

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Taos Community Foundation, Inc.
Taos, New Mexico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Taos Community Foundation, Inc. (a New Mexico corporation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taos Community Foundation, Inc. as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Taos Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Taos Community Foundation, Inc.'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 Taos Community Foundation, Inc.'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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
February 4, 2025

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,237,100	\$ 1,704,697
Pledges Receivable	28,670	64,250
Prepaid Expenses	9,897	9,630
Investments	4,536,281	6,614,979
Property Held for Sale	36,200	-
Total Current Assets	<u>6,848,148</u>	<u>8,393,556</u>
PROPERTY AND EQUIPMENT, NET	375,474	412,626
OTHER ASSETS		
Endowed Investments	<u>14,264,216</u>	<u>12,708,749</u>
Total Assets	<u><u>\$ 21,487,838</u></u>	<u><u>\$ 21,514,931</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 54,864	\$ 18,523
Scholarships Payable	155,136	159,999
Accrued Expenses	19,029	13,093
Funds Held as Agency Endowments	1,879,522	3,880,747
Total Current Liabilities	<u>2,108,551</u>	<u>4,072,362</u>
Total Liabilities	2,108,551	4,072,362
NET ASSETS		
Without Donor Restrictions:		
Undesignated	776,055	605,574
With Donor Restrictions:		
Purpose	4,522,216	4,203,044
In Perpetuity	14,081,016	12,633,951
Total With Donor Restrictions	<u>18,603,232</u>	<u>16,836,995</u>
Total Net Assets	<u>19,379,287</u>	<u>17,442,569</u>
Total Liabilities and Net Assets	<u><u>\$ 21,487,838</u></u>	<u><u>\$ 21,514,931</u></u>

See accompanying Notes to Consolidated Financial Statements.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Grants and Contributions	\$ 294,658	\$ 3,983,565	\$ 4,278,223
Fee Revenue	17,402	-	17,402
Dividends and Interest	252,488	302,721	555,209
Realized and Unrealized Gains on			
Investments, Net of Fees of \$31,034	398,973	464,165	863,138
In-Kind Contributions	30,100	278,010	308,110
Gains (Losses) on Property Held for Sale	(4,238)	(38,142)	(42,380)
Total Revenue, Support, and Gains	989,383	4,990,319	5,979,702
NET ASSETS RELEASED FROM RESTRICTIONS	3,224,082	(3,224,082)	-
EXPENSES			
Program Services Expense:			
Grants	2,493,543	-	2,493,543
Program Services	1,144,996	-	1,144,996
Total Program Services Expense	3,638,539	-	3,638,539
Supporting Services Expense:			
General and Administrative	360,782	-	360,782
Fundraising	43,663	-	43,663
Total Supporting Services Expense	404,445	-	404,445
Total Expenses	4,042,984	-	4,042,984
CHANGES IN NET ASSETS	170,481	1,766,237	1,936,718
Net Assets - Beginning of Year	605,574	16,836,995	17,442,569
NET ASSETS - END OF YEAR	<u>\$ 776,055</u>	<u>\$ 18,603,232</u>	<u>\$ 19,379,287</u>

See accompanying Notes to Consolidated Financial Statements.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Grants and Contributions	\$ 213,016	\$ 3,943,688	\$ 4,156,704
Fee Revenue	62,625	-	62,625
Dividends and Interest	344,623	291,690	636,313
Realized and Unrealized (Losses) on Investments, Net of Fees of \$33,680	(1,333,208)	(1,610,948)	(2,944,156)
In-Kind Contributions	-	6,978	6,978
Other	205	-	205
Total Revenue, Support, and Gains	(712,739)	2,631,408	1,918,669
NET ASSETS RELEASED FROM RESTRICTIONS	2,382,735	(2,382,735)	-
EXPENSES			
Program Services Expense:			
Grants	1,642,566	-	1,642,566
Program Services	988,584	-	988,584
Total Program Services Expense	2,631,150	-	2,631,150
Supporting Services Expense:			
General and Administrative	291,053	-	291,053
Fundraising	43,734	-	43,734
Total Supporting Services Expense	334,787	-	334,787
Total Expenses	2,965,937	-	2,965,937
CHANGES IN NET ASSETS	(1,295,941)	248,673	(1,047,268)
Net Assets - Beginning of Year	1,901,515	16,588,322	18,489,837
NET ASSETS - END OF YEAR	<u>\$ 605,574</u>	<u>\$ 16,836,995</u>	<u>\$ 17,442,569</u>

