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**ALBUQUERQUE COMMUNITY  
FOUNDATION AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS  
AND  
INDEPENDENT AUDITORS'  
REPORT**

**DECEMBER 31, 2020 AND 2019**

# ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES

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## **Independent Auditors' Report**

To the Board of Trustees  
Albuquerque Community Foundation and  
and Subsidiaries  
Albuquerque, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Albuquerque Community Foundation (a nonprofit organization) and Subsidiaries (collectively referred to as the Foundation), which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements, collectively the financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements

in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

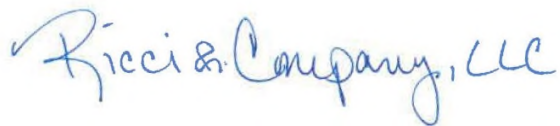
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Albuquerque Community Foundation and Subsidiaries as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

The consolidated financial statements of the Foundation, as of and for the year ended December 31, 2019, were audited by other auditors, whose report, dated November 20, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in blue ink that reads "Ricci & Company, LLC". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico  
July 1, 2021

## **CONSOLIDATED FINANCIAL STATEMENTS**

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 9,182,840	\$ 4,287,776
Pooled investments		
Endowment and other	107,402,957	97,298,393
Social impact investments	2,359,523	1,413,216
Total pooled investments	<u>109,762,480</u>	<u>98,711,609</u>
Pledge receivables	39,334	45,798
Prepaid expenses	21,616	62,261
Notes receivable	190,931	195,034
Property held-for-sale	-	342,050
Other assets	145,045	158,954
Property and equipment, net	1,842,526	1,564,633
Beneficial interest in charitable remainder trusts	3,402,885	3,199,492
	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u><u>\$ 124,587,657</u></u>	<u><u>\$ 108,567,607</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 20,055	\$ 21,444
Grants payable	758,534	114,224
Charitable remainder trusts	2,850,765	2,563,968
Liabilities for assets held for community organizations	18,671,140	16,246,304
	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	<u>22,300,494</u>	<u>18,945,940</u>
 Net Assets		
Without donor restrictions	52,276,238	44,130,216
With donor restrictions	50,010,925	45,491,451
	<u>                    </u>	<u>                    </u>
<b>Total net assets</b>	<u>102,287,163</u>	<u>89,621,667</u>
	<u>                    </u>	<u>                    </u>
<b>Total liabilities and net assets</b>	<u><u>\$ 124,587,657</u></u>	<u><u>\$ 108,567,607</u></u>

*The Consolidated Notes to Financial Statements are an integral part of this statement.*



**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Gain on investments, net of fees of \$190,410	\$ 3,850,786	4,093,062	\$ 7,943,848
Contributions	7,622,733	3,117,481	10,740,214
Dividends and interest	871,314	807,510	1,678,824
Fundraising income	16,856	-	16,856
Other income	159,453	2,750	162,203
Change in value of charitable remainder trust agreements	-	6,771	6,771
Paycheck Protection Loan proceeds	159,800	-	159,800
<b>Total revenue and support</b>	<b>12,680,942</b>	<b>8,027,574</b>	<b>20,708,516</b>
Net assets released from restrictions	3,508,100	(3,508,100)	-
<b>EXPENSES</b>			
Program:			
Distributions and grants	6,377,556	-	6,377,556
Community outreach	869,884	-	869,884
Support			
Management and general	684,584	-	684,584
Fundraising and development	110,996	-	110,996
<b>Total expenses</b>	<b>8,043,020</b>	<b>-</b>	<b>8,043,020</b>
<b>Changes in net assets</b>	<b>8,146,022</b>	<b>4,519,474</b>	<b>12,665,496</b>
Net assets, beginning of year	44,130,216	45,491,451	89,621,667
<b>Net assets, end of year</b>	<b>\$ 52,276,238</b>	<b>50,010,925</b>	<b>\$ 102,287,163</b>

*The Consolidated Notes to Financial Statements are an integral part of this statement.*

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Gain on investments and property held-for sale, net of fees of \$108,580	\$ 5,326,311	4,871,407	\$ 10,197,718
Contributions	3,766,300	3,428,494	7,194,794
Dividends and interest	570,958	459,268	1,030,226
Special events	64,044	70,815	134,859
Other income	133,407	-	133,407
Change in value of charitable remainder trust agreements	-	81,124	81,124
In-kind contributions	10,329	-	10,329
<b>Total revenue and support</b>	<b>9,871,349</b>	<b>8,911,108</b>	<b>18,782,457</b>
Net assets released from restrictions	7,268,465	(7,268,465)	-
<b>EXPENSES</b>			
Program:			
Distributions and grants	4,842,819	-	4,842,819
Community outreach	1,049,534	-	1,049,534
Support			
Management and general	698,903	-	698,903
Fundraising and development	112,531	-	112,531
<b>Total expenses</b>	<b>6,703,787</b>	<b>-</b>	<b>6,703,787</b>
<b>Changes in net assets</b>	<b>10,436,027</b>	<b>1,642,643</b>	<b>12,078,670</b>
Net assets, beginning of year	33,694,189	43,848,808	77,542,997
<b>Net assets, end of year</b>	<b>\$ 44,130,216</b>	<b>45,491,451</b>	<b>\$ 89,621,667</b>

*The Consolidated Notes to Financial Statements are an integral part of this statement.*



**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Distributors and Grants	Community Outreach	Management and General	Fundraising and Development	<b>Total</b>
Grants to organizations	\$ 6,221,937	-	-	-	\$ 6,221,937
Grants to individuals	155,619	-	-	-	155,619
Compensation of officers	-	249,108	167,662	31,209	447,979
Other salaries and wages	-	246,521	165,921	30,885	443,327
Retirement contributions	-	18,260	12,023	2,290	32,573
Other employee benefits	-	36,796	24,876	4,397	66,069
Payroll taxes	-	36,126	21,400	4,616	62,142
Professional fees					
Legal	-	-	21,459	-	21,459
Accounting	-	-	46,310	-	46,310
Other	-	10,307	27,552	1,293	39,152
Office expenses	-	39,018	44,373	3,984	87,375
Information technology	-	56,073	36,921	7,033	100,027
Occupancy	-	40,745	26,828	5,110	72,683
Travel	-	13,504	1,267	241	15,012
Conferences, conventions, and meetings	-	-	11,736	-	11,736
Depreciation	-	35,965	23,681	4,511	64,157
Insurance	-	-	28,110	-	28,110
Other Expenses					
Donor Relations	-	51,110	16,294	13,871	81,275
Membership Dues and Fees	-	6,907	4,548	866	12,321
Training/Development	-	5,502	3,623	690	9,815
Concours	-	23,942	-	-	23,942
	<u>\$ 6,377,556</u>	<u>869,884</u>	<u>684,584</u>	<u>110,996</u>	<u>\$ 8,043,020</u>

*The Consolidated Notes to Financial Statements are an integral part of this statement.*

