



Report of Independent Auditors  
and Consolidated Financial Statements

**Los Alamos National Laboratory Foundation**

December 31, 2022 and 2021



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## **Report of Independent Auditors**

The Board of Directors  
Los Alamos National Laboratory Foundation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Los Alamos National Laboratory Foundation, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 Los Alamos National Laboratory Foundation as of December 31, 2022 and 2021, and the results of their 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 Los Alamos National Laboratory Foundation 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 Los Alamos National Laboratory Foundation'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 Los Alamos National Laboratory Foundation'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 Los Alamos National Laboratory Foundation'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  
May 17, 2023

## **Consolidated Financial Statements**

**Los Alamos National Laboratory Foundation**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,098,828	\$ 1,322,367
Investments	5,132,731	6,213,861
Accounts receivable, net	1,244,342	286,348
Prepaid expenses	5,711	5,918
Total current assets	8,481,612	7,828,494
<b>NONCURRENT ASSETS</b>		
Investments - long term	95,178,739	112,248,706
Property and equipment, net	1,700,999	1,129,791
Right of use lease assets	63,000	-
Total noncurrent assets	96,942,738	113,378,497
<b>TOTAL ASSETS</b>	<b>\$ 105,424,350</b>	<b>\$ 121,206,991</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 700,985	\$ 554,679
Grants payable	32,500	39,400
Deferred revenue	11,400	-
Current portion of notes payable	96,841	75,772
Current portion of lease liability	45,731	-
Total current liabilities	887,457	669,851
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	1,145,371	730,202
Lease liability, less current portion	17,269	-
Total long-term liabilities	1,162,640	730,202
<b>TOTAL LIABILITIES</b>	<b>2,050,097</b>	<b>1,400,053</b>
<b>NET ASSETS</b>		
Without donor restriction	2,249,510	3,689,739
Donor restricted	101,124,743	116,117,199
Total net assets	103,374,253	119,806,938
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 105,424,350</b>	<b>\$ 121,206,991</b>

See accompanying notes.

**Los Alamos National Laboratory Foundation**  
**Consolidated Statements of Activities**  
**Year Ended December 31, 2022**

	Without Donor Restriction	Donor Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 26,112	\$ 824,376	\$ 850,488
Grants and contracts	61,514	3,709,703	3,771,217
Net investment income (loss)	1,015,958	(14,986,006)	(13,970,048)
Other income	5,405	-	5,405
Net assets released from restrictions	4,540,529	(4,540,529)	-
	<u>5,649,518</u>	<u>(14,992,456)</u>	<u>(9,342,938)</u>
Total support and revenue			
<b>EXPENSES</b>			
Program			
Inquiry science education consortium & K-12	1,940,891	-	1,940,891
Program operating expenses	744,522	-	744,522
Early childhood	561,817	-	561,817
Scholarships	882,118	-	882,118
Triad Scholars, STEM, and Teachers Initiatives	628,827	-	628,827
Educational enrichment and outreach grants	950,000	-	950,000
Community outreach grants	421,140	-	421,140
	<u>6,129,315</u>	<u>-</u>	<u>6,129,315</u>
Total program expenses			
General and administrative	777,468	-	777,468
Fundraising	182,964	-	182,964
	<u>7,089,747</u>	<u>-</u>	<u>7,089,747</u>
Total expenses			
<b>CHANGE IN NET ASSETS</b>	(1,440,229)	(14,992,456)	(16,432,685)
<b>NET ASSETS</b>			
Beginning of year	<u>3,689,739</u>	<u>116,117,199</u>	<u>119,806,938</u>
End of year	<u>\$ 2,249,510</u>	<u>\$101,124,743</u>	<u>\$103,374,253</u>

See accompanying notes.

**Los Alamos National Laboratory Foundation**  
**Consolidated Statements of Activities**  
**Year Ended December 31, 2021**

	Without Donor Restriction	Donor Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 14,093	\$ 1,104,070	\$ 1,118,163
Grants and contracts	48,914	1,096,704	1,145,618
Net investment income	2,924,423	18,523,837	21,448,260
Other income	37,286	298,229	335,515
Net assets released from restrictions	4,479,311	(4,479,311)	-
	<u>7,504,027</u>	<u>16,543,529</u>	<u>24,047,556</u>
<b>EXPENSES</b>			
Program			
Inquiry science education consortium & K-12	1,769,271	-	1,769,271
Program operating expenses	588,107	-	588,107
Early childhood	637,017	-	637,017
Scholarships	930,518	-	930,518
Triad Scholars, STEM, and Teachers Initiatives	627,000	-	627,000
Educational enrichment and outreach grants	978,170	-	978,170
Community outreach grants	867,123	-	867,123
	<u>6,397,206</u>	<u>-</u>	<u>6,397,206</u>
General and administrative	592,873	-	592,873
Fundraising	180,965	-	180,965
	<u>7,171,044</u>	<u>-</u>	<u>7,171,044</u>
<b>CHANGE IN NET ASSETS</b>	332,983	16,543,529	16,876,512
<b>NET ASSETS</b>			
Beginning of year	<u>3,356,756</u>	<u>99,573,670</u>	<u>102,930,426</u>
End of year	<u>\$ 3,689,739</u>	<u>\$116,117,199</u>	<u>\$119,806,938</u>

