



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS

**NATIONAL DANCE INSTITUTE OF NEW MEXICO**

August 31, 2020 and 2019

## Table of Contents

---

	PAGE
<b>Report of Independent Auditors</b>	1-2
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-21

## 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, 2020 and 2019, 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, 2020 and 2019, 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 4, 2020

This page intentionally left blank.

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

---

**ASSETS**

	August 31,	
	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 991,043	\$ 653,349
Pledges receivable, short-term	447,075	383,275
Grants receivable	17,500	157,603
Accounts receivable	834	10,500
Investments, short-term	144,415	171,466
Other assets	41,944	-
Total current assets	<u>1,642,811</u>	<u>1,376,193</u>
<b>NON-CURRENT ASSETS</b>		
Pledges receivable, long-term	1,015,914	665,752
Investments, long-term	30,180,465	27,590,011
Property and equipment, net	<u>9,045,800</u>	<u>9,419,793</u>
 Total assets	 <u>\$ 41,884,990</u>	 <u>\$ 39,051,749</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,966	\$ 21,147
Accrued payroll and related liabilities	97,584	77,656
Other liabilities	34,764	9,625
Deferred revenue	103,767	175,369
Total current liabilities	<u>245,081</u>	<u>283,797</u>
<b>NET ASSETS</b>		
Without donor restrictions	9,971,910	9,219,375
Without donor restrictions board designated endowment	17,196,677	15,510,389
With donor restrictions	<u>14,471,322</u>	<u>14,038,188</u>
Total net assets	<u>41,639,909</u>	<u>38,767,952</u>
 Total liabilities and net assets	 <u>\$ 41,884,990</u>	 <u>\$ 39,051,749</u>

## National Dance Institute of New Mexico Consolidated Statements of Activities

	August 31, 2020			August 31, 2019		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions						
General donation	\$ 840,860	\$ 850,489	\$ 1,691,349	\$ 1,028,883	\$ 240,878	\$ 1,269,761
In-kind goods and services	60,495	-	60,495	192,263	-	192,263
Total contributions	<u>901,355</u>	<u>850,489</u>	<u>1,751,844</u>	<u>1,221,146</u>	<u>240,878</u>	<u>1,462,024</u>
Grants						
Operating	580,718	-	580,718	861,342	-	861,342
Special events (including in-kind)	706,328	-	706,328	896,948	-	896,948
Less direct benefit costs to donors	(59,176)	-	(59,176)	(41,710)	-	(41,710)
Total special events	<u>647,152</u>	<u>-</u>	<u>647,152</u>	<u>855,238</u>	<u>-</u>	<u>855,238</u>
Merchandise sales	28,115	-	28,115	60,239	-	60,239
Contract for services	799,564	-	799,564	706,971	-	706,971
Ticket sales	29,512	-	29,512	206,080	-	206,080
Tuition and fees	455,433	-	455,433	637,283	-	637,283
Rental income	17,177	-	17,177	50,238	-	50,238
Paycheck Protection Program loan forgiveness	893,607	-	893,607	-	-	-
Interest income	-	-	-	2,795	-	2,795
Miscellaneous income	3,536	-	3,536	1,054	-	1,054
Endowment spending distribution	1,431,832	-	1,431,832	1,301,863	-	1,301,863
Total revenue and other support, net	<u>5,788,001</u>	<u>850,489</u>	<u>6,638,490</u>	<u>5,904,249</u>	<u>240,878</u>	<u>6,145,127</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>562,713</u>	<u>(562,713)</u>	<u>-</u>	<u>296,092</u>	<u>(296,092)</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>(1,431,832)</u>	<u>-</u>	<u>(1,431,832)</u>	<u>(1,301,863)</u>	<u>-</u>	<u>(1,301,863)</u>
<b>EXPENSES</b>						
Program services	3,845,762	-	3,845,762	4,540,842	-	4,540,842
General and administrative	721,263	-	721,263	619,541	-	619,541
Fundraising expenses	1,214,188	-	1,214,188	1,205,555	-	1,205,555
Total expenses	<u>5,781,213</u>	<u>-</u>	<u>5,781,213</u>	<u>6,365,938</u>	<u>-</u>	<u>6,365,938</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(862,331)</u>	<u>287,776</u>	<u>(574,555)</u>	<u>(1,467,460)</u>	<u>(55,214)</u>	<u>(1,522,674)</u>
<b>OTHER INCOME</b>						
Dividend and interest income	12,414	-	12,414	333,765	-	333,765
Net unrealized						
gain (loss) on investments	3,020,082	145,358	3,165,440	(3,673,545)	37,313	(3,636,232)
Net realized						
gain on investments	268,658	-	268,658	3,901,366	-	3,901,366
Total other income	<u>3,301,154</u>	<u>145,358</u>	<u>3,446,512</u>	<u>561,586</u>	<u>37,313</u>	<u>598,899</u>
INCREASE (DECREASE) IN NET ASSETS	<u>2,438,823</u>	<u>433,134</u>	<u>2,871,957</u>	<u>(905,874)</u>	<u>(17,901)</u>	<u>(923,775)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>24,729,764</u>	<u>14,038,188</u>	<u>38,767,952</u>	<u>25,635,638</u>	<u>14,056,089</u>	<u>39,691,727</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,168,587</u>	<u>\$ 14,471,322</u>	<u>\$ 41,639,909</u>	<u>\$ 24,729,764</u>	<u>\$ 14,038,188</u>	<u>\$ 38,767,952</u>

