

American Friends of Yad Eliezer, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2019



American Friends of Yad Eliezer, Inc.
September 30, 2019

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Independent Auditor's Report

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

We have audited the accompanying financial statements of American Friends of Yad Eliezer, Inc. which comprise the statements of financial position as of September 30, 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.

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 financial position of American Friends of Yad Eliezer, Inc. as of September 30, 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.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2019, American Friends of Yad Eliezer, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
June 25, 2020

American Friends of Yad Eliezer, Inc.
Statement of Financial Position
September 30, 2019

Assets

| | | |
|-----------------------------------|----|----------------------------|
| Cash | \$ | 649,323 |
| Investments | | 1,102,243 |
| Prepaid expenses and other assets | | <u>37,339</u> |
| Total assets | | <u><u>\$ 1,788,905</u></u> |

Liabilities and Net Assets

Liabilities

| | | |
|---------------------------------------|----|---------------|
| Accounts payable and accrued expenses | \$ | <u>13,955</u> |
| Total liabilities | | <u>13,955</u> |

Net Assets

| | | |
|----------------------------------|--|----------------------------|
| Without donor restrictions | | 1,274,950 |
| With donor restrictions | | <u>500,000</u> |
| Total net assets | | <u>1,774,950</u> |
| Total liabilities and net assets | | <u><u>\$ 1,788,905</u></u> |

American Friends of Yad Eliezer, Inc.
Statement of Activities
Year Ended September 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|-------------------------|
| Revenues, Gains and Other Support | | | |
| Contributions and grants | \$ 43,840,098 | \$ 500,000 | \$ 44,340,098 |
| Special event income | | | |
| Ticket sales | \$ 395,368 | | |
| Direct cost of special events | <u>(249,413)</u> | 145,955 | 145,955 |
| Net investment return | <u>(162)</u> | <u>-</u> | <u>(162)</u> |
| Total revenues, gains and other support | <u>43,985,891</u> | <u>500,000</u> | <u>44,485,891</u> |
| Expenses | | | |
| Program services - aid to poor and disadvantaged | 42,572,107 | - | 42,572,107 |
| Management and general | 722,560 | - | 722,560 |
| Fundraising | <u>739,693</u> | <u>-</u> | <u>739,693</u> |
| Total expenses | <u>44,034,360</u> | <u>-</u> | <u>44,034,360</u> |
| Change in Net Assets | <u>(48,469)</u> | 500,000 | 451,531 |
| Net Assets, Beginning of Year | <u>1,323,419</u> | <u>-</u> | <u>1,323,419</u> |
| Net Assets, End of Year | <u>\$ 1,274,950</u> | <u>\$ 500,000</u> | <u>\$ 1,774,950</u> |

American Friends of Yad Eliezer, Inc.
Statement of Functional Expenses
Year Ended September 30, 2019

| | Program Services | Management and General | Fundraising | Direct Cost of Special Events | Total |
|---|-----------------------------|-----------------------------------|--------------------|--|----------------------|
| Grants - aid to the poor and disadvantaged | \$ 42,572,107 | \$ - | \$ - | \$ - | \$ 42,572,107 |
| Salaries and fringe benefits | - | 308,028 | 480,111 | - | 788,139 |
| Professional fees | - | 92,015 | - | - | 92,015 |
| Rent | - | 8,400 | - | - | 8,400 |
| Telephone | - | 28,171 | - | - | 28,171 |
| Printing and postage | - | - | 18,721 | - | 18,721 |
| Office supplies | - | 232,447 | - | - | 232,447 |
| Travel and entertainment | - | - | 67,114 | - | 67,114 |
| Insurance | - | 6,543 | - | - | 6,543 |
| Advertising and promotion | - | - | 173,747 | - | 173,747 |
| Bank charges and other fees | - | 11,946 | - | - | 11,946 |
| Catering and facility rental | - | - | - | 249,413 | 249,413 |
| Miscellaneous expenses | - | 35,010 | - | - | 35,010 |
| Total expenses | 42,572,107 | 722,560 | 739,693 | 249,413 | 44,283,773 |
| Less direct costs of special events | - | - | - | (249,413) | (249,413) |
| Total expenses reported by function on the statement of activities | \$ 42,572,107 | \$ 722,560 | \$ 739,693 | \$ - | \$ 44,034,360 |

