

**THE COMMUNITY FOUNDATION OF
SOUTHERN NEW MEXICO**

FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2011
AND 2010 (CONSOLIDATED)**



GIBSON RUDDOCK PATTERSON LLC
certified public accountants

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THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
The Community Foundation of Southern New Mexico

We have audited the accompanying statement of financial position of The Community Foundation of Southern New Mexico (a nonprofit organization) as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. We have audited the accompanying consolidated statement of financial position of The Community Foundation of Southern New Mexico (a nonprofit organization) and the Healthcare Foundation of Southern New Mexico (affiliate, nonprofit organization) as of December 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Community Foundation of Southern New Mexico's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Southern New Mexico as of December 31, 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation of Southern New Mexico and Affiliate as of December 31, 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gibson Ruddock Patterson LLC

El Paso, Texas
April 17, 2012

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010 Consolidated
Current assets		
Cash	\$ 341,504	\$ 667,624
Contribution receivable-current portion	4,260	20,289
Grant receivable	26,000	18,683
Accounts receivable	3,346	3,346
Land held for investment	195,000	195,000
Other assets	500	3,709
Total current assets	<u>570,610</u>	<u>908,651</u>
Capital assets, net	4,023,802	4,017,196
Contribution receivable-long term	5,050	-
Accounts receivable -long term	149,185	149,185
Cash surrender value	93,679	88,967
Cash restricted for endowments	53,091	146,991
Investments	5,059,207	4,982,392
Beneficial interest in remainder trusts	251,517	259,899
Fine art	202,668	202,668
Total other assets	<u>9,838,199</u>	<u>9,847,298</u>
Total assets	<u>\$ 10,408,809</u>	<u>\$ 10,755,949</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 1,617	\$ 45,941
Accrued expenses	19,679	10,252
Custodial accounts	101,988	81,600
Due to First Step Center	169,812	157,655
Total current liabilities	<u>293,096</u>	<u>295,448</u>
Endowments held for agencies	407,968	399,368
Unrestricted	6,293,779	6,197,344
Temporarily restricted	931,853	1,429,565
Permanently restricted	2,482,113	2,434,224
Net assets	<u>9,707,745</u>	<u>10,061,133</u>
Total liabilities and net assets	<u>\$ 10,408,809</u>	<u>\$ 10,755,949</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Public support				
Contributions	\$ 46,655	\$ 68,141	\$ 32,033	\$ 146,829
In kind donations	429,417	-	-	429,417
Grants	-	595,613	-	595,613
	<u>476,072</u>	<u>663,754</u>	<u>32,033</u>	<u>1,171,859</u>
Revenues				
Special events	33,181	-	-	33,181
Net investment income	21,345	(260,540)	15,856	(223,339)
Unrealized loss on trusts	-	(8,382)	-	(8,382)
Unrealized gain on insurance policies	4,355	-	-	4,355
Management fee income	9,524	-	-	9,524
	<u>68,405</u>	<u>(268,922)</u>	<u>15,856</u>	<u>(184,661)</u>
Total support and revenues	544,477	394,832	47,889	987,198
Net assets released from restrictions	892,544	(892,544)	-	-
Total public support and revenues	1,437,021	(497,712)	47,889	987,198
Expenses				
Program	1,213,421	-	-	1,213,421
Administrative	58,065	-	-	58,065
Fundraising	69,100	-	-	69,100
Total expenses	<u>1,340,586</u>	<u>-</u>	<u>-</u>	<u>1,340,586</u>
Change in net assets	96,435	(497,712)	47,889	(353,388)
Net assets beginning of the year	6,197,344	1,429,565	2,434,224	10,061,133
Net assets, end of year	<u>\$ 6,293,779</u>	<u>\$ 931,853</u>	<u>\$ 2,482,113</u>	<u>\$ 9,707,745</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Public support				
Contributions	\$ 61,266	\$ 29,418	\$ 179,123	\$ 269,807
Contributed non cash	60,000	-	-	60,000
In kind donations	449,504	-	-	449,504
Grants	-	351,137	-	351,137
	<u>570,770</u>	<u>380,555</u>	<u>179,123</u>	<u>1,130,448</u>
Revenues				
Special events	85,877	-	-	85,877
Net investment income	37,823	458,646	29,641	526,110
Unrealized gain on trusts	-	10,615	-	10,615
Unrealized gain on insurance policies	6,024	-	-	6,024
Realized loss on land sale	(11,180)	-	-	(11,180)
Management fee income	42,131	-	-	42,131
	<u>160,675</u>	<u>469,261</u>	<u>29,641</u>	<u>659,577</u>
Total support and revenues	731,445	849,816	208,764	1,790,025
Net assets released from restrictions	256,849	(256,849)	-	-
Total public support and revenues	<u>988,294</u>	<u>592,967</u>	<u>208,764</u>	<u>1,790,025</u>
Expenses				
Program	889,910	-	-	889,910
Administrative	144,843	-	-	144,843
Fundraising	110,924	-	-	110,924
Total expenses	<u>1,145,677</u>	<u>-</u>	<u>-</u>	<u>1,145,677</u>
Change in net assets	(157,383)	592,967	208,764	644,348
Net assets beginning of the year	<u>6,354,727</u>	<u>836,598</u>	<u>2,225,460</u>	<u>9,416,785</u>
Net assets, end of year	<u>\$ 6,197,344</u>	<u>\$ 1,429,565</u>	<u>\$ 2,434,224</u>	<u>\$ 10,061,133</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Program	Administrative	Fund raising	Total
Salaries	\$ 233,596	\$ 23,075	\$ 23,075	\$ 279,746
Payroll taxes	18,316	1,926	1,926	22,168
Distributions	138,559	-	-	138,559
Grants	1,525	-	-	1,525
Scholarships	32,474	-	-	32,474
Travel and conferences	12,735	8,549	4,525	25,809
Supplies	19,459	1,266	1,266	21,991
Occupancy	17,074	2,856	12,410	32,340
Community events	10,126	-	-	10,126
Professional fees	12,944	2,994	2,994	18,932
Contract labor	95,845	-	-	95,845
Telephone	7,631	818	818	9,267
Postage printing and publications	6,647	1,564	13,952	22,163
Miscellaneous	5,608	1,609	1,933	9,150
Rental and maintenance	30,022	2,566	2,566	35,154
Insurance	4,369	4,884	928	10,181
Advertising and marketing	6,254	2,542	2,011	10,807
Public information	43,162	-	-	43,162
Mammography	4,627	-	-	4,627
Data collection	7,950	-	-	7,950
Donation	405,000	-	-	405,000
Annuity	-	2,720	-	2,720
Total expenses before depreciation	1,113,923	57,369	68,404	1,239,696
Depreciation	99,498	696	696	100,890
Total expenses	\$ 1,213,421	\$ 58,065	\$ 69,100	\$ 1,340,586

