

Museum of New Mexico Foundation

FINANCIAL STATEMENTS

June 30, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Museum of New Mexico Foundation

We have audited the accompanying financial statements of Museum of New Mexico Foundation, (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

Auditors' 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 audits 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 auditors' 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 Foundation'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 Foundation'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 present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, 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.

February 27, 2021


Pulakos CPAs, PC

Museum of New Mexico Foundation
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 9,826,087	\$ 6,979,322
Unconditional promises to give, current	1,127,912	1,312,660
Advances to the Museums and other receivables	1,575	12,141
Grants receivable	155,524	221,001
Museum shop inventory	1,465,987	1,479,568
Prepaid expenses	-	5,070
Investments	24,557,602	24,393,576
Total current assets	37,134,687	34,403,338
Non-current assets		
Unconditional promises to give, non-current, net of allowance for doubtful accounts and unamortized discounts of \$263,464 in 2020 and 2019, respectively	1,463,943	2,227,565
Beneficial interest in charitable remainder trusts	1,485,595	1,465,881
Property and equipment, net	2,035,232	2,137,168
Collections - works of art	25,247	25,247
Total non-current assets	5,010,017	5,855,861
Total assets	\$ 42,144,704	\$ 40,259,199
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 61,965	\$ 33,075
Unpaid Museum grants	879	104,679
Line-of-credit	52,024	137,860
Accrued vacation payable	168,916	145,945
Refundable advances, paycheck protection program	391,297	-
Other liabilities	2,847	3,675
Total current liabilities	677,928	425,234
Charitable annuity obligations, non-current	245,051	264,108
Total liabilities	922,979	689,342
Net assets		
Without donor restrictions		
Undesignated	15,025,970	13,364,771
Board designated endowments	4,459,602	4,298,684
Board designated funds	2,897,422	2,381,650
Total net assets without donor restrictions	22,382,994	20,045,105
With donor restrictions		
Time or purpose restricted	10,944,430	12,525,767
Perpetual in nature	7,894,301	6,998,985
Total net assets with donor restrictions	18,838,731	19,524,752
Total net assets	41,221,725	39,569,857
Total liabilities and net assets	\$ 42,144,704	\$ 40,259,199

Museum of New Mexico Foundation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Membership dues	\$ 1,518,484	\$ -	\$ 1,518,484
Designated gifts and other unconditional promises to give	1,874,031	1,352,805	3,226,836
Grants	1,260,091	390,020	1,650,111
Museum shops and licensing, net	(115,665)	-	(115,665)
Special event income and other	1,198,904	-	1,198,904
Total revenue and support	5,735,845	1,742,825	7,478,670
Net assets released from restrictions	3,813,656	(3,813,656)	-
Expenses			
Funding to the Museum System	3,314,519	-	3,314,519
Development and membership services for the Museum System	1,765,671	-	1,765,671
Financial support services and advocacy for the Museum System	320,175	-	320,175
Management and general	532,232	-	532,232
Fundraising	64,834	-	64,834
Total expenses	5,997,431	-	5,997,431
Changes in net assets from operations	3,552,070	(2,070,831)	1,481,239
Investment income and net realized/unrealized (losses) gains on investment, net of \$24,584 of investment fees in 2020	(1,214,181)	1,384,810	170,629
Changes in net assets	2,337,889	(686,021)	1,651,868
Net assets, beginning of year	20,045,105	19,524,752	39,569,857
Net assets, end of year	\$ 22,382,994	\$ 18,838,731	\$ 41,221,725

Museum of New Mexico Foundation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

	Without donor restriction	With donor restriction	Total
Support and revenues			
Membership dues	\$ 1,614,589	\$ -	\$ 1,614,589
Designated gifts and other unconditional promises to give	4,990,868	743,450	5,734,318
Grants	353,582	149,445	503,027
Museum shops and licensing, net of expenses	193,271	-	193,271
Special event income and other	670,861	-	670,861
Total revenue and support	7,823,171	892,895	8,716,066
Net assets released from restrictions	2,857,044	(2,857,044)	-
Expenses			
Funding to the Museum System	3,265,052	-	3,265,052
Development and membership services for the Museum System	1,963,831	-	1,963,831
Financial support services and advocacy for the Museum System	360,267	-	360,267
Management and general	573,264	-	573,264
Fundraising	83,252	-	83,252
Total expenses	6,245,666	-	6,245,666
Changes in net assets from operations	4,434,549	(1,964,149)	2,470,400
Investment income and net realized/unrealized (losses) gains on investment, net of \$18,106 of investment fees in 2019	(68,799)	1,037,280	968,481
Changes in net assets	4,365,750	(926,869)	3,438,881
Net assets, beginning of year	15,679,355	20,451,621	36,130,976
Net assets, end of year	\$ 20,045,105	\$ 19,524,752	\$ 39,569,857

