

American Friends of Beit Issie Shapiro, Inc.

Financial Statements

December 31, 2019 and 2018

Independent Auditors' Report

Board of Trustees American Friends of Beit Issie Shapiro, Inc.

We have audited the accompanying financial statements of the American Friends of Beit Issie Shapiro, 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.

Auditors' 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 auditors' 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 Trustees
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Friends of Beit Issie Shapiro, 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.

PKF O'Connor Davies, LLP

June 17, 2020

American Friends of Beit Issie Shapiro, Inc.

Statements of Financial Position

	December 31	
	2019	2018
ASSETS		
Cash	\$ 189,904	\$ 328,315
Investments	35,307	27,678
Contributions receivable, net	244,853	177,918
Prepaid expenses and other assets	2,463	1,000
Office equipment, net	<u>3,841</u>	<u>5,384</u>
	<u>\$ 476,368</u>	<u>\$ 540,295</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 34,185</u>	<u>\$ 37,744</u>
Net Assets		
Without donor restrictions	215,704	334,533
With donor restrictions	<u>226,479</u>	<u>168,018</u>
Total Net Assets	<u>442,183</u>	<u>502,551</u>
	<u>\$ 476,368</u>	<u>\$ 540,295</u>

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Statements of Activities

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 519,719	\$ 1,006,181	\$ 1,525,900	\$ 876,428	\$ 300,624	\$ 1,177,052
Special events, less cost of direct benefits to donors of \$102,225 and \$60,005	196,839	-	196,839	98,229	-	98,229
In-kind contributions	47,438	-	47,438	-	-	-
Investment return	2,591	-	2,591	(520)	-	(520)
Other income	-	-	-	268	-	268
Net assets released from restrictions	947,720	(947,720)	-	286,401	(286,401)	-
Total Support and Revenue	<u>1,714,307</u>	<u>58,461</u>	<u>1,772,768</u>	<u>1,260,806</u>	<u>14,223</u>	<u>1,275,029</u>
EXPENSES						
Program	1,589,006	-	1,589,006	1,085,579	-	1,085,579
Management and general	188,015	-	188,015	189,139	-	189,139
Fundraising	56,115	-	56,115	66,200	-	66,200
Total Expenses	<u>1,833,136</u>	<u>-</u>	<u>1,833,136</u>	<u>1,340,918</u>	<u>-</u>	<u>1,340,918</u>
Change in Net Assets	(118,829)	58,461	(60,368)	(80,112)	14,223	(65,889)
NET ASSETS						
Beginning of year	<u>334,533</u>	<u>168,018</u>	<u>502,551</u>	<u>414,645</u>	<u>153,795</u>	<u>568,440</u>
End of year	<u>\$ 215,704</u>	<u>\$ 226,479</u>	<u>\$ 442,183</u>	<u>\$ 334,533</u>	<u>\$ 168,018</u>	<u>\$ 502,551</u>

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and related benefits	\$ 119,699	\$ 44,312	\$ 13,300	\$ 177,311	\$ 153,346	\$ 37,217	\$ 36,598	\$ 227,161
Insurance	804	2,416	804	4,024	896	2,689	896	4,481
Office expense	634	32,477	19,730	52,841	2,628	28,012	20,199	50,839
Printing and postage	1,052	-	3,157	4,209	2,707	-	8,920	11,627
Professional services	39,600	91,670	95,369	226,639	18,598	91,244	22,529	132,371
Rent	6,210	14,400	690	21,300	6,210	14,400	690	21,300
Support for Beit Issie Shapiro, Israel	1,419,990	-	-	1,419,990	898,166	-	-	898,166
Telephone	-	180	20	200	-	70	9	79
Travel and entertainment	1,017	1,017	25,270	27,304	1,338	296	36,153	37,787
Bad debt	-	-	-	-	-	15,000	-	15,000
Depreciation	-	1,543	-	1,543	1,690	211	211	2,112
Total Expenses	<u>1,589,006</u>	<u>188,015</u>	<u>158,340</u>	<u>1,935,361</u>	<u>1,085,579</u>	<u>189,139</u>	<u>126,205</u>	<u>1,400,923</u>
Less costs with direct benefit to donors	<u>-</u>	<u>-</u>	<u>(102,225)</u>	<u>(102,225)</u>	<u>-</u>	<u>-</u>	<u>(60,005)</u>	<u>(60,005)</u>
Total Expenses Reported by Function on the Statements of Activities	<u>\$ 1,589,006</u>	<u>\$ 188,015</u>	<u>\$ 56,115</u>	<u>\$ 1,833,136</u>	<u>\$ 1,085,579</u>	<u>\$ 189,139</u>	<u>\$ 66,200</u>	<u>\$ 1,340,918</u>

