

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



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**TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Taos Community Foundation, Inc. and Subsidiary (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Taos Community Foundation, Inc. and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taos Community Foundation, Inc. and Subsidiary as of June 30, 2021, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 18, 2024

**TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,195,183
Pledges Receivable	84,500
Prepaid Expenses	9,217
Investments	<u>7,321,518</u>
Total Current Assets	<u>9,610,418</u>

PROPERTY AND EQUIPMENT, NET

449,778

OTHER ASSETS

Endowed Investments	<u>13,364,507</u>
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Total Assets

\$ 23,424,703

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 10,808
Grants and Scholarships Payable	346,354
Accrued Expenses	14,266
Funds Held as Agency Endowments	<u>4,563,438</u>
Total Current Liabilities	<u>4,934,866</u>

Total Liabilities

4,934,866

NET ASSETS

Without Donor Restrictions:	
Undesignated	1,901,515
With Donor Restrictions:	
Purpose	4,679,502
In Perpetuity	<u>11,908,820</u>
Total With Donor Restrictions	<u>16,588,322</u>

Total Net Assets

18,489,837

Total Liabilities and Net Assets

\$ 23,424,703

See accompanying Notes to Consolidated Financial Statements.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, SUPPORT, AND GAINS			
Grants and Contributions	\$ 276,940	\$ 8,850,713	\$ 9,127,653
Fee Revenue	71,744	-	71,744
Dividends and Interest	131,773	180,925	312,698
Realized and Unrealized Gains on Investments, Net of Fees of \$21,749	772,365	1,106,547	1,878,912
Other	517	2,000	2,517
Total Revenue, Support, and Gains	<u>1,253,339</u>	<u>10,140,185</u>	<u>11,393,524</u>
NET ASSETS RELEASED FROM RESTRICTIONS	2,094,871	(2,094,871)	-
EXPENSES			
Program Services Expense:			
Grants	1,726,993	-	1,726,993
Program Services	689,786	-	689,786
Total Program Services Expense	<u>2,416,779</u>	<u>-</u>	<u>2,416,779</u>
Supporting Services Expense:			
General and Administrative	249,933	-	249,933
Fundraising	34,425	-	34,425
Total Supporting Services Expense	<u>284,358</u>	<u>-</u>	<u>284,358</u>
Total Expenses	<u>2,701,137</u>	<u>-</u>	<u>2,701,137</u>
CHANGES IN NET ASSETS	647,073	8,045,314	8,692,387
Net Assets - Beginning of Year	<u>1,254,442</u>	<u>8,543,008</u>	<u>9,797,450</u>
NET ASSETS - END OF YEAR	<u>\$ 1,901,515</u>	<u>\$ 16,588,322</u>	<u>\$ 18,489,837</u>

See accompanying Notes to Consolidated Financial Statements.

**TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 8,692,387
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized and Unrealized (Gain) on Investments	(2,585,303)
Reinvested Interest and Dividends	(433,174)
Depreciation	37,152
Donated Investments	(1,804,750)
Changes in Operating Assets and Liabilities:	
Pledges Receivable	37,850
Prepaid Expenses	268
Accounts Payable	10,780
Grants Payable	38,751
Accrued Expenses	473
Funds Held as Agency Endowments	1,012,689
Net Cash Provided by Operating Activities	5,007,123

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(5,288,350)
Proceeds from Sales of Investments	1,016,989
Proceeds from Limited Partnership Interests	306,837
Net Cash Used by Investing Activities	(3,964,524)

NET CHANGE IN CASH AND CASH EQUIVALENTS

1,042,599

Cash and Cash Equivalents - Beginning of Year

1,152,584

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,195,183

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Contributed Investments at Fair Value	\$ 1,804,750
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See accompanying Notes to Consolidated Financial Statements.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Taos Community Foundation, Inc. and Subsidiary (the Foundation) was formed in 1994. The mission of the Foundation is to enhance the quality of life in the communities it serves by encouraging permanent charitable giving to meet the needs of present and future generations. This is achieved by initiating projects and coordinating resources that promote a healthy and safe community. The Foundation serves Taos and western Colfax counties, offering people a variety of ways to touch the community through giving. Grants are made to 501(c)(3) organizations in these counties, which serve the areas of health and human services, education and activities for youth, visual, literary and performing arts, economic and community development, natural environment and historic preservation. The Foundation pools the contributions of many individuals and businesses which, in turn, enable more strategic funding to nonprofits working to make a difference and effect change. Contributions are received from individuals, businesses, and foundations.