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Distributors and Grants	Community Outreach	Management and General	Fundraising and Development	Total
Grant distributions	\$ 4,842,819	-	-	-	\$ 4,842,819
Salaries	-	431,629	316,042	56,568	804,239
Retirement contributions	-	13,892	6,960	1,772	22,624
Other employee benefits	-	31,981	18,925	4,322	55,228
Payroll taxes	-	28,978	23,128	3,651	55,757
Professional fees	-	39,010	94,778	5,159	138,947
Office expenses	-	88,169	65,123	11,550	164,842
Information technology	-	51,373	36,943	6,730	95,046
Occupancy	-	21,100	19,421	-	40,521
Travel	-	93,260	11,103	2,023	106,386
Conferences, conventions, and meetings	-	-	13,188	-	13,188
Depreciation	-	37,925	27,274	4,968	70,167
Insurance	-	-	40,564	-	40,564
Other Expenses					
Donor Relations	-	56,850	19,130	14,636	90,616
Membership Dues and Fees	-	6,860	4,933	899	12,692
Training/Development	-	1,934	1,391	253	3,578
Concours	-	146,573	-	-	146,573
	<u>\$ 4,842,819</u>	<u>1,049,534</u>	<u>698,903</u>	<u>112,531</u>	<u>\$ 6,703,787</u>

*The Consolidated Notes to Financial Statements are an integral part of this statement.*

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 12,665,496	\$ 12,078,670
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	64,157	70,167
(Gain) loss on investments	(5,146,616)	(10,197,718)
Reinvested dividends and interest	(1,988,182)	(1,030,226)
Change in value of charitable remainder trust agreements	(6,771)	(81,498)
Donated stock	-	(928,573)
Donation of property held-for-sale	-	(317,500)
Changes in operating assets and liabilities:		
Bequest receivables	-	3,989,750
Pledge receivables	6,464	60,646
Prepaid expenses	40,645	(23,388)
Other assets	13,909	(31,099)
Accounts payable and accrued expenses	(1,389)	(68,183)
Grants payable	644,310	59,224
Liabilities for assets held for community organizations	1,214,716	(145,864)
<b>Net cash provided by operating activities</b>	<b><u>7,506,739</u></b>	<b><u>3,434,408</u></b>
Cash Flows From Investing Activities		
Purchases of investments	(14,701,400)	(13,851,572)
Proceeds from sale of investments	12,085,622	11,029,634
Proceeds from property held-for-sale	-	51,500
Proceeds from note receivables	4,103	498
Improvements to property held-for-sale	-	(24,550)
Purchase of property and equipment	-	(14,531)
<b>Net cash used by investing activities</b>	<b><u>(2,611,675)</u></b>	<b><u>(2,809,021)</u></b>
<b>Net change in cash and cash equivalents</b>	<b>4,895,064</b>	<b>625,387</b>
Cash and cash equivalents, beginning of year	<u>4,287,776</u>	<u>3,662,389</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 9,182,840</u></b>	<b><u>\$ 4,287,776</u></b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Changes in liabilities for assets held for community organizations	<u>\$ 1,210,120</u>	<u>\$ 2,273,098</u>
Sale of property through notes receivable	<u>\$ -</u>	<u>\$ 153,500</u>
In-kind contributions	<u>\$ -</u>	<u>\$ 10,329</u>
Changes in charitable remainder trusts liability	<u>\$ 286,797</u>	<u>\$ (261,698)</u>
Property held-for-sale reclassified as property and equipment	<u>\$ 342,050</u>	<u>\$ -</u>

*The Consolidated Notes to Financial Statements are an integral part of this statement.*

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1. ORGANIZATION AND BUSINESS**

***Organization***

Albuquerque Community Foundation (the Foundation) is a nonprofit, publicly supported philanthropic institution in Albuquerque, New Mexico that manages a pool of charitable funds whose income is used to benefit the community through its grants to local nonprofit organizations, educational programs, and student aid awards.

Contributions and bequests are received from individuals and corporations. The Foundation coordinates receipt and investment of charitable contributions, distributes funds for community needs, and serves as a leader and educational resource by encouraging philanthropy.

During 2000, the Foundation created ACF Holdings, LLC for the purpose of acquiring, selling, and otherwise dealing with certain property interests periodically conveyed by donors to the organization. The LLC will dissolve 60 years from the filing date of the articles of incorporation. ACF Holdings, LLC is consolidated with the financial statements of the Foundation.

During 2010, the Foundation received the donation of a building to be used for the operations of the Foundation. The building is a historic building located in downtown Albuquerque. Upon completion of the renovation, the Foundation moved its operations into the building in June 2012. The Foundation created a wholly owned subsidiary, Historic Champion Grocery Building, LLC (HCGB LLC) to hold the building. HCGB LLC is consolidated with the financial statements of the Foundation. The renovation costs are recoded as depreciable assets.

During 2019, New Mexico Community Trust (NMCT) was formed as a nonprofit corporation in the state of New Mexico for the purposes of building, investing and managing funds to enhance the quality of New Mexico through informed, strategic grant making. NMCT had minimal activity during the year ended December 31, 2020 and no activity for the year ended December 31, 2019.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of Albuquerque Community Foundation and its for-profit wholly owned subsidiaries, ACF Holdings, LLC and HCGB LLC. NMCT, a newly formed nonprofit corporation which is under the control of Albuquerque Community Foundation, is also included in these accompanying consolidated financial statements. All significant intercompany balances and transactions have been eliminated in these consolidated financial statements.

***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

*Basis of Accounting (Continued)*

Under the accounting standards set forth by the Financial Accounting Standards Board, the Foundation is required to report contributions received as support without donor restriction or with donor restriction, depending on the existence of any donor restrictions. In addition, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

*Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the accompanying consolidated financial statements primarily relate to the value of the Foundation's investment portfolio, the beneficial interest in charitable remainder trusts and the value of the charitable remainder trust liabilities.

*Income Tax Status*

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity that is not a private foundation. Management of the Foundation believes that the activities of the Foundation are within their tax-exempt purpose. However, the Foundation may generate income through certain alternative investments that may be subject to unrelated business income tax. Income taxes from such activities are not significant and, accordingly, no provision for income tax has been included in the accompanying consolidated financial statements. The Foundation made no estimated tax payments during 2020 and 2019. ACF Holding, LLC and HCGB LLC are disregarded entities for tax purposes; therefore, no provision for income taxes is provided for in the accompanying consolidated financial statements. The Foundation does not have any uncertain tax positions for the years ended December 31, 2020 and 2019. Any interest and penalties associated with a tax position, when applicable, are classified according to their natural classification in the Foundation's consolidated financial statements. Under the statute of limitations, the Foundation's tax returns are no longer subject to examination by tax authorities for years prior to 2017.

New Mexico Community Trust has applied for but has not yet been approved for exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes exemption will be approved and that NMCT does not have any uncertain tax positions for the years ended December 31, 2020 and 2019.

*Cash and Cash Equivalents*

For purposes of the accompanying consolidated statements of cash flows, the Foundation considers all cash depository accounts and highly liquid investments with original maturities of less than 90 days to be cash equivalents.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

***Pooled Investments***

Investments in marketable securities are carried at fair value; investments in closely held businesses and social impact investments are carried at their estimated net realizable 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 consolidated financial statements.

