

THINK NEW MEXICO
(A Non Profit Corporation)

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Summarized Comparative Information for the Year
Ended December 31, 2014)

With Independent Auditor's Report Thereon

THINK NEW MEXICO
FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Think New Mexico

We have audited the accompanying financial statements of Think New Mexico (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 control. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Think New Mexico as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We audited Think New Mexico's December 31, 2014 financial statements, and our report dated May 12, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Swain & Giesco, LLC

Santa Fe, New Mexico

June 9, 2016

THINK NEW MEXICO
STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents, <i>notes 1 and 2</i>	\$ 306,656	\$ 269,603
Contributions and Grants Receivable, <i>note 3</i>	9,750	28,312
Investments, <i>note 4</i>	728,403	744,453
Endowment: Beneficial Interest in Assets Held by Others, <i>note 6</i>	107,902	116,409
Total Current Assets	<u>1,152,711</u>	<u>1,158,777</u>
Property and Equipment, <i>notes 1 and 5</i>		
Property and Equipment, net	<u>1,523,678</u>	<u>1,525,243</u>
Other Assets		
Prepaid Expenses, <i>note 8</i>	<u>4,239</u>	<u>-</u>
Total Assets	<u><u>\$ 2,680,628</u></u>	<u><u>\$ 2,684,020</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts Payable	\$ 29,583	\$ 9,772
Accrued Expenses	304	6,415
Total Liabilities	<u>29,887</u>	<u>16,187</u>
Net Assets		
Unrestricted	2,586,867	2,605,000
Temporarily Restricted, <i>note 12</i>	63,874	62,833
	<u>2,650,741</u>	<u>2,667,833</u>
Total Liabilities and Net Assets	<u><u>\$ 2,680,628</u></u>	<u><u>\$ 2,684,020</u></u>

The Accompanying Notes Are an Integral
Part of These Financial Statements

THINK NEW MEXICO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and Other Support:				
Grants and contributions	\$ 501,074	\$ 22,090	\$ 523,164	\$ 482,622
Contributed in-kind services	6,700	-	6,700	6,700
Contributed in-kind materials	4,919	-	4,919	7,153
Rental income	6,400	-	6,400	10,166
Interest income	1,724	-	1,724	1,807
Dividend income	18,204	-	18,204	15,968
Realized and unrealized gain on investments	(36,501)	-	(36,501)	25,599
Unrealized appreciation on endowment funds	(2,007)	-	(2,007)	4,432
Miscellaneous income	212	-	212	441
Total Revenue and Gains	<u>500,725</u>	<u>22,090</u>	<u>522,815</u>	<u>554,888</u>
Net Assets Released From Restrictions:				
Satisfaction of program restrictions	3,799	(3,799)	-	-
Total Revenues and Other Support	<u>504,524</u>	<u>18,291</u>	<u>522,815</u>	<u>554,888</u>
Expenses				
Program services				
Program services	437,369	17,250	454,619	455,259
Supporting services:				
Management and general	40,654	-	40,654	23,844
Fundraising	44,634	-	44,634	25,231
Total Expenses	<u>522,657</u>	<u>17,250</u>	<u>539,907</u>	<u>504,334</u>
Change in net assets	(18,133)	1,041	(17,092)	50,554
Net assets, beginning of year	<u>2,605,000</u>	<u>62,833</u>	<u>2,667,833</u>	<u>2,617,279</u>
Net assets, end of year	<u>\$ 2,586,867</u>	<u>\$ 63,874</u>	<u>\$ 2,650,741</u>	<u>\$ 2,667,833</u>

