



Report of Independent Auditors
and Consolidated Financial Statements

National Dance Institute of New Mexico

August 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
National Dance Institute of New Mexico

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of National Dance Institute of New Mexico, a new Mexico not-for-profit corporation, which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of National Dance Institute of New Mexico as of August 31, 2023 and 2022, and the results of its operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Albuquerque, New Mexico

February 6, 2024

Consolidated Financial Statements

National Dance Institute of New Mexico
Consolidated Statements of Financial Position
August 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 863,430	\$ 390,382
Pledges receivable, short-term	36,945	177,150
Grants receivable	242,487	913,107
Accounts receivable	65,451	108,791
Investments, short-term	146,298	145,791
Other assets	46,996	3,949
Total current assets	1,401,607	1,739,170
NON-CURRENT ASSETS		
Pledges receivable, long-term	429,200	481,700
Investments, long-term	42,261,813	41,502,986
Property and equipment, net	8,045,345	8,326,459
TOTAL ASSETS	\$ 52,137,965	\$ 52,050,315
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 155,721	\$ 26,107
Accrued payroll and related liabilities	201,179	149,786
Other liabilities	1,000	17,033
Deferred revenue	269,672	298,711
Total current liabilities	627,572	491,637
NET ASSETS		
Without donor restrictions	9,498,097	9,448,124
Without donor restrictions board-designated endowment	19,409,303	19,362,321
With donor restrictions	22,602,993	22,748,233
Total net assets	51,510,393	51,558,678
TOTAL LIABILITIES AND NET ASSETS	\$ 52,137,965	\$ 52,050,315

See accompanying notes.

National Dance Institute of New Mexico
Consolidated Statements of Activities
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions			
General donation	\$ 1,273,226	\$ -	\$ 1,273,226
Nonfinancial assets	16,270	-	16,270
Total contributions	<u>1,289,496</u>	<u>-</u>	<u>1,289,496</u>
Grants			
Operating	800,266	-	800,266
Special events contributions and sales	1,081,674	-	1,081,674
Less direct benefit costs to donors	<u>(279,523)</u>	<u>-</u>	<u>(279,523)</u>
Total special events	<u>802,151</u>	<u>-</u>	<u>802,151</u>
Merchandise sales	30,795	-	30,795
Contract for services	1,398,132	-	1,398,132
Ticket sales	69,719	-	69,719
Tuition and fees	591,597	-	591,597
Rental income	25,054	-	25,054
Miscellaneous income	25,062	-	25,062
Endowment spending distribution	<u>1,959,879</u>	<u>-</u>	<u>1,959,879</u>
Total revenue and other support, net	<u>6,992,151</u>	<u>-</u>	<u>6,992,151</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>222,664</u>	<u>(222,664)</u>	<u>-</u>
APPROPRIATION OF ENDOWMENT ASSETS FOR EXPENDITURE	<u>(1,959,879)</u>	<u>-</u>	<u>(1,959,879)</u>
EXPENSES			
Program services	4,872,914	-	4,872,914
General and administrative	1,292,790	-	1,292,790
Fundraising expenses	<u>1,036,425</u>	<u>-</u>	<u>1,036,425</u>
Total expenses	<u>7,202,129</u>	<u>-</u>	<u>7,202,129</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,947,193)</u>	<u>(222,664)</u>	<u>(2,169,857)</u>
OTHER INCOME			
Dividend and interest income	610,561	-	610,561
Net unrealized			
gain on investments	1,102,332	64,656	1,166,988
Net realized			
gain on investments	388,571	12,768	401,339
Investment expenses	<u>(57,316)</u>	<u>-</u>	<u>(57,316)</u>
Total other income	<u>2,044,148</u>	<u>77,424</u>	<u>2,121,572</u>
CHANGE IN NET ASSETS	96,955	(145,240)	(48,285)
NET ASSETS AT BEGINNING OF YEAR	<u>28,810,445</u>	<u>22,748,233</u>	<u>51,558,678</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,907,400</u>	<u>\$ 22,602,993</u>	<u>\$ 51,510,393</u>

See accompanying notes.