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	<u>Program</u>	<u>Administrative</u>	<u>Fund raising</u>	<u>Total</u>
Salaries	\$ 141,586	\$ 42,808	\$ 44,172	\$ 228,566
Payroll taxes	11,386	3,442	3,552	18,380
Las Companeras	8,673	-	-	8,673
Distributions	5,484	-	-	5,484
Grants	89,055	-	-	89,055
Scholarships	13,460	-	-	13,460
Travel and conferences	2,941	5,889	3,379	12,209
Supplies	14,720	12,992	6,403	34,115
Occupancy	5,246	16,757	32,028	54,031
Professional fees	5,506	16,042	4,945	26,493
Contract labor	41,975	137	-	42,112
Telephone	2,228	4,321	-	6,549
Postage printing and publications	-	9,555	9,381	18,936
Miscellaneous	1,403	2,812	3,850	8,065
Rental and maintenance	1,500	8,772	-	10,272
Insurance	9,485	3,207	-	12,692
Advertising and marketing	-	10,489	1,280	11,769
Public information	22,879	-	-	22,879
Mammography	3,811	-	-	3,811
Data collection	10,431	-	-	10,431
Management		4,230	-	4,230
Donation	405,000	-	-	405,000
Annuity	-	2,581	-	2,581
Total expenses before depreciation	796,769	144,034	108,990	1,049,793
Depreciation	93,141	809	1,934	95,884
Total expenses	\$ 889,910	\$ 144,843	\$ 110,924	\$ 1,145,677