See accompanying Notes to Consolidated Financial Statements.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,936,718	\$ (1,047,268)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Realized and Unrealized (Gain) Loss on Investments	(944,486)	3,764,857
Interest and Dividends	(561,742)	(757,430)
Depreciation	37,152	37,152
Donated Investments	(314,078)	(914,074)
Donated Property Held for Sale	(36,200)	-
Changes in Operating Assets and Liabilities:		
Pledges Receivable	35,580	20,250
Prepaid Expenses	(267)	(413)
Accounts Payable	36,341	7,715
Grants Payable	(4,863)	(186,355)
Accrued Expenses	5,936	(1,173)
Funds Held as Agency Endowments	(2,001,225)	(682,691)
Net Cash Provided (Used) by Operating Activities	<u>(1,811,134)</u>	<u>240,570</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,493,685)	(2,758,954)
Proceeds from Sales of Investments	<u>3,837,222</u>	<u>2,027,898</u>
Net Cash Provided (Used) by Investing Activities	<u>2,343,537</u>	<u>(731,056)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	532,403	(490,486)
Cash and Cash Equivalents - Beginning of Year	<u>1,704,697</u>	<u>2,195,183</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,237,100</u></u>	<u><u>\$ 1,704,697</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributed Securities at Fair Value	<u>\$ 314,078</u>	<u>\$ 914,074</u>

See accompanying Notes to Consolidated Financial Statements.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

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 nonprofits 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 Property Foundation, Inc. (TPF). The purpose of TPF is to accept and liquidate real estate gifts, for the benefit of the Foundation.

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 (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 revenue 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, Taos Property Foundation, Inc. (TPF). All significant inter-entity accounts and transactions have been eliminated in the consolidation.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets without donor restrictions are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by explicit donor restrictions. 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 consolidated statement 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 statement 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.

Investment Valuation

Investments are reported at fair value, with realized and unrealized gains and losses included in the statement of activities and changes in net assets. Fair value is based upon quoted market prices or net asset value per share of the investment as a practical expedient. Net asset value per share is defined as the amount of net assets attributable to each share of capital stock (other than preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding securities, whether or not their conversion would have a diluting effect. The limited partnership investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

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.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Building Improvements	5 to 10 Years
Building	39 Years

Property held for sale is recorded at net realizable value.

Contributions of Real and Personal Property

Gifts of property 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. 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.

Conditional and Unconditional Promises to Give

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 statement of activities and changes in net assets as net assets released from restrictions. There were \$-0- and \$64,250 of outstanding unconditional promises to give at June 30, 2023 and 2022, respectively. Furthermore, the Foundation is a named beneficiary of two bequests totaling approximately \$1,870,00. Revenue will be recognized when the estates are validated by the probate court.

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 – revenues are 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.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues (Continued)

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

Contributed Services and Non-financial Assets

The Foundation received donated assets in the amount of \$308,110 and \$6,978 for the years ended June 30, 2023 and 2022, respectively.

Contributions of services are recognized only if the services received create or enhance nonfinancial assets, require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Recognized contributed services are recorded at the estimated fair value of the services as provided on the date of donation. The Foundation did not receive any contributed services for the years ended June 30, 2023 and 2022.

