

PRESBYTERY OF SANTA FE

MANAGEMENT LETTER

For the Year Ended December 31, 2017





The Board of Trustees
The Presbytery of Santa Fe
Albuquerque, New Mexico

In planning and performing our audit of the financial statements of the Presbytery of Santa Fe as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Home's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Presbytery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Presbytery's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
March 26, 2019

**PRESBYTERY OF SANTA FE
MANAGEMENT COMMENTS
For the Year Ended December 31, 2017**

PRIOR YEAR FINDINGS – NOT RESOLVED

None

CURRENT YEAR FINDINGS

None

PRESBYTERY OF SANTA FE

FINANCIAL STATEMENTS

**For the Year Ended December 31, 2017
With Comparative Totals for 2016**



**PRESBYTERY OF SANTA FE
FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Presbytery of Santa Fe
Albuquerque, New Mexico

We have audited the accompanying financial statements of the Presbytery of Santa Fe (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017, and the related statements of revenues, expenditures and changes in net assets – modified cash basis, functional expenses, and cash flows – modified cash basis 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 modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is acceptable for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's 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 auditor's 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 entity'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 entity'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 assets, liabilities and net assets of the Presbytery of Santa Fe as of December 31, 2017, and its revenues, expenditures and changes in net assets and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules identified in the table of contents are presented for purposes of additional analysis and is not a required part of the Financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Report on Summarized Comparative Information

The prior year comparative information has been derived from the Presbytery of Santa Fe's 2016 financial statements that were audited were audited by a predecessor auditor, and they expressed an unmodified audit opinion on those audited financial statements in their report dated December 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

As part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 16 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
March 26, 2019

PRESBYTERY OF SANTA FE
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED CASH BASIS
As of December 31, 2017

	Notes	Unrestricted	Temporarily restricted	Permanently restricted	2017 Totals	2016 Totals
ASSETS						
Current assets						
Cash and cash equivalents	C	\$ 156,450	-	-	156,450	116,751
Investments	D, E	1,457,576	495,616	33,573	1,986,765	1,780,473
Receivables		7,237	-	-	7,237	6,038
Prepaid expenses		1,507	-	-	1,507	6,264
Total current assets		<u>1,622,770</u>	<u>495,616</u>	<u>33,573</u>	<u>2,151,959</u>	<u>1,909,526</u>
Property and equipment, net	F	<u>991,793</u>	<u>-</u>	<u>-</u>	<u>991,793</u>	<u>175,986</u>
TOTAL ASSETS		<u>\$ 2,614,563</u>	<u>495,616</u>	<u>33,573</u>	<u>3,143,752</u>	<u>2,085,512</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable		\$ 597	-	-	597	1,958
Payroll liabilities		3,090	-	-	3,090	1,205
Total current liabilities		<u>3,687</u>	<u>-</u>	<u>-</u>	<u>3,687</u>	<u>3,163</u>
Total liabilities		3,687	-	-	3,687	3,163
Net Assets:						
Unrestricted net assets:						
Undesignated		562,058	-	-	562,058	404,066
Board designated	J	1,057,025	-	-	1,057,025	1,001,037
Net investment in property and equipment		991,793	-	-	991,793	175,986
Total unrestricted net assets		<u>2,610,876</u>	<u>-</u>	<u>-</u>	<u>2,610,876</u>	<u>1,581,089</u>
Restricted net assets:						
Temporarily restricted net assets	J	-	495,616	-	495,616	493,511
Permanently restricted		-	-	33,573	33,573	7,749
Total restricted net assets		<u>-</u>	<u>495,616</u>	<u>33,573</u>	<u>529,189</u>	<u>501,260</u>
Total net assets		<u>2,610,876</u>	<u>495,616</u>	<u>33,573</u>	<u>3,140,065</u>	<u>2,082,349</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,614,563</u>	<u>495,616</u>	<u>33,573</u>	<u>3,143,752</u>	<u>2,085,512</u>

PRESBYTERY OF SANTA FE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS-MODIFIED CASH BASIS
For The Year Ended December 31, 2017

	Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
REVENUE						
Mission support	\$	376,180	-	-	376,180	281,937
Designated and restricted income		33,725	120,227	-	153,952	252,540
Per capita assessments		162,240	-	-	162,240	137,546
Investment income	D	35,862	-	-	35,862	37,242
Interest income	D	2,289	-	-	2,289	1,822
Other income		-	-	-	-	235
Net assets released from restrictions		118,122	(118,122)	-	-	-
Total revenue		<u>728,418</u>	<u>2,105</u>	<u>-</u>	<u>730,523</u>	<u>711,322</u>
EXPENDITURES						
Program		444,898	-	-	444,898	477,401
Per capita		168,330	-	-	168,330	188,636
General & administrative		71,985	-	-	71,985	117,033
Total Operating Expenses		<u>685,213</u>	<u>-</u>	<u>-</u>	<u>685,213</u>	<u>783,070</u>
Change in net assets before unrealized gains/(losses)		43,205	2,105	-	45,310	(71,748)
Net realized/unrealized gains/(losses) in investments	D	<u>158,979</u>	<u>-</u>	<u>25,824</u>	<u>184,803</u>	<u>83,622</u>
Change in net assets		202,184	2,105	25,824	230,113	11,874
Net assets, beginning		1,581,089	493,511	7,749	2,082,349	2,070,475
Restatement of net assets		827,603	-	-	827,603	-
Beginning net assets, as restated		<u>2,408,692</u>	<u>493,511</u>	<u>7,749</u>	<u>2,909,952</u>	<u>2,070,475</u>
Net assets, ending	\$	<u><u>2,610,876</u></u>	<u><u>495,616</u></u>	<u><u>33,573</u></u>	<u><u>3,140,065</u></u>	<u><u>2,082,349</u></u>

PRESBYTERY OF SANTA FE
STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS
For The Year Ended December 31, 2017

	Mission and Committees	Per Capita	General & Administrative	2017 Total	2016 Total
Personnel expense:					
Salaries	\$ 64,609	40,422	6,737	111,768	148,964
Payroll taxes	5,777	-	-	5,777	31,077
Pension benefits	17,194	-	-	17,194	11,407
Total salaries and related expenses	87,580	40,422	6,737	134,739	191,448
Direct program expenses:					
Mission	229,947	-	-	229,947	201,240
Per capita expense	-	93,161	23,290	116,451	119,834
CdV expense	85,280	-	-	85,280	84,314
Youth	15,914	-	-	15,914	29,952
Meetings	2,296	3,443	-	5,739	26,530
Committees	8,647	2,882	2,882	14,411	24,150
New Church development	-	-	-	-	20,850
Investment expense	-	-	17,911	17,911	17,061
Travel	2,315	891	356	3,562	12,312
Professional services	-	-	11,750	11,750	11,760
Telephone	3,543	1,969	2,362	7,874	8,620
Office rent	3,617	1,809	1,809	7,235	7,200
Pastors/candidates	-	-	-	-	6,480
Office supplies	790	3,685	790	5,265	6,436
Insurance	-	13,214	-	13,214	4,167
Repairs and maintenance	-	-	947	947	3,962
Communications	-	968	-	968	3,303
Dues and subscriptions	250	1,167	250	1,667	2,500
Bank charges	-	-	542	542	555
Continuing education	-	-	-	-	300
Total general expenses	352,599	123,189	62,889	538,677	591,526
Total expenses before depreciation	440,179	163,611	69,626	673,416	782,974
Depreciation	4,719	4,719	2,359	11,797	96
Total expenses	\$ 444,898	168,330	71,985	685,213	783,070

