

THINK NEW MEXICO and THINKNMRE, LLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



THINK NEW MEXICO and THINKNMRE, LLC
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

Independent Auditors' Report

Board of Directors
Think New Mexico and ThinkNMRE, LLC
Santa Fe, NM

Opinion

We have audited the accompanying consolidated financial statements of **Think New Mexico** (a New Mexico nonprofit corporation), and its controlled affiliate, **ThinkNMRE, LLC** (collectively referred to as “Think New Mexico” or the Organization), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Think New Mexico as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Think New Mexico's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Think New Mexico's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Think New Mexico's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

Taylor, Roth and Company, PLLC
Certified Public Accountants
Albuquerque, New Mexico
July 3, 2025

THINK NEW MEXICO and THINKNMRE, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 956,052	\$ 1,269,287
Investments (Note 4)	2,678,898	2,406,833
Prepaid expenses	8,238	1,329
Property and equipment, net (Note 5)	2,672,922	2,635,090
Operating lease right-of-use asset (Note 6)	-	18,676
Endowment (Notes 4, 8, and 9)		
Cash and cash equivalents	-	150,000
Investments	1,137,941	130,765
Contributions receivable	25,000	-
Total assets	<u>\$ 7,479,051</u>	<u>\$ 6,611,980</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 15,515	\$ 14,988
Deposits held for others	6,500	11,000
Operating lease liability (Note 6)	-	18,676
Note payable (Note 7)	1,070,480	1,753,629
Total liabilities	<u>1,092,495</u>	<u>1,798,293</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	3,455,687	3,536,461
Net investment in property and equipment	1,602,442	881,461
	5,058,129	4,417,922
With donor restrictions (Notes 8 and 9)	1,328,427	395,765
Total net assets	<u>6,386,556</u>	<u>4,813,687</u>
Total liabilities and net assets	<u>\$ 7,479,051</u>	<u>\$ 6,611,980</u>

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO and THINKNMRE, LLC

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	<u>2024</u>			<u>2023</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
OPERATING ACTIVITIES				
<u>Revenues and other support</u>				
Contributions	\$ 816,218	\$ 1,038,256	\$ 1,854,474	\$ 871,094
Grants	309,782	176,500	486,282	693,929
Rental income (Note 10)	111,739	-	111,739	90,765
All other	2,881	-	2,881	1,606
In-kind contributions (Note 11)	18,198	-	18,198	103,347
Net assets released from restrictions (Note 12)	315,302	(315,302)	-	-
Total revenue and other support	<u>1,574,120</u>	<u>899,454</u>	<u>2,473,574</u>	<u>1,760,741</u>
<u>Expense</u>				
Program services	924,984	-	924,984	709,627
Supporting services				
General and administrative	64,446	-	64,446	56,358
Fund-raising	104,995	-	104,995	93,630
Enterprise	<u>116,926</u>	<u>-</u>	<u>116,926</u>	<u>104,285</u>
Total expense	<u>1,211,351</u>	<u>-</u>	<u>1,211,351</u>	<u>963,900</u>
Change in net assets from operations	<u>362,769</u>	<u>899,454</u>	<u>1,262,223</u>	<u>796,841</u>
NONOPERATING ACTIVITIES				
Investment income(losses), net (Note 4)	277,438	33,208	310,646	349,975
Change in beneficial interest	-	-	-	(1,837)
Loss on land held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,231)</u>
Total nonoperating activities	<u>277,438</u>	<u>33,208</u>	<u>310,646</u>	<u>341,907</u>
Change in net assets	640,207	932,662	1,572,869	1,138,748
Net assets, beginning of year	<u>4,417,922</u>	<u>395,765</u>	<u>4,813,687</u>	<u>3,674,939</u>
Net assets, end of year	<u>\$ 5,058,129</u>	<u>\$ 1,328,427</u>	<u>\$ 6,386,556</u>	<u>\$ 4,813,687</u>