The Foundation formed a wholly owned subsidiary, named Taos Foundation for Property Gifts, Inc. (TFPG). The purpose of TFPG is to accept and liquidate real estate gifts, for the benefit of the Foundation.

Basis of Accounting and Financial Statement Presentation

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, TFPG. All significant inter-entity accounts and transactions have been eliminated in the consolidation.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets without donor restrictions are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by explicit donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net assets may be designated for specific purposes by action of the board of directors.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all liquid investments having initial maturities of three months or less to be cash equivalents. Money market funds held as a portion of the Foundation's investment portfolio are considered to be cash equivalents. Cash equivalents are stated at cost which approximates market value.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. These expenses include grants, salaries and benefits, professional fees, other general expenses, and depreciation. Costs are recorded directly to the function to which they relate based on the actual personnel assigned and vendor expenses paid with most allocated based on estimates of time and effort.

Investment Valuation

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

Investment income and gains restricted by donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Acquisition of property and equipment of \$2,500 or more with a useful life of more than one year are recorded at cost if purchased and fair market value if donated. Depreciation is provided for using the straight-line method over the following estimated useful lives:

Furniture and Equipment	5 to 7 Years
Leasehold Improvements	5 to 10 Years
Building	39 Years

Contributions of Long-Lived Assets

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as without donor restrictions unless the donor has restricted the donated assets for a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations of how those donated assets must be maintained. The Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service for the purpose stipulated by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Conditional and Unconditional Promises to Give

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported as revenue at fair value when all donor-imposed barriers/conditions are met. Gifts received with donor stipulations that limit the use of the donated assets are reported as with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Foundation, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. There were \$84,500 of outstanding unconditional promises to give at June 30, 2021. Furthermore, the Foundation is a named beneficiary of one bequest totaling approximately \$1,670,000. Revenue will be recognized when the estate is validated by the probate court.

Grant Revenues

Grant revenues are recognized according to the type of grant:

Grants based on a direct cost reimbursement for expenditures incurred under the grant scope of work – revenues are recognized at the time of expenditure and billed to the grantor on a monthly or quarterly basis as required by the grant.

Grants in which funds are disbursed to the Foundation prior to service being rendered – revenues are recognized when funds are received, unexpended funds at the end of the fiscal year are reported as net assets with donor restrictions or deferred revenue.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues (Continued)

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

Donated Goods and Services

Donated materials, equipment, and services are recorded as in-kind contributions in the accompanying consolidated financial statements at their estimated fair values as of the date received.

Donated Investments

Donated marketable securities and other investments are recorded as contributions at their estimated fair values at the date of donation. The estimated fair values of donated investments totaled \$1,804,750 for the year ended June 30, 2021.

Event Income and Fee Revenues

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

Federal Income Tax

The Foundation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Foundation had no unrecognized tax benefits at June 30, 2021. The Foundation files an exempt organization return with the Internal Revenue Service (IRS). The Foundation had no taxable unrelated business income for the year ended June 30, 2021. Accordingly, a provision for income taxes has not been established in the accompanying consolidated financial statements.

Advertising

The cost of advertising is expensed in the year incurred. Advertising expense totaled \$84,427 for the year ended June 30, 2021.

Risk Management

The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Foundation has obtained commercial insurance coverage to protect itself against such losses.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated subsequent events through June 18, 2024, the date the consolidated financial statements were available to be issued. Management believes there are no significant events occurring subsequent to June 30, 2021, that would require adjustment to or disclosure in the consolidated financial statements.

NOTE 2 FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodology used for assets measured at fair value.

Equity and Bond Mutual Funds (mutual funds) – Shares of mutual funds are valued at the closing price reported on the active market on which the individual mutual funds are traded.

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

**TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation's fair market value measurements are as follows at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 12,000,537	\$ -	\$ -	\$ 12,000,537
Bond Mutual Funds	8,404,622	-	-	8,404,622
Total	<u>\$ 20,405,159</u>	<u>\$ -</u>	<u>\$ -</u>	20,405,159
Private Equity Investments Measured at NAV				<u>280,866</u>
Total Investments at Fair Market Value	<u>\$ 20,405,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,686,025</u>

Realized and unrealized gains on investments of \$1,878,912, net of investment fees of \$21,749, was recognized for the year ended June 30, 2021.