PRESBYTERY OF SANTA FE
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
For The Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Cash received from:		
Mission support	\$ 374,981	287,891
Per Capita assessments	162,240	137,546
Designated and restricted income	153,952	252,540
Investment income	35,862	37,242
Interest income	2,289	1,822
Other income	-	235
Subtotal cash received	<u>729,324</u>	<u>717,276</u>
Cash paid to:		
Personnel and related activities	(650,224)	(792,818)
Investment expense	(17,911)	(17,061)
Subtotal cash used in operations	<u>(668,135)</u>	<u>(809,879)</u>
Net cash provided/(used) by operating activities	<u>61,189</u>	<u>(92,603)</u>
Cash Flows From Investing Activities:		
Cash used to purchase investments	(38,151)	-
Cash received from sale of investments	16,661	92,539
Net cash provided/(used) by investing activities	<u>(21,490)</u>	<u>92,539</u>
Cash Flows From Financing Activities:		
Net cash provided/(used) by financing activities	-	-
Net increase/(decrease) in cash balance	39,699	(65)
Beginning cash balance	<u>116,751</u>	<u>116,816</u>
Ending cash balance	\$ <u><u>156,450</u></u>	<u><u>116,751</u></u>
Reconciliation of Change in Net Assets To Cash Provided by Operating Activities		
Change in net assets	\$ 230,113	11,874
Adjustments for:		
Depreciation expense	11,797	97
Unrealized (gain) loss from investments	(184,803)	(83,622)
Changes in operating assets and liabilities		
(Increase)/decrease in receivables	(1,199)	5,954
(Increase)/decrease in prepaid expenses	4,757	(6,264)
(Decrease)/increase in payables	(1,361)	(18,155)
(Decrease)/increase in accrued liabilities	1,885	(2,487)
Net cash provided by operating activities	\$ <u><u>61,189</u></u>	<u><u>(92,603)</u></u>

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

NOTE A – NATURE OF OPERATIONS

The Presbytery of Santa Fe (Presbytery) is a religious, charitable, non-profit organization, which began operations in 1973 and serves as a governing body over the Presbyterian churches in a geographic area in New Mexico. The Presbytery is governed by the Synod of the Southwest (Synod), which is in turn governed by the Presbyterian Church (USA).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Presbytery have been prepared on the modified cash basis of accounting. Consequently, under this method of accounting, certain revenues and the related assets are recognized when received rather than when earned and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred. That basis differs from generally accepted accounting principles primarily because the Presbytery has not recognized accounts receivable from third parties and accounts payable to vendors or their related effects in the accompanying financial statements. The inclusion of these amounts would have an unknown impact on the accompanying financial statements and potentially could materially affect the financial position of the Presbytery as disclosed in those financial statements.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

1) Classes of Net Assets:

The Presbytery follows FASB ASC 958-205. Under FASB ASC 958-205, the Presbytery is required to report 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 and Board Designated Net Assets

Unrestricted amounts are those net assets currently available at the discretion of the Board for use in the Presbytery's programs, and those resources invested in land, buildings and equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Presbytery is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Presbytery pursuant to those stipulations.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Presbytery is limited by donor-imposed stipulations that cannot be removed by actions of the Presbytery. Permanently restricted net assets are investments in the Presbyterian Foundation Permanent Pooled Life Income Fund.

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

2) Revenue Recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

3) Fair Value of Measurements:

Fair Value Measurements – The Presbytery has adopted ASC 820-10 which provides a framework for measuring fair value and requires additional disclosure about use of fair value measurements in an effort to make the measurement more consistent and comparable.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Presbytery uses various methods including market, income, and cost approaches. Based on these approaches, the Presbytery often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Presbytery utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Presbytery is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Mutual funds and fixed income balances – based on quoted market prices.

Investments and loan program and charitable remainder trust – based on inputs derived principally from or corroborated by observable market data by correlation or other means.

The following table summarizes the valuation of the Presbytery's financial instruments by the above FASB ASC 820-10 categories as of December 31:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds	\$ 11,705	-	11,705
Mutual funds & Exchange-traded products	1,480,866	-	1,480,866
Corporate Fixed Income	1,840	-	1,840
Investment and loan program	-	458,781	458,781
Charitable remainder trust	-	33,573	33,573
Total	<u>\$ 1,494,411</u>	<u>492,354</u>	<u>1,986,765</u>

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 are as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds	\$ 31,214	-	31,214
Mutual funds & Exchange-traded products	1,282,718	-	1,282,718
Corporate Fixed Income	2,300	-	2,300
Investment and loan program	-	456,492	456,492
Charitable remainder trust	-	7,749	7,749
Total	<u>\$ 1,316,232</u>	<u>464,241</u>	<u>1,780,473</u>

4) Cash and Cash Equivalents:

For purposes of the statement of assets, liabilities and net assets – modified cash basis and the statement of cash flows - modified cash basis, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

5) Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of revenues, expenditures and changes in net assets – modified cash basis. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

6) Property & Equipment:

The Presbytery capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Contributed property and equipment, if no appraisal exists at the time of the donation, the notice of value from the County Assessor of the county in which the property is located shall be the amount recorded in the books. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Routine repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the assets estimated useful life.

