



**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**AMERICAN FRIENDS OF MAGEN DAVID ADOM**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
American Friends of Magen David Adom

We have audited the accompanying financial statements of American Friends of Magen David Adom (the "Organization"), 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 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 the Organization as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
July 26, 2021

**AMERICAN FRIENDS OF MAGEN DAVID ADOM**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 15A)	\$ 29,289,461	\$ 31,315,862
Pledges receivable, net (Notes 2F, 2G, 4 and 15B)	16,114,839	29,122,400
Investments, at fair value (Notes 2D, 6 and 7)	701,228	1,018,088
Assets held in split interest agreements, at fair value (Notes 7 and 8)	6,431,232	6,064,769
Prepaid expenses and other assets	816,862	1,133,346
Property and equipment, net (Notes 2E and 5)	316,676	280,424
Beneficial interest in perpetual trust (Note 16)	<u>10,121,026</u>	<u>10,083,715</u>
 <b>TOTAL ASSETS</b>	 <u><b>\$ 63,791,324</b></u>	 <u><b>\$ 79,018,604</b></u>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 9,025,414	\$ 10,864,457
Grants payable (Notes 2M and 10)	19,575,605	24,910,212
Loans payable (Note 11)	2,300,000	2,300,000
Deferred revenue (Note 2J)	-	471,846
Accrued post-retirement health benefit costs (Notes 12 and 13)	<u>1,105,678</u>	<u>1,138,510</u>
 <b>TOTAL LIABILITIES</b>	 <u><b>32,006,697</b></u>	 <u><b>39,685,025</b></u>
 <b>NET ASSETS (Note 2B)</b>		
Without donor restrictions	<u>6,513,748</u>	<u>5,476,858</u>
With donor restrictions		
Beneficial interest in perpetual trust (Note 16)	10,121,026	10,083,715
Donor restricted endowments (Note 16)	462,120	462,120
Time and purpose (Note 16)	<u>14,687,733</u>	<u>23,310,886</u>
Total with donor restrictions	<u>25,270,879</u>	<u>33,856,721</u>
 <b>TOTAL NET ASSETS</b>	 <u><b>31,784,627</b></u>	 <u><b>39,333,579</b></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><b>\$ 63,791,324</b></u>	 <u><b>\$ 79,018,604</b></u>