Gifts in-kind are typically related to fundraising events which are either used or sold at the event and are valued using the following methods: (1) the current average price located on a publicly available website for similar items or (2) a percentage of the current average price located on a publicly available website if the item donated has been used, but the item located online is new. Donated materials for special events were valued at \$21,810 and \$6,978 for the years ended June 30, 2023 and 2022, respectively. During the year ended June 30, 2023, the Foundation also received donated property and artwork to be sold which was valued at \$286,300. The proceeds from the sale of the donated property and artwork will be used in accordance with the donor restrictions, if any. Gifts in-kind are used for program services, management and general, and fundraising purposes.

Depending upon the nature and anticipated value of the gift (\$5,000 or more), a qualified outside appraiser may formally value the gifts of real and personal property before accepted under the gift acceptance policy. These assets are subject to the capitalization policy based on their fair market value at the time of donation.

Donated Investments

Donated marketable securities and other investments are recorded as contributions at their estimated fair values at the date of donation. The estimated fair values of donated investments totaled \$314,078 and \$914,074 for the years ended June 30, 2023 and 2022, respectively.

Event Income and Fee Revenues

Income from events is recognized in the year the event is held. Fee income (administrative fees) is recognized as earned.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022, respectively. 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, 2023 and 2022, respectively. 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 \$110,809 and \$100,443 for the years ended June 30, 2023 and 2022, 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.

Change in Accounting Principles

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

The Foundation adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles (Continued)

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The adjustment related to the adoption of this standard was not material to the consolidated statement of financial position, consolidated statement of activities and changes in net assets, or consolidated statement of cash flows. As such, no adjustment was recorded.

Subsequent Events

The Foundation has evaluated subsequent events through February 4, 2025, the date the consolidated financial statements were available to be issued. Management believes there are no significant events occurring subsequent to June 30, 2023 and 2022, respectively, that would require adjustment to or disclosure in the consolidated financial statements.

NOTE 2 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 Financial Accounting Standards Board ASC 820 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 – 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.

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.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

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 mutual funds are traded.

Private Equity Investments – Net asset value (NAV) per share, or its equivalent, as a practical expedient. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The Foundation's fair market value measurements are as follows at June 30:

2023				
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 11,117,740	\$ -	\$ -	\$ 11,117,740
Bond Mutual Funds	7,436,915	-	-	7,436,915
Total	<u>\$ 18,554,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,554,655</u>
Private Equity Investments Measured at NAV				<u>245,842</u>
Total Investments at Fair Value	<u>\$ 18,554,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,800,497</u>
2022				
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 10,724,187	\$ -	\$ -	\$ 10,724,187
Bond Mutual Funds	8,228,736	-	-	8,228,736
Total	<u>\$ 18,952,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,952,923</u>
Private Equity Investments Measured at NAV				<u>370,805</u>
Total Investments at Fair Value	<u>\$ 18,952,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,323,728</u>

Realized and unrealized (losses) gains on investments of \$863,138 and \$(2,944,156), net of investment fees of \$31,034 and \$33,680, was recognized for the years ended June 30, 2023 and 2022, respectively.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables sets forth additional disclosures of the Foundation's investments whose fair value was estimated using net asset value per share as of June 30:

		2023		
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
MAP Heritage	\$ 245,842	\$ -	Ineligible	
Total	<u>\$ 245,842</u>	<u>\$ -</u>		

		2022		
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
MAP Heritage	\$ 370,805	\$ -	Ineligible	
Total	<u>\$ 370,805</u>	<u>\$ -</u>		

The investment strategy of MAP Heritage is to engage in the acquisition, operation, development, management, and disposition of direct and indirect interests in natural gas and oil royalty interests, mineral interests, and overriding royalty interests, wind energy royalty interests, and other passive investments.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2023	2022
Building and Improvements	\$ 555,864	\$ 555,864
Furniture and Equipment	59,459	59,459
Subtotal	615,323	615,323
Less: Accumulated Depreciation	(239,849)	(202,697)
Total Property and Equipment	<u>\$ 375,474</u>	<u>\$ 412,626</u>

Depreciation expense was \$37,152 for the years ended June 30, 2023 and 2022.

