

# **Friends of Israel Disabled Veterans, Inc.**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019



# Friends of Israel Disabled Veterans, Inc.

December 31, 2020 and 2019

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## 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, 2020 and 2019, 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.  
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***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, 2020 and 2019, 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  
August 6, 2021

**Friends of Israel Disabled Veterans, Inc.**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,634,277	\$ 1,997,806
Investments	411,638	377,783
Contributions receivable	617,495	185,362
Beneficial interest in remainder trust	1,918,816	2,030,444
Beneficial interest in perpetual trust	187,904	173,774
Security deposits	20,621	20,621
Prepaid expenses	20,208	19,121
Property and equipment, net	535	912
Total assets	\$ 5,811,494	\$ 4,805,823
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 48,209	\$ 32,414
Loan payable	61,400	-
Grants payable	1,208,285	697,295
Total liabilities	1,317,894	729,709
<b>Net Assets</b>		
Without donor restrictions	1,020,675	1,144,499
With donor restrictions	3,472,925	2,931,615
Total net assets	4,493,600	4,076,114
Total liabilities and net assets	\$ 5,811,494	\$ 4,805,823

# Friends of Israel Disabled Veterans, Inc.

## Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support</b>						
Contributions	\$ 1,706,994	\$ 1,610,662	\$ 3,317,656	\$ 1,413,699	\$ 1,647,297	\$ 3,060,996
Direct mail	190,210	-	190,210	380,501	-	380,501
Change in value in beneficial interest in remainder trusts	-	(111,628)	(111,628)	-	(277,312)	(277,312)
Change in value of perpetual trust	-	14,130	14,130	-	19,047	19,047
Net assets released from restrictions	971,854	(971,854)	-	1,241,512	(1,241,512)	-
<b>Total revenues and other support</b>	<u>2,869,058</u>	<u>541,310</u>	<u>3,410,368</u>	<u>3,035,712</u>	<u>147,520</u>	<u>3,183,232</u>
<b>Expenses</b>						
Program services						
Facilities and special programs	2,339,820	-	2,339,820	3,208,349	-	3,208,349
Supporting services						
Management and general	184,995	-	184,995	201,226	-	201,226
Fundraising	501,718	-	501,718	595,542	-	595,542
<b>Total supporting services</b>	<u>686,713</u>	<u>-</u>	<u>686,713</u>	<u>796,768</u>	<u>-</u>	<u>796,768</u>
<b>Total expenses</b>	<u>3,026,533</u>	<u>-</u>	<u>3,026,533</u>	<u>4,005,117</u>	<u>-</u>	<u>4,005,117</u>
<b>Change in Net Assets Before Investment Income</b>	(157,475)	541,310	383,835	(969,405)	147,520	(821,885)
Investment income	33,651	-	33,651	57,292	-	57,292
<b>Change in Net Assets</b>	(123,824)	541,310	417,486	(912,113)	147,520	(764,593)
<b>Net Assets, Beginning of Year</b>	1,144,499	2,931,615	4,076,114	2,056,612	2,784,095	4,840,707
<b>Net Assets, End of Year</b>	<u>\$ 1,020,675</u>	<u>\$ 3,472,925</u>	<u>\$ 4,493,600</u>	<u>\$ 1,144,499</u>	<u>\$ 2,931,615</u>	<u>\$ 4,076,114</u>

**Friends of Israel Disabled Veterans, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2020 and 2019**

	2020					2019				
	Program Services	Supporting Services			Total	Program Services	Supporting Services			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	\$ 2,339,820	\$ -	\$ -	\$ -	\$ 2,339,820	\$ 3,208,349	\$ -	\$ -	\$ -	\$ 3,208,349
Salaries	-	85,819	200,245	286,064	286,064	-	101,012	235,695	336,707	336,707
Payroll taxes and employee benefits	-	14,149	33,013	47,162	47,162	-	12,617	29,439	42,056	42,056
Professional fees	-	24,649	57,514	82,163	82,163	-	27,859	65,003	92,862	92,862
Insurance	-	634	1,480	2,114	2,114	-	633	1,476	2,109	2,109
Data processing	-	7,476	17,443	24,919	24,919	-	9,493	22,151	31,644	31,644
Direct mail	-	-	63,391	63,391	63,391	-	-	96,991	96,991	96,991
Occupancy	-	23,060	53,806	76,866	76,866	-	23,680	55,253	78,933	78,933
Telephone and online services	-	2,727	6,363	9,090	9,090	-	2,335	5,448	7,783	7,783
Office supplies	-	22,821	53,250	76,071	76,071	-	20,853	48,656	69,509	69,509
Postage, printing and publications	-	1,966	4,587	6,553	6,553	-	1,948	4,546	6,494	6,494
Advertising	-	-	3,342	3,342	3,342	-	-	5,882	5,882	5,882
Travel	-	-	2,861	2,861	2,861	-	-	23,147	23,147	23,147
Depreciation and amortization	-	113	264	377	377	-	278	646	924	924
Miscellaneous	-	1,581	4,159	5,740	5,740	-	518	1,209	1,727	1,727
<b>Total expenses</b>	<b>\$ 2,339,820</b>	<b>\$ 184,995</b>	<b>\$ 501,718</b>	<b>\$ 686,713</b>	<b>\$ 3,026,533</b>	<b>\$ 3,208,349</b>	<b>\$ 201,226</b>	<b>\$ 595,542</b>	<b>\$ 796,768</b>	<b>\$ 4,005,117</b>