See accompanying notes.



**Los Alamos National Laboratory Foundation**  
**Consolidated Statements of Functional Expenses**  
**Years Ended December 31, 2022 and 2021**

	2022										
	Program Activities							Supporting Activities			
	Inquiry Science Education Consortium & K-12	Program Operating Expenses	Early Childhood	Scholarships	Triad Scholars, STEM, and Teachers	Educational Enrichment & Outreach Grants	Community Outreach Grants	Total Program Expenses	General and Administrative Support	Fundraising	Total Expense
Salaries wages and benefits	\$ 1,083,574	\$ 453,490	\$ 406,396	\$ 206,490	\$ 207,493	\$ -	\$ -	\$ 2,357,443	\$ 478,610	\$ 139,928	\$ 2,975,981
Professional services	107,137	131,208	112,617	2,405	155,000	-	-	508,367	76,018	2,944	587,329
Public relations	66,992	4,678	8,492	45,950	5,293	-	-	131,405	71,550	12,323	215,278
Travel and training	36,783	12,810	13,368	3,046	-	-	-	66,007	12,427	692	79,126
Grants	9,000	-	2,250	-	102,014	950,000	421,140	1,484,404	-	-	1,484,404
Scholarship payout	-	-	-	602,625	132,250	-	-	734,875	-	-	734,875
STEM Challenge	108,000	-	-	-	10,000	-	-	118,000	-	-	118,000
Science Resource Center Operations	411,916	-	-	-	-	-	-	411,916	-	-	411,916
Office expenses	109,312	142,336	18,694	21,602	16,777	-	-	308,721	77,030	27,077	412,828
<b>Total operating expenses</b>	<b>1,932,714</b>	<b>744,522</b>	<b>561,817</b>	<b>882,118</b>	<b>628,827</b>	<b>950,000</b>	<b>421,140</b>	<b>6,121,138</b>	<b>715,635</b>	<b>182,964</b>	<b>7,019,737</b>
Depreciation	8,177	-	-	-	-	-	-	8,177	61,833	-	70,010
<b>Total expenses</b>	<b>\$ 1,940,891</b>	<b>\$ 744,522</b>	<b>\$ 561,817</b>	<b>\$ 882,118</b>	<b>\$ 628,827</b>	<b>\$ 950,000</b>	<b>\$ 421,140</b>	<b>\$ 6,129,315</b>	<b>\$ 777,468</b>	<b>\$ 182,964</b>	<b>\$ 7,089,747</b>

	2021										
	Program Activities							Supporting Activities			
	Inquiry Science Education Consortium & K-12	Program Operating Expenses	Early Childhood	Scholarships	Triad Scholars, STEM, and Teachers	Educational Enrichment & Outreach Grants	Community Outreach Grants	Total Program Expenses	General and Administrative Support	Fundraising	Total Expense
Salaries wages and benefits	\$ 921,382	\$ 367,713	\$ 303,164	\$ 189,005	\$ 263,735	\$ -	\$ -	\$ 2,044,999	\$ 434,470	\$ 138,367	\$ 2,617,836
Professional services	83,736	129,683	253,286	3,374	206,074	-	-	676,153	18,629	5,825	700,607
Public relations	34,932	1,711	13,399	32,504	2,635	-	-	85,181	39,358	21,507	146,046
Travel and training	10,930	-	2,721	244	-	-	-	13,895	11,023	219	25,137
Grants	-	-	42,750	-	23,414	978,170	867,123	1,911,457	-	-	1,911,457
Scholarship payout	-	-	-	683,563	115,324	-	-	798,887	-	-	798,887
STEM Challenge	145,500	-	-	-	-	-	-	145,500	-	-	145,500
Science Resource Center Operations	499,016	-	-	-	-	-	-	499,016	-	-	499,016
Office expenses	72,722	89,000	21,697	21,828	15,818	-	-	221,065	51,854	15,047	287,966
<b>Total operating expenses</b>	<b>1,768,218</b>	<b>588,107</b>	<b>637,017</b>	<b>930,518</b>	<b>627,000</b>	<b>978,170</b>	<b>867,123</b>	<b>6,396,153</b>	<b>555,334</b>	<b>180,965</b>	<b>7,132,452</b>
Depreciation	1,053	-	-	-	-	-	-	1,053	37,539	-	38,592
<b>Total expenses</b>	<b>\$ 1,769,271</b>	<b>\$ 588,107</b>	<b>\$ 637,017</b>	<b>\$ 930,518</b>	<b>\$ 627,000</b>	<b>\$ 978,170</b>	<b>\$ 867,123</b>	<b>\$ 6,397,206</b>	<b>\$ 592,873</b>	<b>\$ 180,965</b>	<b>\$ 7,171,044</b>