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010 Consolidated
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (353,388)	\$ 644,348
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	100,890	95,884
Contributed non cash assets	-	(60,000)
Loss on sale of assets	-	11,180
Realized (gain) loss on sale of investments	(100,428)	(136,276)
Unrealized (gain) loss on investments	455,156	(297,428)
Increase in cash surrender value	(4,712)	(6,024)
(Increase) decrease in		
Pledges receivable	10,979	8,790
Accounts receivable	-	3,077
Grant receivable	(7,317)	(957)
Cash restricted for endowments	93,900	(3,831)
Other assets	3,209	3,093
Beneficial interest in trusts	8,382	(10,615)
Endowments held for agencies	8,600	22,827
Accounts payable	(44,324)	33,356
Accrued expenses	9,427	(813)
Custodial accounts	20,388	25,423
Due to First Step Center	12,157	30,733
Net cash provided by operating activities	<u>212,919</u>	<u>362,767</u>
Cash flows from investing activities		
Purchase of property and equipment	(107,496)	(4,625)
Proceeds from sale of assets	-	70,000
Purchases net of sales investment activity	<u>(431,543)</u>	<u>(207,524)</u>
Net cash provided by (used for) investing activities	<u>(539,039)</u>	<u>(142,149)</u>
Net increase (decrease) in cash	(326,120)	220,618
Beginning cash	<u>667,624</u>	<u>447,006</u>
Ending cash	<u>\$ 341,504</u>	<u>\$ 667,624</u>

See accompanying notes to financial statements

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities- The Community Foundation of Southern New Mexico (Foundation) is a nonprofit 501(c)(3) corporation whose mission is to improve the quality of life by building, managing and distributing charitable gifts to benefit all citizens of southern New Mexico.

In August 2010, the Healthcare Foundation of Southern New Mexico board of directors approved merging with the Community Foundation of Southern New Mexico and transfer all of its assets and liabilities to CFSNM. As of December 31, 2010, there were just a few assets left in Healthcare's name. Those remaining assets were officially transferred in 2011. Healthcare did not receive any revenue nor did it incur any expenses in 2011.

As a result, the 2011 financial statements are not consolidated where as the 2010 are consolidated.

The Healthcare Foundation of Southern New Mexico (Affiliate) is a nonprofit 501(c)(3) corporation whose purposes are:

1. To operate as a supporting organization exclusively for the benefit of and to carry out the purposes of the Community Foundation of Southern New Mexico.
2. To receive and administer property acquired by gift, grant, purchase or otherwise primarily seek and secure commitments to improve community health, support quality patient care and promote healthier standards of living in southern New Mexico.
3. To make grants or other payments to the Community Foundation of Southern New Mexico.
4. At all times and within such purposes, to operate exclusively for charitable, educational and scientific purposes, within the meaning of section 501(c)(3) of the Code.

Principles of Consolidation - In accordance with the FASB Codification, the 2010 consolidated financial statements include the financial position, statement of activities, functional expenses and cash flows of the Foundation and that of its affiliate, the Healthcare Foundation of Southern New Mexico.

The boards of directors of both foundations are elected by the board of directors of the Community Foundation of Southern New Mexico. Because the board of directors of the Foundation has management control over the board of the affiliate, their financials are consolidated. All material inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Method of Accounting - These financial statements have been prepared using the accrual basis of accounting.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Codification. It generally requires that unconditional contributions, pledged or received, be recognized as revenue in the period received. Not-for-profit organizations must distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization unless the Board exercises its variance power privilege.

The endowment agreements call for the setting up of a fund that will be a permanently endowed fund of the Foundation. Each year, the Foundation on a recommendation from the Investment Committee will set aside a certain percentage of the fund or the net income from the prior year for that fund and use for the purposes set out in the agreement. The balance of the principal and any accumulated income will remain permanently invested and will not be invaded for any reason.

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Use of Estimates - Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and judgements. Accordingly, actual results could differ from those estimates.

Revenue Recognition - The Foundation's main sources of revenue are contributions, investment income and special events. The Affiliate's main revenue sources were from investment income, and contributions. It also receives income by acting as the fiscal agent for various entities.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts - No allowance for bad debts is maintained as accounts are written off when they are determined to be uncollectible. Generally accepted accounting principles require that an allowance for uncollectible accounts be maintained in lieu of the direct charge-off method. However, in this case management has determined that such an allowance would be immaterial with respect to the financial statements taken as a whole.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The Foundation follows FASB ASC topic of "Fair Value of Investments." It requires that investments with readily determinable fair values, as defined, be reported in the statement of financial position at fair value with any realized or unrealized gains and losses reported in the statement of activities and changes in net assets.

Property and Equipment - Furniture and equipment is recorded at acquisition cost. Donated assets are reflected as contributions at their estimated value on the date of receipt. Capital expenditures and donated depreciable assets generally in excess of \$1,000 and with an expected useful life of greater than one year are capitalized and depreciated using straight-line rates over the estimated useful lives of the assets acquired.

