



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS

**NATIONAL DANCE INSTITUTE OF NEW MEXICO**

August 31, 2019 and 2018

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## **Report of Independent Auditors**

Board of Directors  
National Dance Institute of New Mexico

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of National Dance Institute of New Mexico and subsidiary (collectively NDI New Mexico), a New Mexico not-for-profit corporation, which comprise the consolidated statements of financial position, as of August 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the 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 consolidated financial position of NDI New Mexico as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 2 of the consolidated financial statements, NDI New Mexico 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 13, 2019

**National Dance Institute of New Mexico**  
**Consolidated Statements of Financial Position**

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**ASSETS**

	August 31,	
	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 653,349	\$ 1,495,734
Pledges receivable, short-term	383,275	411,009
Contributions receivable	-	16,000
Grants receivable	157,603	6,500
Accounts receivable	10,500	31,747
Investments, short-term	171,466	4,351,356
Other assets	-	89,331
Total current assets	<u>1,376,193</u>	<u>6,401,677</u>
<b>NON-CURRENT ASSETS</b>		
Pledges receivable, long-term	665,752	1,015,747
Investments, long-term	27,590,011	23,173,324
Property and equipment, net	<u>9,419,793</u>	<u>9,762,277</u>
Total assets	<u><u>\$ 39,051,749</u></u>	<u><u>\$ 40,353,025</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 21,147	\$ 29,199
Accrued payroll and related liabilities	77,656	95,504
Other liabilities	9,625	12,432
Deferred revenue	175,369	524,163
Total current liabilities	<u>283,797</u>	<u>661,298</u>
<b>NET ASSETS</b>		
Without donor restrictions	9,219,375	9,477,629
Without donor restrictions board designated endowment	15,510,389	16,158,009
With donor restrictions	14,038,188	14,056,089
Total net assets	<u>38,767,952</u>	<u>39,691,727</u>
Total liabilities and net assets	<u><u>\$ 39,051,749</u></u>	<u><u>\$ 40,353,025</u></u>

**National Dance Institute of New Mexico**  
**Consolidated Statements of Activities**  
**Year Ended August 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions			
General donation	\$ 1,028,883	\$ 240,878	\$ 1,269,761
In-kind goods and services	192,263	-	192,263
Total contributions	<u>1,221,146</u>	<u>240,878</u>	<u>1,462,024</u>
Grants			
Operating	861,342	-	861,342
Special events (including in-kind)	896,948	-	896,948
Less direct benefit costs to donors	(41,710)	-	(41,710)
Total special events	<u>855,238</u>	<u>-</u>	<u>855,238</u>
Merchandise sales	60,239	-	60,239
Contract for services	706,971	-	706,971
Ticket sales	206,080	-	206,080
Tuition and fees	637,283	-	637,283
Rental income	50,238	-	50,238
Interest income	2,795	-	2,795
Miscellaneous income	1,054	-	1,054
Total revenue and other support, net	<u>4,602,386</u>	<u>240,878</u>	<u>4,843,264</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>296,092</u>	<u>(296,092)</u>	<u>-</u>
<b>EXPENSES</b>			
Program services	4,540,842	-	4,540,842
General and administrative	619,541	-	619,541
Fundraising expenses	1,205,555	-	1,205,555
Total expenses	<u>6,365,938</u>	<u>-</u>	<u>6,365,938</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,467,460)</u>	<u>(55,214)</u>	<u>(1,522,674)</u>
<b>OTHER INCOME</b>			
Dividend and interest income	333,765	-	333,765
Net unrealized (loss) gain on investments	(3,673,545)	37,313	(3,636,232)
Net realized gain on investments	3,901,366	-	3,901,366
Total other income	<u>561,586</u>	<u>37,313</u>	<u>598,899</u>
DECREASE IN NET ASSETS	(905,874)	(17,901)	(923,775)
NET ASSETS AT BEGINNING OF YEAR	<u>25,635,638</u>	<u>14,056,089</u>	<u>39,691,727</u>
NET ASSETS AT END OF YEAR	<u>\$ 24,729,764</u>	<u>\$ 14,038,188</u>	<u>\$ 38,767,952</u>