National Dance Institute of New Mexico
Consolidated Statements of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions			
General donation	\$ 797,258	\$ 2,340,172	\$ 3,137,430
Nonfinancial assets	52,851	-	52,851
Total contributions	850,109	2,340,172	3,190,281
Grants			
Operating	1,868,975	-	1,868,975
Special events contributions and sales	813,418	-	813,418
Less direct benefit costs to donors	(49,379)	-	(49,379)
Total special events	764,039	-	764,039
Merchandise sales	26,374	-	26,374
Contract for services	561,544	-	561,544
Ticket sales	36,372	-	36,372
Tuition and fees	436,548	-	436,548
Rental income	10,706	-	10,706
Miscellaneous income	464	-	464
Endowment spending distribution	2,447,596	-	2,447,596
Total revenue and other support, net	7,002,727	2,340,172	9,342,899
NET ASSETS RELEASED FROM RESTRICTION	64,943	(64,943)	-
APPROPRIATION OF ENDOWMENT ASSETS FOR EXPENDITURE	(2,447,596)	-	(2,447,596)
EXPENSES			
Program services	3,985,182	-	3,985,182
General and administrative	1,097,829	-	1,097,829
Fundraising expenses	1,558,809	-	1,558,809
Total expenses	6,641,820	-	6,641,820
CHANGE IN NET ASSETS FROM OPERATIONS	(2,021,746)	2,275,229	253,483
OTHER LOSS			
Dividend and interest income	429,486	-	429,486
Net unrealized			
loss on investments	(3,430,034)	(93,258)	(3,523,292)
Net realized			
gain on investments	1,312,750	-	1,312,750
Investment expenses	(59,017)	-	(59,017)
Total other loss	(1,746,815)	(93,258)	(1,840,073)
CHANGE IN NET ASSETS	(3,768,561)	2,181,971	(1,586,590)
NET ASSETS AT BEGINNING OF YEAR	32,579,006	20,566,262	53,145,268
NET ASSETS AT END OF YEAR	\$ 28,810,445	\$ 22,748,233	\$ 51,558,678

See accompanying notes.

National Dance Institute of New Mexico
Consolidated Statement of Functional Expenses
Year Ended August 31, 2023

	Program Services				Total Program	General and Administrative	Fundraising Operations	Total
	Outreach	Advanced	Residency	Other				
Salaries and wages	\$ 1,303,773	\$ 987,005	\$ 335,454	\$ 217,904	\$ 2,844,136	\$ 521,124	\$ 661,600	\$ 4,026,860
Employee benefits	250,435	181,265	71,601	40,087	543,388	110,941	70,777	725,106
Payroll taxes	97,395	75,762	25,058	20,086	218,301	36,984	50,311	305,596
Contract labor	49,504	43,105	35,015	20,207	147,831	53,001	2,688	203,520
Total personnel expenses	1,701,107	1,287,137	467,128	298,284	3,753,656	722,050	785,376	5,261,082
Direct production expenses	16,689	24,428	5,970	14,693	61,780	12,407	2,418	76,605
Outside services	12,395	10,800	2,180	4,491	29,866	248,333	114,519	392,718
Promotions and public relations	8,697	27,573	1,745	16,560	54,575	7,571	65,091	127,237
Office expenses	28,280	77,459	7,876	24,318	137,933	46,935	32,475	217,343
Facilities and equipment	39,700	229,283	5,291	9,677	283,951	99,774	12,950	396,675
Travel expenses	48,933	23,563	133,011	14,787	220,294	11,256	2,728	234,278
Other expenses	10,061	16,543	1,108	6,417	34,129	108,146	1,003	143,278
Total expenses before depreciation	1,865,862	1,696,786	624,309	389,227	4,576,184	1,256,472	1,016,560	6,849,216
Depreciation	86,380	165,641	2,507	42,202	296,730	36,318	19,865	352,913
Total expenses	\$ 1,952,242	\$ 1,862,427	\$ 626,816	\$ 431,429	\$ 4,872,914	\$ 1,292,790	\$ 1,036,425	\$ 7,202,129

See accompanying notes.

