

**Museum of New Mexico Foundation**

**FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Museum of New Mexico Foundation

### ***Opinion***

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, 2022 and 2021, 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.

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021 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.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

November 1, 2022

  
Pulakos CPAs, PC

**Museum of New Mexico Foundation**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

**Assets**

	<b>2022</b>	<b>2021</b>
Current assets		
Cash and cash equivalents	\$ 10,878,963	\$ 11,874,621
Unconditional promises to give, current	921,161	1,267,935
Advances to the Museums and other receivables	112,682	2,500
Grants receivable	755,965	207,646
Bequests receivable	2,959,595	3,161,068
Museum shop inventory	1,282,588	1,166,120
Prepaid expenses	12,522	845
Investments	28,956,724	31,651,562
Total current assets	45,880,200	49,332,297
Non-current assets		
Unconditional promises to give, non-current, net of allowance for doubtful accounts and unamortized discounts of \$104,043 in 2022 and 2021, respectively	303,060	633,253
Property and equipment, net	1,901,350	1,974,069
Collections - works of art	25,247	25,247
Total non-current assets	2,229,657	2,632,569
Total assets	\$ 48,109,857	\$ 51,964,866

**Liabilities and Net Assets**

Current liabilities		
Accounts payable	\$ 172,001	\$ 25,346
Unpaid Museum grants	879	879
Accrued vacation payable	146,802	140,864
Refundable advances, paycheck protection program	-	327,167
Other liabilities	2,054	1,502
Total current liabilities	321,736	495,758
Charitable annuity obligations, non-current	175,354	217,923
Total liabilities	497,090	713,681
Net assets		
Without donor restrictions		
Undesignated	14,862,107	18,389,636
Board designated endowments	6,793,865	5,645,537
Board designated funds	4,817,240	2,817,240
Total net assets without donor restrictions	26,473,212	26,852,413
With donor restrictions		
Time or purpose restricted	12,005,297	15,631,553
Perpetual in nature	9,134,258	8,767,219
Total net assets with donor restrictions	21,139,555	24,398,772
Total net assets	47,612,767	51,251,185
Total liabilities and net assets	\$ 48,109,857	\$ 51,964,866

## Museum of New Mexico Foundation

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Membership dues	\$ 1,680,056	\$ -	\$ 1,680,056
Designated gifts and other unconditional promises to give	4,018,057	636,330	4,654,387
Grants	947,963	452,267	1,400,230
Museum shops and licensing, net	629,204	-	629,204
Special event income and other	886,206	-	886,206
	8,161,486	1,088,597	9,250,083
Total revenue and support			
Net assets released from restrictions	1,982,049	(1,982,049)	-
Expenses			
Funding to the Museum System	6,196,816	-	6,196,816
Development and membership services for the Museum System	1,896,836	-	1,896,836
Financial support services and advocacy for the Museum System	340,768	-	340,768
Management and general	329,107	-	329,107
Fundraising	80,039	-	80,039
	8,843,566	-	8,843,566
Total expenses			
Changes in net assets from operations	1,299,969	(893,452)	406,517
Investment (loss) income and net realized/unrealized loss on investment, net of \$36,211 of investment fees in 2022	(1,679,170)	(2,365,765)	(4,044,935)
Changes in net assets	(379,201)	(3,259,217)	(3,638,418)
Net assets, beginning of year	26,852,413	24,398,772	51,251,185
Net assets, end of year	\$ 26,473,212	\$ 21,139,555	\$ 47,612,767

See Notes to Financial Statements and Independent Auditors' Report.

## Museum of New Mexico Foundation

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Membership dues	\$ 1,498,550	\$ -	\$ 1,498,550
Designated gifts and other unconditional promises to give	1,354,621	2,613,225	3,967,846
Grants	99,875	307,349	407,224
Museum shops and licensing, net of expenses	(190,420)	-	(190,420)
Special event income and other	2,410,842	-	2,410,842
	5,173,468	2,920,574	8,094,042
Total revenue and support			
Net assets released from restrictions	1,133,596	(1,133,596)	-
Expenses			
Funding to the Museum System	3,077,273	-	3,077,273
Development and membership services for the Museum System	1,550,839	-	1,550,839
Financial support services and advocacy for the Museum System	282,507	-	282,507
Management and general	282,387	-	282,387
Fundraising	63,891	-	63,891
	5,256,897	-	5,256,897
Total expenses			
Changes in net assets from operations	1,050,167	1,786,978	2,837,145
Investment income and net realized/ unrealized gains on investment, net of \$29,871 of investment fees in 2021	3,578,673	3,613,642	7,192,315
Changes in net assets	4,628,840	5,400,620	10,029,460
Net assets, beginning of year	22,223,573	18,998,152	41,221,725
Net assets, end of year	\$ 26,852,413	\$ 24,398,772	\$ 51,251,185