***Social Impact Investments***

In January 2016 the Foundation's Board of Trustees engaged an Impact Investing Initiative and committed up to 5% of endowed assets to impact investments, where endowment capital would be invested in projects seeking to provide both social impact and financial return. The Foundation's Impact Investing Initiative is managed according to specific principles including: impact investments should be aligned with the Foundation's vision to be a leader in community philanthropy and in consideration of the Foundation's commitment to Diversity, Equity and Inclusion ("DEI"); impact investments shall seek to create social impact in the Greater Albuquerque Metropolitan Area; and impact investments shall seek to provide access to economic opportunities particularly in the areas of economic development, workforce enhancement, education, historic preservation and renovation, and affordable housing. As of December 2020, the Foundation had committed over \$3 million of endowed assets to impact investments; further detail related to impact investing activity is included in Note 5.

***Concentrations of Credit Risks***

The Foundation maintains deposit and investment accounts with various financial institutions and investment brokerage firms. Depository accounts with financial institutions are insured by the Federal Deposit Insurance Corporation; insurance limits on investment accounts vary by financial institution and by type of investment. Balances in these accounts may, at times, exceed federally or commercially insured limits. The Foundation's investments are also subject to the inherent risks associated with the securities market.

***Note Receivables***

The Foundation has two notes receivable related to the sales of real estate. The sales occurred during the years 2019 and 2018, bear interest at 3% and 7%, respectively. The notes require monthly payments and mature in 2022 and 2033, respectively. The Foundation considers notes receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

***Property and Equipment***

Property and equipment are stated at cost. 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 asset acquisitions over \$2,500. Depreciation expense for December 31, 2020 and 2019, was \$64,157 and \$70,167, respectively.



**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

*Property and Equipment (Continued)*

The Foundation reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. 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 net assets without restrictions when the assets are placed in service.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions when the assets are placed in service.

*Charitable Remainder Trusts*

The Foundation has entered into multiple agreements for charitable remainder trusts. Under the terms of the agreements, the Foundation acts as the trustee and has been named as a full or partial beneficiary of the alternative interest. The donors have contributed assets into a trust in exchange for regular distributions over their designated beneficiary's lifetime. Once this period is completed, the Foundation is either a partial or full beneficiary of the remaining interest.

Investments held in charitable remainder trusts are reported at fair value in the Foundation's consolidated statements of financial position. A liability is recognized at inception of the trust at the present value of the estimated payments to beneficiaries over the trust term, which the remainder value to the Foundation recognized as contributions with donor restrictions. The liability is revalued annually using present value techniques.

For some charitable remainder trusts for which the Foundation is the trustee, the donor has the right to change the beneficiaries or the percentage allotted to the Foundation for the trusts. These are accounted for as an obligation until the trust principal reverts to the Foundation and is recorded as a contribution. Assets and liabilities held in these charitable remainder trusts totaled \$2,264,616 in 2020 and \$2,284,833 in 2019 and are reported at fair value in the Foundation's consolidated statements of financial position.

Additionally, the Foundation is the beneficiary of the residual for other charitable remainder trusts for which the donor does not have the right to change the beneficiary or percentage allotted to the Foundation. Assets held in these trusts totaled \$1,138,269 in 2020 and \$914,659 in 2019 and are reported at fair value in the Foundation's consolidated statements of financial position. Annually, the Foundation revalues the liability to make distributions to the designated beneficiaries based on a percentage of the fair value or other amounts as specified by the trust agreement. The present value of the estimated future payments are \$586,149 and \$326,393 at December 31, 2020 and 2019, respectively and were calculated using mortality tables and the discount rate of .06% for the year 2020 and 7.7% for the year 2019.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

*Contributions*

Contributions received, including unconditional promises to give (pledges and bequests), are recognized at fair value as revenues in the period received. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. The Foundation has not accepted any contributions or provided any grants that contain an exchange component. Bequests are deemed unconditional promises to give and are recognized as revenue and receivables when the probate court declares the will valid and the fair value of the Foundation's interest in the estate is determinable. The Foundation received no bequests in 2020 or 2019.

Pledges and bequests that are expected to be received within one year are recorded at their estimated net realizable value. Pledges and bequests that are expected to be received in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free discount rates applicable when the promises are received. Amortization of the discounts is included in contribution revenue.

Management evaluates the value of pledges and bequest receivables on an annual basis in order to identify any circumstances where the Foundation may receive less than what they have recorded. The Foundation has not experienced any such circumstances. As of December 31, 2020, and 2019, all outstanding pledges are expected to be collected within one year. Therefore, no allowance for doubtful accounts has been recorded.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not included as support until the conditions are substantially met. The Foundation is the beneficiary from time to time of certain bequests not yet recognized that have various levels of conditions for which the amounts are undeterminable. Associated revenue is recognized when all conditions of the promise are substantially met.

*Liability for Assets Held for Community Organizations*

The Financial Accounting Standards Board (FASB) ASC 958-605 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for profit organization (NPO) established a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as assets held for community organizations.

The Foundation maintains variance power and legal ownership of the assets held for community organizations and as such continues to report the funds as cash and investments of the Foundation. However, in accordance with FASB ASC 958-605, a liability has been established equivalent to the value of the assets. Both the liability and the assets are measured at fair value.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

*Liability for Assets Held for Community Organizations (Continued)*

Contributions are not recognized as revenue when the Foundation functions in the capacity of an intermediary, trustee, or agent; in these situations, contributions are recognized as a liability for assets held for community organizations.

*Net Assets*

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles for nonprofit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are available for use in general operations and not subject to donor-imposed stipulations or subject to the Foundation's spending policy. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. Board designations have been made for operating reserves in the amounts of \$1,162,178 and \$803,569 at December 31, 2020 and 2019, respectively.

*Net Assets with Donor Restrictions* – Net assets that are subject to donor-imposed stipulations or that are subject to the Foundation's spending policy. Some donor-imposed restrictions are temporary in nature, such as those that may or will be met by the occurrence of a specific event or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

*Donations and In-Kind Contributions*

Donated cash, securities, real estate, furniture and equipment, and in-kind contributions of services that qualify are recorded as assets or contributions at their estimated fair value at date of receipt. As donations and in-kind contributions are utilized, expense is recorded. Total donations and in-kind contributions were \$0 and \$10,329 for the years ended December 31, 2020 and 2019, respectively.

*Endowment Administration*

Management fees of \$1,124,502 and \$1,009,920 were charged by the Foundation to the funds held at the Foundation for administrative costs for the years ended December 31, 2020 and 2019, respectively. These fees are considered revenue to the Foundation's operating fund and expenses to the funds held under endowment.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

***Marketing/Donor Development***

The Foundation uses marketing/donor development activities to promote its programs. Such costs are expensed as incurred. Marketing/donor development expense for the years ended December 31, 2020 and 2019, was \$81,275 and \$90,616, respectively.

***Grant Expenses***

Grants awarded are recognized as grant expense in the period the grant is approved unless the grant is subject to future conditions. Conditional grants are recognized as grant expense and grant payable in the period the measurable performance or other barrier and right of return conditions are met. The Foundation has no conditional grants and grants do not contain any exchange components.

