REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

SANTA FE COMMUNITY FOUNDATION AND SUBSIDIARIES

December 31, 2018

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Santa Fe Community Foundation and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Santa Fe Community Foundation and Subsidiaries, a not-for-profit corporation, which comprise the statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Foundation adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Santa Fe Community Foundation and Subsidiaries as of December 31, 2018, and changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Albuquerque, New Mexico
August 14, 2019

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Santa Fe Community Foundation and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2018

ASSETS

Cash and cash equivalents	$ 9,025,599
Promises to give	168,456
Program related investments	1,811,801
Investments	
Charitable gift annuities	374,304
Endowment and other	64,275,828
Total investments	64,650,132
Property and equipment, net	2,288,139
Prepaid expenses	8,109
Other assets	101,248
Total assets	$ 78,053,484

LIABILITIES AND NET ASSETS

LIABILITIES	
Accrued expenses	$ 109,229
Charitable gift annuities payable	144,624
Funds held for agencies	3,515,540
Total liabilities	3,769,393
NET ASSETS	
Without Donor Restrictions	
Undesignated	2,424,584
Board Designated	3,035,035
With Donor Restrictions	
Split interest agreements	225,293
Special Projects	4,418,922
Endowments	64,180,257
Total net assets	74,284,091
Total liabilities and net assets	$ 78,053,484

See accompanying notes.

Santa Fe Community Foundation and Subsidiaries
Consolidated Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER INCOME (LOSS)			
Contributions	$ 869,072	$ 11,935,622	$ 12,804,694
Federal grants	-	125,333	125,333
Event income	59,280	-	59,280
Interest and dividends	191,095	1,217,672	1,408,767
Net realized and unrealized loss	(267,333)	(4,866,040)	(5,133,373)
Other income	5,646	9,015	14,661
Program income	102,058	-	102,058
Rental income from tenants	54,145	-	54,145
Change in split interest agreements	-	(5,070)	(5,070)
Net assets released from restriction	15,658,241	(15,658,241)	-
	16,672,204	(7,241,709)	9,430,495
Contributed goods and services	4,000	-	4,000
Total revenue, gains and other income (loss)	16,676,204	(7,241,709)	9,434,495
EXPENSES			
Program Services			
Grants	9,488,773	-	9,488,773
Program expenses	4,111,260	-	4,111,260
	13,600,033	-	13,600,033
SUPPORTING SERVICES			
General and administrative	434,966	-	434,966
Development and donor services	465,772	-	465,772
	900,738	-	900,738
Total expenses	14,500,771	-	14,500,771
Change in net assets	2,175,433	(7,241,709)	(5,066,276)
NET ASSETS, beginning of year	3,284,186	76,066,181	79,350,367
NET ASSETS, end of year	$ 5,459,619	$ 68,824,472	$ 74,284,091

See accompanying notes.

Santa Fe Community Foundation and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (5,066,276)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Loss on disposition of fixed assets	12,600
Depreciation	103,838
Net realized and unrealized loss on investments	5,400,458
Change in split interest agreements	5,070
Contributions restricted for endowment	(1,134,874)
Changes in assets and liabilities	
Promises to give	1,399,912
Prepaid expenses	30,445
Other assets	(63,439)
Accrued expenses	(54,329)
Funds held for agencies	(581,813)
Net cash used by operating activities	51,592
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	67,428,641
Purchases of investments	(66,186,942)
Payments to program related investments	(167,832)
Acquisition of property and equipment	(185,829)
Net cash provided by investing activities	888,038
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for endowment	1,134,874
Payments on charitable gift annuities	(16,028)
Net cash provided by financing activities	1,118,846
CHANGE IN CASH AND CASH EQUIVALENTS	2,058,476
CASH AND CASH EQUIVALENTS, beginning of year	6,967,123
CASH AND CASH EQUIVALENTS, end of year	$ 9,025,599

See accompanying notes.

Note 1 – Nature of the Organization

The Santa Fe Community Foundation (Foundation) was formed in 1981. The Foundation's mission is to improve the quality of life for people in Santa Fe and New Mexico, now and for future generations by:

- Building and managing endowment funds in order to award grants
- Helping nonprofits operate more effectively
- Convening area residents to discuss issues of critical importance to the community
- Providing leadership for key community initiatives

Grants are made to 501(c)(3) organizations primarily in Northern New Mexico that serve the arts, civic affairs, education, the environment and health and human services. Contributions are received from individuals, businesses and foundations.

