REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY

June 30, 2020 and 2019

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TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY

JUNE 30, 2020

BOARD OF DIRECTORS AND PRINCIPAL EMPLOYEE (unaudited)

Board of Directors

George Jaramillo	Chair
David Norden	Vice Chair
Ben Maddox	Treasurer
Dennis Manzanares	Secretary
Adriana Blake	Member
Dr. Catherine Collins	Member
John Hamilton	Member
Dave Lambert	Member
Vernon Lujan	Member
Andrea Szekeres	Member

Principal Employee

Lisa O’Brien	Director

MOSSADAMS

Report of Independent Auditors

To the Board of Directors and Management of the
Taos Community Foundation, Inc. and Subsidiary
Taos, New Mexico

We have audited the accompanying consolidated financial statements of the Taos Community Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Taos Community Foundation, Inc. and Subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Albuquerque, New Mexico
September 9, 2020

Taos Community Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position

ASSETS

	June 30, 2020	June 30, 2019
Cash and cash equivalents	$ 1,152,584	$ 714,226
Promises to give	122,350	153,850
Inventory	-	24,875
Prepaid expenses	9,485	11,144
Investments	11,898,274	11,245,560
Property and equipment, net	486,930	527,183
Total assets	$ 13,669,623	$ 12,676,838

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 28	$ 2,982
Grants payable	307,603	224,700
Accrued expenses	13,793	5,859
Funds held as agency endowments	3,550,749	3,163,913
Total liabilities	3,872,173	3,397,454
NET ASSETS		
Without donor restrictions		
Board designated for endowments and future improvements	1,000,000	1,000,000
Undesignated	254,442	449,589
Total without donor restrictions	1,254,442	1,449,589
With donor restrictions		
Donor advised and other funds	2,324,254	1,620,217
Endowments	6,218,754	6,209,578
Total with donor restrictions	8,543,008	7,829,795
Total net assets	9,797,450	9,279,384
Total liabilities and net assets	$ 13,669,623	$ 12,676,838

See accompanying notes.

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants and contributions	$ 325,287	$ 1,559,610	$ 1,884,897
Event income and fee revenue	37,175	39,455	76,630
Dividends and interest	81,178	120,858	202,036
Realized and unrealized gains on investments, net of fees	44,952	114,826	159,778
In-kind contributions	1,235	1,750	2,985
Total revenues, gains, and other support	489,827	1,836,499	2,326,326
Net assets released from restrictions/change in restrictions	1,123,286	(1,123,286)	-
Total revenues, gains, and other support after release from restrictions/change in restrictions	1,613,113	713,213	2,326,326
EXPENSES			
Program			
Grants	1,078,643	-	1,078,643
Program services	578,106	-	578,106
Total program	1,656,749	-	1,656,749
Supporting services			
General and administrative	135,191	-	135,191
Fundraising	16,320	-	16,320
Total supporting services	151,511	-	151,511
Total expenses	1,808,260	-	1,808,260
CHANGE IN NET ASSETS	(195,147)	713,213	518,066
NET ASSETS, BEGINNING OF YEAR	1,449,589	7,829,795	9,279,384
NET ASSETS, END OF YEAR	$ 1,254,442	$ 8,543,008	$ 9,797,450

Taos Community Foundation, Inc. and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants and contributions	$ 488,827	$ 2,498,994	$ 2,987,821
Event income and fee revenue	31,917	41,582	73,499
Dividends and interest	90,491	116,331	206,822
Realized and unrealized gains on investments, net of fees	78,064	183,801	261,865
In-kind contributions	260	1,335	1,595
Total revenues, gains and other support	689,559	2,842,043	3,531,602
Net assets released from restrictions/change in restrictions	1,268,392	(1,268,392)	-
Total revenues, gains, and other support after release from restrictions/change in restrictions	1,957,951	1,573,651	3,531,602
EXPENSES			
Program			
Grants	915,052	-	915,052
Program services	483,536	-	483,536
Total grants and program services	1,398,588	-	1,398,588
Supporting services			
General and administrative	109,482	-	109,482
Fundraising	16,748	-	16,748
Total supporting services	126,230	-	126,230
Total expenses	1,524,818	-	1,524,818
CHANGE IN NET ASSETS	433,133	1,573,651	2,006,784
NET ASSETS, BEGINNING OF YEAR	1,016,456	6,256,144	7,272,600
NET ASSETS, END OF YEAR	$ 1,449,589	$ 7,829,795	$ 9,279,384

 See accompanying notes.

