REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

SANTA FE COMMUNITY FOUNDATION AND SUBSIDIARIES

December 31, 2017 and 2016

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MOSSADAMS

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, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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, 2017 and 2016, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Albuquerque, New Mexico
August 15, 2018

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Santa Fe Community Foundation and Subsidiaries
Consolidated Statements of Financial Position

ASSETS

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 6,967,123	$ 10,143,042
Promises to give	1,568,368	1,597,524
Program related investments, net	1,643,969	1,419,915
Investments		
Charitable gift annuities	407,249	391,148
Endowment and other	70,885,040	58,308,886
Total investments	71,292,289	58,700,034
Property and equipment, net	2,218,748	2,292,808
Prepaid expenses	38,554	5,049
Other assets	37,809	1,706,300
Total assets	$ 83,766,860	$ 75,864,672

LIABILITIES AND NET ASSETS

	December 31, 2017	December 31, 2016
LIABILITIES		
Accrued expenses	$ 163,558	$ 63,257
Charitable gift annuities payable	155,582	166,123
Funds held for agencies	4,097,353	3,737,935
Total liabilities	4,416,493	3,967,315
NET ASSETS		
Unrestricted	3,284,186	4,393,022
Temporarily restricted	42,047,452	35,162,618
Permanently restricted	34,018,729	32,341,717
Total net assets	79,350,367	71,897,357
Total liabilities and net assets	$ 83,766,860	$ 75,864,672

See accompanying notes.

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER INCOME				
Contributions	$ 816,092	$ 8,330,883	$ 1,653,803	$ 10,800,778
Federal grants	-	92,062	-	92,062
Event income	18,665	105	-	18,770
Interest and dividends	137,148	1,316,511	-	1,453,659
Realized and unrealized (losses) gains	(55,002)	6,586,155	-	6,531,153
Other income	3,579	5,290	-	8,869
Program income	108,721	-	-	108,721
Rental income from tenants	46,113	-	-	46,113
Change in split interest agreements	-	(5,487)	-	(5,487)
Net assets released from restriction	9,417,476	(9,417,476)	-	-
Total revenue, gains and other income	10,492,792	6,908,043	1,653,803	19,054,638
EXPENSES				
Program Services				
Grants	7,246,749	-	-	7,246,749
Program expenses	3,221,969	-	-	3,221,969
	10,468,718	-	-	10,468,718
SUPPORTING SERVICES				
General and administrative	592,693	-	-	592,693
Development and donor services	389,389	-	-	389,389
Investment fees and services	150,828	-	-	150,828
	1,132,910	-	-	1,132,910
Total expenses	11,601,628	-	-	11,601,628
CHANGE IN DONOR RESTRICTIONS	-	(23,209)	23,209	-
Change in net assets	(1,108,836)	6,884,834	1,677,012	7,453,010
NET ASSETS, beginning of year	4,393,022	35,162,618	32,341,717	71,897,357
NET ASSETS, end of year	$ 3,284,186	$ 42,047,452	$ 34,018,729	$ 79,350,367

Santa Fe Community Foundation and Subsidiaries
Consolidated Statements of Activities (continued)