The Ends Policy, as stated below, was adopted by the board of directors in December of 2010 and more specifically defines the direction of the Foundation.

The Foundation is devoted to building healthy and vital communities in the region where:

- Racial, cultural or economic differences do not limit access to health, education or employment
- Diverse audiences enjoy the many arts and cultural heritages of our region
- All sectors of our community take responsibility for ensuring a healthy environment

To this end, the Foundation commits resources to building:

1. Philanthropy that is robust, effective, and focused on critical issues facing communities.

    a. We educate and engage philanthropists in strategic giving.
    b. We invest discretionary resources in the best possible solutions to targeted problems.
    c. We create opportunities for foundations and other philanthropic partners to leverage each other's knowledge and resources to achieve lasting change.

2. Nonprofits that achieve their missions with excellence.

    a. We build a sustainable infrastructure that provides nonprofits with the technical and financial assistance needed to be highly effective and achieve their potential.
    b. We make it possible for organizations to collaborate in tackling complex community problems, developing promising approaches, and executing shared strategies.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Accounting

The consolidated financial statements of the Foundation and its four, wholly owned, single-member LLCs: SFCF, LLC, SFCF Pinon Legacy, LLC, SFCF Special Projects, LLC, and Las Vegas NM Impact, LLC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. All significant inter-entity accounts and transactions have been eliminated in the consolidation. SFCF, LLC holds the building on Halona Street in which the Foundation resides (See Note 11). SFCF Pinon Legacy, LLC holds real estate contributed to the Foundation. SFCF Special Projects, LLC holds the equipment and the activity of the MoGro program (See Note 12). Las Vegas NM Impact, LLC is a for-profit entity that owns a 5% membership interest in Historic Hotels of Las Vegas, New Mexico, LLC—an entity that is restoring and managing the Plaza Hotel and the Castenada Hotel in Las Vegas, New Mexico. The membership interest is accounted for at cost.

Basis of Presentation and Net Asset Classification

The Foundation's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, 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 available for general use and not subject to donor restrictions. Net assets without donor restrictions include the investment in property and equipment, net of depreciation. The Foundation's board of directors may designate donor gifts without restrictions at its discretion. The board of directors has designated net assets without donor restrictions for use in its grant-making and in its administrative support.

> **Net Assets With Donor Restrictions** – Net assets that consist of contributions and endowment investment earnings subject to donor restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated period of time has elapsed, are reported as reclassifications between the applicable classes of net assets.

The State of New Mexico adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2009. As required by UPMIFA and on the advice of legal counsel, the board of directors has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Note 2 – Summary of Significant Accounting Policies (continued)

Under the terms of the governing documents, the board of directors has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the board of directors, in its sole discretion, shall determine. As a result of the ability to distribute corpus, all contributions not classified as donor restricted are classified as unrestricted for consolidated financial statement purposes.

Endowment Investment and Spending Policies
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funds for programs supported by its endowments while seeking long term growth 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 income (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 within 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. During 2018, the Foundation's board of directors approved a distribution policy of 4%. This is consistent with the Foundation's objective for long term growth of endowment assets as well as to provide additional real growth through new gifts and investment return. Certain endowments are not subject to the Foundation's spending policy. They are subject to the gift instruments or specific agreements with the Foundation.

From time to time, the fair value of assets associated with endowed funds may fall below the level of the contribution value of that fund that is classified with donor restrictions for a perpetual duration. The Foundation's spending policy permits spending from underwater funds, unless otherwise precluded by donor intent, relevant laws, or regulations. If the market value is less than 85% of the contribution value at the time the spendable amounts are calculated, no distributions may be made from the endowment. The board of directors may reconsider this policy.

Program Related Investing
The Foundation has adopted a local impact investing initiative. The managing principles for these investments require both social impact and financial return, alignment with the Foundation's Ends Policy, and must create an impact in New Mexico. Initially, investments will be made through intermediaries, but may be made directly should the investment meet a pre-determined set of criteria. Investments may be made to both nonprofit and for-profit entities. The board of directors established the initial amount for investment at $1.5 million with the intention of increasing the amount to 10% of the Foundation's managed funds within the next ten years. During 2017, the board of directors agreed to increase the amount to $4.5 million. An allowance account for a loan loss reserve is established for each loan investment.

