

Jewish Federation of New Mexico, Inc.

FINANCIAL STATEMENTS

August 31, 2019

(With Comparative Totals for August 31, 2018)

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, 2019 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 Federation as of August 31, 2019 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 2018 financial statements, and our report dated December 12, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 18, 2019


Pulakos CPAs, PC

Jewish Federation of New Mexico, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31, 2019

(With Comparative Totals for August 31, 2018)

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 948,860	\$ 555,309
Mutual funds	49	43
Current portion of charitable lead unitrust asset	53,168	68,346
Pledges receivable, net	39,215	38,531
Donor option receivable	4,186	3,330
Total current assets	<u>1,045,478</u>	<u>665,559</u>
Non-current assets		
Property and equipment, net	6,191	8,345
Land	177,232	177,232
Investment with Jewish Community Foundation of New Mexico	516,632	515,484
Non-current portion of charitable lead unitrust asset	-	53,168
Other assets	24,418	30,085
Total non-current assets	<u>724,473</u>	<u>784,314</u>
Total assets	<u>\$ 1,769,951</u>	<u>\$ 1,449,873</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	\$ 17,519	\$ 13,296
Donor option payable	39,028	29,017
Deferred revenue	-	7,500
Charitable lead unitrust liability	26,586	60,758
Total current liabilities	<u>83,133</u>	<u>110,571</u>
Net assets		
Without donor restrictions	1,437,315	1,099,243
With donor restrictions	249,503	240,059
Total net assets	<u>1,686,818</u>	<u>1,339,302</u>
Total liabilities and net assets	<u>\$ 1,769,951</u>	<u>\$ 1,449,873</u>

Jewish Federation of New Mexico, Inc.

STATEMENTS OF ACTIVITIES

August 31, 2019

(With Comparative Totals for August 31, 2018)

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
Revenues				
Contributions	\$ 470,762	\$ 39,215	\$ 509,977	\$ 539,500
Grants	-	21,506	21,506	23,048
Investment gain, net	10,590	-	10,590	28,320
Link advertising and subscriptions	5,194	-	5,194	12,821
Change in net present value of charitable lead unitrust asset	-	(1,498)	(1,498)	12,316
Events and other activities	726,369	55,526	781,895	416,523
Net assets released from restriction	105,305	(105,305)	-	-
Total revenues	1,318,220	9,444	1,327,664	1,032,528
Allocations	139,786	-	139,786	150,476
	1,178,434	9,444	1,187,878	882,052
Functional expenses				
Program	685,056	-	685,056	605,149
Management and general	95,572	-	95,572	79,544
Fundraising	59,734	-	59,734	51,622
Total functional expenses	840,362	-	840,362	736,315
Change in net assets	338,072	9,444	347,516	145,737
Net assets, beginning of year	1,099,243	240,059	1,339,302	1,193,565
Net assets, end of year	<u>\$ 1,437,315</u>	<u>\$ 249,503</u>	<u>\$ 1,686,818</u>	<u>\$ 1,339,302</u>

Jewish Federation of New Mexico, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

August 31, 2019

(With Comparative Totals for August 31, 2018)

	2019				
	Program	Management and General	Fundraising	Total	2018
Salaries	\$ 317,484	\$ 48,159	\$ 19,263	\$ 384,906	\$ 305,426
Employee benefits and payroll taxes	48,426	7,956	3,182	59,564	43,675
Total personnel	365,910	56,115	22,445	444,470	349,101
Workshops and programs	190,245	-	-	190,245	220,596
Professional fees	40,767	3,542	12,316	56,625	69,555
Office	16,616	28,070	1,528	46,214	35,262
Miscellaneous	32,162	3,908	6,313	42,383	26,013
Postage and shipping	23,178	81	1,908	25,167	5,845
Printing	4,242	-	4,757	8,999	12,206
Bad debts	-	-	8,927	8,927	1,980
Occupancy	5,586	1,651	659	7,896	7,198
Insurance	4,950	1,666	666	7,282	6,785
Depreciation	1,400	539	215	2,154	1,774
	<u>\$ 685,056</u>	<u>\$ 95,572</u>	<u>\$ 59,734</u>	<u>\$ 840,362</u>	<u>\$ 736,315</u>

Jewish Federation of New Mexico, Inc.

