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**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2021 AND 2020

AMERICAN FRIENDS OF MAGEN DAVID ADOM

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Mayer Hoffman McCann CPAs

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Friends of Magen David Adom

Opinion

We have audited the financial statements of American Friends of Magen David Adom ("AFMDA"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AFMDA as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of AFMDA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2020 Financial Statements

The financial statements of AFMDA as of and for the year ended December 31, 2020 were audited by another auditor whose report dated July 26, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AFMDA's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AFMDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AFMDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
June 17, 2022

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (Notes 2C and 14A)	\$ 34,179,207	\$ 29,289,461
Pledges receivable, net (Notes 2F, 2G, 4 and 14B)	12,338,076	16,114,839
Investments, at fair value (Notes 2D, 6 and 7)	1,438,367	701,228
Prepaid expenses and other assets	1,218,260	816,862
Property and equipment, net (Notes 2E and 5)	265,456	316,676
Beneficial interest in perpetual trust (Note 15)	10,160,202	10,121,026
Assets held in split interest agreements, at fair value (Notes 7 and 8)	<u>8,174,141</u>	<u>6,431,232</u>
 TOTAL ASSETS	 <u>\$ 67,773,709</u>	 <u>\$ 63,791,324</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 14,851,446	\$ 9,025,414
Grants payable (Notes 2M and 9)	16,478,771	19,575,605
Loans payable (Note 10)	2,300,000	2,300,000
Deferred revenue (Note 2J)	295,641	-
Accrued post-retirement health benefit costs (Notes 11 and 12)	<u>1,029,821</u>	<u>1,105,678</u>
 TOTAL LIABILITIES	 <u>34,955,679</u>	 <u>32,006,697</u>
 COMMITMENTS AND CONTINGENCIES (Note 13)		
 NET ASSETS (Note 2B)		
Without donor restrictions	<u>4,290,342</u>	<u>6,513,748</u>
With donor restrictions		
Beneficial interest in perpetual trust (Note 15)	10,160,202	10,121,026
Donor restricted endowments (Note 15)	462,120	462,120
Time and purpose (Note 15)	<u>17,905,366</u>	<u>14,687,733</u>
Total with donor restrictions	<u>28,527,688</u>	<u>25,270,879</u>
 TOTAL NET ASSETS	 <u>32,818,030</u>	 <u>31,784,627</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 67,773,709</u>	 <u>\$ 63,791,324</u>

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 Total
Special event revenue	\$ 218,795	\$ 255,440	\$ 474,235	\$ 288,300	\$ 557,000	\$ 845,300
Less: direct benefit to donors	(125,583)	-	(125,583)	(118,414)	-	(118,414)
Special event revenue, net	93,212	255,440	348,652	169,886	557,000	726,886
Contributions (Notes 4 and 15)	12,406,741	45,113,935	57,520,676	10,309,982	27,648,585	37,958,567
Estates, trusts, bequests, legacies and other (Note 2I)	5,741,762	505,790	6,247,552	7,053,303	408,250	7,461,553
Forgiveness of Paycheck Protection Program grant (Note 13E)	-	-	-	1,008,642	-	1,008,642
Interest	359,154	-	359,154	364,353	-	364,353
Investment activity (Note 6)	73,635	-	73,635	178,642	-	178,642
Change in value of split interest agreements (Note 8)	1,028,638	-	1,028,638	1,067,175	-	1,067,175
Miscellaneous income	91,438	-	91,438	8,432	-	8,432
Net assets released from restrictions (Note 15)	42,657,532	(42,657,532)	-	37,236,988	(37,236,988)	-
TOTAL OPERATING REVENUE AND SUPPORT	62,452,112	3,217,633	65,669,745	57,397,403	(8,623,153)	48,774,250
OPERATING EXPENSES (Note 2K):						
Program services	56,132,459	-	56,132,459	47,897,372	-	47,897,372
Management and general	3,593,209	-	3,593,209	3,682,495	-	3,682,495
Fundraising	5,100,795	-	5,100,795	4,745,619	-	4,745,619
TOTAL OPERATING EXPENSES	64,826,463	-	64,826,463	56,325,486	-	56,325,486
CHANGE IN NET ASSETS FROM OPERATIONS	(2,374,351)	3,217,633	843,282	1,071,917	(8,623,153)	(7,551,236)
NON-OPERATING ACTIVITIES:						
Beneficial interest in perpetual endowment (Note 15)	-	39,176	39,176	-	37,311	37,311
Foreign exchange valuation (Notes 2C and 2N)	67,210	-	67,210	(124,986)	-	(124,986)
TOTAL NON-OPERATING ACTIVITIES	67,210	39,176	106,386	(124,986)	37,311	(87,675)
CHANGE IN NET ASSETS BEFORE POST-RETIREMENT RELATED CHANGES	(2,307,141)	3,256,809	949,668	946,931	(8,585,842)	(7,638,911)
Other components of net periodic pension credit (costs) (Notes 12 and 13)	75,857	-	75,857	32,832	-	32,832
Post-retirement changes other than net periodic pension credit	7,878	-	7,878	57,127	-	57,127
CHANGE IN TOTAL NET ASSETS	(2,223,406)	3,256,809	1,033,403	1,036,890	(8,585,842)	(7,548,952)
Net assets - beginning of year	6,513,748	25,270,879	31,784,627	5,476,858	33,856,721	39,333,579
NET ASSETS - END OF YEAR	\$ 4,290,342	\$ 28,527,688	\$ 32,818,030	\$ 6,513,748	\$ 25,270,879	\$ 31,784,627

