

American Friends of Beit Issie Shapiro, Inc.

Financial Statements

December 31, 2020 and 2019

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, 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.

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.

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, 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.

PKF O'Connor Davies, LLP

June 30, 2021

American Friends of Beit Issie Shapiro, Inc.

Statements of Financial Position

	December 31	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 291,894	\$ 189,904
Investments	3,540	35,307
Contributions receivable, net	156,384	244,853
Prepaid expenses and other assets	4,996	2,463
Office equipment, net	<u>2,298</u>	<u>3,841</u>
	<u>\$ 459,112</u>	<u>\$ 476,368</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 34,955	\$ 34,185
Paycheck Protection Program loan payable	<u>39,975</u>	<u>-</u>
Total Liabilities	<u>74,930</u>	<u>34,185</u>
Net Assets		
Without donor restrictions	274,121	215,704
With donor restrictions	<u>110,061</u>	<u>226,479</u>
Total Net Assets	<u>384,182</u>	<u>442,183</u>
	<u>\$ 459,112</u>	<u>\$ 476,368</u>

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Statements of Activities

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 969,987	\$ 828,516	\$ 1,798,503	\$ 519,719	\$ 1,006,181	\$ 1,525,900
Special events, less cost of direct benefits to donors of \$3,800 and \$102,225	17,399	-	17,399	196,839	-	196,839
In-kind contributions	-	-	-	47,438	-	47,438
Investment return	805	-	805	2,591	-	2,591
Net assets released from restrictions	944,934	(944,934)	-	947,720	(947,720)	-
Total Support and Revenue	<u>1,933,125</u>	<u>(116,418)</u>	<u>1,816,707</u>	<u>1,714,307</u>	<u>58,461</u>	<u>1,772,768</u>
EXPENSES						
Program	1,596,791	-	1,596,791	1,589,006	-	1,589,006
Management and general	168,756	-	168,756	188,015	-	188,015
Fundraising	109,161	-	109,161	56,115	-	56,115
Total Expenses	<u>1,874,708</u>	<u>-</u>	<u>1,874,708</u>	<u>1,833,136</u>	<u>-</u>	<u>1,833,136</u>
Change in Net Assets	58,417	(116,418)	(58,001)	(118,829)	58,461	(60,368)
NET ASSETS						
Beginning 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>
End of year	<u>\$ 274,121</u>	<u>\$ 110,061</u>	<u>\$ 384,182</u>	<u>\$ 215,704</u>	<u>\$ 226,479</u>	<u>\$ 442,183</u>

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and related benefits	\$ 350,589	\$ -	\$ 38,954	\$ 389,543	\$ 119,699	\$ 44,312	\$ 13,300	\$ 177,311
Insurance	713	2,144	714	3,571	804	2,416	804	4,024
Office expense	238	35,040	20,068	55,346	634	32,477	19,730	52,841
Printing and postage	3,456	-	10,369	13,825	1,052	-	3,157	4,209
Professional services	87,600	100,100	36,700	224,400	39,600	91,670	95,369	226,639
Rent	3,105	14,400	345	17,850	6,210	14,400	690	21,300
Support for Beit Issie Shapiro, Israel	1,150,895	-	-	1,150,895	1,419,990	-	-	1,419,990
Telephone	-	-	-	-	-	180	20	200
Travel and entertainment	195	195	5,811	6,201	1,017	1,017	25,270	27,304
Bad debt	-	15,334	-	15,334	-	-	-	-
Depreciation	-	1,543	-	1,543	-	1,543	-	1,543
Total Expenses	<u>1,596,791</u>	<u>168,756</u>	<u>112,961</u>	<u>1,878,508</u>	<u>1,589,006</u>	<u>188,015</u>	<u>158,340</u>	<u>1,935,361</u>
Less costs with direct benefit to donors	<u>-</u>	<u>-</u>	<u>(3,800)</u>	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>(102,225)</u>	<u>(102,225)</u>
Total Expenses Reported by Function on the Statements of Activities	<u>\$ 1,596,791</u>	<u>\$ 168,756</u>	<u>\$ 109,161</u>	<u>\$ 1,874,708</u>	<u>\$ 1,589,006</u>	<u>\$ 188,015</u>	<u>\$ 56,115</u>	<u>\$ 1,833,136</u>