The Accompanying Notes Are an Integral
Part of These Financial Statements

THINK NEW MEXICO
STATEMENTS OF CASH FLOW
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (17,092)	\$ 50,554
<i>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</i>		
Depreciation	1,565	2,080
Investment fees	1,630	1,693
Investment interest and dividends	(18,204)	(15,968)
Net (gains) loss on investments	36,501	(25,599)
Net (gains) loss on endowment: beneficial interest	2,007	(4,432)
Decrease (increase) in restricted cash equivalents	-	1,568
Decrease (increase) in contributions and grants receivable	18,562	(21,912)
Decrease (increase) in other receivables	-	5,000
Decrease (increase) in prepaid expenses	(4,239)	3,000
Increase (decrease) in accounts payable	19,811	(1,028)
Increase (decrease) in accrued expenses	(6,111)	(23)
Contributions restricted to long-term purposes	-	(200)
Net cash provided (used) by operating activities	34,430	(5,267)
Cash flows from investing activities:		
Acquisition of investments	(115,559)	-
Proceeds from sale of investments	112,515	5,751
Net transfers (to) from endowment: beneficial interest	5,667	5,053
Acquisition of property and equipment	-	(669)
Net cash provided (used) by investing activities	2,623	10,135
Cash flows from financing activities:		
Contributions restricted to long-term purposes	-	200
Net cash provided by financing activities	-	200
Net increase in cash equivalents	37,053	5,068
Cash, beginning of year	269,603	264,535
Cash, end of year	\$ 306,656	\$ 269,603
Supplemental Disclosures:		
Interest paid	\$ -	\$ -
Taxes paid - Property tax on donated land	\$ 13,189	\$ 12,127

The Accompanying Notes Are an Integral
Part of These Financial Statements

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(1) Summary of Significant Accounting Principles

Organization and Nature of Activities

Think New Mexico (the Organization) is a 501(c)(3) not-for-profit organization incorporated in 1998 under the laws of the State of New Mexico. The Organization is a results-oriented think tank serving the citizens of New Mexico. The Organization fulfills its mission by educating the public, the media and policy makers about some of the problems facing New Mexico and by developing effective, comprehensive, long-term solutions to those problems. The Organization's approach is to perform and publish sound, non-partisan research. Unlike many think tanks, Think New Mexico does not subscribe to any particular ideology. Instead, its focus is on promoting solutions. Consistent with this approach, the Organization's Board is comprised of Democrats, Independents, and Republicans. They are statesmen and stateswomen, who have no agenda other than to see New Mexico succeed. They are also the brain trust of this think tank. As a results-oriented think tank, Think New Mexico measures its success based on changes in law or policy that it is able to help achieve and which make New Mexico an even better place to live. The Organization uses advocacy and, as a last resort, legal action but only within the constraints of Federal tax law.

Basis of Financial Statement Presentation

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC or the Codification) as the source of authoritative accounting principles recognized by the FASB to be used by nongovernmental entities when preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification essentially reduces the GAAP hierarchy to two levels: authoritative and non-authoritative, with the Codification being authoritative GAAP.

Basis of Accounting

The financial statements of Think New Mexico have been prepared on the accrual basis of accounting, and therefore reflect all accounts receivable and accounts payable as of December 31, 2015, and 2014. The financial statements are presented in accordance with the recommendations of Accounting Standards Codification (ASC) 958, *Not For Profit Entities*, which requires the organization to report information regarding its financial position and activities according to three classes of net assets. Think New Mexico's net asset classes and changes therein are classified and reported as follows:

Unrestricted Net Assets - represent those assets that the Organization may use at its discretion. Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - represent net assets subject to donor-imposed or board-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets - result from donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(1) Summary of Significant Accounting Principles, continued

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash accounts and highly liquid investments with maturity of three months or less to be cash equivalents. In the normal course of operations Think New Mexico is unlikely to maintain cash held at financial institutions in excess of the FDIC limit of \$250,000.

Uncertain Tax Positions

On January 1, 2009, the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. As of December 31, 2015, no income tax positions have been identified as uncertain, and accordingly, no provision for uncertain tax positions has been made. As of December 31, 2015, tax returns for fiscal years 2012 through 2015, will remain subject to examination by federal and state tax jurisdictions for three years after they were filed.

