

Friends of Israel Disabled Veterans, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018



Friends of Israel Disabled Veterans, Inc.

December 31, 2019 and 2018

Contents

Independent Auditor's Report	1
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Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

Board of Directors
Friends of Israel Disabled Veterans, Inc.
New York, New York

We have audited the accompanying financial statements of Friends of Israel Disabled Veterans, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

Board of Directors
Friends of Israel Disabled Veterans, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Israel Disabled Veterans, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

New York, New York
October 20, 2020

Friends of Israel Disabled Veterans, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,997,806	\$ 2,470,757
Investments	377,783	308,348
Contributions receivable - current	185,362	888,614
Beneficial interest in remainder trust	2,030,444	2,307,756
Beneficial interest in perpetual trust	173,774	154,727
Security deposits	20,621	20,621
Prepaid expenses	19,121	15,344
Property and equipment, net	912	706
Total assets	\$ 4,805,823	\$ 6,166,873
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 32,414	\$ 26,166
Grants payable	697,295	1,300,000
Total liabilities	729,709	1,326,166
 Net Assets		
Without donor restrictions	1,144,499	2,056,612
With donor restrictions	2,931,615	2,784,095
Total net assets	4,076,114	4,840,707
Total liabilities and net assets	\$ 4,805,823	\$ 6,166,873

Friends of Israel Disabled Veterans, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Contributions	\$ 1,413,699	\$ 1,647,297	\$ 3,060,996	\$ 2,273,070	\$ 1,500,049	\$ 3,773,119
Direct mail	380,501	-	380,501	339,374	-	339,374
Gross revenue from special events				\$ 145,123		
Less direct costs of special events				<u>(70,176)</u>		
Net revenue from special events	-	-	-	74,947	-	74,947
Change in value in beneficial interest in remainder trusts	-	(277,312)	(277,312)	-	(178,107)	(178,107)
Change in value of perpetual trust	-	19,047	19,047	-	(22,211)	(22,211)
Recovery of bad debt	-	-	-	-	38,000	38,000
Net assets released from restrictions	<u>1,241,512</u>	<u>(1,241,512)</u>	<u>-</u>	<u>1,437,934</u>	<u>(1,437,934)</u>	<u>-</u>
Total revenues and other support	<u>3,035,712</u>	<u>147,520</u>	<u>3,183,232</u>	<u>4,125,325</u>	<u>(100,203)</u>	<u>4,025,122</u>
Expenses						
Program services						
Facilities and special programs	<u>3,208,349</u>	<u>-</u>	<u>3,208,349</u>	<u>3,375,868</u>	<u>-</u>	<u>3,375,868</u>
Supporting services						
Management and general	201,226	-	201,226	201,509	-	201,509
Fundraising	<u>595,542</u>	<u>-</u>	<u>595,542</u>	<u>586,408</u>	<u>-</u>	<u>586,408</u>
Total supporting services	<u>796,768</u>	<u>-</u>	<u>796,768</u>	<u>787,917</u>	<u>-</u>	<u>787,917</u>
Total expenses	<u>4,005,117</u>	<u>-</u>	<u>4,005,117</u>	<u>4,163,785</u>	<u>-</u>	<u>4,163,785</u>
Change in Net Assets Before Investment Income	(969,405)	147,520	(821,885)	(38,460)	(100,203)	(138,663)
Investment income	<u>57,292</u>	<u>-</u>	<u>57,292</u>	<u>13,416</u>	<u>-</u>	<u>13,416</u>
Change in Net Assets	(912,113)	147,520	(764,593)	(25,044)	(100,203)	(125,247)
Net Assets, Beginning of Year	<u>2,056,612</u>	<u>2,784,095</u>	<u>4,840,707</u>	<u>2,081,656</u>	<u>2,884,298</u>	<u>4,965,954</u>
Net Assets, End of Year	<u>\$ 1,144,499</u>	<u>\$ 2,931,615</u>	<u>\$ 4,076,114</u>	<u>\$ 2,056,612</u>	<u>\$ 2,784,095</u>	<u>\$ 4,840,707</u>