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Statements of Cash Flows

	Year Ended	
	December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (58,001)	\$ (60,368)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,543	1,543
Donated securities	(1,082)	(218,380)
Unrealized and realized gain on investments	(674)	(4,719)
Change in discount on contributions receivable	(5,119)	1,701
Bad debt	15,334	-
Changes in operating assets and liabilities:		
Contributions receivable	78,254	(68,636)
Prepaid expenses and other assets	(2,533)	(1,463)
Accounts payable and accrued expenses	770	(3,559)
Net Cash from Operating Activities	28,492	(353,881)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	33,703	215,725
Purchase of investments	(180)	(255)
Net Cash from Investing Activities	33,523	215,470
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	39,975	-
Net Change in Cash	101,990	(138,411)
CASH		
Beginning of year	189,904	328,315
End of year	\$ 291,894	\$ 189,904

See notes to financial statements

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of 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.

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, 2020 and 2019.

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.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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

Fair Value Measurement (continued)

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.

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.

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, 2020 and 2019, 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.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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

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. During the year ended December 31, 2020, American Friends did not receive any in-kind contributions.

Investment Income Recognition and 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.

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.

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

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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

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, if any, 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, 2017.

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 30, 2021.

3. Liquidity and Availability of Financial Resources

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 291,894	\$ 189,904
Investments	3,540	35,307
Contributions receivable, net	<u>156,384</u>	<u>244,853</u>
Total Financial Assets	451,818	470,064
Less: Net assets with donor restrictions	<u>(110,061)</u>	<u>(226,479)</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 341,757</u>	<u>\$ 243,585</u>

Liquidity Management

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.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

4. Investments

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

	2020		
	Significant Other Observable Inputs (Level 2)	Total	
Greater Miami Jewish Federation, Inc.	\$ 3,540	\$ 3,540	
	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	11,003	-	11,003
	\$ 11,003	\$ 24,304	\$ 35,307

5. Contributions Receivable

Contributions receivable are due as follows at December 31:

	2020	2019
Due in one year	\$ 118,406	\$ 161,994
Due in two to three years	40,000	90,000
	158,406	251,994
Discount to net present value	(2,022)	(7,141)
	\$ 156,384	\$ 244,853

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

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

6. Office Equipment

Office equipment consists of the following at December 31:

	2020	2019
Office equipment	\$ 15,181	\$ 15,181
Accumulated depreciation	<u>(12,883)</u>	<u>(11,340)</u>
	<u>\$ 2,298</u>	<u>\$ 3,841</u>

7. Paycheck Protection Program Loan Payable

On April 14, 2020, American Friends received loan proceeds in the amount of \$39,975 under the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable provided American Friends uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable over two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). The entire amount received under the PPP is reported as a loan payable in the statement of financial position at December 31, 2020. On April 28, 2021, the loan was fully forgiven.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions activity during 2020 and 2019 is as follows:

	2020			
Balance at January 1, 2020	Additions	Net Assets Released from Restrictions	Balance at December 31, 2020	
Time restricted	<u>\$ 226,479</u>	<u>\$ 828,516</u>	<u>\$ (944,934)</u>	<u>\$ 110,061</u>
	2019			
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>

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

9. Special Events Revenue

American Friends records gross receipts from special fundraising events that consist of exchange transaction revenue and contribution revenue. For the years ended December 31, 2020 and 2019, American Friends' special fundraising events revenue consists of the following:

	<u>2020</u>	<u>2019</u>
Contributions revenue	\$ 21,199	\$ 257,589
Special events exchange transaction revenue	-	41,475
Special events revenue, gross	<u>\$ 21,199</u>	<u>\$ 299,064</u>

10. 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. All 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, 2020 and 2019, three donors accounted for 29% and 41% of American Friends' total support and revenue.

11. Commitments and Contingencies

American Friends had the following leases for the years ended December 31, 2020 and 2019:

- 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, 2020 and 2019 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. The lease was terminated effective June 30, 2020. Rent expense for the years ended December 31, 2020 and 2019 was \$3,450 and \$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, 2021. Total consideration payable on the agreement is \$120,000 per year.

American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

12. 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. During the year ended December 31, 2020, there were no related party transactions.

13. COVID-19 (“Coronavirus”) Pandemic

The Coronavirus pandemic has resulted in substantial volatility to the global economy. The pandemic may have an adverse effect on future 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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