



Report of Independent Auditors
and Financial Statements

Museum of New Mexico Foundation

June 30, 2024 and 2023

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Report of Independent Auditors

The Board of Trustees
Museum of New Mexico Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Museum of New Mexico Foundation, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Museum of New Mexico Foundation as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter – 2023 Financial Statements

The financial statements of Museum of New Mexico Foundation for the year ended June 30, 2023, were audited by other auditors, whose report dated November 1, 2023, expressed an unmodified opinion on those financial statements.

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 Museum of New Mexico Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 Museum of New Mexico 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 Museum of New Mexico 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Albuquerque, New Mexico

October 29, 2024

Financial Statements

Museum of New Mexico Foundation
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,142,762	\$ 7,879,211
Unconditional promises to give, current	219,878	396,407
Advances to the Museums and other receivables	2,500	2,500
Grants receivable, net	87,892	646,981
Bequests receivable	-	228,000
Museum shop inventory	1,779,086	1,482,855
Prepaid expenses	36,326	5,676
Investments	41,589,100	34,573,328
Total current assets	47,857,544	45,214,958
NON-CURRENT ASSETS		
Unconditional promises to give, non-current, net of allowance for credit losses and unamortized discounts of \$64,043 and \$104,043 in 2024 and 2023, respectively	174,133	166,052
Property and equipment, net	2,240,075	1,950,523
Collections - works of art	254,899	244,659
Total non-current assets	2,669,107	2,361,234
TOTAL ASSETS	\$ 50,526,651	\$ 47,576,192
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 59,376	\$ 83,719
Accrued vacation payable	259,835	232,421
Charitable annuity obligations	37,320	-
Other liabilities	3,439	2,745
Total current liabilities	359,970	318,885
Charitable annuity obligations, non-current	136,668	180,010
Total liabilities	496,638	498,895
NET ASSETS		
Without donor restrictions		
Undesignated	17,933,503	17,193,068
Board designated endowments	6,648,668	6,498,918
Board designated funds	3,717,240	3,717,240
Total net assets without donor restrictions	28,299,411	27,409,226
With donor restrictions		
Time or purpose restricted	603,422	1,352,140
Perpetual in nature	21,127,180	18,315,931
Total net assets with donor restrictions	21,730,602	19,668,071
Total net assets	50,030,013	47,077,297
TOTAL LIABILITIES AND NET ASSETS	\$ 50,526,651	\$ 47,576,192

See accompanying notes.

Museum of New Mexico Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Membership dues	\$ 1,691,099	\$ -	\$ 1,691,099
Designated gifts and other unconditional promises to give	3,256,989	779,723	4,036,712
Grants	-	625,706	625,706
Museum shops and licensing, net	446,716	-	446,716
Special event income and other	1,164,640	-	1,164,640
Donated services	354,139	-	354,139
	<u>6,913,583</u>	<u>1,405,429</u>	<u>8,319,012</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,130,308</u>	<u>(2,130,308)</u>	<u>-</u>
EXPENSES			
Funding to the Museums System	5,132,140	-	5,132,140
Development and membership services for the Museum System	3,113,674	-	3,113,674
Financial support services and advocacy for the Museum System	454,591	-	454,591
Management and general	456,253	-	456,253
Fundraising	113,146	-	113,146
	<u>9,269,804</u>	<u>-</u>	<u>9,269,804</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>(225,913)</u>	<u>(724,879)</u>	<u>(950,792)</u>
OTHER INCOME			
Investment income and net realized/unrealized gain on investment, net of \$36,292 of investment fees	1,109,598	2,787,410	3,897,008
Gain on disposal of property and equipment	6,500	-	6,500
	<u>890,185</u>	<u>2,062,531</u>	<u>2,952,716</u>
CHANGES IN NET ASSETS	<u>890,185</u>	<u>2,062,531</u>	<u>2,952,716</u>
NET ASSETS, beginning of year	<u>27,409,226</u>	<u>19,668,071</u>	<u>47,077,297</u>
NET ASSETS, end of year	<u>\$ 28,299,411</u>	<u>\$ 21,730,602</u>	<u>\$ 50,030,013</u>

See accompanying notes.