National Dance Institute of New Mexico
Consolidated Statement of Functional Expenses
Year Ended August 31, 2022

	Program Services				Total Program	General and Administrative	Fundraising Operations	Total
	Outreach	Advanced	Residency	Other				
Salaries and wages	\$ 1,038,829	\$ 739,498	\$ 244,031	\$ 283,479	\$ 2,305,837	\$ 622,783	\$ 867,143	\$ 3,795,763
Employee benefits	157,971	118,240	20,006	62,844	359,061	61,700	112,943	533,704
Payroll taxes	79,200	56,553	18,657	14,847	169,257	40,183	63,241	272,681
Contract labor	30,742	8,215	22,985	12,552	74,494	28,336	29,179	132,009
Total personnel expenses	1,306,742	922,506	305,679	373,722	2,908,649	753,002	1,072,506	4,734,157
Direct production expenses	18,551	24,863	4,117	20,922	68,453	-	26,368	94,821
Outside services	21,528	13,034	7,920	29,501	71,983	99,283	134,605	305,871
Promotions and public relations	9,119	10,895	600	12,457	33,071	3,940	46,758	83,769
Office expenses	70,710	56,831	11,878	49,405	188,824	50,270	159,781	398,875
Facilities and equipment	60,452	154,375	7,120	30,641	252,588	17,782	69,487	339,857
Travel expenses	16,527	419	69,099	11,239	97,284	10,618	4,060	111,962
Other expenses	7,268	24,064	525	7,086	38,943	123,107	23,461	185,511
Total expenses before depreciation	1,510,897	1,206,987	406,938	534,973	3,659,795	1,058,002	1,537,026	6,254,823
Depreciation	94,722	181,638	2,749	46,278	325,387	39,827	21,783	386,997
Total expenses	\$ 1,605,619	\$ 1,388,625	\$ 409,687	\$ 581,251	\$ 3,985,182	\$ 1,097,829	\$ 1,558,809	\$ 6,641,820

See accompanying notes.

National Dance Institute of New Mexico
Consolidated Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (48,285)	\$ (1,586,590)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	352,913	386,997
Investment income and realized/unrealized (gains) loss	(1,511,011)	1,845,237
Changes in assets and liabilities		
Pledges receivable	192,705	647,150
Grants receivable	670,620	(855,440)
Accounts receivable	43,340	(107,558)
Other assets	(43,047)	(760)
Accounts payable	129,614	(4,091)
Accrued payroll and related liabilities	51,393	58,139
Other liabilities	(16,033)	(24,856)
Deferred revenue	(29,039)	43,529
	(206,830)	401,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(71,799)	(8,796)
Purchase of investments	(8,169,186)	(11,341,149)
Proceeds from sale of investments	8,920,863	10,829,037
	679,878	(520,908)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	473,048	(119,151)
CASH AND CASH EQUIVALENTS, beginning of year	390,382	509,533
CASH AND CASH EQUIVALENTS, end of year	\$ 863,430	\$ 390,382

See accompanying notes.

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 or Organization) 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). NDI New Mexico'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

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 90 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 pledges receivable written off during the years ended August 31, 2023 and 2022.

Property and equipment – Property and equipment are 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 hold and use 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 exceeds 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, 2023 and 2022.

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

Revenue recognition – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. NDI New Mexico reports gifts of cash and other assets as net assets with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions support. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. The Organization reviews these promises for collectability, and, as of August 31, 2023 and 2022, all receivables and promises to give were determined to be collectible.

Contributed nonfinancial assets are reflected as contributions in the accompanying consolidated statements of activities at their estimated values at date of receipt, as determined by management.

Contract services and tuition and fees are recognized on a straight-line basis over the period of service. Other revenue is recognized at a point of time when the service is provided.

Grants receivable, accounts receivable and deferred revenue were \$57,667, \$1,233, and \$255,182 as of September 1, 2021, respectively.

Advertising – Advertising costs are expensed as incurred. Total advertising costs for the years ended August 31, 2023 and 2022 were \$70,560 and \$25,384, respectively.

Use of estimates – The preparation of the 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 (loss) – Investment income (loss) (including gains on investments, interest, and dividends) is included in the 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.

National Dance Institute of New Mexico

Notes to Consolidated Financial Statements

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 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, 2023 or 2022. NDI New Mexico files an exempt organization return in the U.S. federal jurisdiction and with the State of New Mexico.

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).

Concentrations – During the year ended August 31, 2022, NDI New Mexico received an endowment donation of \$1.8 million from one donor.