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO and THINKNMRE, LLC

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

	2024				2023	
	Supporting Services			Enterprise		
<u>Description</u>	Program Services	General and Administrative	Fund- raising	Office rental	Total	Total
Salaries and wages	\$ 536,579	\$ 24,520	\$ 47,139	\$ -	\$ 608,238	\$ 470,025
Payroll taxes and benefits	142,310	6,469	12,937	-	161,716	136,628
Printing	92,249	88	12,714	-	105,051	39,283
Interest expense	-	-	-	78,809	78,809	66,501
Occupancy	18,973	862	1,725	37,636	59,196	92,948
Depreciation	1,205	55	110	49,842	51,212	33,971
Postage	21,510	349	4,462	-	26,321	11,975
Office expenses	12,607	573	1,146	-	14,326	16,935
Accounting and audit services	-	12,928	-	-	12,928	11,757
Insurance	2,945	134	268	9,495	12,842	12,215
Graphic design and art	8,493	-	2,000	-	10,493	6,117
Meeting expense	3,927	-	3,927	-	7,854	7,119
Computer expense	6,371	290	579	-	7,240	3,530
Data services	1,410	-	5,640	-	7,050	7,187
Stewardship and board	4,284	535	536	-	5,355	151
Legal services	-	1,005	-	4,094	5,099	287
Subscriptions	4,162	190	378	-	4,730	2,935
Educational outreach	3,760	-	940	-	4,700	4,600
Telephone and internet	4,132	188	376	-	4,696	4,240
All other	6,551	12,482	4,451	11	23,495	35,496
Total before enterprise allocation	871,468	60,668	99,328	179,887	1,211,351	963,900
Enterprise allocation (Note 13)	53,516	3,778	5,667	(62,961)	-	-
Total expenses	\$ 924,984	\$ 64,446	\$ 104,995	\$ 116,926	\$ 1,211,351	\$ 963,900

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO and THINKNMRE, LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,572,869	\$ 1,138,748
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	51,211	33,971
In-kind services capitalized	-	(82,313)
Donated stock	(59,060)	(15,118)
Donated stock - restricted for long-term investment	(612,256)	-
Cash contributions restricted for long-term investment	(215,000)	(150,000)
(Gains)losses on investments and land held for sale	(184,063)	(263,672)
(Gains)losses on beneficial interest in assets held by others	-	1,837
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions and grants receivable	(25,000)	40,464
(Increase)decrease in prepaid expenses	(6,909)	47,537
Increase(decrease) in accounts payable	527	(3,998)
Increase(decrease) in deposits held for others	(4,500)	11,000
Net cash provided by operating activities	<u>517,819</u>	<u>758,456</u>
<u>Cash flows from investing activities</u>		
Proceeds from sales of investments and land held for sale	467,688	2,017,441
(Reinvestment) of investment income and acquisitions of investments	(1,503,806)	(1,251,336)
Investment in property and equipment	(89,043)	(712,348)
Net cash provided(used) by investing activities	<u>(1,125,161)</u>	<u>53,757</u>
<u>Cash flows from financing activities</u>		
Transfers of funds in beneficial interest in assets held by others	-	112,946
(Repayments) on note payable	(683,149)	(21,371)
Investment in permanent endowments	827,256	150,000
Net cash provided(used) by financing activities	<u>144,107</u>	<u>241,575</u>
Net increase(decrease) in cash and cash equivalents	(463,235)	1,053,788
Cash and cash equivalents, beginning of year	<u>1,419,287</u>	<u>365,499</u>
Cash and cash equivalents, end of year	<u><u>\$ 956,052</u></u>	<u><u>\$ 1,419,287</u></u>
<u>Supplemental disclosure of information:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	<u>\$ 18,726</u>	<u>\$ 37,452</u>
Cash paid during the period for interest	<u>\$ 78,809</u>	<u>\$ 66,501</u>
Mortgage financing - office building purchase	<u><u>\$ -</u></u>	<u><u>\$ 1,775,000</u></u>

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO and THINKNMRE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - 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 whose mission is to improve the lives of all New Mexicans, especially those who lack a strong voice in the political process. The Organization fulfills this mission by educating the public, the media, and policymakers about some of the most serious challenges facing New Mexico and by developing and advocating for enduring, effective, evidence-based solutions. The Organization's approach is to perform and publish sound, nonpartisan, independent research.

Unlike many think tanks, the Organization does not subscribe to any particular ideology. Instead, because New Mexico is at or near the bottom of so many national rankings, the Organization's focus is on promoting workable solutions that lift up all New Mexicans. Consistent with its nonpartisan approach, the Organization's board is composed 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, the Organization measures its success based on changes in law or policy that it is able to achieve and that improve the lives of New Mexicans. Contributions and grants are the primary sources of revenue for the Organization.