**National Dance Institute of New Mexico**  
**Consolidated Statements of Activities**  
**Year Ended August 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions			
General donation	\$ 867,504	\$ 1,579,100	\$ 2,446,604
In-kind goods and services	58,987	-	58,987
Total contributions	<u>926,491</u>	<u>1,579,100</u>	<u>2,505,591</u>
Grants			
Operating	629,713	-	629,713
Special events (including in-kind)	869,590	-	869,590
Less direct benefit costs to donors	(51,648)	-	(51,648)
Total special events	<u>817,942</u>	<u>-</u>	<u>817,942</u>
Merchandise sales	65,450	-	65,450
Contract for services	524,931	-	524,931
Ticket sales	109,930	-	109,930
Tuition and fees	726,245	-	726,245
Rental income	64,834	-	64,834
Interest income	1,742	-	1,742
Miscellaneous income	2,824	-	2,824
Total revenue and other support, net	<u>3,870,102</u>	<u>1,579,100</u>	<u>5,449,202</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>280,482</u>	<u>(280,482)</u>	<u>-</u>
<b>EXPENSES</b>			
Program services	4,556,286	-	4,556,286
General and administrative	497,272	-	497,272
Fundraising expenses	1,013,854	-	1,013,854
Total expenses	<u>6,067,412</u>	<u>-</u>	<u>6,067,412</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>(1,916,828)</u>	<u>1,298,618</u>	<u>(618,210)</u>
<b>OTHER INCOME</b>			
Dividend and interest income	512,286	-	512,286
Net unrealized			
gain on investments	855,722	93,479	949,201
Net realized			
gain on investments	641,147	-	641,147
Total other income	<u>2,009,155</u>	<u>93,479</u>	<u>2,102,634</u>
<b>INCREASE IN NET ASSETS</b>	92,327	1,392,097	1,484,424
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>25,543,311</u>	<u>12,663,992</u>	<u>38,207,303</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 25,635,638</u>	<u>\$ 14,056,089</u>	<u>\$ 39,691,727</u>

**National Dance Institute of New Mexico  
Consolidated Statements of Functional Expenses  
Year Ended August 31, 2019**

	Program Services				Total Program	General and Fundraising		Total
	Outreach	Advanced	Residency	Other		Administrative	Operations	
Salaries and wages	\$ 1,341,311	\$ 793,523	\$ 312,937	\$ 95,082	\$ 2,542,853	\$ 313,322	\$ 514,373	\$ 3,370,548
Employee benefits	125,641	73,749	38,251	9,055	246,696	77,835	52,157	376,688
Payroll taxes	114,777	67,295	26,532	8,142	216,746	19,578	44,152	280,476
Contract labor	74,730	39,048	19,811	1,393	134,982	1,100	38,240	174,322
Total personnel expenses	1,656,459	973,615	397,531	113,672	3,141,277	411,835	648,922	4,202,034
Direct production expenses	54,546	32,099	8,156	2,043	96,844	523	42,308	139,675
Outside services	36,357	21,239	3,323	886	61,805	38,861	130,720	231,386
Promotions and public relations	21,208	34,268	1,898	12,480	69,854	17,458	146,605	233,917
Office expenses	128,504	82,493	31,089	7,480	249,566	28,391	88,618	366,575
Facilities and equipment	94,755	112,643	7,414	1,181	215,993	23,571	86,705	326,269
Travel expenses	68,268	15,052	92,166	1,748	177,234	7,476	10,831	195,541
Other expenses	39,694	61,400	6,219	2,249	109,562	79,202	34,289	223,053
Total expenses before depreciation	2,099,791	1,332,809	547,796	141,739	4,122,135	607,317	1,188,998	5,918,450
Depreciation	170,222	231,126	13,766	3,593	418,707	12,224	16,557	447,488
Total expenses	<u>\$ 2,270,013</u>	<u>\$ 1,563,935</u>	<u>\$ 561,562</u>	<u>\$ 145,332</u>	<u>\$ 4,540,842</u>	<u>\$ 619,541</u>	<u>\$ 1,205,555</u>	<u>\$ 6,365,938</u>



**National Dance Institute of New Mexico**  
**Consolidated Statements of Functional Expenses**  
**Year Ended August 31, 2018**