See accompanying notes.

**National Dance Institute of New Mexico**  
**Consolidated Statements of Functional Expenses**  
**Year Ended August 31, 2020**

	Program Services				Total Program	General and Administrative	Fundraising Operations	Total
	Outreach	Advanced	Residency	Other				
Salaries and wages	\$ 1,171,803	\$ 814,027	\$ 295,059	\$ 115,039	\$ 2,395,928	\$ 394,967	\$ 738,605	\$ 3,529,500
Employee benefits	121,589	82,871	42,307	10,312	257,079	77,826	77,226	412,131
Payroll taxes	92,776	54,670	20,232	8,450	176,128	51,537	55,243	282,908
Contract labor	4,891	33,428	9,357	426	48,102	-	1,668	49,770
Total personnel expenses	1,391,059	984,996	366,955	134,227	2,877,237	524,330	872,742	4,274,309
Direct production expenses	21,246	35,188	8,990	6,070	74,494	-	238	74,732
Outside services	17,964	18,732	2,962	1,145	40,803	67,309	139,191	247,303
Promotions and public relations	2,468	12,953	1,917	6,220	23,558	4,864	35,410	63,832
Office expenses	84,272	68,937	24,273	6,242	183,724	35,419	90,320	309,463
Facilities and equipment	46,247	91,122	2,896	1,080	141,345	11,777	15,405	168,527
Travel expenses	25,307	4,728	72,375	665	103,075	2,706	2,819	108,600
Other expenses	25,139	20,925	4,408	6,613	57,085	38,404	35,723	131,212
Total expenses before depreciation	1,613,702	1,237,581	484,776	162,262	3,501,321	684,809	1,191,848	5,377,978
Depreciation	122,915	211,485	7,872	2,169	344,441	36,454	22,340	403,235
Total expenses	\$ 1,736,617	\$ 1,449,066	\$ 492,648	\$ 164,431	\$ 3,845,762	\$ 721,263	\$ 1,214,188	\$ 5,781,213



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

	Program Services				Total Program	General and Administrative	Fundraising Operations	Total
	Outreach	Advanced	Residency	Other				
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	<u>1,656,459</u>	<u>973,615</u>	<u>397,531</u>	<u>113,672</u>	<u>3,141,277</u>	<u>411,835</u>	<u>648,922</u>	<u>4,202,034</u>
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	<u>2,099,791</u>	<u>1,332,809</u>	<u>547,796</u>	<u>141,739</u>	<u>4,122,135</u>	<u>607,317</u>	<u>1,188,998</u>	<u>5,918,450</u>
Depreciation	<u>170,222</u>	<u>231,126</u>	<u>13,766</u>	<u>3,593</u>	<u>418,707</u>	<u>12,224</u>	<u>16,557</u>	<u>447,488</u>
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 Cash Flows