# Museum of New Mexico Foundation

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	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	\$ 4,378,682	\$ -	\$ -	\$ -	\$ -	\$ 4,378,682
Private, federal, and state grants	1,167,591	-	-	-	-	1,167,591
Museum endowment fund	626,543	-	-	-	-	626,543
Foundation grants	24,000	-	-	-	-	24,000
<b>Total benefits to Museum System</b>	<b>6,196,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,196,816</b>
Operating expenses						
Salaries	-	749,165	168,038	144,578	42,316	1,104,097
Benefits	-	186,950	42,382	36,465	10,673	276,470
Consultant/data systems	-	171,565	35,022	22,514	2,502	231,603
In-kind expense	-	172,438	3,336	43,388	3,338	222,500
Promotion	-	120,867	12,965	11,113	1,852	146,797
Depreciation	-	76,735	16,995	14,622	4,280	112,632
Printing	-	62,250	12,895	12,895	889	88,929
Software	-	49,702	12,321	7,921	880	70,824
Insurance	-	40,862	5,993	5,448	2,179	54,482
Warehouse	-	36,147	5,164	5,164	5,164	51,639
Credit card	-	27,202	5,635	5,635	389	38,861
Other	-	31,332	418	359	6	32,115
Travel	-	29,270	104	210	105	29,689
Office supplies	-	17,187	3,181	3,181	979	24,528
Postage	-	16,497	3,417	3,417	236	23,567
Audit	-	14,100	3,595	3,093	905	21,693
Equipment lease	-	14,271	3,201	2,754	806	21,032
El Palacio mailing	-	19,310	-	-	-	19,310
Parking	-	18,882	15	13	4	18,914
Telephone	-	11,618	3,400	2,925	856	18,799
Marketing and advertising	-	12,362	376	376	188	13,302
Shonnard	-	7,000	1,000	1,000	1,000	10,000
Professional education	-	5,725	846	728	318	7,617
Dues	-	3,417	871	749	219	5,256
Bad debt expense	-	3,856	75	970	75	4,976
Contingency	-	(1,874)	(477)	(411)	(120)	(2,882)
	<b>\$ 6,196,816</b>	<b>\$ 1,896,836</b>	<b>\$ 340,768</b>	<b>\$ 329,107</b>	<b>\$ 80,039</b>	<b>\$ 8,843,566</b>

**Museum of New Mexico Foundation**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2021**

	<b>Funding to the Museum System</b>	<b>Development and Membership Services</b>	<b>Financial Support Services and Advocacy</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Benefits to Museum System</b>						
Contributions and special events	\$ 1,944,981	\$ -	\$ -	\$ -	\$ -	\$ 1,944,981
Private, federal, and state grants	440,247	-	-	-	-	440,247
Museum endowment fund	611,495	-	-	-	-	611,495
Foundation grants	80,550	-	-	-	-	80,550
<b>Total benefits to Museum System</b>	<b>3,077,273</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,077,273</b>
<b>Operating expenses</b>						
Salaries	-	624,292	136,989	123,183	32,293	916,757
Benefits	-	172,411	37,832	34,019	8,918	253,180
Consultant/data systems	-	199,189	36,550	23,496	2,611	261,846
In-kind expense	-	132,913	2,573	33,443	2,571	171,500
Depreciation	-	79,679	17,484	19,647	4,122	120,932
Printing	-	61,069	12,485	12,485	861	86,900
Promotion	-	51,572	4,939	4,234	706	61,451
Warehouse	-	40,247	5,750	5,750	5,750	57,497
Insurance	-	36,824	5,401	4,910	1,964	49,099
Credit card	-	21,556	4,465	4,465	308	30,794
Telephone	-	19,057	4,181	3,760	987	27,985
Dues	-	17,267	3,789	3,407	893	25,356
Postage	-	17,376	3,599	3,599	248	24,822
Bad debt expense	-	22,850	-	-	-	22,850
Audit	-	15,055	3,304	2,971	778	22,108
Equipment lease	-	13,902	3,050	2,743	719	20,414
El Palacio mailing	-	16,978	-	-	-	16,978
Office supplies	-	7,933	1,473	1,473	453	11,332
Other	-	5,707	-	-	-	5,707
Professional education	-	994	218	196	52	1,460
Package/Shipping	-	781	-	-	-	781
Marketing and advertising	-	516	69	69	34	688
Travel	-	233	15	29	14	291
Parking	-	78	17	15	5	115
Contingency	-	(7,640)	(1,676)	(1,507)	(396)	(11,219)
	<b>\$ 3,077,273</b>	<b>\$ 1,550,839</b>	<b>\$ 282,507</b>	<b>\$ 282,387</b>	<b>\$ 63,891</b>	<b>\$ 5,256,897</b>



