

THINK NEW MEXICO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THINK NEW MEXICO
A Results-Oriented Think Tank Serving New Mexicans



THINK NEW MEXICO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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July 1, 2021

Independent Auditors' Report

Board of Directors
Think New Mexico
Santa Fe, NM

We have audited the accompanying financial statements of **Think New Mexico** (a New Mexico nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 of 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, 2020, 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.

Other Matter

As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 5 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of Think New Mexico other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

Taylor Roth and Company P/A

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

THINK NEW MEXICO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>Amount</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 417,826
Contributions and grants receivable	54,733
Investments (Note 4)	1,417,861
Investments - restricted (Notes 4 and 9)	115,432
Land held for sale (Note 5)	940,000
Beneficial interest in assets held by others (Note 6)	124,819
	\$ 3,070,671
<u>Liabilities and net assets</u>	
<u>Liabilities</u>	
Accounts payable	\$ 12,281
Note payable - SBA Paycheck Protection Program (Note 7)	81,000
	93,281
<u>Net assets</u>	
<u>Without donor restrictions</u>	
Undesignated	2,667,406
Board-designated endowment (Note 9)	67,871
	2,735,277
<u>With donor restrictions (Notes 8 and 9)</u>	242,113
	2,977,390
<u>Total liabilities and net assets</u>	\$ 3,070,671

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Revenue and other support</u>			
Contributions	\$ 412,090	\$ 10,710	\$ 422,800
Grants	238,258	66,573	304,831
Investment income (Note 4)	151,556	13,433	164,989
Change in beneficial interest (Note 6)	3,697	3,557	7,254
All other	7,476	-	7,476
In-kind contributions (Note 10)	9,243	-	9,243
Release of restrictions (Note 11)	47,208	(47,208)	-
Total revenue and other support	<u>869,528</u>	<u>47,065</u>	<u>916,593</u>
<u>Expense</u>			
Program services	518,366	-	518,366
Supporting services			
General and administrative	42,933	-	42,933
Fund-raising	61,180	-	61,180
Total expense	<u>622,479</u>	<u>-</u>	<u>622,479</u>
Change in net assets	247,049	47,065	294,114
Net assets, beginning of year, as previously stated	3,065,495	200,515	3,266,010
Prior period adjustment (Note 5)	(582,734)	-	(582,734)
Reclassification (Note 6)	5,467	(5,467)	-
Net assets, beginning of year, restated	<u>2,488,228</u>	<u>195,048</u>	<u>2,683,276</u>
Net assets, end of year	<u>\$ 2,735,277</u>	<u>\$ 242,113</u>	<u>\$ 2,977,390</u>

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Description</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and wages	\$ 297,788	\$ 20,778	\$ 30,105	\$ 348,671
Payroll taxes and benefits	95,561	6,745	10,118	112,424
Printing	37,754	59	2,552	40,365
Occupancy	33,551	2,369	3,552	39,472
Postage	11,516	180	2,327	14,023
Taos land expenses	10,844	766	1,148	12,758
Accounting and audit services	-	11,051	-	11,051
Educational outreach	6,120	-	1,530	7,650
Graphic design and art	6,508	-	342	6,850
Marketing	2,574	-	2,106	4,680
Data services	872	-	3,489	4,361
Office expenses	2,954	208	313	3,475
Telephone and internet	2,612	184	277	3,073
Online vendor fees	-	-	2,629	2,629
Internship program	2,259	119	-	2,378
Insurance	1,913	134	203	2,250
Subscriptions	1,879	132	199	2,210
Travel	1,231	87	130	1,448
All other	2,430	121	160	2,711
Total expenses	<u>\$ 518,366</u>	<u>\$ 42,933</u>	<u>\$ 61,180</u>	<u>\$ 622,479</u>