Property, Equipment and Depreciation

It is Think New Mexico's policy to capitalize expenditures for property and equipment with a useful life greater than one year. Property and equipment are capitalized at cost or, if donated, at the approximate fair market value at the date of donation. Donated assets are recognized as unrestricted contributions unless the donor has restricted the donation to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful life of furniture, fixtures, and equipment ranges from 3 to 7 years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Income Taxes

Think New Mexico is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption is also recognized by the state of New Mexico. The Organization has no unrelated business income nor does it accrue a provision for income tax in these financial statements. For the years ended December 31, 2015 and 2014, the Organization had no taxable income related to these activities.

Functional Allocation of Expenses

The costs of providing various organization programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(1) Summary of Significant Accounting Principles, continued

Accounts Receivable and Promises to Give

Contributions and pledge receivables are recognized on the date a donor makes an unconditional promise to give to Think New Mexico. Contributions restricted by the donor are reported as increases in unrestricted net assets only if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, generally when a stipulated time restriction ends or its purpose has been accomplished, temporarily restricted net assets are then reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

No receivables have been written down to bad debt in current or prior year. For this reason, the organization elects to use the direct write-off method, and accordingly, no allowance for uncollectible receivables has been recognized at December 31, 2015 and 2014.

In-Kind Contributions and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Organization, are recorded at their fair market values in the period received in accordance with FASB ASC 958-605-30-2, (Formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*).

Advertising

Advertising costs are expensed as incurred and totaled \$1,285 and \$6,124 for the years ended December 31, 2015 and 2014, respectively.

Reclassifications

Certain accounts in the prior-year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Deferred Profit Sharing Plan

Certain employees have elected to participate in a cash or deferred profit sharing plan created in accordance with Section 401(a), 402(g), 401(m) and 501(a) of the Internal Revenue Code. The plan is a prototype non-standardized plan. Participation in the plan is available to all employees who have attained the age of 21, have completed 3 months of service and have filed a salary deferral agreement with the administrator. Employer contributions to the plan are discretionary and are currently calculated on the basis of employee contributions to the plan, subject to statutory limitations. The expense recognized by Think New Mexico under the plan totaled \$18,804 and \$17,679 for the years ended December 31, 2015 and 2014, respectively.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(2) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2015 and 2014:

	2015	2014
Checking deposits	\$ 59,328	\$ 182,971
Savings	247,328	86,632
Total cash	\$ 306,656	\$ 269,603

(3) Contribution and Grant Receivables

Contribution receivables consist of unconditional promises to give, pledged as of year end. All contributions are considered fully collectible. Contribution receivables as of December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Amounts due in:		
Less than one year	\$ 9,750	\$ 28,312
One to five years	-	-
Total receivables	\$ 9,750	\$ 28,312

For the years ended December 31, 2015 and 2014 there is no recorded bad debt expense.

(4) Investments

Investments are recorded at fair value, and made up of the following asset classes at December 31, 2015 and 2014:

	2015	
	Cost	Market
Equity Based Mutual Funds	\$ 475,077	\$ 553,523
Debt Based Mutual Funds	166,526	169,679
Money Market Funds	5,201	5,201
Total	\$ 646,804	\$ 728,403
	2014	
	Cost	Market
Equity Based Mutual Funds	430,846	575,630
Debt Based Mutual Funds	162,461	168,823
Total	\$ 593,307	\$ 744,453

Investment income from cash, cash equivalents and investments for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Interest income	\$ 1,724	\$ 1,807
Dividend income	18,204	15,968
Net realized and unrealized losses	(36,501)	30,031
Total investment gains	\$ (16,573)	\$ 47,806

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(4) Investments, (continued)

Financial accounting standards define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy which prioritizes valuation techniques. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

- Level 1 assets use quoted prices in active markets for identical assets the Organization has the ability to access. The Organization owns equities and mutual funds that are considered level 1 assets.
- Level 2 assets use inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. The Organization's money market funds are classified as level 2 assets.
- Level 3 assets have no observable values for the assets and rely on management's own assumptions that market participants would use in pricing the asset. The Organization does not have any assets or liabilities classified as level 3.

During 2015 and 2014, Think New Mexico owned no assets measured on a non-recurring basis.