See accompanying notes.

**Los Alamos National Laboratory Foundation**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (16,432,685)	\$ 16,876,512
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	70,010	38,592
Realized and unrealized loss (gain) on investments	14,370,262	(20,735,973)
Effects of changes in operating assets and liabilities		
Accounts receivable, net	(957,994)	62,451
Prepaid expenses	207	(5,061)
Right-of-use lease assets	28,663	-
Accounts payable and accrued expenses	146,306	199,518
Lease liabilities	(28,663)	-
Grants payable	(6,900)	37,844
Deferred revenue	11,400	(250,000)
	<u>(2,799,394)</u>	<u>(3,776,117)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested interest, dividends, and capital gains	(552,623)	(592,148)
Proceeds from sale of investments	4,333,458	4,448,599
Purchases of property and equipment	(641,218)	(110,247)
	<u>3,139,617</u>	<u>3,746,204</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	525,000	-
Notes payable principal paid	(88,762)	(72,879)
	<u>436,238</u>	<u>(72,879)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	776,461	(102,792)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,322,367</u>	<u>1,425,159</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 2,098,828</u>	<u>\$ 1,322,367</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH</b>		
Cash paid for interest	<u>\$ 47,082</u>	<u>\$ 34,184</u>
Right-of-use (ROU) assets and lease liabilities recognized upon adoption of ASC 842	<u>\$ 21,260</u>	<u>\$ -</u>
ROU assets obtained in exchange for new operating lease liabilities	<u>\$ 70,403</u>	<u>\$ -</u>

See accompanying notes.

# Los Alamos National Laboratory Foundation

## Notes to Consolidated Financial Statements

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### **Note 1 – Definition of Reporting Entity**

Los Alamos National Laboratory Foundation (the Foundation) is a New Mexico nonprofit corporation, incorporated on April 17, 1997, for charitable, educational, and other lawful purposes consistent with the New Mexico Nonprofit Corporation Act. In particular, the Foundation is organized for the purpose of receiving and administering gifts and grants dedicated to support charitable and educational public service activities in Northern New Mexico. In May of 2007, the Foundation formed a single member for-profit company, Building Equity, LLC (the LLC). The purpose of the LLC is to construct, own, and operate the office building occupied by the Foundation. The building was completed in 2008. For tax purposes, the LLC is disregarded, and all of its activities are reported on the Foundation's annual information return (Internal Revenue Service (IRS) Form 990).

### **Note 2 – Summary of Significant Accounting Policies**

The Foundation's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to nonprofit organizations. The following paragraphs describe the basis of presentation and summarize the more significant accounting policies.

**Use of estimates in preparing financial statements** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions made by management include the allowance for uncollectible receivables, useful lives of property and equipment, fair value measurements of investments, and functional allocation of expenses.

**Basis of consolidation** – As described above, the accompanying consolidated financial statements include the accounts of the Foundation and the LLC. All significant balances and transactions between the entities have been eliminated.

**Basis of accounting** – These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net asset balances and transactions into two classes of net assets – net assets without donor restrictions, and net assets with donor restrictions:

*Net assets without donor restrictions* – Are net assets that are not subject to donor-imposed stipulations.

*Donor restricted net assets* – Are subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. These net assets may have stipulations by the donor to be maintained in perpetuity, such as an endowment, or the restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Net assets with donor restrictions also include accumulated net investment income (loss) earned by the net assets held in perpetuity.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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**Concentration of credit risk** – The Foundation's financial instruments that are exposed to concentrations of credit risk primarily consist of cash and investments. During 2022 and 2021, the Foundation's cash accounts, including all noninterest-bearing transaction accounts, were at institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount of \$250,000, for each deposit insurance ownership category. On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. If any of the financial institutions with whom we do business were to be placed into receivership, we may be unable to access to the cash we have on deposit with such institutions. If we are unable to access our cash and cash equivalents as needed, our financial position and ability to operate our business could be adversely affected. Periodically throughout 2022 and 2021, the Foundation has maintained cash balances in excess of insured limits. At December 31, 2022, the Foundation's cash held in checking accounts that exceeded the insured limit was \$850,778. At December 31, 2021, the Foundation's cash held in checking accounts that exceeded the insured limit was \$0.

