



Report of Independent Auditors
and Financial Statements

Museum of New Mexico Foundation

June 30, 2025 and 2024

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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, 2025 and 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, 2025 and 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 audits 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 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 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.

Baker Tilly US, LLP

Albuquerque, New Mexico
December 12, 2025

Financial Statements

Museum of New Mexico Foundation
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,400,695	\$ 4,142,762
Unconditional promises to give, current	43,271	219,878
Advances to the Museums and other receivables	3,198,415	2,500
Grants receivable, net	-	87,892
Museum shop inventory	1,749,049	1,779,086
Prepaid expenses	25,478	36,326
Investments	41,892,178	41,589,100
Total current assets	51,309,086	47,857,544
NON-CURRENT ASSETS		
Unconditional promises to give, non-current, net of allowance for credit losses and unamortized discounts of \$64,043 and \$64,043 in 2025 and 2024, respectively	1,106,114	174,133
Property and equipment, net	2,195,596	2,240,075
Collections - works of art	254,899	254,899
Total non-current assets	3,556,609	2,669,107
TOTAL ASSETS	\$ 54,865,695	\$ 50,526,651
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 205,405	\$ 59,376
Accrued vacation payable	226,601	259,835
Charitable annuity obligations	-	37,320
Other liabilities	3,161	3,439
Total current liabilities	435,167	359,970
Charitable annuity obligations, non-current	161,548	136,668
Total liabilities	596,715	496,638
NET ASSETS		
Without donor restrictions		
Undesignated	18,760,284	17,933,503
Board designated endowments	7,253,284	6,648,668
Board designated funds	3,717,240	3,717,240
Total net assets without donor restrictions	29,730,808	28,299,411
With donor restrictions		
Time or purpose restricted	245,985	603,422
Perpetual in nature	24,292,187	21,127,180
Total net assets with donor restrictions	24,538,172	21,730,602
Total net assets	54,268,980	50,030,013
TOTAL LIABILITIES AND NET ASSETS	\$ 54,865,695	\$ 50,526,651

See accompanying notes.

Museum of New Mexico Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Membership dues	\$ 1,713,324	\$ -	\$ 1,713,324
Designated gifts and other unconditional promises to give	3,056,033	1,238,234	4,294,267
Grants	-	314,465	314,465
Museum shops and licensing, net	228,814	-	228,814
Special event income and other	960,064	-	960,064
Donated services	274,255	-	274,255
Total revenue and support	<u>6,232,490</u>	<u>1,552,699</u>	<u>7,785,189</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,525,437</u>	<u>(1,525,437)</u>	<u>-</u>
EXPENSES			
Funding to the Museums System	4,169,042	-	4,169,042
Development and membership services for the Museum System	2,647,071	-	2,647,071
Financial support services and advocacy for the Museum System	470,937	-	470,937
Management and general	498,496	-	498,496
Fundraising	110,544	-	110,544
Total expenses	<u>7,896,090</u>	<u>-</u>	<u>7,896,090</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(138,163)	27,262	(110,901)
OTHER INCOME			
Investment income and net realized/unrealized gain on investment, net of \$129,708 of investment fees	<u>1,569,560</u>	<u>2,780,308</u>	<u>4,349,868</u>
CHANGES IN NET ASSETS	1,431,397	2,807,570	4,238,967
NET ASSETS, beginning of year	<u>28,299,411</u>	<u>21,730,602</u>	<u>50,030,013</u>
NET ASSETS, end of year	<u>\$ 29,730,808</u>	<u>\$ 24,538,172</u>	<u>\$ 54,268,980</u>

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>
Total revenue and support			
	<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 Museum 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>
Total expenses			
	<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>
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 Functional Expenses
Year Ended June 30, 2025