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	Program Services	General and Administrative	Fundraising Operations	Total
Salaries and wages	\$ 2,574,724	\$ 328,263	\$ 492,189	\$ 3,395,176
Employee benefits	239,146	24,656	48,788	312,590
Payroll taxes	212,941	22,787	40,584	276,312
Contract labor	115,097	210	31,747	147,054
Total personnel expenses	<u>3,141,908</u>	<u>375,916</u>	<u>613,308</u>	<u>4,131,132</u>
Direct production expenses	106,033	222	25,382	131,637
Outside services	87,813	45,864	82,198	215,875
Promotions and public relations	47,626	1,434	94,841	143,901
Office expenses	224,588	18,423	72,136	315,147
Facilities and equipment	228,725	9,497	61,595	299,817
Travel expenses	177,401	6,049	11,347	194,797
Other expenses	78,704	20,493	28,343	127,540
Total expenses before depreciation	<u>4,092,798</u>	<u>477,898</u>	<u>989,150</u>	<u>5,559,846</u>
Depreciation	<u>463,488</u>	<u>19,374</u>	<u>24,704</u>	<u>507,566</u>
Total expenses	<u><u>\$ 4,556,286</u></u>	<u><u>\$ 497,272</u></u>	<u><u>\$ 1,013,854</u></u>	<u><u>\$ 6,067,412</u></u>

## National Dance Institute of New Mexico Consolidated Statements of Cash Flows

	Years Ended August 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets	\$ (923,775)	\$ 1,484,424
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	447,488	507,566
Contributions received for long-term investment	-	(178,296)
Investment income and realized/unrealized gains	(598,899)	(2,092,997)
Changes in assets and liabilities		
Contributions receivable	16,000	(16,000)
Pledges receivable	377,729	(1,133,831)
Grants receivable	(151,103)	5,050
Accounts receivable	21,247	32,735
Other assets	89,331	(89,331)
Accounts payable	(8,052)	7,858
Accrued payroll and related liabilities	(17,848)	17,215
Other liabilities	(2,807)	5,708
Deferred tuition revenue	(348,794)	216,129
	(1,099,483)	(1,233,770)
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(105,004)	(223,944)
Purchase of investments	(29,910,891)	(4,733,171)
Proceeds from sale of investments	30,272,993	6,696,665
	257,098	1,739,550
Net cash provided by investing activities		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(842,385)	505,780
CASH AND CASH EQUIVALENTS, beginning of year	1,495,734	989,954
CASH AND CASH EQUIVALENTS, end of year	\$ 653,349	\$ 1,495,734

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 1 – Description of Organization

National Dance Institute of New Mexico (NDI New Mexico) is a not-for-profit corporation which was incorporated in 1995 in the State of New Mexico. The mission of NDI New Mexico is based on the knowledge that the arts have a unique power to engage and motivate children. The purpose of the NDI New Mexico programs is to help children achieve discipline, a standard of excellence, and a belief in themselves that will carry over into all aspects of their lives. The organization operates exclusively for charitable and educational purposes.

On September 8, 2016, NDI New Mexico created single member LLC, 307 Camino Alire, LLC (Camino Alire). The wholly owned subsidiary of NDI New Mexico is organized and shall be operated for the purpose of supporting and making distributions to NDI New Mexico. On September 12, 2016, 307 Camino Alire LLC acquired a property of the same address adjacent to the NDI New Mexico Dance Barns. For tax purposes, the LLC is disregarded, and all of its activities are reported on NDI New Mexico's annual information return (Internal revenue Service (IRS) form 990).

### Note 2 – Summary of Significant Accounting Policies

#### Consolidated Financial Statements Presentation

The consolidated financial statements included the accounts and transactions of NDI New Mexico and Camino Alire (collectively, NDI New Mexico). The Organization's consolidated financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations (GAAP).

#### Basis of Presentation

NDI New Mexico reports information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions, and net assets with donor restrictions. NDI New Mexico has both classes of net assets as noted below:

*Net Assets without Donor Restrictions* – Net assets without donor restriction are not subject to donor-imposed stipulations. Revenues are reported as increases in net assets without donor restriction 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 without donor restriction net assets unless their use is restricted by explicit donor stipulations or law. Expirations of donor restricted 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.