**Cash and cash equivalents** – For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid debt instruments with a maturity date of three months or less at the time of purchase to be cash equivalents.

**Accounts receivable, net** – Accounts receivable, net include unconditional promises to give and unconditional pledges to the Foundation that have not been received by the consolidated statement of financial position date. The carrying amount of accounts receivable, net is reduced by a valuation allowance based on the Foundation's estimates of uncollectible amounts. No allowance for uncollectible amounts was reported as of December 31, 2022 and 2021, as the Foundation believes that all accounts receivable are fully collectible.

Unconditional promises to give and unconditional pledges are recognized as revenue in the period received and are classified as net assets with donor restrictions or net assets without donor restrictions based upon the existence or absence of donor-imposed restrictions. Contributions with donor-imposed stipulations are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when requirements are met.

**Investments** – Investments are reported at fair value, which results in unrealized gains and losses being recognized as fair value changes. Investments are held in a General Endowment Pool by the University of California.

Realized and unrealized gains and losses are recognized in the period in which they occur and are recorded in the consolidated statements of activities. Investment income is presented net of investment management fees. Investment income is pooled and allocated to net assets without donor restrictions and net assets with donor restrictions balances in proportion to their average monthly equity in the pooled investment portfolio.

**Property and equipment** – Property and equipment with costs in excess of \$5,000 are capitalized. Purchased equipment is stated at cost. Contributed equipment is reflected at estimated fair value at the date of contribution. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 39 years.

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See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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**Impairment of long-lived assets and long-lived assets to be disposed** – The Foundation 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 be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset 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. As of December 31, 2022 and 2021, the Foundation recorded no impairments.

**Compensated absences** – All eligible employees accrue vacation time at a rate of 10 to 16.67 hours per month. The maximum amount of vacation accrued by any employee is 240 hours. A liability for compensated absences has been recorded and is included in accrued expenses.

**In-kind donations** – The Foundation receives in-kind donations of stocks, materials, and services. Donations of stocks, materials, and services are recorded as contributions at their estimated fair value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation did not receive contributed services during the years ended December 31, 2022 and 2021.

**Grants awarded** – Grants awarded by the Foundation are charged to operations and recorded as liabilities upon approval by the Foundation's Board of Directors. The Foundation has no grant payable that will extend beyond the subsequent year.

**Income taxes** – The Foundation has adopted the provisions of accounting standards codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. The Foundation recognizes the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax (benefit) expense is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Foundation had no unrecognized tax benefits at December 31, 2022 and 2021. The Foundation files an exempt organization return with the Internal Revenue Service (IRS). It is not a "private foundation" for tax purposes. The Foundation had no taxable unrelated business income for the years ended December 31, 2022 and 2021. Accordingly, a provision for income taxes has not been established in the accompanying consolidated financial statements.

**Expenses by both nature and function** – The Foundation allocates expenses not applicable to a single activity to the appropriate activities based on the estimated percentage of time employees spend on each of the programs. Depreciation is allocated based on square footage. Most all expenses are recorded directly to the function to which they relate based on the actual personnel assigned and vendor expenses paid.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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**New accounting standard** – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statements of financial position.

The Foundation elected to adopt these ASUs effective January 1, 2022, using the modified retrospective approach. In addition, the Company has elected the following practical expedients as permitted under the transition guidance within the new standard:

- The package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification
- Option to exclude leases of twelve months or less from the requirements under Topic 842
- Option to utilize the risk-free rate to be applied to certain asset classes
- Option to elect by class of underlying asset to not recognize an ROU asset and liability with original terms of 12 months or less as of lease commencement
- Option to exclude assets under a predetermined capitalization threshold
- Option to not evaluate whether the written terms and conditions of a lease are legally enforceable
- Option to amortize leasehold improvements over their economic life

The adoption did not have a material impact on the Foundation's consolidated statements of financial position or the consolidated statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Foundation to record amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$21,260, an increase in operating lease liabilities of \$21,260 and no changes to net assets.

**Lease arrangements** – In the ordinary course of business, the Foundation enters into a variety of operating lease arrangements.