Museum of New Mexico Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Funding to the Museum System	Development and Membership Services	Financial Support Services and Advocacy	Management and General	Fundraising	Total
Benefits to Museum System						
Contributions and special events	\$ 2,111,482	\$ -	\$ -	\$ -	\$ -	\$ 2,111,482
Private, federal, and state grants	472,139	-	-	-	-	472,139
Museum endowment fund	575,266	-	-	-	-	575,266
Foundation grants	155,632	-	-	-	-	155,632
Total benefits to Museum System	3,314,519	-	-	-	-	3,314,519
Operating expenses						
Salaries	-	695,085	156,896	161,418	33,095	1,046,494
Benefits	-	172,851	39,016	40,141	8,230	260,238
Consultant/data systems	-	190,030	31,710	20,385	2,265	244,390
Other	-	20,928	1,543	191,497	325	214,293
In-kind expense	-	122,838	2,378	30,908	2,378	158,502
Promotion	-	120,503	12,270	10,517	1,753	145,043
Printing	-	81,237	16,828	16,827	1,161	116,053
Depreciation	-	72,781	16,428	16,902	3,465	109,576
Insurance	-	35,074	5,144	4,677	1,871	46,766
Bad debt expense	-	45,460	-	-	-	45,460
Credit card	-	28,887	5,982	5,982	413	41,264
Warehouse	-	28,641	4,092	4,092	4,092	40,917
Telephone	-	24,959	5,634	5,796	1,188	37,577
Contingency	-	24,290	5,483	5,641	1,157	36,571
Postage	-	21,468	4,430	4,430	306	30,634
Audit	-	14,523	3,278	3,373	691	21,865
Dues	-	13,761	3,103	3,196	655	20,715
El Palacio mailing	-	19,020	-	-	-	19,020
Equipment lease	-	11,434	2,581	2,655	544	17,214
Office supplies	-	11,265	2,092	2,092	644	16,093
Travel	-	6,264	391	783	391	7,829
Professional education	-	2,212	499	514	105	3,330
Parking	-	1,600	322	331	68	2,321
Marketing and advertising	-	560	75	75	37	747
	\$ 3,314,519	\$ 1,765,671	\$ 320,175	\$ 532,232	\$ 64,834	\$ 5,997,431

Museum of New Mexico Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Funding to the Museum System	Development and Membership Services	Financial Support Services and Advocacy	Management and General	Fundraising	Total
Benefits to Museum System						
Contributions and special events	\$ 2,065,032	\$ -	\$ -	\$ -	\$ -	\$ 2,065,032
Private, federal, and state grants	471,719	-	-	-	-	471,719
Museum endowment fund	548,371	-	-	-	-	548,371
Foundation grants	179,930	-	-	-	-	179,930
Total benefits to Museum System	3,265,052	-	-	-	-	3,265,052
Operating expenses						
Salaries	-	805,433	184,408	171,995	47,338	1,209,174
Consultant/data systems	-	234,782	32,812	119,403	2,344	389,341
Benefits	-	235,557	53,932	50,287	13,845	353,621
In-kind expense	-	144,925	2,805	36,465	2,805	187,000
Promotion	-	144,019	15,265	13,084	2,181	174,549
Printing	-	87,981	17,850	17,850	1,231	124,912
Other	-	9,830	-	108,665	-	118,495
Depreciation	-	52,482	12,016	11,204	3,085	78,787
Credit card	-	32,000	6,628	6,628	457	45,713
Insurance	-	31,326	4,595	8,081	1,671	45,673
Postage	-	22,485	4,657	4,657	321	32,120
Telephone	-	17,578	4,025	3,753	1,033	26,389
Dues	-	16,154	3,698	3,449	949	24,250
Marketing and advertising	-	17,497	2,316	2,316	1,158	23,287
Audit	-	14,873	3,405	3,175	874	22,327
Contingency	-	13,815	3,163	2,949	812	20,739
El Palacio mailing	-	19,018	-	-	-	19,018
Travel	-	14,763	869	1,739	869	18,240
Equipment lease	-	9,200	2,106	1,964	541	13,811
Office supplies	-	9,560	1,775	1,913	546	13,794
Professional education	-	8,668	1,985	1,850	509	13,012
Parking	-	7,670	1,753	1,634	450	11,507
Bad debt expense	-	10,539	-	-	-	10,539
Donor recognition	-	2,004	-	-	41	2,045
Warehouse	-	1,319	188	188	188	1,883
Package/Shipping	-	285	-	-	-	285
Repairs and maintenance	-	68	16	15	4	103
	\$ 3,265,052	\$ 1,963,831	\$ 360,267	\$ 573,264	\$ 83,252	\$ 6,245,666

