

**COMMUNITY FOUNDATION  
OF LINCOLN COUNTY**  
**Financial Statements for the Year Ended  
June 30, 2022**  
**and Independent Auditor's Report**

# COMMUNITY FOUNDATION OF LINCOLN COUNTY

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7

# WATTS CPA, P.C.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Community Foundation of Lincoln County

### **Opinion**

We have audited the accompanying financial statements of the Community Foundation of Lincoln County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Lincoln County as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Lincoln County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of Lincoln County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Lincoln County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Watts CPA, P.C.

El Paso, Texas  
July 14, 2023

# COMMUNITY FOUNDATION OF LINCOLN COUNTY

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2022

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### ASSETS

#### CURRENTS ASSETS

Cash and cash equivalents	\$ 117,583
Investments	<u>1,260,301</u>

Total current assets 1,377,884

TOTAL ASSETS \$ 1,377,884

### LIABILITIES AND NET ASSETS

#### Noncurrent liabilities

Agency funds	\$ <u>304,582</u>
Total liabilities	<u>304,582</u>

#### NET ASSETS

Without donor restrictions	
Undesignated	24,963

#### With donor restrictions

Restricted for purpose	562,806
Restricted in perpetuity	<u>485,533</u>
Total net assets with donor restrictions	<u>1,048,339</u>

Total net assets 1,073,302

TOTAL LIABILITIES AND NET ASSETS \$ 1,377,884

See accompanying notes to financial statements and auditor's report.

# COMMUNITY FOUNDATION OF LINCOLN COUNTY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 6,495	\$ 764,008	\$ 770,503
Net investment return	(1,160)	(62,745)	(63,905)
Administrative fees	13,811		13,811
Net assets released from restrictions - purpose	<u>582,177</u>	<u>(582,177)</u>	<u>-</u>
Total revenues and support	<u>601,323</u>	<u>119,086</u>	<u>720,409</u>
Expenses			
Program expenses	591,572	-	591,572
Fundraising	1,510	-	1,510
Administrative	11,469	-	11,469
Total expenses	<u>604,551</u>	<u>-</u>	<u>604,551</u>
Change in net assets	<u>(3,228)</u>	<u>119,086</u>	<u>115,858</u>
Net assets, Beginning of year	<u>28,191</u>	<u>929,253</u>	<u>957,444</u>
NET ASSETS, End of year	<u>\$ 24,963</u>	<u>\$ 1,048,339</u>	<u>\$ 1,073,302</u>

See accompanying notes to financial statements and auditor's report.

# COMMUNITY FOUNDATION OF LINCOLN COUNTY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 115,858
Adjustments to reconcile change in net assets to net cash used in operating activities	
Realized gain on sale of investments	(7,967)
Unrealized loss on investments	93,208
Change in assets and liabilities	
Agency funds	<u>162,601</u>
Net cash provided by operating activities	<u>363,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	26,795
Purchase of investments	<u>(315,999)</u>
Net cash used in investing activities	<u>(289,204)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	74,496
CASH AND CASH EQUIVALENTS - Beginning of year	<u>43,087</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 117,583</u>

See accompanying notes to financial statements and auditor's report.

# COMMUNITY FOUNDATION OF LINCOLN COUNTY

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

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	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 758	\$ -	\$ 757	\$ 1,515
Insurance	-	752	-	752
Grants, awards and scholarships	63,750	-	-	63,750
Project expenses	17,200	-	-	17,200
Administrative fees	-	10,013	-	10,013
Contributions	508,064	-	-	508,064
Software expense	1,800	200	-	2,000
Dues and subscriptions	-	200	-	200
Postage	-	-	753	753
Miscellaneous	-	304	-	304
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 591,572</u>	<u>\$ 11,469</u>	<u>\$ 1,510</u>	<u>\$ 604,551</u>

See accompanying notes to financial statements and auditor's report.



# COMMUNITY FOUNDATION OF LINCOLN COUNTY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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### 1. NATURE OF OPERATIONS

The Community Foundation of Lincoln County (the "Foundation"), is a non-profit organization located in Ruidoso, New Mexico. The Foundation is an exempt community foundation making charitable grants to other exempt organizations located in the Lincoln County area. The Foundation receives substantial contributions and grants, and earns income from its investments.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** - The financial statements of the Foundation have been prepared on the accrual basis.