***Functional Expenses***

The Foundation reports its expenses according to four functional classifications: Distributions and Grants, which includes the direct costs of providing benefits and services to the nonprofit community; Community Outreach; Management and General; and Fundraising and Development. Common costs are allocated among the classifications on the basis of estimates of time and effort applied to the various operational areas within the Foundation. The Foundation's Community Impact/Grants staff run the Committee, but all decisions are made by the Committee which is made up of volunteers. These volunteers include Trustees, donors and community members. Competitive grant panels typically occur in the spring. As such, no expenses other than the grants themselves are recorded in the statement of functional expenses.

***Paycheck Protection Program Loan***

The Foundation borrowed \$159,800 under the Paycheck Protection Program (PPP), sponsored by the Small Business Administration (SBA), to provide substantial liquidity to manage the business in light of the COVID-19 outbreak. The loan was used to pay for payroll and other allowable costs and was obtained under the expectation that the amount would be forgiven in full under the terms of the program. On November 18, 2020, the Foundation was notified that the SBA had reviewed and approved the loan forgiveness of the loan. The Foundations accounts for this according to ASC 958-605 and considers it a conditional contribution. As such, the proceeds are included with revenue and support on the Foundation's consolidated statement of activities and with net cash provided by operating activities for the year ended December 31, 2020.

***Fair Value of Financial Instruments***

The carrying value of all the Foundation's assets are presented on the statement of financial position at fair value. The following methods and assumptions were used by the Foundation in estimating the fair values of financial instruments:

Cash and cash equivalents, restricted cash, pledge receivables, bequest receivables, note receivables, other assets, accounts payable and accrued expenses and grants payable - the carrying amounts of these financial instruments approximate their fair value.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 1. ORGANIZATION AND BUSINESS (CONTINUED)**

*Fair Value of Financial Instruments (Continued)*

Pooled investments and charitable remainder trusts - the fair values are estimated based on quality market prices and estimated based on similar investments.

Alternative investments within the pooled investments, are not readily marketable and are valued using the net asset value (NAV) as a practical expedient (see Note 7). 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 assets without donor restrictions if restrictions are met (either by passage of time or by use) in the reporting period in which income and gains are recognized.

*Reclassifications*

Certain reclassifications have been made to the 2019 consolidated financial statements to conform with the 2020 consolidated financial statement presentation.

*Subsequent Events*

Management has evaluated subsequent events through July 1, 2021, the date the financial statements were available to be issued.

**NOTE 2. LIQUIDITY AND AVAILABILITY**

The Foundation receives (1) significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions, (2) gifts to establish endowments that will exist in perpetuity which the income generated from such endowments is used to fund programs and (3) contributions without donor restrictions. For the year ended December 31, 2020, contributions represented approximately 20% of annual operating needs. Additionally, for the year ended December 31, 2020, management fees charged by the Foundation represented 65% of annual operating needs.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising and development expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2. LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Foundation manages its available cash to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets, and;
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fund-raising expenses plus an amount that represents the expected payment for annual grant commitments.

The table below presents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 9,182,840	\$ 4,287,776
Pooled investments		
Endowment and other	107,402,957	97,298,393
Social impact investments	2,359,523	1,413,216
Total pooled investments	<u>109,762,480</u>	<u>98,711,609</u>
Pledge receivables	39,334	45,798
Prepaid expenses	21,616	62,261
Notes receivable	190,931	195,034
Property held-for-sale	-	342,050
Other assets	145,045	158,954
Beneficial interest in charitable remainder trusts	<u>3,402,885</u>	<u>3,199,492</u>
 Total financial assets	 <u>122,745,131</u>	 <u>107,002,974</u>
Less amounts not available to be used within one year:		
Cash and cash equivalents held for community organizations	226,569	182,225
Pooled investments		
Investments in non-liquid securities	33,831,162	26,800,447
Social impact investments	2,359,523	1,413,576
Investments held in endowments	61,675,747	66,549,122
Total pooled investments	<u>97,866,432</u>	<u>94,763,145</u>
Long-term portion of note receivable	197,916	192,799
Property held-for-sale	-	342,050
Other assets	145,045	158,954
Investments held in charitable remainder trusts	<u>3,402,885</u>	<u>3,199,492</u>
 Total financial assets not available to be used within one year	 <u>101,838,847</u>	 <u>98,838,665</u>
 Total financial assets available to meet general expenditures within one year	 <u>\$ 20,906,284</u>	 <u>\$ 8,164,309</u>

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building renovation	\$ 1,552,045	\$ 1,552,045
Historic Champion building and land	544,000	544,000
Hammersley house	342,050	-
Furniture and fixtures	261,150	261,150
Computer equipment	99,635	99,635
Website	25,095	25,095
Total property and equipment at cost	<u>2,823,975</u>	<u>2,481,925</u>
Less: accumulated depreciation	<u>(981,449)</u>	<u>(917,292)</u>
<b>Net property and equipment</b>	<b><u>\$ 1,842,526</u></b>	<b><u>\$ 1,564,633</u></b>

The Foundation is not depreciating the Historic Champion building as it is registered as a local historical landmark. However, depreciation has been recognized on the cost of the renovation.

**NOTE 4. CHARITABLE REMAINDER TRUST ASSETS**

The beneficial interest in charitable remainder trusts is comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 99,233	\$ 87,149
Mutual funds	<u>3,303,652</u>	<u>3,112,343</u>
	<b><u>\$ 3,402,885</u></b>	<b><u>\$ 3,199,492</u></b>

The change in value in charitable remainder trusts for which the donor does not have the right to change the beneficiary or percentage allotted to the Foundation is reported on the consolidated statement of activities as \$6,771 and \$81,124 for the years ended December 31, 2020 and 2019, respectively.



**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5. INVESTMENTS**

The Foundation's policy is to pool cash and investments for greater investment return. Investment income (loss) and realized/unrealized gains (losses) on investments are allocated to each charitable fund based on its share of the pool. Investments are summarized as follows:

	<u>2020</u>	<u>2019</u>
Equities	\$ 56,286,529	\$ 52,068,977
Fixed income	10,641,758	11,817,462
Real assets	6,643,508	4,633,872
Land	270,001	270,001
Alternative investments:		
Fixed income	465,205	721,744
Real assets	12,786,812	11,754,264
Multi strategy funds	10,958,640	8,639,604
Private equity	9,350,504	7,392,109
Social impact investments:		
Loans	1,450,000	750,000
Private equity	763,974	479,624
Real assets	145,549	183,952
Total social impact investments	<u>2,359,523</u>	<u>1,413,576</u>
 Total pooled investments	 <u>\$ 109,762,480</u>	 <u>\$ 98,711,609</u>

Investment returns consist of the following:

	<u>2020</u>	<u>2019</u>
Realized gains (losses)	\$ 2,987,642	\$ (6,822,010)
Unrealized gains (losses)	5,146,616	17,128,308
Less investment consulting fees	(190,410)	(108,580)
Dividends and interest	<u>1,678,824</u>	<u>1,030,226</u>
	 <u>\$ 9,622,672</u>	 <u>\$ 11,227,944</u>

The Board of Trustees of the Foundation, who is responsible for all stewardship of the Foundation, delegated to the Investment Committee the responsibility to ensure that the assets of the Foundation are managed in a manner that is consistent with the policies and objectives of the Foundation. The Investment Committee elected, as allowed by action of the Board, to engage an independent investment consulting firm to assist the Committee's activities. The Investment Committee meets at least quarterly with its investment consultant to review investment performance, asset allocation, and all other matters related to fiduciary oversight of investment assets.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5. INVESTMENTS (CONTINUED)**

Increases or decreases in the fair value of investments are unrealized until the investments are sold. The Board of Trustees of the Foundation has the authority to change the level of distributions to preserve the assets of the Foundation to benefit future generations.

