



AMERICAN FRIENDS OF MIGDAL OHR
Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Report

American Friends of Migdal Ohr
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December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
American Friends of Migdal Ohr:

We have audited the accompanying financial statements of American Friends of Migdal Ohr (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to 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 audits 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 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.

Opinion

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

WithumSmith+Brown, PC

July 15, 2021

**American Friends of Migdal Ohr
Statements of Financial Position
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash	\$ 1,356,632	\$ 1,079,033
Contributions receivable, net	196,968	531,653
Prepaid expenses and other assets	3,386	8,079
Property and equipment, net	<u>9,041</u>	<u>12,754</u>
Total assets	<u>\$ 1,566,027</u>	<u>\$ 1,631,519</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 23,481</u>	<u>\$ 37,647</u>
Net assets		
Without donor restrictions	892,713	16,344
With donor restrictions	<u>649,833</u>	<u>1,577,528</u>
Total net assets	<u>1,542,546</u>	<u>1,593,872</u>
Total liabilities and net assets	<u>\$ 1,566,027</u>	<u>\$ 1,631,519</u>

The Notes to Financial Statements are an integral part of these statements.

American Friends of Migdal Ohr
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 4,399,013	\$ 6,035,499	\$ 10,434,512	\$ 1,621,947	\$ 4,738,959	\$ 6,360,906
Special event revenue, net direct expenses of \$-0- and \$106,439 in 2020 and 2019, respectively	-	-	-	48,981	-	48,981
Paycheck Protection Program loan forgiveness	108,803	-	108,803	-	-	-
Interest	10,532	-	10,532	12,312	-	12,312
Net assets released from restrictions	<u>6,963,194</u>	<u>(6,963,194)</u>	<u>-</u>	<u>4,760,085</u>	<u>(4,760,085)</u>	<u>-</u>
Total support and revenue	<u>11,481,542</u>	<u>(927,695)</u>	<u>10,553,847</u>	<u>6,443,325</u>	<u>(21,126)</u>	<u>6,422,199</u>
Expenses						
Program services	9,385,036	-	9,385,036	5,279,472	-	5,279,472
Management and general	473,344	-	473,344	557,785	-	557,785
Fundraising	<u>746,793</u>	<u>-</u>	<u>746,793</u>	<u>627,766</u>	<u>-</u>	<u>627,766</u>
Total expenses	<u>10,605,173</u>	<u>-</u>	<u>10,605,173</u>	<u>6,465,023</u>	<u>-</u>	<u>6,465,023</u>
Changes in net assets	876,369	(927,695)	(51,326)	(21,698)	(21,126)	(42,824)
Net assets						
Beginning of year	<u>16,344</u>	<u>1,577,528</u>	<u>1,593,872</u>	<u>38,042</u>	<u>1,598,654</u>	<u>1,636,696</u>
End of year	<u>\$ 892,713</u>	<u>\$ 649,833</u>	<u>\$ 1,542,546</u>	<u>\$ 16,344</u>	<u>\$ 1,577,528</u>	<u>\$ 1,593,872</u>

The Notes to Financial Statements are an integral part of these statements.