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, 2021 AND 2020**

	Year Ended December 31, 2021					Year Ended December 31, 2020				
	Supporting Services				Total Expenses 2021	Supporting Services				Total Expenses 2020
	Program Services	Management and General	Fundraising	Total Supporting Services		Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,184,852	\$ 1,627,437	\$ 1,787,166	\$ 3,414,603	\$ 5,599,455	\$ 2,409,806	\$ 1,732,760	\$ 1,371,882	\$ 3,104,642	\$ 5,514,448
Payroll taxes and employee benefits (Notes 11 and 12)	703,724	393,019	441,366	834,385	1,538,109	807,052	449,650	369,293	818,943	1,625,995
Total salaries and related costs	2,888,576	2,020,456	2,228,532	4,248,988	7,137,564	3,216,858	2,182,410	1,741,175	3,923,585	7,140,443
Occupancy and utilities (Note 13A)	95,398	260,603	118,456	379,059	474,457	111,112	305,558	138,890	444,448	555,560
Professional fees (Note 2L)	152,239	382,139	97,190	479,329	631,568	231,464	480,382	120,173	600,555	832,019
Other components of net periodic pension credit	-	-	-	-	-	-	-	-	-	-
Insurance	23,739	47,479	23,739	71,218	94,957	23,793	47,259	23,629	70,888	94,681
Printing, publications and supplies	87,888	80,856	115,862	196,718	284,606	84,642	68,062	111,948	180,010	264,652
Travel, conferences and events	148,023	11,743	58,470	70,213	218,236	163,012	16,550	76,178	92,728	255,740
Telephone	27,412	42,273	36,989	79,262	106,674	24,238	35,253	30,846	66,099	90,337
Postage and shipping	62,377	98,420	287,411	385,831	448,208	36,137	71,091	246,254	317,345	353,482
Dues and subscriptions	14,892	12,765	14,892	27,657	42,549	10,766	9,228	10,766	19,994	30,760
Equipment (Note 13A)	13,939	40,192	50,882	91,074	105,013	14,396	41,877	59,212	101,089	115,485
Bank charges and interest expense	48,020	76,287	66,751	143,038	191,058	37,098	58,956	51,586	110,542	147,640
Events expense	-	-	406,643	406,643	406,643	184,644	52,714	289,925	342,639	527,283
Depreciation and amortization	-	53,738	-	53,738	53,738	-	56,484	-	56,484	56,484
Marketing and direct mail	848,865	164,795	1,684,256	1,849,051	2,697,916	1,081,383	185,625	1,898,736	2,084,361	3,165,744
Bad debt expense	-	268,637	-	268,637	268,637	-	400	-	400	400
Grants to Magen David Adom	51,699,089	-	-	-	51,699,089	42,607,767	-	-	-	42,607,767
Interest expense	6,887	11,020	9,642	20,662	27,549	7,671	12,274	10,740	23,014	30,685
Miscellaneous	15,115	21,806	26,663	48,469	63,584	62,391	58,372	53,975	112,347	174,738
TOTAL EXPENSES	56,132,459	3,593,209	5,226,378	8,819,587	64,952,046	47,897,372	3,682,495	4,864,033	8,546,528	56,443,900
Less: Special event direct expenses	-	-	(125,583)	(125,583)	(125,583)	-	-	(118,414)	(118,414)	(118,414)
TOTAL EXPENSES, Net of special event direct expenses	\$ 56,132,459	\$ 3,593,209	\$ 5,100,795	\$ 8,694,004	\$ 64,826,463	\$ 47,897,372	\$ 3,682,495	\$ 4,745,619	\$ 8,428,114	\$ 56,325,486