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. NDI New Mexico evaluated the impact of the adoption on its consolidated financial statements, noting an immaterial effect on the current year.

Reclassifications – Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. These reclassifications have no effect on previously reported changes in net assets or total ending net assets of NDI New Mexico.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the 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 statements 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 consolidated statements of functional position but arose after the consolidated statements of financial position date and before the consolidated financial statements are available to be issued. NDI New Mexico has evaluated subsequent events through February 6, 2024.

National Dance Institute of New Mexico
Notes to Consolidated Financial Statements

Note 3 – Contributions, Pledges, and Grants Receivables

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

	<u>2023</u>	<u>2022</u>
Contributions, pledges, and grants receivables due in less than one year		
Endowment pledges	\$ 17,763	\$ 165,900
Annual pledges	19,182	11,250
Grants receivable	<u>242,487</u>	<u>913,107</u>
Total receivables less than one year	<u>\$ 279,432</u>	<u>\$ 1,090,257</u>
Pledges and grants receivable due in one to five years		
Endowment pledges	\$ 409,200	\$ 461,700
Annual pledges	<u>20,000</u>	<u>20,000</u>
Total receivables from one to five years	<u>\$ 429,200</u>	<u>\$ 481,700</u>
Total contributions, pledges, and grants receivables	<u>\$ 708,632</u>	<u>\$ 1,571,957</u>

Note 4 – Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Equipment	\$ 1,410,550	\$ 1,410,550
Furniture and fixtures	476,940	476,940
Buildings	12,460,240	12,388,441
Software	125,991	125,991
Other	<u>36,000</u>	<u>36,000</u>
Total	14,509,721	14,437,922
Accumulated depreciation	<u>(6,464,376)</u>	<u>(6,111,464)</u>
Total property and equipment	<u>\$ 8,045,345</u>	<u>\$ 8,326,458</u>

Depreciation expense for the years ended August 31, 2023 and 2022 was \$352,913 and \$386,997, respectively.

National Dance Institute of New Mexico

Notes to Consolidated Financial Statements

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, 2023 and 2022. The balances due to NDI New Mexico as of August 31, 2023 and 2022, were \$358,358 and \$496,100, respectively.

Note 6 – Investments

Investment securities at August 31 consisted of the following:

	2023	2022
Private equity funds	\$ 16,408,713	\$ 14,953,701
Real estate funds	3,384,219	3,959,137
Fixed income funds	4,943,054	7,415,134
Diversifying funds	4,190,331	4,233,820
Closed end funds	12,946,075	10,456,150
Certificates of deposit	146,298	145,791
Other	389,421	485,044
	42,408,111	41,648,777
Less long-term portion of investments	42,261,813	41,502,986
Investments, short-term	\$ 146,298	\$ 145,791

The net realized and unrealized (losses) gains on investments for the years ended August 31, 2023 and 2022, are \$1,517,774 and \$(2,269,559), respectively.

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

	2023	2022
Endowment	\$ 40,769,738	\$ 39,924,661
Replacement reserve	1,406,474	1,496,948
Capital campaign	85,601	81,367
Held for statutory requirements	48,352	48,184
Other operating	97,946	97,617
Total	\$ 42,408,111	\$ 41,648,777

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.

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Notes to Consolidated Financial Statements

Private Equity Investments, Real Estate Funds, Fixed Income Investment, Diversifying Funds, 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, 2023 and 2022:

	Investment Assets at Fair Value as of August 31, 2023			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 146,298	\$ -	\$ -	\$ 146,298
Other	389,421	-	-	389,421
Total investments at fair value	\$ 535,719	\$ -	\$ -	535,719
Investments measured at net asset value (practical expedient)				41,872,392
Total investments				\$ 42,408,111
	Investment Assets at Fair Value as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 145,791	\$ -	\$ -	\$ 145,791
Other	485,044	-	-	485,044
Total investments at fair value	\$ 630,835	\$ -	\$ -	630,835
Investments measured at net asset value (practical expedient)				41,017,942
Total investments				\$ 41,648,777

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Notes to Consolidated Financial Statements