Museum of New Mexico Foundation

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
Operating activities		
Changes in net assets	\$ 1,651,868	\$ 3,438,881
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	115,806	78,787
Net realized and unrealized loss (gains) on investments	404,596	(381,050)
Change in value of charitable remainder trusts	(19,714)	(20,538)
Interest and dividends reinvested	(520,130)	(531,366)
Net changes in assets and liabilities		
Unconditional promises to give	948,370	1,121,318
Grant receivables	65,477	(60,701)
Prepaid expenses	5,070	6,267
Advances to the Museums and other receivables	10,566	1,345
Unpaid Museum grants	(103,800)	(188)
Museum shop inventory	13,581	141,470
Accounts payable and accrued vacation payable	51,861	(187,682)
Charitable annuity obligations	(19,057)	(27,573)
Refundable advances, paycheck protection program	391,297	-
Other liabilities	(828)	576
	2,994,963	3,579,546
Net cash provided by operating activities		
Investing activities		
Proceeds from sales of investments	12,008,476	8,158,830
Purchases of investments	(12,056,968)	(7,413,011)
Purchases of property and equipment	(13,870)	(1,810,435)
	(62,362)	(1,064,616)
Net cash used by investing activities		
Financing activities		
Net (payments) borrowings on line-of-credit	(85,836)	137,860
	(85,836)	137,860
Net cash (used) provided by financing activities		
Net increase in cash and cash equivalents	2,846,765	2,652,790
Cash and cash equivalents, beginning of year	6,979,322	4,326,532
Cash and cash equivalents, end of year	\$ 9,826,087	\$ 6,979,322

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Museum of New Mexico Foundation (the Foundation) is a not-for profit corporation organized generally for any charitable, educational, or scientific purpose in the fields of history, art, Indian arts and culture, folk art, archaeology and science; including the furtherance of the programs and purposes of specific divisions of the Museum of New Mexico System (the Museums). Divisions supported include the New Mexico History Museum/Palace of the Governors, the Museum of Art, the Museum of International Folk Art, the Museum of Indian Arts and Culture, Historic Sites, and the Office of Archaeological Studies.

The Foundation accomplishes its purpose with revenue and support received from memberships; contributions; federal, state and private grants; sales of arts, crafts and publications at five retail shops located at various Museums facilities in Santa Fe, New Mexico; licensing agreements, and distributions from endowments.

Cash and Cash Equivalents

For purposes of financial statement presentation, all cash depository accounts and highly liquid investments with initial maturities of three months or less are classified as cash and cash equivalents. Cash and cash equivalents include cash on hand and cash in banks. Money market accounts held with a brokerage firm are included in investments.

Museum Advances

The Foundation makes certain advances to the Museums that are expected to be repaid from proceeds of special events and other fundraising activities. No provision for uncollectible advances has been made since the Foundation holds funds designated for the Museums that exceed the advances. At the discretion of the Board of Trustees, the Foundation may designate some portion of the advances as future support or grants to the Museums.

Investments

Investments are carried at fair value. 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. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ from the amounts reported in these financial statements.

Museum Shop Inventory

Inventory is stated at the lower of cost or market. Cost is determined on a specific identification basis.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Property and equipment are stated at cost. Donated property is recorded at estimated fair value as of the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions support. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets and is allocated to each functional category based on utilization. Depreciation expense for the years ended June 30, 2020 and 2019, was \$115,806 and \$78,787, respectively. The Foundation capitalizes all acquisitions greater than \$1,000 and all computers, regardless of cost.

Collections – Works of Art

Donated works of art are recorded at estimated fair value at the date of donation. If purchased, items accessioned into the collection are capitalized at cost. Gains and losses on the deaccession of the collection items are classified on the statements of activities and changes in net assets as without donor restrictions or with donor restrictions support depending on donor restrictions, if any, placed on the item at the time of accession. No depreciation has been recorded for these works of art. Capitalized works of art that were donated to the Foundation was zero in 2020 and 2019, respectively.

Advances from Federal and State Agencies

Advances from federal and state agencies represent the total amount of funds advanced to the Foundation during the contract period not earned through expenditures or repaid to the granting agency as of the fiscal year-end. These amounts will be earned by incurring expenditures for the applicable program activities.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Foundation to report information regarding 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 Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

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 statements of activities and changes in net assets.