	Years Ended August 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ 2,871,957	\$ (923,775)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	403,235	447,488
Investment income and realized/unrealized gains	(3,446,512)	(598,899)
Changes in assets and liabilities		
Contributions receivable	-	16,000
Pledges receivable	(413,962)	377,729
Grants receivable	140,103	(151,103)
Accounts receivable	9,666	21,247
Other assets	(41,944)	89,331
Accounts payable	(12,181)	(8,052)
Accrued payroll and related liabilities	19,928	(17,848)
Other liabilities	25,139	(2,807)
Deferred revenue	(71,602)	(348,794)
Net cash used in operating activities	<u>(516,173)</u>	<u>(1,099,483)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(29,242)	(105,004)
Purchase of investments	-	(29,910,891)
Proceeds from sale of investments	883,109	30,272,993
Net cash provided by investing activities	<u>853,867</u>	<u>257,098</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	337,694	(842,385)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>653,349</u>	<u>1,495,734</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 991,043</u>	<u>\$ 653,349</u>

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

---

### 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 acquired a property of the same address adjacent to the NDI New Mexico Dance Barns. For tax purposes, Camino Alire 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**

---

### **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, 2020 and 2019.

#### **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.

#### **Impairment of Long-Lived Assets**

NDI New Mexico reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceed the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of August 31, 2020 and 2019.

#### **Deferred Revenue**

Student tuition payments and grants revenue received prior to August 31 and relating to the following period are recorded as deferred 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 expenses are recorded directly to the function to which they relate based on the actual personnel assigned and vendor expenses paid.

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

---

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

##### **Contributions**

All contributions are considered to be available for 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 consolidated statements of activities at their estimated values at date of receipt, as determined by management.

##### **Advertising**

Advertising costs are expensed as incurred. Total advertising costs for the years ended August 31, 2020 and 2019 were \$19,393 and \$75,201, 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 consolidated statements 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.

# National Dance Institute of New Mexico

## Notes to Consolidated Financial Statements

---

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

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, 2020 or August 31, 2019. NDI New Mexico files an exempt organization return in the U.S. federal jurisdiction and with the State of New Mexico.

#### Paycheck Protection Program

In April 2020, NDI New Mexico received a Paycheck Protection Program (PPP) forgivable loan for \$893,607. The forgivable loan, which was part of an economic relief package under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, is guaranteed through a nonexchange financial guarantee provided by the U.S. Small Business Administration. In accordance with FASB ASC 958-605, NDI New Mexico treated the amount as a conditional contribution and initially recorded the amount as a refundable advance. In August 2020, NDI New Mexico management determined that the conditions of release were substantially met and the amount was recorded as miscellaneous income in the accompanying consolidated statements of activities. NDI New Mexico expects to receive full forgiveness in fiscal year 2021.

#### 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

*Accounting Standards Update (ASU) 2016-02 and 2020-05 – 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, 2020, and interim periods in fiscal years beginning after December 15, 2021. 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, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. NDI New Mexico adopted the ASU as a resource recipient as of the date of the initial application of September 1, 2019. Management is in the process of determining the impact of this pronouncement as a resource provider.

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

---

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

NDI New Mexico applied the ASU using the modified prospective method. However, the adoption of the new standard did not have an effect on earnings or on the timing of the NDI New Mexico's contributions. Therefore, there was no adjustment to the statement of activities for the years ending August 31, 2020.

#### Subsequent Events

Subsequent events are events or transactions that occur after the consolidated 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 consolidated 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 consolidated statement of financial position date and before the consolidated financial statements are available to be issued. NDI New Mexico has evaluated subsequent events through December 4, 2020.

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

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

	2020	2019
Contributions, pledges and grants receivables due in less than one year		
Endowment	\$ 420,000	\$ 300,000
Annual pledges	27,075	83,275
Grants receivable	17,500	157,603
Total receivables less than one year	\$ 464,575	\$ 540,878
	2020	2019
Pledges and grants receivable due in one to five years		
Endowment	\$ 910,000	\$ 660,000
Annual pledges	40,000	-
Grants receivable	65,914	5,752
Total receivables from one to five years	\$ 1,015,914	\$ 665,752
Total contributions, pledges and grants receivables	\$ 1,480,489	\$ 1,206,630

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

---

#### Note 4 – Property and Equipment

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

	2020	2019
Equipment	\$ 1,395,423	\$ 1,367,433
Furniture and fixtures	475,924	475,924
Buildings	12,348,347	12,348,295
Software	124,787	124,787
Other	36,000	34,800
Total	<u>14,380,481</u>	<u>14,351,239</u>
Accumulated depreciation	<u>(5,334,681)</u>	<u>(4,931,446)</u>
	<u>\$ 9,045,800</u>	<u>\$ 9,419,793</u>

Depreciation expense for the years ended August 31, 2020 and 2019 was \$403,235 and \$447,488, respectively.