*Net Assets with Donor Restrictions*– Donor restricted net assets include gifts, unconditional promises to give, income and gains which can be expended but for which restrictions have not yet been met. If the restriction expires in the same accounting period as the contribution is received, the revenue is shown as unrestricted. Such restrictions include restrictions where donors have specified the purpose for which the net assets are to be spent, or time limitations imposed by donors or implied by the nature of the gift (capital projects, unconditional promises to give to be paid in the future, life income funds).

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

Net assets may be restricted by the donor in perpetuity, these net assets are donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise be removed by actions of NDI New Mexico. Under donor advisement of change in intent, these assets may be reclassified.

#### **Cash and Cash Equivalents**

NDI New Mexico considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. NDI New Mexico maintains the majority of its cash balances in financial institutions located in New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

#### **Pledges and Grants Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met.

NDI New Mexico uses the direct accounting write-off method; therefore, an allowance for doubtful accounts is not used. There were no material pledges receivable written off during the years ended August 31, 2019 and 2018.

#### **Property and Equipment**

Property and equipment is recorded at cost, and presented net of accumulated depreciation. Donated assets are reflected as contributions at their estimated fair value at the date of donation, as determined by management. Depreciation is computed using both straight-line and accelerated methods over estimated useful lives of the respective long-lived assets, ranging from 3 to 40 years.

#### **Deferred Tuition Revenue**

Student tuition payments received prior to August 31 and relating to the following period are recorded as deferred tuition revenue.

#### **Expenses by Both Nature and Function**

NDI New Mexico allocates expenses not applicable to a single activity to the appropriate activities based on the estimated percentage of time employees spend on each of the programs. Depreciation is allocated based on square footage. Most all expenses are recorded directly to the function to which they relate based on the actual personnel assigned and vendor expenses paid.

#### **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to NDI New Mexico that is, in substance, unconditional.

#### **Contributed Goods and Services**

Donated goods and services are reflected as contributions in the accompanying statements of activities at their estimated values at date of receipt, as determined by management.

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Advertising

Advertising costs are expensed as incurred. Total advertising costs for the years ended August 31, 2019 and 2018 were \$75,201 and \$32,887, respectively.

#### 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

#### Investment Income

Investment income (including gains on investments, interest and dividends) is included in the Statement of Activities as increases or decreases in without donor restriction net assets unless the income or loss is restricted by donor or law.

#### Fair Value of Assets and Liabilities

NDI New Mexico's investments are accounted for under fair value accounting standards which provide the 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

##### *Basis of Fair Value Measurement –*

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in non-active markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments that do not have a readily determinable fair value and were issued by an investment company within the scope of Topic 946, Financial Services-Investment Companies are measured using the net asset value (NAV) per share practical expedient.

#### Income Taxes

NDI New Mexico is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. NDI New Mexico had no unrecognized tax benefits which would require an adjustment as of August 31, 2019 or August 31, 2018. NDI New Mexico files an exempt organization return in the U.S. federal jurisdiction and with the State of New Mexico.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Net Asset Classifications**

Endowments are recognized based on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA or the Act).

**Recent Accounting Pronouncements**

FASB ASU 2016-14 – *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 revises the current net asset classification requirements and information presented in financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Management has adopted this new pronouncement as of September 1, 2017.

ASU 2016-02 – *Leases*: Changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods in fiscal years beginning after December 15, 2020. The ASU mandates a modified retrospective transition method for all entities. Management is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the consolidated 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, 2020 and for transactions in which the entity serves as the resource provider beginning after December 15, 2021. Management is in the process of determining the impact of this pronouncement.

**Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before consolidated financial statements are issued. NDI New Mexico 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 statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the balance sheet date and before the consolidated financial statements are available to be issued. NDI New Mexico has evaluated subsequent events through November 13, 2019.