# Museum of New Mexico Foundation

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities		
Changes in net assets	\$ (3,638,418)	\$ 10,029,460
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	112,632	120,932
Net realized and unrealized loss (gains) on investments	4,541,385	(6,764,904)
Change in value of charitable remainder trusts	-	1,485,595
Interest and dividends reinvested	(496,450)	(427,411)
Net changes in assets and liabilities		
Unconditional promises to give	676,967	690,667
Grant receivables	(548,319)	(52,122)
Bequests receivable	201,473	(3,161,068)
Prepaid expenses	(11,677)	(845)
Advances to the Museums and other receivables	(110,182)	(925)
Unpaid Museum grants	-	-
Museum shop inventory	(116,468)	299,867
Accounts payable and accrued vacation payable	152,593	(64,671)
Charitable annuity obligations	(42,569)	(27,128)
Refundable advances, paycheck protection program	(327,167)	(64,130)
Other liabilities	552	(1,345)
	394,352	2,061,972
Net cash provided by operating activities		
Investing activities		
Proceeds from sales of investments	4,172,184	8,316,272
Purchases of investments	(5,522,281)	(8,217,917)
Purchases of property and equipment	(39,913)	(59,769)
	(1,390,010)	38,586
Net cash (used) provided by investing activities		
Financing activities -		
net payments on line-of-credit	-	(52,024)
	-	(52,024)
Net cash used by financing activities		
Net increase in cash and cash equivalents	(995,658)	2,048,534
Cash and cash equivalents, beginning of year	11,874,621	9,826,087
Cash and cash equivalents, end of year	\$ 10,878,963	\$ 11,874,621

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### 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, 2022 and 2021

### 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, 2022 and 2021 was \$112,632 and \$120,932, 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 2022 and 2021, respectively.

#### 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, 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.

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.

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Revenue Recognition

Support from contributions, memberships, grants and special events is recognized when awarded, earned, or when expenditures have been incurred in accordance with provisions of the contributions and special event. Merchandise sales revenue is recognized at the point of sale. Monies received but not earned during the fiscal year are recorded as deferred revenue.

#### Donated Services

The Foundation exchanges services from corporate sponsors for Museum memberships. Donations of advertising, lodging, photography, catering, and other services totaled \$222,500 and \$171,500 during 2022 and 2021, 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 \$20,227 and \$8,254 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021

### 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.

#### Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. These reclassifications have no impact on the Foundation's change in net assets.

#### Subsequent Events

The Foundation has evaluated all events occurring subsequent to June 30, 2022 through November 1, 2022, 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.

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation’s financial assets as June 30, 2022 and 2021 available for general expenditure within one year of the balance sheet date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,878,963	\$ 11,874,621
Unconditional promises to give, net	1,224,221	1,901,188
Grants and other receivables	868,647	210,146
Bequests receivable	2,959,595	3,161,068
Investments	<u>28,956,724</u>	<u>31,651,562</u>
Total financial assets	44,888,150	48,798,585
Less amounts not available to be used within one year:		
Unconditional promises to give, non-current	(303,060)	(633,253)
Net assets without donor restrictions –		
Board designated	(11,611,105)	(8,462,777)
Net assets with donor restrictions	<u>(21,139,555)</u>	<u>(24,398,772)</u>
Financial assets available to meet cash needs for general expenditure	<u>\$ 11,834,430</u>	<u>\$ 15,303,783</u>

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.

