

Jewish Federation of New Mexico, Inc.

FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for August 31, 2016)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Federation of New Mexico, Inc.

We have audited the accompanying financial statements of the Jewish Federation of New Mexico, Inc. (the Federation), which comprise the statement of financial position as of August 31, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of New Mexico, Inc. as of August 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Federation's 2016 financial statements, and our report dated December 14, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 6, 2017


Pulakos CPAs, PC

Jewish Federation of New Mexico, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31, 2017

(With Comparative Totals for August 31, 2016)

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 546,764	\$ 524,958
Mutual funds	35	28
Pledges receivable, net	40,150	37,038
Donor option receivable	1,400	5,050
Property and equipment, net	6,086	4,876
Land	177,232	177,232
Investment with Jewish Community Foundation of New Mexico	392,537	259,677
Charitable remainder trust asset	153,101	188,336
Other	15,568	17,064
 Total assets	 <u>\$ 1,332,873</u>	 <u>\$ 1,214,259</u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued liabilities	\$ 35,977	\$ 13,702
Donor option payable	26,660	30,522
Deferred revenue	120	5,000
Charitable remainder trust liability	76,551	94,168
 Total liabilities	 139,308	 143,392
Net assets		
Unrestricted	937,626	857,540
Temporarily restricted	255,939	213,327
 Total net assets	 <u>1,193,565</u>	 <u>1,070,867</u>
 Total liabilities and net assets	 <u>\$ 1,332,873</u>	 <u>\$ 1,214,259</u>

Jewish Federation of New Mexico, Inc.

STATEMENTS OF ACTIVITIES

**Year Ended August 31, 2017
(With Comparative Totals for 2016)**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Revenues				
Contributions	\$ 498,858	\$ 40,150	\$ 539,008	\$ 538,798
Grants	-	21,328	21,328	20,572
Investment gain, net	37,277	-	37,277	11,935
Link advertising and subscriptions	7,598	-	7,598	1,671
Change in net present value of charitable remainder trust asset	-	8,939	8,939	(8,585)
Events and other activities	106,122	66,961	173,083	83,536
Net assets released from restriction	94,766	(94,766)	-	-
Total revenues	744,621	42,612	787,233	647,927
Allocations	138,998	-	138,998	219,887
	605,623	42,612	648,235	428,040
Functional expenses				
Program	402,522	-	402,522	290,179
Management and general	74,989	-	74,989	84,917
Fundraising	48,026	-	48,026	46,197
Total functional expenses	525,537	-	525,537	421,293
Change in net assets	80,086	42,612	122,698	6,747
Net assets, beginning of year	857,540	213,327	1,070,867	1,064,120
Net assets, end of year	\$ 937,626	\$ 255,939	\$ 1,193,565	\$ 1,070,867

See Notes to Financial Statements and Independent Auditors' Report.

Jewish Federation of New Mexico, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

**Year Ended August 31, 2017
(With Comparative Totals for 2016)**

	2017				
	Program	Management and General	Fundraising	Total	2016
Salaries	\$ 200,514	\$ 42,395	\$ 16,958	\$ 259,867	\$ 198,957
Employee benefits and payroll taxes	24,784	5,832	2,332	32,948	24,647
Total personnel	225,298	48,227	19,290	292,815	223,604
Workshops and programs	106,296	-	-	106,296	80,293
Professional fees	37,855	4,491	10,726	53,072	39,505
Office	6,727	16,307	900	23,934	38,776
Miscellaneous	8,374	2,639	7,410	18,423	14,664
Occupancy	5,443	1,609	643	7,695	6,968
Bad debts	-	-	3,224	3,224	6,593
Insurance	4,098	1,262	505	5,865	4,977
Postage and shipping	2,379	145	2,398	4,922	3,064
Printing	5,249	-	2,806	8,055	2,416
Depreciation	803	309	124	1,236	433
	<u>\$ 402,522</u>	<u>\$ 74,989</u>	<u>\$ 48,026</u>	<u>\$ 525,537</u>	<u>\$ 421,293</u>

See Notes to Financial Statements and Independent Auditors' Report.

Jewish Federation of New Mexico, Inc.