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, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (a)				
CF Strategic Solutions	\$ 15,199,170	\$ -	monthly	5 business days
SSgA S&P 500 Index Non-Lending	436,703	-	daily	1 business days
Real estate funds (b)				
CF REIT Portfolio	1,357,751	-	monthly	5 business days
SSgA S&P Global	2,026,468	-	daily	1 business days
Fixed asset funds (c)				
SSgA US Aggregate Bond Index	229,946	-	daily	1 business days
CFI High Quality Bond Fund	4,713,107	-	weekly	5 business days
CF Credit Series	2,410,097	-	monthly	5 business days
Diversifying funds (d)				
Global Absolute Alpha Company	4,190,331	-	Quarterly (Up to 25% of shares/qtr.)	95 calendar days
Closed end funds - (e)				
Strategic Solutions Core Real Estate	1,828,202	-	none	-
Capital partners	3,809,612	794,644	none	-
CCI-OCIO Global	268,330	960,000	none	-
Venture Partners	192,754	568,000	none	-
Environmental Sustainability Partners	772,840	1,290,000	none	-
CF Real Estate Opportunity Fund	551,953	970,312	none	-
CF Private Credit	676,516	1,174,608	none	-
Secondary partners	3,208,612	867,513	none	-
Total	<u>\$ 41,872,392</u>	<u>\$ 6,625,077</u>		

- a) 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. SSgA S&P 500 seeks an investment return that approximates as closely as practicable, before expense, the performance of the S&P 500 Index over the long term.
- b) CF REIT Portfolio seeks to offer actively managed exposure to real estate trusts (REITs). The Fund will primarily invest, directly or indirectly, in publicly traded REITs, but may also invest in other related U.S. and non-U.S. securities and derivatives. The investment objective of the Fund is to outperform the FTSE Nareit All Equity REITs Index over a full market cycle. SSgA S&P Global seeks an investment return that approximates as closely as practicable, before expenses, the performance of the S&P Global LargeMidCap Commodity and Resources Index (the Index) over the long term.

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Notes to Consolidated Financial Statements

- c) SSga US Aggregate Bond Index seeks an investment return that approximates as closely as practicable, before expense, the performance of the Bloomberg Barclays U.S. Aggregates Bond Index over the long term. CFI High Quality Bond Fund invests primarily in U.S. dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. Investment grade securities are those rated in one of the four highest categories by a nationally recognized rating agency at the time of investment or determined by a Sub-Advisor to be of equivalent quality. The Sub-Advisors may invest in certain derivatives and may use certain techniques, such as currency hedging, in order to outperform the broad market. CF Credit Series will invest in fixed income credit securities including global sovereign debt dollar-denominated high yield bonds, dollar denominated bank loans, non-U.S. currency exposure, non-agency residential mortgages, CMBS, ABS, and other structured credit commingled partnerships and registered investment companies. The Fund seeks to outperform its benchmark, the ICE Bofa Merrill Lynch High Yield Master II Index, over a full market cycle.
- d) Global Absolute Alpha Company seeks to provide investors with a marketable alternative strategies investment program capable of producing consistently positive returns regardless of the direction of the broader markets. The goal of the Fund is to offer access to a moderate volatility investment program with little or no net market exposure, yielding consistent returns independent of market direction. The Fund allocates assets to investment funds managed by third-party investment managers (Third Party Investment Funds) in four broad investment categories: event-driven, credit, equity market neutral, and absolute return multi-strategy managers. Some or all of the marketable alternative strategies may be deployed across U.S. and non-U.S. markets.
- e) Strategic Solutions Core Real Estate Fund seeks to provide investors with net returns in excess of its benchmark, the NCREIF Fund Index – Open End Diversified Core Equity by allocating assets to investment managers and investing in diversified portfolio of open-ended investments that focus on core real estate investing. Capital Partners provides investors the opportunity to invest in private investment funds, which in turn, make venture capital investments primarily in domestic and international private equity investments with the objective of obtaining long-term capital growth and in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The Partnership may also invest in operating companies as direct investments or co-investment opportunities. CCI-OCIO Global was formed primarily for the purpose of providing endowment funds and nonprofit organizations the opportunity to invest primarily in investment funds, which in turn make investments in equity securities, warrants or other options that are generally not actively traded at the time of investment. The Partnership may also invest in operating companies as direct investments or co-investment opportunities. Venture Partners primarily seeks to achieve long-term capital appreciation and invests globally in venture capital investments and target investments on either a primary or secondary basis. The Partnership may also make a limited number of investments directly in operating companies. Environmental Sustainability Partners was formed for the purpose of providing investors the opportunity to invest in Target Funds, which in turn, make investments that provide environmental and sustainability benefits to society. The Partnership may also make a limited number of investments directly in operating companies.