Friends of Israel Disabled Veterans, Inc.
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019						2018					
	Program Services		Supporting Services		Direct Cost of Special Events	Total	Program Services		Supporting Services		Direct Cost of Special Events	Total
	Facilities and Special Programs	Management and General	Fundraising	Total Supporting Services			Facilities and Special Programs	Management and General	Fundraising	Total Supporting Services		
Transmissions to Israel-Zahal Disabled Veterans Organization	\$ 3,208,349	\$ -	\$ -	\$ -	\$ -	\$ 3,208,349	\$ 3,375,868	\$ -	\$ -	\$ -	\$ -	\$ 3,375,868
Salaries	-	101,012	235,695	336,707	-	336,707	-	97,615	227,769	325,384	-	325,384
Payroll taxes and employee benefits	-	12,617	29,439	42,056	-	42,056	-	17,383	40,560	57,943	-	57,943
Professional fees	-	27,859	65,003	92,862	-	92,862	-	26,156	61,030	87,186	-	87,186
Insurance	-	633	1,476	2,109	-	2,109	-	627	1,462	2,089	-	2,089
Data processing	-	9,493	22,151	31,644	-	31,644	-	11,845	27,638	39,483	-	39,483
Direct mail	-	-	96,991	96,991	-	96,991	-	-	98,140	98,140	-	98,140
Occupancy	-	23,680	55,253	78,933	-	78,933	-	22,465	52,418	74,883	-	74,883
Telephone and online services	-	2,335	5,448	7,783	-	7,783	-	2,096	4,891	6,987	-	6,987
Office supplies	-	20,853	48,656	69,509	-	69,509	-	20,787	48,502	69,289	-	69,289
Postage, printing and publications	-	1,948	4,546	6,494	-	6,494	-	1,560	3,641	5,201	-	5,201
Advertising	-	-	5,882	5,882	-	5,882	-	-	5,927	5,927	-	5,927
Travel	-	-	23,147	23,147	-	23,147	-	-	12,156	12,156	-	12,156
Catering, entertainment and awards	-	-	-	-	-	-	-	-	-	-	70,176	70,176
Depreciation	-	278	646	924	-	924	-	463	1,078	1,541	-	1,541
Miscellaneous	-	518	1,209	1,727	-	1,727	-	512	1,196	1,708	-	1,708
Total expenses	3,208,349	201,226	595,542	796,768	-	4,005,117	3,375,868	201,509	586,408	787,917	70,176	4,233,961
Less direct costs of special events deducted from revenue on the statements of activities	-	-	-	-	-	-	-	-	-	-	(70,176)	(70,176)
Total expenses reported by function on the statements of activities	\$ 3,208,349	\$ 201,226	\$ 595,542	\$ 796,768	\$ -	\$ 4,005,117	\$ 3,375,868	\$ 201,509	\$ 586,408	\$ 787,917	\$ -	\$ 4,163,785

Friends of Israel Disabled Veterans, Inc.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (764,593)	\$ (125,247)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	924	1,541
Stock donation	(13,728)	-
Realized and unrealized gain on investments	(50,525)	(5,552)
Change in value in beneficial interest in remainder trust	277,312	178,107
Change in value of perpetual trust	(19,047)	22,211
Changes in		
Contributions receivable	703,252	(460,850)
Prepaid expenses	(3,777)	(1,695)
Accounts payable and accrued expenses	6,248	5,475
Grants payable	(602,705)	748,582
Net cash provided by (used in) operating activities	(466,639)	362,572
Investing Activities		
Purchase of investments	(10,104)	(1,273)
Proceeds from sales of investments	4,922	2,697
Purchase of property and equipment	(1,130)	-
Net cash provided by (used in) investing activities	(6,312)	1,424
Net Change in Cash and Cash Equivalents	(472,951)	363,996
Cash and Cash Equivalents, Beginning of Year	2,470,757	2,106,761
Cash and Cash Equivalents, End of Year	\$ 1,997,806	\$ 2,470,757