Museum of New Mexico Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Membership dues	\$ 1,629,265	\$ -	\$ 1,629,265
Designated gifts and other unconditional promises to give	4,390,796	234,970	4,625,766
Grants	507,724	282,925	790,649
Museum shops and licensing, net	411,852	-	411,852
Special event income and other	823,697	-	823,697
Donated services	292,448	-	292,448
Total revenue and support	<u>8,055,782</u>	<u>517,895</u>	<u>8,573,677</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>5,573,521</u>	<u>(5,573,521)</u>	<u>-</u>
EXPENSES			
Funding to the Museum System	8,846,579	-	8,846,579
Development and membership services for the Museum System	2,356,520	-	2,356,520
Financial support services and advocacy for the Museum System	395,733	-	395,733
Management and general	360,834	-	360,834
Fundraising	104,002	-	104,002
Total expenses	<u>12,063,668</u>	<u>-</u>	<u>12,063,668</u>
CHANGES IN NET ASSETS FROM OPERATIONS	1,565,635	(5,055,626)	(3,489,991)
Investment income and net realized/unrealized (loss) gain on investment, net of \$45,283 of investment fees in 2023	<u>(629,621)</u>	<u>3,584,142</u>	<u>2,954,521</u>
CHANGES IN NET ASSETS	936,014	(1,471,484)	(535,470)
NET ASSETS, beginning of year	<u>26,473,212</u>	<u>21,139,555</u>	<u>47,612,767</u>
NET ASSETS, end of year	<u>\$ 27,409,226</u>	<u>\$ 19,668,071</u>	<u>\$ 47,077,297</u>

See accompanying notes.

Museum of New Mexico Foundation
Statement of Functional Expenses
Year Ended June 30, 2024

	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	\$ 3,443,044	\$ -	\$ -	\$ -	\$ -	\$ 3,443,044
Private, federal, and state grants	872,700	-	-	-	-	872,700
Museum endowment fund	749,265					749,265
Foundation grants	67,131	-	-	-	-	67,131
Total benefits to Museum System	5,132,140	-	-	-	-	5,132,140
OPERATING EXPENSES						
Salaries	-	1,015,015	244,138	212,402	63,427	1,534,982
Consultant/data systems	-	651,672	34,811	22,379	2,486	711,348
Benefits	-	235,013	56,527	49,179	14,686	355,405
In-kind expense	-	274,458	5,312	69,057	5,312	354,139
Promotion	-	171,102	17,376	14,894	2,482	205,854
Printing	-	103,822	17,281	17,281	1,192	139,576
Software	-	71,612	17,903	11,509	1,279	102,303
Depreciation	-	68,995	16,595	14,438	4,311	104,339
Warehouse	-	65,938	7,706	7,706	7,706	89,056
Insurance	-	47,714	6,998	6,362	2,545	63,619
Travel	-	59,239	646	1,292	646	61,823
Credit card	-	28,779	5,961	5,961	411	41,112
Postage	-	25,074	4,421	4,421	305	34,221
Audit	-	18,392	4,427	3,851	1,150	27,820
El Palacio mailing	-	27,050	-	-	-	27,050
Marketing and advertising	-	18,202	1,601	1,601	801	22,205
Equipment lease	-	12,298	2,960	2,575	769	18,602
Telephone	-	11,498	2,767	2,408	719	17,392
Office supplies	-	11,847	2,021	2,021	622	16,511
Dues	-	10,858	2,613	2,274	679	16,424
Bad debt expense	-	9,853	191	2,479	191	12,714
Shonnard	-	7,000	1,000	1,000	1,000	10,000
Professional education	-	3,618	744	648	193	5,203
Donor recognition	-	3,991	-	-	81	4,072
Storage unit	-	1,878	452	393	117	2,840
Parking	-	597	140	122	36	895
Other	-	158,159	-	-	-	158,159
	<u>\$ 5,132,140</u>	<u>\$ 3,113,674</u>	<u>\$ 454,591</u>	<u>\$ 456,253</u>	<u>\$ 113,146</u>	<u>\$ 9,269,804</u>

See accompanying notes.