Donated Services

The Foundation exchanges services from corporate sponsors for Museum memberships. Donations of advertising, lodging, photography, catering, and other services totaled \$158,502 and \$187,000 during 2020 and 2019, respectively.

A substantial number of volunteers have donated services to the Foundation's Museum shops. No amounts have been reflected in the accompanying financial statements for donated volunteer services, as such services do not meet the criteria for recognition.

Functional Expenses

The Foundation reports its expenses according to five functional classifications: 1) Funding to the Museum System for programs, exhibits and education; 2) Development and membership services for the Museum System; 3) Financial support services and advocacy for the Museum System; 4) Management and general; and 5) Fundraising. Common costs are allocated among the classifications on the basis of actual direct staff resources applied to the various operational areas within the Foundation.

Advertising

The Foundation incurs advertising costs related to the Museum shops, special events, and membership development. These costs are expensed as incurred. Advertising expense totaled \$13,148 and \$89,216 for the years ended June 30, 2020 and 2019, respectively.

Concentrations of Credit Risk

Cash and investment balances are maintained at various financial institutions. Accounts at each institution may at times, exceed federally or commercially insured limits. The Foundation has not experienced any losses from, and believes it is not exposed to, significant credit risk from these deposits.

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 certain reported amounts and disclosures. Actual results may differ from those estimates.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements

The fair value framework 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 and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that the Foundation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's 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.

Income Taxes

The Foundation is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Foundation has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of the Foundation are within their tax-exempt purpose, and that there are no uncertain tax positions that require disclosure or recognition in the financial statements.

COVID-19 Pandemic

The Secretary for the New Mexico Department of Health has mandated temporary closing of businesses that were deemed non-essential and requested citizens of the State to adopt behavioral changes in response to the COVID-19 outbreak in the State. At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the related world markets.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

COVID-19 Pandemic – Continued

Effective March 15, 2020 and subsequently subject to the mandate described above, the Foundation closed all museum shops due to the closure of the state Museums. This decrease in services as measured from March 15, 2020 through June 2020 represents approximately 30.6% of the Foundation's 2020 museum shop revenue. The State began reopening Museums in the latter part of September 2020 subject to the New Mexico Department of Health Safe Practices. The Foundation is actively coordinating with the State to determine the effective re-opening of the Museum Shops.

While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

Subsequent Events

The Foundation has evaluated all events occurring subsequent to June 30, 2020 through February 27, 2021, which is the date that the financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as June 30, 2020 and 2019 available for general expenditure within one year of the balance sheet date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,826,087	\$ 6,979,322
Unconditional promises to give	2,591,855	3,540,225
Grants and other receivables	157,099	233,142
Investments	<u>24,557,602</u>	<u>24,393,576</u>
Total financial assets	37,132,643	35,146,265
Less amounts not available to be used within one year:		
Unconditional promises to give, non-current	(1,463,943)	(2,227,565)
Net assets without donor restrictions –		
Board designated	(7,357,024)	(6,680,334)
Net assets with donor restrictions	<u>(18,838,731)</u>	<u>(19,524,752)</u>
Financial assets available to meet cash needs for general expenditure	<u>\$ 9,472,945</u>	<u>\$ 6,713,614</u>

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – CONTINUED

The Foundation manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Foundation's goal is generally to maintain a level of financial assets sufficient to cover one year of operating expenses.

The Foundation's endowment is subject to an annual spending rate as discussed in Note 14. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowments are not available for general expenditure. Certain assets are designated by the Board for endowments. Although the Foundation does not intend to spend from this board-designated fund (other than amounts appropriated general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises are recognized as revenue in the period received and are recorded as without donor restrictions or with donor restrictions support, depending on the existence of any donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a credit risk factor determined by management. As of June 30, 2020 and 2019, the effective discount rate is 2%. Amortization of the discount is included in contribution revenue (designated gifts and other unconditional promises to give). The Foundation has provided an allowance for doubtful accounts based on anticipated collections.

