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Board of Directors and Management
American Friends of Yad Eliezer, Inc.
Lakewood, New Jersey

As part of our audit of the financial statements of American Friends of Yad Eliezer, Inc. (the Organization) as of and for the year ended September 30, 2019, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Organization's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- No matters are reportable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition

- Change in accounting principle (ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*)

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- To adjust investments opening balance
- To adjust investment account for sale of investment
- To adjust accrued expenses and prepaid expenses
- To record pension expense
- To accrue additional revenue for checks received but not deposited before year-end

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole

Auditor's Judgments About the Quality of the Organization's Accounting Principles

No matters are reportable.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)

- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Organization as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our audit procedures 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses.

Material Weaknesses

Adjusting Journal Entries

During the audit, certain journal entries were required to properly state the financial statements in accordance with generally accept accounting principles (GAAP) as listed above due to a lack of formal month-end account reconciliation processes. We recommend management review the adjustments and investigate the cause for each to determine if any modifications should be made to the interim financial reporting process in order to minimize the risk of misstatement of financial results.

Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting. Certain individuals within the Organization have incompatible duties in certain financial reporting transaction cycles. Duties in these transaction cycles are not adequately segregated to safeguard the Organization's assets. Management has implemented compensating controls to help mitigate the risks of material misstatement.

The Executive Director has access, recording and/or monitoring duties within the payroll cycle for which oversight controls occur after the issuance of payroll occurs. The reviews which occur are designed to be detective in nature but not preventative with respect to errors and/or fraud occurring. We recommend that these oversight controls continue to be performed with precision and on a timely basis to minimize the associated risks.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

The Financial Accounting Standards Board (FASB) amended its standards related to contributions received and contributions made. The amendment clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organization to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standards clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provide, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current GAAP. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018.

FASB Issues New Revenue Recognition Standard

The model for revenue recognition is changing with FASB's release on May 28, 2014 of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (the ASU). Since 2008, FASB and the International Accounting Standards Board (IASB) have been working jointly on developing a single principles-based model for recognizing revenue. The goal of the final standard is to improve consistency of requirements, comparability of revenue recognition practices and usefulness of disclosures.

The ASU applies to all contracts with customers, other than those within the scope of other standards, such as leases, insurance, financing arrangements, financial instruments and guarantees (other than product or service warranties). The ASU does not apply to other parties to a contract who are not customers.

The core principle of the new model is that an entity would recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive. In order to achieve that core principle, an entity would apply a five-step model.

The five-step application is as follows:

Step 1: Identify the contract with a customer.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) performance obligations are satisfied.

Outlined below are the significant changes to expect from the new revenue recognition standard.

Under the Current Guidance

1. There are several requirements for recognizing revenue, including many that are industry-specific.

2. Most companies provide little disclosure information about revenue contracts; disclosures usually relate to accounting policies and segment reporting.

3. Some goods or services promised to a customer in a contract might represent separate obligations to the customer but could be determined to not be distinct revenue generating transactions.

4. In a multiple deliverable arrangement, the amount of consideration allocated to a delivered item is limited to the amount that is not contingent on the future delivery of goods or services.

5. Accounting for variable consideration varies from industry to industry.

Under the New Guidance

1. There will be consistent principles, regardless of industry, for recognizing revenue.

2. There is now a cohesive set of disclosure requirements. These disclosures will provide users of the financial statements with quantitative and qualitative information regarding revenue recognition policies and how they are applied.

3. Organizations will need to go through the five-step process outlined above.

4. Organizations will determine the transaction price. The transaction price will then be allocated to each performance obligation, except when a discount or some sort of variable consideration can be attributed entirely to one or more performance obligations in the contract.

5. Variable consideration will be included in the transaction price as long as it is deemed probable that a significant reversal of revenue will not occur. The new model includes consideration for various types of variable consideration, such as rebates, discounts bonuses or a right of return.

Entities can apply the new standard using either the full retrospective method—including the optional application of certain practical expedients—or use an alternative transition method. The alternative transition method requires an entity to apply the new guidance only to contracts in process under legacy GAAP at the date of initial application and recognize the cumulative effect of adoption as an adjustment to the opening balance of retained earnings in the year of initial application. An entity choosing to apply the alternative transition method would not restate comparative years, but it would be required to provide additional disclosures in the initial year of adoption.