**AMERICAN FRIENDS OF MAGEN DAVID ADOM  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
<b>OPERATING REVENUE AND SUPPORT:</b>						
Special event revenue	\$ 288,300	\$ 557,000	\$ 845,300	\$ 2,318,045	\$ 5,030,121	\$ 7,348,166
Less: direct benefit to donors	(118,414)	-	(118,414)	(1,503,355)	-	(1,503,355)
Special event revenue, net	169,886	557,000	726,886	814,690	5,030,121	5,844,811
Contributions (Notes 4 and 16)	10,309,982	27,648,585	37,958,567	7,190,861	16,445,463	23,636,324
Estates, trusts, bequests, legacies and other (Note 2I)	7,053,303	408,250	7,461,553	9,022,998	872,020	9,895,018
Paycheck Protection Program grant	1,008,642	-	1,008,642	-	-	-
Interest	364,353	-	364,353	381,645	-	381,645
Investment activity (Note 6)	178,642	-	178,642	485,258	-	485,258
Change in value of split interest agreements (Note 8)	1,067,175	-	1,067,175	156,719	-	156,719
Miscellaneous income	8,432	-	8,432	232,645	-	232,645
Net assets released from restrictions (Note 16)	37,236,988	(37,236,988)	-	29,616,889	(29,616,889)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>57,397,403</b>	<b>(8,623,153)</b>	<b>48,774,250</b>	<b>47,901,705</b>	<b>(7,269,285)</b>	<b>40,632,420</b>
<b>OPERATING EXPENSES</b> (Note 2K):						
Program services	47,897,372	-	47,897,372	35,940,092	-	35,940,092
Management and general	3,682,495	-	3,682,495	4,880,531	-	4,880,531
Fundraising	4,745,619	-	4,745,619	4,113,855	-	4,113,855
<b>TOTAL OPERATING EXPENSES</b>	<b>56,325,486</b>	<b>-</b>	<b>56,325,486</b>	<b>44,934,478</b>	<b>-</b>	<b>44,934,478</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>1,071,917</b>	<b>(8,623,153)</b>	<b>(7,551,236)</b>	<b>2,967,227</b>	<b>(7,269,285)</b>	<b>(4,302,058)</b>
<b>NON-OPERATING ACTIVITIES:</b>						
Beneficial interest in perpetual endowment (Note 16)	-	37,311	37,311	-	746,215	746,215
Gain on interest rate swap (Notes 2N and 11)	-	-	-	531	-	531
Foreign exchange valuation (Notes 2C, 2N and 9)	(124,986)	-	(124,986)	310,890	-	310,890
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>(124,986)</b>	<b>37,311</b>	<b>(87,675)</b>	<b>311,421</b>	<b>746,215</b>	<b>1,057,636</b>
<b>CHANGE IN NET ASSETS BEFORE POST-RETIREMENT RELATED CHANGES</b>	<b>946,931</b>	<b>(8,585,842)</b>	<b>(7,638,911)</b>	<b>3,278,648</b>	<b>(6,523,070)</b>	<b>(3,244,422)</b>
Other components of net periodic pension credit (costs) (Notes 12 and 13)	32,832	-	32,832	(28,283)	-	(28,283)
Postretirement changes other than net periodic pension credit	57,127	-	57,127	61,154	-	61,154
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>1,036,890</b>	<b>(8,585,842)</b>	<b>(7,548,952)</b>	<b>3,311,519</b>	<b>(6,523,070)</b>	<b>(3,211,551)</b>
Net assets - beginning of year	5,476,858	33,856,721	39,333,579	2,165,339	40,379,791	42,545,130
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 6,513,748</b>	<b>\$ 25,270,879</b>	<b>\$ 31,784,627</b>	<b>\$ 5,476,858</b>	<b>\$ 33,856,721</b>	<b>\$ 39,333,579</b>