# Friends of Israel Disabled Veterans, Inc.

## Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating Activities</b>		
Change in net assets	\$ 417,486	\$ (764,593)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	377	924
Stock donation	(36,337)	(13,728)
Realized and unrealized gain on investments	(26,590)	(50,525)
Change in value in beneficial interest in remainder trust	111,628	277,312
Change in value of perpetual trust	(14,130)	(19,047)
Changes in		
Contributions receivable	(432,133)	703,252
Prepaid expenses	(1,087)	(3,777)
Accounts payable and accrued expenses	15,795	6,248
Grants payable	<u>510,990</u>	<u>(602,705)</u>
Net cash provided by (used in) operating activities	<u>545,999</u>	<u>(466,639)</u>
<b>Investing Activities</b>		
Purchase of investments	(322,719)	(10,104)
Proceeds from sales of investments	351,791	4,922
Purchase of property and equipment	<u>-</u>	<u>(1,130)</u>
Net cash provided by (used in) investing activities	<u>29,072</u>	<u>(6,312)</u>
<b>Financing Activities</b>		
Proceeds from loan	<u>61,400</u>	<u>-</u>
Net cash provided by financing activities	<u>61,400</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	636,471	(472,951)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,997,806</u>	<u>2,470,757</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,634,277</u>	<u>\$ 1,997,806</u>



# Friends of Israel Disabled Veterans, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### 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 but was paused during the COVID-19 pandemic. Construction is expected to resume shortly and is expected to be completed in mid-2024. 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.

As a result of the spread of the COVID-19 pandemic, Friends of Israel Disabled Veterans, Inc.'s (Friends) office was forced to work remotely from March 2020 to June 2020. At the same time, all donations and anticipated income were negatively impacted by the same pandemic. Therefore, grants transmission, which depends on actual donations, was negatively affected. Additionally, Friends has reduced staff workdays and salaries.

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 of Israel Disabled Veterans, Inc.**

## **Notes to Financial Statements**

**December 31, 2020 and 2019**

Friends is funded primarily by contributions.

### ***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, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

At December 31, 2020, Friends' cash accounts exceeded federally insured limits by approximately \$2,390,000.

### ***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, 2020 or 2019.

# Friends of Israel Disabled Veterans, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### **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:

	<b><u>Estimated Useful Lives</u></b>
Computer and equipment	3 years
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:

<b><u>Nature of the Gift</u></b>	<b><u>Value Recognized</u></b>
<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, 2020 and 2019

<b>Nature of the Gift</b>	<b>Value Recognized</b>
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, 2020 or 2019.

### ***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 2020 and 2019, all leases were classified as operating leases.

# **Friends of Israel Disabled Veterans, Inc.**

## **Notes to Financial Statements**

**December 31, 2020 and 2019**

### ***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.

### **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, 2020 and 2019

### **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, 2020 and December 31, 2019:

	Fair Value	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)
<b>December 31, 2020</b>				
General				
State of Israel bonds	\$ 15,000	\$ -	\$ 15,000	\$ -
Fixed-income securities				
Municipal bonds	25	-	25	-
Total investments reported on the fair value hierarchy	15,025	\$ -	\$ 15,025	\$ -
Cash and cash equivalents	396,613			
Total investments	\$ 411,638			
Beneficial interest in trust				
Remainder trust	\$ -	\$ -	\$ -	\$ 1,918,816
Perpetual trust	-	-	-	187,904
	\$ -	\$ -	\$ -	\$ 2,106,720

# Friends of Israel Disabled Veterans, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

	Fair Value	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)
<b>December 31, 2019</b>				
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

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, 2020 and December 31, 2019.