STATEMENTS OF CASH FLOWS

August 31, 2019

(With Comparative Totals for August 31, 2018)

	2019	2018
Operating activities		
Change in net assets	\$ 347,516	\$ 145,737
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,154	1,774
Net loss (gain) on investments	526	(7,934)
Change in allowance for pledges receivable	1,832	-
Change in net present value of charitable lead unitrust asset and liability	1,499	(12,316)
Changes in operating assets and liabilities		
Pledges receivable	(2,516)	1,619
Donor option receivable	(856)	(1,930)
Charitable lead unitrust asset	65,351	56,219
Other assets	5,667	(14,517)
Accounts payable	4,223	(22,681)
Donor option payable	10,011	2,357
Deferred revenue	(7,500)	7,380
Charitable lead unitrust liability	(32,676)	(28,109)
	395,231	127,599
Cash provided by operating activities		
Investing activities		
Purchases of investments and reinvestment of dividends and interest	(31,563)	(126,096)
Proceeds from the sale of investments	29,883	11,075
Purchases of property and equipment	-	(4,033)
	(1,680)	(119,054)
Cash used by investing activities		
Change in cash and cash equivalents	393,551	8,545
Cash and cash equivalents, beginning of year	555,309	546,764
Cash and cash equivalents, end of year	\$ 948,860	\$ 555,309

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

(With Comparative Totals for 2018)

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 \$4,832 and \$3,000 as of August 31, 2019 and 2018, respectively. 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 \$2,500 are capitalized.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

(With Comparative Totals for 2018)

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.

Basis of Presentation

The financial statements of the Federation have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Federation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Federation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019
(With Comparative Totals for 2018)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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:

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 a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. 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. Management believes that the activities of the Federation are within their tax-exempt purpose, and that there are no uncertain tax positions.

Advertising Costs

Advertising costs (\$5,004 and \$3,606 in 2019 and 2018, respectively) are expensed as incurred.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

(With Comparative Totals for 2018)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, 2018, from which the summarized information was derived.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Federation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

The Federation has evaluated all events occurring subsequent to August 31, 2019 and through December 18, 2019, 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.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019
(With Comparative Totals for 2018)

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Federation's financial assets as August 31, 2019 and 2018 available for general expenditure within one year of the balance sheet date:

	<u>2019</u>	<u>2018</u>
Cash	\$ 948,860	\$ 555,309
Mutual funds	49	43
Pledge receivables	39,215	38,531
Donor option receivable	4,186	3,330
Investment with Jewish Community Foundation of New Mexico	516,632	515,484
Charitable lead unitrust asset	<u>53,168</u>	<u>121,514</u>
Total financial assets	1,562,110	1,234,211
Less amounts not available to be used within one year:		
Net assets with donor restrictions	249,503	240,059
Net assets without donor restrictions – Board Designated endowment funds	99,783	101,906
Charitable lead unitrust liability	<u>26,586</u>	<u>60,758</u>
Total amounts not available to be used within one year:	<u>375,872</u>	<u>402,723</u>
Financial assets available to meet cash needs for general expenditure within one year from August 31, 2019 and 2018	<u>\$ 1,186,238</u>	<u>\$ 831,488</u>

The Federation manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Federation's goal is generally to maintain a level of financial assets sufficient to cover eight months of operating expenses which is approximately \$622,584 and \$541,272 as of August 31, 2019 and 2018, respectively.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019
(With Comparative Totals for 2018)

NOTE 3 – PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Land	\$ 177,232	\$ 177,232
Computer and software	8,848	8,848
Furniture and fixtures	<u>11,346</u>	<u>11,346</u>
	197,426	197,426
Less accumulated depreciation	<u>14,003</u>	<u>11,849</u>
	<u>\$ 183,423</u>	<u>\$ 185,577</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions generally consist of pledges restricted for time and purpose and consist of the following:

	<u>2019</u>	<u>2018</u>
Santa Fe Jewish Film Festival	\$ 112,710	\$ 94,445
Charitable lead unitrust, net	26,586	60,758
Pledges receivable, net	39,215	38,531
Jewish Care Program	40,243	24,852
Santa Fe Middle East Watch	12,621	9,940
Chazak Program	13,907	7,903
Pledges received and restricted for future allocations	4,186	3,330
6 th Street Havurah Program	<u>35</u>	<u>300</u>
	<u>\$ 249,503</u>	<u>\$ 240,059</u>

Net assets with donor restrictions 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.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

(With Comparative Totals for 2018)

NOTE 5 – 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 \$7,896 and \$7,198 in 2019 and 2018, respectively.