The Foundation holds investments in certain private equity ventures, which require the Foundation to commit capital to these investments as a stipulation of participation. The Foundation has committed capital to these investments of \$37,297,143 and 30,147,143 for the years ended December 31, 2020 and 2019, respectively, of which \$27,529,161 and \$23,762,240 have been called and remitted as of December 31, 2020 and 2019, respectively. The remaining capital commitments of \$9,838,685 for 2020 and \$6,439,584, for 2019 are callable while the underlying funds are active. Failure to provide capital upon its call would result in the Foundation losing its right to invest in these ventures.

***Social Impact Investments***

The Board has delegated authority to the Impact Investment Committee to make the specific impact investments, subject to the Foundation's Impact Investment Policy. The Foundation's Impact Investing Initiative seeks to stimulate entrepreneurial initiatives and inclusive economic development, improve the lives of low-income people through the creation and retention of living wage jobs with benefits, increase availability and access to affordable capital, increase access to affordable housing, enhance quality of life through the vitality of the Albuquerque downtown area and other strategic locations, promote a more vibrant community in collaboration with other investors, and promote quality educational opportunities. It does this by investing endowed assets primarily in intermediaries and direct loans. Impact investing is administered by a dedicated Impact Investing Committee comprised of Board Trustees and independent members of the community. The Impact Investment Committee is directly supported by the CFO and other members of Foundation staff.

The Foundation has invested over \$3 million in 13 investments since 2016. Approximately 60% of the portfolio is invested in five intermediaries managing seed and venture capital funds, a real estate fund with local development projects, and loan portfolios supporting minority entrepreneurs. Approximately 40% of the portfolio is invested in direct loans funding organizations revitalizing historic properties, improving access to affordable housing and providing working capital to local businesses. In the summer of 2020 the Impact Investing Committee approved two impact investments specifically supporting local business relief and recovery from the COVID pandemic.

The Foundation makes social impact investments in the form of repayable loans that support grant-making programs in New Mexico. Six loans are outstanding for \$1,450,000 at December 31, 2020 and three loans were outstanding for \$750,000 at December 31, 2019. The interest rates range from 2% to 3%, and the principal amounts are scheduled to be paid in full to the Foundation by the maturity dates of October 2022, December 2024 and July 2026. The Foundation records a reserve for potentially uncollected loans based on the risk assessment made by Foundation staff and the Impact Investment Committee. No loss reserve has been recorded as of December 31, 2020 and 2019. Any costs of making loans are expensed as incurred.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6. LIABILITIES FOR ASSETS HELD FOR COMMUNITY ORGANIZATIONS**

The Foundation accepts assets from other nonprofit organizations and agrees to use those assets and related earnings on behalf of the beneficiary organization. The distribution of these assets follows the Foundation's spending policy as described in Note 9. Administrative fees earned by the Foundation under these arrangements were \$89,109 and \$85,055 for the years ended December 31, 2020 and 2019, respectively.

A summary of the activity in the liabilities for assets held for community organizations is as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 16,246,304	\$ 14,119,070
Additions:		
Contributions	1,959,904	1,532,766
Investment income (loss), net of investment consulting fees of \$29,095 for 2020 and \$11,250 for 2019	2,020,148	2,267,842
Deductions:		
Fiscal sponsorship expenses	(455,326)	(638,569)
Distributions to beneficiaries	(1,010,781)	(949,750)
Administration fee paid to the Foundation	<u>(89,109)</u>	<u>(85,055)</u>
Balance, end of year	<u>\$ 18,671,140</u>	<u>\$ 16,246,304</u>

**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, establishes a common definition for fair value, a framework for measuring fair value, and expands disclosures about such measurements. It also establishes a hierarchy for ranking the quality and reliability of inputs used to measure fair values. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Quoted unadjusted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

An assets 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.

Following is a description of the valuation methodologies used for investments measured at fair value. There were no changes to these valuation methodologies in 2020.

Beneficial interest in charitable remainder trusts: Assets held are valued using the closing price reported in the active market on which the individual securities are traded as reported by the account managers. These have been classified within level 1 of the valuation hierarchy. Some assets may also be valued by quoted prices in markets that are not active. These have been classified within level 2 of the valuation hierarchy.

Equities, fixed income, and real assets: Assets held are valued using the closing price reported in the active market on which the individual securities are traded. These have been classified within level 1 of the valuation hierarchy. If quoted prices are not available for a specific security, then the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within the level 2 of the valuation hierarchy.

Land: Valued by using significant unobservable inputs of third-party appraisals and are classified within the level 3 of the valuation hierarchy. Management reviews and evaluates the values provided by all third parties and agrees with the valuation methods and assumptions used in determining the fair value of the investments. There were no purchases and sales during the year ended December 31, 2020 and 2019, respectively.

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 net asset value (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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management 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.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

The following table presents investments at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in charitable remainder trust	\$ 3,402,885	-	-	\$ <b>3,402,885</b>
Pooled Investments				
Equities	\$ 48,641,522	7,645,007	-	\$ <b>56,286,529</b>
Fixed income	10,641,758	-	-	<b>10,641,758</b>
Real assets	6,643,508	-	-	<b>6,643,508</b>
Land	-	-	270,001	<b>270,001</b>
	<u>\$ 65,926,788</u>	<u>7,645,007</u>	<u>270,001</u>	<b>73,841,796</b>
Investments valued at net asset value as a practical expedient				<b>34,470,684</b>
Social impact loans				<b>1,450,000</b>
Total Pooled Investments				<u><b>\$ 109,762,480</b></u>

The following table presents investments at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in charitable remainder trust	\$ 2,932,507	266,985	-	\$ 3,199,492
Pooled Investments				
Equities	\$ 45,513,843	6,555,134	-	\$ 52,068,977
Fixed income	11,817,462	-	-	11,817,462
Real assets	4,633,872	-	-	4,633,872
Land	-	-	270,001	270,001
	<u>\$ 61,965,177</u>	<u>6,555,134</u>	<u>270,001</u>	68,790,312
Investments valued at net asset value as a practical expedient				29,171,297
Social impact loans				750,000
Total Pooled Investments				<u><b>\$ 98,711,609</b></u>

In accordance with FASB ASC 820, the Foundation is required to disclose the nature and risks of the investments reported at net asset value (NAV).