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

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

Zahal Disabled Veterans Organization (ZDVO) was founded to represent, lobby for and rehabilitate the quadriplegic, paraplegic, blind, burned, amputee and other disabled Israeli veterans. To facilitate their rehabilitation, four Beit Halochem Centers (the Centers) were built in Tel Aviv, Haifa, Jerusalem and Beer Sheva and a rest and recreational facility in Nahariya. The campaign for the fifth center in Ashdod started in 2015. Construction began in April 2018 and is expected to be completed in mid-2021. 6,500 veterans and their families will benefit from a center of their own. Friends of Israel Disabled Veterans, Inc. is the official U.S. tax-exempt representative of ZDVO. Its major mission is to bring awareness of and raise funds for these Centers and the veterans they serve.

The Centers are dedicated to providing comprehensive treatment and services. Limited by serious handicaps, many disabled find it difficult to re-establish a daily regimen necessary to physical and mental well-being. Providing the means to succeed is Beit Halochem's top priority. The veterans receive individualized physical and hydrotherapy, psychological counseling, sports, vocational and academic training. The Centers also provide programs and activities for the entire family, bringing together parents and children in an environment of "normalcy" and warmth.

Academic scholarships give the disabled veterans the opportunity to go to college, either to continue what they were learning before being disabled, or new fields, as their disabilities often prevent them from pursuing their original goals.

The Centers also provide state-of-the-art sports training and sports scholarships. Some of the members progress so well that they are given specialized training in order to compete in the Paralympics and other games specifically geared to disabled athletes around the world. The Centers' veterans have won gold medals at many of these events. Becoming a successful athlete gives the disabled veteran strength of mind and spirit, enabling him or her to overcome the painful obstacles of the disability.

The Centers enable these men and women to regain control of their lives, with self-confidence and dignity, in an atmosphere of love, encouragement and deep appreciation for their tremendous sacrifice.

ZDVO took upon itself to care for a population of civilians that found themselves standing on the front line and being injured side by side with soldiers during terror attacks. Today civilian victims of terror can become equal members of one of the four Beit Halochem Centers and enjoy Beit Halochem Centers and benefit from their services.

Friends of Israel Disabled Veterans, Inc. (Friends) was incorporated in 1987 as a nonprofit organization.

The Friends website is available for more information about individual disabled veterans, current events at Beit Halochem in Israel and in the U.S., and donation opportunities.

Friends is funded primarily by contributions.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

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 and change in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Friends considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

At December 31, 2019, Friends' cash accounts exceeded federally insured limits by approximately \$1,755,000.

Investments

Investments are recorded at fair value. Friends invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect Friends' financial statements.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Allowance for Doubtful Accounts

Friends determines whether an allowance for uncollectibles should be provided for its receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. No allowance for doubtful accounts was deemed necessary as of December 31, 2019 or 2018.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Property and Equipment

Property and equipment acquisitions over \$1,500 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Estimated Useful Lives</u>
Computer and equipment	3 years
Equipment, furniture and fixtures	3 years
Leasehold improvements	5 years

Net Assets

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

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

Net assets with donor restrictions are subject to donor 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 stipulates that resources be maintained in perpetuity.

Contribution

Contributions are provided to Friends 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:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Friends 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

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Nature of the Gift	Value Recognized
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 statements 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 reported as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction. There were no conditional contributions at December 31, 2019 or 2018.

Transmissions to Israel-Zahal Disabled Veterans Fund

Friends grants funds to ZDVO for different programs. Grants are recorded when approved by the Board of Directors. Funds approved for transmission are recorded as grants payable.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to equipment and auto leases expense. Operating lease expense is recorded on the straight-line basis over the life of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense. In 2019 and 2018, all leases were classified as operating leases.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Income Taxes

Friends is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Friends is subject to federal income tax on any unrelated business taxable income. Friends files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the separate statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on hours worked, square footage of space used and other methods.