Advertising Costs - Advertising costs are expenses as incurred. For the years ended December 31, 2011 and 2010 the Foundation incurred \$10,267 and \$11,769, respectively, in advertising costs.

In Kind Donations - Donated goods and services are reported as donations when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. Donated services in 2011 amounted to \$24,417, of which \$20,000 was for the office space, \$4,322 for advertising and \$95 for special events. Donated services in 2010 amounted to \$44,503, of which \$20,000 was for the office space, \$9,805 of auditing fees, \$5,000 of artwork and \$9,698 for special events.

The Affiliate allows the 1st Step Center to use its building for \$1 per year. As a result, in kind donation of \$405,000 and in kind donation expense of \$405,000 has been recorded on the books. That amount is believed to be the fair market value of the rental income.

Functional Expenses - Direct expenses of a particular program are charged to that program while indirect expenses are allocated to the various programs based upon either time spent or occupancy space utilized by each program.

2. CONTRIBUTIONS RECEIVABLE

These unconditional promises to give are to be received by the Foundation are deemed to be fully collectible by management.

2012	\$	4,260
2013		3,000
2014		2,050
Total contributions receivable	\$	<u>9,310</u>

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

3. INVESTMENTS

Investments as of December 31, 2011 and 2010 are summarized as follows:

	2011		2010	
	Market Value	Cost	Market Value	Cost
Government and agency obligations	\$ -	\$ -	\$ 725,282	\$ 711,560
Equities	1,850,678	1,817,503	3,297,763	2,803,511
Mutual funds	3,208,528	3,217,073	851,712	851,914
Corporate bonds	-	-	105,625	95,618
Total	<u>\$ 5,059,206</u>	<u>\$ 5,034,576</u>	<u>\$ 4,980,382</u>	<u>\$ 4,462,603</u>

Net Investment income is summarized as follows:

	2011	2010
Dividends and Interest	\$ 220,987	\$ 187,377
Realized gain (loss) on sale of securities	100,428	136,276
Unrealized gain (loss) on securities	(455,156)	297,428
Investment expense, broker	(41,296)	(57,458)
Foreign taxes paid	(9,184)	(3,120)
Endowment expense, foundation	(39,118)	(34,393)
Total	<u>\$ (223,339)</u>	<u>\$ 526,110</u>

4. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2011:

Asset Cost	Balance 12/31/10	Additions	Disposals	Balance 12/31/11	Useful Lives
Land and improvements	\$ 1,125,638	\$ -	\$ -	\$ 1,125,638	15 years
Building	3,427,883	-	-	3,427,883	39 years
Medical equipment	-	107,496	-	107,496	5 years
Furniture and equipment	24,541	-	-	24,541	3 - 7 years
	<u>4,578,062</u>	<u>107,496</u>	<u>-</u>	<u>4,685,558</u>	

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

4. CAPITAL ASSETS (Continued)

Asset Cost	Balance 12/31/10	Additions	Disposals	Balance 12/31/11	Useful Lives
<u>Accumulated Depreciation</u>					
Accumulated depreciation	560,866	100,890	-	661,756	
	560,866	100,890	-	661,756	
Capital assets, net of depreciation	\$ 4,017,196	\$ 6,606	\$ -	\$ 4,023,802	

Depreciation expense recorded during 2011 and 2010 amounted to \$100,890 and \$95,884, respectively.

5. INCOME TAX STATUS

The Internal Revenue Service has determined that the Foundation is a not-for-profit organizations exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Accordingly, no tax liability has been included in the accompanying financial statements. The affiliate was also a not-for-profit organization from the federal income taxes under Internal Revenue Code section 501(c)(3). The affiliate is a supporting organization of the Foundation.

6. CASH SURRENDER VALUE

The Foundation is the owner of nine life insurance policies. Total cash surrender value, net of any loans, as December 31, 2011 and 2010 is \$93,679 and \$88,967, respectively.

7. LAND HELD FOR INVESTMENT

In 2010, the Foundation received two parcels of real estate, one with an estimated fair market value of \$30,000 and the other with a fair market value of \$25,000. The Foundation agreed to not sell the land for less than the \$30,000 and \$25,000, respectively, over the next two years.

In 2009, the Foundation received two tracts of land with an estimate value of \$140,000. The Foundation agreed to not sell the tracts of land for less than \$70,000 each for two years.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

8. ACCOUNTS RECEIVABLE

The Foundation paid for the development of the road where the 1st Step building is located. The Foundation will be reimbursed a portion of its costs from the sale of each lot that will be using the road. The original receivable balance was \$323,003 but after receiving payments the balance as of December 31, 2011 and 2010 was \$152,531 and \$152,531, respectively. There were six unsold lots as of December 31, 2011 and six as of December 31, 2010. The developer is paying the repaying costs of one lot over 15 years.