***Net Assets*** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions*** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

***Net Assets With Donor Restrictions*** - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Revenue Recognition*** - The Foundation recognizes revenues for administrative fees when the performance obligation is satisfied, which is the point at which services are transferred to its customers, in an amount that reflects the consideration the Foundation expects to be entitled to receive in exchange for those services. The timing of satisfaction of the performance obligation is not subject to significant judgment.

***Contributions*** - Contributions are recognized as revenue when an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Recognized contributions are considered to be available for unrestricted use unless restricted by the donor. All donor-restricted contributions are recorded as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated purpose or time restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Management Estimates and Assumptions*** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial

statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**Administrative Fees** – Community Foundation of Lincoln County receives administrative fees from various affiliates to cover certain bookkeeping and other overhead costs. Administrative fees associated with Community Foundation of Lincoln County’s own restricted net asset funds are allocated to said funds, and reclassified to net assets without restrictions. As inter-fund transfers, the fees are reflected in the revenue section of the statement of activities.

**Federal Income Taxes** – Community Foundation of Lincoln County is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no liability or provision for federal income taxes is included in the accompanying financial statements. The Foundation is, however, subject to income tax on income from activities unrelated to their exempt purpose. No unrelated business activities were conducted in the current year. As such, no provision for Federal income taxes was made in the accompanying financial statements. The Foundation files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates.

**Cash and Cash Equivalents** – For the purpose of the statement of cash flows, the Foundation considers all instruments with an original maturity of three months or less to be cash equivalents.

**Endowment Classifications** - The Foundation endowments consist of individual funds established for a variety of purposes. Its endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is appropriated for expenditure by the Foundation in manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation’s investment policies.

**Endowment Investment and Spending Policies** – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policies establish an achievable return objective through diversification of asset classes. The current long-term return objectives are based upon the Boards of Directors’ assessment of current and future economic conditions and the needs of the organizations.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and

unrealized) and current yield (interest and dividends). The organizations target a diversified asset allocation that places equal emphasis on equity and debt-based investments to achieve their 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 generally expend only the income earned on endowed funds to the extent necessary for the needs of the Foundation, while preserving the endowment assets.

**Functional Allocation of Expenses** – The cost of program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Concentration of Credit Risk**—The Foundation maintains its cash balances in a national brokerage firm which at times may exceed federally insured limits. Management assesses the financial condition of this brokerage firm and believes the possibility of any credit loss is immaterial.

**Advertising**— Advertising costs are expensed as incurred. Advertising expenses were \$1,515 for the year ended June 30, 2022.

**Subsequent Events** - Management has evaluated subsequent events through July 14, 2023, the date of the financial statements were available to be issued.

### 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date comprise the following at June 30, 2022:

Cash and cash equivalents	\$ <u>117,583</u>
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### 4. CASH AND CASH EQUIVALENTS

The Foundation cash and cash equivalents include the following at June 30, 2022:

Money market funds	\$ <u>117,583</u>
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### 5. CONCENTRATION OF RISK

The Foundation maintains cash balances with a brokerage firm. Balances with the brokerage firm are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation. The Foundation's balances exceed insured limits. The Foundation assesses the financial condition of the brokerage firm and believes the possibility of any credit loss is immaterial.

## 6. INVESTMENTS

The Foundation's investment are stated at fair value on a recurring basis and consisted of the following at June 30, 2022:

Mutual funds	\$ 255,105
Exchange traded products	685,863
Equity securities	297,089
Certificate of deposit	<u>22,244</u>
	<u>\$ 1,260,301</u>

## 7. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board Codification (the "Codification") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the Codification are described below:

Level 1        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2        Inputs to the valuation methodology include:  
Quoted prices for similar assets or liabilities in active markets;  
Quoted prices for identical or similar assets or liabilities in inactive markets;  
Inputs other than quoted prices that are observable for the asset or liability;  
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3        Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 255,105	\$ -	\$ -	\$ 255,105
Exchanged traded products	685,863	-	-	685,863
Equity securities	297,089	-	-	297,089
Certificate of deposit	<u>-</u>	<u>22,244</u>	<u>-</u>	<u>22,244</u>
Total assets at fair value	<u>\$ 1,238,057</u>	<u>\$ 22,244</u>	<u>\$ -</u>	<u>\$ 1,260,301</u>

