

**THINK NEW MEXICO
(A Non Profit Corporation)**

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

With Independent Auditor's Report Thereon

THINK NEW MEXICO
FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2019 and 2018, and the related statements of activities, functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Swain & Greco, LLC

Santa Fe, New Mexico

May 22, 2020

THINK NEW MEXICO
STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents, <i>notes 1 and 3</i>	\$ 334,570	\$ 335,100
Contributions and grants receivable, <i>note 4</i>	54,139	20,335
Investments, <i>note 5</i>	1,140,924	884,501
Investments - restricted, <i>note 12</i>	106,657	74,029
Endowment: beneficial interest in assets held by others, <i>note 7</i>	117,565	104,462
Total Current Assets	1,753,855	1,418,427
Property and Equipment, <i>notes 1 and 6</i>		
Property and equipment, net	-	274
Other Assets		
Investment held for sale, <i>note 10</i>	1,522,734	1,522,734
Total Assets	\$ 3,276,589	\$ 2,941,435
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 9,967	\$ 631
Deferred rental revenue, <i>note 9</i>	612	-
Total Liabilities	10,579	631
Net Assets		
Without donor restrictions, <i>note 12</i>	3,065,495	2,821,020
With donor restrictions, <i>note 12</i>	200,515	119,784
Total Net Assets	3,266,010	2,940,804
Total Liabilities and Net Assets	\$ 3,276,589	\$ 2,941,435

The Accompanying Notes Are an Integral
Part of These Financial Statements

THINK NEW MEXICO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Grants and contributions	\$ 614,232	\$ 76,100	\$ 690,332
Contributed in-kind services	6,300	-	6,300
Contributed in-kind materials	6,553	-	6,553
Rental income	6,732	-	6,732
Interest income	9,565	-	9,565
Investment dividend income	33,566	-	33,566
Endowment dividend income	537	-	537
Miscellaneous income	345	-	345
Unrealized gain on investments	168,251	6,313	174,564
Unrealized appreciation on endowment funds	-	17,068	17,068
Total Revenues and Other Support	846,081	99,481	945,562
 Net assets released from restriction	 18,750	 (18,750)	 -
Expenses			
Program Services			
Program services	530,582	-	530,582
Supporting services:			
Management and general	43,966	-	43,966
Fundraising	45,808	-	45,808
Total Expenses	620,356	-	620,356
 Change in Net Assets	 244,475	 80,731	 325,206
 Net Assets, beginning of year	 2,821,020	 119,784	 2,940,804
 Net Assets, end of year	 \$ 3,065,495	 \$ 200,515	 \$ 3,266,010

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THINK NEW MEXICO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Grants and contributions	\$ 530,990	\$ 24,700	\$ 555,690
Contributed in-kind services	4,300	-	4,300
Contributed in-kind materials	6,045	-	6,045
Rental income	7,344	-	7,344
Interest income	2,603	-	2,603
Investment dividend income	26,906	-	26,906
Endowment dividend income	716	-	716
Miscellaneous income	5,852	-	5,852
Unrealized loss on investments	(110,684)	-	(110,684)
Unrealized depreciation on endowment funds	(5,832)	-	(5,832)
Total Revenues and Other Support	468,240	24,700	492,940
 Net assets released from restriction	 27,261	 (27,261)	 -
Expenses			
Program Services			
Program services	456,869	-	456,869
Supporting services:			
Management and general	41,473	-	41,473
Fundraising	45,588	-	45,588
Total Expenses	543,930	-	543,930
 Change in Net Assets	 (48,429)	 (2,561)	 (50,990)
 Net Assets, beginning of year	 2,869,449	 122,345	 2,991,794
 Net Assets, end of year	 \$ 2,821,020	 \$ 119,784	 \$ 2,940,804

The Accompanying Notes Are an Integral
Part of These Financial Statements

THINK NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Accounting	\$ 3,557	\$ 4,446	\$ 889	\$ 8,892
Benefits: insurance	46,782	3,808	3,808	54,398
Benefits: 401k matching and fees	27,617	3,288	1,973	32,877
Capital expenditures	5,032	414	474	5,920
Computer consulting and website	661	54	54	769
Contract services	190	-	10	200
Depreciation	237	17	22	275
Donated real estate expenses	8,110	1,352	4,055	13,517
Educational outreach	12,000	-	3,000	15,000
Graphic design	1,582	-	83	1,665
In-kind support	12,853	-	-	12,853
Insurance	2,031	358	-	2,389
Internship pay	12,814	712	712	14,238
Online vendor processing fee	1,817	-	779	2,596
Payroll taxes	21,743	1,770	1,770	25,283
Postage	12,088	811	158	13,057
Printing	43,063	458	2,291	45,812
Rent and utilities	32,859	2,675	2,675	38,208
Salaries and wages	276,270	22,487	22,487	321,244
Stewardship	171	49	24	244
Supplies	2,094	598	299	2,992
Telephone and internet	1,640	114	153	1,907
Training, research and dues	4,372	486	-	4,858
Travel	-	-	-	-
Total expenses by function	529,583	43,896	45,715	619,194
Plus expenses included with revenues on the statement of activities				
Investment fees	999	70	93	1,162
Total expenses included in the expense section on the statement of activities	\$ 530,582	\$ 43,966	\$ 45,808	\$ 620,356