Museum of New Mexico Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

	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	\$ 7,213,538	\$ -	\$ -	\$ -	\$ -	\$ 7,213,538
Private, federal, and and state grants	923,155	-	-	-	-	923,155
Museum endowment fund	685,886					685,886
Foundation grants	24,000	-	-	-	-	24,000
Total benefits to Museum System	8,846,579	-	-	-	-	8,846,579
OPERATING EXPENSES						
Salaries	-	889,350	192,838	141,096	54,049	1,277,333
Benefits	-	243,233	52,509	38,420	14,717	348,879
In-kind expense	-	226,647	4,387	57,027	4,387	292,448
Consultant/data systems	-	200,249	35,923	23,093	2,566	261,831
Promotion	-	178,285	18,825	16,135	2,689	215,934
Depreciation	-	71,739	16,265	11,901	4,559	104,464
Software	-	70,760	17,676	11,364	1,262	101,062
Printing	-	70,162	14,534	14,534	1,002	100,232
Travel	-	84,012	292	583	292	85,179
Warehouse	-	58,607	7,905	7,905	7,905	82,322
Insurance	-	43,311	6,352	5,775	2,310	57,748
Bad debt expense	-	34,875	675	8,775	675	45,000
Credit card	-	28,516	5,907	5,907	407	40,737
Postage	-	20,083	4,149	4,149	286	28,667
Audit	-	18,429	3,996	2,924	1,120	26,469
Shonnard	-	16,134	2,305	2,305	2,305	23,049
El Palacio mailing	-	21,416	-	-	-	21,416
Equipment lease	-	13,390	2,903	2,124	814	19,231
Other	-	18,867	-	-	-	18,867
Office supplies	-	11,726	2,178	2,178	670	16,752
Telephone	-	11,080	2,402	1,758	673	15,913
Dues	-	10,252	2,223	1,626	623	14,724
Donor recognition	-	6,733	-	-	137	6,870
Professional education	-	4,459	967	707	271	6,404
Marketing and advertising	-	4,642	619	619	309	6,189
Storage unit	-	1,873	404	296	113	2,686
Parking	-	467	101	74	29	671
Contingency	-	(2,777)	(602)	(441)	(168)	(3,988)
	<u>\$ 8,846,579</u>	<u>\$ 2,356,520</u>	<u>\$ 395,733</u>	<u>\$ 360,834</u>	<u>\$ 104,002</u>	<u>\$ 12,063,668</u>

See accompanying notes.

Museum of New Mexico Foundation
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Changes in net assets	\$ 2,952,716	\$ (535,470)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation expense	110,863	104,464
Bad debt expense	12,714	45,000
Gain on disposal of fixed assets	(6,500)	-
Net realized and unrealized gain on investments	(2,501,053)	(2,200,917)
Interest and dividends reinvested	(1,083,874)	(753,604)
Donation of works of art	(10,240)	(219,412)
Net changes in assets and liabilities		
Unconditional promises to give	-	661,762
Advances to the Museums and other receivables	155,734	65,182
Grants receivable	559,089	108,984
Bequests receivable	228,000	2,731,595
Prepaid expenses	(30,650)	6,846
Museum shop inventory	(296,231)	(200,267)
Accounts payable and accrued vacation payable	(25,222)	(88,282)
Accrued vacation payable	27,414	85,619
Charitable annuity obligations	(6,022)	4,656
Other liabilities	1,573	(188)
	<u>88,311</u>	<u>(184,032)</u>
Net cash provided (used) by operating activities		
INVESTING ACTIVITIES		
Proceeds from sales of investments	1,245,945	1,759,661
Purchases of investments	(4,676,790)	(4,421,744)
Purchases of property and equipment	(393,915)	(153,637)
	<u>(3,824,760)</u>	<u>(2,815,720)</u>
Net cash used by investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,736,449)	(2,999,752)
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,879,211</u>	<u>10,878,963</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,142,762</u>	<u>\$ 7,879,211</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Donated collections - works of art	<u>\$ 10,240</u>	<u>\$ 219,412</u>