	Funding to the Museum System	Development and Membership Services	Financial Support Services and Advocacy	Management and General	Fundraising	Total
BENEFITS TO MUSEUM SYSTEM						
Contributions and special events	\$ 2,926,928	\$ -	\$ -	\$ -	\$ -	\$ 2,926,928
Private, federal, and state grants	358,702	-	-	-	-	358,702
Museum endowment fund	799,240	-	-	-	-	799,240
Foundation grants	84,172	-	-	-	-	84,172
Total benefits to Museum System	4,169,042	-	-	-	-	4,169,042
OPERATING EXPENSES						
Salaries	-	968,035	234,540	238,423	59,945	1,500,943
Consultant/data systems	-	431,998	49,924	32,094	3,566	517,582
Benefits	-	249,529	60,457	61,458	15,452	386,896
In-kind expense	-	212,548	4,114	53,480	4,114	274,256
Promotion	-	194,500	19,277	16,523	2,754	233,054
Printing	-	87,600	18,146	18,146	1,251	125,143
Software	-	76,801	19,195	12,339	1,371	109,706
Depreciation	-	54,149	13,119	13,337	3,353	83,958
Warehouse	-	53,616	7,659	7,659	7,659	76,593
Insurance	-	51,514	7,555	6,869	2,747	68,685
Audit	-	44,034	10,669	10,845	2,727	68,275
Postage	-	26,310	5,450	5,450	376	37,586
Credit card	-	25,442	5,266	5,266	363	36,337
El Palacio mailing	-	27,462	-	-	-	27,462
Equipment lease	-	13,196	3,197	3,250	817	20,460
Office supplies	-	14,343	2,575	2,575	792	20,285
Telephone	-	13,054	3,163	3,215	808	20,240
Dues	-	11,683	2,831	2,878	723	18,115
Marketing and advertising	-	10,054	1,341	1,341	670	13,406
Travel	-	7,266	454	908	454	9,082
Professional education	-	5,488	1,330	1,352	340	8,510
Storage unit	-	2,165	458	465	117	3,205
Bad debt expense	-	1,738	34	437	34	2,243
Donor recognition	-	897	-	-	18	915
Shonnard	-	434	62	62	62	620
Parking	-	340	82	84	21	527
Contingency	-	161	39	40	10	250
Packing and shipping	-	40	-	-	-	40
Other	-	62,674	-	-	-	62,674
	<u>\$ 4,169,042</u>	<u>\$ 2,647,071</u>	<u>\$ 470,937</u>	<u>\$ 498,496</u>	<u>\$ 110,544</u>	<u>\$ 7,896,090</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
	\$ 5,132,140	\$ 3,113,674	\$ 454,591	\$ 456,253	\$ 113,146	\$ 9,269,804

See accompanying notes.

Museum of New Mexico Foundation
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING ACTIVITIES		
Changes in net assets	\$ 4,238,967	\$ 2,952,716
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation expense	134,130	110,863
Credit loss expense	2,243	12,714
Gain on disposal of fixed assets	-	(6,500)
Net realized and unrealized gain on investments	(3,857,321)	(2,501,053)
Interest and dividends reinvested	(1,413,162)	(1,083,874)
Donation of works of art	-	(10,240)
Net changes in assets and liabilities		
Unconditional promises to give	(757,617)	-
Advances to the Museums and other receivables	(3,195,915)	155,734
Grants receivable	87,892	559,089
Bequests receivable	-	228,000
Prepaid expenses	10,848	(30,650)
Museum shop inventory	30,037	(296,231)
Accounts payable and accrued vacation payable	146,029	(25,222)
Accrued vacation payable	(33,234)	27,414
Charitable annuity obligations	(12,440)	(6,022)
Other liabilities	(278)	1,573
	(4,619,821)	88,311
Net cash (used) provided by operating activities		
INVESTING ACTIVITIES		
Proceeds from sales of investments	42,170,933	1,245,945
Purchases of investments	(37,203,528)	(4,676,790)
Purchases of property and equipment	(89,651)	(393,915)
	4,877,754	(3,824,760)
Net cash provided (used) by investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	257,933	(3,736,449)
CASH AND CASH EQUIVALENTS, beginning of year	4,142,762	7,879,211
CASH AND CASH EQUIVALENTS, end of year	\$ 4,400,695	\$ 4,142,762
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Donated collections - works of art	\$ -	\$ 10,240

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 presentation – The accompanying financial statement of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), and in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 958), *Not-for-Profit Entities*. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *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.