Collections of unconditional promises to give for each of the years succeeding June 30, 2020 and 2019, are expected to occur as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 1,127,912	\$ 1,312,660
In one to five years	1,304,522	2,491,029
Charitable remainder trusts	<u>1,485,595</u>	<u>1,465,881</u>
	3,918,029	5,269,570
Less: Allowance for doubtful accounts	(65,000)	(65,000)
Less: Discount to net present value	<u>(198,464)</u>	<u>(198,464)</u>
	<u>\$ 3,654,565</u>	<u>\$ 5,006,106</u>

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE – CONTINUED

The Foundation is the beneficiary of two charitable remainder trusts. The trusts were created in fiscal years 2001 and 2006, respectively, and both are administered by outside parties. The combined value of the trusts at June 30, 2020 and 2019, was determined to be \$1,485,595 and \$1,465,881, respectively. During 2020 and 2019, adjustments for reevaluation of the present value of these trusts were \$19,715 and \$20,538 in 2020 and 2019, respectively, and are included in net assets without donor restriction – time or purpose restricted contribution revenue.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

The Foundation is the beneficiary of several bequests totaling approximately \$11,442,074. The bequests carry various levels of restriction and have been calculated at fair value as of the date the bequest notice was received by the Foundation. Fair value was calculated based on Internal Revenue Service regulations.

Associated revenue will be recognized when each of the respective estates is validated by the probate court and the final revenue totals are readily determinable.

NOTE 5 – INVESTMENTS

Investment activity for the years ended June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Investments, beginning of year	\$ 24,393,576	\$ 24,226,979
Proceeds from investment sales	(12,008,476)	(8,158,830)
Purchases of investments	12,056,968	7,413,011
Reinvested dividends/capital gains	520,130	531,366
Realized/unrealized gains	<u>(404,596)</u>	<u>381,050</u>
Investments, end of year	<u>\$ 24,557,602</u>	<u>\$ 24,393,576</u>

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured on a recurring basis at fair value as of June 30, 2020 and 2019:

Assets at Fair Value as of June 30, 2020				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	\$ 12,746,084	\$ -	\$ -	\$ 12,746,084
Close end equity	3,528,285	-	-	3,528,285
Fixed taxable	5,357,370	-	-	5,357,370
Beneficial interest in charitable remainder trusts	-	-	1,485,595	1,485,595
Money market funds	1,828,906	-	-	1,828,906
Equities - foreign	1,096,957	-	-	1,096,957
Total assets at fair value	<u>\$ 24,557,602</u>	<u>\$ -</u>	<u>\$ 1,485,595</u>	<u>\$ 26,043,197</u>

Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	\$ 13,700,440	\$ -	\$ -	\$ 13,700,440
Close end equity	4,588,764	-	-	4,588,764
Fixed taxable	3,708,218	-	-	3,708,218
Beneficial interest in charitable remainder trusts	-	-	1,465,881	1,465,881
Money market funds	1,006,787	-	-	1,006,787
Equities - foreign	1,389,367	-	-	1,389,367
Total assets at fair value	<u>\$ 24,393,576</u>	<u>\$ -</u>	<u>\$ 1,465,881</u>	<u>\$ 25,859,457</u>

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

Money market funds: Valued at net realizable value which approximates fair value.

Mutual funds, equities and exchange-traded funds: Valued at the net asset value (NAV) of shares based on quoted market prices held by the Foundation at year-end.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 – FAIR VALUE MEASUREMENTS – CONTINUED

Beneficial interest in charitable remainder trusts: Valued at present value of the estimated remainder interest unobservable output obtained from the individual investment advisor of the trust using a 2.00% discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Level 3 Investments

The following tables present the Foundation's activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 1,465,881	\$ 1,445,343
Change in present value of beneficial interest	<u>19,714</u>	<u>20,538</u>
Ending balance	<u>\$ 1,485,595</u>	<u>\$ 1,465,881</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 1,701,747	\$ 1,711,747
Leasehold improvements	1,442,541	1,442,541
Furniture and equipment	559,579	535,709
Real estate	166,500	166,500
Vehicles	<u>19,646</u>	<u>19,646</u>
	3,890,013	3,876,143
Less accumulated depreciation	<u>(1,854,781)</u>	<u>(1,738,975)</u>
	<u>\$ 2,035,232</u>	<u>\$ 2,137,168</u>

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 7 – PROPERTY AND EQUIPMENT – CONTINUED

The leasehold improvements are primarily comprised of improvements made to the Museum shops. Construction in progress is primarily comprised with assets that have not been placed into service.

NOTE 8 – PENSION PLANS

The Foundation provides a defined contribution pension plan covering substantially all full-time employees. Employees with a least one year of service who work at least 1,000 hours per year are eligible for coverage. The Foundation currently contributes 6% of covered employees' salaries. This percentage is subject to renegotiation by the Board of Trustees and the Foundation. Pension expense was \$91,358 and \$100,079 for the years ended June 30, 2020 and 2019, respectively. The Foundation also permits employees to make voluntary elective contributions into a separate defined contribution pension plan maintained by the Foundation. Both pension plans are administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund.