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER INCOME				
Contributions	$ 2,227,107	$ 10,428,735	$ 815,497	$ 13,471,339
Federal grants	-	35,304	-	35,304
Event income	16,980	-	-	16,980
Interest and dividends	104,203	1,100,165	-	1,204,368
Realized and unrealized gains	127,767	2,772,934	-	2,900,701
Other income	3,956	15,560	-	19,516
Program income	140,609	-	-	140,609
Rental income from tenants	53,950	-	-	53,950
Change in split interest agreements	-	(54,979)	-	(54,979)
Net assets released from restriction	10,207,636	(10,207,636)	-	-
	12,882,208	4,090,083	815,497	17,787,788
Contributed goods and services	586	-	-	586
Total revenue, gains and other income	12,882,794	4,090,083	815,497	17,788,374
EXPENSES				
Program Services				
Grants	7,820,130	-	-	7,820,130
Program expenses	2,650,554	-	-	2,650,554
	10,470,684	-	-	10,470,684
SUPPORTING SERVICES				
General and administrative	460,949	-	-	460,949
Development and donor services	475,830	-	-	475,830
Investment fees and services	146,280	-	-	146,280
	1,083,059	-	-	1,083,059
Total expenses	11,553,743	-	-	11,553,743
CHANGE IN DONOR RESTRICTIONS	-	(180,554)	180,554	-
Change in net assets	1,329,051	3,909,529	996,051	6,234,631
NET ASSETS, beginning of year	3,063,971	31,253,089	31,345,666	65,662,726
NET ASSETS, end of year	$ 4,393,022	$ 35,162,618	$ 32,341,717	$ 71,897,357

 See accompanying notes.

	Years Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,453,010	$ 6,234,631
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	106,568	121,054
Realized and unrealized gains on investments	(7,295,582)	(3,097,941)
Change in split interest agreements	5,487	54,979
Contributions restricted for endowment	(1,653,803)	(815,497)
Changes in assets and liabilities		
Promises to give	29,156	(979,855)
Other assets	1,668,491	(1,398,300)
Prepaid expenses	(33,505)	8,871
Accrued expenses	100,301	(17,219)
Other liabilities	-	(14,256)
Funds held for agencies	359,418	(54,967)
Net cash provided by operating activities	739,541	41,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	15,968,568	12,252,792
Purchase of investments	(21,265,241)	(9,571,411)
Payments to program related investments	(32,508)	(424,415)
Net cash (used) provided by investing activities	(5,329,181)	2,256,966
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	1,653,803	815,497
Payments on charitable gift annuities	(224,054)	(82,784)
Investments subject to annuity agreements	(16,028)	65,092
Net cash provided by financing activities	1,413,721	797,805
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,175,919)	3,096,271
CASH AND CASH EQUIVALENTS, beginning of year	10,143,042	7,046,771
CASH AND CASH EQUIVALENTS, end of year	$ 6,967,123	$ 10,143,042

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 14). 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 11). 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.

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. The Foundation distinguishes between contributions received for each net asset category in accordance with externally (donor) imposed restrictions. A description of the three net asset categories and classifications follows:

> *Permanently restricted net assets* – Permanently restricted net assets include the historical dollar or fair value amounts of gifts (including unconditional promises to give), trusts and remainder interests required by donors to be permanently retained.
>
> *Temporarily restricted net assets* – Temporarily restricted net assets include gifts, unconditional promises to give, trusts and remainder interests, income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include donor specified purposes for which the net assets are to be spent, time limitations imposed by donors or implied by the nature of the gift. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.
>
> *Unrestricted net assets* – Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted or temporarily restricted net assets, depending upon the explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period 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, in its sole discretion, shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for consolidated financial statement purposes.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries.

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. The current spending policy is to distribute an amount equal to 3% of a twelve-quarter rolling average if the total return for the prior twelve months is 3% or less. If the total return for the prior twelve months is between 3% and 4%, the spending policy is to distribute an amount equal to 4% of a twelve-quarter rolling average. If the total return for the prior twelve months is between 4% and 5%, the spending policy is to distribute an amount equal to 5% of a twelve-quarter rolling average. If the total return for the prior twelve months is greater than 5%, the spending policy is to distribute an amount equal to 5% of a twelve-quarter rolling average and to retain any additional earnings to increase the overall value of the endowed funds. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 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 agreed to increase the amount to $4.5 million. An allowance account for a loan loss reserve is established for each loan investment.

Funds Held for Agencies

Generally Accepted Accounting Principles 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

Unconditional promises to give are recorded as receivables and revenues when the donor makes the commitment. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Note 2 – Summary of Significant Accounting Policies (continued)

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 NAV-practical expedient (see Note 5 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.

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.

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 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.