9. FINE ART

Donated fine art (painting, prints, photographs) received are recorded at fair market value at time of donation. These assets are presented as other assets as they are not for sale at the present time. The carrying amount is based upon the donor's estimated fair market value or acquisition cost.

10. BENEFICIAL INTEREST IN REMAINDER TRUSTS

The Foundation has a beneficial interest in two irrevocable charitable remainder trusts. The Foundation is not the trustee of either trust. The trusts do not provide for a permanent restriction so the beneficial interest is to be shown as temporarily restricted until the terms of the trust have been met. When the terms of the trusts have been met, the remainder interest will revert to the Foundation and at such time be recorded as unrestricted support.

The Trust formed in 1994, has assets with a fair market value of \$101,824 as of December 31, 2011 and \$103,164 as of December 31, 2010. The assets are invested in fixed income securities, corporate bonds and notes, mutual funds and equities.

The Trust formed in 1998, has assets with a fair market value of \$149,693 as of December 31, 2011 and \$156,735 as of December 31, 2010. The assets consist of cash, notes and loans receivable and accounts receivable.

The change in the value of the split interest agreements resulted in a decrease of \$8,382 in 2011 and an increase of \$10,615 in 2010.

11. LEASE COMMITMENTS

The Foundation is obligated under terms of the following rental and/or lease agreements:

Copy machine - The Foundation had an operating lease for a copy machine. The lease expired in 2009 and is now month to month. The minimum monthly payment is \$221.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

11. LEASE COMMITMENTS (Continued)

Storage lease - The Foundation leases storage space on a month to month lease for \$70 per month.

Rental expense for 2011 and 2010 was \$3,492 and \$3,492 respectively. This does not include the donated office space with a value of approximately \$20,000.

12. ENDOWMENTS HELD FOR AGENCIES

Several non profit agencies have donated money to the Foundation to set up endowments naming themselves as beneficiaries. In accordance with FASB ASC, the Foundation has recorded those donations as liabilities. The agency endowment agreements grant variance power the Foundation's Board of Directors and stipulate the Foundation owns the endowment funds. Donations to those endowments from someone other than the non profit agency itself, are treated as contribution revenue of the Foundation. Earnings of the agency portion increase the liability and distributions to the agency decrease the liability.

13. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets at December 31, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Endowment earnings	\$ 388,383	\$ 859,668
Charitable remainder trusts	251,517	259,899
Land	195,000	195,000
Drug Free Communities grant	-	16,998
Walmart grant	27,198	98,000
Kellogg Foundation	49,755	-
Funds to be determined	20,000	-
Total	<u>\$ 931,853</u>	<u>\$ 1,429,565</u>

Permanently restricted net assets at December 31, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Endowments	<u>\$ 2,482,113</u>	<u>\$ 2,434,224</u>

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

13. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS (Continued)

Net assets released from donor restrictions during 2011 and 2010 by incurring expenses satisfying the restricted purpose as follows:

	<u>2011</u>	<u>2010</u>
Drug free communities grant	\$ 173,213	\$ 126,775
Other programs	217,141	-
Agency distributions	138,559	17,484
Scholarships	32,474	13,651
Equipment	117,183	-
Adolescent services	213,974	98,939
Total released from restriction	<u>\$ 892,544</u>	<u>\$ 256,849</u>

14. RELATED PARTY TRANSACTIONS

The employer of one Board member donates the office space used by the Foundation. The estimated fair market value of the donated rent is \$20,000 per year.

A board member works for the accounting firm that prepares the Foundation's payroll and payroll reports.

The Board of Directors is aware of the above mentioned transactions and believes all transactions with Board members are "arm's length" transactions.

15. CONCENTRATION OF CREDIT RISK

The cash balances of the Foundation may from time to time exceed the FDIC insurance but the Foundation has not incurred any losses and management feels the risk would be minimal.