NOTE 9 – LINE-OF-CREDIT

The Foundation has an unsecured line-of-credit with a financial institution with a credit limit of \$300,000. The line bears interest at prime (4.75% at June 30, 2020 and 5.50% June 30, 2019). Interest payments are due monthly, and the line matured in October 2020. The balance on the line was \$52,024 and \$137,860 as of June 30, 2020 and 2019, respectively.

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, the Foundation entered into a Loan Agreements and Promissory Notes (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. The Foundation received total loan proceeds of \$391,297. The loan is scheduled to mature on April 01, 2022, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN – CONTINUED

Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used by the Foundation during the 24-week forgiveness period after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, a least 60% of the loan amount is used for eligible payroll costs, the maintenance or rehiring of employees, and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Foundation intends to use the proceeds from the loan primarily for payroll costs.

The Foundation has elected to account for this transaction as a conditional contribution, pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, Financial Statements for Not-For-Profit Organizations – Revenue Recognition. Accordingly, the Foundation asserts that forgiveness of the loan will satisfy the condition placed on the funds. Accordingly, the Foundation has recorded a liability of \$391,297 as of June 30, 2020 which is included as a refundable advance in the accompanying statements of financial position. The Foundation expects to satisfy conditions for recognition of these funds as a contribution within the 24-week forgiveness period and believes full forgiveness of the loan proceeds will be granted.

NOTE 11 – COMMITMENTS

Leasing Arrangements

The Foundation leases retail space in the Museum’s facilities for the operation of the Museum shops. Consideration is given to the Museum in exchange for the space as outlined in an updated MOU that was executed in December 2009. The Foundation provides annual program support to the Museum in exchange for the leased space. Such amounts are considered on an annual basis and are considered to more than cover the fair value of the leased space.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 11 – COMMITMENTS – CONTINUED

Leasing Arrangements – Continued

The Foundation leases certain equipment under long-term operating leases that will expire through May 2024. Rental expense totaled \$17,214 and \$13,811 in fiscal 2020 and 2019, respectively. Future minimum lease payments required under the non-cancelable operating leases are as follows for the years ended June 30:

2021	\$	18,874
2022		18,874
2023		18,874
2024		16,704
2025		<u>5,568</u>
	\$	<u>78,894</u>

Charitable Gift Annuities

Individuals have made without donor restrictions, irrevocable gifts to the Foundation in the form of charitable gift annuities in exchange for rights to received guaranteed quarterly or semi-annual payments from the Foundation. Payments are to continue for those individuals' lifetimes. The obligation is reported on the statements of financial position at the present value of the expected future payments. Although management believes the estimated liability is adequate, the actual liability may vary from the amount provided. As directed by the donor in the annuity agreement, upon the death of the annuitant, the amounts remaining in the annuity account may transfer from with donor restrictions net assets to either with donor restrictions or without donor restrictions net assets. Amounts may also remain restricted for purpose until the funds are expended as specified by the donor.

NOTE 12 – DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

During 1991, the Board designated \$1,000,000 for the benefit of the Foundation and its continued support of the Museums. During 2002, the Board designated \$250,000 for the benefit of the State historic sites. During 2001, the Foundation's Board designated \$1,000,000 in endowment for the benefit of the four exhibiting units of the Museums. These amounts have been placed in endowments along with the associated earnings on them. The Board has designated and set aside certain cash and investments in the amount \$2,897,422 and \$2,381,650 for use by applicable individual divisions of the Museums at June 30, 2020 and 2019, respectively. These Board designated amounts represent funds that have been received by the Foundation for use by the Museums that will be disbursed to the Museums in the future.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction – perpetual in nature as of June 30, 2020 and 2019, are restricted to investment in perpetuity, the income from which is expendable to support the following:

	<u>2020</u>	<u>2019</u>
Museum of International Folk Art	\$ 1,467,540	\$ 1,467,540
Collections acquisitions and exhibitions:		
Museum of art	1,666,680	1,666,680
Endowment fund for acquisitions and conservations	201,637	201,636
Museum of Indian arts and culture	96,719	96,719
Program support:		
D. Pierce Endowment for OAS	1,184,779	868,290
Museum of New Mexico Foundation	790,140	354,181
J&R Clarke Endowment for Fine Arts	450,000	450,000
Robert W. Frazer Fund	309,945	309,880
Herzstein Family Endowment	250,000	250,000
O’Shaughnessy Endowment Fund	250,000	250,000
Palace of the Governors	225,830	225,830
Friends of Archaeology Endowment	155,894	155,894
Museum of Fine Arts	130,573	80,573
Margot and Robert Linton Endowment	106,000	106,000
Gladden Endowment Fund	100,000	100,000
Roland Endowment	100,000	100,000
Ortiz Preservation Endowment Fund	80,908	80,908
Albert Simms Endowment	80,182	-
MIAC Endowment	78,762	78,762
Chairman’s Endowment Fund	50,100	50,100
Historic Sites Endowment	46,218	46,218
Thomas Catron Endowment	27,901	25,626
MNMF Endowment for the Women’s Board	24,258	13,913
The Starkweather Endowment	20,235	20,235
	<u>7,894,301</u>	<u>6,998,985</u>
Net assets with donor restrictions – perpetual in nature	<u>\$ 7,894,301</u>	<u>\$ 6,998,985</u>