Contributions
Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 three of its banks, Los Alamos National Bank, New Mexico Bank and Trust, and Wells Fargo, exceeded the FDIC insurance limit at times during the year. As of December 31, 2017 and 2016, the amounts on deposit that exceeded the FDIC insurance limit was $2,339,849 and $1,543,909, respectively. The Foundation consistently reviews its cash position along with FDIC limits to reduce exposure to cash concentrations.

Promotion and Advertising
The Foundation expenses advertising costs as incurred. Total advertising costs for the years ended December 31, 2017 and 2016 were $6,868 and $0, respectively.

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. The Foundation is in the process of determining the impact regarding grants and awards, if any.

Note 2 – Summary of Significant Accounting Policies (continued)

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 is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

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 15, 2018.

Note 3 – Promises to Give

Promises to give at December 31 are as follows:

	2017	2016
Receivable in less than one year	$ 1,518,368	$ 943,024
Receivable in one to five years	50,000	654,500
	$ 1,568,368	$ 1,597,524

Management believes these amounts are fully collectible; therefore, no allowance has been recorded. A present value discount for long term promises to give has not been recorded as the amount is insignificant to the consolidated financial statements.

Note 4 – 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 2.2% to 7.4%.

Note 5 – 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 Statements 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, 2017 and 2016.

Note 5 – Fair Value Measurements (continued)

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 equity mutual fund investment is a global portfolio fund, which are institutional class shares, managed by Dimensional Fund Advisors and valued by the Foundation's management using the net asset value (NAV). Relative to conventional equity market benchmarks, the portfolio reflects an emphasis on value stocks, and to a lesser extent, small company stocks. Currently, the portfolio is invested approximately 64% U.S. common stocks, 27% international stocks, and 9% emerging market stocks.

The bond portfolio, managed by Thornburg Investment Management, is basically a ten-year ladder of investment grade securities. Holdings mature between one and ten years.

The estimated share of hedge funds, managed futures and commodities, global alternatives fund, active income fund, absolute return fund, and long/short equity fund 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2017:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 813,062	$ -	$ -	$ 813,062
Money market - annuities	154,085	-	-	154,085
US Treasury Notes	6,092,160	-	-	6,092,160
Equities	10,167,959	-	-	10,167,959
Real Assets	965,539	-	-	965,539
Government agency bonds	-	655,295	-	655,295
Taxable municipal bonds	-	402,906	-	402,906
Corporate bond	-	5,408,040	-	5,408,040
Preferred Securities	-	157,340	-	157,340
Foreign Obligations	-	7,538	-	7,538
Mortgage asset-backed securities	-	1,002,898	-	1,002,898
Bond mutual funds	-	3,772,244	-	3,772,244
Equity mutual funds	-	36,677,736	-	36,677,736
Total assets in the fair value hierarchy	$ 18,192,805	$ 48,083,997	$ -	66,276,802
Investments measured at NAV-practical expedient	5,015,487			$ 5,015,487
Investments at fair value				$ 71,292,289

Note 5 – 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, 2016:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 750,951	$ -	$ -	$ 750,951
Money market - annuities	86,003	-	-	86,003
US Treasury Notes	1,572,935	-	-	1,572,935
Equities	8,591,326	-	-	8,591,326
Real Assets	1,074,497	-	-	1,074,497
Government agency bonds	-	725,185	-	725,185
Taxable municipal bonds	-	480,134	-	480,134
Corporate bond	-	5,102,771	-	5,102,771
Preferred Securities	-	170,560	-	170,560
Foreign Obligations	-	22,936	-	22,936
Mortgage asset-backed securities	-	1,074,024	-	1,074,024
Bond mutual funds	-	3,552,201	-	3,552,201
Equity mutual funds	-	26,738,914	-	26,738,914
Total assets in the fair value hierarchy	$ 12,075,712	$ 37,866,725	$ -	49,942,437
Investments measured at NAV-practical expedient				8,757,597
Investments at fair value				$ 58,700,034