ThinkNMRE, LLC (the "Affiliate") was formed in 2023 under the New Mexico Limited Liability Company Act to engage in real estate investment and management activities. The Affiliate is intended to be a disregarded entity for federal income tax purposes. The composition of the Board of Directors for each entity is identical, and Think New Mexico is the sole member of the Affiliate. The Affiliate may not engage in any activity that would adversely affect Think New Mexico's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Intercompany transactions and balances have been eliminated in the consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

2. Basis of Presentation (concluded)

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Think New Mexico's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

4. Cash and Cash Equivalents

The Organization considers all cash accounts and highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless held as a component of an endowment fund.

5. Receivables

Receivables at year-end consisted primarily of grants and contributions from foundations, businesses, and individuals. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of individual accounts. No bad debt has been recorded in the current year, and no allowance for uncollectible amounts is considered necessary as of year-end. Management expects all receivables due as of year-end to be received during the subsequent year.

6. Property and Equipment

The Organization's policy is to capitalize expenditures for property and equipment with a useful life greater than one year. Equipment is capitalized at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 40 years.

7. Revenue and Revenue Recognition

Contributions and Grants

Revenue is recognized when earned. Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. As of December 31, 2024, the Organization has one grant awarded prior to the end of the year with a balance of \$100,000 that is considered a conditional promise to give. Revenue related to this grant will be recognized in the subsequent two years when conditions are met and qualifying expenditures are incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

7. Revenue and Revenue Recognition (concluded)

Rental Revenue

The Organization is a party to lease agreements to provide office space to tenants. Revenue related to the lease agreements, including utility assessments, is recognized on a monthly basis. Payment received in advance is deferred until the month of service.

8. Contributions of Property and Equipment

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

9. Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

11. Income Taxes

Think New Mexico is a nonprofit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization has a 501(h) election which permits the Organization to calculate the specific amount that may be spent to influence legislation.

Think New Mexico regularly evaluates activities as it relates to its tax-exempt status. If Think New Mexico's activities are determined to be outside of its tax-exempt status, the potential exists for tax liabilities on those unrelated activities. During the year ended December 31, 2024, Think New Mexico engaged in debt-financed rental activities that are considered unrelated business income, and accordingly, the Organization files Form 990-T *Exempt Organization Business Income Tax Return* to account for this activity. The tax liability, if any, is expected to be immaterial, and no provision for income taxes has been reflected in Think New Mexico's consolidated financial statements.

12. Donated Services and Goods

Non-cash donations of goods used in operations are recorded at their estimated fair value at the date of donation. The Organization recognizes as revenue and expense for any donated services which require specific expertise to perform the services that otherwise would have been paid for if not donated. The value of in-kind services is recorded at fair value. The Organization receives substantial services donated by volunteers that do not meet criteria for recognition in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

13. Functional Reporting of Expenses

For the year ended December 31, 2024, the costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The significant expenses allocated based on time and effort include salaries, payroll taxes and benefits, occupancy costs, and supplies. All other costs are assigned directly to the functional areas benefited.

14. Summarized Prior-Year Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

15. Leases

The Organization accounts for leases in accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASC 842), as amended. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment and finance lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization has made an accounting policy election by asset class to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization may have lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Rental income for the operating lease payments is recognized on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the lessee will exercise the option.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

16. Reclassifications

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

17. Subsequent Events

Management has evaluated subsequent events through July 3, 2025, the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date comprise the following as of December 31, 2024:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 956,052
Investments	3,816,839
Contributions receivable	<u>25,000</u>
Total financial assets	<u>4,797,891</u>
Less amounts not available for general operations:	
Donor-restricted net assets - endowments	(1,162,941)
Donor-restricted net assets - purpose restrictions	(165,486)
Deposits held for others	<u>(6,500)</u>
	<u>(1,334,927)</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 3,462,964</u></u>

Think New Mexico manages its budget in a frugal manner which generally, but not always, results in an annual surplus. These annual surpluses have accumulated over 25 years and are collected in a reserve fund which has been invested on a pro bono basis by an experienced investment professional.

The reserve fund is invested in Vanguard index funds, according to an asset allocation plan developed by the investment professional and the board of Think New Mexico. One hundred percent of the reserve fund investment portfolio at Vanguard is invested in mutual funds and ETFs and is highly liquid. As the result of prudent management and investment compounding, the reserve fund is now more than three times larger than Think New Mexico's annual operating budget. Think New Mexico does not use the reserve fund to subsidize its annual operating expenses.