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using net asset value per share as of December 31:

	<b>2020</b>		
	Fair Value	Unfunded Commitment	Redemption Frequency
			Redemption Notice Period
<b>Private Equity Funds</b>			
TIFF 06	\$ 74,459	\$ 255,000	Ineligible
TIFF 07	248,809	80,000	Ineligible
TIFF 08	379,146	110,000	Ineligible
TIFF 10	454,851	140,000	Ineligible
Total TIFF	<u>1,157,265</u>	<u>585,000</u>	
Common Fund Int. VI	88,332	32,250	Ineligible
Common Fund VII	234,633	36,250	Ineligible
Common Fund Int. VII	338,382	44,500	Ineligible
Common Fund VIII	162,354	7,500	Ineligible
Common Fund IX	785,621	16,250	Ineligible
Total Common Fund	<u>1,609,322</u>	<u>136,750</u>	
Pantheon Global Fund IV	2,531,272	1,108,438	Ineligible
Audax Private Equity Fund V	1,836,628	232,981	Ineligible
Audax Private Equity Fund VI	1,014,701	2,250,115	Ineligible
Blackstone Capital Partners VII	1,037,633	51,219	Ineligible
Glouston Private Equity Opportunities IV	163,683	218,000	Ineligible
GI Partners Fund VI-A	-	3,500,000	Ineligible
Total Private Equity Funds	<u>9,350,504</u>	<u>8,082,503</u>	
<b>Fixed Income Funds:</b>			
PIMCO Bravo II	465,205	-	Ineligible
Total Fixed Income Funds	<u>465,205</u>	<u>-</u>	

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

	<b>2020</b>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Real Assets:</b>				
Invesco U.S. Income Fund	\$ 5,658,748	\$ 1,600,000	Quarterly	45 Day Notice
ASB Allegiance Real Estate Fund	6,268,021	-	Quarterly	30 Day Notice
Quantum Energy Partners VI	860,043	64,520	Ineligible	
Total Real Assets	<u>12,786,812</u>	<u>1,664,520</u>		
<b>Multi Strategy Funds:</b>				
HG Vora Special Opportunities	3,175,534	-	Annual	90 Day Notice
Aleutian Fund	4,059,067	-	Monthly	90 Day Notice
River Birch International	83,467	-	Quarterly	90 Day Notice
Hudson Bay International Fund	3,459,563	-	Quarterly	65 Day Notice
Blackrock Tempus	181,009	-	Ineligible	
	<u>10,958,640</u>	<u>-</u>		
<b>Social Impact Investing:</b>				
<b>Real Assets:</b>				
Titan Development Real Estate Fund	145,549	24,115	Ineligible	
<b>Private Equity Funds</b>				
Verge I II Combined, LP	115,193	-	Ineligible	
ABQid Fund I, L.P	228,412	-	Ineligible	
ABQid Fund I, L.P, Sidecar, LP	250,000	-	Ineligible	
Tramway Venture Partners	167,390	67,548	Ineligible	
Tramway Venture Partners II	2,979	-	Ineligible	
	<u>909,523</u>	<u>91,663</u>		
	<u>\$ 34,470,684</u>	<u>\$ 9,838,685</u>		



**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

	2019			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Private Equity Funds				
TIFF 06	\$ 143,900	\$ 255,000	Ineligible	
TIFF 07	309,627	80,000	Ineligible	
TIFF 08	386,994	110,000	Ineligible	
TIFF 10	695,065	150,000	Ineligible	
Total TIFF	<u>1,535,586</u>	<u>595,000</u>		
Common Fund Int. VI	100,214	33,750	Ineligible	
Common Fund VII	254,389	38,750	Ineligible	
Common Fund Int. VII	346,298	54,500	Ineligible	
Common Fund VIII	187,500	8,750	Ineligible	
Common Fund IX	795,602	21,250	Ineligible	
Total Common Fund	<u>1,684,003</u>	<u>157,000</u>		
Pantheon Global Fund IV	1,351,210	1,771,438	Ineligible	
Audax Private Equity Fund V	1,533,988	448,223	Ineligible	
Audax Private Equity Fund VI	299,933	2,728,499	Ineligible	
Blackstone Capital Partners VII	765,228	255,513	Ineligible	
Glouston Private Equity Opportunities IV	222,161	218,000	Ineligible	
Total Private Equity Funds	<u>7,392,109</u>	<u>6,173,673</u>		
Fixed Income Funds:				
PIMCO Bravo II	721,744	-	Ineligible	
Total Fixed Income Funds	<u>721,744</u>	<u>-</u>		
Real Assets:				
Invesco U.S. Income Fund	5,510,722	-	Quarterly	35 Day Notice
ASB Allegiance Real Estate Fund	5,227,623	-	Quarterly	30 Day Notice
Quantum Energy Partners VI	1,015,919	103,933	Ineligible	
Total Real Assets	<u>11,754,264</u>	<u>103,933</u>		
Multi Strategy Funds:				
HG Vora Special Opportunities	2,846,399	-	Annual	90 Day Notice
Aleutian Fund	3,204,659	-	Monthly	90 Day Notice
River Birch International	95,820	-	Quarterly	90 Day Notice
Hudson Bay International Fund	2,293,804	-	Quarterly	65 Day Notice
Blackrock Tempus	198,922	-	Ineligible	
	<u>8,639,604</u>	<u>-</u>		
Social Impact Investing:				
Real Assets:				
Titan Development Real Estate Fund	183,952	36,615	Ineligible	
Private Equity Funds				
Verge II.5X, LP	228,021	-	Ineligible	
ABQid Fund I, L.P	127,855	-	Ineligible	
Tramway Venture Partners	123,748	125,363	Ineligible	
	<u>663,576</u>	<u>161,978</u>		
	<u>\$ 29,171,297</u>	<u>\$ 6,439,584</u>		

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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

The Foundation's investment strategy for investments valued at NAV as a practical expedient is as follows:

***Private Equity Funds***

**TIFF:** The investment strategy of the TIFF funds is to assist members in maintaining endowment purchasing power by generating returns greater than those provided by global stock markets. TIFF capital is expected to be allocated primarily among private equity managers pursuing venture, operations-oriented buyout, special situation, and recapitalization strategies. It may make investments in U.S., foreign and global commingled private equity funds.

**Common Funds:** The investment strategy of the Common Funds is to invest in target funds, which in turn, make investments in the following strategies with the objective of obtaining long-term growth: Venture capital investments primarily in emerging growth companies; International private equity investments primarily in emerging growth companies; Private limited partnerships, which in turn, make investments in equity securities, warrants or other options that are generally not actively traded at the time of investment; Limited partnerships, which in turn, make international private equity investments.

**Pantheon Global Co-Investment Opportunities Private Equity Fund:** Pantheon acquires minority ownership stakes in companies alongside private equity general partners, known as co-investments. Co-investments do not require operational resources associated with majority ownership, but Pantheon may contribute industry-specific expertise, strategic introductions, or add value in other ways. Pantheon Global Co-Investment Opportunities Fund IV, LP will continue Pantheon's strategy of investing in primarily middle market companies, with a diversified approach to company stage and geography.

**Audax Private Equity Funds:** Audax Private Equity acquires lower middle market companies as part of a buy and build strategy, bringing both capital and operational resources to bear in creating value, and performing add-on acquisitions for platform companies. Audax Private Equity Fund V, LP and Audax Private Equity Fund VI, LP will continue Audax's strategy of investing in lower middle market companies, employing a buy and build approach to value creation.

**Blackstone Capital Partners VII:** Blackstone Capital Partners VII will concentrate on making non-control and control-oriented private equity investments globally on a thematic, sector- focused basis. Blackstone takes a value-oriented approach to private equity investing. The team uses a top-down thematic and sector-based process for deal sourcing and focuses only on those potential deals where it believes the Blackstone platform can be used to add value post acquisition by improving the operations of the businesses.