See accompanying notes.

Museum of New Mexico Foundation

Notes to Financial Statements

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 Museum). 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.

Basis of accounting – The accompanying financial statement of the Foundation have been prepared on the accrual basis of accounting. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

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.

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, 2024 and 2023, 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 credit losses based on anticipated collections.

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 (Board), the Foundation may designate some portion of the advances as future support or grants to the Museums.

Museum of New Mexico Foundation

Notes to Financial Statements

Grants receivable and grant revenue – Grant revenue is recognized in accordance with FASB ASU 2018-08, *Non-Profit Entities (Topic 928): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Grant receivable is the amount due to the Foundation from a grantor for funds that have been awarded but not yet received.

Bequests receivable – Bequests receivable are recognized when the bequest has been formally documented, the Foundation has a reasonable expectation of collection, and the estate or trust has been settled, or there is sufficient evidence to support the value of the bequest. Bequests receivable will be measured at the estimated fair value of the expected cash inflow, based on the terms of the bequest agreement and any relevant information about the estate. The Foundation will assess bequests receivable for collectability at each reporting date. If it is determined that a bequest receivable is not collectible, an allowance for credit loss will be established.

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

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.

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. The Foundation capitalizes all acquisitions greater than \$1,000 and all computers, regardless of cost.

Long-lived assets and impairment – Long-lived assets to be held and used are recorded at cost. Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amounts of such assets may not be recoverable. Recoverability of these assets is determined by comparing the cost to the forecasted, undiscounted net cash flows of operation. No impairment losses on real estate or other long-lived assets were recognized during the years ended June 30, 2024 and 2023.

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 \$10,240 and \$219,412 in 2024 and 2023, respectively.

Museum of New Mexico Foundation

Notes to Financial Statements

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 receive 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.

Accrued vacation payable – The amount of vacation time that employees have earned but not yet taken.

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 (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 Trustees.
- *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.

Revenue recognition – Support from contributions, memberships, 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. 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.

Museum of New Mexico Foundation

Notes to Financial Statements

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 and the Museum shops incur advertising costs related to the Museum shops, special events, and membership development. These costs are expensed as incurred. Advertising expense totaled \$28,273 and \$17,396 for the years ended June 30, 2024 and 2023, 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 the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

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 – Under Section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent, administration of self-insurance and commissions.

Museum of New Mexico Foundation

Notes to Financial Statements

The Foundation utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statement when it is more likely than not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2024 and 2023, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Reclassifications – Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. These reclassifications have no impact on the Foundation's change in net assets.

New accounting standards – On July 1, 2023, the Foundation adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including promises to give.

The Foundation adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under ASC 326, while prior amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in no change to the allowance for credit losses or the beginning balance of net assets.

Subsequent events – Subsequent events are events or transactions that occur after the statements of financial position date but before the financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that exist at the date of the statements of financial position but arose after the statements of financial position date and before the financial statements are available to be issued.

The Foundation has evaluated all events occurring subsequent to June 30, 2024 through October 29, 2024, which is the date that the financial statements were available to be issued.