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 3 – Contributions, Pledges and Grants Receivables

Contributions, unconditional promises to give and grants receivables as of August 31 were as follows:

	<u>2019</u>	<u>2018</u>
Contributions, pledges and grants receivables due in less than one year		
Music director endowment	\$ 300,000	\$ 300,000
Contributions receivable	-	16,000
Capital campaign	-	54,409
Annual pledges	83,275	56,600
Grants receivable	<u>157,603</u>	<u>6,500</u>
Total receivables less than one year	<u>\$ 540,878</u>	<u>\$ 433,509</u>
	<u>2019</u>	<u>2018</u>
Pledges and grants receivable due in one to five years		
Music director endowment	\$ 660,000	\$ 900,000
Capital campaign	<u>5,752</u>	<u>115,747</u>
Total receivables from one to five years	<u>\$ 665,752</u>	<u>\$ 1,015,747</u>
Total contributions, pledges and grants receivables	<u>\$ 1,206,630</u>	<u>\$ 1,449,256</u>

### Note 4 – Property and Equipment

The following is a summary of property and equipment as of August 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 1,367,433	\$ 1,367,433
Furniture and fixtures	475,924	469,724
Buildings	12,348,295	12,249,492
Software	124,787	124,787
Other	34,800	34,800
Total	<u>14,351,239</u>	<u>14,246,236</u>
Accumulated depreciation	<u>(4,931,446)</u>	<u>(4,483,959)</u>
	<u>\$ 9,419,793</u>	<u>\$ 9,762,277</u>

Depreciation expense for the years ended August 31, 2019 and 2018 was \$447,488 and \$507,566, respectively.

**National Dance Institute of New Mexico**  
**Notes to Consolidated Financial Statements**

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**Note 5 – Related Party Transactions**

Members of the Board of Directors made contribution pledges that were recorded as receivables for the capital campaign, annual pledges, and endowment at August 31, 2019 and 2018. The balances due to NDI New Mexico as of August 31, 2019 and 2018 were \$50,450 and \$197,456, respectively.

An employee benefit plan is offered to the employees of NDI New Mexico. Investment opportunities include mutual funds as to which a member of the governing board is directly affiliated and another member of the board has an immediate family member who is affiliated.

**Note 6 – Investments**

Investment securities at August 31 consisted of the following:

	2019	2018
Private equity funds	\$ 19,230,084	\$ -
Fixed income fund	6,672,840	-
Closed end funds	1,663,093	-
Equity funds	-	21,698,851
Bond funds	-	5,217,626
Bank common stock	-	439,500
Certificates of deposit	143,801	143,091
Money market fund and other	51,659	25,612
	27,761,477	27,524,680
Less long-term portion of investments	27,590,011	23,173,324
Investments, short-term	\$ 171,466	\$ 4,351,356

In October 2018, NDI New Mexico investments switched from Vanguard held under a custodial agreement to Commonfund Asset Management Company, Inc., under an investment management agreement. The net realized and unrealized gains on investments for the years ended August 31, 2019 and 2018 are \$265,134 and \$1,590,348, respectively.



# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 7 – Fair Value Measurements

Investments held in equity funds, bond funds, common stock, bank common stock and certificates of deposits values were determined based on quoted market prices available in an active market and therefore are considered Level 1 securities.

Private Equity Investments, Fixed Income Investment, and Closed End Funds are valued based on the fund's net asset value (NAV) per share practical expedient at the fund's reporting date using pricing inputs, including audited financial statements of the funds and over-the-counter transactions near year end.

The following table presents the fair value measurements of investments recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2019 and 2018:

	Investment Assets at Fair Value as of August 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 143,801	\$ -	\$ -	\$ 143,801
Other	51,659	-	-	51,659
Total investments at fair value	<u>\$ 195,460</u>	<u>\$ -</u>	<u>\$ -</u>	195,460
Investments measured at net asset value (practical expedient)				<u>27,566,017</u>
Total investments				<u>\$ 27,761,477</u>

  

	Investment Assets at Fair Value as of August 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity dividend funds	\$ 7,950,675	\$ -	\$ -	\$ 7,950,675
International equity funds	8,421,362	-	-	8,421,362
U.S. government securities	4,208,265	-	-	4,208,265
Domestic fixed income funds	1,009,361	-	-	1,009,361
Domestic stock funds	2,135,497	-	-	2,135,497
International stock funds	3,191,317	-	-	3,191,317
Bank common stock	439,500	-	-	439,500
Certificates of deposit	143,091	-	-	143,091
Other	25,612	-	-	25,612
Total investments at fair value	<u>\$ 27,524,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,524,680</u>