For the year ended December 31, 2021, the Foundation followed FASB ASC 840, *Leases*. Under that guidance, the Foundation classified leases as either operating or capital. Capital leases resulted in the recognition of assets and liabilities, whereas operating leases did not.

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See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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As of January 1, 2022, the Foundation adopted FASB ASC 842, *Leases*, as described above. Transactions give rise to leases when the Foundation receives substantially all the economic benefits from and has the ability to direct the use of specified property and equipment. The Foundation determines if an arrangement is a lease at inception. The operating lease ROU assets are included within the Foundation's non-current assets and lease liabilities are included in current and long-term liabilities on the Foundation's statements of financial position. ROU assets represent the Foundation's right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Foundation's obligation to make lease payments arising from a lease and are measured on a discounted basis.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for minimum lease payments continues to be recognized on a straight-line basis over the lease term.

The Foundation had no finance leases as of December 31, 2022.

**Subsequent events evaluation** – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

The Foundation has evaluated subsequent events through May 17, 2023, which is the date the consolidated financial statements were available to be issued.

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements in order to maintain consistency and comparability between periods presented. There have been no changes to net assets or changes in net assets as of December 31, 2022.

### Note 3 – Fair Value of Financial Instruments

The Foundation follows Statement ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP and expands disclosures about fair value measurement. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels defined by the ASC 820-10 hierarchy are as follows:

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See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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**Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

**Level 3** – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following is the fair value of investments at December 31:

	2022	2021
General endowment pool managed by the University of California	\$ 95,178,739	\$ 112,248,706
General non-endowment pool managed by the University of California	5,132,731	6,213,861
Total	\$ 100,311,470	\$ 118,462,567

**Net asset value (NAV)** – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments measured at NAV include commingled funds which are invested in the General Endowment Pool (GEP) managed by the University of California.

**General Endowment Pool** – The General Endowment Pool managed by the University of California is invested in the following at December 31:

	2022	2021
Public equity	37.80%	45.50%
Cash and fixed income	18.40%	7.80%
Absolute return	7.70%	8.20%
Private equity	22.30%	25.70%
Real estate and real assets	13.80%	12.80%
Total	100.00%	100.00%

As of December 31, 2022 and 2021, the entirety of the Foundation's investment balances of \$100,311,470 and \$118,462,567, respectively, were measured at net asset value.

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See accompanying notes.



**Los Alamos National Laboratory Foundation**  
**Notes to Consolidated Financial Statements**

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Net investment income consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends on long-term investments	\$ 400,214	\$ 712,287
Realized gain on investments, net	3,240,850	3,422,737
Unrealized (loss) gain on investments, net	<u>(17,611,112)</u>	<u>17,313,236</u>
Total	<u>\$ (13,970,048)</u>	<u>\$ 21,448,260</u>

**Note 4 – Accounts Receivable, Net**

Accounts receivable, net consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Scholarship program pledges	\$ 107,149	\$ 108,292
Grants receivable	<u>1,137,193</u>	<u>178,056</u>
Total	<u>\$ 1,244,342</u>	<u>\$ 286,348</u>

**Note 5 – Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 250,711	\$ 250,711
Building and improvements	1,807,242	1,308,813
Furniture	297,942	240,599
Computers, equipment, and software	493,197	407,751
Vehicle	<u>25,333</u>	<u>25,333</u>
	2,874,425	2,233,207
Less accumulated depreciation	<u>(1,173,426)</u>	<u>(1,103,416)</u>
Total	<u>\$ 1,700,999</u>	<u>\$ 1,129,791</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$70,010 and \$38,592, respectively.

See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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#### Note 6 – Leases

**Preadoption of ASC 842** – The Foundation leases office space from its wholly owned subsidiary, Building Equity, LLC. The lease is for five years with an automatic renewal for an additional five years. The rent income and expense has been eliminated from the consolidated financial statements through the consolidating entries.

The Foundation leases a warehouse facility for storage and refurbishment of its Inquiry Science Education Consortium science kits. Total lease cost for this space for the year ended December 31, 2021 was \$68,400.

The Foundation leases office equipment under long-term operating lease agreements. Total lease costs for this office equipment for the year ended December 31, 2021 was \$10,396.

The Foundation leases office space in Santa Fe. The lease was signed November 1, 2021, with commencement date of January 1, 2022. The term is for 24 months, expiring December 31, 2023. Monthly rent payments are \$2,598. Operating expenses are variable and allocated monthly, estimated at \$725 at the time of signing. First payment due consists of base rent, operating expenses, and security deposit, for a total of \$5,920.