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

**AMERICAN FRIENDS OF MAGEN DAVID ADOM  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Year Ended December 31, 2020					Year Ended December 31, 2019				
	Supporting Services				Total	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	Expenses 2020	Program Services	Management and General	Fundraising	Total Supporting Services	Expenses 2019
Salaries	\$ 2,409,806	\$ 1,732,760	\$ 1,371,882	\$ 3,104,642	\$ 5,514,448	\$ 2,429,609	\$ 1,653,070	\$ 1,413,997	\$ 3,067,067	\$ 5,496,676
Payroll taxes and employee benefits (Notes 12 and 13)	807,052	449,650	369,293	818,943	1,625,995	802,837	459,437	392,771	852,208	1,655,045
Total salaries and related costs	3,216,858	2,182,410	1,741,175	3,923,585	7,140,443	3,232,446	2,112,507	1,806,768	3,919,275	7,151,721
Occupancy and utilities (Note 14A)	111,112	305,558	138,890	444,448	555,560	102,711	282,456	128,389	410,845	513,556
Professional fees (Note 2L)	231,464	480,382	120,173	600,555	832,019	243,090	378,740	199,676	578,416	821,506
Insurance	23,793	47,259	23,629	70,888	94,681	23,947	46,737	23,368	70,105	94,052
Printing, publications and supplies	84,642	68,062	111,948	180,010	264,652	87,158	84,645	118,391	203,036	290,194
Travel, conferences and events	163,012	16,550	76,178	92,728	255,740	327,578	-	147,826	147,826	475,404
Telephone	24,238	35,253	30,846	66,099	90,337	23,174	33,561	29,365	62,926	86,100
Postage and shipping	36,137	71,091	246,254	317,345	353,482	37,443	34,204	250,905	285,109	322,552
Dues and subscriptions	10,766	9,228	10,766	19,994	30,760	6,930	5,940	6,930	12,870	19,800
Equipment (Note 14A)	14,396	41,877	59,212	101,089	115,485	14,936	29,801	80,135	109,936	124,872
Bank charges and interest expense	37,098	58,956	51,586	110,542	147,640	37,074	153,998	-	153,998	191,072
Events expense	184,644	52,714	289,925	342,639	527,283	925,554	81,004	1,307,032	1,388,036	2,313,590
Depreciation and amortization	-	56,484	-	56,484	56,484	-	22,252	-	22,252	22,252
Marketing and direct mail	1,081,383	185,625	1,898,736	2,084,361	3,165,744	1,073,734	43,110	1,464,677	1,507,787	2,581,521
Bad debt expense	-	400	-	400	400	-	1,523,233	-	1,523,233	1,523,233
Grants to Magen David Adom	42,607,767	-	-	-	42,607,767	29,740,209	-	-	-	29,740,209
Interest expense	7,671	12,274	10,740	23,014	30,685	4,547	25,768	-	25,768	30,315
Miscellaneous	62,391	58,372	53,975	112,347	174,738	59,561	22,575	53,748	76,323	135,884
<b>TOTAL EXPENSES</b>	<b>47,897,372</b>	<b>3,682,495</b>	<b>4,864,033</b>	<b>8,546,528</b>	<b>56,443,900</b>	<b>35,940,092</b>	<b>4,880,531</b>	<b>5,617,210</b>	<b>10,497,741</b>	<b>46,437,833</b>
<b>Less: Special event direct expenses</b>	<b>-</b>	<b>-</b>	<b>(118,414)</b>	<b>(118,414)</b>	<b>(118,414)</b>	<b>-</b>	<b>-</b>	<b>(1,503,355)</b>	<b>(1,503,355)</b>	<b>(1,503,355)</b>
<b>Less: Other components of net periodic pension credit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES, Net of special event direct expenses</b>	<b>\$ 47,897,372</b>	<b>\$ 3,682,495</b>	<b>\$ 4,745,619</b>	<b>\$ 8,428,114</b>	<b>\$ 56,325,486</b>	<b>\$ 35,940,092</b>	<b>\$ 4,880,531</b>	<b>\$ 4,113,855</b>	<b>\$ 8,994,386</b>	<b>\$ 44,934,478</b>

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

**AMERICAN FRIENDS OF MAGEN DAVID ADOM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (7,548,952)	\$ (3,211,551)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	56,484	22,252
Pension and postretirement changes	(32,832)	28,283
Bad debt	400	1,523,233
Change in beneficial interest in perpetual endowment	(37,311)	(746,215)
Change in value of split interest agreements	(366,463)	(156,719)
Change in discount on pledges receivable	535,791	(65,500)
Change in value from foreign exchange contract	-	(514,885)
Transfer to AF-West	-	(2,101,519)
Gain on interest rate swap	-	(531)
Realized and unrealized (gain) loss on investments	(4,782)	20,151
Subtotal	(7,397,665)	(5,203,001)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	12,471,370	4,577,301
Prepaid expenses and other assets	316,484	(446,463)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses (net of change in split interest agreements)	(1,839,043)	1,361,566
Grants payable	(5,334,607)	(6,227,962)
Deferred revenue	(471,846)	21,921
<b>Net Cash Used in Operating Activities</b>	<u>(2,255,307)</u>	<u>(5,916,638)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(92,736)	(302,676)
Proceeds from sales/redemptions of investments	2,966,658	5,731,933
Purchase of investments	(2,645,016)	(2,665,964)
<b>Net Cash Provided by Investing Activities</b>	<u>228,906</u>	<u>2,763,293</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,026,401)	(3,153,345)
<b>Cash and cash equivalents - beginning of year</b>	<u>31,315,862</u>	<u>34,469,207</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 29,289,461</u>	<u>\$ 31,315,862</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 30,685</u>	<u>\$ 30,315</u>