Museum of New Mexico Foundation
Notes to Financial Statements

Note 2 – Liquidity and Availability of Financial Assets

The following reflects the Foundation’s financial assets as June 30, 2024 and 2023, available for general expenditure within one year of the statement of financial position date:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,142,762	\$ 7,879,211
Unconditional promises to give, net	394,011	562,459
Grants	87,892	646,981
Bequests receivable	-	228,000
Investments	<u>41,589,100</u>	<u>34,573,328</u>
 Total financial assets	 <u>46,213,765</u>	 <u>43,889,979</u>
 Less amounts not available to be used within one year:		
Unconditional promises to give, non-current	(174,133)	(166,052)
Net assets without donor restrictions – board designated	(10,365,908)	(10,216,158)
Net assets with donor restrictions	<u>(21,730,602)</u>	<u>(19,668,071)</u>
 Financial assets available to meet cash needs for general expenditure	 <u>\$ 13,943,122</u>	 <u>\$ 13,839,698</u>

The Foundation manages its cash flow and liquidity on an ongoing 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 13. 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 for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary.

Museum of New Mexico Foundation

Notes to Financial Statements

Note 3 – Unconditional Promises to Give

Collections of unconditional promises to give for each of the years succeeding June 30, 2024 and 2023, are expected to occur as follows:

	2024	2023
In less than one year	\$ 219,878	\$ 396,407
In one to five years	238,176	270,095
Bequests receivable	-	228,000
	458,054	894,502
Less: allowance for credit loss	(25,000)	(65,000)
Less: discount to net present value	(39,043)	(39,043)
	\$ 394,011	\$ 790,459

The Foundation was 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, \$0 and \$228,000 as of June 30, 2024 and 2023, as bequests receivable.

Note 4 – Conditional Promises To Give

The Foundation is the beneficiary of several bequests totaling approximately \$40,707,470. 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.

Note 5 – Investments

Investment activity for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Investments, beginning of year	\$ 34,573,328	\$ 28,956,724
Proceeds from investment sales	(1,245,945)	(1,759,661)
Purchases of investments	4,676,790	4,421,744
Reinvested dividends/capital gains	1,083,874	753,604
Realized/unrealized gains	2,501,053	2,200,917
Investments, end of year	\$ 41,589,100	\$ 34,573,328

Museum of New Mexico Foundation

Notes to Financial Statements

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, 2024 and 2023:

	Assets at Fair Value as of June 30, 2024			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Equity	\$ 19,913,173	\$ -	\$ -	\$ 19,913,173
Close end equity	6,302,276	-	-	6,302,276
Fixed taxable	8,392,036	-	-	8,392,036
Money market funds	766,238	-	-	766,238
Treasury note	4,987,519	-	-	4,987,519
Equities - foreign	1,227,858	-	-	1,227,858
	<u>\$ 41,589,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,589,100</u>
	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	\$ 17,579,488	\$ -	\$ -	\$ 17,579,488
Close end equity	5,436,119	-	-	5,436,119
Fixed taxable	5,108,708	-	-	5,108,708
Money market funds	1,851,160	-	-	1,851,160
Treasury note	2,964,587	-	-	2,964,587
Equities - foreign	1,633,266	-	-	1,633,266
	<u>\$ 34,573,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,573,328</u>

The 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, 2024.

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

Mutual funds, equities, and exchange-traded funds – Valued using prices quoted in active markets for identical or similar assets.

Treasury note – Valued using prices quoted in active markets.

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.

Museum of New Mexico Foundation
Notes to Financial Statements

Note 7 – Property and Equipment

Property and equipment consist of the following at June 30, 2024 and 2023:

	2024	2023
Buildings	\$ 1,701,747	\$ 1,701,747
Leasehold improvements	1,904,240	1,506,090
Furniture and equipment	584,206	698,365
Real estate	316,217	222,033
Vehicles	22,239	19,646
	4,528,649	4,147,881
Less accumulated depreciation	(2,288,574)	(2,197,358)
	\$ 2,240,075	\$ 1,950,523

The leasehold improvements are primarily comprised of improvements made to the Museum shops.