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets with donor restriction – time or purpose restricted as of June 30, 2020 and 2019, are available for the following:

	<u>2020</u>	<u>2019</u>
Restricted by time:		
Endowment earnings	\$ 6,526,524	\$ 6,998,985
Charitable remainder trusts	1,485,595	1,465,881
Museum of New Mexico Foundation	14,234	32,246
New Mexico History Museum	1,000	4,100
Museum of Art	2,584,989	3,411,417
Museum of Indian Arts and Culture	50,000	161,600
Museum of International Folk Art	45,675	166,625
Historic Sites	-	673
Museum pledges	-	18,750
Restricted for purpose:		
Office of Archaeological Studies	75,057	253,096
Museum of International Folk Art	31,150	16,600
New Mexico History Museum	902	4,359
Museum of Indian Arts and Culture	270,845	174,899
Museum of Art	56,923	10,000
Museum of New Mexico Historic Sites	-	5,000
	<u>11,142,894</u>	<u>12,724,231</u>
Net assets with donor restrictions – time or purpose restricted	11,142,894	12,724,231
Less: Discount on unconditional promises to give	<u>(198,464)</u>	<u>(198,464)</u>
	<u>\$ 10,944,430</u>	<u>\$ 12,525,767</u>

NOTE 14 – ENDOWMENTS

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to Foundations similar to the Foundation. The State of New Mexico adopted UPMIFA effective July 1, 2009. The Foundation has determined that certain board designated net assets and net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for initiatives supported by its endowments while seeking to maintain the purchasing power of the endowments.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 14 – ENDOWMENTS – CONTINUED

Endowment Investment and Spending Policies – Continued

In determining the prudent amount to distribute in a given year, the Foundation considers the donor's intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Foundation current spending policy with regards to its endowments is determined annually by the Board of Trustees. The Board is charged with the responsibility for the management of the assets of the endowment.

The investment policies establish a return objective through diversification of asset classes.

The Foundation endowment consists of approximately twenty individual funds established for a variety of purposes and include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objective and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

Spending Policy and Who the Investment Objectives Relate to Spending Policy

The Foundation has a policy whereby the Finance Committee may appropriate 4% to 7% of the average investment balance (4% distributed in 2020 and 2019) for each of the preceding twelve quarters to the operating budget regardless of whether the endowment earns that amount in a specific year. The Foundation will not distribute monies if the endowment value is below the original corpus. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 14 – ENDOWMENTS – CONTINUED

Endowment Net Assets Composition of Type of Fund as June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 13,904,685	\$ 13,904,685
Board designated endowment funds	4,459,602	-	4,459,602
Total funds	\$ 4,459,602	\$ 13,904,685	\$ 18,364,287

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,298,684	\$ 13,989,692	\$ 18,288,376
Contributions	515,772	379,176	894,948
Investment return:			
Investment income	141,947	320,791	462,738
Net depreciation (realized/unrealized)	472,720	1,064,019	1,536,739
	614,667	1,384,810	1,999,477
Appropriation of endowment assets for expenditure	(85,080)	(354,530)	(439,610)
Other changes:			
Transfers in from existing non-endowed funds	(730,857)	(1,310,401)	(2,041,258)
Administration fees	(153,584)	(184,062)	(337,646)
Endowment net assets, end of year	\$ 4,459,602	\$ 13,904,685	\$ 18,364,287

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 14 – ENDOWMENTS – CONTINUED

Endowment Net Assets Composition of Type of Fund as June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 13,989,692	\$ 13,989,692
Board designated endowment funds	4,298,684	-	4,298,684
Total funds	\$ 4,298,684	\$ 13,989,692	\$ 18,288,376