STATEMENTS OF CASH FLOWS

Year Ended August 31, 2017

(With Comparative Totals for 2016)

	2017	2016
Operating activities		
Change in net assets	\$ 122,698	\$ 6,747
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,235	433
Net gain on investments	(30,855)	(9,985)
Change in (loss) net present value of charitable remainder trust asset	(8,939)	8,584
Changes in operating assets and liabilities		
Pledges receivable	(3,112)	9,317
Donor option receivable	3,650	(4,314)
Charitable remainder trust asset	53,113	61,725
Other assets	1,496	(2,422)
Accounts payable	22,275	2,993
Donor option payable	(3,862)	9,287
Deferred revenue	(4,880)	5,000
Charitable remainder trust liability	(26,556)	(30,862)
	126,263	56,503
Cash provided by operating activities		
Investing activities		
Purchases of investments and reinvestment of dividends and interest	(110,913)	(250,424)
Proceeds from the sale of investments	8,901	734
Purchases of property and equipment	(2,445)	(5,065)
	(104,457)	(254,755)
Cash used by investing activities		
Change in cash and cash equivalents	21,806	(198,252)
Cash and cash equivalents, beginning of year	524,958	723,210
Cash and cash equivalents, end of year	\$ 546,764	\$ 524,958

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Jewish Federation of New Mexico, Inc. (the Federation) is a not-for-profit organization whose purpose is to solicit and collect funds for Jewish and other charitable purposes; to disburse these funds among local, regional, and national charitable organizations; to promote and assist programs of other charitable organizations; and to foster and maintain sound relations and understanding within the Jewish community and between the Jewish community and the community at large. The primary sources of revenues are obtained from the Albuquerque and Santa Fe metropolitan areas.

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Federation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Management reviews the collectability of its pledge and donor option receivables and, if necessary, records an allowance for its estimate of uncollectible pledges. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. No interest is charged on past-due accounts. There was an allowance for doubtful accounts for pledges receivable of \$3,000 as of August 31, 2017 and 2016. All receivables are expected to be collected within one fiscal year.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Federation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation of property and equipment is computed using the straight-line method over estimated useful lives of the respective assets. Equipment additions in excess of \$500 are capitalized.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments consist of an investment interest in a pooled fund at the Jewish Community Foundation of New Mexico (JCFNM) which invests in mutual funds, corporate and government bonds, and equities, and allocates investment activity to the Federation based on the respective share of the pool. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Net Assets

The Federation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not subject to donor-imposed restriction. Unrestricted net assets may be designated for a specific purpose by action of the Board of Directors.

Temporarily restricted net assets are resources received from activities and contributors which are designated to be expended in a specific manner or within a specified time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are net assets required to be maintained in perpetuity, due to the donor imposed restrictions. There were no funds classified as permanently restricted for the years ending August 31, 2017 and 2016.

Contributions

All contributions are available for unrestricted use unless specifically restricted by the donor. The Federation records restricted contributions that are received and spent in the same reporting period as unrestricted support. Contributions for which the donor designates a recipient agency of the donation are not recorded as revenue of the Federation, in accordance with accounting principles generally accepted in the United States of America.

Fair Value Measurements

Accounting standards generally accepted in the United States of America 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under are as follows:

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the investment entity has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Income Taxes

The Federation is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

The Federation has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2014, 2015 and 2016 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. Management believes that the activities of the Federation are within their tax-exempt purpose, and that there are no uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in the Federation's financial statements. There were no interest or penalties recorded as of August 31, 2017 and 2016, respectively.

Advertising Costs

Advertising costs (\$10,149 and \$9,642 in 2017 and 2016, respectively) are expensed as incurred.

Allocation of Expenses

The expenses of the Federation's various programs and supporting services have been allocated between program and supporting services based on estimates by management. Expenses and support services that can be identified with a specific program are allocated directly according to their natural classification. Other expenses are allocated among the programs and support services based on an estimate of direct labor hours.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

Certain reclassifications were made to the 2016 financial statements to conform with the current year presentation.

Financial Instruments

The carrying amounts of cash, receivables, payables, and accrued liabilities and other obligations approximate fair value due to the short-term nature of these instruments.

Subsequent Events

The Federation has evaluated all events occurring subsequent to August 31, 2017 and through December 6, 2017, which is the date that the financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

	<u>2017</u>	<u>2016</u>
Land	\$ 177,232	\$ 177,232
Computer and software	6,088	66,738
Furniture and fixtures	<u>10,074</u>	<u>14,648</u>
	193,394	258,618
Less accumulated depreciation	<u>10,076</u>	<u>76,510</u>
	<u>\$ 183,318</u>	<u>\$ 182,108</u>

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

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(With Comparative Totals for 2016)

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets generally consist of pledges restricted for time and purpose and consist of the following:

	<u>2017</u>	<u>2016</u>
Santa Fe Jewish Film Festival	\$ 94,703	\$ 73,958
Charitable remainder trust asset, net	76,552	94,167
Pledges receivable, net	40,150	37,038
Jewish Care Program	23,987	-
Santa Fe Middle East Watch	13,501	3,114
Chazak Program	5,403	-
Pledges received and restricted for future allocations	1,400	5,050
6 th Street Havurah Program	<u>243</u>	<u>-</u>
	<u>\$ 255,939</u>	<u>\$ 213,327</u>

Temporarily restricted net assets released from restriction consist of the collection of pledges receivable and expenditures of amounts restricted for scholarships and programs in accordance with the purpose as specified by the donor and grantor.