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- f) CF Private Credit is a manager-of-managers vehicle through which qualified institutional investors can invest in private credit funds that invest primarily in U.S. corporate middle market direct lending, with some exposure to non-U.S. corporate middle market direct lending, real estate-related lending, and other private credit opportunities. The investment objective of the Partnership is to deliver private credit exposure primarily through external managers advising portfolio funds that Commonfund Asset Management Company, Inc. believes to be high-quality managers. CF Real Estate Opportunity Fund is a manager-of-managers vehicle through which qualified institutional investors can invest primarily in “Non-Core” private real estate funds. The investment objective of the Partnership is to deliver “Non-Core” real estate exposure primarily through external real estate managers advising portfolio funds Commonfund Asset Management Company, Inc. believes to be high-quality managers. Secondary Partners seeks to acquire investments principally in secondary market transactions in leveraged buyout, growth equity, distressed securities, mezzanine financing, natural resources, and venture capital investment funds on a global basis. The Partnership may also invest directly in pooled investment vehicles or fund of funds. The Partnership may also, to a lesser extent, make direct equity, equity-like, or debt investments acquired from third parties, and may acquire investments other than in privately negotiated secondary transactions, including through the primary markets.

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 statements of financial position as of August 31, 2023. 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.

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Notes to Consolidated Financial Statements

Note 8 – Net Assets

Net assets consisted of the following at August 31:

	2023	2022
Net assets without donor restrictions		
Operating	\$ 1,452,752	\$ 1,121,665
Property and equipment	8,045,345	8,326,459
Board-designated endowment	19,409,303	19,362,321
Total net assets without donor restrictions	28,907,400	28,810,445
Net assets with donor restrictions		
Subject to passage of time		
Operating	1,156,957	1,306,431
Capital campaign	85,601	81,367
Total net assets with donor restrictions	1,242,558	1,387,798
Endowment funds restricted in perpetuity	21,360,435	21,360,435
Total net assets with donor restrictions	22,602,993	22,748,233
Total net assets	\$ 51,510,393	\$ 51,558,678

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 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 with donor restriction as of August 31, 2023 and 2022.

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 4.7%), 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 12 quarters except as the NDI New Mexico Board of Directors may determine from time to time. The spending rate in 2023 was 4.9% of the three-year quarterly rolling average on August 31, 2023. The spending rate in 2022 was 4.7% of the three-year quarterly rolling average on August 31, 2022.

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Notes to Consolidated Financial Statements

In addition, during 2023 and 2022, NDI New Mexico took a draw of \$0 and \$283,469, respectively, 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

Endowment net assets at August 31 consisted of the following:

	2023	2022
Perpetual endowment - with donor restriction	\$ 21,360,435	\$ 21,360,435
Board-designated endowment - without donor restriction	19,409,303	19,362,321
Total funds	\$ 40,769,738	\$ 40,722,756

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Notes to Consolidated Financial Statements

Changes in the endowment net assets for the year ended August 31, 2023, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, August 31, 2022	\$ 19,362,321	\$ 21,360,435	\$ 40,722,756
Investment return			
Investment income	35,603	-	35,603
Net appreciation (realized and unrealized)	1,971,258	-	1,971,258
Total investment return	2,006,861	-	2,006,861
Appropriation of endowment assets for expenditure	(1,959,879)	-	(1,959,879)
Endowment net assets, August 31, 2023	<u>\$ 19,409,303</u>	<u>\$ 21,360,435</u>	<u>\$ 40,769,738</u>

Changes in the endowment net assets for the year ended August 31, 2022, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, August 31, 2021	\$ 23,661,191	\$ 19,079,263	\$ 42,740,454
Investment return			
Investment income	3,937	-	3,937
Net depreciation (realized and unrealized)	(1,954,170)	-	(1,954,170)
Total investment return	(1,950,233)	-	(1,950,233)
Gifts, bequests and contributions	-	2,281,172	2,281,172
Transfer to capital campaign, co-invested	5,102	-	5,102
Other transfers to operating net assets	93,857	-	93,857
Appropriation of endowment assets for expenditure	(2,447,596)	-	(2,447,596)
Endowment net assets, August 31, 2022	<u>\$ 19,362,321</u>	<u>\$ 21,360,435</u>	<u>\$ 40,722,756</u>

Total net endowed investment gains (losses) of \$1,971,258 and \$(1,954,170) for the years ended August 31, 2023 and 2022, respectively, consist of unrestricted earnings (losses) 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, 2023 and 2022, was \$753,818 and \$716,531, respectively.