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 3 – UNCONDITIONAL PROMISES TO GIVE – CONTINUED

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, 2022 and 2021, 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, 2022 and 2021, are expected to occur as follows:

	<u>2022</u>	<u>2021</u>
In less than one year	\$ 921,161	\$ 1,267,935
In one to five years	407,103	737,296
Bequests receivable	<u>2,959,595</u>	<u>3,161,068</u>
	4,287,859	5,166,299
Less: Allowance for doubtful accounts	(65,000)	(65,000)
Less: Discount to net present value	<u>(39,043)</u>	<u>(39,043)</u>
	<u>\$ 4,183,816</u>	<u>\$ 5,062,256</u>

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. During 2021, the beneficiaries for both charitable remainder trusts died triggering the final payment terms. As a result, the Foundation has classified the estimated market value of the bequests, \$2,959,595 as of June 30, 2022, as bequests receivable in the accompanying statement of financial position.

### NOTE 4 – CONDITIONAL PROMISES TO GIVE

The Foundation is the beneficiary of several bequests totaling approximately \$25,408,805. The bequests carry various levels of restrictions 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.

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 5 – INVESTMENTS

Investment activity for the years ended June 30, 2022 and 2021, is as follows:

	<b>2022</b>	<b>2021</b>
Investments, beginning of year	\$ 31,651,562	\$ 24,557,602
Proceeds from investment sales	(4,172,184)	(8,316,272)
Purchases of investments	5,522,281	8,217,917
Reinvested dividends/capital gains	496,450	427,411
Realized/unrealized (losses) gains	(4,541,385)	6,764,904
Investments, end of year	\$ 28,956,724	\$ 31,651,562

### 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, 2022 and 2021:

#### Assets at Fair Value as of June 30, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Equity	\$ 15,284,199	\$ -	\$ -	\$ 15,284,199
Close end equity	4,657,392	-	-	4,657,392
Fixed taxable	5,791,424	-	-	5,791,424
Money market funds	1,560,565	-	-	1,560,565
Equities - foreign	1,663,144	-	-	1,663,144
Total assets at fair value	\$ 28,956,724	\$ -	\$ -	\$ 28,956,724

#### Assets at Fair Value as of June 30, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Equity	\$ 18,172,483	\$ -	\$ -	\$ 18,172,483
Close end equity	4,935,931	-	-	4,935,931
Fixed taxable	6,830,407	-	-	6,830,407
Money market funds	212,335	-	-	212,335
Equities - foreign	1,500,406	-	-	1,500,406
Total assets at fair value	\$ 31,651,562	\$ -	\$ -	\$ 31,651,562



# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 6 – FAIR VALUE MEASUREMENTS – CONTINUED

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, 2021.

*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.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	\$ 1,465,881
Change in present value of beneficial interest	-	1,695,187
Transfer out to bequests receivable	-	(3,161,068)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

### NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 1,701,747	\$ 1,701,747
Leasehold improvements	1,473,303	1,442,541
Furniture and equipment	572,966	563,815
Real estate	222,033	222,033
Vehicles	<u>19,646</u>	<u>19,646</u>
	3,989,695	3,949,782
Less accumulated depreciation	<u>(2,088,345)</u>	<u>(1,975,713)</u>
	<u>\$ 1,901,350</u>	<u>\$ 1,974,069</u>

# **Museum of New Mexico Foundation**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

### **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 \$96,239 and \$78,404 for the years ended June 30, 2022 and 2021, 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 \$2,500,000. The line bears interest at prime (4.75% and 3.25% at June 30, 2022 and 2021, respectively). Interest payments are due monthly, and the line matures in December 2022. The balance on the line was zero as of June 30, 2022 and 2021, respectively.

### **NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN**

On April 15, 2020, the Foundation entered into a Loan Agreement and Promissory Note (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 was scheduled to mature on April 1, 2022, carried a 1.00% interest rate, and was subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

The loan was forgiven in January 2021. Accordingly, the Foundation recorded contribution revenue in 2021 which is included in other income on the statements of activities and changes in net assets. 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.

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN – CONTINUED

On March 27, 2021, the Foundation entered into a Loan Agreement and Promissory Note (SBA Loan) pursuant to the Paycheck Protection Program 2 (PPP) under the recently enacted CARES Act administered by the U.S. Small Business Administration. The Foundation received total loan proceeds of \$327,167. The loan was scheduled to mature on March 27, 2022, carried a 1.00% interest rate, and was subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

The loan was forgiven in September 2021. Accordingly, the Foundation recorded contribution revenue in 2022 which is included in other income on the statements of activities and changes in net assets. 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.