	Years Ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 518,066	$ 2,006,784
Adjustments to reconcile the increase in net assets to net cash flows provided by operating activities		
Realized and unrealized gains on investments	(159,778)	(261,865)
Depreciation	40,253	26,307
Donated securities	(183,293)	(359,310)
Changes in assets and liabilities:		
Promises to give	31,500	(153,750)
Inventory	24,875	-
Prepaid expenses	1,659	(450)
Accounts payable	(2,954)	2,786
Grants payable	82,903	119,850
Accrued expenses	7,934	(2,194)
Funds held as agency endowments	386,836	272,689
Net cash flows provided by operating activities	748,001	1,650,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(402,855)
Purchases of investments	(1,742,643)	(3,354,569)
Proceeds from sales of investments	1,433,000	2,429,112
Net cash flows used by investing activities	(309,643)	(1,328,312)
NET INCREASE IN CASH AND CASH EQUIVALENTS	438,358	322,535
CASH AND CASH EQUIVALENTS, beginning of year	714,226	391,691
CASH AND CASH EQUIVALENTS, end of year	$ 1,152,584	$ 714,226
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributed securities at fair value	$ 183,293	$ 359,310

See accompanying notes.

Note 1 – Organization

The Taos Community Foundation, Inc. and Subsidiary (the Foundation) was formed in 1994. The mission of the Foundation is to enhance the quality of life in the communities it serves by encouraging permanent charitable giving to meet the needs of present and future generations. This is achieved by initiating projects and coordinating resources that promote a healthy and safe community. The Foundation serves Taos and western Colfax counties, offering people a variety of ways to touch the community through giving. Grants are made to 501(c)(3) organizations in these counties, which serve the areas of health and human services, education and activities for youth, visual, literary and performing arts, economic and community development, natural environment and historic preservation. The Foundation pools the contributions of many individuals and businesses which, in turn, enable more strategic funding to non-profits working to make a difference and effect change. Contributions are received from individuals, businesses, and foundations.

The Foundation formed a wholly owned subsidiary, named Taos Foundation for Property Gifts, Inc. (TFPG). The purpose of TFPG is to accept and liquidate real estate gifts, for the benefit of the Foundation. As a wholly owned subsidiary, TFPG is considered a disregarded entity for tax reporting purposes.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation
The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary. All significant inter-entity accounts and transactions have been eliminated in the consolidation.

Note 2 – Summary of Significant Accounting Policies (continued)

Net assets without donor restrictions are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor restrictions. Contributions are reported as without donor restriction where donor-imposed restrictions are met in the same reporting period as they are received. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net assets may be designated for specific purposes by action of the Board of Directors.

Cash and Cash Equivalents
For purposes of the statements of cash flows, the Foundation considers all liquid investments having initial maturities of three months or less to be cash equivalents. Money market funds held as a portion of the Foundation's investment portfolio, are considered to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Functional Expense Allocation
The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. These expenses include grants, salaries and benefits, professional fees, other general expenses, and depreciation. Costs are recorded directly to the function to which they relate based on the actual personnel assigned and vendor expenses paid with most allocated based on estimates of time and effort (see Note 14).

Investment Valuation
Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Investment income and gains restricted by donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Property and Equipment
Acquisition of property and equipment of $2,500 or more with a useful life of more than one year are recorded at cost if purchased and fair market value if donated. Depreciation is provided for using the straight line method over the following estimated useful lives:

Furniture and equipment	5 to 7 years
Leasehold improvements	5 to 10 years
Software	3 years

Depreciation expense was $40,253 and $26,307 for the years ended June 30, 2020 and 2019, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions of Long-Lived Assets
Gifts of long-lived operating assets such as land, buildings, or equipment are reported as without donor restrictions unless the donor has restricted the donated assets for a specific purpose. Assets 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 of how those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service for the purpose stipulated by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donor Restricted Gifts
Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported as revenue at fair value when all donor-imposed barriers/conditions are met. Gifts received with donor stipulations that limit the use of the donated assets are reported as with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Foundation, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. There were $122,350 and $153,850 of outstanding unconditional promises to give at June 30, 2020 and 2019, respectively. There were no conditional promises to give at June 30, 2020 or 2019.

Grant Revenues
Grant revenues are recognized according to the type of grant:

Grants based on a direct cost reimbursement for expenditures incurred under the grant scope of work – revenues are recognized at the time of expenditure and billed to the grantor on a monthly or quarterly basis as required by the grant.

Grants in which funds are disbursed to the Foundation prior to service being rendered – revenue is recognized when funds are received, unexpended funds at the end of the fiscal year are reported as net assets with donor restrictions or deferred revenue.

