

AMERICAN FRIENDS OF NISHMAT, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2019

AMERICAN FRIENDS OF NISHMAT, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Friends of Nishmat, Inc.

We have audited the accompanying financial statements of American Friends of Nishmat, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Opinion

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

DDK & Company LLP

New York, New York
August 26, 2020

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 649,325
Contributions receivable, net	541,788
Prepaid expenses and other assets	26,714
Security deposit	<u>6,162</u>
 Total assets	 <u><u>\$ 1,223,989</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 10,648</u>
 Commitments and contingencies	
 Net Assets	
Without donor restrictions	432,851
With donor restrictions	<u>780,490</u>
 Total net assets	 <u>1,213,341</u>
 Total liabilities and net assets	 <u><u>\$ 1,223,989</u></u>

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without donor Restrictions	With donor Restrictions	Total
<i>Revenue and Support</i>			
Contributions			
Education	\$ 1,168,648	\$ 328,756	\$ 1,497,404
Capital campaign	110,045	585	110,630
Special events, net of direct costs of \$14,052	30,988	-	30,988
Online campaign	685,540		685,540
Other campaigns	17,205	-	17,205
Donated services	65,884	-	65,884
Investment income, net	7,657	-	7,657
Net assets released from restrictions			
Capital improvements in the Nishmat campus in Israel	21,953	(21,953)	-
Educational and other related purposes	526,800	(526,800)	-
	2,634,720	(219,412)	2,415,308
<i>Expenses</i>			
Program services	2,331,388	-	2,331,388
Supporting services			
General and administrative	123,060	-	123,060
Special events	35,006	-	35,006
Fundraising	148,926	-	148,926
	2,638,380	-	2,638,380
Decrease in net assets	(3,660)	(219,412)	(223,072)
Net assets at beginning of year	436,511	999,902	1,436,413
Net assets at end of year	\$ 432,851	\$ 780,490	\$ 1,213,341

The accompanying notes are an integral part of these financial statements.

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services	Supporting Services			Total
	Education	General and Administrative	Special Events	Fundraising	
Expenses					
Program grants	\$ 1,452,894	\$ -	\$ -	\$ -	\$ 1,452,894
Capital grants	132,000	-	-	-	132,000
Educational programs	186,672	-	-	-	186,672
Salaries	360,250	48,400	15,400	24,200	448,250
Payroll taxes and employee benefits	56,460	9,434	3,002	4,717	73,613
Communication and public relations	-	-	-	2,926	2,926
Catering and site rental	-	-	12,123	-	12,123
Computer expenses	3,289	8,746	-	3,807	15,842
Insurance	-	3,472	-	-	3,472
Office expense	13,829	3,662	1,221	1,221	19,933
Postage and shipping	-	478	2,450	1,912	4,840
Printing and publications	9,648	135	13,628	10,434	33,845
Professional services	73,164	16,175	-	10,000	99,339
Rent expense	-	27,804	-	-	27,804
Telephone	577	192	96	96	961
Travel	36,382	632	1,084	1,355	39,453
Allowance for doubtful accounts	-	3,800	-	-	3,800
Online fundraising fee	-	-	-	88,204	88,204

The accompanying notes are an integral part of these financial statements.

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES *(Continued)*
Year Ended December 31, 2019

	Program Services	Supporting Services			Total
	Education	General and Administrative	Special Events	Fundraising	
Expenses <i>(Continued)</i>					
Depreciation	-	22	-	-	22
Miscellaneous	6,223	108	54	54	6,439
	2,331,388	123,060	49,058	148,926	2,652,432
Less: Direct costs of special events	-	-	14,052	-	14,052
Total expenses, net of direct costs of special events	<u>\$ 2,331,388</u>	<u>\$ 123,060</u>	<u>\$ 35,006</u>	<u>\$ 148,926</u>	<u>\$ 2,638,380</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

Cash Flows From Operating Activities

Decrease in net assets	\$ (223,072)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Allowance for doubtful accounts	3,800
Depreciation	22
Gain on sale of marketable securities	(7,582)
Contributions of marketable securities	(378,285)
Changes in operating assets and liabilities:	
Contributions receivable, net	316,692
Proceeds from sale of marketable securities	385,867
Prepaid expenses and other assets	(23,073)
Accounts payable and accrued expenses	5,613
	79,982
Net cash provided by operating activities	79,982
Net increase in cash and cash equivalents	79,982
Cash and cash equivalents at beginning of year	569,343
Cash and cash equivalents at end of year	\$ 649,325

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

American Friends of Nishmat, Inc. (the "Organization"), a not-for-profit organization, was formed in 1990 to promote gender equality in education, encourage high level learning for women, assist women in leadership roles, and enhance educational and professional opportunities for disadvantaged women. In addition, the Organization gives financial support to institutions where women can study full time, at advanced levels, including, but not limited to, the Nishmat Institute in Israel.

The Organization was formed exclusively for one or more of the purposes as specified in Section 501(c)(3) of the Internal Revenue Code, including making distributions to other organizations that qualify as exempt under Section 501(c)(3) of the Internal Revenue Code.

The Organization's primary sources of support are contributions from individuals and foundations.