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using net asset value per share as of June 30, 2021:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
MAP 2004, L.P.	\$ 120,555	\$ -	Ineligible	
MAP 2006, L.P.	160,311	-	Ineligible	
Total	<u>\$ 280,866</u>	<u>\$ -</u>		

The investment strategy of MAP 2004 L.P. and MAP 2006 L.P. is to engage in the acquisition, operation, development, management, and disposition of direct and indirect interests in natural gas and oil royalty interests, mineral interests, and overriding royalty interests, wind energy royalty interests, and other passive investments.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Building and Improvements	\$ 555,864
Furniture and Equipment	59,459
Subtotal	<u>615,323</u>
Less: Accumulated Depreciation	<u>(165,545)</u>
Total Property and Equipment	<u>\$ 449,778</u>

Depreciation expense was \$37,152 for the year ended June 30, 2021.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 NET ASSETS CLASSIFICATION

The Foundation's endowment consisted of approximately 60 individual funds established for a variety of purposes for the year ended June 30, 2021. The Foundation's endowment includes both donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for specified purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted an Investment Policy Statement and Guidelines, approved by the board of directors, for endowment assets that attempt to achieve a reasonable total return on endowed funds that will optimize annual distributions of the Foundation, while allowing for the long-term growth of the endowment net of management fees. Total return is defined as the aggregate investment return, which includes a combination of current income plus the net impact of prices changes. Income return is defined as the actual dividends and interest earned. Although protection of principal is important, it is understood that some market risk must be assumed in order to fulfill these objectives over the long term. Because the portfolio is expected to endure into perpetuity, and because inflation is a component in the growth of the endowment funds, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, a majority of the assets will be invested in equity or equity-like securities. Fixed income securities will be used to reduce the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Investments of the Foundation will be diversified to reduce portfolio risk. The current allocation guideline for the endowment fund investments is 60% equity securities and 40% fixed income securities. Investments in the securities of any single issuer (stock or bond) may not exceed 10% of the portfolio at market value, and exposure to any one industry group may not exceed 25% of the portfolio at market value.

**TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 NET ASSETS CLASSIFICATION (CONTINUED)

Spending Policy

The intent of endowed funds is to create and build a permanent financial reserve, the earnings from which can be used for charitable purposes. In that light:

- A new fund must wait four quarters before granting any funds.

For all funds that have been in existence prior to January 31 of the current year, the spending policy is as follows:

- The amount available for grants for the coming 12 months will be based on the average fair market value of the fund for the previous 12 closing quarters (or the number of the full quarters the fund has been in existence, if less than 12), through January 31 of the current year.
- The percentage to be multiplied by the average fair market value of each fund will be determined annually by the Foundation's board of directors, prior to January 31 of each year. Presently, the payout percentage is 4.5%, plus relevant fees. The intent of this is to ensure that fund principal amounts are not spent in times of investment and stock market depreciation.

From time to time, the fair value of assets associated with endowed funds may fall below the level of the contribution value of that fund that is classified with donor restrictions for a perpetual duration. The Foundation's spending policy permits spending from underwater funds, unless otherwise precluded by donor intent, relevant laws, or regulations.

Endowment Net Assets

Changes in endowment net assets consist of the following for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 812,935	\$ 6,218,754	\$ 7,031,689
Investment Return: Investment Income	129,308	-	129,308
Net Appreciation (Realized and Unrealized)	785,404	-	785,404
Contributions, Reversions, and Changes in Donor Restrictions and Agency Funds	-	5,690,066	5,690,066
Appropriation of Endowment Assets for Expenditure	<u>(271,960)</u>	<u>-</u>	<u>(271,960)</u>
Endowment Net Assets - End of Year	<u>\$ 1,455,687</u>	<u>\$ 11,908,820</u>	<u>\$ 13,364,507</u>

**TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 NET ASSETS CLASSIFICATION (CONTINUED)

Endowment net asset composition by type of fund is as follows for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor Advised Endowment Funds	\$ -	\$ 1,608,556	\$ 1,608,556
Designated Endowment Funds	-	717,849	717,849
Field of Interest Endowment Funds	-	2,045,743	2,045,743
Named Funds-Designated Endowment Funds	1,455,687	7,536,672	8,992,359
Total Endowment Net Assets	<u>\$ 1,455,687</u>	<u>\$ 11,908,820</u>	<u>\$ 13,364,507</u>

A summary of underwater endowment funds is as follows at June 30, 2021:

Fair Value of Underwater Endowment Funds	\$ 855,992
Original Endowment Gift Amount	<u>(957,355)</u>
Total	<u>\$ (101,363)</u>