Under ASC 840, operating leases were not accounted for on the consolidated statements of financial position. All of the Foundation's leases were accounted for as operating leases under ASC 840 during the year ended December 31, 2021.

The minimum future rental payments under these leases at December 31, 2021 were as follows:

2022	\$ 78,469
2023	47,371
2024	7,501
2025	7,501
2026	<u>625</u>
Total	<u><u>\$ 141,467</u></u>

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See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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**Adoption of ASC 842** – For the year ended December 31, 2022, the Foundation accounted for its leases under ASC 842. All leases were classified as operating leases under ASC 842. All rent expense is included in operating expenses in the accompanying consolidated statements of activities.

The Foundation has operating leases primarily for office equipment, as well as office space. The Foundation's leases expire at various times, and many have certain renewal options and lease payment escalation provisions. For those contracts where renewal options are reasonably certain to be exercised, the Foundation recognizes renewal option periods in the determinations of ROU assets and lease liabilities. At December 31, 2022, the leases are included in the statement of financial position as follows:

	<u>2022</u>
Operating leases	
Right-of-use lease assets	<u>\$ 63,000</u>
Current portion of long-term lease obligations	\$ 45,731
Long-term lease obligations	<u>17,269</u>
Total operating lease liabilities	<u>\$ 63,000</u>

For the year ended December 31, 2022, components of lease expenses were as follows:

	<u>2022</u>
Operating lease cost	\$ 30,681
Short-term lease cost	<u>6,209</u>
Total	<u>\$ 36,890</u>

During the year ended December 31, 2022, the Company had the following cash and noncash activities associated with leases:

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows used for operating leases	\$ 28,663
ROU assets and lease obligations recognized upon adoption of ASC 842 (non-cash)	\$ 21,260
ROU assets obtained in exchange for new operating lease liabilities	\$ 70,403

As of December 31, 2022, the weighted-average remaining lease term is 1.42 years, and the weighted average discount rate is 3.94%.

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See accompanying notes.

**Los Alamos National Laboratory Foundation**  
**Notes to Consolidated Financial Statements**

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As of December 31, 2022, the undiscounted future lease payments under noncancelable leases by year ending December 31 were as follows:

2023	\$ 47,238
2024	<u>17,435</u>
Total lease payments	64,673
Less imputed interest	<u>(1,673)</u>
Total	<u><u>\$ 63,000</u></u>

**Note 7 – Notes Payable**

Notes payable of the Foundation consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Mortgage payable to Century Bank, payable in monthly installments of \$3,198, including interest of 4.00%, maturing March 2032. The note is secured by real property.	\$ 512,027	\$ -
Mortgage payable to Century Bank, payable in monthly installments of \$8,922, including interest of 4.00%, maturing December 2030. The note is secured by real property.	<u>730,185</u>	<u>805,974</u>
	1,242,212	805,974
Less current portion	<u>96,841</u>	<u>75,772</u>
Total	<u><u>\$ 1,145,371</u></u>	<u><u>\$ 730,202</u></u>

The future scheduled maturities of debt are as follows for the years ended December 31:

2023	\$ 96,841
2024	100,713
2025	105,004
2026	109,342
2027	113,860
Thereafter	<u>716,452</u>
Total	<u><u>\$ 1,242,212</u></u>

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See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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#### Note 8 – Donor Restricted Net Assets

	2022		2021	
	Restricted by Purpose or Time	Restricted in Perpetuity	Restricted by Purpose or Time	Restricted in Perpetuity
Educational enrichment	\$ 48,226,541	\$ 41,444,726	\$ 64,748,455	\$ 41,444,726
Scholarships	4,171,727	1,502,685	3,816,508	1,450,960
Early childhood	1,775,966	5,000	417,212	5,000
Named endowments	110,240	1,568,736	309,793	1,261,217
Domenici endowment	786,621	801,639	1,069,349	796,755
Leadership endowment	170,031	395,729	268,929	384,265
Triad grants	165,102	-	144,030	-
<b>Total</b>	<b><u>\$ 55,406,228</u></b>	<b><u>\$ 45,718,515</u></b>	<b><u>\$ 70,774,276</u></b>	<b><u>\$ 45,342,923</u></b>

All of the scholarships awarded by the Foundation are one to four-year commitments that are conditional on the student maintaining a grade point average of 3.0. These scholarships will be recognized each year if the conditions are met. At December 31, 2022, conditional scholarship awards comprised \$1,118,000 of the \$5,327,679 restricted by purpose or time for scholarships. At December 31, 2021, conditional scholarship awards comprised \$1,086,250 of the \$5,351,823 restricted by purpose or time for scholarships.