**AMERICAN FRIENDS OF MAGEN DAVID ADOM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

American Friends of Magen David Adom (the "Organization"), a not-for-profit 501(c)(3) organization, exempt from federal income taxes, is recognized by the United States Internal Revenue Service (the "IRS") as a public charity. The Organization solicits contributions, which are used to purchase ambulances, medical and other supplies, emergency medical stations, blood service centers, cord blood bank and training for Magen David Adom ("MDA") in Israel. The Organization is the only authorized tax-exempt fundraising organization in the United States of America for MDA.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of accounting*** - The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America.

**B. *Basis of presentation*** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions – These represent resources of the Organization that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of the Organization's operations over which the Board of Directors has discretionary control.

With donor restrictions – These represent net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), these are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. These also represent net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

**C. *Cash and cash equivalents*** - Cash equivalents consist of all highly liquid debt instruments with maturities of three months or less when acquired except for certain cash, money market funds and short-term government securities held for long-term investment purposes, which are included in investments.

**D. *Investments and fair value measurements*** - Investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 7.

**E. *Property and equipment*** - Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Property and equipment is capitalized provided its cost is \$5,000 or more and its useful life is greater than one year. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease.

**F. *Revenue recognition and pledges receivable*** - Unconditional promises to give are recorded as income when the Organization is formally notified of the grants or contributions by the respective donors. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Material 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. If material, the discounts are computed using risk-adjusted interest rates for the expected term of the promise to give applicable to the years in which the promises are received. Conditional pledges are not included as support until the conditions are substantially met.

**AMERICAN FRIENDS OF MAGEN DAVID ADOM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. Allowance for doubtful accounts** - As of December 31, 2020 and 2019, the Organization determined that allowances of \$513,918 and \$513,918, respectively, were necessary relative to its pledges receivable. Such estimates are based on management's assessment of the creditworthiness of donors, review of individual accounts outstanding, as well as current economic conditions and historical information.
- H. Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- I. Bequests** - The Organization recognizes bequests as income when the bequests become known and when the individual's will is declared valid by the probate court and the sum is certain.
- J. Special events** - The direct expense of special events includes expenses for the benefit of the donor. For example, meals, facilities and rentals are considered direct expenses of special events. On occasion, the Organization receives cash donations for special events that are to be held after the date of the statement of financial position. It is the policy of the Organization to refund all cash received in advance of special events (both contribution and exchange portions), if the event is subsequently cancelled.
- K. Functional allocation of expenses** - The costs of providing program, management and general and fundraising expenses have been summarized on a functional basis in the statements of activities and in the statements of functional expenses.
- Accordingly, expenses that are not directly charged to program, management and general and fundraising are allocated among them. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Other costs such as occupancy, insurance and telephone are allocated on the basis of personnel services allocation.
- L. Donated stock and in-kind contributions** - The Organization records donated stock or services at their fair value on the date of receipt. Donated legal services are estimated at \$0 and \$13,902 for the years ended December 31, 2020 and 2019, respectively, and are included as contributions income and expense in the accompanying financial statements.
- M. Grants payable** - Grants made, including unconditional promises to give, are recognized as an expense in the period made. Unconditional promises to give that are payable in future periods are recorded as grants payable in the statements of financial position.
- N. Operating and non-operating activities** - The Organization includes, in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions except for those that have been restricted in perpetuity by donors. Gain or loss on interest rate swap and foreign exchange contract valuation are recognized as non-operating activities.
- O. Recent accounting pronouncement** - Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, require an employer to report the service cost component separate from the other components of net benefit cost. The service cost component is reported in the same line of the statements of activities as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are reported as non-operating activities. In prior years, net benefit cost (credit) was reported with employee benefits. The statement of activities amount of (\$61,154) in 2019 has been reclassified to give retroactive effect to the adoption, with no effect on the previously reported change in net assets. Service costs are disclosed in Note 12.