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

16. BOARD DESIGNATION

As of December 31, 2011 and 2010, the Board has designated \$541,833 and \$535,163, respectively, of unrestricted net assets for the following purposes:

	2011	2010
1 st Step Center	\$ 297,729	\$ 296,142
Healthcare	85,696	85,161
Building maintenance	138,059	135,641
Residency program	13,895	13,810
Breast Cancer	6,454	4,409
Total	\$ 541,833	\$ 535,163

17. RETIREMENT PLAN

In 2007, the Foundation adopted a 401(k) plan. The Plan covers substantially all eligible employees over the age of 21 and who have at least 1 year of service and work a minimum 1,000 hours with the Foundation. Employee contributions are voluntary and are based on specific percentages of compensation, which may not exceed maximum amounts established by the Internal Revenue Code. The Company will match 3% of the employee contribution. In 2009, the Foundation terminated the plan.

18. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS

The Organization's endowment consists of approximately 165 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

The Board of Trustees of the Organization has required the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization. The Organization considers the following factors in making a determination to appropriate or accumulate

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

18. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS (Continued)

donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year 3% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2011 and 2010 is as follows:

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 388,383	\$ 2,482,113	\$ 2,870,496
Board-designated endowment funds	1,504,151	-	-	1,504,151
Total funds	\$ 1,504,151	\$ 388,383	\$ 2,482,113	\$ 4,374,647

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

18. INVESTMENTS-DONOR-DESIGNATED ENDOWMENTS (Continued)

2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 859,668	\$ 2,434,224	\$ 3,293,892
Board-designated endowment funds	1,496,826	-	-	1,496,826
Total funds	\$ 1,496,826	\$ 859,668	\$ 2,434,224	\$ 4,790,718

Changes in endowment net assets as of December 31, 2011 and 2010 are as follows:

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 1,496,826	\$ 859,668	\$ 2,434,224	\$ 4,790,718
Prior pledges not included	-	-	-	-
Prior period adjustments	-	-	-	-
Contributions	7,070	-	32,033	39,103
Investment income	205	52,053	15,856	68,114
Net appreciation (depreciation)	8,500	(387,184)	-	(378,684)
Realized gain	-	74,591	-	74,591
Amounts appropriated for expenditure	(8,450)	(210,745)	-	(219,195)
Endowment net assets, end of year	\$ 1,504,151	\$ 388,383	\$ 2,482,113	\$ 4,374,647

2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 1,258,989	\$ 440,262	\$ 2,225,460	\$ 3,924,711
Prior pledges not included	-	-	-	-
Prior period adjustments	33,597	-	-	33,597
Contributions	-	5,484	179,123	184,607
Investment income	-	208,250	29,641	237,891
Net appreciation (depreciation)	204,240	93,855	-	298,095
Realized gain	-	238,995	-	238,995
Amounts appropriated for expenditure	-	(127,178)	-	(127,178)
Endowment net assets, end of year	\$ 1,496,826	\$ 859,668	\$ 2,434,224	\$ 4,790,718

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

19. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
December 31, 2011				
Investments	\$ 5,059,207	\$ 5,059,207	\$ -	\$ -
Beneficial Interest in Charitable Remainder Trusts	-	-	-	251,517
Property Held for investment	-	-	195,000	-
Total	<u>\$ 5,059,207</u>	<u>\$ 5,059,207</u>	<u>\$ 195,000</u>	<u>\$ 251,517</u>

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
December 31, 2010				
Investments	\$ 4,982,392	\$ 4,982,392	\$ -	\$ -
Beneficial Interest in Charitable Remainder Trusts	259,899	-	-	259,899
Property Held for investment	195,000	-	195,000	-
Total	<u>\$ 5,437,291</u>	<u>\$ 4,982,392</u>	<u>\$ 195,000</u>	<u>\$ 259,899</u>

Asset measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Remainder Trust
January 1, 2010	\$ 249,284
Unrealized gain	<u>10,615</u>
December 31, 2010	<u>\$ 259,899</u>

(Continued)

THE COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011 AND 2010

19. FAIR VALUE MEASUREMENTS (Continued)

	<u>Remainder Trust</u>
January 1, 2011	\$ 259,899
Unrealized loss	<u>(8,382)</u>
December 31, 2011	<u>\$ 251,517</u>

Financial assets valued using level 1 are based upon unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for the beneficial interest in the charitable remainder trust (level 3) is estimated fair market value.

20. COMMITMENTS AND CONTINGENCIES

In 2009, the Community Foundation of Southern New Mexico accepted a donation of two tracts of land. The Foundation agreed not to sell the land for less than \$70,000 per tract of land over the next two years.

In 2010, The Foundation accepted a donation of two tracts of land. The Foundation agreed not to sell the land for less than \$30,000 for the first tract and \$25,000 for the second tract over the next two years.

21. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 17, 2012, which is the date the financial statements were available to be issued.