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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 (losses) on co-invested campaign funds for the years ended August 31, 2023 and 2022, were \$4,234 and \$(5,102), respectively. The earnings (losses) allocated to the replacement reserve for the years ended August 31, 2023 and 2022, were \$73,190 and \$(93,857), respectively. The operating reserve is replenished at year end as needed. No such replenishment was required on August 31, 2023.

Note 10 – Commitments and Contingencies

NDI New Mexico has entered into various lease agreements including equipment leases which expire in 2024 through 2027.

Future minimum lease payments on these leases are as follows:

<u>Years Ending August 31,</u>			
2024	\$	5,849	
2025		2,492	
2026		1,083	
2027		632	
Total	\$	10,057	

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. At July 31, 2023, the annual fair market rent was again adjusted to \$248,204.

The rental amount due in services or cash was \$248,204 and \$220,831 for the years ended August 31, 2023 and 2022, respectively. Services provided for the period July 2022 through June 2023 totaled \$1,215,667. An accounting of services provided in lieu of rent for July through September is due to Bernalillo County on October 31, 2023. NDI New Mexico does not expect to owe rent to Bernalillo County based on services already performed.

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Notes to Consolidated Financial Statements

NDI New Mexico is eligible for the Employee Retention Credit (ERC) under the CARES Act. \$166,032 was received prior to August 31, 2022 as a credit to their payroll tax liability. Tax credits receivable for the ERC at August 31, 2023 and 2022 were \$242,487 and \$843,107, respectively, which represent refunds due on the Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended December 31, 2020, March 31, 2021, and June 30, 2021.

Note 11 – Contributed Nonfinancial Assets

During the years ended August 31, 2023 and 2022, NDI New Mexico received nonfinancial asset contributions with a market value of \$16,270 and \$52,851, respectively. The contributions included services to the Organization and donated supplies and materials. Nonfinancial asset contributions consisted of the following:

	2023	2022
Marketing	\$ 8,730	\$ 7,084
Flowers and gifts	5,000	4,096
Meals	1,400	748
Costumes	640	10,050
Other contract services	500	502
Equipment	-	26,000
Employee appreciation	-	2,246
Lodging	-	2,125
	<u>\$ 16,270</u>	<u>\$ 52,851</u>
Total in-kind goods and services	<u>\$ 16,270</u>	<u>\$ 52,851</u>

Costumes, flowers and gifts, meals, equipment, employee appreciation, lodging, and copying and printing are valued at the replacement cost of the received goods or services for a price publicly available on a website or in a local store. Other contract services and marketing are valued at the cost for receiving similar services or the hourly rate of the professional, usually provided by the service provider.

Note 12 – 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, 2023 and 2022 were \$71,139 and \$64,589, respectively.

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Notes to Consolidated Financial Statements

Note 13 – Liquidity and Funds Available

Financial assets available for general expenditure within one year of the consolidated statements of financial position date comprised the following:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 863,430	\$ 390,382
Investments	42,408,111	41,648,777
Receivables	<u>774,083</u>	<u>1,680,748</u>
Total financial assets	<u>44,045,624</u>	<u>43,719,907</u>
Less those unavailable for general expenditure within one year due to		
Perpetual endowments not included below	(15,862,383)	(16,611,484)
Cash and investments held by others not available in one year	(11,308,819)	(10,456,150)
Investments held in trusts and state required reserves	(30,910)	(77,964)
Contributions receivable collectible beyond one year	(429,200)	(481,700)
Replacement reserve, donor and board designated	(1,406,474)	(1,496,948)
Board designations		
Operating reserve	<u>(753,818)</u>	<u>(716,531)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,254,020</u>	<u>\$ 13,879,130</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.