**AMERICAN FRIENDS OF MAGEN DAVID ADOM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization manages its assets available to meet general expenditures following the guiding principles of operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets. The Organization's primary purpose is to support MDA in Israel. All contributions received for such purpose are considered part of general expenditures.

As of December 31, 2020 and 2019, the Organization's financial assets available to meet the general expenditures over the next twelve months were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 29,289,461	\$ 31,315,862
Pledges receivable in one year or less	14,464,103	12,437,167
Investments, at fair value	<u>701,228</u>	<u>1,018,088</u>
Total financial assets	44,454,792	44,771,117
Less: donor restricted endowment	<u>(462,120)</u>	<u>(462,120)</u>
	<u>\$ 43,992,672</u>	<u>\$ 44,308,997</u>

**NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable are recorded net of a discount (at a risk adjusted rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 14,464,103	\$ 12,437,167
One year to four years	2,603,925	17,460,597
Five years and more	<u>-</u>	<u>685,000</u>
	17,068,028	30,582,764
Less: allowance for doubtful pledges	(513,918)	(513,918)
Less: present value discount ranging from 1.00% to 3.05%	<u>(439,271)</u>	<u>(946,446)</u>
	<u>\$ 16,114,839</u>	<u>\$ 29,122,400</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31:

	Estimated Useful Lives	<u>2020</u>	<u>2019</u>
Furniture and equipment	3-7 years	\$ 290,246	\$ 494,771
Leasehold improvements	10 years	<u>132,667</u>	<u>276,899</u>
		422,913	771,670
Less: accumulated depreciation and amortization		<u>(106,237)</u>	<u>(491,246)</u>
Total		<u>\$ 316,676</u>	<u>\$ 280,424</u>

Depreciation and amortization expense amounted to \$56,484 and \$22,252 for the years ended December 31, 2020 and 2019, respectively.

During 2020, the Organization disposed of fully depreciated furniture, equipment and leasehold of fixed assets totaling \$441,493 due to moving offices.

**AMERICAN FRIENDS OF MAGEN DAVID ADOM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 6 – INVESTMENTS**

Investments consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 412,099	\$ 412,045
Equities	109,068	447,139
State of Israel bonds	<u>180,061</u>	<u>158,904</u>
	<u>\$ 701,228</u>	<u>\$ 1,018,088</u>

Investments are subject to market volatility that could change their carrying value in the near term.

Investment activity consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 183,424	\$ 505,409
Realized loss on investments	(7,843)	(21,650)
Unrealized gain on investments	<u>3,061</u>	<u>1,499</u>
	<u>\$ 178,642</u>	<u>\$ 485,258</u>

**NOTE 7 – FAIR VALUE MEASUREMENTS**

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Organization does not have investments in the Level 3 category.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in equities, cash and money market funds and fixed income securities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. State of Israel bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc.). Fair value of the interest rate swap agreement is based on inputs from current valuation information priced with observable market assumptions and appropriate valuation adjustments for credit risk. The valuation is based on a mid-level market basis at the close of business on the reporting date. Fair value of the foreign exchange contract is based on observable inputs available in the New York foreign exchange market or any other financial center, for the purchase or sale of one currency against another currency for delivery on a specified settlement date.