American Friends of Yad Eliezer, Inc.
Statement of Cash Flows
Year Ended September 30, 2019

| | |
|--|--------------------------|
| Operating Activities | |
| Change in net assets | \$ 451,531 |
| Items not requiring (providing) operating cash flows | |
| Net realized and unrealized gains on investments | 13,473 |
| Changes in | |
| Prepaid expenses and other assets | (30,494) |
| Accounts payable and accrued expenses | <u>(12,705)</u> |
| Net cash provided by operating activities | <u>421,805</u> |
| Investing Activities | |
| Proceeds from sale of investments | 1,179,652 |
| Purchase of investments | <u>(1,421,460)</u> |
| Net cash used in investing activities | <u>(241,808)</u> |
| Increase in Cash | 179,997 |
| Cash, Beginning of Year | <u>469,326</u> |
| Cash, End of Year | <u><u>\$ 649,323</u></u> |

American Friends of Yad Eliezer, Inc.

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

American Friends of Yad Eliezer, Inc. (the Organization) is a non-profit organization incorporated in New York in December 1998. The Organization's stated purpose is to render financial aid and support to the poor and disadvantaged in Israel, United States and elsewhere. The Organization primarily receives its support as contributions from the general public.

Use of 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash excluding those managed as part of the Organization's investment portfolio. At September 30, 2019, cash accounts exceeded federally insured limits by approximately \$25,000. Additionally, cash accounts classified as short-term investments exceeded federally insured limits by approximately \$750,000.

Investments

Investments in equity securities having a readily determinable fair value are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

American Friends of Yad Eliezer, Inc.

Notes to Financial Statements

September 30, 2019

Net assets with donor restrictions are subject to donor or grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| Nature of the Gift | Value Recognized |
|--|---|
| <i>Conditional gifts, with or without restriction</i> | |
| Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i> | |
| Received at date of gift – cash and other assets | Fair value |
| Received at date of gift – property, equipment and long-lived assets | Estimated fair value |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

American Friends of Yad Eliezer, Inc.

Notes to Financial Statements

September 30, 2019

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Grants – Aid to the Poor and Disadvantaged

All transmissions to Yad Eliezer-Israel or other educational and charitable institutions in Israel and the United States are recorded pursuant to authorization by the Board of Directors of the Organization.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the separate statement of functional expenses. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the payroll allocation and other methods.

Note 2: Change in Accounting Principle

In 2019, the Organization adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position

- The statement of financial position distinguish between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statements of Activities and Functional Expenses

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total changes in net assets.

American Friends of Yad Eliezer, Inc.

Notes to Financial Statements

September 30, 2019

Note 3: Investments

Investments at September 30 consisted of the following:

| | |
|----------|---------------------|
| Cash | \$ 1,102,130 |
| Equities | <u>113</u> |
| Total | <u>\$ 1,102,243</u> |

Note 4: Net Assets

Net assets with donor restrictions at September 30 are available for the following purposes or periods:

| | |
|---|-------------------|
| Subject to the passage of time | |
| Support for charitable purposes in Israel | <u>\$ 500,000</u> |

Note 5: Pension Plan

The Organization has a defined contribution pension plan covering substantially all employees. Employees may contribute to this plan up to the maximum permitted by law. The Organization provides a discretionary contribution of 10 percent of each employee's gross compensation. Employer contributions amounted to \$49,850 for the year ended September 30, 2019.

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019, comprise the following:

| | |
|---|---------------------|
| Financial assets at year-end | |
| Cash and cash equivalents | \$ 649,323 |
| Investments | <u>1,102,243</u> |
| Total financial assets | 1,751,566 |
| Less donor-imposed restrictions | <u>(500,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,251,566</u> |

The financial assets of the Organization without donor restrictions are available for general expenditures.

American Friends of Yad Eliezer, Inc.

Notes to Financial Statements

September 30, 2019

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization monitors its future cash flows, liquidity and reserves on a monthly basis.

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America (GAAP) require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Contributions

During the year ended September 30, 2019, the Organization received approximately 28 percent of contributions from two donors.

Note 8: Subsequent Event

Subsequent events have been evaluated through June 25, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

American Friends of Yad Eliezer, Inc.

Notes to Financial Statements

September 30, 2019

Note 9: Future Changes in Accounting Principles

Accounting for Grants and Contributions

The Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, 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 organizations 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 standard 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 provider, *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.

The Financial Accounting Standards Board (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. For non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

Revenue Recognition

FASB amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is in the process of evaluating the effect the amendment will have on the financial statements.