#### 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, 2020 and 2019. The balances due to NDI New Mexico as of August 31, 2020 and 2019 were \$780,000 and \$50,450, 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:

	2020	2019
Private equity funds	\$ 21,407,889	\$ 19,230,084
Fixed income funds	5,564,432	6,672,840
Closed end funds	3,170,800	1,663,093
Certificates of deposit	144,415	143,801
Money market fund and other	37,344	51,659
	<u>30,324,880</u>	<u>27,761,477</u>
Less long-term portion of investments	30,180,465	27,590,011
Investments, short-term	<u>\$ 144,415</u>	<u>\$ 171,466</u>

The net realized and unrealized gains on investments for the years ended August 31, 2020 and 2019 are \$3,434,098 and \$265,134, respectively.



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

### Note 6 – Investments (continued)

Investment securities at August 31 by purpose consisted of the following:

	2020	2019
Endowment	\$ 28,801,330	\$ 26,185,997
Replacement Reserve	1,308,949	1,191,842
Capital Campaign	70,186	239,836
Held for statutory requirements	47,324	47,324
Other operating	97,091	96,478
	\$ 30,324,880	\$ 27,761,477

### 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 consolidated 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, 2020 and 2019:

Investment Assets at Fair Value as of August 31, 2020				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 144,415	\$ -	\$ -	\$ 144,415
Other	37,344	-	-	37,344
	\$ 181,759	\$ -	\$ -	181,759
Investments measured at net asset value (practical expedient)				30,143,121
Total investments				\$ 30,324,880
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
	\$ 195,460	\$ -	\$ -	195,460
Investments measured at net asset value (practical expedient)				27,566,017
Total investments				\$ 27,761,477

## 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, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (a)				
CF Strategic Solutions	\$ 17,799,301	\$ -	monthly	5 business days
State Street MSCI EAFE Index	3,608,588	-	2 times a month	-
Fixed income fund (b)	5,564,432	-	weekly, monthly	5 business days
Closed end funds - (c)				
Capital partners	1,214,896	2,342,293	none	-
Secondary partners	1,955,904	2,220,841	none	-
Total	<u>\$ 30,143,121</u>	<u>\$ 4,563,134</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 five 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 five 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 Common fund 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

---

### 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 consolidated statement of financial position as of August 31, 2020. 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 consisted of the following at August 31:

	2020	2019
Net assets without donor restrictions		
Operating	\$ 926,110	\$ (200,418)
Property and equipment	9,045,800	9,419,793
Board designated endowment	17,196,677	15,510,389
Total net assets without donor restrictions	27,168,587	24,729,764
Net assets with donor restrictions		
Subject to passage of time:		
Operating	1,209,920	1,432,719
Capital campaign	83,429	267,676
	1,293,349	1,700,395
Endowment funds restricted in perpetuity	13,177,973	12,337,793
Total net assets with donor restrictions	14,471,322	14,038,188
Total net assets	\$ 41,639,909	\$ 38,767,952

### 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.

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

---

#### Note 9 – Endowments (continued)

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 UPMIFA 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, 2020 and 2019, respectively.

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 2020 was 4.9% of the three-year quarterly rolling average on August 31, 2020. The spending rate in 2019 was 4.9% of the three-year quarterly rolling average on August 31, 2019.

In addition, during 2020, NDI New Mexico did not take a draw from its Operating Reserve, which is part of the without donor restricted, board designated endowment.