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**NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value at December 31, 2020 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE:</b>			
Investments			
Cash and money market funds	\$ 412,099	\$ -	\$ 412,099
Equities	109,068	-	109,068
State of Israel bonds	<u>-</u>	<u>180,061</u>	<u>180,061</u>
Total Investments	<u>521,167</u>	<u>180,061</u>	<u>701,228</u>
Assets held in split interest agreements			
Cash and money market funds	228,717	-	228,717
Equities	4,605,916	-	4,605,916
Mutual funds	-	-	-
Fixed income	<u>1,596,599</u>	<u>-</u>	<u>1,596,599</u>
Total assets held in split interest agreements	<u>6,431,232</u>	<u>-</u>	<u>6,431,232</u>
<b>TOTAL ASSETS CARRIED AT FAIR VALUE</b>	<b><u>\$ 6,952,399</u></b>	<b><u>\$ 180,061</u></b>	<b><u>\$ 7,132,460</u></b>

Financial assets carried at fair value at December 31, 2019 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE:</b>			
Investments			
Cash and money market funds	\$ 412,044	\$ -	\$ 412,044
Equities	447,140	-	447,140
State of Israel bonds	<u>-</u>	<u>158,904</u>	<u>158,904</u>
Total Investments	<u>859,184</u>	<u>158,904</u>	<u>1,018,088</u>
Assets held in split interest agreements			
Cash and money market funds	107,174	-	107,174
Equities	4,275,551	-	4,275,551
Mutual funds	-	-	-
Fixed income	<u>1,682,044</u>	<u>-</u>	<u>1,682,044</u>
Total assets held in split interest agreements	<u>6,064,769</u>	<u>-</u>	<u>6,064,769</u>
<b>TOTAL ASSETS CARRIED AT FAIR VALUE</b>	<b><u>\$ 6,923,953</u></b>	<b><u>\$ 158,904</u></b>	<b><u>\$ 7,082,857</u></b>

**NOTE 8 – ASSETS HELD IN SPLIT INTEREST AGREEMENTS**

Assets held in split interest agreements include charitable gift annuities and charitable remainder trusts agreements. As of December 31, 2020 and 2019, the estimated future liabilities of \$3,296,669 and \$3,996,318, respectively, are included in accounts payable and accrued expenses in the accompanying statements of financial position. The present value of the estimated future interest is calculated using a discount rate of 5% as of December 31, 2020 and 2019. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2020 and 2019, the assets comprising the charitable gift annuities are segregated and held separately for the purposes of annuity benefits and may not, without exception, be applied towards the payment of other debts or obligations of the Organization.

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**NOTE 9 – FOREIGN EXCHANGE CONTRACT**

During 2014, the Organization entered into a foreign exchange contract with a bank to mitigate the risk associated with fluctuations in Israeli currency value for future grant obligations. The contract enables the Organization to buy the Israeli Shekel at a fixed rate. During the year ended December 31, 2020, the Organization no longer maintained the contract with IDB Bank, therefore the fair value of the contract amounted to \$0 at December 31, 2020 and at December 31, 2019, respectively.

**NOTE 10 – GRANTS PAYABLE**

As of December 31, 2020 and 2019, the Organization was obligated under unconditional promises to give amounting to \$19,575,605 and \$24,910,212, respectively, to MDA for several projects. The payments for such commitments are made as needed based on actual expenses incurred by MDA. As of December 31, 2020, the grants payable are expected to be paid to MDA within one to three years or upon completion of ongoing projects. Grants payable also include approximately \$19 million and \$23 million received for the Blood Center Project as of December 31, 2020 and 2019, respectively.

**NOTE 11 – LOANS PAYABLE AND INTEREST RATE SWAP**

During 2013, the Organization obtained two loans from a bank to pay down the accrued defined benefit pension plan liability. The first loan matured on April 1, 2016. As of December 31, 2020 and 2019, the Organization has a loan payable to a bank in the principal amount of \$2,300,000, which matures on April 1, 2020. Interest on the outstanding principal balance accrues and will be payable monthly at a fixed rate of 2.5% per annum plus the London Inter-bank Offered Rate ("LIBOR"). Principal is due on maturity. There is no prepayment charge with respect to this loan. The loan is secured by investments.