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 294,114
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Donated stock	(54,910)
(Gain)loss on investments	(139,052)
(Gain)loss on beneficial interest in assets held by others	(7,254)
<u>Changes in operating assets and liabilities</u>	
(Increase)decrease in contributions and grants receivable	(594)
Increase(decrease) in accounts payable	1,702
Net cash provided by operating activities	94,006
<u>Cash flows from investing activities</u>	
Acquisitions of investments	(460,203)
Proceeds from sales of investments	467,236
(Reinvestment) of investment income	(25,937)
Net cash provided(used) by investing activities	(18,904)
<u>Cash flows from financing activities</u>	
Proceeds from PPP loan	81,000
Net increase(decrease) in cash and cash equivalents	156,102
Cash and cash equivalents, beginning of year	261,724
Cash and cash equivalents, end of year	\$ 417,826

The accompanying notes are an integral part of these financial statements

THINK NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 all New Mexicans up. 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 New Mexico's quality of life.

Grants and contributions are the primary sources of revenue for the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The 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 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 trustees.

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.

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

3. 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.

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.

5. Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, or 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.

6. Receivables

Receivables at year-end consist 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.

7. 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 7 years. As of December 31, 2020, all capitalized assets are fully depreciated.

8. Estimates

The preparation of 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.

9. Fair Value Measurements

The Organization and the Foundation follow 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).

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

10. Income Taxes

The Organization has received Internal Revenue Service exemptions from federal income taxes under Section 501(c)(3) and no provision or liability for income taxes has been provided in the accompanying financial statements. Additionally, the Organization has a 501(h) election which permits the Organization to calculate the specific amount that can be spent to influence legislation.

11. 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.

12. Functional Reporting of Expenses

For the year ended December 31, 2020, the costs of providing the various 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. 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.

13. New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

14. Subsequent Events

Management has evaluated subsequent events through July 1, 2021, 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, 2020:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 417,826
Contributions and grants receivable	54,733
Investments - without donor restrictions	<u>1,417,861</u>
Total	<u>\$ 1,890,420</u>

Think New Mexico manages its budget in a frugal manner which generally, but not always, results in a modest annual surplus. These annual surpluses have accumulated over 22 years and are collected in a reserve fund which has been invested on a pro bono basis by an experienced investment professional.

NOTE 3 - LIQUIDITY AND AVAILABILITY (concluded)

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 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. However, Think New Mexico is investigating possibly using a portion of the reserve fund to purchase a building in downtown Santa Fe to accommodate its growing staff. In July 2021, Think New Mexico hired its first Education Reform Director, and there may be other opportunities in the future to magnify impact by hiring additional staff. Think New Mexico is also investigating the possibility of placing a portion of the reserve fund into a permanent endowment, which would yield up to 5% to offset overhead expenses.

NOTE 4 - INVESTMENTS

Investments are carried at fair value and consisted of the following as of December 31, 2020:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds - equity based	\$ 482,353	\$ 838,025	\$ 355,672
ETFs - equity based	172,868	221,118	48,250
Mutual funds - debt based	171,907	189,759	17,852
Mutual funds - balanced	101,498	115,432	13,934
ETFs - debt based	90,104	93,507	3,403
Certificate of deposit	73,967	73,967	-
Other	231	1,485	1,254
Total	<u>\$ 1,092,928</u>	<u>\$ 1,533,293</u>	<u>\$ 440,365</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 27,937
Unrealized and realized gains(losses)	139,052
Management fees (in-kind)	<u>(2,000)</u>
Total	<u>\$ 164,989</u>

Investments include an internally managed endowment fund, The Udall-Carruthers Endowment Fund, which had a fair value of \$115,432 as of December 31, 2020. These funds and related earnings are donor-restricted for the endowment, as more fully described at Note 9.

NOTE 5 - LAND HELD FOR SALE

In December 2011, the Organization received a donation of 5.647 acres of land located in Taos, New Mexico. At the time of donation, the land was valued at \$1,522,734. The land has been held for sale since the date of donation. The listing price is currently \$1,000,000, which management believes is the best estimate of the market value of the land.

A prior period adjustment of \$(582,734) was recorded to restate the value of the land held for sale and net assets as of December 31, 2019: \$(522,734) to reduce the value of the land to the estimated fair market value and \$(60,000) for the estimated cost of sales at 6% of the sales price. As a result, the Organization's net assets without donor restrictions decreased by \$582,734.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Think New Mexico established endowment funds at three community foundations (the recipient organizations). In general, the funds held at the community foundations are comprised of transfers from the Organization, known as reciprocal transfers, and gifts paid directly to the community foundations by third party donors who specified Think New Mexico as the beneficiary.