(5) Property and Equipment

Property and Equipment consists of the following as of December 31, 2015 and 2014:

	2015	2014
Land - Taos Property	\$ 1,522,734	\$ 1,522,734
Furniture, fixtures and equipment	29,634	29,634
Less, accumulated depreciation	(28,690)	(27,125)
Net book value	<u>\$ 1,523,678</u>	<u>\$ 1,525,243</u>

Depreciation expense was \$1,565 and \$2,080 for the years ended December 31, 2015 and 2014.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(6) Beneficial Interest in Assets Held by Others

Think New Mexico has established endowment funds with four community foundations (the recipient organizations). In general, the endowment funds are comprised of transfers from Think New Mexico, also known as reciprocal transfers, and from third party donors to the recipient organizations who have specified Think New Mexico as the beneficiary. In accordance with FASB ASC 958, reciprocal transfers to the funds and transfers by third party donors who have not explicitly granted variance power to the recipient organizations are recognized as an asset of Think New Mexico. Contributions to the funds by third party donors who have explicitly granted variance power to the recipient organizations are not recognized as an asset of Think New Mexico.

Variance power is defined by FASB ASC 958 as the unilateral power of the recipient organization to redirect the use of the transferred assets to another beneficiary without approval from the donor, specified beneficiary or any other interest party.

The endowment funds are recorded as a beneficial interest in assets held by others. Following is a summary of the endowment funds since inception:

	Santa Fe Community Foundation	New Mexico Community Foundation	Albuquerque Community Foundation	Taos Community Foundation	Total
Reciprocal Transfers	\$ 38,900	\$ 10,000	\$ 20,000	\$ 10,000	\$ 78,900
Third Party Transfers	30,250		25		30,275
Distributions	(33,164)	(5,701)	(9,106)	(3,889)	(51,860)
Net Appreciation	33,253	4,999	8,347	3,988	50,587
	<u>\$ 69,239</u>	<u>\$ 9,298</u>	<u>\$ 19,266</u>	<u>\$ 10,099</u>	<u>\$ 107,902</u>

Terms of Endowment Agreements:

Santa Fe Community Foundation: To the best of Think New Mexico's knowledge and belief, no third party donors have explicitly granted variance power to the Foundation. Think New Mexico has granted variance power to the Foundation for reciprocal transfers to the fund. The terms of the variance power granted by Think New Mexico as stated in the Santa Fe Community Foundation Agency Endowment Fund Agreement are that "the fund will be held subject to the Articles of Incorporation and Bylaws of the Foundation, as amended and restated from time to time, including the power reserved therein for the governing board of the Foundation to modify any restriction on the distribution of funds, if in its sole judgement, any restriction becomes obsolete, incapable of fulfillment or inconsistent with the charitable intent expressed by Think New Mexico, or with the exempt purposed of the Foundation." Distributions from the fund may be made in an amount currently equal to 5% of the market value of the fund, regardless of the amount of net earnings. However, distributions in excess of this amount may be made to Think New Mexico as determined by the Foundation provided one of the following conditions is met: (1) the distribution is for the purpose of enabling Think New Mexico to acquire or renovate a capital asset; (2) Think New Mexico is faced with unexpected financial needs that are not likely to recur, and the distribution will enable Think New Mexico to meet those needs. Recommendations for such distributions may be made from time to time by delivery to the Foundation of a certified copy of a resolution of the Board of Directors of Think New Mexico. Recommendations of Think New Mexico's Board of Directors are solely advisory and not binding on the Foundation.

THINK NEW MEXICO

Notes to the Financial Statements

December 31, 2015 and 2014

Terms of Endowment Agreements, (continued)