The Federation also leases office equipment under operating leases expiring in 2022. Amounts paid in rent for leased equipment were \$2,268 and \$1,148 in 2019 and 2018, respectively. Minimum estimated future lease payments, including the Federation's occupancy at the JCC, are as follows:

2020	\$	9,443
2021		9,363
2022		8,027
2023		8,027
2024		8,027
Thereafter		<u>192,643</u>
Total	\$	<u>235,530</u>

NOTE 6 – CHARITABLE LEAD UNITRUST

A donor established a charitable lead unitrust 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 lead unitrust 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, 2019 and 2018, the fair market value of the trust assets were \$53,168 and \$121,514, respectively. The related liability, which is recorded at the estimated present value of future cash distributions to the income beneficiaries, was \$26,586 and \$60,758 at August 31, 2019 and 2018, respectively.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019
(With Comparative Totals for 2018)

NOTE 7 – 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, 2019:

<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	\$ 49	\$ 49	\$ -	\$ -
Charitable Lead Unitrust Asset	53,168	-	-	53,168
Investment with Jewish Community Foundation NM	<u>516,632</u>	<u>-</u>	<u>516,632</u>	<u>-</u>
	<u>\$ 569,849</u>	<u>\$ 49</u>	<u>\$ 516,632</u>	<u>\$ 53,168</u>

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, 2018:

<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	\$ 43	\$ 43	\$ -	\$ -
Charitable Remainder Trust Asset	121,514	-	-	121,514
Investment with Jewish Community Foundation NM	<u>515,484</u>	<u>-</u>	<u>515,484</u>	<u>-</u>
	<u>\$ 637,041</u>	<u>\$ 43</u>	<u>\$ 515,484</u>	<u>\$ 121,514</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 lead unitrust 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.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019
(With Comparative Totals for 2018)

NOTE 7 – FAIR VALUE MEASUREMENT – CONTINUED

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, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Beginning balances	\$ 121,514	\$ 153,101
Present value adjustment	(2,995)	24,634
Distributions and fees	<u>(65,351)</u>	<u>(56,219)</u>
Ending balances	<u>\$ 53,168</u>	<u>\$ 121,514</u>

NOTE 8 – CONCENTRATIONS OF RISK

Major Donor

During 2019, the Federation received approximately 59% of total pledged support and revenue from two donors, one of which is also a Board member of the Federation. During 2018, the Federation received approximately 58% 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.

NOTE 9 – ENDOWMENT

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to the Federation. The State of New Mexico adopted UPMIFA effective July 1, 2009. The Federation's Board of Directors has determined that all Board designated net assets meet the definition of endowment funds under UPMIFA. A fund was established during 2018 by actions of the Federation's Board of Directors and all assets are held with the JCFNM. Income from the endowments is to be used to fund operations.

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

(With Comparative Totals for 2018)

NOTE 9 – ENDOWMENT – CONTINUED

Endowment Investment and Spending Policies

The Federation has adopted investment and spending policies that attempt to provide a predictable stream of funding for programs supported by its endowments, while maintaining the purchasing power and increasing the value of the endowments over time.

The investment policy is that maintained by the JCFNM and is based on a disciplined, consistent and diversified approach utilizing multiple asset classes and qualified Investment Managers. The Federation relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Federation's current spending policy is to distribute a percentage of the rolling average fund balance as determined by the Board of Directors. The spending rate percentage is determined based on consideration of a variety of factors, including the endowment's average 10-year total return and expected returns, average consumer price index trends, investment fees and fund management fees. This approach is consistent with the Federation's objective to maintain the purchasing power of the endowment assets help in perpetuity or for a specified term, as well as to provide additional real growth through return.

Changes in Endowment Net Assets

	<u>2019</u>
Endowment net assets, beginning of year	\$ 101,906
Investment return	
Unrealized and realized gains on investment	(83)
Interest income	<u>1,918</u>
Total investment return	1,835
Contributions	1,000
Distributions	(3,991)
Service charges	<u>(997)</u>
Endowment net assets, end of year	<u>\$ 99,753</u>

Jewish Federation of New Mexico, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019
(With Comparative Totals for 2018)

NOTE 9 – ENDOWMENT – CONTINUED

Changes in Endowment Net Assets - Continued

	<u>2018</u>
Endowment net assets, beginning of year	\$ -
Investment Return	
Unrealized and realized gains on investment	1,843
Interest income	<u>245</u>
Total investment return	2,088
Contributions	100,000
Service charges	<u>(182)</u>
Endowment net assets, end of year	<u>\$ 101,906</u>

NOTE 10 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - NOT-FOR-PROFIT REPORTING FRAMEWORK

A new standard has been issued by FASB that will require significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as sales commissions) once it becomes effective for nonpublic entities. This standard will be adopted by the Federation beginning in 2020 and will entail certain retrospective adjustments at that time. The effects of this change on the Federation's financial statements have not yet been determined.

Effective for its annual financial statements for 2021, the Federation is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Federation is lessee. Upon adoption, among other effects, the Federation will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Federation's future financial statements of these changes and related retrospective adjustments have not yet been determined.