In accordance with FASB ASC 958, reciprocal transfers 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 interested party. The funds held at the community foundations are considered endowment funds and are recorded as a beneficial interest in assets held by others.

Terms of Endowment Agreements

Santa Fe Community Foundation: To the best of the knowledge and belief of management of Think New Mexico, 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.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)

Albuquerque Community Foundation: To the best of the knowledge and belief of management of Think New Mexico, 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-quarter 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.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (concluded)

The following is a summary of the source of funds and changes in value since inception:

<u>Description</u>	<u>Santa Fe Community Foundation</u>	<u>Albuquerque Community Foundation</u>	<u>Taos Community Foundation</u>	<u>Total</u>
Reciprocal transfers	\$ 28,707	\$ 20,000	\$ 10,000	\$ 58,707
Third party (donor) gifts	49,150	25	248	49,423
Net appreciation	64,727	16,752	8,316	89,795
Distributions	<u>(52,894)</u>	<u>(14,069)</u>	<u>(6,143)</u>	<u>(73,106)</u>
Total	<u>\$ 89,690</u>	<u>\$ 22,708</u>	<u>\$ 12,421</u>	<u>\$ 124,819</u>

The change in the beneficial interest in assets held by others for the year ended December 31, 2020 by net asset classification includes:

<u>Description</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year, as originally stated	\$ 58,707	\$ 58,858	\$ 117,565
Reclassification	<u>5,467</u>	<u>(5,467)</u>	<u>-</u>
Beginning of year, restated	<u>64,174</u>	<u>53,391</u>	<u>117,565</u>
Contributions	-	-	-
Share of appreciation, net	7,489	6,618	14,107
Distributions	<u>(3,792)</u>	<u>(3,061)</u>	<u>(6,853)</u>
Change in beneficial interest	<u>3,697</u>	<u>3,557</u>	<u>7,254</u>
End of year	<u>\$ 67,871</u>	<u>\$ 56,948</u>	<u>\$ 124,819</u>

A reclassification of beginning net assets was recorded to allocate a proportional share of the endowment appreciation from net assets with donor restrictions to net assets without donor restrictions. This reclassification was recorded to comply with Accounting Standards Update 2016-14, Not-for-Profit Entities (Tope 958)—*Presentation of Financial Statements of Not-for-Profit Entities*.

NOTE 7 - NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM

On April 21, 2020, the Organization received loan proceeds in the amount of \$81,000 from the U.S. Small Business Administration's (SBA) Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount is reduced if the borrower terminates employees or reduces salaries during the covered period.

NOTE 7 - NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM (concluded)

Management of the Organization submitted the PPP forgiveness application in March 2021, and on April 2, 2021, the SBA granted 100% forgiveness of the note. This revenue will be recognized by the Organization as grant revenue during 2021.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 included the following:

<u>Description</u>	<u>Amount</u>
Restricted for time or purpose	
Fiscal year 2021 operations - time restriction	\$ 54,733
Education policy staff	15,000
Endowment earnings - Udall-Carruthers Fund	12,416
Endowment earnings - community foundation endowments	7,525
	<u>89,674</u>
Restricted for perpetuity	
Endowment - Udall-Carruthers Fund	103,016
Endowment - Beneficial interest in assets held by others	49,423
	<u>152,439</u>
Total	<u><u>\$ 242,113</u></u>

NOTE 9 - ENDOWMENT

The Organization’s endowment consists of the funds held at three community foundations, as described in Note 6, and the Udall-Carruthers Endowment Fund (Udall-Carruthers Fund), established in 2018, and held and managed as a component of the Organization’s investment portfolio. The endowment funds were established to provide a future source of cash flow and a resource for capital acquisitions and financial need. 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.