New Mexico Community Foundation: Think New Mexico has granted variance power to the Foundation for reciprocal transfers to the fund. The terms of the variance power granted by Think New Mexico as stated in the agreement with the New Mexico Community Foundation are that the "New Mexico Community Foundation retains the right to vary or terminate (pursuant to IRS regulations/rulings) the agreement if conduct of the Board of Think New Mexico jeopardizes the New Mexico Community Foundation's exempt status, the Board of Think New Mexico breaches this agreement, or if Think New Mexico's organizational purposes substantially or materially change. Upon variance or termination of the agreement, the Board of the New Mexico Community Foundation will determine the status of the Fund in a manner consistent with the agreement, the Foundation's Articles of Incorporation and its Bylaws, the Internal Revenue Code, and pertinent Federal and State Regulations." The amount distributable from the fund is dependent upon whether the transfer was to the permanent sub-fund or the non-permanent sub-fund. The available annual distribution from the permanent sub-fund is 5% of the sub-fund's average market value (determined as the average of the previous twelve quarters ending quarterly market values) calculated by January 15th of each year. That 5% amount will be transferred to the non-permanent sub-fund immediately following the calculation. However, no distribution is permitted if such distribution would cause the fund value to decrease below its historic gift or book value. Any and all money in the non-permanent sub-fund is available for distribution with thirty days notice.

Albuquerque Community Foundation: To the best of Think New Mexico's knowledge and belief no third party donors have explicitly granted variance power to the Foundation. Think New Mexico has granted variance power to the Foundation for reciprocal transfers to the fund. The terms of the variance power granted by Think New Mexico as stated in the Albuquerque Community Foundation Agency Endowment Fund Agreement are that "the Board of Trustees of the Foundation have the power to modify the provisions of the agreement designation the use of the fund if the purposes for which it was created ever become obsolete, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation. If the Agency (Think New Mexico) ceases to be a qualified charitable organization, the Foundation will make distributions to qualified charitable organization(s) that serve purposes similar to Think New Mexico. If the Foundation ceases to be a charitable organization or if the Foundation purposes dissolve, the assets of the fund shall, after payment or making provision for payment of any liabilities, properly chargeable to the fund, be distributed to Think New Mexico if it is still operational or if it has dissolved, to a qualified charitable organization(s) that serve purposes similar to those of Think New Mexico." The amount available for distribution is equal to 5% of the average 12 month fund balance (the current distribution policy of the Foundation). Such distribution may vary in accordance with the most current distribution policy of the Foundation, upon proper notification to Think New Mexico. Distributions in excess of the distribution policy of the Foundation may be made to Think New Mexico (to meet emergencies, occasional financial deficits, and capital needs) in the year as determined by the governing board of the Foundation. Recommendations of such distributions may be made from time to time to the Foundation by Think New Mexico's Board of Directors pursuant to a majority vote. Recommendations of Think New Mexico shall be solely advisory and not binding on the Foundation.

THINK NEW MEXICO
Notes to the Financial Statements
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Terms of Endowment Agreements, (continued)

Taos Community Foundation: Think New Mexico has granted variance power to the Foundation for reciprocal transfers to the fund. The terms of the variance power granted by Think New Mexico as stated in the Taos Community Foundation Agency Endowment Fund Agreement are that "the Fund will be held subject to the articles of incorporation and bylaws of the Foundation, as amended and restated from time to time, including the power reserved therein for the governing board of the Foundation to modify any restriction on the distribution of Funds, if, in its sole judgement, any restriction becomes obsolete, incapable of fulfillment or inconsistent with the charitable intent expressed by the Nonprofit, or with the exempt purpose of the Foundation." The amount available for distribution is equal to 5% of the value of the fund, based upon a 12 month rolling average (the current distribution policy of the Foundation). The Foundation may change its distribution policy if it believes it is in the best interest of the community to do so. Distributions in excess of the distribution policy of the Foundation may be made to Think New Mexico provided one of the following conditions is met: (1) the distribution is for the purpose of enabling Think New Mexico to acquire or renovate a capital asset; (2) Think New Mexico is faced with unexpected financial needs that are not likely to recur, and the distribution will enable Think New Mexico to meet those needs. Recommendations of such distributions may be made from time to time by delivery to the Foundation of a certified copy of a resolution of the Board of Directors of Think New Mexico. Recommendations of Think New Mexico's Board of directors shall be solely advisory and not binding on the Foundation.