NOTE 4 NET ASSETS CLASSIFICATION

The Foundation's endowment consisted of approximately 75 individual funds established for a variety of purposes as of the years ended June 30, 2023 and 2022, respectively. The Foundation's endowment includes both donor-restricted funds and board-designated funds. As required by U.S. 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.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 NET ASSETS CLASSIFICATION (CONTINUED)

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 endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity 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 donor restrictions in perpetuity is classified as net assets with donor restrictions for specified purpose 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.

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 varies between 60% equity securities and 40% fixed income securities (including an environmental, social, and governance option) or 50% equity and 50% fixed income securities. Investments in the securities of any single issuer (stock or bond) may not exceed 10% of the portfolio at market value, and exposure to any one industry group may not exceed 25% of the portfolio at market value.

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.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 NET ASSETS CLASSIFICATION (CONTINUED)

Spending Policy (Continued)

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 31 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.

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.

Endowment Net Assets

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

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 74,798	\$ 12,633,951	\$ 12,708,749
Investment Return: Investment Income	249,442	-	249,442
Net Appreciation (Realized and Unrealized)	336,151	-	336,151
Contributions, Reversions, and Changes in Donor Restrictions and Agency Funds	-	1,447,065	1,447,065
Appropriation of Endowment Assets for Expenditure	(477,191)	-	(477,191)
Endowment Net Assets - End of Year	<u>\$ 183,200</u>	<u>\$ 14,081,016</u>	<u>\$ 14,264,216</u>
June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 1,455,687	\$ 11,908,820	\$ 13,364,507
Investment Return: Investment Income	343,703	-	343,703
Net Appreciation (Realized and Unrealized)	(1,315,085)	-	(1,315,085)
Contributions, Reversions, and Changes in Donor Restrictions and Agency Funds	-	725,131	725,131
Appropriation of Endowment Assets for Expenditure	(409,507)	-	(409,507)
Endowment Net Assets - End of Year	<u>\$ 74,798</u>	<u>\$ 12,633,951</u>	<u>\$ 12,708,749</u>

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 NET ASSETS CLASSIFICATION (CONTINUED)

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

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor Advised Endowment Funds	\$ -	\$ 1,665,597	\$ 1,665,597
Designated Endowment Funds	-	1,456,228	1,456,228
Field of Interest Endowment Funds	-	3,098,234	3,098,234
Named Funds-Designated Endowment Funds	183,200	7,860,957	8,044,157
Total Endowment Net Assets	<u>\$ 183,200</u>	<u>\$ 14,081,016</u>	<u>\$ 14,264,216</u>

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor Advised Endowment Funds	\$ -	\$ 1,641,925	\$ 1,641,925
Designated Endowment Funds	-	1,358,700	1,358,700
Field of Interest Endowment Funds	-	2,087,969	2,087,969
Named Funds-Designated Endowment Funds	74,798	7,545,357	7,620,155
Total Endowment Net Assets	<u>\$ 74,798</u>	<u>\$ 12,633,951</u>	<u>\$ 12,708,749</u>

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

	2023	2022
Fair Value of Underwater Endowment Funds	\$ 7,972,304	\$ 8,646,046
Original Endowment Gift Amount	(8,933,314)	(9,776,287)
Total	<u>\$ (961,010)</u>	<u>\$ (1,130,241)</u>

NOTE 5 LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the financial assets as of June 30, 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. The Foundation has an informal policy to maintain 30 days of operating expenses, or approximately \$250,000, in operating cash.

	2023	2022
Financial Assets Available for Use Within One Year:		
Cash and Cash Equivalents	\$ 2,237,100	\$ 1,704,697
Pledges Receivable	28,670	64,250
Investments	4,536,281	6,614,979
Total	6,802,051	8,383,926
Less Funds Unavailable for General Expenditure Within One Year:		
Agency Endowment Funds	(1,879,522)	(3,880,747)
Net Assets Restricted for Time and/or Purpose	(4,522,216)	(4,203,044)
Total	(6,401,738)	(8,083,791)
Financial Assets and Liquidity Resources Available to Meet General Expenditures Within One Year	<u>\$ 400,313</u>	<u>\$ 300,135</u>

