluctuations. The Foundation will assess the portfolio as a whole in measuring 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.

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 net assets without donor restrictions. There were underwater funds of \$651,500 and \$422,799 as of December 31, 2023, and 2022, respectively.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Nets assets with donor restrictions restricted for time or purpose are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Special projects and contributions and grants	\$ 14,867,659	\$ 15,187,330
Total net assets restricted for time or purpose	<u>\$ 14,867,659</u>	<u>\$ 15,187,330</u>

Net assets with donor restrictions restricted in perpetuity are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to endowment spending policy and appropriation	\$ 17,742,326	\$ 6,609,231
Subject to endowment spending policy after a specified period of time (charitable remainder unitrust)	41,808	41,808
Total net assets restricted in perpetuity	<u>\$ 17,784,134</u>	<u>\$ 6,651,039</u>

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Nets assets released from restrictions consist of the following for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Subject to endowment spending policy and appropriation	\$ 439,790	\$ 438,367
Release from purpose restrictions	329,934	-
Total net assets released from donor restrictions	<u>\$ 769,724</u>	<u>\$ 438,367</u>

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 13 - COMMITMENTS

Operating Leases

The Foundation has a lease for office equipment under operating lease arrangements that expire in February 2028. Rental expense related to the operating leases totaled 3,652 and \$1,200 for the years ended December 31, 2023, and 2022, respectively, and is included in “Occupancy” in the statement of functional expenses. Future payouts of the lease for the years ended December 31,

2024	\$	3,504
2025		3,504
2026		3,504
2027		3,504
2028		584
Total	\$	<u>14,600</u>

NOTE 14 – LEASE INCOME

Subsequent to year end, the Foundation entered into a lease agreement with Mesilla Valley CASA for the use of office space in their building. The lease will expire in February 2027. Total monthly payments are \$2,000 per month. Lease income for the following years ended December 31st are:

2024	\$	24,000
2025		24,000
2026		24,000
2027		4,000
	\$	<u>76,000</u>

NOTE 15 - AGENCY OBLIGATIONS

The Foundation accepts assets from foundations who have common goals and objectives as the Foundation. The Foundation agrees to manage assets in accordance with each individual foundation’s directives. These receipts are recognized as an agency obligation and not as revenue.

In exchange for the Foundation’s oversight of the investments and distributions, the Foundation receives a negotiated administrative fee.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 15 - AGENCY OBLIGATIONS (continued)

Additionally, several nonprofit agencies have donated money to the Foundation to set up endowments naming themselves as beneficiaries. In accordance with accounting principles generally accepted in the United States of America, the Foundation has recorded the balances of these funds as liabilities. The agency endowment agreements grant variance power to the Foundation's Board of Trustees and stipulate the Foundation owns the endowment funds. Donations to those endowments from someone other than the nonprofit agency itself are treated as contribution revenue of the Foundation.

Earnings of the agency portion increase the liability and distributions to the agency decrease the liability. In exchange for the Foundation's oversight of the investments and distributions, the Foundation receives a negotiated administrative fee.

NOTE 16 - 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 support without donor restrictions, and such support represented approximately 13% and 77% of annual program funding in 2023 and 2022, respectively, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with 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, 2023, and 2022, the Foundation had working capital of approximately \$2,692,351 and \$3,828,161 and average days cash on hand of 240 days and 594 days, respectively.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 16 - LIQUIDITY AND AVAILABILITY (continued)

The Foundation manages its cash available to meet general expenditures following two 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.

Financial assets available for general expenditures within one year are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 2,761,943	\$ 3,734,476
Certificates of deposit	1,001,585	-
Investments	27,009,106	15,273,205
Grants, pledges, and accounts receivable, net of discount	<u>11,637,941</u>	<u>12,268,915</u>
Total financial assets	42,410,575	31,276,596
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(32,651,793)	(21,838,369)
Net assets without donor restrictions - board designated	(6,872,260)	(6,682,692)
Plus net assets with purpose restrictions expected to be met within one year	<u>1,200,000</u>	<u>1,200,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 4,086,522</u>	<u>\$ 3,955,535</u>

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2024, the date the consolidated financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2023.