NOTE 4 - INVESTMENTS

Investments are carried at fair value and consisted of the following as of December 31, 2024:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Exchange-traded funds	\$ 1,935,568	\$ 2,630,912	\$ 695,344
Money market funds	756,810	756,810	-
Mutual funds	426,417	429,117	2,700
Total	<u>\$ 3,118,795</u>	<u>\$ 3,816,839</u>	<u>\$ 698,044</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Interest and dividends	\$ 89,894	\$ 38,689	\$ 128,583
Unrealized gains(losses)	189,544	(5,481)	184,063
Management fees (in-kind)	(2,000)	-	(2,000)
Total	<u>\$ 277,438</u>	<u>\$ 33,208</u>	<u>\$ 310,646</u>

Investments included four internally-managed endowment funds. These funds and related earnings are donor-restricted for these endowments, as more fully described at Note 9.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31, 2024:

<u>Description</u>	<u>Amount</u>
Land	\$ 671,215
Building and building improvements	2,082,722
Office equipment	11,525
	2,765,462
Less: accumulated depreciation	(92,540)
Net property and equipment	<u>\$ 2,672,922</u>

Depreciation expense for the year ended December 31, 2024 was \$51,211.

NOTE 6 - LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent its obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arose from an operating lease, were calculated based on the present value of future lease payments over the lease term. Operating lease cost is recognized on a straight-line basis over the lease term as *Occupancy* expense on the Statement of Functional Expenses. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

Lessee – Office space

During 2024, the Organization was a party to an operating lease for office space, with an original lease dated March 1, 2011, and an amended agreement in 2019 which extended the lease through June 30, 2024. The lease required monthly rental payments of \$3,121. This lease was not renewed when it expired in June 2024. During 2024, the leased office space was sublet to three unrelated parties, and all sublet agreements expired in June 2024. Lease income from these sublet agreements is included in the statement of activities as *Rental income*. (See Note 10.)

Lessor – Think New Mexico Headquarters

During 2024, excess office space in the building owned by the Organization was leased to unrelated parties under operating leases. The terms included in the lease agreements vary, with termination dates ranging from May 2024 through February 2025. Lease income from these agreements is included in the statement of activities as *Rental income*. (See Note 10.)

NOTE 7 - NOTE PAYABLE

Information related to the note payable included the following as of December 31, 2024:

<u>Description</u>	<u>Amount</u>
Mortgage agreement dated May 11, 2023, with seller for \$1,775,000; interest rate fixed at 6.75%; balloon payment due upon maturity at May 11, 2034; monthly payment of principal and interest of \$13,496. A prepayment of \$600,000 was made in 2024 and remaining balance was not re-amortized and monthly payment amount did not change. No other prepayments is permitted until after the 8th anniversary date of the Note, which is May 11, 2031. If all monthly payments are made pursuant to the terms of the Note, and including the \$600,000 prepayment, the estimated outstanding principal balance as of May 11, 2031, will be \$364,064. The Note is collateralized by a first deed of trust on the property.	<u>\$ 1,070,480</u>

Interest expense related to the long-term debt was \$78,809 for the year ended December 31, 2024.

NOTE 7 - NOTE PAYABLE (concluded)

Future principal payments on the note payable include:

<u>For the years ending December 31st:</u>	<u>Amount</u>
2025	\$ 92,528
2026	98,970
2027	105,862
2028	113,232
2029	121,117
2030 and after	538,771
Total	<u>\$ 1,070,480</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2024, included the following:

<u>Description</u>	<u>Amount</u>
Restricted for time or purpose	
Healthcare reform staff	\$ 100,000
Opportunity Fund - special projects	47,986
Internship program	17,500
Endowment earnings(losses) - Healthcare Policy	11,120
Endowment earnings(losses) - Operating	8,142
Endowment earnings(losses) - Udall-Carruthers	7,715
Endowment earnings(losses) - Tax, Budget and Economic Policy	5,342
	<u>197,805</u>
Restricted for perpetuity	
Endowment - Healthcare Policy	350,000
Endowment - Tax, Budget and Economic Policy	340,392
Endowment - Operating	336,864
Endowment - Udall-Carruthers Fund	103,366
	<u>1,130,622</u>
Total	<u>\$ 1,328,427</u>