Depreciation expense for the years ended June 30, 2024 and 2023, was \$110,863 and \$104,464, respectively.

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 \$109,918 and \$106,520 for the years ended June 30, 2024 and 2023, 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 had an unsecured line of credit with a financial institution with a credit limit of \$2,500,000. The line matured in December 2022 and was not renewed.

Museum of New Mexico Foundation

Notes to Financial Statements

Note 10 – 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 Memorandum of Understanding 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 does not record lease liabilities of right-of-use assets for leases with an initial term of 12 months or less, or those whose impact are insignificant to the financial statements. The Foundation leases certain equipment under operating leases that will expire through May 2028. Additionally, there are storage space leases which are month-to-month. Rental expense totaled \$28,817 and \$30,298 in fiscal 2024 and 2023, respectively.

Note 11 – 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 2001, the Foundation’s board designated \$1,000,000 in endowment for the benefit of the four exhibiting units of the Museums. During 2002, the board designated \$250,000 for the benefit of the State historic sites. 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 of \$3,717,240 for use by applicable individual divisions of the Museums at June 30, 2024 and 2023, 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. The board-designed amount received are \$347,291 and \$450,683 as of June 30, 2024 and 2023, respectively.

Museum of New Mexico Foundation
Notes to Financial Statements

Note 12 – Net Assets with Donor Restrictions

Net assets with donor restriction as of June 30, 2024 and 2023 include:

	2024	2023
Perpetual in Nature:		
Museum of International Folk Art	\$ 4,525,116	\$ 4,525,116
Museum of Indian Arts and Culture	6,535,855	6,069,623
Endowment	10,066,209	7,721,192
	\$ 21,127,180	\$ 18,315,931
Time Restricted:		
Museum of Indian Arts and Culture	295,000	451,250
Museum of Fine Art	98,780	51,453
Campaign for New Mexico History	25,000	53,333
Museum of International Folk Arts	14,041	102,413
Corporate Partners	12,083	6,458
New Mexico History Museum	10,000	-
Charitable Remainder Trusts	-	228,000
	454,904	892,907
Purpose Restricted:		
Museum of Indian Arts and Culture	62,323	263,617
Museum of Art	37,238	1,235
Museum of New Mexico Foundation memberships	108	103,779
Museum of International Folk Arts	-	74,293
Pierce Estate	-	55,352
	99,669	498,276
Grants	127,892	-
	682,465	1,391,183
Less allowance for credit loss	(40,000)	-
Less discount on unconditional promises to give	(39,043)	(39,043)
	\$ 603,422	\$ 1,352,140

Museum of New Mexico Foundation

Notes to Financial Statements

Note 13 – 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. 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 includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, 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.

Museum of New Mexico Foundation

Notes to Financial Statements

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 2024 and 2023) 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.

Endowment Net Assets Composition of Type of Fund as of June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 21,127,180	\$ 21,127,180
Board-designated endowment funds	6,648,668	-	6,648,668
Total funds	\$ 6,648,668	\$ 21,127,180	\$ 27,775,848

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,498,918	\$ 18,315,931	\$ 24,814,849
Contributions	1,911	464,320	466,231
Investment return			
Investment income	145,781	490,314	636,095
Net appreciation (realized/unrealized)	417,600	2,297,096	2,714,696
	565,292	3,251,730	3,817,022
Appropriation of endowment assets for expenditure	(255,773)	(136,609)	(392,382)
Other changes			
Transfers out and/or reclassifications of funds	(165,396)	(322,766)	(488,162)
Administration fees	5,627	18,894	24,521
Endowment net assets, end of year	\$ 6,648,668	\$ 21,127,180	\$ 27,775,848