Basis of Accounting

The Organization's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Contributions received are recorded as without donor restriction, or with donor restriction, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of Presentation *(Continued)*

The Organization reports information regarding its financial position according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

1. Net assets without donor restrictions include assets, revenues and gains that are available for support of the Organization's general operations.
2. Net assets with donor restrictions include contributions that are donor restricted for uses which have not yet been fulfilled either in time or by purpose. The Organization had \$780,490 of net assets with donor restrictions at December 31, 2019.

Cash and Cash Equivalents

Cash equivalents include certain holdings in highly liquid investments, consisting of money market fund investments and time deposits with original maturity of three months or less.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The fair value of contributions receivable that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period. The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of contributions receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts may change. At December 31, 2019, the allowance for doubtful accounts is \$5,800.

Contributions

Contributions, including unconditional promises to give, are recorded in the period pledged at fair value which is net of estimated uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated by the donor for future periods or are restricted by the donor for specified purposes are reported as with donor restriction.

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contributions *(Continued)*

Contributed Goods

The Organization receives contributed goods in connection with many of its activities. The estimated fair values of these items are reported in the statement of activities as support and expenses in the year in which they are received.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of the donation.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or b) required specialized skills are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Marketable Securities

Investments in marketable securities are classified and accounted for as available-for-sale and accordingly carried at fair value based on market prices. There were no marketable securities at December 31, 2019.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. The cost of additions and improvements is capitalized and expenditures for repairs and maintenance are expensed as incurred. Fully depreciated assets are retained in property and equipment accounts until they are removed from service. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations. Depreciation of property and equipment is accounted for on the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets subject to amortization, if any, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future undiscounted cash flows. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; the Organization is also exempt from state and local income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as others factors.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis. Certain costs have been allocated based on management's evaluation of the benefit related to the particular costs, while overhead expenses have been allocated based on time spent.

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, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through August 26, 2020, the date the financial statements were available to be issued.

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 2 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, unconditional promises to give were scheduled to be received as follows:

<u>Years Ending December 31,</u>	<u>Educational and Other Related Purposes</u>	<u>Capital Improvements in the Nishmat Campaign</u>	<u>Total</u>
2020	\$ 477,249	\$ 25,000	\$ 502,249
2021	-	25,000	25,000
2022	-	25,000	25,000
	477,249	75,000	552,249
Less: Allowance for doubtful accounts	(5,800)	-	(5,800)
Less: Discount to present value	-	(4,661)	(4,661)
Present value of receivable, net	<u>\$ 471,449</u>	<u>\$ 70,339</u>	<u>\$ 541,788</u>

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet normal operating expenses, which are, on average, approximately \$40,000 per month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet dated because of contractual or donor-imposed restrictions.

Assets excluding non-financial assets	\$ 1,191,113
Subtract: donor restricted for specific uses	<u>780,490</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 410,623</u>

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are as follows and fully depreciated at December 31, 2019.

	Estimated Useful Lives - Years	Amounts
Office equipment	5	\$ 28,064
Less: Accumulated depreciation		28,064
Property and equipment, net		\$ -

Related depreciation expense for the year ended December 31, 2019 was \$22.

NOTE 5 - EMPLOYEE BENEFIT PLANS

The Organization's retirement plan provides retirement benefits for its salaried senior faculty members in Israel. Premiums are based on the employees' salaries. The related expense was \$19,003 for the year ended December 31, 2019.

The Organization has a 403(b) retirement plan for its U.S. employees that allow eligible participants to contribute up to 20% of their salary. The Organization does not match funds withheld unless specified in the employee's contract. For the year ended December 31, 2019, employer contributions were \$7,300.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2019:

Cash and cash equivalents	\$ 229,341
Contributions receivable	551,149
Net assets with donor restrictions	\$ 780,490

Net assets with donor restrictions at December 31, 2019 are available for the following purpose:

Capital improvements in the Nishmat campus in Israel for years after December 31, 2019	\$ 71,462
Educational and other related purposes for years after December 31, 2019	709,028
	\$ 780,490

Net assets released from restrictions for capital improvements in the Nishmat campus in Israel were \$21,953 and for educational and other related purposes were \$526,800, totaling \$548,753, for the year ended December 31, 2019.

AMERICAN FRIENDS OF NISHMAT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

NOTE 7 - LEASES

The Organization had a lease agreement for office space located in New York, New York through December 31, 2020.

Rent expense, including utilities, totaled \$27,804 for the year ended December 31, 2019. The future minimum annual rental payments required under the above operating lease for the year ending December 31, 2020 is approximately \$29,000.

NOTE 8 - RELATED PARTY TRANSACTIONS

Approximately 30% of the Organization's revenue from contributions was provided by the Organization's board members for the year ended December 31, 2019.

NOTE 9 - RISKS AND UNCERTAINTIES

Cash and Cash Equivalents

At December 31, 2019, the cash balances in banks exceeded the FDIC limit by approximately \$415,000.

Economic Dependency

The Organization had contributions from the one donor which accounted for approximately of 14% of the total contributions for the year ended December 31, 2019.

Contributions receivable from one donor represented approximately 72% of the total unconditional promises to give as of December 31, 2019.

The Organization granted Nishmat in Israel approximately \$1,455,000 for program services for the year ended December 31, 2019.

NOTE 10 - SUBSEQUENT EVENT

In May 2020, the Organization applied for and obtained a Paycheck Protection Program loan in the amount of approximately \$50,000 from the U.S. Small Business Administration. This loan may be forgiven in part or in whole if the Organization incurs certain levels of payroll and other required costs within a specified period after obtaining the loan.