Grants in which fee for services are billed for payment – revenues are recognized after services are provided and billed.

Note 2 – Summary of Significant Accounting Policies (continued)

Donated Goods and Services
Donated materials, equipment, and services are recorded as in-kind contributions in the accompanying consolidated financial statements at their estimated fair values as of the date received.

Donated Marketable Securities
Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation. The estimated fair value of donated securities totaled $183,293 and $359,310 for the years ended June 30, 2020 and 2019, respectively.

Event and Fee Income
Income from events is recognized in the year the event is held. Fee income is recognized as earned.

Federal Income Tax
The Foundation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Foundation had no unrecognized tax benefits at June 30, 2020 or 2019. The Foundation files an exempt organization return with the Internal Revenue Service (IRS). The Foundation had no taxable unrelated business income for the year ended June 30, 2020 or 2019. Accordingly, a provision for income taxes has not been established in the accompanying consolidated financial statements.

Advertising
The cost of advertising is expensed in the year incurred. Advertising expense totaled $66,525 and $44,463 for the years ended June 30, 2020 and 2019, respectively.

Risk Management
The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Foundation has obtained commercial insurance coverage to protect itself against such losses.

Subsequent Events
Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued or are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before consolidated financial statements are available to be issued. The Foundation has evaluated subsequent events through September 9, 2020, which is the date the consolidated financial statements are available to be issued (see Note 13).

Note 2 – Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements
Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820).* This ASU requires changes to the disclosure requirements for fair value measurement. The amendments apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. Certain of the disclosures that are required by the amendments are not required for nonpublic entities. This amendment is effective for fiscal years beginning after December 15, 2019; however, early application is permitted. Management is currently considering the impact of this on the consolidated financial statements.

FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*: This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. The Foundation adopted the guidance for applications where the entity serves as the resource recipient as of July 1, 2019, and there was no impact to the consolidated financial statements for the year ended June 30, 2020 or 2019. The Foundation is in the process of determining the impact of this pronouncement where it serves as the resource provider.

Note 3 – Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Basis of Fair Value Measurement

> **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** – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
>
> **Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 3 – Fair Value Measurements (continued)

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

The following describes the valuation methodology used for assets measured at fair value.

Equity and Bond Mutual Funds *(Mutual funds)*: Shares of mutual funds are valued at the closing price reported on the active market on which the individual funds are traded.

The Foundation's fair value measurements are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2020
Equity mutual funds	$ 7,265,353	$ -	$ -	$ 7,265,353
Bond mutual funds	4,632,921	-	-	4,632,921
Total investments at fair market value	$ 11,898,274	$ -	$ -	$ 11,898,274

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2019
Equity mutual funds	$ 6,495,629	$ -	$ -	$ 6,495,629
Bond mutual funds	4,749,931	-	-	4,749,931
Total investments at fair market value	$ 11,245,560	$ -	$ -	$ 11,245,560

Realized and unrealized gains on investments of $159,778 and $261,865, net of investment fees, were recognized for the years ended June 30, 2020 and 2019, respectively.

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Building and improvements	$ 555,864	$ 555,864
Furniture and equipment	59,459	59,459
Software	13,575	13,575
	628,898	628,898
Accumulated depreciation	(141,968)	(101,715)
Property and equipment, net	$ 486,930	$ 527,183

Note 5 – Net Assets Classifications

The Foundation's endowment consisted of approximately 120 individual funds established for a variety of purposes for the years ended June 30, 2020 and 2019. The Foundation's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (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 with permanent donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Note 5 – Net Assets Classifications (continued)

Investment Return Objectives, Risk Parameters, and Strategies
The Foundation has adopted an Investment Policy Statement and Guidelines, approved by the Board of Directors, for endowment assets that attempt to achieve a reasonable total return on endowed funds that will optimize annual distributions of the Foundation, while allowing for the long-term growth of the endowment net of management fees. Total return is defined as the aggregate investment return, which includes a combination of current income plus the net impact of prices changes. Income return is defined as the actual dividends and interest earned. Although protection of principal is important, it is understood that some market risk must be assumed in order to fulfill these objectives over the long term. Because the portfolio is expected to endure into perpetuity, and because inflation is a component in the growth of the endowment funds, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, a majority of the assets will be invested in equity or equity-like securities. Fixed income securities will be used to reduce the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Investments of the Foundation will be diversified to reduce portfolio risk. The current allocation guideline for the endowment fund investments is 60% equity securities and 40% fixed income securities. Investments in the securities of any single issuer (stock or bond) may not exceed 5% of the portfolio at market value, except that obligations of the U.S. Government or its agencies may be held in any amounts.