Revision and Reclassification

The 2018 information in the liquidity and availability disclosure within *Note 9* has been revised to include the \$374,000 payment expected to be received in 2019 from the beneficial interest in remainder trust in 2018 financial assets available to meet cash needs for general expenditures within one year. This amount reduced previously reported financial assets available to meet cash needs for general expenditures within one year by being included in net assets with donor restrictions. In addition, certain amounts on the 2018 statement of financial position have been reclassified to conform to the current year presentation.

Note 2: Investments and Fair Value Measurements

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and December 31, 2018:

	Fair Value	2019		
		Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
General				
Equities				
U.S. equities	\$ 242,052	\$ 242,052	\$ -	\$ -
Total equities	242,052	242,052	-	-
State of Israel bonds	15,000	-	15,000	-
Fixed-income securities				
Asset backed securities	13,414	-	13,414	-
Municipal bonds	25	-	25	-
Total investments reported on the fair value hierarchy	270,491	\$ 242,052	\$ 28,439	\$ -
Cash and cash equivalents	107,292			
Total investments	\$ 377,783			
Beneficial interest in trust				
Remainder trust	\$ -	\$ -	\$ -	\$ 2,030,444
Perpetual trust	-	-	-	173,774
	\$ -	\$ -	\$ -	\$ 2,204,218

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

	Fair Value	2018		
		Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
General				
Equities				
U.S. equities	\$ 180,200	\$ 180,200	\$ -	\$ -
Total equities	180,200	180,200	-	-
State of Israel bonds	15,000	-	15,000	-
Fixed-income securities				
Asset backed securities	15,935	-	15,935	-
Municipal bonds	25	-	25	-
Total investments reported on the fair value hierarchy	211,160	\$ 180,200	\$ 30,960	\$ -
Cash and cash equivalents	97,188			
Total investments	\$ 308,348			
Beneficial interest in trust				
Remainder trust	\$ -	\$ -	\$ -	\$ 2,307,756
Perpetual trust	-	-	-	154,727
	\$ -	\$ -	\$ -	\$ 2,462,483

The following is a description of the valuation methodology and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2019 and December 31, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Beneficial Interest in Remainder Trust

The fair value of the beneficial interest is estimated by discounting the estimated future cash flows using a risk-adjusted rate.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 3: Beneficial Interest in Trusts

- (A) In June 2011, Friends was bequeathed a 25 percent interest in the residual assets of the Chai Trust (the Trust). The Trust provides for annual fixed distributions for a period of 20 years to other named beneficiaries, as well as annual distributions to Friends. At the conclusion of the 20-year period, the Trust will be liquidated and any residual assets distributed to the beneficiaries. Friends received distributions of \$374,000 in 2019 and \$325,000 in 2018. As of December 31, 2019 and 2018, the value of Friends' interest in the Trust is based on the present value of estimated future cash flows, valued by the trustee to be worth approximately \$2,030,444 and \$2,307,756, respectively.

Anticipated future distributions, recorded at present value using a discount rate of 5 percent as of December 31, 2019 are as follows:

2019	\$	203,000
2020		467,000
2021		211,000
2022		215,000
2023		219,000
Thereafter		<u>1,161,000</u>
		2,476,000
Less present value discount		<u>(445,556)</u>
Total	\$	<u><u>2,030,444</u></u>

The present value discount was \$445,556 at December 31, 2019 and \$542,244 at December 31, 2018.

- (B) In 2014, Friends was bequeathed a 9.1 percent interest in the Kamaiko Charitable Endowment Fund 2, a perpetual trust. The trust provides for annual distributions of 5 percent of the assets of the trust in perpetuity. The fair value of Friends' proportionate share of the trust at December 31, 2019 and 2018 was \$173,774 and \$154,727, respectively.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 4: Property and Equipment

	<u>2019</u>	<u>2018</u>
Computer and equipment	\$ 6,462	\$ 5,332
Furniture and fixtures	3,864	3,864
Leasehold improvements	<u>16,990</u>	<u>16,990</u>
	27,316	26,186
Less accumulated depreciation and amortization	<u>(26,404)</u>	<u>(25,480)</u>
Net fixed assets	<u>\$ 912</u>	<u>\$ 706</u>

Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Program for paralyzed veterans	\$ 27,132	\$ 38,200
Showers at Beit Halochem Jerusalem	31,963	31,963
Time restrictions	2,698,746	2,559,205
Kamaiko perpetual trust	<u>173,774</u>	<u>154,727</u>
	<u>\$ 2,931,615</u>	<u>\$ 2,784,095</u>

Net assets with donor restrictions were released from restrictions for the following:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 570,644	\$ 700,634
Program for paralyzed veterans	<u>670,868</u>	<u>737,300</u>
	<u>\$ 1,241,512</u>	<u>\$ 1,437,934</u>

Note 6: Zahal Disabled Veterans Organization

During 2019 and 2018, Friends granted the sum of \$3,208,349 and \$3,375,868, respectively, to Zahal Disabled Veterans Fund of ZDVO which included funding for programs for severely wounded, young disabled, sports, cultural and educational activities, equipment and academic and sports scholarships.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 7: Occupancy Costs

Friends leases space for its operations. The lease expires on April 30, 2022. The lease expense, including charges for Friends' proportional share of the real estate taxes and utilities, was \$78,108 in 2019 and \$74,833 in 2018.

Minimum lease payments are as follows:

2020	\$	74,664
2021		76,900
2022		<u>25,884</u>
	\$	<u>177,448</u>

Note 8: Pension

Friends has a defined contribution 401(k) plan which covers substantially all employees. All participating eligible employees receive a matching of employees' contributions up to a maximum 3 percent not to exceed IRS guidelines. The expense for the years ended December 31, 2019 and 2018 was \$7,661 and \$7,631, respectively.

Note 9: Liquidity and Availability

Friends' financial assets available within one year of the balance sheet date for general expenditures as of December 31, 2019 and December 31, 2018 are:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,997,806	\$ 2,470,757
Investments	377,783	308,348
Contributions receivable, due within one year	185,362	888,614
Beneficial interest in remainder trust	2,030,444	2,307,756
Beneficial interest in perpetual trust	<u>173,774</u>	<u>154,727</u>
Total financial assets	4,765,169	6,130,202
Less restrictions		
Beneficial interest in remainder trust	(1,827,444)	(1,933,756)
Beneficial interest in perpetual trust	(173,774)	(154,727)
Less other net assets with donor restrictions	<u>(727,397)</u>	<u>(321,612)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,036,554</u>	<u>\$ 3,720,107</u>

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Friends manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Friends has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days' operating expenses. Friends has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 30 to 45 days of expected expenditures. To achieve these targets, Friends forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

Friends expects to receive a \$203,000 and \$374,000 payment from the beneficial interest in remainder trust in 2020 and 2019, respectively. Thus those amounts are not included in the restrictions as of December 31, 2019 and December 31, 2018.

Note 10: Subsequent Events

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 11, 2020, Friends received a loan in the amount of approximately \$61,400 pursuant to the Paycheck Protection Program. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as the date of this report any amount of forgiveness is unable to be determined.

Additionally, there has been significant volatility in the investment markets both nationally and globally since December 31, 2019.

Subsequent events have been evaluated through October 20, 2020, which is the date the financial statements were available to be issued.

Note 11: Change in Accounting Principle

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

Effective January 1, 2019, Friends adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all grants and contributions received and clarifies the accounting guidance applicable for grant accounting.

Friends of Israel Disabled Veterans, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Historically, there was diversity in practice for accounting for grants. Some grantees considered grants to be an exchange transaction, whereas others reported grants as donor-restricted contributions. ASU 2018-08 provides guidance that unless the grantor is directly receiving value in the same amount as the services provided (an exchange transaction), the grant should be considered a contribution. In addition, if the grantor incorporates barriers into the contract and has a right of return, the transaction is considered to be a conditional contribution. Under the accounting guidance, conditional contributions are not recorded as revenue until the condition has been met.

In implementing ASU 2018-08, Friends was required to evaluate all grant agreements. Adoption of the ASU did not cause a change in the timing and classification of grant revenues.

Note 12: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. Friends is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.