## National Dance Institute of New Mexico Notes to Consolidated Financial Statements

### Note 7 – Fair Value Measurements (continued)

The following summarized the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of August 31, 2019:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds (a)				
CF Strategic Solutions	\$ 15,987,429	\$ -	monthly	5 business days
State Street MSCI EAFE Index	3,242,655	-	2 times a month	-
Fixed income fund (b)	6,672,840	-	weekly, monthly	5 business days
Closed end funds - (c)				
Capital partners	584,395	2,958,229	none	-
Secondary partners	1,078,698	2,741,350	none	-
Total	<u>\$ 27,566,017</u>	<u>\$ 5,699,579</u>		

- (a) The CF Strategic Solutions Global Equity fund (Strategic Solutions) has been established for investment principally by foundations, endowments, health care institutions and certain other tax-exempt institutional investors. The Strategic Solutions fund primarily invests in a diversified portfolio of common stocks and equity-linked securities of companies in the global public equity markets. Contributions to the fund and redemptions from the fund are permitted monthly on the last business day of each month, upon the receipt by the Investment Manager of at least 5 business days prior written notice. Redemptions may be limited or temporarily suspended in certain circumstances, such as in the event that the fund is unable to redeem sufficient proceeds from its investments or in the event that disposal of part or all of the fund's assets to meet redemption requests would be prejudicial to members. The State Street MSCI EAFE Index Fund (SSGA Index) seeks an investment return that approximates the performance of the MSCI EAFE Index over the long term. The SSGA Index fund invests in other collective investment funds and the NAV is determined as of the last business day of each month and at least one other business day during the month. Issuances and redemption terms of the SSGA Index fund may be made on such days, based upon the closing market value on the valuation date.
- (b) The fixed income fund has been established for investment principally by foundations, endowments, health care institutions and certain other tax-exempt institutional investors. The fixed income fund generally expects to invest in investment-grade fixed income securities. Contributions to the fund and redemptions from the fund are permitted weekly on each Wednesday, and also on the last business day of each month, upon the receipt by the Investment Manager of at least 5 business days prior written notice. Redemptions may be limited or temporarily suspended in certain circumstances, such as in the event that the fund is unable to redeem sufficient proceeds from its investments or in the event that disposal of part or all of the fund's assets to meet redemption requests would be prejudicial to members.
- (c) The Capital and Secondary Partners Funds are Commonfund Capital Partnerships, which are structured as closed ended limited partnership investments where redemptions do not apply. Investors only have the option to divest and sell their partnership interest on the secondary market. The terms of the limited partnership are 12 years from the date of formation plus one three-year extension.

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 7 – Fair Value Measurements (continued)

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the statement of financial position as of August 31, 2019. However, the diversification of the NDI New Mexico's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

### Note 8 – Net Assets

Net assets consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Operating	\$ (200,418)	\$ (284,648)
Property and equipment	9,419,793	9,762,277
Board designated endowment	<u>15,510,389</u>	<u>16,158,009</u>
Total Net Assets Without Donor Restrictions	<u>24,729,764</u>	<u>25,635,638</u>
Net Assets With Donor Restrictions		
Subject to passage of time:		
Operating	1,432,719	1,239,879
Capital campaign	<u>267,676</u>	<u>478,417</u>
	<u>1,700,395</u>	<u>1,718,296</u>
Endowment funds restricted in perpetuity	12,337,793	12,337,793
Total Net Assets With Donor Restrictions	<u>14,038,188</u>	<u>14,056,089</u>
Total net assets	<u>\$ 38,767,952</u>	<u>\$ 39,691,727</u>

### Note 9 – Endowments

The NDI New Mexico endowment consists of a pool of funds established to support operations. It includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor restricted endowment funds could fall below the level that the donor or the Act requires NDI New Mexico to retain as a fund of perpetual duration. In accordance with GAAP, no deficiencies of this nature have been reported in net assets without donor restriction as of August 31, 2019 and 2018, respectively.