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, 2017:

	Estimated Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds (a)	$ 4,223,786	None	Yearly	100 days
Complementary Strategies (b)	$ 791,701	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 6 – Program Related Investments

The Foundation made three program related investments during 2017: Rural Community Assistance Corporation (RCAC), The Food Depot, and Historic Hotels of Las Vegas through Las Vegas NM Impact, LLC. RCAC did not draw any of the funds from the investment until 2018. In 2016 the Foundation made four program investments to Homewise, Meow Wolf, Mora Valley Woodworkers, and MidSchool Math. The terms of the loans vary between 5 and 10 years with interest rates between 2% and 5%. Interest on the outstanding balances are paid quarterly. Each of the recipients will provide an annual report regarding the social impact that the loans have made.

No additional loan reserve was recognized in 2017. A loan reserve in the amount of $14,150 was recognized in the 2016 Consolidated Statement of Activities, for the investments made during the year.

Note 7 – Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Furniture and equipment	$ 503,357	$ 503,357
Building and improvements	2,567,423	2,534,916
	3,070,780	3,038,273
Accumulated depreciation	(852,032)	(745,465)
	$ 2,218,748	$ 2,292,808

Note 8 – Net Assets Classifications

Change in Endowment Net Assets:

For the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 349,271	$ 27,552,743	$ 32,341,717	$ 60,243,731
Interest and dividends, net of investment expense	(4,004)	1,310,439	-	1,306,435
Net appreciation	434,263	8,427,860	-	8,862,123
Contributions	314,682	1,761,558	1,653,803	3,730,043
Amounts appropriated for expenditures	(108,935)	- (2,939,091)	- -	(3,048,026)
Granted	(33,582)	(2,882,342)	-	(2,915,924)
Other changes	-	1,366,360	23,209	1,389,569
Change in endowment net assets	602,424	7,044,784	1,677,012	9,324,220
Endowment net assets, end of year	$ 951,695	$ 34,597,527	$ 34,018,729	$ 69,567,951

Note 8 – Net Assets Classifications (continued)

For the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 471,803	$ 24,952,217	$ 31,345,666	$ 56,769,686
Interest and dividends, net of investment expense	(10,462)	1,090,050	-	1,079,588
Net appreciation (depreciation)	(58,281)	4,404,772	-	4,346,491
Contributions	102,247	3,246,809	815,497	4,164,553
Amounts appropriated for expenditures	(72,179)	(2,612,932)	-	(2,685,111)
Granted	(34,948)	(4,058,978)	-	(4,093,926)
Other changes	(48,909)	530,805	180,554	662,450
Change in endowment net assets	(122,532)	2,600,526	996,051	3,474,045
Endowment net assets, end of year	$ 349,271	$ 27,552,743	$ 32,341,717	$ 60,243,731

Endowment Net Asset Composition by Type of Fund:

For the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated and agency endowment funds (deficit)	$ (65,502)	$ 995,822	$ 6,617,609	$ 7,547,929
Other endowment funds (deficit)				
Administrative endowments	-	128,836	1,313,655	1,442,491
Donor advised	(2,058,747)	31,215,599	8,441,999	37,598,851
Discretionary	-	274,820	941,057	1,215,877
Emergency	-	170,590	482,963	653,553
Field of interest	(10,784)	1,601,237	13,717,743	15,308,196
Unrestricted	-	210,623	2,503,703	2,714,326
Subtotal other endowment funds (deficit)	(2,069,531)	33,601,705	27,401,120	58,933,294
Board designated endowment funds	3,086,728	-	-	3,086,728
Total endowment funds	$ 951,695	$ 34,597,527	$ 34,018,729	$ 69,567,951

Note 8 – Net Assets Classifications (continued)