Interest expense for the years ended December 31, 2020 and 2019 amounted to \$30,685 and \$30,315, respectively. In connection with the loan payable of \$2,300,000, the Organization entered into a fixed rate swap agreement with the bank which ended in 2019. The purpose of the swap agreement was to establish a synthetic fixed rate. The synthetic fixed rate was fixed at 4.45%. The fair value of the swap agreement was \$0 as of December 31, 2020 and 2019. The recognition of the change in fair value of the swap is recorded as a gain of \$0 and \$531 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 12 – PENSION PLANS**

The Organization has a 403(b) defined contribution pension plan for all employees. The Organization contributes 6% of eligible employees' compensation to the plan after one year of employment. The total expense of the Organization under the plan for the years ended December 31, 2020 and 2019 amounted to \$251,354 and \$297,973, respectively.

**NOTE 13 – POST-RETIREMENT HEALTH BENEFITS PLAN**

The Organization maintains a post-retirement health benefits plan (the "Post-retirement Plan") that covers substantially all current and future retirees. Employees who qualify to receive paid postretirement medical coverage are those employees who retire with an immediate pension benefit and are at least age 60 with at least 15 years of service, or age 65. During 2011, the Organization amended the Post-retirement Plan to require participants who retire on or after September 1, 2011 to contribute 50% of the premium rates.

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**NOTE 13 – POST-RETIREMENT HEALTH BENEFITS PLAN (Continued)**

The funded status of the Post-retirement Plan as of December 31 is as follows:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,138,510	\$ 1,110,227
Service cost	4,513	3,883
Interest cost	30,700	43,352
Plan participants' contributions	23,586	21,557
Actuarial gain	7,195	55,384
Benefits paid	<u>(98,826)</u>	<u>(95,893)</u>
Benefit obligation at end of year	<u>1,105,678</u>	<u>1,138,510</u>
Funded status	<u>\$ (1,105,678)</u>	<u>\$ (1,138,510)</u>

The components of benefit credit for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Service cost	<u>\$ 4,513</u>	<u>\$ 3,883</u>
Interest cost	30,700	43,352
Prior service (credit)	(49,377)	(67,333)
Actuarial gain	<u>(42,963)</u>	<u>(41,056)</u>
	(61,640)	(65,037)
Net benefits (credit) cost	<u>\$ (57,127)</u>	<u>\$ (61,154)</u>

The amounts recognized in the without donor net assets for the Post-retirement Plan as of December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Net actuarial gain	\$ 502,563	\$ 552,721
Prior service credit	<u>-</u>	<u>49,377</u>
	<u>\$ 502,563</u>	<u>\$ 602,098</u>

Other changes in Post-retirement Plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Net actuarial gain	\$ (50,000)	\$ (96,440)
Net prior service cost	<u>(49,535)</u>	<u>(67,333)</u>
	<u>\$ (99,535)</u>	<u>\$ (163,773)</u>

The Organization's expected rate of return on Postretirement Plan assets is determined by the Postretirement Plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The measurement of the benefit obligation as of December 31 is based on the following assumptions:

	<u>2020</u>	<u>2019</u>
Discount rate	2.06%	2.95%

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**NOTE 13 – POST-RETIREMENT HEALTH BENEFITS PLAN (Continued)**

The assumed health care cost trend rates as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Health care cost trend rate assumed for next year	7.0% / 4.5%	7.0% / 4.5%
Rate to which the cost trend rate is assumed to decline	3.784%	3.784%
Year that the rate reaches the ultimate trend rate	2075	2075

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2021	\$ 74,042
2022	75,122
2023	75,705
2024	75,744
2025	75,178
Five years thereafter	\$ 353,058

For the years ended December 31, 2020 and 2019, the Postretirement Plan held no assets.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

- A. The Organization leases certain office facilities and equipment. The Organization also entered into a new 10-year lease for the Organization's New York headquarters starting in June 2019. Minimum annual rentals related to the leases are as follows for the years ending after December 31, 2020:

	<u>Real Property</u>	<u>Office Equipment</u>	<u>Total</u>
2021	\$ 386,888	\$ 4,099	\$ 390,987
2022	368,339	4,735	373,074
2023	357,778	4,735	362,513
2024	357,778	2,476	360,254
2025	-	-	-
2026 and after	-	-	-
	<u>\$ 1,470,783</u>	<u>\$ 16,045</u>	<u>\$ 1,486,828</u>

Rent expense amounted to the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Real property	\$ 537,757	\$ 431,416
Equipment	30,368	33,778

- B. On January 27, 2011, the Organization entered into an agreement with MDA to act as a nationwide organization for the purpose of fundraising for MDA in the territory of the United States of America. This agreement restricts the Organization from dealing in any other business apart from raising funds for MDA and ensures that four voting members of the Board of Directors of the Organization will be from a slate of candidates proposed by MDA. The agreement is for five years commencing January 1, 2011 and will be renewed automatically in five-year periods up to four renewals. Upon expiration or termination of this agreement, the Organization is required to immediately cease to solicit contributions of any kind intended for the benefit of MDA and distribute all contributions raised by the Organization to MDA in accordance with applicable laws. In addition, the termination or expiration of this agreement will require the Organization to stop using MDA trademarks, the corporate name and domain names that are in any way associated with MDA.

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

- C. The Organization believes it has no material uncertain tax positions as of December 31, 2020 in accordance with Accounting Standards Codification (“ASC”) Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- D. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization’s operations and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Organization is currently unable to fully determine the extent of COVID-19’s impact on its operations in future periods. Management continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.
- E. On April 20, 2020, the Organization received loan proceeds in the amount of \$1,008,642 under the Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Organization has opted to account for the PPP loan as a conditional contribution under FASB ASC Topic 958-605. The Organization believes that it has met all of the conditions for forgiveness of the PPP loan as of December 31, 2020 and recognized revenue amounting to \$1,008,642.

**NOTE 15 – CONCENTRATIONS**

- A. Financial instruments that potentially subject the Organization to a concentration of credit risk include cash held with two banks in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately \$29 million and \$31.2 million as of December 31, 2020 and 2019, respectively. Cash accounts are insured up to \$250,000 per depositor. The Organization also maintains cash and cash equivalents in financial institutions located in Israel that are not FDIC insured. These accounts totaled approximately \$135,000 and \$7.8 million as of December 31, 2020 and 2019, respectively.
- B. As of December 31, 2020 and 2019, approximately 32% and 73% of pledges receivable is comprised of four donors and eight donors, respectively.

**NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Ambulances	\$ 4,583,262	\$ 4,477,119
Blood center construction	9,109,962	17,688,227
Other	994,509	1,145,540
Restricted in perpetuity	<u>10,583,146</u>	<u>10,545,835</u>
	<u>\$ 25,270,879</u>	<u>\$ 33,856,721</u>

Net assets with donor restrictions amounting to \$37,236,988 and \$29,616,889 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors for the years ended December 31, 2020 and 2019, respectively.

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**NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets with donor restrictions also include funds restricted in perpetuity of \$10,583,146 and \$10,545,835 as of December 31, 2020 and 2019, respectively, included in the statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Beneficial interest in perpetual trust	\$ 10,121,026	\$ 10,083,715
Cash and cash equivalents	<u>462,120</u>	<u>462,120</u>
	<u>\$ 10,583,146</u>	<u>\$ 10,545,835</u>

In 2012, a decedent bequeathed a portion of her estate to a perpetual endowment in which the Organization was named a beneficiary. In accordance with the endowment agreement signed by the decedent, the funds are to be kept in perpetual endowment, and distributions from the fund may be used for general operations.

As required by United States Generally Accepted Accounting Principles ("U.S. GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization is a New York corporation and is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA") adopted by New York State. The Board of Directors of the Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate as much of an endowment fund the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment funds are established subject to the intent of the donor as expressed in the gift instrument.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through July 26, 2021, the date the financial statements were available to be issued.