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

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#### Note 9 – Endowments (continued)

The primary investment goal of NDI New Mexico is to obtain, without undue risk, a return on investment and yield of the endowment portfolio sufficient for NDI New Mexico to meet its perceived short and long term obligations. NDI New Mexico seeks to earn at least the spending rate of its endowment (currently 4.9%), plus the inflation rate, as measured by the Consumer Price Index for All Urban Consumers (All Items), plus the costs of administration and management of the investment portfolio, if any. An annual draw from the permanent endowment shall be permitted on an “as needed” basis, not to exceed 5% of the quarterly rolling average for the most recent twelve quarters except as the NDI-New Mexico Board of Directors may determine from time to time. The spending rate in 2019 was 4.9% of the 3 year quarterly rolling average on August 31, 2019. The spending rate in 2018 was 4.9% of the 3 year quarterly rolling average on August 31, 2018.

In addition, during 2019, NDI New Mexico took a draw of \$108,165 from its Operating Reserve, which is part of the without donor restricted, board designated endowment. These funds will either be repaid to the Operating Reserve or replenished through future earnings.

Effective July 1, 2009, the State of New Mexico enacted the UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors of NDI New Mexico has interpreted the Act 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, NDI New Mexico classifies as net assets restricted in perpetuity (a) the original value of the 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 that is not classified in net assets restricted in perpetuity is classified net assets restricted by purpose or time until those amounts are appropriated for expenditure by NDI New Mexico in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, NDI New Mexico considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of NDI New Mexico and the donor-restricted endowment fund
- (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 NDI New Mexico
- (7) The investment policies of NDI New Mexico

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 9 – Endowments (continued)

Endowment net assets consist of the following at August 31, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Restricted in perpetuity endowment funds	\$ -	\$ 12,337,793	\$ 12,337,793
Board-designated endowment funds	15,510,389	-	15,510,389
	<u>15,510,389</u>	<u>-</u>	<u>15,510,389</u>
Total funds	<u>\$ 15,510,389</u>	<u>\$ 12,337,793</u>	<u>\$ 27,848,182</u>

Endowment net assets consist of the following at August 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Restricted in perpetuity endowment funds	\$ -	\$ 12,337,793	\$ 12,337,793
Board-designated endowment funds	16,158,009	-	16,158,009
	<u>16,158,009</u>	<u>-</u>	<u>16,158,009</u>
Total funds	<u>\$ 16,158,009</u>	<u>\$ 12,337,793</u>	<u>\$ 28,495,802</u>

Changes in the endowment net assets for the year ended August 31, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, August 31, 2018	<u>\$ 16,158,009</u>	<u>\$ 12,337,793</u>	<u>\$ 28,495,802</u>
Investment return:			
Investment income	333,765	-	333,765
Net appreciation (realized and unrealized)	217,610	-	217,610
Total investment return	<u>551,375</u>	<u>-</u>	<u>551,375</u>
Gifts, bequests and contributions	140,180	-	140,180
Appropriation of endowment assets for expenditure	<u>(1,339,175)</u>	<u>-</u>	<u>(1,339,175)</u>
Endowment net assets, August 31, 2019	<u>\$ 15,510,389</u>	<u>\$ 12,337,793</u>	<u>\$ 27,848,182</u>

**National Dance Institute of New Mexico**  
**Notes to Consolidated Financial Statements**

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**Note 9 – Endowments (continued)**

Changes in the endowment net assets for the year ended August 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, August 31, 2017	\$ 15,366,575	\$ 10,837,793	\$ 26,204,368
Investment return:			
Investment income	512,286	-	512,286
Net appreciation (realized and unrealized)	1,497,065	-	1,497,065
Total investment return	2,009,351	-	2,009,351
Gifts, bequests and change in restrictions	-	1,500,000	1,500,000
Appropriation of endowment assets for expenditure	(1,217,917)	-	(1,217,917)
Endowment net assets, August 31, 2018	<u>\$ 16,158,009</u>	<u>\$ 12,337,793</u>	<u>\$ 28,495,802</u>

Total endowed investment gains of \$551,375 and \$2,009,351 for the years ended August 31, 2019 and 2018, respectively, consist of unrestricted earnings on the investments held within both the restricted in perpetuity and without donor restriction endowment funds.

NDI New Mexico has a replacement reserve to fund replacements of major facility components. The balance of this reserve was \$1,191,842 and \$1,160,780 at August 31, 2019 and 2018, respectively.