(7) Endowment Funds

Think New Mexico's endowment consists of five individual funds established to provide a future source of cash flow and a resource for capital acquisitions and financial need. The endowment includes both donor restricted endowment 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. Think New Mexico has interpreted that the terms embedded in the endowment agreements with community foundations create implied restrictions on donor contributions. Since the restrictions indicate that the funds can be expended for capital acquisitions or used in the case of financial need, the donor restricted amounts are classified as temporarily restricted net assets.

Think New Mexico has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, Think New Mexico classifies as temporarily restricted net assets the original value of donor restricted gifts to the endowment fund. The remaining Board designated contributions to the endowment are classified as unrestricted net assets. Investment earnings of the endowment funds and appreciation or depreciation in the investments underlying the endowment funds are allocated between the unrestricted and temporarily restricted net assets class on the basis of the original contributions to the fund, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the SPMIFA.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2015 and 2014

(7) Endowment Funds, (continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the organization, (7) the investment policies of the organization.

Think New Mexico has delegated the management of four of its five endowment funds to various community foundations and those community foundations are responsible for investment and distribution of those endowment funds (*see Note 6*). In regards to the one internally managed endowment fund, the organization invests the endowment assets in accordance with its investment policy. Under this policy, the primary investment objectives of Think New Mexico are to: (1) preserve the real purchasing power of the principal, (2) over the short-term, build up capital, and (3) over the long-term, build capital to a level so that the annual earnings of long-term investments will meet the projected annual overhead and administrative needs of the Organization and secondarily to maintain a sufficient level of liquidity to meet those overhead and administrative needs. The performance goal is that the total return of the long-term investments will equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages over a rolling five-year period, calculated on an annualized, net-of-fee basis. To satisfy its objectives and goals, Think New Mexico 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). Think New Mexico targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has not adopted a spending policy with regards to the internally managed endowment fund other than that is has generally implied that the earnings or the fund may be expended for operating purposes and the principal must remain in tact except that it could be expended to acquire a capital asset or meet unexpected financial needs.

THINK NEW MEXICO
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(8) Prepaid Expense

Prepaid expense is recorded to recognize an asset representing subsequent accounting period expenses that have been paid in advance. One such item was recognized involving a multi-year software subscription. Prepaid expense totaled \$4,239 and \$0.00 for the years ended December 31, 2015 and 2014.

(9) Lease Commitments

In October 2013 the Organization extended the existing multi-year lease for Santa Fe office space originally contracted in 2011. The amended agreement extends the current terms until June 30, 2019. Rent expense in 2015 was \$36,000. Think New Mexico's future minimum rent expense for the leased office space by year is shown below:

Year ended:	
2015	\$ 36,000
2016	36,000
2017	36,000
2018	36,000
2019	18,000
	<u>\$ 162,000</u>

Think New Mexico subleased a portion of their space and received \$6,400 in rental income for 2015. The sublease agreement(s) extend into 2015 with month-to-month options thereafter. Think New Mexico's future minimum rental income under current subleases is as follows:

Year Ended:	
2016	<u>\$ -</u>

(10) In-Kind Contributions and Services

In-kind revenue is recorded in exchange for non-cash donations of goods or services. In-kind revenue and expense totaled \$11,619 and \$13,853 for the years ended December 31, 2015 and 2014, respectively.

(11) Concentrations

Think New Mexico has cash depository accounts at financial institutions that may sometimes exceed the FDIC insurance coverage limit of \$250,000. The Organization has not experienced any losses due to such concentrations and management believes it is not exposed to significant liquidity risk from the possibility of occasional overages.

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(12) Temporarily Restricted Net Assets

As of December 31, 2015, and 2014, temporarily restricted net assets consisted of the following:

	2015	2014
Expenditure in the subsequent year	\$ -	\$ -
Public policy initiatives	800	1,500
Interns	5,000	3,259
Endowment: beneficial interest	58,074	58,074
Total	\$ 63,874	\$ 62,833

(13) Subsequent Events

In preparing these financial statements Think New Mexico has evaluated subsequent events and transactions that might be material in nature regarding financial conditions that existed as of the date of the audited balance sheet through June 9, 2016, the date on which the financial statements were available to be issued. No significant or material events were noted.