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.

Museum of New Mexico Foundation

Notes to Financial Statements

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, 2025 and 2024, the effective discount rate is 3.4% and 2.0%, respectively. 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.

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 – The Foundation carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Investment transactions, including transfers between the levels of fair value inputs, are recognized as of the date of the event. The hedge and private equity investments, which are not readily marketable, are valued using the net asset value (NAV) practical expedient (see Note 6 for definition). The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

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

Museum of New Mexico Foundation

Notes to 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, 2025 and 2024.

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 \$0 and \$10,240 in 2025 and 2024, respectively.

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.

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 \$16,586 and \$28,273 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

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, 2025 through December 12, 2025, which is the date that the financial statements were available to be issued.

Note 2 – Liquidity and Availability of Financial Assets

The following reflects the Foundation’s financial assets as June 30, 2025 and 2024, available for general expenditure within one year of the statement of financial position date:

	2025	2024
Cash and cash equivalents	\$ 4,400,695	\$ 4,142,762
Unconditional promises to give, net	1,149,385	394,011
Grants	-	87,892
Investments	41,892,178	41,589,100
Total financial assets	47,442,258	46,213,765
Less amounts not available to be used within one year:		
Unconditional promises to give, non-current	(1,106,114)	(174,133)
Net assets without donor restrictions – board designated	(10,970,524)	(10,365,908)
Net assets with donor restrictions	(24,538,172)	(21,730,602)
Financial assets available to meet cash needs for general expenditure	\$ 10,827,448	\$ 13,943,122

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.

Museum of New Mexico Foundation

Notes to Financial Statements

The Foundation's endowment is subject to an annual spending rate as discussed in Note 12. 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.

Note 3 – Unconditional Promises to Give

Collections of unconditional promises to give for each of the years succeeding June 30, 2025 and 2024, are expected to occur as follows:

	2025	2024
In less than one year	\$ 43,271	\$ 219,878
In one to five years	1,170,157	238,176
	1,213,428	458,054
Less: allowance for credit loss	(25,000)	(25,000)
Less: discount to net present value	(39,043)	(39,043)
	\$ 1,149,385	\$ 394,011

Note 4 – Conditional Promises to Give

The Foundation is the beneficiary of several bequests totaling approximately \$42,526,000. 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, 2025 and 2024, is as follows:

	2025	2024
Investments, beginning of year	\$ 41,589,100	\$ 34,573,328
Proceeds from investment sales	(42,170,933)	(1,245,945)
Purchases of investments	37,203,528	4,676,790
Reinvested dividends/capital gains	1,413,162	1,083,874
Realized/unrealized gains	3,857,321	2,501,053
	\$ 41,892,178	\$ 41,589,100

Museum of New Mexico Foundation

Notes to Financial Statements

Note 6 – Fair Value Measurements

In determining fair value, the Foundation uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

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, 2025 and 2024:

	Assets at Fair Value as of June 30, 2025			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity	\$ 13,912,873	\$ -	\$ -	\$ 13,912,873
Fixed taxable	8,306,399	-	-	8,306,399
Fixed income - other	-	1,278,865	-	1,278,865
Money market funds	56,787	-	-	56,787
Treasury notes	3,504,451	-	-	3,504,451
	<u>\$ 25,780,510</u>	<u>\$ 1,278,865</u>	<u>\$ -</u>	<u>\$ 27,059,375</u>
Investments measured at NAV-practical expedient				<u>\$ 14,832,803</u>
Total investments				<u>\$ 41,892,178</u>
	Assets at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
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 notes	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>

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, 2025.