Spending Policy
The intent of endowed funds is to create and build a permanent financial reserve, the earnings from which can be used for charitable purposes. In that light:

- A new fund must wait four quarters before granting any funds.

For all funds that have been in existence prior to January 31 of the current year, the spending policy is as follows:

- The amount available for grants for the coming 12 months will be based on the average fair market value of the fund for the previous 12 closing quarters (or the number of the full quarters the fund has been in existence, if less than 12), through January 31 of the current year.

- The percentage to be multiplied by the average fair market value of each fund will be determined annually by the Foundation’s Board of Directors, prior to January 1 of each year. Presently, the payout percentage is 4.5% plus relevant fees. The intent of this is to ensure that fund principal amounts are not spent in times of investment and stock market depreciation.

Endowment assets consist of both Foundation assets and agency funds, and changes in the endowment account include contribution activities that are recorded as changes in the agency funds (see Note 11).

From time to time, the fair value of assets associated with endowed funds may fall below the level of the contribution value of that fund that is classified with donor restrictions for a perpetual duration. The Foundation’s spending policy permits spending from underwater funds, unless otherwise precluded by donor intent, relevant laws, or regulations.

Note 5 – Net Assets Classifications (continued)

Restricted Foundation assets and agency funds are as follows at June 30:

	2020	2019
Agency fund endowment with restrictions	$ 3,550,749	$ 3,163,913
Foundation endowment with restrictions	6,218,754	6,209,578
Total endowment net assets with restrictions	$ 9,769,503	$ 9,373,491

Changes in endowment net assets consist of the following for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 993,722	$ 9,373,491	$ 10,367,213
Investment return: investment income	73,928	165,130	239,058
Net appreciation (realized and unrealized)	51,015	131,639	182,654
Total investment return	124,943	296,769	421,712
Contributions, reversions and changes in donor restrictions and agency funds	6,797	427,304	434,101
Appropriation of endowment assets for expenditure	(292,480)	(328,061)	(620,541)
Endowment net assets, end of year	$ 832,982	$ 9,769,503	$ 10,602,485

Note 5 – Net Assets Classifications (continued)

Changes in endowment net assets consist of the following for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 918,890	$ 7,979,737	$ 8,898,627
Investment return: investment income	71,732	163,740	235,472
Net appreciation (realized and unrealized)	121,940	234,800	356,740
Total investment return	193,672	398,540	592,212
Contributions, reversions and changes in donor restrictions and agency funds	204,493	1,404,286	1,608,779
Appropriation of endowment assets for expenditure	(323,333)	(409,072)	(732,405)
Endowment net assets, end of year	$ 993,722	$ 9,373,491	$ 10,367,213

Endowment net asset composition by type of fund is as follows for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 9,731,882	$ 9,731,882
Named funds-designated endowment funds	832,982	37,621	870,603
Total endowment net assets	$ 832,982	$ 9,769,503	$ 10,602,485

Endowment net asset composition by type of fund is as follows for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 9,337,276	$ 9,337,276
Named funds-designated endowment funds	993,722	36,215	1,029,937
Total endowment net assets	$ 993,722	$ 9,373,491	$ 10,367,213

Note 5 – Net Assets Classifications (continued)

A summary of underwater endowment funds is as follows at June 30:

	2020	2019
Fair value of underwater endowment funds	$ 1,800,789	$ 890,189
Original endowment gift amount	(1,967,019)	(1,007,746)
Donor-restricted endowment funds	$ (166,230)	$ (117,557)

Note 6 – Liquidity and Funds Available

The following table reflects the financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Board designations are considered available for expenditure within the year since they could be drawn upon quickly with board approval:

	2020	2019
Financial assets available for use within one year		
Cash and cash equivalents	$ 1,152,584	$ 714,226
Investments	11,898,274	11,245,560
	13,050,858	11,959,786
Less funds unavailable for general expenditure within one year		
Agency endowment funds	(3,550,749)	(3,163,913)
Perpetually restricted endowment funds	(6,218,754)	(6,209,578)
Donor advised funds restricted for time and/or purpose	(2,324,254)	(1,620,217)
	(12,093,757)	(10,993,708)
Financial assets and liquidity resources available to meet general expenditures within one year	$ 957,101	$ 966,078

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2020	2019
Donor advised funds	$ 1,541,911	$ 1,152,899
Field of interest	375,355	203,086
Special programs	319,526	170,344
Designated funds	87,462	84,151
Agency funds	-	9,737
Total restricted for specified purposes or passage of time	2,324,254	1,620,217
Endowment funds - restricted in perpetuity	6,218,754	6,209,578
Net assets with donor restrictions	$ 8,543,008	$ 7,829,795

During 2020 and 2019, certain reclassifications between types of net assets with donor restrictions were made to comply with fiduciary standards and donor intent.