**American Friends of Migdal Ohr
Statements of Functional Expenses
Years Ended December 31, 2020 and 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Transmissions to Migdal Ohr-Israel	\$ 9,351,207	\$ -	\$ -	\$ 9,351,207	\$ 5,235,000	\$ -	\$ -	\$ 5,235,000
Salaries	-	217,223	122,188	339,411	-	209,112	139,408	348,520
Payroll taxes, employee benefits	-	95,782	53,878	149,660	-	65,591	43,728	109,319
Professional fees	-	82,083	54,722	136,805	-	145,351	96,900	242,251
Rent	-	28,970	19,313	48,283	-	25,381	16,920	42,301
Development and donor related	-	-	25,509	25,509	-	-	9,843	9,843
Office expenses	-	21,070	14,047	35,117	-	37,267	14,181	51,448
Insurance, tax, and compliance	-	9,524	6,350	15,874	-	4,017	1,890	5,907
Equipment rental	-	9,645	6,430	16,075	-	14,153	10,196	24,349
Marketing and communications	-	-	202,817	202,817	-	38,927	74,308	113,235
Bad debt expense and pledge cancellations	-	-	200	200	-	-	174,065	174,065
Bank and credit card fees	-	6,819	27,275	34,094	-	12,345	3,086	15,431
Depreciation and amortization	-	2,228	1,485	3,713	-	5,641	3,760	9,401
Donor events	-	-	212,579	212,579	-	-	16,681	16,681
Travel and other program costs	33,829	-	-	33,829	44,472	-	-	44,472
Special event costs - direct	-	-	-	-	-	-	106,439	106,439
Special event costs - indirect	-	-	-	-	-	-	22,800	22,800
Total expenses	9,385,036	473,344	746,793	10,605,173	5,279,472	557,785	734,205	6,571,462
Less: Direct costs of special events	-	-	-	-	-	-	(106,439)	(106,439)
	<u>\$ 9,385,036</u>	<u>\$ 473,344</u>	<u>\$ 746,793</u>	<u>\$ 10,605,173</u>	<u>\$ 5,279,472</u>	<u>\$ 557,785</u>	<u>\$ 627,766</u>	<u>\$ 6,465,023</u>

The Notes to Financial Statements are an integral part of these statements.

American Friends of Migdal Ohr
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ (51,326)	\$ (42,824)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	3,713	9,401
Bad debts and contributions cancellations	200	174,065
Changes in assets and liabilities		
Contributions receivable	334,485	208,389
Prepaid expenses and other assets	4,693	(4,696)
Accounts payable and accrued expenses	<u>(14,166)</u>	<u>34,161</u>
Net cash provided by operating activities	<u>277,599</u>	<u>378,496</u>
Investing activity		
Purchases of property and equipment	<u>-</u>	<u>(5,376)</u>
Net cash used in investing activity	<u>-</u>	<u>(5,376)</u>
Net change in cash	277,599	373,120
Cash		
Beginning of year	<u>1,079,033</u>	<u>705,913</u>
End of year	<u>\$ 1,356,632</u>	<u>\$ 1,079,033</u>

The Notes to Financial Statements are an integral part of these statements.

American Friends of Migdal Ohr
Notes to Financial Statements
December 31, 2020 and 2019

1. NATURE OF THE ORGANIZATION

American Friends of Migdal Ohr (“AFMO”) was incorporated as a not-for-profit corporation in New York State on July 31, 1986. Its primary purpose is to raise funds for Migdal Ohr institutions in Israel that provide education and social guidance to children from underprivileged and problem homes. In addition, AFMO has a responsibility to raise awareness about Migdal Ohr and its programs to its constituents in the United States. AFMO’s primary source of revenue is from contributions.

AFMO is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of AFMO are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of AFMO and changes therein are classified and reported as follows:

Net assets without donor restrictions: Include expendable resources that are used to carry out AFMO’s operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by AFMO or may be limited by contractual agreements with outside parties.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met by actions of AFMO and/or the passage of time. Items that affect this net asset category are contributions for which donor-imposed restrictions have not been met in the year of receipt.

Revenue Recognition

Contributions, including unconditional promises to give (“contributions”), are recognized as revenue in the period received or pledged. Contributions are classified and reported based on the existence or absence of donor-imposed restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restriction. Contributions received in securities or other non-cash contributions are recorded at fair value at the date of the gift.

Conditional promises to give, which include those with a barrier or other measurable performance requirement and a right of return or release, are not recognized as revenue until the conditions on which they depend have been substantially met. Payments received in advance of conditions being met are recorded as refundable advances on the statements of financial position. At December 31, 2020, there were no contributions not recognized because the condition on which they depend has not yet been met.

AFMO conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statements of activities and changes in net assets.