Museum of New Mexico Foundation
Notes to Financial Statements

Endowment Net Assets Composition of Type of Fund as of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 18,315,931	\$ 18,315,931
Board-designated endowment funds	6,498,918	-	6,498,918
Total funds	<u>\$ 6,498,918</u>	<u>\$ 18,315,931</u>	<u>\$ 24,814,849</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,793,865	\$ 16,052,240	\$ 22,846,105
Contributions	74,965	1,915,673	1,990,638
Investment return			
Investment income	526,523	403,547	930,070
Net appreciation (realized/unrealized)	50,444	1,284,523	1,334,967
	651,932	3,603,743	4,255,675
Appropriation of endowment assets for expenditure	(90,232)	(135,170)	(225,402)
Other changes			
Transfers out and/or reclassifications of funds	(848,234)	(1,177,940)	(2,026,174)
Administration fees	(8,413)	(26,942)	(35,355)
Endowment net assets, end of year	<u>\$ 6,498,918</u>	<u>\$ 18,315,931</u>	<u>\$ 24,814,849</u>

Museum of New Mexico Foundation

Notes to Financial Statements

Note 14 – Museum Support and Transactions

The Foundation provided total funding of \$5,132,140 and \$8,846,579 in direct benefits to the Museums during the years ended June 30, 2024 and 2023, 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 \$3,568,265 and \$2,752,253 for the years ended June 30, 2024 and 2023, respectively, in providing development services, membership services, financial services support, and advocacy for the Museums.

Note 15 – 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 realizable 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, 2024 and 2023, respectively.

Note 16 – 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, 2024.

	<u>2024</u>	<u>2023</u>
Federal	\$ 505,706	\$ 469,851
Private	100,000	282,925
Municipal	<u>20,000</u>	<u>37,873</u>
Grants, end of year	<u>\$ 625,706</u>	<u>\$ 790,649</u>

Museum of New Mexico Foundation
Notes to Financial Statements

Note 17 – Museum Shops and Licensing

A summary of operations of the Museum shops and licensing for the years ended June 30, 2024 and 2023, is as follows:

	2024		
	Museum Shops	Licensing	Total
Net sales	\$ 3,747,296	\$ 142,266	\$ 3,889,562
Costs of sales	1,863,843	-	1,863,843
Gross profit	1,883,453	142,266	2,025,719
Operating and administrative expenses			
Salaries and payroll benefits	1,169,594	-	1,169,594
Professional services	18,112	85,076	103,188
Bank and credit card fees	90,523	-	90,523
Software	57,471	-	57,471
Packing and shipping	40,526	-	40,526
Advertising and promotion	23,131	1,551	24,682
Insurance	20,425	-	20,425
Phone	14,717	-	14,717
Travel	11,063	-	11,063
Supplies	10,937	-	10,937
Rent and parking	10,905	-	10,905
Depreciation	6,524	-	6,524
Warehouse	4,164	-	4,164
Other	11,551	2,733	14,284
Total operating and administrative expenses	1,489,643	89,360	1,579,003
Net revenue, Museum shops and licensing	\$ 393,810	\$ 52,906	\$ 446,716

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	2023		
	Museum Shops	Licensing	Total
Net sales	\$ 3,484,187	\$ 111,272	\$ 3,595,459
Costs of sales	1,826,386	-	1,826,386
Gross profit	1,657,801	111,272	1,769,073
Operating and administrative expenses			
Salaries and payroll benefits	987,110	-	987,110
Bank and credit card fees	93,873	-	93,873
Professional services	16,045	82,538	98,583
Software	54,005	-	54,005
Packing and shipping	27,025	-	27,025
Advertising and promotion	16,613	-	16,613
Insurance	19,500	-	19,500
Phone	11,629	-	11,629
Supplies	16,244	-	16,244
Travel	9,392	-	9,392
Warehouse	4,598	-	4,598
Rent and parking	9,143	-	9,143
Other	8,709	797	9,506
Total operating and administrative expenses	1,273,886	83,335	1,357,221
Net revenue, Museum shops and licensing	\$ 383,915	\$ 27,937	\$ 411,852

As discussed in Note 10, 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.