Third-party (donor) contributions made directly to the community foundations are classified as net assets with donor restrictions. Reciprocal transfers to the community foundations from the Organization are classified as without donor restrictions. Appreciation and distribution of amounts held at the community foundations are allocated to “with” and “without” donor restrictions for each community foundation fund based on the proportional share of investments. Earnings are appropriated by the foundations to the Organization according to the terms of the agreements. Think New Mexico has delegated the management of these funds to the community foundations, and those community foundations are responsible for the investment and distribution policies related to those endowment funds (see Note 6).

NOTE 9 - ENDOWMENT (continued)

Related to the internally-managed Udall-Carruthers Fund, 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 to the Udall-Carruthers Fund. Any Board-designated contributions to the Udall-Carruthers Fund 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, 2020, the Udall-Carruthers Fund has a balance of \$115,432. 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 (concluded)

Change in endowment net assets for the year ended December 31, 2020 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	\$ 58,707	\$ 13,326	\$ 152,189	\$ 224,222
Reclassification	5,467	(5,467)	-	-
Beginning of year, restated	64,174	7,859	152,189	224,222
Contributions	-	-	250	250
Change in beneficial interest, net	3,697	3,557	-	7,254
Investment income, net	-	13,433	-	13,433
Appropriation of funds	-	(4,908)	-	(4,908)
End of year	<u>\$ 67,871</u>	<u>\$ 19,941</u>	<u>\$ 152,439</u>	<u>\$ 240,251</u>

NOTE 10 - IN-KIND CONTRIBUTIONS

In-kind contributions during the year ended December 31, 2020 included:

<u>Description</u>	<u>Amount</u>
Professional services - graphic design	\$ 4,100
Professional services - investment management	2,000
Professional services - other	695
Non-cash donations of goods	2,448
Total	<u>\$ 9,243</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the year ended December 31, 2020 included:

<u>Description</u>	<u>Amount</u>
Fiscal year 2020 operations (time restrictions)	\$ 25,000
Internship program	15,300
Appropriation from Udall-Carruthers Endowment Fund	4,908
Small schools initiative	2,000
Total	<u>\$ 47,208</u>

NOTE 12 - 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, listed derivatives, cash, and cash equivalents.

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.

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, 2020:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,143,216	\$ 1,143,216	\$ -	\$ -
Land held for sale	940,000	-	940,000	-
Exchange-traded funds	314,625	314,625	-	-
Beneficial interest	124,819	-	-	124,819
Certificates of deposit	73,967	-	73,967	-
Other equity	1,485	1,485	-	-
Total	<u>\$ 2,598,112</u>	<u>\$ 1,459,326</u>	<u>\$ 1,013,967</u>	<u>\$ 124,819</u>

A summary of the changes in the level 3 asset, beneficial interest in assets held by others, is included at Note 6.

NOTE 13 - COMMITMENTS

The Organization is a party to an operating lease for office space dated March 1, 2011. In 2019, the lease was extended through June 30, 2024. Rent expense during the year ended December 31, 2020 was \$37,360. Future minimum rent expense payments by year include:

<u>Year</u>	<u>Amount</u>
2021	\$ 37,086
2022	37,452
2023	37,452
2024	37,452
Total	<u>\$ 149,442</u>

The Organization subleases a portion of the office space and received \$7,344 in rental income during 2020. The sublease agreement is currently on a month-to-month basis.

NOTE 14 - RETIREMENT PLAN EXPENSE

The Organization has a cash or profit-sharing plan retirement plan (the 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, and employees working more than thirty (30) hours per week and more than forty (40) weeks per year, and who have attained the age of 21, completed 3 months of service, and filed a salary deferral agreement, may elect to participate.

Employer contributions to the Plan are discretionary. Currently, Think New Mexico matches employee contributions at a rate of 50% for years 1-3 of employment, 75% for 4-6 years of employment and 100% after that, 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 \$32,676 for the year ended December 31, 2020.

NOTE 15 - CONCENTRATIONS OF RISK

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

NOTE 16 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused disruption through government-mandated closures of non-essential businesses. While the disruption related to the pandemic is expected to be temporary, there is considerable uncertainty around the duration of the closings, and the related financial impact, if any, cannot be reasonably estimated at this time.