Note 2 – Summary of Significant Accounting Policies (continued)

Funds Held for Agencies
GAAP established 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. These standards specifically require that if a Not-for-Profit Organization (NPO) establishes 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 agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, a liability has been established for the fair value of the funds.

Use of Estimates
The preparation of 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 the 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.

Cash and Cash Equivalents
For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash in financial institutions and highly liquid investments with maturity dates of three months or less.

Promises to Give and Contributions
Contributions and unconditional promises to give are recorded as revenues in the period when the donor makes the commitment. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value at the date of donation.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

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 Statement of Financial Position. Investment transactions, including transfers between the levels of fair value inputs, are recognized as of the date of the event. The absolute return fund investments and other complementary strategies, 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 Statement of Activities.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Property and Equipment
Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives for furniture and equipment range from three to seven years and building and improvements range from seven to thirty-nine years.

Donated Assets
Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Other Assets
Other assets included donated land, buildings, and other property which are recorded at fair value at the date of donation and will be sold when feasible. Other assets may also consist of inventory, which is recorded at cost and consists of the food products available for sale in the MoGro program. Inventory counts are taken on a monthly basis. Cost of goods sold is computed using the FIFO method (first-in, first-out).

Donated Services
Donated Services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers provided valuable services throughout the year that are not recognized as contributions in the consolidated financial statements because the recognition criteria were not met.

Allocation of Functional Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding grant disbursements, are allocated based on estimates from an extensive business model analysis developed by CF Insights.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes
The Foundation is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to the accounting standard on accounting for uncertainty in income taxes that addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the tax positions for the Foundation and concluded that the Foundation had taken no uncertain income tax positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance.

Cash Concentrations
The Foundation's deposits with two of its banks, Enterprise Bank and Trust and New Mexico Bank and Trust, exceeded the FDIC insurance limit of $250,000 at times during the year. The Foundation consistently reviews its cash position along with FDIC limits to reduce exposure to cash concentrations.

Recent Accounting Pronouncements
FASB ASU 2014-09, Revenue from Contracts with Customers: Moves revenue recognition towards one principles-based revenue standard to be applied across all industries with the following steps for recognition: (1) Identify the contracts with a customer; (2) Identify the performance obligations; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligation; (5) Recognize revenue when (or as) the entity satisfies the obligation. The new standard is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018, early adoption is permitted. The Foundation is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

FASB ASU 2016-14, Presentation of Financial Statements: The purpose of the ASU is to improve presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. According to the FASB in Focus newsletter on the ASU, the new standard addresses: 1) Complexity and understandability of net asset classifications; 2) Deficiencies in information about liquidity and availability of resources; 3) Lack of consistency in the type of information provided about expenses and investment return; and 4) Misunderstandings about and opportunities to enhance the utility of the statement of cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The Foundation has adopted this ASU beginning January 1, 2018.

Note 2 – Summary of Significant Accounting Policies (continued)

FASB ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made: This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. The Foundation is in the process of determining the impact of this pronouncement.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after that date and before the consolidated financial statements are available to be issued. The Foundation has evaluated subsequent events through August 14, 2019, the date the consolidated financial statements were available to be issued.

Note 3 – Liquidity

Financial assets available for operations and other expenses within one year of the Statement of Financial Position date are comprised of the following at December 31, 2018:

Financial Assets:	
Cash and cash equivalents	$ 9,025,599
Promises to give	168,456
Investments	
Charitable gift annuities	374,304
Endowment and other	64,275,828
Total financial assets at year-end	73,844,187
Less financial assets unavailable for general expenditure within one year due to:	
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(63,525,560)
Board designated endowments	(3,035,035)
Funds subject to donor recommendations or specific purposes	(4,459,985)
Financial assets and liquidity resources available to meet cash needs and general expenditures with in one year	$ 2,823,607

Note 3 – Liquidity (continued)

As part of the Foundation's liquidity management, financial assets are structured to be available as general expenses, liabilities and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

Funds with donor restrictions are not available for general operating expenses. Those funds include permanently endowed funds and funds restricted for a specific purpose. Amounts for expenses and grants for these funds are calculated based upon the individual fund agreements.