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Statements of Cash Flows

	Year Ended	
	December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (60,368)	\$ (65,889)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,543	2,112
Donated securities	(218,380)	-
Unrealized and realized (gain) loss on investments	(4,719)	1,479
Change in discount on contributions receivable	1,701	5,041
Bad debt	-	15,000
Changes in operating assets and liabilities:		
Contributions receivable	(68,636)	62,142
Prepaid expenses and other assets	(1,463)	1,073
Accounts payable and accrued expenses	(3,559)	(1,777)
Net Cash from Operating Activities	(353,881)	19,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	215,725	270,000
Purchase of investments	(255)	(959)
Net Cash from Investing Activities	215,470	269,041
Net Change in Cash	(138,411)	288,222
CASH		
Beginning of year	328,315	40,093
End of year	\$ 189,904	\$ 328,315

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Organization and Tax Status

American Friends of Beit Issie Shapiro, Inc. ("American Friends") provides aid to individuals in the United States, Israel and other countries who suffer physical or mental disabilities. American Friends sponsors or otherwise assists in educational or research programs, establishes rehabilitative facilities, provides therapy, medical, psychological, social or vocational services, and any other activities that may in any way, contribute to the alleviation of the physical or mental disabilities of such individuals.

American Friends is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation as defined under Section 509(a)(1) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

Effective January 1, 2019, American Friends adopted new U.S. GAAP revenue recognition guidance ("ASU 2014-09"), which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The core principle of the new accounting standards update is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers.

The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. American Friends adopted ASU 2014-09 on a modified retrospective basis. Adoption of ASU 2014-09 had no impact on American Friends' financial statements.

Effective January 1, 2019, American Friends adopted new U.S. GAAP guidance, ASU 2018-08 *Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for evaluating whether grants or contributions should be accounted for as exchange transactions or as non-exchange transactions. American Friends adopted ASU 2018-08 on a modified retrospective basis. Adoption of ASU 2018-08 had no impact on American Friends' financial statements.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Net Assets

Resources are classified for accounting and reporting purposes into net asset classes according to externally imposed restrictions. Net assets without donor restrictions are those whose use is not subject to any donor-imposed restrictions. Net assets with donor restrictions are those resulting from contributions and other inflows of assets whose use by American Friends is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of American Friends pursuant to these stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained by American Friends in perpetuity. American Friends has no perpetual donor restricted net assets as at December 31, 2019 and 2018.

Fair Value Measurement

American Friends follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of the investment's underlying assets and liabilities.

Investment Valuation

Investments are carried at fair value. Investment gains and losses, both realized and unrealized, are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is donor restricted.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions on the statements of activities. Conditional promises to give are not included as support until the conditions are substantially met.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2019 and 2018, management has concluded that an allowance is not required.

Office Equipment

American Friends follows the practice of capitalizing all expenditures for office equipment which exceed \$200 and have a useful life of at least five years. Office equipment is stated at cost if purchased and at fair value at date of donation, if donated. Depreciation is recognized using the straight-line method over the estimated useful lives of equipment ranging from 5 - 20 years.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at the date the contribution is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions, and reported in the statements of activities as net assets released from restrictions.

Special Events

Special events include the American Friends Gala and other events.

In-kind Contributions

A number of the members of the Board of Trustees have contributed significant amounts of their time to the affairs of American Friends. However, the value of these services, if not professional in nature, has not been reflected in the financial statements unless the services provided represent the value of services provided by an otherwise salaried employee.

During the year ended December 31, 2019, American Friends received contributed services for the American Friends Gala totaling \$47,438. The valuation of contributed services is equivalent to market rate, and is included within in-kind contributions and cost of direct benefits to donors in the 2019 statement of activities.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded when declared. Unrealized and realized gains and losses are included in the determination of the change in net assets.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited.

Such allocations are determined by management and are allocated as follows:

Expense	Method of Allocation
Salaries and related benefits	Time and effort
Insurance	Time and effort
Office expense	Usage
Printing and postage	Usage
Professional services	Full-time equivalents
Rent	Usage
Telephone	Usage
Travel and entertainment	Time and effort
Depreciation	Time and effort

Operating Leases

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to rental expense. Rental expense is recorded on the straight-line basis and deferred rent represents the differences between the fixed payment and the rent expense.