NOTE 5 LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial Assets Available for Use Within One Year:	
Cash and Cash Equivalents	\$ 2,195,183
Pledges Receivable	84,500
Investments	<u>20,686,025</u>
Total	22,965,708
Less Funds Unavailable for General Expenditure Within One Year:	
Agency Endowment Funds	(4,563,438)
Perpetually Restricted Endowment Funds	(11,908,820)
Net Assets Restricted for Time and/or Purpose	<u>(4,679,502)</u>
Total	<u>(21,151,760)</u>
Financial Assets and Liquidity Resources Available to Meet General Expenditures Within One Year	<u>\$ 1,813,948</u>

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021:

Donor-Advised Funds	\$ 3,504,845
Field of Interest	454,892
Special Programs	473,470
Designated Funds	<u>246,295</u>
Total Restricted for Specified Purposes or Passage of Time	4,679,502
Endowment Funds-Restricted in Perpetuity	<u>11,908,820</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 16,588,322</u></u>

During 2021, certain reclassifications between types of net assets with donor restrictions were made to comply with fiduciary standards and donor intent.

NOTE 7 DONATED ASSETS AND SERVICES

U.S. GAAP requires that professional service hours (attorney, accountants, doctors, etc.) be recorded in the consolidated financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in the Foundation's program and in its fundraising campaigns. The value of these hours is not recorded in the consolidated financial statements.

The majority of in-kind donations received by the Foundation are in-kind donations for newspaper advertising, information technology services, art, and investment administrative fees. There were no in-kind contributions received during the year ended June 30, 2021.

NOTE 8 CONCENTRATIONS OF CREDIT, MARKET, AND BUSINESS RISK

Revenue Concentration

The Foundation received 44% of its revenue from a single bequest during the year ended June 30, 2021.

Credit and Market Risk Concentration

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. At times during the year ended June 30, 2021, the Foundation maintained uninsured cash and money market balances in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. Cash balances exceeding insured limits totaled \$1,665,342 at June 30, 2021.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 DEFERRED COMPENSATION PLAN

The Foundation provides a SIMPLE IRA plan in which the Foundation matches up to 3% of qualified employee gross salaries. SIMPLE IRA employer contributions were \$5,648 for the year ended June 30, 2021.

NOTE 10 FUNDS HELD AS AGENCY ENDOWMENTS

Funds established by an unrelated nonprofit organization, using its own funds and for its own benefit, are classified by the Foundation as a liability, rather than as a net asset in accordance with ASC 958-405, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. The Foundation refers to such funds as agency funds. The Foundation maintains variance power and legal ownership of agency funds and, as such, continues to report the funds as assets of the Foundation.

Transactions related to agency funds are recorded as changes in the funds held for agencies liability and are not included in the consolidated statement of activities and changes in net assets. The changes in that liability are summarized as follows at June 30, 2021:

Funds Held for Agencies - Beginning of Year	\$ 3,550,749
Additions:	
Contributions	439,986
Net Investment Income	121,436
Net Unrealized and Realized Gains	727,283
Interfund Transfers, Net	(9,096)
Total Additions	<u>1,279,609</u>
Deductions:	
Distributions - Grants	217,314
Administrative Fees	46,477
Investment Expenses	2,861
Other Expenses	268
Total Deductions	<u>266,920</u>
Total Agency Funds - End of Year	<u>\$ 4,563,438</u>

NOTE 11 RELATED PARTY TRANSACTIONS

The Foundation received contributions from board members, and related organizations where they also serve as board members, for general operations of the Foundation totaling \$214,138 for the year ended June 30, 2021.

TAOS COMMUNITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 FUNCTIONAL EXPENSES

Functional expenses by natural classification are as follows for the year ended June 30, 2021:

	Grants and Program Services	Supporting Services		Total
	Education, Health and Other	General and Administrative	Fundraising	
Grants	\$ 1,726,993	\$ -	\$ -	\$ 1,726,993
Salaries and Benefits	228,271	74,415	9,726	312,412
Professional Fees	291,404	95,803	11,976	399,183
Office and Operations	61,592	44,037	8,262	113,891
Marketing	61,631	20,263	2,533	84,427
Depreciation	27,121	8,916	1,115	37,152
Rent and Condo Fees	11,408	3,751	469	15,628
Travel	1,757	578	72	2,407
Utilities and Telephone	6,602	2,170	272	9,044
Building Funds Campaign	-	-	-	-
Total Expenses by Function	<u>\$ 2,416,779</u>	<u>\$ 249,933</u>	<u>\$ 34,425</u>	<u>\$ 2,701,137</u>



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