Note 8 – Donated Assets and Services

GAAP requires that professional service hours (attorney, accountants, doctors, etc.) be recorded in the consolidated financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in the Foundation's program and in its fund raising campaigns. The value of these hours is not recorded in the consolidated financial statements.

The majority of in-kind donations received by the Foundation are in-kind donations for newspaper advertising, information technology services, art, and investment administrative fees. Total in-kind contributions, including clothing donations, have been recorded in the consolidated financial statements as in-kind revenue and in-kind expense.

Note 9 – Concentrations of Credit, Market, and Business Risk

Geographical Concentration
The Foundation's operations are limited to Taos and western Colfax counties in New Mexico.

Revenue Concentration
The Foundation received 81% and 85% of its revenue from contributions and grants during the years ended June 30, 2020 and 2019, respectively.

Note 9 – Concentrations of Credit, Market, and Business Risk (continued)

Credit and Market Risk Concentration

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. At times during the year ended June 30, 2020, the Foundation maintained uninsured cash and money market balances in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. Cash balances exceeding insured limits totaled $645,763 and $56,968 at June 30, 2020 and 2019, respectively.

Note 10 – Deferred Compensation Plan

The Foundation provides a SIMPLE IRA plan in which the Foundation matches up to 3% of qualified employee gross salaries. SIMPLE IRA employer contributions were $5,602 and $5,319 for the years ended June 30, 2020 and 2019, respectively.

Note 11 – Funds Held as Agency Endowments

Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset, in accordance with ASC 958-405, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. The Foundation refers to such funds as agency funds. The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation.

Transactions related to agency funds are recorded as changes in the funds held for agencies liability and are not included in the consolidated statements of activities. The changes in that liability are summarized as follows at June 30:

	2020	2019
Funds held for agencies, beginning of year	$ 3,163,913	$ 2,891,224
Additions		
Contributions	357,851	289,564
Net investment income	70,140	74,249
Net unrealized and realized gains	58,425	7,352
Interfund transfers, net	-	100,375
Total additions	486,416	471,540
Deductions		
Distributions - grants	61,240	165,437
Administrative fees	36,214	31,417
Investment expenses	2,126	1,997
Total deductions	99,580	198,851
Balance in agency funds, end of year	$ 3,550,749	$ 3,163,913

Note 12 – Related Party Transactions

The Foundation received contributions from the Board of Directors for general operations of the Foundation totaling $14,250 and $21,625 for the years ended June 30, 2020 and 2019, respectively.

Note 13 – Subsequent Events

During the year ended June 30, 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable.

The duration and intensity of the impact of the pandemic and resulting impact to the Foundation is unknown.

Note 14 – Functional Expenses

Functional expenses by natural classification are as follows:

For the Year Ended June 30, 2020:

	Grants and Program Services	Supporting Services		
Description	Education, Health and Other	General and Administrative	Fundraising	Total Expenses
Grants	$ 1,078,643	$ -	$ -	$ 1,078,643
Salaries and benefits	221,003	74,958	9,960	305,921
Professional fees	142,272	11,040	1,380	154,692
Office and operations	110,468	18,048	950	129,466
Marketing	50,221	14,492	1,812	66,525
Depreciation	29,384	9,661	1,208	40,253
Rent and condo fees	7,722	2,538	317	10,577
Travel	7,765	1,440	180	9,385
Utilities and telephone	6,079	1,920	240	8,239
Building funds campaign	3,192	1,094	273	4,559
Total expenses	$ 1,656,749	$ 135,191	$ 16,320	$ 1,808,260

For the Year Ended June 30, 2019:

	Grants and Program Services	Supporting Services		
Description	Education, Health and Other	General and Administrative	Fundraising	Total Expenses
Grants	$ 915,052	$ -	$ -	$ 915,052
Salaries and benefits	209,541	70,282	9,367	289,190
Professional fees	108,464	8,037	1,005	117,506
Office and operations	67,440	5,075	1,208	73,723
Marketing	34,560	8,803	1,100	44,463
Depreciation	19,204	6,314	789	26,307
Rent and condo fees	14,745	4,815	602	20,162
Travel	17,129	2,240	280	19,649
Building funds campaign	6,060	2,180	2,180	10,420
Utilities and telephone	6,393	1,736	217	8,346
Total expenses	$ 1,398,588	$ 109,482	$ 16,748	$ 1,524,818