NDI New Mexico's operating reserve is a contingency reserve account from which NDI New Mexico pays for operations in the event of a shortfall in contributed or earned income, or for other purposes identified by the NDI New Mexico Board of Directors. The balance of this fund at August 31, 2019 and 2018 was \$799,004 and \$841,816, respectively.

Campaign and reserve funds are co-invested with the endowment. At the end of the fiscal year, the investment earnings are allocated to the funds. The earnings on co-invested campaign funds for the years ended August 31, 2019 and 2018 were \$6,250 and \$20,901, respectively. The earnings allocated to the replacement reserve for the years ended August 31, 2019 and 2018 were \$31,062 and \$72,578, respectively. The operating reserve is replenished at year-end as needed. No such replenishment was required on August 31, 2019 and 2018.

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

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### Note 10 – Commitments and Contingencies

NDI New Mexico has entered into various lease agreements including equipment leases which expire in 2019 through 2023.

Future minimum lease payments on these leases are as follows:

For Years Ending August 31,	
2020	\$ 9,172
2021	8,067
2021	4,554
2022	1,000
2023	1,000
Total	<u>\$ 23,793</u>

NDI New Mexico entered into a lease agreement with the Board of Education of the Santa Fe Public Schools for real property (land) for a period of 50 years expiring February 6, 2052. The annual rent of \$1 is due on July 1 of each year. The nominal rent is based on the condition NDI New Mexico provides dance instruction to students in the Santa Fe School District during the term equivalent to or exceeding the leased value of the premise.

On January 13, 2009, NDI New Mexico entered into a lease agreement with Bernalillo County for the real property known as The Hiland Theater for a period of 30 years from the Commencement Date as determined by the issuance of a Certificate of Occupancy, with the option of renewing the lease for three additional terms of ten years.

During the lease term, NDI New Mexico shall pay the County the adjusted annual rent through (i) the provision by NDI New Mexico of services which demonstrate a consistent history of services to sick and indigent persons in the County or (ii) cash for the balance of the adjusted annual rent which is not paid through services and costs. The rent can be adjusted from time to time to appropriately reflect areas occupied by NDI New Mexico or increased to include the Consumer Price Index for US Cities in the "South Region" following each five-year anniversary of the commencement of the agreement. Rent was adjusted at the end of July 2016 to the new annual rental rate of \$195,717.

The rental amount due in services or cash was \$195,717 for the years ended August 31, 2019 and 2018. Services provided for the period July 2018 through June 2019 totaled \$2,757,539. An accounting of services provided in lieu of rent for July through September is due to Bernalillo County on October 31, 2019. NDI New Mexico does not expect to owe rent to Bernalillo County based on services already performed.

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

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#### Note 11 – Retirement Plan

NDI New Mexico has a contribution benefit SIMPLE plan covering all eligible employees. For any calendar year, instead of making matching contributions, NDI New Mexico may make non-elective contributions equal to 2% of compensation for the calendar year of each eligible employee who has at least \$5,000 in compensation for the calendar year. In addition, participants may make elective contributions up to the maximum amounts allowed under IRS regulations. All contributions are fully vested when made. NDI New Mexico's contribution to the plan for the years ended August 31, 2019 and 2018 were \$55,364 and \$54,771, respectively.

#### Note 12 – Liquidity and Funds Available

Financial assets available for general expenditure within one year of the balance sheet date comprise the following:

Financial assets as of August 31, 2019:	
Cash and cash equivalents	\$ 653,349
Investments	27,761,477
Receivables	<u>1,217,130</u>
 Total financial assets	 29,631,956
 Less those unavailable for general expenditure within one year due to:	
Perpetual endowments not included below	(11,599,450)
Cash and investments held by others not available in one year	(1,663,093)
Investments held in trusts and state required reserves	(120,470)
Contributions receivable collectible beyond one year	(665,752)
 Board designations:	
Operating reserve	(799,004)
Replacement reserve	<u>(1,191,842)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 13,592,345</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, NDI New Mexico operates with a Board-approved budget that ensures that any deficit of expenditures over revenue is covered by approved draws from the endowment or other release of funds.