As described in Note 2, during 2018, the Foundation's board of directors approved a spending policy of 4%. The spendable amount from the Foundation's endowments are calculated on a quarterly or yearly basis depending upon the terms of the endowment. During the first quarter of 2019, calculations were completed to appropriate the amount for grants of $867,415 and the amount for administrative support of $145,657. Fees from management of funds are calculated on a quarterly basis. The first quarter of 2019 calculation resulted in fees of approximately $265,000 to be used to support the operations of the Foundation. Fees charged on the management of funds are netted against the income that the Foundation receives in the consolidated statements.

Although the Foundation does not intend to spend from its board-designated endowments (other than the amounts appropriated per the spending policy), these amounts could be made available if necessary.

Note 4 – Promises to Give

Promises to give at December 31, 2018 totaled $168,456 and all are expected to be received within one year. Management believes these amounts are fully collectible; therefore, no allowance has been recorded.

Note 5 – Charitable Gift Annuities (Split Interest Agreements)

The Foundation is the recipient of various charitable gift annuities from donors. A charitable gift annuity is an arrangement in which a donor contributes assets to the Foundation in exchange for distributions of a fixed amount for a specified period of time to a donor-designated annuitant(s).

After satisfying the Foundation's annuity obligations, any net remaining value shall be directed to the charitable fund(s) selected by the donor. Assets are reported at fair market value in the Foundation's consolidated statement of financial position and included in the Foundation's investment account balances. The present value of estimated future payments is calculated using discount rates ranging from 2.2% to 7.4%.

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.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

> **Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> **Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.
>
> **Level 3** – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used at December 31, 2018.

Common stocks are valued at the closing price reported on the major market on which the individual securities are traded. Common stock and cash are generally classified within Level 1 of the valuation.

The bond funds are valued at market rates such as quoted prices for similar assets or liabilities. They may also be valued by quoted prices in markets that are not active. The bond funds are generally classified within Level 2 of the valuation hierarchy.

The estimated share of hedge funds, managed futures and commodities, global alternatives funds, active income funds, absolute return funds, and long/short equity funds, and long/short term equity funds are based on fund net asset value. The use of net asset value as fair value is deemed appropriate, as the investments do not have finite lives, unfunded commitments, or significant restrictions on redemptions.

Note 6 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2018:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 847,851	$ -	$ -	$ 847,851
Money market - annuities	159,704	-	-	159,704
U.S. treasury notes	3,274,986	-	-	3,274,986
Equities	36,206,466	-	-	36,206,466
Real assets	791,283	-	-	791,283
Government agency bonds	-	1,168,183	-	1,168,183
Corporate bond	-	1,915,564	-	1,915,564
Preferred securities	-	4,731,330	-	4,731,330
Bond mutual funds	-	3,543,054	-	3,543,054
Equity mutual funds	-	6,673,631	-	6,673,631
Total assets in the fair value hierarchy	$ 41,280,290	$ 18,031,762	$ -	59,312,052
Investments measured at NAV -practical expedient				5,338,080
Investments at fair value				$ 64,650,132

The following summarizes information related to the investment whose fair value is determined based upon NAV-practical expedient and has redemption restrictions as of December 31, 2018:

	Estimated Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds (a)	$ 4,122,145	None	Yearly	100 days
Complementary Strategies (b)	$ 1,215,935	None	Quarterly	90 days

(a) This class represents an investment in capital structure arbitrage, event arbitrage, fixed income and equity arbitrage, and special situation investing. From time to time, the fund may directly invest in a broad range of derivatives, as well as purchasing and selling securities for hedging purposes.

(b) This class represents an investment in hedge funds, managed futures and commodities platform, a global alternatives fund, an active income fund, an absolute return fund, and a long/short equity fund.

Note 7 – Program Related Investments

A program related investment was made in 2017 to Rural Community Assistance Corporation (RCAC), but they did not acquire any funds until 2018, at which time $56,760 was drawn. An additional program investment was made with Partnership for Community Action in 2018. The reserve against program related investments totaled $33,650 at December 31, 2018.

Note 8 – Property and Equipment

Property and equipment consist of the following at December 31, 2018:

Furniture and equipment	$ 539,716
Building and improvements	2,704,293
	3,244,009
Accumulated depreciation	(955,870)
Property and equipment, net	$ 2,288,139

Depreciation expense totaled $103,838 for the year ended December 31, 2018.