For public business entities, not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, and employee benefit plans that file financial statements within the U.S. Securities and Exchange Commission, the standard will be effective for annual reporting periods beginning on or after December 15, 2018, including interim reporting periods therein. For all other entities, the standard will be effective for annual reporting periods beginning on or after December 15, 2019, and interim and annual reporting periods thereafter. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period.

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

BKD, LLP

New York New York
June 25, 2020

American Friends of Yad Eliezer

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE AND QUALITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	1,788,905	0	1,788,905	0.00%
Total Liabilities	(13,955)	(43,253)	(57,208)	309.95%
Net Assets	(1,774,950)	43,253	(1,731,697)	-2.44%
Revenues & Income	(44,485,891)	234,095	(44,251,796)	-0.53%
Costs & Expenses	44,034,360	5,865	44,040,225	0.01%
Change in Net Assets	(451,531)	239,960	(211,571)	-53.14%

Client: American Friends of Yad Eliezer

Period Ending: December 31, 2019

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets DR (CR)	Liabilities DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Costs & Expenses DR (CR)	Net Assets DR (CR)	Net Effect on Following Year: Change in Net DR (CR)	Net Effect on Following Year: Net Assets DR (CR)
To record deposit in transit for Admire Revenue received before 2018 year-end but not recorded in the GL until 2019. This should have been recorded in 2018.			F	0	0		234,095	0	(234,095)	0	0
To accrue for 401K expense recorded in December 2017 for PY ending 9/30/2018 that was never accrued but was expensed for the cash paid in December 2017			F	0	0		0	(37,388)	37,388	0	0
To update accrual for correct amount that should have been recorded for 2019			F	0	(43,253)		0	43,253	0	(43,253)	43,253
		Taxable passed adjustments					234,095	5,865	(196,707)	(43,253)	43,253
		Times (1 - effective tax rate of 00%)					100%	100%	100%		
		Taxable passed adjustments net of tax impact			0		234,095	5,865	(196,707)		
		Nontaxable passed adjustments		0	(43,253)		0	0	0		
		Total passed adjustments, net of tax impact (if any)		0	(43,253)		234,095	5,865	(196,707)		

Impact on Change in Net Assets	239,960
Impact on Net Assets	43,253

YadEliezer

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June 25, 2020

BKD, LLP
Certified Public Accountants
1155 Avenue of the Americas
New York, New York 10036-2711

We are providing this letter in connection with your audit of American Friends of Yad Eliezer's (the "Organization") financial statements as of and for the years ended September 30, 2019. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated May 18, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We acknowledge the Organization is not a conduit debt obligor whose debt securities are listed, quoted or traded on an exchange or an over-the-counter market. As a result, we acknowledge the Organization does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

5. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial

statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

6. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of directors' meetings held through the date of this letter. Unsigned minutes as provided to you completely and accurately present the discussions held and actions taken at this meeting.

   (e) All significant contracts and grants.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. We have informed you of all current risks of a material amount that are not adequately prevented or detected by Organization procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net assets.

9. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

10. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

11. We have no knowledge of any known or suspected:

    (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

    (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, customers, regulators, suppliers or others.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the Organization may deal if the Organization can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Organization.

15. Except as reflected in the financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the statement of financial position date through the date of this letter requiring adjustment or disclosure in the financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the Organization is contingently liable.

16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

17. We have no reason to believe the Organization owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and

Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims, pending or threatened, for which legal counsel should be sought.

19. Adequate provisions and allowances have been accrued for any material losses from:

 (a) Uncollectible receivables, including pledges.

 (b) Purchase commitments in excess of normal requirements or above prevailing market prices.

20. Except as disclosed in the financial statements, the Organization has:

 (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

 (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

21. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events <u>could</u> occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

22. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

23. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

24. With respect to any nonattest services you have provided us during the year, including the drafting of out financial statements are related notes and the preparation of our informational return:

    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

    (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    (d) We have evaluated the adequacy of the services performed and any findings that resulted.

25. We are an organization exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

26. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.

27. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist

28. We acknowledge the current protracted economic decline continues to present difficult circumstances and challenges for not-for-profit organizations. Not-for-profit organizations are facing declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values that could negatively impact the Organization's ability to maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Organization's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Organization, including questioning the quality and valuation of investments and other assets, reviewing

allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

Sarah Tropper, Chief Executive Officer

Aryeh Tropper, Executive Director