#### Note 9 – Endowment Funds

The Foundation maintains ten endowment funds, all of which are governed by donor-imposed restrictions, as follows:

*Educational Enrichment Endowment* – The purpose of this endowment is to support public school children in the vicinity of Los Alamos National Laboratory. In addition, a portion of the endowment earnings may support the operations of the Foundation. During 2022 and 2021, the disbursement of funds was focused in the areas of inquiry science education, as well as funding educational projects benefiting K-12 public education students.

*Scholarship Endowment, Domenici Endowment, and Named Endowments* – These endowments all provide competitively awarded scholarships to college students in one to four-year commitments.

As required by GAAP, net assets associated with endowments are classified and reported based on donor-imposed restrictions. The Foundation has no board-designated endowment funds. The Foundation has adopted investment and spending policies based on the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). According to the Foundation's interpretation of UPMIFA, and in accordance with donor restrictions, contributions to the endowment funds are classified as with donor restricted net assets which are restricted in perpetuity. Donor restricted net assets are restricted in perpetuity net assets are valued at the original value of all gifts donated to the endowments.

See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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The historic dollar value of endowment contributions received must be maintained inviolate. Income earned from endowment investments is classified with donor restriction net assets but restricted by purpose or time based upon the donor-imposed restrictions.

When a donor restriction is met, the net assets are reclassified to net assets without donor restrictions. Donor restricted endowment earnings that are used to support the operations of the Foundation are reclassified to net assets without donor restrictions upon board approval of the annual operating budget.

The composition of endowment net assets by type of fund consisted of the following at December 31:

	2022		
	Restricted by Time or Purpose	Restricted in Perpetuity	Total
Donor-restricted funds	<u>\$ 50,327,808</u>	<u>\$ 45,718,515</u>	<u>\$ 96,046,323</u>
	2021		
	Restricted by Time or Purpose	Restricted in Perpetuity	Total
Donor-restricted funds	<u>\$ 67,859,705</u>	<u>\$ 45,342,923</u>	<u>\$ 113,202,628</u>

**Interpretation of relevant law** – UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies net assets restricted in perpetuity as:

1. The original value of gifts donated to the permanent endowment; and
2. The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as restricted in perpetuity is classified as net assets restricted by time or purpose until those amounts are appropriated for expenditure by the Foundation's Board. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to spend:

1. The duration and preservation of the fund
2. The purpose of the foundation 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 the Foundation
7. The investment policies of the Foundation

See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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The following are changes in endowment and similar net assets for the years ended December 31:

	2022		Total
	Restricted by Time or Purpose	Restricted in Perpetuity	
Endowment net assets, December 31, 2021	\$ 67,859,705	\$ 45,342,923	\$ 113,202,628
Investment return			
Investment loss	(14,981,566)	-	(14,981,566)
Contributions	-	375,592	375,592
Appropriations of endowment			
Assets for expenditures	(2,550,331)	-	(2,550,331)
 Endowment net assets, December 31, 2022	 <u>\$ 50,327,808</u>	 <u>\$ 45,718,515</u>	 <u>\$ 96,046,323</u>
	2021		
	Restricted by Time or Purpose	Restricted in Perpetuity	Total
Endowment net assets, December 31, 2020	\$ 51,632,015	\$ 44,692,723	\$ 96,324,738
Investment return			
Investment gain	18,523,837	-	18,523,837
Contributions	51,219	650,200	701,419
Appropriations of endowment			
Assets for expenditures	(2,347,366)	-	(2,347,366)
 Endowment net assets, December 31, 2021	 <u>\$ 67,859,705</u>	 <u>\$ 45,342,923</u>	 <u>\$ 113,202,628</u>

**Fund deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the governing board. No deficiencies of this nature are reported at December 31, 2022 and 2021.

**Return objectives and risk parameters** – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments while not eroding the future purchasing power of the endowment assets. Endowment assets include donor contributions that the Foundation must hold in perpetuity, plus earnings restricted by time or purpose that have been reinvested. Under the board-approved investment policy, endowment assets are invested in a manner intended to produce a rate of return in excess of the spending rate plus the rate of inflation, while assuming a moderate level of investment risk.

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See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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**Strategies employed for achieving objectives** – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's investment objective is to diversify investments to maximize long-term growth of assets within prudent risk constraints. The Foundation has elected to invest in the University of California (UC) GEP and Short-Term Investment Pool (STIP). The GEP is an investment pool in which a large number of university-affiliated endowments participate in order to benefit from diversification and economies of scale. The GEP is a balanced portfolio and the primary investment vehicle offered by the UC for endowed gift funds. The investment policy of the fund is established by the Regents of the University and carried out by the University's Chief Investment Officer.