Note 9 – Net Assets Classifications

Change in Endowment Net Assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 951,695	$ 68,616,256	$ 69,567,951
Interest and dividends, net of investment expense	(11,550)	1,212,484	1,200,934
Net appreciation (depreciation)	2,028,699	(2,453,423)	(424,724)
Contributions	273,130	4,487,222	4,760,352
Amounts appropriated for expenditures	(119,868)	(3,319,247)	(3,439,115)
Granted	(81,833)	(3,977,401)	(4,059,234)
Other changes	(5,238)	(385,634)	(390,872)
Change in endowment net assets	2,083,340	(4,435,999)	(2,352,659)
Endowment net assets, end of year	$ 3,035,035	$ 64,180,257	$ 67,215,292

Note 9 – Net Assets Classifications (continued)

Endowment net asset composition by type of fund for the year ended December 31, 2018 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor designated and agency endowment funds	$ -	$ 6,917,642	$ 6,917,642
Other endowment funds			
Administrative endowments	-	1,284,799	1,284,799
Donor advised	-	37,803,380	37,803,380
Discretionary	-	1,127,907	1,127,907
Emergency	-	638,418	638,418
Field of interest	-	13,982,037	13,982,037
Unrestricted	-	2,426,074	2,426,074
Subtotal other endowment funds	-	57,262,615	57,262,615
Board designated endowment funds	3,035,035	-	3,035,035
Total endowment funds	$ 3,035,035	$ 64,180,257	$ 67,215,292

In addition to endowment net assets, the Foundation also manages other non-endowed funds. The following table summarizes all Foundation net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 3,035,035	$ 64,180,257	$ 67,215,292
Non-endowment funds			
Donor advised	-	2,448,395	2,448,395
Special projects	1,449,258	478,180	1,927,438
Discretionary	-	68,400	68,400
Emergency	-	193,578	193,578
Field of interest	-	1,230,369	1,230,368
Unrestricted	975,326	-	975,326
Total non-endowment funds	2,424,584	4,418,922	6,843,505
Split Interest agreements	-	225,293	225,294
Total net assets	$ 5,459,619	$ 68,824,472	$ 74,284,091

A summary of underwater endowment funds is as follows at December 31, 2018:

Fair value of underwater endowment funds	$ 11,056,623
Original endowment gift amount	11,853,252
Deficiencies of underwater endowment funds	$ (796,629)

Note 10 – Retirement Plan

The Foundation maintains a 401(k) retirement plan that covers all employees. The plan includes a provision under which eligible employee's salary deferrals of up to 10% are eligible for 50% match by the Foundation. Salary deferral is allowed after ninety days of employment whereas the Foundation's match is effective after twelve months of employment. Matching contributions to the plan are discretionary. The Foundation's matching contributions to the plan was $50,483 during 2018.

Note 11 – Rental Income

SFCF, LLC purchased the building at 501 Halona and 1101 Paseo de Peralta on July 25, 2011. As a part of that purchase, SFCF, LLC obtained a five-year lease for Wigley Gallery. The lease for the 2,138 square foot gallery commenced on May 19, 2011. This is an operating lease. Rental income of $54,145 is recognized in the consolidated statement of activities. The lease was extended through December 31, 2019.

Note 12 – SFCF Special Projects, LLC – MoGro Program

In March of 2013, the Foundation established another LLC, called SFCF Special Projects, LLC. The purpose of the entity is to accept property, equipment, and the operation of a program called Mobile Grocery or "MoGro." A specially equipped trailer and inventory were donated for the program.

The purpose of the program is to deliver healthy, affordable fresh foods to rural, particularly Pueblo, communities in New Mexico. During 2013, MoGro operated in five pueblos and one non-Pueblo community in New Mexico. The sustainability of the program was evaluated in 2014 and changes were made to shift to a more community supported agriculture (CSA) model. During 2014, La Familia began to participate in the program. The LLC has a contractual relationship with La Montanita Coop to provide the services for MoGro. The LLC also works closely with Johns Hopkins Center for American Indian Health and the Notah Begay Foundation.

During 2015, MoGro expanded its partnership for the CSA model with the National Dance Institute of New Mexico (which also serves children and families in need of food) in both Santa Fe and Albuquerque. Roadrunner Foodbank in Albuquerque provides services for MoGro.