The Accompanying Notes are an Integral
Part of These Financial Statements

THINK NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Accounting	\$ 3,553	\$ 4,441	\$ 888	\$ 8,882
Benefits: insurance	48,396	3,986	4,556	56,938
Benefits: 401k matching and fees	18,135	2,357	1,618	22,110
Cash to accrual reconciliation	(6,741)	-	-	(6,741)
Capital expenditures	995	82	94	1,171
Computer consulting and website	834	69	78	981
Contract services	20	20	-	40
Depreciation	473	37	42	552
Donated real estate expenses	8,073	1,346	4,037	13,456
Educational outreach	6,000	-	1,500	7,500
Graphic design	446	37	42	525
In-kind support	10,345	-	-	10,345
Insurance	2,369	418	-	2,787
Internship pay	15,167	830	830	16,827
Online vendor processing fee	1,465	-	628	2,093
Payroll taxes	20,847	1,717	1,962	24,526
Postage	5,614	122	430	6,166
Printing	16,990	144	1,017	18,151
Rent and utilities	33,513	2,757	2,757	39,027
Salaries and wages	259,025	21,331	24,379	304,735
Stewardship	594	74	74	742
Supplies	2,255	644	322	3,221
Telephone and internet	2,479	204	233	2,916
Training, research and dues	4,283	756	-	5,039
Travel	495	-	-	495
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses by function	455,625	41,372	45,487	542,484
Plus expenses included with revenues on the statement of activities				
Investment fees	1,244	101	101	1,446
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses included in the expense section on the statement of activities	<u>\$ 456,869</u>	<u>\$ 41,473</u>	<u>\$ 45,588</u>	<u>\$ 543,930</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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 325,206	\$ (50,990)
<i>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</i>		
Depreciation	275	552
Investment dividends	(32,805)	(22,264)
Net (gains) loss on investments	(154,640)	110,684
Net (gains) loss on endowment: beneficial interest	(13,103)	5,832
Decrease (increase) in contributions and grants receivable	(33,804)	37,891
Decrease (increase) in accounts payable	9,336	(6,115)
Increase in deferred revenue	612	-
Net cash provided by operating activities	101,077	75,590
Cash flows from investing activities:		
Acquisition of investments	(124,020)	(100,313)
Proceeds from sale of investments	22,413	-
Net cash (used) by investing activities	(101,607)	(100,313)
Net (decrease) in cash equivalents	(530)	(24,723)
Cash, beginning of year	335,100	359,823
Cash, end of year	\$ 334,570	\$ 335,100
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Taxes paid - property tax on donated land	\$ 13,517	\$ 13,455

The Accompanying Notes Are an Integral
Part of These Financial Statements

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2019 and 2018

(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 workable 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.

Recent Accounting Guidance

During the year ended December 31, 2017 the Organization implemented ASU 2016-14, Financial Statements of Not-for-Profit Entities. The ASU requires additional disclosures in the areas of liquidity and endowment funds, and requires classification of investment expenses which are netted in investment return to include internal investment expenses. In addition, it requires any underwater portion of the Organization's endowment funds to be adjusted from net assets without donor restrictions to net assets with donor restrictions.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all accounts receivable and accounts payable as of December 31, 2019, and 2018.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2019 and 2018

(1) Summary of Significant Accounting Principles, continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve held in the investment accounts.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2019 and 2018, the Organization had no taxable income related to these activities.

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, 2019, no income tax positions have been identified as uncertain, and accordingly, no provision for uncertain tax positions has been made. As of December 31, 2019, tax returns for fiscal years 2016 through 2018, will remain subject to examination by federal and state tax jurisdictions for three years after they were filed.

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 or SIPC insurance limit of \$500,000.

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2019 and 2018

(1) Summary of Significant Accounting Principles, continued

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.

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.

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 net assets without donor restrictions 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 net assets with donor restrictions. When a donor restriction expires, generally when a stipulated time restriction ends or its purpose has been accomplished, net assets with donor restrictions are then reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. 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 the 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, 2019 and 2018.

In-Kind Contributions and Services

Contributions of donated non-cash 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*).

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2019 and 2018

(1) Summary of Significant Accounting Principles, continued

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.

Benefits: Pension Plan and Fees

Certain employees have elected to participate in a cash or 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 \$32,877 and \$22,110 for the years ended December 31, 2019 and 2018, respectively.

(2) 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:

	2019	2018
Cash and cash equivalents	\$ 334,570	\$ 335,100
Contributions and grants receivable	54,139	20,335
Investments	1,140,924	884,501
	\$ 1,529,633	\$ 1,239,936

As part of the Organization's liquidity management plan, cash in excess of annual requirements is invested in equity and debt investments as well as money market funds.