Cash

AFMO considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

American Friends of Migdal Ohr
Notes to Financial Statements
December 31, 2020 and 2019

Contributions Receivable

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using level-yield method and is reported as contribution revenue. AFMO provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The allowance for doubtful accounts at both December 31, 2020 and 2019 is \$50,000. Bad debt is charged if a receivable is determined to be uncollectible based on periodic review by management. AFMO wrote off uncollectible contributions receivable of \$200 and \$174,065 for years ended December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Office equipment	5
Computer software	5
Leasehold improvements	5

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in detail on the statements of functional expenses. Expenses, other than indirect expenses, are directly charged to the program that derives the direct benefit. Indirect expenses are allocated to the various program and supporting services based on the ratio of direct expense for any one function to total direct expenses of all functional areas or programs. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense Line</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes, employee benefits	Salaries
Professional fees	Salaries
Rent	Salaries
Telephone	Salaries
Printing and postage	Salaries
Office supplies	Salaries
Insurance	Salaries
Equipment rental/maintenance	Salaries
Bank charges and other fees	Salaries
Depreciation and amortization	Salaries
Miscellaneous expenses	Salaries

American Friends of Migdal Ohr
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Transmissions to Migdal Ohr-Israel

All transmissions to Migdal Ohr-Israel are grants to support programs operated by Migdal Ohr-Israel. Grants paid include those with specific donor restrictions for individual projects, as well as unrestricted general contributions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates are used in the valuation of contributions receivable and functional allocation of expenses.

Valuation of Long-Lived Assets

AFMO reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. No adjustment for impairment was required for the years ended December 31, 2020 and 2019.

Income Taxes

AFMO is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. AFMO has evaluated the recognition requirements for uncertain income tax positions and has concluded that there are no such positions at December 31, 2020. AFMO has not incurred any tax related interest and penalties for uncertain income tax positions at December 31, 2020.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net assets of AFMO.

Recent Accounting Pronouncements Issued Not Yet Adopted

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective beginning January 1, 2021, with early application permitted.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The AFMO does not expect this ASU to have a significant impact on its financial statements.

American Friends of Migdal Ohr
Notes to Financial Statements
December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, AFMO's financial assets available for general expenditures within one year of the statements of financial position date consist of the following:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 1,356,632	\$ 1,079,033
Contributions receivable, net	<u>196,968</u>	<u>531,653</u>
Total financial assets	1,553,600	1,610,686
Less: Net assets with restrictions	<u>649,833</u>	<u>1,577,528</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 903,767</u>	<u>\$ 33,158</u>

AFMO received significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2020 and 2019, restricted contributions of \$649,833 and \$1,577,528, respectively were included in financial assets.

AFMO manages its liquidity and reserves following the guiding principles: operating within a prudent range of financial solutions 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. AFMO maintains current financial assets less current liabilities at a minimum of 30 days' operating expenses. To achieve these targets, AFMO monitors its liquidity and reserves monthly.

4. CONTRIBUTIONS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 113,327	\$ 314,150
Due in one to five years	<u>139,008</u>	<u>276,935</u>
	252,335	591,085
Discount on contributions receivable	(5,367)	(9,432)
Allowance for doubtful contributions receivable	<u>(50,000)</u>	<u>(50,000)</u>
Contributions receivable, net	<u>\$ 196,968</u>	<u>\$ 531,653</u>

5. CONCENTRATIONS OF CREDIT RISK

Historically, AFMO does not receive a significant number of multi-year pledges. At December 31, 2020, of the six outstanding pledges, four of these contributors accounted for 93% of contributions receivable. At December 31, 2019, of the nine outstanding pledges, three of these contributors accounted for 88% of grants and contributions receivable. At December 31, 2020, two contributors accounted for 36% of contributions revenue. At December 31, 2019, one contributor accounted for 15% of contributions revenue. AFMO places its cash with high credit quality financial institutions. At times, such amounts may exceed the current insured amount under the Federal Deposit Insurance Corporation. AFMO monitors the financial condition of the banking institutions, along with their cash balances, to minimize this risk.