For the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated and agency				
endowment funds (deficit)	$ (85,134)	$ 409,646	$ 5,773,818	$ 6,098,330
Other endowment funds (deficit)				
Administrative endowments	-	46,440	1,309,305	1,355,745
Donor advised	(1,804,879)	26,037,743	8,051,844	32,284,708
Discretionary	(3,327)	173,247	927,557	1,097,477
Emergency	-	123,566	441,212	564,778
Field of interest	(223,098)	711,165	13,343,453	13,831,520
Unrestricted	(49,418)	50,936	2,494,528	2,496,046
Subtotal other endowment funds (deficit)	(2,080,722)	27,143,097	26,567,899	51,630,274
Board designated endowment funds	2,515,127	-	-	2,515,127
Total endowment funds	$ 349,271	$ 27,552,743	$ 32,341,717	$ 60,243,731

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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 951,696	$ 34,597,526	$ 34,018,729	$ 69,567,951
Non-endowment funds				
Donor advised	-	3,707,101	-	3,707,101
Special projects	1,352,239	2,422,086	-	3,774,325
Discretionary	-	10,092	-	10,092
Emergency	-	244,476	-	244,476
Field of interest	(3,271)	814,847	-	811,576
Unrestricted	983,522	1,555	-	985,077
Total non-endowment funds	2,332,490	7,200,157	-	9,532,647
Split Interest agreements	-	249,769	-	249,769
Total net assets	$ 3,284,186	$ 42,047,452	$ 34,018,729	$ 79,350,367

Note 8 – Net Assets Classifications (continued)

For the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 349,271	$ 27,552,743	$ 32,341,717	$ 60,243,731
Non-endowment funds				
Donor advised	-	3,761,589	-	3,761,589
Special projects	1,223,994	3,024,166	-	4,248,160
Discretionary	-	10,246	-	10,246
Emergency	-	173,610	-	173,610
Field of interest	1,135	420,400	-	421,535
Unrestricted	2,818,622	(3,174)	-	2,815,448
Total non-endowment funds	4,043,751	7,386,837	-	11,430,588
Split Interest agreements	-	223,038	-	223,038
Total net assets	$ 4,393,022	$ 35,162,618	$ 32,341,717	$ 71,897,357

Note 9 – Retirement Plan

The Foundation maintains a 401(k) 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 401(k) plan in 2017 and 2016, were $37,554 and $29,750, respectively.

Note 10 – 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 $344,376 and $253,955 in 2017 and 2016, respectively.

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 $46,113 and $53,950 for 2017 and 2016 is recognized in the Consolidated Statement of Activities. The lease was extended through June 30, 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. The LLC also had a contract with Skarsgard Farms to provide the services for MoGro, that ended during 2017. A new contract was signed with Roadrunner Foodbank in Albuquerque in 2017.

In September 2014, a United States Department of Agriculture Agricultural Marketing Service grant for a maximum of $100,000 was awarded to the Foundation for the MoGro Program. The grant period was extended to March 31, 2017. The final payment of the maximum grant amount was received in 2017.

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. As of December 31, 2017, a total of $92,062 has been received from this grant.

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, 2017, the Foundation had 79 designated endowment funds and 47 agency endowment funds. The agency endowments require accounting as funds held for agencies and had a combined value of $4,097,353. At December 31, 2016, the Foundation had 78 designated endowment funds and 47 agency endowment funds. The agency endowments require accounting as funds held for agencies and had a combined value of $3,737,935.

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 2017 and 2016 Consolidated Statement of Activities.

The changes in this other liability are summarized as follows:

Funds held for agencies at December 31, 2015	$ 3,792,902
Additions	
Contributions	63,623
Investment income	66,877
Unrealized gains	136,681
Realized gains	60,672
Total additions	327,853
Deductions	
Distributions - grants	343,095
Investment expenses	39,725
Total deductions	382,820
Funds held for agencies at December 31, 2016	3,737,935
Additions	
Contributions	99,657
Investment income	82,055
Unrealized gains	317,988
Realized gains	96,386
Total additions	596,086
Deductions	
Distributions - grants	194,829
Investment expenses	41,839
Total deductions	236,668
Funds held for agencies at December 31, 2017	$ 4,097,353