NOTE 9 - ENDOWMENT

During the year ended December 31, 2024, the Organization's endowment consisted of five internally managed endowment funds, including the Udall-Carruthers Endowment Fund (Udall-Carruthers Fund), established in 2018; the Operating Expense Endowment Fund (Operating Fund), established in 2021; the Healthcare Reform Endowment Fund (Health Care Fund), established in 2024; the Tax, Budget, and Economic Development Reform Fund (Economic Fund) established in 2024; and the Education Fund, established in 2024. The endowment funds are held and managed as a component of the Organization's investment portfolio. The endowment funds were established to provide a future source of cash flows and a resource for long-term financial support.

NOTE 9 - ENDOWMENT (continued)

As required by generally accepted accounting principles (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 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, absent explicit donor stipulations to the contrary. As a result of this interpretation, Think New Mexico classifies net assets with donor restrictions to be held in perpetuity as the original value of donor gifts. Any Board-designated contributions to the funds are classified as net assets without donor restrictions.

Investment earnings, including appreciation or depreciation of the investments, are allocated between net assets without donor restrictions and net assets with donor restrictions. Earnings accumulating on net assets with donor restrictions are released from restrictions when appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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; and (7) the investment policies of the Organization.

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.

In January 2020, the Organization adopted a spending policy for the Udall-Carruthers Fund which includes an annual distribution of 5% of the total market value of the Fund, unless the Board votes to take a lower percentage or to refrain from taking a distribution. The distribution amount is calculated as an average of the preceding 12 quarters. In addition, the distribution is restricted for the use of the internship program, including stipends paid to interns and other expenses of running the program. As of December 31, 2024, the Udall-Carruthers Fund had a balance of \$111,081. To date, all contributions to this fund are donor-restricted, and as a result, all accumulated earnings are classified as net assets with donor restrictions.

NOTE 9 - ENDOWMENT (continued)

In October 2021, the Organization adopted a spending policy for the Operating Fund, which includes a provision that no distributions will be appropriated until the fund reaches a fair market value of \$1 million. After this threshold is met, an annual distribution of up to 5% of the average value of the fund, based on the five prior years, will be allowed, pending approval by 67% of Board membership. If the fund's value declines to \$500,000 or less, no appropriations will be allowed. The policy allows for several extraordinary distributions with a vote of 75% of Board membership, including: 1) to prevent bankruptcy or dissolution; 2) to acquire and/or maintain a building; or 3) to address unexpected and non-recurring emergency needs. The balance of the Operating Fund as of December 31, 2024, was \$345,006

In January 2025, the Organization adopted spending policies for the Education Reform Fund, the Healthcare Reform Fund, and the Tax, Budget, and Economic Development Reform Fund. The policies are identical for all three funds. No distributions will be appropriated from the fund until it reaches a fair market value of \$2 million. After this threshold is met, an annual distribution of up to 5% of the average value of the fund, based on the five prior years, will be allowed, pending approval by 67% of Board membership. If the fund's value declines to \$1 million or less, no appropriations will be allowed. As of December 31, 2024, the balance of the Healthcare Fund was \$361,120, and the Economic Fund was \$345,733. No gifts restricted to the Education Fund have been received as of December 31, 2024.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2024, no endowment funds were classified as underwater.

The composition of endowment assets as of December 31, 2024 included:

<u>Description</u>	<u>Amount</u>
Money market funds held at brokerage	\$ 756,810
Investments held at brokerage	381,131
Contribution receivable	25,000
Total	<u>\$ 1,162,941</u>

Changes in endowment net assets for the year ended December 31, 2024, by net asset classification included:

<u>Description</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Endowment Earnings</u>	<u>To Be Held in Perpetuity</u>	
Beginning of year	\$ -	\$ 2,399	\$ 278,366	\$ 280,765
Contributions	-	-	852,256	852,256
Investment income, net	-	35,222	-	35,222
Appropriation	-	(5,302)	-	(5,302)
End of year	<u>\$ -</u>	<u>\$ 32,319</u>	<u>\$ 1,130,622</u>	<u>\$ 1,162,941</u>

NOTE 10 - RENTAL INCOME

Activity related to rental revenues during the year ended December 31, 2024, included:

<u>Description</u>	<u>Amount</u>
<i>Think New Mexico Headquarters</i>	
Rental income	\$ 73,840
Utility reimbursements	11,744
<i>Leased office space - sublets</i>	
Rental income	24,000
Utility reimbursements	2,155
Total	<u>\$ 111,739</u>

NOTE 11 - IN-KIND CONTRIBUTIONS

The values of donated services and goods included in the consolidated financial statements are as follows:

<u>Description</u>	<u>Revenue Recognized</u>	<u>Utilization in Program/ Activities</u>	<u>Donor Restriction</u>	<u>Valuation Techniques and Inputs</u>
Professional services	\$ 9,103	Programs, management and general, fund-raising, and enterprise	No associated donor restrictions	Estimated fair value based on current rates for similar services
Unreimbursed meeting and travel expense	8,354	Programs, management and general, fund-raising, and enterprise	No associated donor restrictions	Estimate of the fair market value of goods
General office supplies	741	Programs, management and general, fund-raising, and enterprise	No associated donor restrictions	Estimate of the fair market value of goods
Total	<u>\$ 18,198</u>			

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the year ended December 31, 2024, included:

<u>Description</u>	<u>Amount</u>
Building purchase / debt repayment	\$ 125,000
Healthcare policy position	100,000
Fundraising challenge grants	50,000
Internship program	15,000
Financial literacy	9,000
Healthcare worker shortage	6,000
Appropriation from Udall-Carruthers Endowment Fund	5,302
Education policy staff / policy reform	5,000
Total	<u>\$ 315,302</u>

NOTE 13 - ENTERPRISE ALLOCATION

The direct costs of ThinkNMRE, LLC (LLC) are recognized in the consolidated statement of functional expense as an “Enterprise” function, and at year-end, these shared costs are allocated to the Organization’s program services, general and administrative, and fund-raising functions based on a reasonable estimate of the costs attributed to support these functions. During the year ended December 31, 2024, 35% of the LLC’s direct costs are attributed to the operational activities of Think New Mexico. This estimate is based on a physical analysis of building use during the year.

NOTE 14 - FAIR VALUE MEASUREMENTS

The Organization follows the Fair Value Measurements and Disclosures Topic of FASB ASC which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by several factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include mutual funds, listed equities, and listed derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities, and certain over-the-counter derivatives.

NOTE 14 - FAIR VALUE MEASUREMENTS (concluded)

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes the levels in the fair value hierarchy for the Organization's investments as of December 31, 2024:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-traded funds	\$ 2,630,912	\$ 2,630,912	\$ -	\$ -
Mutual funds	429,117	429,117	-	-
Total	<u>\$ 3,060,029</u>	<u>\$ 3,060,029</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 15 - RETIREMENT PLAN EXPENSE

The Organization has a cash or profit-sharing plan retirement plan (the Plan) created in accordance with Sections 401(a), 402(g), 401(m), and 501(a) of the Internal Revenue Code. The Plan is a prototype non-standardized plan, and employees who have attained the age of 21, completed 3 months of service, and filed a salary deferral agreement, may elect to participate. Eligibility requirements for the employer matching contribution are minimum age 21 and 12 months of service.

Employer contributions to the Plan are discretionary. Think New Mexico matches employee contributions at 100%, limited to 10% of a participant's salary and/or statutory limitations. Employer match and contribution is 100% vested after 6 years of service: 0% first year, then 20% each year thereafter. The expense recognized by Think New Mexico under the plan totaled \$44,178 for the year ended December 31, 2024.

NOTE 16 - CONCENTRATIONS OF RISK

Investments

The Organization holds investments in a brokerage account that are subject to market value fluctuation.

NOTE 17 - RELATED PARTY TRANSACTIONS

In 2023, a member of the Board of Directors expressed an intent to contribute \$1 million to the Organization over an 8-year period to support the purchase and debt repayment of the office building. Because it is anticipated that the gift, or a portion of the gift, will be paid by a charitable foundation for which this individual serves as an advisor, management has not recognized this promise to give in these consolidated financial statements. During the year ended December 31, 2024, gifts totaling \$125,000 are attributed to this board member, resulting in a balance of \$750,000 remaining on this conditional pledge to give.

NOTE 17 - RELATED PARTY TRANSACTIONS (concluded)

In addition, during the year ended December 31, 2024, the Organization recognized approximately \$325,000 in contributions from board members or donor advised funds for which a board member serves as an advisor.