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,316,521	\$ 13,862,645	\$ 18,179,166
Contributions	12,518	87,526	100,044
Investment return:			
Investment income	100,105	325,333	425,438
Net depreciation (realized/unrealized)	219,647	711,947	931,594
	319,752	1,037,280	1,357,032
Appropriation of endowment assets for expenditure	(70,444)	(324,637)	(395,081)
Other changes:			
Transfers in from existing non-endowed funds	(197,781)	(510,736)	(708,517)
Administration fees	(81,882)	(162,386)	(244,268)
Endowment net assets, end of year	\$ 4,298,684	\$ 13,989,692	\$ 18,288,376

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 15 – MUSEUM SUPPORT AND TRANSACTIONS

The Foundation provided total funding of \$3,314,519 and \$3,265,052 in direct benefits to the Museums during the years ended June 30, 2020 and 2019, respectively. These amounts included distributions from the endowments, special events income, contributions specifically for the Museums and Federal, State, foundation and private grants. In addition, the Foundation incurred direct and indirect expenses in the amount of \$2,085,846 and \$2,324,098 for the years ended June 30, 2020 and 2019, respectively, in providing development services, membership services, financial services support, and advocacy for the Museums.

NOTE 16 – RELATED PARTY TRANSACTIONS

Various Board members donate to the Foundation in the form of contributions, unconditional pledges to give, annuities and bequests. Amounts are recorded at their net reliable value. Board members make donations for the Foundation in general (without donor restriction) or will donate to a specific program (with donor restriction – time or purpose restriction), or for the Foundation to hold in perpetuity (with donor restriction – perpetual in nature). All donations from Board members are deemed collectible at June 30, 2020.

NOTE 17 – GRANTS

The Foundation receives grants from Federal, State, and Municipal entities, as well as from private sources. Grant revenue was comprised of the following for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Federal	\$ 214,586	\$ 293,996
Private	1,362,460	133,131
Municipal	<u>45,854</u>	<u>75,900</u>
	<u>\$ 1,622,900</u>	<u>\$ 503,027</u>

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 18 – MUSEUM SHOPS AND LICENSING

A summary of operations of the Museum Shops and Licensing for the years ended June 30, 2020 and 2019, is as follows:

	2020		
	Museum Shops	Licensing	Total
Net sales	\$ 2,442,059	\$ 133,025	\$ 2,575,084
Costs of sales	1,269,693	-	1,269,693
Gross profit	1,172,366	133,025	1,305,391
Operating and administrative expenses:			
Salaries and payroll benefits	1,020,462	-	1,020,462
Professional services	56,592	113,252	169,844
Bank and credit card fees	71,674	-	71,674
Advertising and promotion	14,647	18,620	33,267
Packing and shipping	23,662	-	23,662
Phone	21,688	-	21,688
Insurance	21,535	-	21,535
Other	17,204	1,286	18,490
Warehouse	14,880	-	14,880
Travel	7,736	5,426	13,162
Rent and parking	6,284	284	6,568
Supplies	5,754	70	5,824
Total operating and administrative expenses	1,282,118	138,938	1,421,056
Operating results	(109,752)	(5,913)	(115,665)
Net loss	\$ (109,752)	\$ (5,913)	\$ (115,665)

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 18 – MUSEUM SHOPS AND LICENSING – CONTINUED

	2019		
	Museum Shops	Licensing	Total
Net sales	\$ 3,351,440	\$ 120,410	\$ 3,471,850
Costs of sales	1,769,475	-	1,769,475
Gross profit	1,581,965	120,410	1,702,375
Operating and administrative expenses:			
Salaries and payroll benefits	1,004,405	-	1,004,405
Professional services	46,329	109,143	155,472
Bank and credit card fees	82,315	-	82,315
Packing and shipping	56,114	-	56,114
Advertising and promotion	72,159	3,052	75,211
Phone	27,995	-	27,995
Travel	17,273	7,247	24,520
Other	22,486	1,467	23,953
Warehouse	23,882	10	23,892
Insurance	19,273	-	19,273
Supplies	7,368	747	8,115
Rent and parking	7,839	-	7,839
Total operating and administrative expenses	1,387,438	121,666	1,509,104
Operating results	194,527	(1,256)	193,271
Net earnings (loss)	\$ 194,527	\$ (1,256)	\$ 193,271

As discussed in Note 11, the Foundation leases the Museum shops space from the Museums and provides program support to the Museums in exchange for the leased space. As a result, operating and administrative costs of the Museum shops do not include any rental costs relating to this space.

Museum of New Mexico Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Contributions Received and Contributions Made

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 – *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard.

NOTE 20 – FUTURE ACCOUNTING PRONOUNCEMENTS

Effective for its annual financial statements for 2021, the Foundation is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Foundation is lessee. Upon adoption, among other effects, the Foundation will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Foundation's future financial statements of these changes and related retrospective adjustments have not yet been determined.