Money market funds – Valued at net realizable value which approximates fair value. Money market funds are generally classified within Level 1 of the valuation hierarchy.

Mutual funds and equities– Valued using prices quoted in active markets for identical or similar assets. These securities are generally classified within Level 1 of the valuation hierarchy.

Fixed income – other – Value at the market value of the asset, which is a market-based approach based on the quoted market prices of the underlying securities.

Treasury notes – Valued using prices quoted in active markets. Treasury notes are generally classified within Level 1 of the valuation hierarchy.

Museum of New Mexico Foundation

Notes to Financial Statements

The Foundation follows the provisions of ASU 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share*. This accounting standard update allows the Foundation to use NAV per share to estimate the fair value of alternative investments as a practical expedient. In accordance with ASU 2015-07 and FASB Topic 820-10, certain investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. The Foundation's alternative investments in multi-strategy funds, real assets, private equity funds, and fixed income funds are valued using NAV per share.

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.

The following summarizes information related to the investment whose fair value is determined based upon NAV practical expedient and has redemption restrictions as of June 30, 2025:

	<u>Commitment Amount</u>	<u>Contributions to Date</u>	<u>Remaining Commitments</u>	<u>Estimate Fair Value of Invested Funds</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments at NAV						
Private Equity	\$ 14,370,000	\$ 14,370,000	\$ -	<u>\$ 14,832,803</u>	Varies daily to quarterly	0 - 90 days
Total NAV				<u>\$ 14,832,803</u>		

These represent investments in hedge funds, managed futures and commodities platform, a global alternatives fund, an active income fund, an absolute return fund, a private investment, and a long/short equity fund.

Changes in fair value levels – The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2025 and 2024, there were no significant transfers in or out of Level 1, 2, or 3.

Management utilizes investment managers to measure the fair value of the Level 2 investments and relies on the fair value methods used by the investment managers. Fair values for assets in level 2 are calculated using quoted market prices for similar assets in markets that are not active.

At least annually, investment managers evaluate and adjust the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

Museum of New Mexico Foundation
Notes to Financial Statements

Note 7 – Property and Equipment

Property and equipment consist of the following at June 30, 2025 and 2024:

	2025	2024
Buildings	\$ 1,701,747	\$ 1,701,747
Leasehold improvements	2,005,031	1,904,240
Furniture and equipment	503,186	584,206
Real estate	261,500	316,217
Vehicles	22,239	22,239
	4,493,703	4,528,649
Less accumulated depreciation	(2,298,107)	(2,288,574)
	\$ 2,195,596	\$ 2,240,075

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

Depreciation expense for the years ended June 30, 2025 and 2024, was \$134,130 and \$110,863, 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 \$133,712 and \$109,918 for the years ended June 30, 2025 and 2024, 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.

Museum of New Mexico Foundation

Notes to Financial Statements

Note 9 – 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 \$30,745 and \$28,817 in fiscal 2025 and 2024, respectively.

Note 10 – 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, 2025 and 2024, 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-designated amounts received are \$0 and \$347,291 as of June 30, 2025 and 2024, respectively.

Museum of New Mexico Foundation
Notes to Financial Statements

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restriction as of June 30, 2025 and 2024 include:

	2025	2024
Perpetual in Nature:		
Museum of International Folk Art	\$ 4,525,116	\$ 4,525,116
Museum of Indian Arts and Culture	7,614,839	6,535,855
Endowment	12,152,232	10,066,209
	24,292,187	21,127,180
Time restricted:		
Museum of Indian Arts and Culture	139,500	295,000
Museum of Art	53,480	123,780
Museum of International Folk Art	1,500	14,041
Other	12,500	12,083
New Mexico History Museum	2,000	10,000
New Mexico Historical Sites	1,000	-
	209,980	454,904
Purpose restricted:		
Museum of Indian Arts and Culture	48,180	62,323
Museum of Art	26,868	37,238
Museum of New Mexico Foundation	-	108
	75,048	99,669
Grants	-	127,892
Net assets with donor restrictions - time or purpose restricted	285,028	682,465
Less allowance for credit loss	-	(40,000)
Less discount on unconditional promises to give	(39,043)	(39,043)
	\$ 245,985	\$ 603,422