7) Impairment of Long-Lived Assets:

The Presbytery accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. FASB ASC 360-10 requires that long-lived assets be reviewed 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 undiscounted 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 assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2017.

8) Revenue Recognition:

The Presbytery primarily receives its revenue in the form of contributions from churches and individual donors. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenditures and changes in net assets-modified cash basis as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions or other donor stipulations. Absent explicit donor stipulations for the length of time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Contribution income is recorded when cash is received or when ownership of donated assets is transferred. Expenses are recorded when paid in accordance with the modified cash basis of accounting.

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

9) Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of resources available to the Presbytery, the accounts of the Presbytery are maintained in accordance with the principles of fund accounting. This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; in the accompanying financial statements, funds that have similar characteristics have been recorded and reported by fund group.

10) Functional Expenses:

For the year ended December 31, 2017, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

11) Income Taxes:

The Presbytery is exempt through a group exemption with the Presbyterian Church (USA) from income tax under Section 501 (c) (3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the code. The Presbyter has been classified as a publicly supported organization that is not a private foundation under Section 509 (a) of the code.

Contributions to the Presbytery qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code. No unrelated business income taxes were due for the year. The Presbytery is not required to file Form 990 or any other type of annual IRS tax form. 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. However, the Presbytery is not currently under audit nor has the Presbytery been contacted by any of these jurisdictions.

The Presbytery has adopted the provisions of FASB ASC 740-10. Under ASC 740-10, an organization must recognize the tax benefit/liability associated with any uncertain tax positions taken by the organization when it is more likely than not the position will be sustained by review of the taxing authority. An analysis performed by management during the year ended December 31, 2017 of the Presbytery's tax positions revealed no positions that met the requirements for disclosure as identified by ASC 740-10.

12) Use of Estimates:

The process of preparing financial statements—modified cash basis, a comprehensive basis of accounting other than generally accepted accounting principles 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 period. Actual results could differ from those estimates.

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

13) Other matters:

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets. Ordinary income from investments, receivables, and the like is accounted for in the fund owning the assets.

14) Comparative Information:

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 the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Presbytery's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year-end financial statements. Net assets are unchanged due to these reclassifications.

NOTE C – CASH AND CASH EQUIVALENTS

Cash consists of the following at December 31:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Cash - Unrestricted		
Cash on hand	\$ 69	69
Cash in bank	<u>156,381</u>	<u>116,682</u>
Total cash and cash equivalents	<u>\$ 156,450</u>	<u>116,751</u>

The Presbytery maintains its cash balances in one financial institution located in New Mexico. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2017 and 2016 all of the Presbytery's cash balances were covered by FDIC insurance. The Presbytery maintains its cash balances with high quality financial institutions which the organization believes limits any custodial credit risk to an acceptable level.

NOTE D – INVESTMENTS

Investments are stated at fair value for marketable debt and equity securities. Investments consist of the following:

<u>Type</u>	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Presbyterian Church Investment and				
Loan Program	\$ 458,781	458,781	456,492	456,492
Money Market Funds	11,705	11,705	31,214	31,214
Corporate Fixed Income	1,840	1,840	2,300	2,300
Mutual funds & Exchange-traded products	1,480,866	1,285,195	1,282,718	1,199,096
Charitable Remainder Trust	33,573	33,573	7,749	7,749
Total investments	<u>\$ 1,986,765</u>	<u>1,791,094</u>	<u>1,780,473</u>	<u>1,696,851</u>

PRESBYTERY OF SANTA FE
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Investments consist of amounts held by one brokerage companies and funds held by the Presbyterian Church Investment and Loan Program, Inc. They are presented in the financial statements in the aggregate at the current market value. Market risk could occur and is dependent on the future changes in market prices of the various investments held.