The GEP includes absolute return hedge funds. Investments in these funds are valued by the University of California at the Foundation's pro rata interest in the GEP. The STIP investments are investment held at net asset value. Investments in these funds consist of approximately 0.93% and 0.91% of the entire portfolio at December 31, 2022 and 2021, respectively. Investment fees are eight basis points, netted from income earned before it is distributed. For information on the University of California's endowment investment policy, holdings, unit values and the annual endowment report, please visit [www.ucop.edu/treasurer](http://www.ucop.edu/treasurer).

**Spending policy and how investment objectives relate to spending policy** – The Foundation has a policy of appropriating for annual distribution between 3% and 5% of the five-year average market value of endowment assets. The decision to use a five-year average allows the spending stream from the Foundation to be less volatile than the underlying market, and thereby provides more steady and predictable funding to programs. In establishing this policy, the Foundation considered the long term expected return on its endowment and the accumulated earnings in the endowment accounts.

Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### Note 10 – Contributions

Contributions consisted of the following for the years ended December 31:

	2022	2021
Individuals and business		
Scholarship program	\$ 448,782	\$ 414,277
Scholarship endowments	375,594	650,199
General and other	26,112	53,687
Total	\$ 850,488	\$ 1,118,163

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See accompanying notes.



## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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#### Note 11 – Grants and Contracts

Grants and contracts consisted of the following for the years ended December 31:

	2022	2021
Conrad N. Hilton Foundation	\$ 1,897,736	\$ -
W. K. Kellogg Foundation	325,000	250,000
Battelle Memorial Institute	233,333	233,333
Regents of the University of California	233,333	233,333
Texas A&M University System	233,333	233,333
The Delle Foundation	150,000	-
New Mexico Early Childhood Education and Care Department	136,908	-
NM Governor's STEM Challenge	122,000	115,000
Daniels Fund	100,000	-
Other	339,574	80,619
	\$ 3,771,217	\$ 1,145,618
Total		

#### Note 12 – Retirement Plan

The Foundation has a 401(k) plan. All employees who work for 12 consecutive months and at least 1,000 hours are eligible for a discretionary employer-paid benefit. For both 2022 and 2021, the benefit was 5% of annual compensation. The retirement expense was \$95,793 and \$91,209 for the years ended December 31, 2022 and 2021, respectively.

#### Note 13 – Advertising and Interest Expense

The Foundation uses advertising to promote its programs among the public it serves. Advertising and interest expense are expensed as incurred. The Foundation included the following in the consolidated statement of activities expenses for the years ended December 31:

	2022	2021
Advertising	\$ 35,380	\$ 23,425
Interest	\$ 47,082	\$ 34,184

#### Note 14 – Related Party Transactions

Members of the Board and employees of the Foundation provide financial assistance to the Foundation through restricted and unrestricted support. Included in contributions is \$46,848 and \$51,084 from members of the Board and employees for the years ended December 31, 2022 and 2021, respectively.

See accompanying notes.

## Los Alamos National Laboratory Foundation

### Notes to Consolidated Financial Statements

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#### Note 15 – Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated statement of financial position date comprise the following as of December 31:

	2022	2021
Cash and cash equivalents	\$ 2,098,828	\$ 1,322,367
Investments	100,311,470	118,462,567
Accounts receivables	1,244,342	286,348
 Total financial assets	 103,654,640	 120,071,282
 Less those unavailable for general expenditure within one year due to		
Scholarship commitments greater than one year	(540,000)	(518,750)
Accounts receivables to be collected in more than one year	(658,512)	-
Restrictions by purpose or time subject to appropriation beyond one year	(55,406,228)	(70,255,526)
Add Allowable Amount as per Endowment Spending Policy	5,537,171	4,144,927
Add Amount released from restriction	3,546,569	1,990,000
Perpetual endowments	(45,718,515)	(45,342,923)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 10,415,125	 \$ 10,089,010

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation has a cash management policy to hold cash in the STIP account with UC to cover approximately three months of operating expenses. The Foundation can draw on the endowment quarterly up to the spending policy, which was 5% for the years ended December 31, 2022 and 2021. The Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

#### Note 16 – Contingency

The Foundation has received funds from federal agencies in the past. These funds are subject to audit and adjustment by the granting agency. Any disallowed amounts resulting from these audits would be required to be refunded. Management does not believe any disallowed amounts would be material.

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See accompanying notes.