### NOTE 11 – COMMITMENTS AND CONTINGENCIES

#### 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.

The Foundation leases certain equipment under long-term operating leases that will expire through May 2024. Rental expense totaled \$21,032 and \$20,414 in fiscal 2022 and 2021, respectively.

Future minimum lease payments required under the non-cancelable operating leases are as follows for the years ended June 30:

2023	\$	16,704
2024		16,704
2025		<u>5,568</u>
	\$	<u>38,976</u>

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 11 – COMMITMENTS AND CONTINGENCIES – CONTINUED

#### Charitable Gift Annuities

Individuals have made irrevocable gifts, with donor restrictions, 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.

#### 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.

During 2021, and resulting from the changes described above, the Foundation has modified operations to accommodate the public health orders. The Foundation ceased various shop operations from July 2020 through March 2021. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

### 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 \$4,817,240 and \$2,817,240 for use by applicable individual divisions of the Museums at June 30, 2022 and 2021, 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, 2022 and 2021**

### NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction – perpetual in nature as of June 30, 2022 and 2021, are restricted to investment in perpetuity, the income from which is expendable to support the following:

	<b>2022</b>	<b>2021</b>
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	201,637
Museum of Indian arts and culture	96,719	96,719
Program support:		
D. Pierce Endowment for OAS	1,184,779	1,184,779
Museum of New Mexico Foundation	790,140	790,140
Sue and Felix Walburg Collection End	750,000	750,000
J&R Clarke Endowment for Fine Arts	450,000	450,000
Robert W. Frazer Fund	309,945	309,945
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
Thomas Catron Endowment	155,493	49,951
Della Warrior Endowment	152,800	-
Museum of Fine Arts	130,573	130,573
Margot and Robert Linton Endowment	106,000	106,000
Shonnard Campus Endowment	102,500	60,000
Gladden Endowment Fund	100,000	100,000
MIAC Endowment for Youth	100,000	100,000
Roland Endowment	100,000	100,000
Ortiz Preservation Endowment Fund	80,908	80,908
MIAC Endowment	78,762	78,762
Chairman’s Endowment Fund	50,100	50,100
Alexander Girard Endowment	46,290	-
Historic Sites Endowment	46,216	46,216
MNMF Endowment for the Women’s Board	35,217	30,310
Friends of MIAC Endowment	30,000	15,000
The Starkweather Endowment	20,235	20,235
Net assets with donor restrictions – perpetual in nature	\$ 9,134,258	\$ 8,767,219

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2022 and 2021**

### NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets with donor restriction – time or purpose restricted as of June 30, 2022 and 2021, are available for the following:

	<b>2022</b>	<b>2021</b>
Restricted by time:		
Endowment earnings	\$ 6,917,982	\$ 9,906,647
Charitable remainder trusts	2,959,595	3,161,068
Museum of New Mexico Foundation	4,431	9,280
Museum of Art	679,185	1,494,401
Museum of Indian Arts and Culture	571,250	491,550
Museum of International Folk Art	65,341	10,000
Other	6,958	-
Restricted for purpose:		
Office of Archaeological Studies	133,626	132,400
Museum of New Mexico Foundation	200,000	-
Museum of International Folk Art	12,800	11,179
New Mexico History Museum	1,218	12,048
Museum of Indian Arts and Culture	430,907	429,259
Museum of Art	61,047	12,764
Net assets with donor restrictions – time or purpose restricted	12,044,340	15,670,596
Less: Discount on unconditional promises to give	(39,043)	(39,043)
	<b>\$ 12,005,297</b>	<b>\$ 15,631,553</b>

### 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.

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 14 – ENDOWMENTS – CONTINUED

#### 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. 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 2022 and 2021) 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, 2022 and 2021

### NOTE 14 – ENDOWMENTS – CONTINUED

#### Endowment Net Assets Composition of Type of Fund as June 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 16,052,240	\$ 16,052,240
Board designated endowment funds	6,793,865	-	6,793,865
Total funds	<u>\$ 6,793,865</u>	<u>\$ 16,052,240</u>	<u>\$ 22,846,105</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,645,537	\$ 18,673,866	\$ 24,319,403
Contributions	2,012,698	355,508	2,368,206
Investment return:			
Investment income	83,704	262,086	345,790
Net depreciation (realized/unrealized)	(892,851)	(2,627,851)	(3,520,702)
	1,203,551	(2,010,257)	(806,706)
Appropriation of endowment assets for expenditure	(51,637)	(254,108)	(305,745)
Other changes:			
Transfers in from existing non-endowed funds	9,741	(332,150)	(322,409)
Administration fees	(13,327)	(25,111)	(38,438)
Endowment net assets, end of year	<u>\$ 6,793,865</u>	<u>\$ 16,052,240</u>	<u>\$ 22,846,105</u>



# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 14 – ENDOWMENTS – CONTINUED

#### Endowment Net Assets Composition of Type of Fund as June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 18,673,866	\$ 18,673,866
Board designated endowment funds	5,645,537	-	5,645,537
Total funds	\$ 5,645,537	\$ 18,673,866	\$ 24,319,403

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,459,602	\$ 13,904,685	\$ 18,364,287
Contributions	204	857,422	857,626
Investment return:			
Investment income	80,478	256,582	337,060
Net appreciation (realized/unrealized)	309,035	1,008,694	1,317,729
	389,717	2,122,698	2,512,415
Appropriation of endowment assets for expenditure	(38,978)	(233,519)	(272,497)
Other changes:			
Transfers in from existing non-endowed funds	925,273	3,025,017	3,950,290
Administration fees	(90,077)	(145,015)	(235,092)
Endowment net assets, end of year	\$ 5,645,537	\$ 18,673,866	\$ 24,319,403

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 15 – MUSEUM SUPPORT AND TRANSACTIONS

The Foundation provided total funding of \$6,196,816 and \$3,077,273 in direct benefits to the Museums during the years ended June 30, 2022 and 2021, 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 \$2,237,604 and \$1,833,346 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, respectively.

### 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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Federal	\$ 703,550	\$ 189,663
Private	671,587	217,561
Municipal	<u>25,093</u>	<u>-</u>
	<u>\$ 1,400,230</u>	<u>\$ 407,224</u>

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 18 – MUSEUM SHOPS AND LICENSING

A summary of operations of the Museum Shops and Licensing for the years ended June 30, 2022 and 2021, is as follows:

	2022		
	<u>Museum Shops</u>	<u>Licensing</u>	<u>Total</u>
Net sales	\$ 3,589,865	\$ 135,776	\$ 3,725,641
Costs of sales	<u>1,859,200</u>	<u>-</u>	<u>1,859,200</u>
Gross profit	1,730,665	135,776	1,866,441
Operating and administrative expenses:			
Salaries and payroll benefits	903,293	-	903,293
Bank and credit card fees	99,407	-	99,407
Professional services	11,513	79,211	90,724
Software	50,788	-	50,788
Packing and shipping	23,042	-	23,042
Advertising and promotion	17,111	-	17,111
Insurance	17,000	-	17,000
Phone	11,453	-	11,453
Supplies	7,840	-	7,840
Travel	6,213	-	6,213
Warehouse	4,471	-	4,471
Rent and parking	2,500	-	2,500
Other	<u>3,187</u>	<u>208</u>	<u>3,395</u>
Total operating and administrative expenses	<u>1,157,818</u>	<u>79,419</u>	<u>1,237,237</u>
Net income	<u>\$ 572,847</u>	<u>\$ 56,357</u>	<u>\$ 629,204</u>

# Museum of New Mexico Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 18 – MUSEUM SHOPS AND LICENSING – CONTINUED

	2021		
	Museum Shops	Licensing	Total
Net sales	\$ 1,384,884	\$ 109,683	\$ 1,494,567
Costs of sales	791,981	-	791,981
Gross profit	592,903	109,683	702,586
Operating and administrative expenses:			
Salaries and payroll benefits	654,115	-	654,115
Professional services	57,393	85,968	143,361
Bank and credit card fees	28,333	-	28,333
Insurance	17,521	-	17,521
Phone	14,135	-	14,135
Warehouse	10,400	-	10,400
Packing and shipping	8,069	-	8,069
Advertising and promotion	7,565	-	7,565
Other	2,163	3,215	5,378
Rent and parking	2,512	-	2,512
Supplies	1,283	-	1,283
Travel	334	-	334
Total operating and administrative expenses	803,823	89,183	893,006
Net loss	\$ (210,920)	\$ 20,500	\$ (190,420)

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, 2022 and 2021**

### **NOTE 19 – FUTURE ACCOUNTING PRONOUNCEMENTS**

Effective for its annual financial statements for 2023, 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.