Investment activity for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Fair value at beginning of year	\$ 1,780,473	1,789,390
Investment income	39,400	39,064
Net realized and unrealized gains/(losses)	184,803	83,622
Fees	(16,669)	(17,061)
Net investment income	207,534	105,625
Distributions	(1,242)	(114,542)
Fair value at December 31, 2017	\$ 1,986,765	1,780,473

NOTE E – CHARITABLE REMAINDER TRUST

Charitable remainder trusts represent the Presbytery's interest in various irrevocable trusts held by the Presbyterian Foundation. In accordance with FASB ASC 958-300-14, the interests have been measured at fair value by using the fair value of the assets contributed to the trust.

The Presbytery is the beneficiary of three perpetual charitable trusts held by the Presbyterian Foundation. Each of the trusts is irrevocable with the corpus of the trust being permanently restricted. The Presbytery is entitled to a portion of the annual income earned on the trusts accounts in accordance with the terms of the individual trusts. The income received from the trusts is potentially purpose restricted based on donor stipulations. The corpus portion of the trusts is inaccessible by the Presbytery, so it is reflected in the associated financial statements as permanently restricted. Changes in the value of the trusts have been reported in the statement of revenues, expenditures and changes in net assets-modified cash basis as increases/decreases in permanently restricted net assets.

The Presbytery is an income beneficiary of the following endowment and memorial funds.

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	<u>2017</u>	<u>2016</u>
<u>Beneficiary of the Willis M. Depke Estate</u>		
Contributions received	\$ 5,376	4,825
Historical dollar value	115,316	115,316
Endowment fair value	114	114,008
<u>Beneficiary of the Ruth E. Stewart Estate</u>		
Contributions received	\$ 15,959	15,207
Historical dollar value	363,403	363,403
Memorial dollar value	392,697	359,281
<u>Beneficiary of the Ruth E. Stewart Estate</u>		
Contributions received	\$ -	-
Historical dollar value	14,762	-
Memorial dollar value	15,805	-

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

<u>Type</u>	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatement</u>	<u>2017</u>
Land	\$ 175,986	-	-	481,600	657,586
Building	-	-	-	353,900	353,900
Equipment	31,432	-	-	-	31,432
Furniture and fixtures	12,535	-	-	-	12,535
Total property and equipment	219,953	-	-	835,500	1,055,453
Less accumulated depreciation	(43,967)	(11,797)	-	(7,896)	(63,660)
Property and equipment, Net	<u>\$ 175,986</u>	<u>(11,797)</u>	<u>-</u>	<u>827,604</u>	<u>991,793</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$11,797 and \$97, respectively.

NOTE G – DUE TO AFFILIATED ORGANIZATIONS

The Presbytery receives funds under an obligation to remit to various affiliated organizations outside and within the Presbyterian Church organization and accordingly, is reflected as a liability in the accompanying statement of assets, liabilities and net assets – modified cash basis.

NOTE H – LEASES – RELATED PARTY

On June 1, 2016 the Presbytery entered into a five-year lease for office space with First Presbyterian Church of Albuquerque for \$600 a month. First Presbyterian Church of Albuquerque is a member of the Presbytery.

Minimum lease payments for the next five years are as follow:

PRESBYTERY OF SANTA FE
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For the Year Ended December 31, 2017 With Comparative Totals for 2016

Year Ended December 31	Amount
2018	\$ 7,200
2019	7,200
2020	7,200
2021	3,600
2022	-
	\$ 25,200

Rent expense for the year ended December 31, 2017 was \$7,234.

The Presbytery leases property in the Sandia Mountains to Sandia Mountain Retreats under a five-year lease for \$1 a year. The lease was renewed for five years in 2016.

The Presbytery has also entered into a lease with the County of Rio Arriba for the Truchas Volunteer Fire Department building and a senior citizens center. The lease was dated February 2005 and is for a term of 40 years with a rent payment of \$1 a year.