(3) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2019 and 2018:

	2019	2018
Checking deposits	\$ 47,684	\$ 59,331
Money market funds	214,041	204,570
Certificate of deposit	72,845	71,199
Total cash	\$ 334,570	\$ 335,100

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2019 and 2018

(4) Contributions and Grant Receivables

Contributions receivable consist of unconditional promises to give, pledged as of year end. All contributions are considered fully collectible. Contributions receivable as of December 31, 2019 and 2018 are summarized as follows:

Amounts due in:	2019	2018
Less than one year	\$ 54,139	\$ 20,335
One to five years	-	-
Total receivables	\$ 54,139	\$ 20,335

For the years ended December 31, 2019 and 2018 there is no recorded bad debt expense.

(5) Investments

Investments are recorded at fair value, and made up of the following asset classes at December 31, 2019 and 2018:

	2019	
	Cost	Market
Equity based mutual funds	\$ 608,736	\$ 862,052
Debt based mutual funds	180,230	278,872
Money market funds	212,966	212,966
Total	\$ 1,001,932	\$ 1,353,890

	2018	
	Cost	Market
Equity based mutual funds	\$ 608,736	\$ 709,199
Debt based mutual funds	180,230	249,331
Money market funds	203,495	203,495
Total	\$ 992,461	\$ 1,162,025

Investment income from cash, cash equivalents and investments for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Interest income	\$ 9,565	\$ 2,603
Dividend income	33,566	26,906
Net realized and unrealized gains (losses)	168,251	(110,684)
Total investment gains (losses)	\$ 211,382	\$ (81,175)

THINK NEW MEXICO
Notes to the Financial Statements
December 31, 2019 and 2018

(5) 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, mutual funds and money market 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 has land for sale which is classified as a level 2 asset.
- 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 2019 and 2018, Think New Mexico owned no assets measured on a non-recurring basis.

(6) Property and Equipment

Property and Equipment consists of the following as of December 31, 2019 and 2018:

	2019	2018
Furniture, fixtures and equipment	\$ 31,288	\$ 31,288
Less, accumulated depreciation	(31,288)	(31,014)
Net book value	\$ -	\$ 274

Depreciation expense was \$275 and \$552 for the years ended December 31, 2019 and 2018.

THINK NEW MEXICO

Notes to the Financial Statements

December 31, 2019 and 2018

(7) **Beneficial Interest in Assets Held by Others**

Think New Mexico has established endowment funds with three 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	Albuquerque Community Foundation	Taos Community Foundation	Total
Reciprocal Transfers	\$ 28,707	\$ 20,000	\$ 10,000	\$ 58,707
Third Party Transfers	49,150	25	248	49,423
Distributions	(48,894)	(12,861)	(5,643)	(67,398)
Net Appreciation	55,126	14,745	6,962	76,833
	\$ 84,089	\$ 21,909	\$ 11,567	\$ 117,565

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, 2019 and 2018

Terms of Endowment Agreements, (continued)

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 designating 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 Organization. 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.

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.

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(8) Endowment Funds

Think New Mexico's endowment consists of three 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 net assets with donor 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 of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Think New Mexico classifies net assets with donor restrictions at the original value of donor restricted gifts to the endowment fund. The remaining Board designated contributions to the endowment are classified as net assets without donor restrictions. Investment earnings of the endowment funds and appreciation or depreciation in the investments underlying the endowment funds are allocated between the net assets without donor restrictions net assets with donor restrictions 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 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, (7) the investment policies of the organization.

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(8) Endowment Funds, (continued)

Think New Mexico has delegated the management of three endowment funds to various community foundations and those community foundations are responsible for investment and distribution of those endowment funds (*see Note 7*). In regards to the one internally managed Board designated 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 a 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 intact except that it could be expended to acquire a capital asset or meet unexpected financial needs.

(9) Lease Commitments

In 2019 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, 2024. Rent expense in 2019 was \$36,720. Think New Mexico's future minimum rent expense for the leased office space by year is shown below:

Year ended:	
2020	\$ 36,720
2021	37,086
2022	37,452
2023	37,452
Thereafter	<u>18,726</u>
	<u>\$ 167,436</u>

Think New Mexico subleased a portion of their space and received \$7,344 in rental income for 2019. The tenant paid one month advance rent in December 2019. The sublease agreement extends into 2018 with month-to-month options thereafter.

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(10) Investment Held for Sale

The investment held for sale is 5.647 acres of land donated on December 29, 2011. The land has been held for sale since the date of donation. The donated value of the land is \$1,522,734 and the listing value as of December 31, 2019 was \$1,395,000.

(11) 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 \$12,853 and \$10,345 for the years ended December 31, 2019 and 2018, respectively.

(12) Net Assets with Donor Restrictions

As of December 31, 2019, and 2018, net assets with donor restrictions consisted of the following:

	2019	2018
Carruthers-Udall fund	\$ 106,657	\$ 74,029
Endowment: beneficial interest	58,858	45,755
Grants and contributions	35,000	-
Total	\$ 200,515	\$ 119,784

The restricted portion of the beneficial interest is the total value less reciprocal transfers.

(13) Related Party Transactions

The Organization reviews for related party transactions or conflicts on an annual basis. Management notes no such transactions for disclosure as of December 31, 2019.

(14) 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 May 22, 2020, the date on which the financial statements were available to be issued. No significant or material events were noted.