NOTE 4 – LEASES

The Jewish Community Center of New Mexico, Inc. (JCC) entered into a lease agreement beginning September 1, 1998, whereby the JCC leases the land from the Federation on which the campus resides. The lease agreement provides for the JCC to pay \$36 per year until the lease expires on August 31, 2048.

The Federation entered into lease agreements beginning November 1, 2000, in which the Federation leases office space on the campus from the JCC. The Federation pays rent of \$18 per year plus an occupancy charge equal to the square footage of the leased office space multiplied by an operating expense base. The operating expense base is calculated by multiplying the building's overhead expenses by the ratio of the Federation's office square footage to the total square footage of building. The amount paid to the JCC was \$7,695 and \$6,968 in 2017 and 2016, respectively.

The Federation also leases office equipment under operating leases expiring in 2017. Amounts paid in rent for leased equipment were \$1,692 and \$1,240 in 2017 and 2016, respectively. Minimum estimated future lease payments, including the Federation's occupancy at the JCC, are as follows:

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 4 – LEASES – CONTINUED

2018		\$	9,131
2019			9,131
2020			9,131
2021			9,013
Thereafter			<u>208,306</u>
 Total			 <u>\$ 244,712</u>

NOTE 5 – CHARITABLE REMAINDER TRUST

A donor established a charitable remainder trust during the year ended August 31, 2001, funded with assets valued at that time at \$1,000,000. The Federation is to receive a trust payment of 7% of the trust’s fair market value, as valued annually on the first business day of each taxable year. Per the trust agreement, 50% of the funds received by the Federation are unrestricted, and 50% are to be distributed to Jewish Federation of North America (JFNA), a party unrelated to the Federation. The charitable remainder trust payments will continue until the termination of the trust on December 31, 2020. Accordingly, the present values of the future cash flows of the trust payments, using a 5% discount rate, are recorded on the Federation's books as temporarily restricted net assets. Any adjustments to the net present value of future estimated cash flows are reported as income (loss) in the year of the change. At August 31, 2017 and 2016, the fair market value of the trust assets were \$153,101 and \$188,336, respectively. The related liability, which is recorded at the estimated present value of future cash distributions to the income beneficiaries, was \$76,551 and \$94,168 at August 31, 2017 and 2016, respectively.

NOTE 6 – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2017:

Description	<u>Assets at Fair Value</u>			
	Total	Level 1	Level 2	Level 3
Mutual Funds	\$ 35	\$ 35	\$ -	\$ -
Charitable Remainder Trust Asset	153,101	-	-	153,101
Investment with Jewish Community Foundation NM	<u>392,537</u>	<u>-</u>	<u>392,537</u>	<u>-</u>
	<u>\$ 545,673</u>	<u>\$ 35</u>	<u>\$ 392,537</u>	<u>\$ 153,101</u>

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 6 – FAIR VALUE MEASUREMENT – CONTINUED

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2016:

<u>Assets at Fair Value</u>				
<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 28	\$ 28	\$ -	\$ -
Charitable Remainder Trust Asset	188,336	-	-	188,336
Investment with Jewish Community Foundation NM	<u>259,677</u>	<u>-</u>	<u>259,677</u>	<u>-</u>
	<u>\$ 448,041</u>	<u>\$ 28</u>	<u>\$ 259,677</u>	<u>\$ 188,336</u>

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Mutual Funds: Valued at the quoted market prices of the shares held by the Federation at the end of the year.

Charitable remainder trust asset: Valued at the present values of the future cash flows of the trust payments using a 5% discount rate.

Investment with JCFNM: Valued at net realizable value, as determined by the quoted prices as provided by the investment manager, which pools all funds and allocates investment activity to each fund accordingly.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Level 3 Investments

The following tables present the Federation's activities for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 activity) for the years ended August 31, 2017 and 2016, respectively:

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

(With Comparative Totals for 2016)

NOTE 6 – FAIR VALUE MEASUREMENT – CONTINUED

Level 3 Investments – Continued

	<u>2017</u>	<u>2016</u>
Beginning balances	\$ 188,336	\$ 267,229
Present value adjustment	17,878	(17,168)
Distributions and fees	<u>(53,113)</u>	<u>(61,725)</u>
Ending balances	<u>\$ 153,101</u>	<u>\$ 188,336</u>

NOTE 7 – CONCENTRATIONS OF RISK

Major Donor

During 2017, the Federation received approximately 56% of total pledged support and revenue from two donors, one of which is also a Board member of the Federation. During 2016, the Federation received approximately 56% of total pledged support and revenue from two donors, one of which is also a Board member of the Federation.

Cash

The Federation maintains cash depository accounts with various financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in these accounts may at times, exceed the federally insured amount. The Federation has not experienced, and its management believes it is not exposed to, significant credit risk from deposits in excess of FDIC insurance.