The Presbytery leases building to the Truchas Service Center, Inc., Truchas, New Mexico. The lease was dated January 1, 1995 and is for a term of 25 years with a rent payment of \$1 a year.

The Presbytery leases property and building to Health Center of Northern New Mexico in Espanola, New Mexico. The lease dated June 30, 1993 is for term of 30 years with a rent payment of \$1 a year.

NOTE I – COMMITMENTS AND CONTINGENCIES

Mortgage Guarantees – The Presbytery is a guarantor on mortgages existing between the Presbyterian Church (USA) and congregations for church sites within its geographical area. Such guarantees at December 31, 2017 and 2016 totaled approximately \$832,444 and \$886,688, respectively, representing seven churches.

NOTE J – CLASSIFICATIONS OF NET ASSETS

Unrestricted Board Designated – The Presbytery maintains board-designated funds for specific purposes. Board-designated funds are classified as a type of unrestricted net assets. The Presbytery's board designated funds are listed on page 18.

Temporarily Restricted

The Presbytery maintains donor-designated funds for specific purposes. Donor designated funds are classified as temporarily restricted net assets. The Presbytery's donor designated funds are listed on page 17.

Permanently Restricted

The Presbytery reports certain permanently restricted amounts that cannot be accessed by the Presbytery due to explicit donor restrictions. Permanently restricted net assets are investments in the Presbyterian Foundation Permanent Pooled Life Income Fund.

PRESBYTERY OF SANTA FE
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 With Comparative Totals for 2016

NOTE K – ECONOMIC DEPENDENCY

Contributions are the Presbytery's primary source of support, making up 94% and 94% of all revenues and support during the fiscal year ended December 31, 2017 and 2016, respectively. The Presbytery expects these contributions to continue into the foreseeable future. However, if a significant portion of these funds are not continued, the Presbytery's ability to continue all programs would be diminished.

NOTE L – PENSION AND HEALTH PLAN

Eligible employees of the Presbytery participate in an employer-paid, defined contribution pension and healthcare plan administered by the Board of Pensions of the Presbyterian Church (USA). Contributions and costs are determined as 36.5% of each employee's compensation (11% related to the pension plan and 24.5% related to the healthcare plan and 1% related to death and disability benefits). Highmark Blue Cross/Blue Shield administers the healthcare plan.

Eligible employees of the Presbytery may also participate in a retirement savings plan available through the Board of Pensions of the Presbyterian Church (USA) and administered by the Fidelity Group of Investments.

Under terms of both plans, pastors who work at least 20 hours per week (1,000 hours per year) are automatically enrolled in the defined contribution pension/healthcare plan and may choose to make contributions to the retirement savings account, once they have completed a 90-day probationary period which begins on their first date of employment. Any employee can choose to make contributions to the retirement savings account.

Contributions made on behalf of the Presbytery's employees for both retirement and employee benefits for the years ended December 31, 2017 and 2016 were \$41,305 and \$48,257, respectively.

NOTE M – RESTATEMENT OF NET ASSETS

Beginning net assets were restated to reflect the donation of property received by the Presbytery in prior years that had not been recorded. As a result of this restatement, beginning net assets were increased by \$827,603 to \$2,909,952.

NOTE N – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of assets, liabilities and net assets – modified cash basis date but before the financial statements are issued. The Presbytery recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of assets, liabilities and net asset – modified cash basis, including the estimates inherent in the process of preparing the financial statements. The Presbytery's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of assets, liabilities and net assets – modified cash basis, but arose after the statement of assets, liabilities and net assets – modified cash basis date and before financial statements are available to be issued. The Presbytery has evaluated subsequent events through March 26, 2019 which is the date the financial statements were available to be issued.