Note 14 – Subsequent Events

After an extensive search process by the Investment Committee, the Board of Directors decided to engage an Outsourced Chief Investment Officer model for its investments. Graystone Consulting was selected by the Board of Directors and the agreement was signed in January 2018. All the investments, except those at The Investment Fund for Foundations, were sold or transferred to Morgan Stanley, the brokerage for Graystone, during the first quarter of 2018. As a result of engaging an Outsourced Chief Investment Officer model, the Foundation split its Investment Policy into separate policies as follows: Investment Policy, Impact Investing Policy, Outside Managers Investment Policy, and Spending Policy. Only the Spending Policy received a major change. Instead of percentages based on performance, the Foundation has a spending policy set at a fixed rate of 4% over a twelve-quarter rolling average, effective June 30, 2018.

The Foundation welcomed its first Affiliate Fund—Greater Las Vegas New Mexico Community Fund—in April 2018. Affiliate funds help build localized philanthropy in our region. The Foundation provides a platform for back office support, investing and financial management of assets, and assistance with grant making and developing fundraising efforts. The affiliate advisory board, reflective of each community, provides a strong connection to the needs and opportunities in its area. The advisory board focuses on setting priorities, attracting donors, recommending grants, and supporting nonprofit organizations.

Note 15 – Schedule of Functional Expenses with Comparative Totals for Prior Year

The following schedule presents the natural classification of the summarized costs in the Consolidated Statement of Activities for 2017 with a comparative total for 2016.

	Program	General Administrative, Investment Fees and Services	Development and Donor Services	2017 Total	2016 Total
Grants	$ 7,246,749	$ -	$ -	$ 7,246,749	$ 7,820,130
Other expenses					
Salaries and wages	903,028	292,432	190,949	1,386,409	1,344,736
Payroll taxes	66,122	21,791	13,468	101,381	101,130
Other employee benefits	108,927	22,357	33,470	164,754	144,228
401(k) plan contributions	24,869	8,881	3,804	37,554	29,750
Occupancy	8,726	3,075	4,613	16,414	40,506
Equipment rental and maintenance	31,305	10,282	15,424	57,011	45,570
Telephone	10,924	2,514	3,771	17,209	16,795
Accounting fees	9,993	3,992	5,989	19,974	19,904
Bank charges and fees	8,404	2,567	3,851	14,822	16,489
Conferences/conventions	2,789	211	316	3,316	11,820
Seminars and events	325,748	-	1,122	326,870	132,661
Dues & subscriptions	11,391	1,998	2,997	16,386	7,099
Insurance	18,077	2,322	3,483	23,882	23,298
Miscellaneous	6,484	825	1,424	8,733	4,641
Supplies	44,150	8,415	12,637	65,202	58,466
Cost of goods sold	93,655	-	-	93,655	148,071
Postage and shipping	5,591	1,656	3,970	11,217	16,244
Printing and publications	25,994	2,023	3,035	31,052	47,606
Contracted program services	915,534	4,972	8,958	929,464	643,577
Consulting services	142,793	1,628	2,060	146,481	71,897
Public Relations	5,514	542	812	6,868	-
Technology	114,056	22,488	37,362	173,906	188,980
Travel	106,096	9,074	15,032	130,202	107,224
Workshop expenses	23,827	-	-	23,827	31,493
Depreciation	89,453	6,846	10,269	106,568	121,054
Allowance account	-	-	-	-	14,150
In-kind expenses	-	-	-	-	585
Special event expenses	-	-	10,573	10,573	34,242
Pinon award expenses	35,354	-	-	35,354	39,810
Property expenses	83,165	161,802	-	244,967	125,307
Investment fees	-	150,828	-	150,828	146,280
Subtotal other expenses	3,221,969	743,521	389,389	4,354,879	3,733,613
Total expenses	$ 10,468,718	$ 743,521	$ 389,389	$ 11,601,628	$ 11,553,743