### 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, 2020 and 2019

### Note 3: Contributions Receivable

Contributions receivable have been discounted over the payment period using a discount rate of 0.3 percent. Contributions receivable are due as follows:

Years Ending December 31	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
2021	\$ 87,495	\$ 145,000	\$ 232,495
2022	-	145,000	145,000
2023	-	120,000	120,000
2024	-	120,000	120,000
	<u>\$ 87,495</u>	<u>\$ 530,000</u>	<u>\$ 617,495</u>
Years Ending December 31	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
2020	<u>\$ 185,362</u>	<u>\$ -</u>	<u>\$ 185,362</u>

### Note 4: 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 \$218,750 in 2020 and \$374,000 in 2019. As of December 31, 2020 and 2019, 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 \$1,918,816 and \$2,030,444, respectively.



# Friends of Israel Disabled Veterans, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

Anticipated future distributions, recorded at present value using a discount rate of 5 percent as of December 31, 2020 are as follows:

2021	\$ 467,000
2022	211,000
2023	215,000
2024	219,000
2025	223,000
Thereafter	<u>938,000</u>
	2,273,000
Less present value discount	<u>(354,184)</u>
Total	<u>\$ 1,918,816</u>

The present value discount was \$354,184 at December 31, 2020 and \$445,556 at December 31, 2019.

- (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, 2020 and 2019 was \$187,904 and \$173,774, respectively.

### Note 5: Property and Equipment

	<u>2020</u>	<u>2019</u>
Computer and equipment	\$ 6,462	\$ 6,462
Furniture and fixtures	3,864	3,864
Leasehold improvements	<u>16,990</u>	<u>16,990</u>
	27,316	27,316
Less accumulated depreciation and amortization	<u>(26,781)</u>	<u>(26,404)</u>
Net fixed assets	<u>\$ 535</u>	<u>\$ 912</u>

# Friends of Israel Disabled Veterans, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 6: Loan Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 4, 2020, Friends received a loan in the amount of \$61,400 pursuant to the Paycheck Protection Program. Friends has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. The loan was due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. On June 5, 2020, Congress passed the *Paycheck Protection Flexibility Act of 2020* which extended the loan due date to 5 years from the date of the first disbursement under the loan. On June 21, 2021, the Small Business Administration (SBA) authorized full forgiveness of Friends' first loan. Subsequent to year-end, on March 22, 2021, Friends received a second loan in the amount of \$51,319 pursuant to the Paycheck Protection Program. The loan is due five years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year.

### Note 7: Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Program for paralyzed veterans	\$ 101,618	\$ 27,132
Showers at Beit Halochem Jerusalem	31,963	31,963
Time restrictions	3,151,440	2,698,746
Kamaiko perpetual trust	187,904	173,774
	<u>\$ 3,472,925</u>	<u>\$ 2,931,615</u>

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

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 603,460	\$ 570,644
Program for paralyzed veterans	368,394	670,868
	<u>\$ 971,854</u>	<u>\$ 1,241,512</u>

### Note 8: Zahal Disabled Veterans Organization

During 2020 and 2019, Friends granted the sum of \$2,339,820 and \$3,208,349, 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, 2020 and 2019

### Note 9: 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 \$76,866 in 2020 and \$78,108 in 2019.

Minimum lease payments are as follows:

2021	\$	76,900
2022		<u>25,884</u>
	\$	<u>102,784</u>

In November 2020, as a result of the COVID-19 pandemic Friends stopped paying rent on their lease. In May 2020, Friends had requested a reduction in rent and/or a smaller office space from their landlord. Friends has not received a reply from their landlord as of the date of this report. As of December 31, 2020, \$12,566 remains outstanding and is included in accounts payable in the financial statements.

### Note 10: 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, 2020 and 2019 was \$6,802 and \$7,661, respectively.

# Friends of Israel Disabled Veterans, Inc.

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 11: Liquidity and Availability

Friends' financial assets available within one year of the balance sheet date for general expenditures as of December 31, 2020 and December 31, 2019 are:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,634,277	\$ 1,997,806
Investments	411,638	377,783
Contributions receivable	617,495	185,362
Beneficial interest in remainder trust	1,918,816	2,030,444
Beneficial interest in perpetual trust	<u>187,904</u>	<u>173,774</u>
Total financial assets	5,770,130	4,765,169
Less restrictions		
Beneficial interest in remainder trust	(1,451,816)	(1,827,444)
Beneficial interest in perpetual trust	(187,904)	(173,774)
Less other net assets with donor restrictions	<u>(1,366,205)</u>	<u>(727,397)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,764,205</u>	<u>\$ 2,036,554</u>

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, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Friends expects to receive a \$467,000 and \$203,000 payment from the beneficial interest in remainder trust in 2021 and 2020, respectively. Thus those amounts are not included in the restrictions as of December 31, 2020 and December 31, 2019.

### Note 12: Subsequent Events

Subsequent events have been evaluated through August 6, 2021, which is the date the financial statements were available to be issued.

# **Friends of Israel Disabled Veterans, Inc.**

## **Notes to Financial Statements**

**December 31, 2020 and 2019**

### **Note 13: 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.