**Glouston Private Equity Opportunities:** The investment strategy of the Glouston Private Equity Opportunities IV (formerly Permal Capital) fund is capital appreciation through the purchase of existing limited partnership interests in independently managed private equity funds from third parties seeking liquidity prior to the contractual termination of such funds.

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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

GI Partners Fund VI-A: GI Partners was founded in 2001 and offers multiple private markets strategies across private equity, real estate, and infrastructure. GI Partners VI Fund will invest over approximately four years in four key sectors to build a high conviction portfolio of 10-12 companies. These focus sectors include healthcare, IT infrastructure, services, and software. Valuation created will be centered around jumpstarting organic growth and developing internal company leadership.

***Fixed Income Funds***

PIMCO Bravo II: The investment strategy of PIMCO Bravo II is to provide long-term returns through a diversified fixed income philosophy. PIMCO attempts to add value through both "top-down" (duration, yield curve posture and sector rotation) and "bottom-up" strategies (individual security analysis). The BRAVO II Fund will continue to capitalize on the ongoing deleveraging by global financial institutions.

***Real Assets***

Invesco U.S. Income Fund: The Invesco U.S. Income Fund is a core-plus, income-focused, open-end real estate fund with the objective of generating consistent and predictable performance and avoiding capital loss, while increasing the opportunity for capital appreciation.

ASB Allegiance Real Estate Fund: The ASB Allegiance Real Estate Fund is an open-ended core real estate fund which targets coastal metropolitan regions supplemented by exposure to a small targeted group of dynamic and economically diverse interior US cities. Properties will be mostly in urban settings of 24-hour cities with high barriers to entry with limited available land for development and where the property is in a high-density populated area near multiple modes of transportation.

Quantum Energy Partners: The investment strategy of Quantum Energy Partners VI is to invest the majority of Fund capital in the upstream oil and gas sector but will make opportunistic investments across the value chain. This includes midstream infrastructure, oil and gas service companies, and power generation. Quantum will typically make control investments in its portfolio companies, with an investment size range of \$100 to \$400 million.

***Multi Strategy Funds***

HG Vora Special Opportunities Fund: HG Vora seeks value investments where the team's experience and industry knowledge can provide an advantage in understanding companies with leveraged capital structures or undergoing complex situations and establish long and short positions in both the debt and equity of those companies.

Aleutian Fund: Aleutian's sole focus is managing a market neutral long/short equity strategy through a multi-portfolio manager approach. Each portfolio manager runs a sector/strategy-focused, beta-neutral sub-portfolio. While the majority of risk comes from fundamental long/short equity strategies, the Fund can opportunistically allocate to other strategies, such as convertible arbitrage, risk arbitrage, and volatility, based on the perceived attractiveness.

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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

River Birch International: River Birch invests primarily in corporate credit situations with the philosophy of a globally focused investment and trading firm. The firm will invest across all levels of the capital structure in high yield and investment grade debt, distressed loans and bonds, special situations, and corporate structured credit. The portfolio aims to isolate credit risk, and as such, hedges out currency and interest rate risk, leading to a portfolio that is agnostic to overall interest rate and foreign exchange movements.

Hudson Bay International Fund: Hudson Bay's strategy is focused on generating investment returns that are uncorrelated to equity and debt markets, through managing capital across an array of investment strategies that are hedged and exhibit low correlations to each other. Hudson Bay allocates capital across a wide variety of trades, within strategies such as event-driven equity, convertible arbitrage, volatility trading, and credit trading.

BlackRock Tempus: The BlackRock Tempus Fund seeks to exploit intermediate-term opportunities that straddle the public and private markets and invests primarily through custom fund structures that BlackRock establishes with underlying managers.

The Foundation's investing strategies for social impact investments that are valued at NAV as a practical expedient are as follows:

Titan Development Real Estate Fund: Titan's fund is designed to create development in high growth secondary and tertiary markets. Their strategy is to develop best-in-class assets, lease up to 90% stabilization and sell, returning capital to investors. Their primary asset classes are multifamily, self-storage, senior living and industrial.

Verge I II Combined, LP: The investment strategy of Verge I II Combined, LP is to build an innovation economy in NM by investing in high growth startups in NM. The Partnership will focus its investment activity in four specific high-technology sectors: cleantech/energy, electronics/instrumentation, human factors and software-as-a-service (SAAS).

ABQid Fund I: The investment strategy of ABQid Fund I, L.P. is to make investments in early-stage, high-growth companies, mainly those who participate in an accelerator program operated by ABQid, Inc., a New Mexico nonprofit corporation. The Accelerator has been created on the belief that there is substantial untapped entrepreneurial potential in the Albuquerque, New Mexico area and that training, support and seed investment are necessary to realize that potential.

ABQid Fund I Sidecar, LP: The investment strategy of the ABQid Fund I Sidecar, LP is to foster entrepreneur led economic development by funding high growth startups in NM and connecting them with investors within as well as outside NM.

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**NOTE 7. FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)**

Tramway Venture Partners and Tramway Venture Partners II, LP: Tramway Venture Partners and Tramway Venture Partners II, LP are early stage funds making equity investments in high return opportunities in health care and the life sciences, primarily in New Mexico. The focus will be business opportunities with products or services that exploit convergent technologies: those that lie at the intersection of physical sciences/information technology with the life sciences and health care.

**NOTE 8. ENDOWMENT FUNDS**

*Net Asset Classifications*

In 2009, the State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Accordingly, in 2009 the Foundation adopted U.S. generally accepted accounting principles as they relate to net asset classification of funds subject to an enacted version of UPMIFA. The Board of Trustees has determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA.

The Foundation is governed by the Articles of Incorporation and most contributions are received subject to the terms of the Articles of Incorporation. Under the terms of the Articles of Incorporation, which delegates the distributions of funds to the Investment Committee in its Investment Policies and Procedures, the Board of Trustees has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA and as described in the Foundation's Investment Policy, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total of return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

As a result of the ability to distribute corpus, the Board of Trustees has determined that all contributions received subject to the Articles of Incorporation are subject to UPMIFA and are classified as net assets with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions. Funds that can be spent down immediately and that are not subject to the Foundation's spending policy are classified as net assets without donor restrictions. Contributions that are subject to other gift instruments may be recorded as net assets with donor restrictions (temporary in nature or in perpetuity) or net assets without donor restrictions, depending on the specific terms of the agreement.

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**NOTE 8. ENDOWMENT FUNDS (CONTINUED)**

Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as net assets with donor restrictions temporary in nature. In addition, contributions that are promised to be given in a future period are presented as net assets with donor restrictions until the payments are received.

***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 to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

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 its long-term return objectives with prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The spending policy for 2020 and 2019 is to distribute 4% of the time-weighted average balance of each fund for the previous twenty quarters calculated as of December 31. If a fund does not have historical fund balances for twenty quarters then it shall instead use the total number of historical fund balances that it has. Generally, a fund must have a minimum of four historical quarters before a distribution is made. The time-weighted average will be computed by averaging the funds' monthly ending balances, after allocation of income, gains and fees, during each quarter, and then averaging the quarter ending balances. Donor advised and organization fund agreements allow additional distributions above the spending policy rates for each respective year with certain conditions as detailed in the agreements.