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Donor-Advised Funds	\$ 3,079,565	\$ 3,225,540
Field of Interest	435,358	430,889
Special Programs	864,023	515,036
Designated Funds	143,270	31,579
Total Restricted for Specified Purposes or Passage of Time	4,522,216	4,203,044
Endowment Funds-Restricted in Perpetuity	14,081,016	12,633,951
Total Net Assets With Donor Restrictions	<u>\$ 18,603,232</u>	<u>\$ 16,836,995</u>

During 2023, certain reclassifications between types of net assets with donor restrictions were made to comply with fiduciary standards and donor intent.

NOTE 7 CONCENTRATIONS OF CREDIT, MARKET, AND BUSINESS RISK

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. At times during the years ended June 30, 2023 and 2022, 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 \$1,005,403 and \$1,061,356 at June 30, 2023 and 2022, respectively.

NOTE 8 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 \$9,237 and \$8,553 for the years ended June 30, 2023 and 2022, respectively.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 FUNDS HELD AS AGENCY ENDOWMENTS

Funds established by an unrelated nonprofit 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 statement of activities and changes in net assets. The changes in that liability are summarized as follows at June 30:

	2023	2022
Funds Held for Agencies - Beginning of Year	\$ 3,880,747	\$ 4,563,438
Additions:		
Contributions	168,914	327,044
Net Investment Income	51,004	160,023
Net Unrealized and Realized Gains (Losses)	106,335	(783,497)
Interfund Transfers, Net	-	3,450
Total Additions	<u>326,253</u>	<u>(292,980)</u>
Deductions:		
Distributions - Grants	2,306,531	334,545
Administrative Fees	17,401	51,345
Investment Expenses	3,512	3,500
Other Expenses	34	321
Total Deductions	<u>2,327,478</u>	<u>389,711</u>
Total Agency Funds - End of Year	<u>\$ 1,879,522</u>	<u>\$ 3,880,747</u>

NOTE 10 RELATED PARTY TRANSACTIONS

The Foundation received contributions from board members, and related organizations where they also serve as board members, for general operations of the Foundation totaling \$87,813 and \$112,587 for the years ended June 30, 2023 and 2022.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 FUNCTIONAL EXPENSES

Functional expenses by natural classification are as follows for the year ended June 30:

	2023	Grants and Program Services	Supporting Services		Total
		Education, Health and Other	General and Administrative	Fundraising	
Grants		\$ 2,493,543	\$ -	\$ -	\$ 2,493,543
Salaries and Benefits		337,765	90,432	11,306	439,503
Professional Fees		494,647	142,577	17,823	655,047
Office and Operations		166,771	83,227	8,966	258,964
Marketing		80,891	26,594	3,324	110,809
Depreciation		27,121	8,916	1,115	37,152
Rent and Fees		9,186	3,020	377	12,583
Travel		12,049	3,961	495	16,505
Utilities and Telephone		6,249	2,055	257	8,561
In-Kind		10,317	-	-	10,317
Total Expenses by Function		<u>\$ 3,638,539</u>	<u>\$ 360,782</u>	<u>\$ 43,663</u>	<u>\$ 4,042,984</u>
2022					
Grants		\$ 1,642,566	\$ -	\$ -	\$ 1,642,566
Salaries and Benefits		316,915	88,660	11,084	416,659
Professional Fees		438,864	135,113	16,888	590,865
Office and Operations		103,971	27,217	10,755	141,943
Marketing		73,323	24,107	3,013	100,443
Depreciation		27,121	8,916	1,115	37,152
Rent and Fees		8,595	2,826	353	11,774
Travel		7,723	2,539	317	10,579
Utilities and Telephone		5,094	1,675	209	6,978
Building Funds Campaign		6,978	-	-	6,978
Total Expenses by Function		<u>\$ 2,631,150</u>	<u>\$ 291,053</u>	<u>\$ 43,734</u>	<u>\$ 2,965,937</u>



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