## 8. NET INVESTMENT RETURN

Net investment return for the year ended June 30, 2022 consisted of the following:

Dividend and interest income	\$ 21,336
Realized gain on sale of investments	7,967
Unrealized market loss	<u>(93,208)</u>
	<u>\$ (63,905)</u>

## 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period.

Subject to expenditure for specific purpose:

Burdine Family	\$ 5,855
Chili Currier ENMU - Scholarship	5,768
Coach Bob Cerny	54,525
Corona Land Owners	42,248
ENMU Ruidoso	47,663
EVS McMinn	6,603
Friends of Historic Lincoln	11,801
Fusion Foundation	5,021
Here Comes the Sun	9,408
The Lincoln County Farm	28,686
RG Woodard Memorial	21,040
Ruidoso Schools	9,079
The Shelter Fund	177,419
Vicky Lawrence Memorial	4,134
Bennett Trust Fund	15,435
Burdine ENMU	99,292
Chili Currier ENMU - Endowment	15,031
Christine Russell Harkey	<u>3,798</u>
Total purpose restrictions	<u>\$ 562,806</u>
Perpetual in nature:	
Bennett Trust Fund	\$ 40,000
Burdine ENMU	50,000
CFLC Legacy Fund	270,152
Chili Currier ENMU - Endowment	14,000
Christine Russell Harkey	10,000
Jack Nelson Harkey	<u>101,381</u>
Total perpetual in nature	<u>\$ 485,533</u>
Total net assets with donor restrictions	<u>\$ 1,048,339</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of purpose restrictions	
Scholarships	\$ 120,104
Portales children's home	827
Contribution to local nonprofit	1,658
Town of Lincoln	193
Lincoln County	5,076
Community wellness	154
Animal welfare	7,274
Art within the community	469
Disaster relief grants	<u>446,422</u>
Total	<u>\$ 582,177</u>

#### 10. CHANGES IN ENDOWMENT NET ASSETS AND ENDOWMENT NET ASSET COMPOSITION

Below are schedules of change in endowment assets for the years ended June 30, 2022. The temporarily restricted portion of the endowment has been reclassified:

##### Changes in Endowment Net Assets

For the year ended June 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets, beginning of year	\$ -	\$ 614,409	\$ 614,409
Interest and dividends	-	13,771	13,771
Net realized and unrealized gain	-	(51,428)	(51,428)
Contributions	-	68,811	68,811
Board designation	-	-	-
Appropriation of assets for expenditures	-	(26,476)	(26,476)
Change in net assets	-	4,678	4,678
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 619,087</u>	<u>\$ 619,087</u>

##### Endowment Net Assets Composition by Type of Fund

As of June 30, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor designated endowment funds	\$ -	\$ 619,087	\$ 619,087
Board designated endowment funds	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 619,087</u>	<u>\$ 619,087</u>

**11. AGENCY FUNDS**

From time to time, organizations provide funds to the Foundation for their own benefit. These transfers are considered reciprocal transactions under the accounting literature, and are recorded as a liability by the Foundation. The liability represents an obligation to pay specified future distributions. The Foundation’s legal ownership of the funds is granted through variance power, and is governed by the gift instruments. The agency fund balances consisted of the following at June 30, 2022:

Hope Harbor	\$ 186,192
Humane Society of Lincoln County	11,995
Ruidoso Valley Chamber of Commerce	12,006
Ruidoso Hospice Foundation	62,365
Lincoln County Farm & Livestock Bureau	26,089
Ski Apache Adaptive Sports	<u>5,935</u>
	<u>\$ 304,582</u>

**12. CONCENTRATIONS, RISKS, AND UNCERTAINTIES**

Investments in marketable securities are subject to credit, interest and market risks. The Foundation’s results of activities are materially affected by the U.S. and world economies. Economic factors such as inflation, energy costs, the cost and availability of credit, and the health of the U.S. mortgage market and U.S. real estate market affect the performance and marketability of marketable securities. The Foundation could incur significant losses during a prolonged market downturn.