Museum of New Mexico Foundation

Notes to Financial Statements

Note 12 – 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 2025 and 2024) 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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 24,292,187	\$ 24,292,187
Board-designated endowment funds	7,253,284	-	7,253,284
Total funds	\$ 7,253,284	\$ 24,292,187	\$ 31,545,471

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,648,668	\$ 21,127,180	\$ 27,775,848
Contributions	-	1,078,984	1,078,984
Investment return			
Investment income	172,689	625,846	798,535
Net appreciation (realized/unrealized)	529,198	2,154,464	2,683,662
	701,887	3,859,294	4,561,181
Appropriation of endowment assets for expenditure	-	(166,963)	(166,963)
Other changes			
Transfers out and/or reclassifications of funds	(75,324)	(454,844)	(530,168)
Administration fees	(21,947)	(72,480)	(94,427)
Endowment net assets, end of year	\$ 7,253,284	\$ 24,292,187	\$ 31,545,471

Museum of New Mexico Foundation
Notes to Financial Statements

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

Note 13 – Museum Support and Transactions

The Foundation provided total funding of \$4,169,042 and \$5,132,140 in direct benefits to the Museums during the years ended June 30, 2025 and 2024, 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 \$3,159,236 and \$3,568,265 for the years ended June 30, 2025 and 2024, respectively, in providing development services, membership services, financial services support, and advocacy for the Museums.

Note 14 – 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). Related party donations were approximately \$162,000 and \$348,000 for the years ended June 30, 2025 and 2024, respectively. All donations from Board members are deemed collectible at June 30, 2025 and 2024.

Note 15 – 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, 2025 and 2024.

	2025	2024
Federal	\$ 257,872	\$ 505,706
Private	56,593	100,000
Municipal	-	20,000
Grants, end of year	\$ 314,465	\$ 625,706

Museum of New Mexico Foundation
Notes to Financial Statements

Note 16 – Museum Shops and Licensing

A summary of operations of the Museum shops and licensing for the years ended June 30, 2025 and 2024, is as follows:

	2025		
	Museum Shops	Licensing	Total
Net sales	\$ 3,733,984	\$ 92,190	\$ 3,826,174
Costs of sales	1,917,610	-	1,917,610
Gross profit	1,816,374	92,190	1,908,564
Operating and administrative expenses			
Salaries and payroll benefits	1,213,849	-	1,213,849
Professional services	3,811	86,992	90,803
Bank and credit card fees	87,466	-	87,466
Software	75,768	-	75,768
Depreciation	50,172	-	50,172
Packing and shipping	41,616	-	41,616
Insurance	22,211	-	22,211
Rent and parking	13,912	-	13,912
Phone	13,447	-	13,447
Supplies	12,601	-	12,601
Advertising and promotion	11,763	-	11,763
Audit	9,888	-	9,888
Travel	9,248	-	9,248
Warehouse	6,584	-	6,584
Dues	6,103	5	6,108
Repairs and maintenance	4,088	-	4,088
Professional education	690	-	690
Other	3,831	5,705	9,536
Total operating and administrative expenses	1,587,048	92,702	1,679,750
Net revenue (loss), Museum shops and licensing	<u>\$ 229,326</u>	<u>\$ (512)</u>	<u>\$ 228,814</u>

Museum of New Mexico Foundation
Notes to Financial Statements

	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

As discussed in Note 9, 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.

Note 17 – Subsequent Event

In August 2025, the Foundation received proceeds of \$2,182,503 relating to a bequest-in-will, gift of art and gift of property. The Foundation does not have a final balance of the total bequest. The funds are to be used for the New Mexico Museum of Art.

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