PRESBYTERY OF SANTA FE
SCHEDULE OF TEMPORARILY RESTRICTED NET ASSETS-MODIFIED CASH BASIS
For The Year Ended December 31, 2017

	2016	Additions	Deletions	2017
R E Stewart Endowment	\$ 185,358	15,959	-	201,317
JHH PSF NCD	47,264	-	7,742	39,522
Per Capita Advance Payments	43,186	9,235	43,186	9,235
Santa Fe NCD	22,071	-	-	22,071
NM Ministry Project/Garrett	19,761	-	400	19,361
Candidates Fund	19,657	-	-	19,657
NCD Santa Fe First Donation	18,000	-	-	18,000
Peace Offering	19,201	3,179	-	22,380
Hunger Relief PSF	14,845	1,409	-	16,254
Youth Connection	12,794	35,741	12,794	35,741
Hunger Action Enabler	12,007	-	-	12,007
Presbyterian Student Fellowship	10,592	673	886	10,379
VIM YARS	9,947	-	-	9,947
Triennium	9,394	2,000	-	11,394
JHH PSF NCD Santa Fe	8,113	-	3,000	5,113
Work Camp Expenses	7,222	-	-	7,222
Pastor Emergency Fund	5,972	25	750	5,247
Jicarita Cluster	4,511	-	-	4,511
Women Candidate Scholars	4,456	1,497	225	5,728
Youth Bequest	2,902	-	-	2,902
Hunger Relief Outside PSF	2,767	369	-	3,136
SWM Reserve	2,301	-	-	2,301
Presbytery Mission Embudo	2,200	-	2,200	-
Mental Health Events	2,000	-	-	2,000
Trip to Cuba	1,020	2,445	100	3,365
Presbytery Projects	913	-	650	263
Restoring Creation Grant	900	-	-	900
Yates Continuing Education	875	-	500	375
Senior High Retreat	-	725	-	725
Cuba Travel Fund	674	-	-	674
Evangelism	455	-	-	455
Yela Continuing Education	450	-	-	450
Youth Fundraising	431	-	-	431
Mission Advance Pay	425	1,175	425	1,175
Youth Mid-High Retreats	300	-	-	300
Jicarita Cluster CLP Classes	293	-	-	293
Higher Education Consultant	172	-	-	172
Self Development of People	82	-	-	82
Racism conference	-	2,374	2,374	-
Presbytery Meeting 1	-	1,019	1,019	-
Presbytery Meeting 2	-	820	820	-
Presbytery Meeting 3	-	15,803	15,803	-
In/Out	-	16,686	16,155	531
In/Out Yates	-	3,478	3,478	-
In/Out Books	-	5,615	5,615	-
Total	\$ 493,511	120,227	118,122	495,616

PRESBYTERY OF SANTA FE
SCHEDULE OF DESIGNATED NET ASSETS-MODIFIED CASH BASIS
For The Year Ended December 31, 2017

	2016	Additions	Deletions	2017
Church in Crisis Reserve	\$ 301,741	20,020	2,256	319,505
Program Reserve	231,210	57,843	5,886	283,167
Mt Taylor Sale	128,717	-	1,250	127,467
Per Capita Reserve	99,848	-	26,687	73,161
MPF Staff	53,647	-	-	53,647
Farmington Principal Reserve	68,289	946	3,887	65,348
Capital Expenditure Replacement	21,457	10,263	583	31,137
Ecclesial Judicial Reserve	15,295	-	-	15,295
Termination Package Reserve	14,980	-	-	14,980
Presbytery Legal Expenses	12,460	4,782	-	17,242
Campus Ministry Program	12,390	-	-	12,390
CdV Education Center	10,528	-	-	10,528
Cdv Kitchen Remodel	-	300	-	300
Walton Award	9,496	-	-	9,496
Candidate Fund Designated	4,900	150	390	4,660
Urban Hispanic Mission	4,223	-	-	4,223
Internet Café Carryover	3,672	-	669	3,003
CAT Website Grant	-	1,887	120	1,767
UCCC Farmington	2,872	-	2,000	872
CE Training	1,645	-	-	1,645
Council Commission - Special Relationships	1,348	-	-	1,348
Audit Reserve	1,123	3,525	-	4,648
COM Training	579	-	-	579
Council Comm - Congregational Development	373	-	-	373
Web Page	244	-	-	244
	<u>\$ 1,001,037</u>	<u>99,716</u>	<u>43,728</u>	<u>1,057,025</u>