American Friends of Migdal Ohr
Notes to Financial Statements
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6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 45,386	\$ 73,668
Leasehold improvements	-	30,185
Computer software	<u>25,571</u>	<u>25,571</u>
	70,957	129,424
Less: Accumulated depreciation and amortization	<u>(61,916)</u>	<u>(116,670)</u>
Property and equipment, net	<u>\$ 9,041</u>	<u>\$ 12,754</u>

7. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, AFMO issued an unsecured promissory note under the Paycheck Protection Program (the "PPP Loan") for \$108,803 through programs established under the CARES Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the AFMO was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements.

The Organization concluded that the PPP Loan should be accounted for as a government grant. Under the provisions of ASC 958-605, the PPP Loan represents, in substance, a grant that is expected to be forgiven, or a conditional contribution. The conditional contribution is recognized as grant income at a point in time once the conditions of release have been met or explicitly waived; or over a period of time as it incurs qualifying PPP expenses. As discussed above, the Organization believes that it is probable that it met the terms of forgiveness prior to December 31, 2020 and on March 31, 2021, AFMO was informed that its application for forgiveness of \$108,803 of the PPP Loan was approved. Accordingly, the Organization recognized PPP grant income for the full amount of the PPP Loan in the accompanying statement of activities, and no liability for the PPP Loan is reflected in the accompanying statement of financial position.

8. NET ASSETS WITH DONOR RESTRICTIONS

Components of net assets with donor restrictions at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Bait Tavshil Soup Kitchen	\$ -	\$ 2,600
Bridal fund	7,372	8,798
Gan Yavne Academic College	-	2,004
Girls dorm	-	9,205
Special projects	79,805	232,625
Sulamot Music School	82,000	24,000
Shelhevet	27,500	-
Mishpactonim dormitory renovation	229,405	791,796
Zoharim	50,000	-
Time restriction	<u>173,751</u>	<u>506,500</u>
	<u>\$ 649,833</u>	<u>\$ 1,577,528</u>

American Friends of Migdal Ohr
Notes to Financial Statements
December 31, 2020 and 2019

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31 as follows:

	<u>2020</u>	<u>2019</u>
Bridal fund	\$ 295,679	\$ 252,151
Laundromat	-	50,000
Ohr Israeli Youth	105,000	150,000
Girls special education school	-	200,000
Zoharim Yaldei Ohr	653,743	96,318
Machshava Music School	-	10,000
Metivta therapy room	50,000	-
Mishpactonim dormitory renovation	3,768,153	2,242,657
Girls dorm	-	62,195
Sulamot	24,000	147,500
Afikei Ohr	1,325,000	556,231
Bait Tavshil Soup Kitchen	10,600	37,000
Bar Bat Mitzvah sponsorship	14,779	78,828
Day Care	-	21,500
Gan Yavne Academic College	10,757	37,403
Kindergarten	80,000	100,000
Kiosk	4,554	-
Soldiers program	-	1,536
Special project	152,820	102,600
Yaldei Ohr	-	1,918
Capital project	-	350,000
Mevashlim L'Atid	5,360	360
Time restriction	462,749	261,888
	<u>\$ 6,963,194</u>	<u>\$ 4,760,085</u>

9. COMMITMENTS AND CONTINGENCIES

AFMO leased office space under a five year agreement which expired on October 31, 2020. AFMO entered into a new two year lease in November 2020. Rent expense for the years ended December 31, 2020 and 2019 was \$48,283 and \$42,301, respectively. Minimum future payments under the terms of the new lease are:

2021	\$ 25,040
2022	<u>22,953</u>
	<u>\$ 47,993</u>

American Friends of Migdal Ohr
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10. RISKS AND UNCERTAINTIES

The global pandemic related to the outbreak of a novel strain of Coronavirus (“COVID-19”) that was declared in March 2020 by the World Health Organization has continued into 2021. Management has concluded that while it is reasonably possible that the virus could have a negative effect on AFMO’s overall financial condition and result of operations, the specific impact is not readily determinable as of the date of these financial statements.

11. SUBSEQUENT EVENTS

AFMO has evaluated subsequent events occurring after the statement of financial position date through the date of July 15, 2021, which is the date the financial statements were available to be issued, and no events other than in Note 7 require recognition or disclosure.