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**

---

**Note 9 – Endowments (continued)**

Endowment net assets at August 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Perpetual endowment - with donor restriction	\$ 13,177,973	\$ 12,337,793
Board-designated endowment - without donor restriction	<u>17,196,677</u>	<u>15,510,389</u>
 Total funds	 <u>\$ 30,374,650</u>	 <u>\$ 27,848,182</u>

Changes in the endowment net assets for the year ended August 31, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, August 31, 2019	\$ 15,510,389	\$ 12,337,793	\$ 27,848,182
Investment return:			
Investment income	10,390	-	10,390
Net appreciation (realized and unrealized)	3,374,916	-	3,374,916
Total investment return	<u>3,385,306</u>	<u>-</u>	<u>3,385,306</u>
Gifts, bequests and contributions	<u>26,098</u>	<u>700,000</u>	<u>726,098</u>
Transfer between restriction	(140,180)	140,180	-
Transfer to Capital Campaign, co-invested	(7,342)	-	(7,342)
Other transfers to operating net assets	<u>(145,762)</u>	<u>-</u>	<u>(145,762)</u>
Appropriation of endowment assets for expenditure	<u>(1,431,832)</u>	<u>-</u>	<u>(1,431,832)</u>
Endowment net assets, August 31, 2020	<u>\$ 17,196,677</u>	<u>\$ 13,177,973</u>	<u>\$ 30,374,650</u>

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

---

#### Note 9 – Endowments (continued)

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	\$ 16,158,009	\$ 12,337,793	\$ 28,495,802
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	<u>140,180</u>	<u>-</u>	<u>140,180</u>
Transfer to Capital Campaign, co-invested	(6,250)	-	(6,250)
Other transfers to operating net assets	<u>(31,062)</u>	<u>-</u>	<u>(31,062)</u>
Appropriation of endowment assets for expenditure	<u>(1,301,863)</u>	<u>-</u>	<u>(1,301,863)</u>
Endowment net assets, August 31, 2019	<u>\$ 15,510,389</u>	<u>\$ 12,337,793</u>	<u>\$ 27,848,182</u>

Total endowed investment gains of \$3,385,306 and \$551,375 for the years ended August 31, 2020 and 2019, respectively, consist of unrestricted earnings on the investments held within both the restricted in perpetuity and without donor restriction endowment funds.

Included in endowment net assets is NDI New Mexico's operating reserve, which 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, 2020 and 2019 was \$892,348 and \$799,004, 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, 2020 and 2019 were \$7,342 and \$6,250, respectively. The earnings allocated to the replacement reserve for the years ended August 31, 2020 and 2019 were \$138,016 and \$31,062, respectively. The operating reserve is replenished at year-end as needed. No such replenishment was required on August 31, 2020 and 2019.

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

---

### Note 10 – Commitments and Contingencies

NDI New Mexico has entered into various lease agreements including equipment leases which expire in 2021 through 2025.

Future minimum lease payments on these leases are as follows:

For Years Ending August 31,	
2021	\$ 13,373
2022	9,860
2023	6,306
2024	5,676
2025	1,400
Total	<u>\$ 36,615</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 an annual rental rate of \$195,717.

The rental amount due in services or cash was \$195,717 for the years ended August 31, 2020 and 2019. Services provided for the period July 2019 through June 2020 totaled \$1,625,966. An accounting of services provided in lieu of rent for July through September is due to Bernalillo County on October 31, 2020. NDI New Mexico does not expect to owe rent to Bernalillo County based on services already performed.

In March 2020, the World Health Organization declared the novel coronavirus outbreak a pandemic. Subsequent to the declaration of a pandemic, the State of New Mexico declared a state of emergency and has issued several measures in an attempt to prevent the spread of the coronavirus. Given the dynamic nature of these circumstance and business disruption, NDI New Mexico anticipates a significant short-term impact as restrictions on businesses and the community in which NDI New Mexico operates remains in place. NDI New Mexico will continue to monitor the situation closely, but given the uncertainty about the situation, NDI New Mexico cannot estimate the impact to the consolidated financial statements.

## National Dance Institute of New Mexico

### Notes to Consolidated Financial Statements

---

#### 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, 2020 and 2019 were \$57,728 and \$55,364, respectively.

#### Note 12 – Liquidity and Funds Available

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

Financial assets as of August 31, 2020	
Cash and cash equivalents	\$ 991,043
Investments	30,324,880
Receivables	<u>1,481,323</u>
Total financial assets	<u>32,797,246</u>
Less those unavailable for general expenditure within one year due to	
Perpetual endowments not included below	(12,911,363)
Cash and investments held by others not available in one year	(3,170,800)
Investments held in trusts and state required reserves	(74,655)
Contributions receivable collectible beyond one year	(1,015,914)
Replacement reserve, donor and board designated	(1,308,949)
Board designations	
Operating reserve	<u>(892,348)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,423,217</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.