***Endowment Net Asset Composition by Type of Fund as of December 31, 2020***

	Without Donor Restrictions	With Donor Restrictions	Total
Donor advised funds	\$ 45,171,129	3,142,300	\$ 48,313,429
Field of interest funds	-	20,913,220	20,913,220
Donor designation organization funds	-	16,627,790	16,627,790
Student aid funds	-	7,892,135	7,892,135
Board directed funds	4,330,158	-	4,330,158
	<u>\$ 49,501,287</u>	<u>48,575,445</u>	<u>\$ 98,076,732</u>

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 8. ENDOWMENT FUNDS (CONTINUED)**

*Changes in Endowment Net Assets for the Year Ended December 31, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 41,542,013	44,103,586	\$ 85,645,599
Contributions	7,160,529	2,249,830	9,410,359
Transfers from other funds	(174,697)	481,531	306,834
Interest and dividends	629,915	807,107	1,437,022
Net appreciation, net of fees of \$86,842	3,945,349	4,311,352	8,256,701
Amounts appropriated for expenditure	<u>(3,601,822)</u>	<u>(3,377,961)</u>	<u>(6,979,783)</u>
Changes in endowment net assets	<u>7,959,274</u>	<u>4,471,859</u>	<u>12,431,133</u>
Endowment net assets, end of year	<u>\$ 49,501,287</u>	<u>48,575,445</u>	<u>\$ 98,076,732</u>

*Endowment Net Asset Composition by Type of Fund as of December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
Donor advised funds	\$ 37,478,311	2,924,010	\$ 40,402,321
Field of interest funds	-	18,915,558	18,915,558
Donor designation organization funds	-	15,029,368	15,029,368
Student aid funds	-	7,234,650	7,234,650
Board directed funds	4,063,702	-	4,063,702
	<u>\$ 41,542,013</u>	<u>44,103,586</u>	<u>\$ 85,645,599</u>

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 8. ENDOWMENT FUNDS (CONTINUED)**

*Changes in Endowment Net Assets for the Year Ended December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 31,478,080	38,090,620	\$ 69,568,700
Contributions	3,356,420	2,360,577	5,716,997
Transfers from other funds	1,208	56,340	57,548
Interest and dividends	549,250	455,942	1,005,192
Net appreciation, net of fees of \$86,842	5,121,394	4,870,211	9,991,605
Reclassifications	3,789,750	200,000	3,989,750
Amounts appropriated for expenditure	(2,754,089)	(1,930,104)	(4,684,193)
Changes in endowment net assets	<u>10,063,933</u>	<u>6,012,966</u>	<u>16,076,899</u>
Endowment net assets, end of year	<u>\$ 41,542,013</u>	<u>44,103,586</u>	<u>\$ 85,645,599</u>

**NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Subject to Specified Purpose:		
Field of interest funds	\$ 20,913,220	\$ 18,915,558
Donor designated organization funds	16,627,790	15,029,368
Student aid funds	7,892,135	7,234,650
Donor advised funds	3,142,300	2,924,010
Other	249,042	208,198
Balance, end of year	<u>48,824,487</u>	<u>44,311,784</u>
Subject to the Passage of Time:		
Charitable remainder trusts	<u>642,438</u>	<u>635,667</u>
	<u>642,438</u>	<u>635,667</u>
Perpetual in Nature:		
Historic Champion building and land	<u>544,000</u>	<u>544,000</u>
	<u>\$ 50,010,925</u>	<u>\$ 45,491,451</u>



**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Pledge receivables of \$17,508 and \$45,798 on the consolidated statements of financial position at December 31, 2020 and 2019, respectively, are included within the specified purpose as the amounts are restricted by donors with both a purpose and time restriction. Pledge receivables at December 31, 2020 and 2019 include \$10,000 and \$0, respectively, of amounts contributed to liabilities held for community organizations which are not included in the Foundation's net asset balance.

The following net assets with donor restrictions were released from donor restrictions by the fulfillment of program and passage of time restrictions as of December 31:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ -	\$ 3,821,194
Satisfaction of purpose restrictions:		
Grant distributions	<b>2,841,471</b>	2,340,460
Management fees	<b>595,695</b>	547,208
Other expenses	<b>70,934</b>	559,603
	<u><b>\$ 3,508,100</b></u>	<u>\$ 7,268,465</u>

**NOTE 10. COMMITMENTS**

*Leases*

The Foundation currently leases certain equipment under various operating leases. The equipment lease agreements expire at various times through April 2022. Future minimum lease payments follow:

2021	\$ 9,893
2022	<u>3,297</u>
	<u>\$ 13,190</u>

Lease expense was \$11,283 and \$15,536 for the years ended December 31, 2020 and 2019, respectively, and is included in office expense on the consolidated statements of functional expenses.

*Major Contributions*

For the year ended December 31, 2020, the Foundation received contributions totaling \$3,116,274 from two major contributors. For the year ended December 31, 2019, the Foundation received contributions totaling \$2,902,472 from four major contributors.

**ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES**  
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**NOTE 10. COMMITMENTS (CONTINUED)**

***Retirement Plans***

In 2013, the Foundation established the Albuquerque Community Foundation 401(k) Profit Sharing Plan. The Plan is a self-administered Safe Harbor plan and allows for additional discretionary and matching employer contributions. The discretionary contributions follow a six-year vesting schedule. Participants must be 21 years of age and have one year of service. Contributions to this Plan were \$32,574 and \$22,624 for the years ended December 31, 2020 and 2019, respectively.

During the year 2020, the Foundation implemented a deferred compensation plan for highly compensated employees under IRC Section 457(b) which became effective January 1, 2021.

**NOTE 11. RELATED PARTY TRANSACTIONS**

Various Board members or their companies donate to the Foundation in the form of contributions, in-kind goods or services, grants, and sponsorships. The amounts are recorded at fair value on the date of donation and reflected as either net assets without donor restrictions or net asset with donor restrictions based on the nature of the gift.

The Foundation also does business with vendors who employ board members, family members of executives, or former employees. These include the Foundation's main bank, at which a board member is employed. The Foundation paid the bank \$152,511 and \$34,028, respectively, in fees for the years ended December 31, 2020 and 2019. Other vendors that employ related parties include those that are used for employee benefits, marketing, communications, legal, utilities, and furnishings and equipment. Total vendor payments to businesses at which related parties are employed was \$274,588 and \$136,365 for the years ended December 31, 2020 and 2019.

**NOTE 12. NEW ACCOUNTING STANDARDS**

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 Leases (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position (balance sheet) and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2021.

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**NOTE 12. NEW ACCOUNTING STANDARDS (CONTINUED)**

In September 2020, the Financial Accounting Standards Board issued ASU 2020-07, *Not-for-Profit Entities (Topic 958)* to increase the transparency of contributed nonfinancial assets. The amendments in this update enhance presentation and disclosure for contributed nonfinancial assets. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after June 15, 2021. Early adoption is permitted.

As of the date of these financial statements, management has evaluated these new ASUs and is working to implement the applicable guidance and requirements in the period the ASUs become effective.