In September 2016, a United States Department of Agriculture Agricultural Marketing Service grant for a maximum of $330,000 was awarded to the Foundation for the MoGro Program. The grant period of this expense reimbursement grant is from September 30, 2016 through September 29, 2019.

Additional grants and contributions for the program operation have been received from other foundations and individuals.

Note 13 – Transactions in Funds Held for Agencies and Fiscal Sponsor Relationship

At December 31, 2018, the Foundation had 81 designated endowment funds and 49 agency endowment funds. The agency endowments require accounting as funds held for agencies and had a combined value of $3,515,540. The financial effects of transactions related to agency funds are recorded as changes in the funds held for agencies liability and are not included in the 2018 consolidated statement of activities.

The changes in this liability are summarized as follows:

Funds held for agencies at December 31, 2017	$ 4,097,353
Additions	
Contributions	$ 71,026
Investment income	29,410
Realized gains	970,164
Total additions	1,070,600
Deductions	
Unrealized losses	1,240,749
Distributions - grants	411,664
Total deductions	1,652,413
Funds held for agencies at December 31, 2018	$ 3,515,540

Note 14 – Related Party Transactions

The Santa Fe Community Foundation established a new entity, SFCF, LLC in July of 2011. The Foundation has an intercompany operating agreement with SFCF, LLC. This entity holds the title to the building on Halona Street purchased in July of 2011, in which the Foundation and its community programs reside. The purchase price of the 11,000 square foot building was $2,190,000. As part of its community leadership initiative, funds from the endowments held by the Foundation were used to invest in the purchase of the building. The terms of the purchase include an interest-only note at 4.5%, with an interest reset date of 2014 and interest rates with a floor of 3% and a cap of 6%. Principal payments, in amounts to be determined by the board of directors, will be made over the term of the note. The term of the note is 15 years. The related effects of these transactions are eliminated upon consolidation of the financial statements. In August 2014, the interest rate on the note was reviewed and lowered to 3.5% effective September 1, 2014.

Members of the board of directors contributed $205,395 in 2018.

Note 15 – Subsequent Events

The Foundation made an additional impact investment of $200,000 in New Mexico Fresh Foods. The Foundation also offered the first opportunity for Donor Advised funds to participate in impact investing. An additional investment of $175,000 was made to New Mexico Fresh Foods with donor advised funds.

Food Depot repaid their impact investment in full in April 2019.

Note 16 – Schedule of Functional Expenses

The following schedule presents the natural classification of the summarized costs in the consolidated statement of activities for 2018:

	Program	General Administrative, Investment Fees and Services	Development and Donor Services	Total
Grants	$ 9,488,773	$ -	$ -	$ 9,488,773
Other expenses				
Salaries and wages	932,600	287,316	212,235	1,432,151
Seminars and events	980,308	-	821	981,129
Contracted program services	766,979	2,135	3,203	772,317
Consulting services	447,492	2,901	4,351	454,744
Technology	131,311	25,081	41,307	197,699
Other employee benefits	96,878	23,739	35,557	156,174
Travel	126,962	6,919	13,379	147,260
Payroll taxes	69,247	21,599	15,453	106,299
Depreciation	90,311	5,411	8,116	103,838
Property expenses	86,451	5,320	-	91,771
Cost of goods sold	81,129	-	-	81,129
Supplies	49,029	8,350	12,109	69,488
Equipment rental and maintenance	33,828	10,585	15,877	60,290
Printing and publications	33,193	3,791	17,559	54,543
401(k) plan contributions	33,952	10,314	6,217	50,483
Special event expenses	-	-	44,564	44,564
Pinon award expenses	39,363	-	-	39,363
Insurance	20,534	2,339	4,773	27,646
Dues & subscriptions	15,427	3,821	5,732	24,980
Accounting fees	11,557	4,623	6,934	23,114
Bank charges and fees	9,891	3,345	4,942	18,178
Telephone	11,209	2,671	4,006	17,886
Occupancy	8,263	3,250	4,875	16,388
Workshop expenses	14,599	-	-	14,599
Public Relations	9,401	-	9	9,410
Postage and shipping	4,439	1,114	3,054	8,607
Allowance account	5,000	-	-	5,000
Miscellaneous	1,294	243	551	2,088
Conferences/conventions	613	99	148	860
Subtotal other expenses	4,111,260	434,966	465,772	5,011,998
Total expenses	$ 13,600,033	$ 434,966	$ 465,772	$ 14,500,771