Accounting for Uncertainty in Income Taxes

American Friends recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that American Friends had no uncertain tax positions that would require financial statement recognition or disclosure. American Friends is no longer subject to examinations by applicable taxing jurisdictions for the periods prior to December 31, 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2019 financial statement presentation. The reclassifications have had no effect on 2018 total assets, total liabilities, total net assets or the change in net assets.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

3. Liquidity and Availability of Financial Resources

Financial assets available for general expenditure within one year of December 31, 2019 are as follows:

Cash	\$ 189,904
Investments	35,307
Contributions receivable, net	<u>244,853</u>
Total Financial Assets	470,064
Less: Net assets with donor restrictions	<u>(226,479)</u>
Financial assets at year end available to meet cash needs for general expenditure within one year	<u><u>\$ 243,585</u></u>

American Friends' goal is generally to maintain financial assets to meet 3 months of operating expenses. As part of its liquidity plan, restricted gifts are granted to Beit Issie Shapiro, Israel first, and based on cash flow, undesignated gifts will then be granted. American Friends has a long standing relationship with its bank and has a dedicated banker whom they can reach out to should the organization need to obtain a line of credit or other financing. American Friends will not grant funds in advance of receiving a donation to cover the grant if financial assets do not exceed the 3-month reserve.

4. Investments

Investments categorized by fair value consist of the following at December 31:

		2019		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Greater Miami Jewish Federation, Inc.	\$	-	\$ 24,304	\$ 24,304
Equity securities		<u>11,003</u>	<u>-</u>	<u>11,003</u>
		<u><u>\$ 11,003</u></u>	<u><u>\$ 24,304</u></u>	<u><u>\$ 35,307</u></u>
		2018		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Greater Miami Jewish Federation, Inc.	\$	-	\$ 20,784	\$ 20,784
Equity securities		<u>6,894</u>	<u>-</u>	<u>6,894</u>
		<u><u>\$ 6,894</u></u>	<u><u>\$ 20,784</u></u>	<u><u>\$ 27,678</u></u>

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Contributions Receivable

Contributions receivable are due as follows at December 31:

	<u>2019</u>	<u>2018</u>
Due in one year	\$ 161,994	\$ 106,690
Due in two to four years	<u>90,000</u>	<u>76,668</u>
	251,994	183,358
Discount to net present value	<u>(7,141)</u>	<u>(5,440)</u>
	<u>\$ 244,853</u>	<u>\$ 177,918</u>

A discount rate of 4.25% was used to determine the net present value of contributions receivable due in more than one year.

6. Office Equipment

Office equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 15,181	\$ 15,181
Accumulated depreciation	<u>(11,340)</u>	<u>(9,797)</u>
	<u>\$ 3,841</u>	<u>\$ 5,384</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions activity during 2019 and 2018 is as follows:

	<u>2019</u>			
	Balance at January 1, 2019	Additions	Net Assets Released from Restrictions	Balance at December 31, 2019
Time restricted	<u>\$ 168,018</u>	<u>\$ 1,006,181</u>	<u>\$ (947,720)</u>	<u>\$ 226,479</u>

	<u>2018</u>			
	Balance at January 1, 2018	Additions	Net Assets Released from Restrictions	Balance at December 31, 2018
Time restricted	<u>\$ 153,795</u>	<u>\$ 300,624</u>	<u>\$ (286,401)</u>	<u>\$ 168,018</u>

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
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8. Concentrations of Credit Risk

Financial instruments which potentially subject American Friends to concentrations of credit risk consist principally of cash, investments and contributions receivable. At times, cash balances held at financial institutions may be in excess of the Federal Deposit Insurance Corporation's insurance limits. A majority of American Friends' investments are held at The Greater Miami Jewish Federation, Inc., an unaffiliated organization. Contributions receivable are primarily from long standing contributors and are expected to be collected in the normal course of business.

For the years ended December 31, 2019 and 2018, three donors and one donor accounted for 41% and 46% of American Friends' total support and revenue.

9. Commitments and Contingencies

American Friends had the following leases for the years ended December 31, 2019 and 2018:

- American Friends entered into a month-to-month lease with Perry Davis Associates, effective May 1, 2016. Rent expense for both the years ended December 31, 2019 and 2018 was \$14,400.
- American Friends entered into a month-to-month lease with Michael Ann Russell JCC for office space in Miami, effective July 1, 2013. Rent expense for both the years ended December 31, 2019 and 2018 was \$6,900.

Additionally, during December 2019, American Friends entered in to a consulting agreement with a third party. The agreement is effective January 1, 2020, and expires on December 31, 2020. Total consideration payable on the agreement is \$120,000.

10. Related Party Transaction

During the year ended December 31, 2019, one member of the American Friends Board of Trustees provided in-kind catering services for the American Friends Gala totaling \$45,938.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

11. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is June 17, 2020.

COVID-19 (“Coronavirus”) Pandemic

Subsequent to the year end, the Coronavirus pandemic has resulted in substantial volatility to the global economy. The pandemic has had, and will have, an adverse effect on the results of operations. The extent to which the Coronavirus pandemic impacts American Friends’ results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the Coronavirus and actions taken to contain the pandemic and its impact, among others. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to American Friends’ future results of operations, cash flows, or financial condition.

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