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,033,403	\$ (7,548,952)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	53,738	56,484
Pension and post-retirement changes	(75,857)	(32,832)
Bad debt	268,637	400
Change in beneficial interest in perpetual endowment	(39,176)	(37,311)
Change in value of split interest agreements	(1,742,909)	(366,463)
Change in discount on pledges receivable	(528,301)	535,791
Realized and unrealized loss (gain) on investments	<u>26,746</u>	<u>(4,782)</u>
Subtotal	(1,003,719)	(7,397,665)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	4,036,427	12,471,370
Prepaid expenses and other assets	(401,398)	316,484
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses (net of change in split interest agreements)	5,826,032	(1,839,043)
Grants payable	(3,096,834)	(5,334,607)
Deferred revenue	<u>295,641</u>	<u>(471,846)</u>
Net Cash Provided By (Used In) Operating Activities	<u>5,656,149</u>	<u>(2,255,307)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,518)	(92,736)
Proceeds from sales/redemptions of investments	(11,882,550)	2,966,658
Purchase of investments	<u>11,118,665</u>	<u>(2,645,016)</u>
Net Cash (Used In) Provided by Investing Activities	<u>(766,403)</u>	<u>228,906</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,889,746	(2,026,401)
Cash and cash equivalents - beginning of year	<u>29,289,461</u>	<u>31,315,862</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 34,179,207</u>	<u>\$ 29,289,461</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 27,549</u>	<u>\$ 30,685</u>

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

American Friends of Magen David Adom ("AFMDA"), 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. AFMDA 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. AFMDA 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* - AFMDA's financial statements have been prepared on the accrual basis of accounting. AFMDA adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 AFMDA that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of AFMDA'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 AFMDA is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of AFMDA 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 AFMDA is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of AFMDA.

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* - Contributions are accounted for under Accounting Standards Update ("ASU") 2018-08. 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 discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Allowance for doubtful accounts** - As of December 31, 2021 and 2020, AFMDA determined that allowances of \$400,000 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 U.S. GAAP 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** - AFMDA 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, AFMDA 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 AFMDA 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** - AFMDA records donated stock or services at their fair value on the date of receipt. There were not donated stock or in-kind contributions for the years ended December 31, 2021 and 2020.
- 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** - AFMDA 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.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

AFMDA 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. AFMDA's primary purpose is to support MDA in Israel. All contributions received for such purpose are considered part of general expenditures.

AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

As of December 31, 2021 and 2020, AFMDA's financial assets available to meet the general expenditures over the next twelve months were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 34,179,207	\$ 29,289,461
Pledges receivable, net	12,338,076	16,114,839
Investments, at fair value	<u>1,438,367</u>	<u>701,228</u>
Total financial assets	47,955,650	46,105,528
Less: Beneficial interest in perpetual trust	(10,160,202)	(10,121,026)
Less: donor restricted endowments	(462,120)	(462,120)
Less: time and purpose	<u>(17,905,366)</u>	<u>(14,687,733)</u>
	<u>\$ 19,427,962</u>	<u>\$ 20,834,649</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>2021</u>	<u>2020</u>
Less than one year	\$ 10,666,445	\$ 14,464,103
One year to four years	2,219,719	2,603,925
Five years and more	<u>275,000</u>	<u>-</u>
	13,161,164	17,068,028
Less: allowance for doubtful pledges	(400,000)	(513,918)
Less: present value discount (0.13% to 3.05%)	<u>(423,088)</u>	<u>(439,271)</u>
	<u>\$ 12,338,076</u>	<u>\$ 16,114,839</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	<u>2021</u>	<u>2020</u>
Furniture and equipment	3-7 years	\$ 324,496	\$ 290,246
Leasehold improvements	10 years	<u>100,935</u>	<u>132,667</u>
		425,431	422,913
Less: accumulated depreciation and amortization		<u>(159,975)</u>	<u>(106,237)</u>
Total		<u>\$ 265,456</u>	<u>\$ 316,676</u>

Depreciation and amortization expense amounted to \$53,738 and \$56,484 for the years ended December 31, 2021 and 2020, respectively.

AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 – INVESTMENTS

Investments consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 432,519	\$ 412,099
Equities	791,029	109,068
State of Israel bonds	<u>214,819</u>	<u>180,061</u>
	<u>\$ 1,438,367</u>	<u>\$ 701,228</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>2021</u>	<u>2020</u>
Interest and dividends	\$ 100,381	\$ 183,424
Realized loss on investments	(15,865)	(7,843)
Unrealized (loss) gain on investments	<u>(10,881)</u>	<u>3,061</u>
	<u>\$ 73,635</u>	<u>\$ 178,642</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. AFMDA does not have investments in the Level 3 category.

In determining fair value, AFMDA 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 3 instruments and valuations are stated at fair value in an unquoted market. 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, 2021 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments			
Cash and money market funds	\$ 432,519	\$ -	\$ 432,519
Equities	791,029	-	791,029
State of Israel bonds	<u>-</u>	<u>214,819</u>	<u>214,819</u>
Total Investments	<u>1,223,548</u>	<u>214,819</u>	<u>1,438,367</u>
Assets held in split interest agreements			
Cash and money market funds	403,238	-	403,238
Equities	5,725,426	-	5,725,426
Fixed income	<u>2,045,477</u>	<u>-</u>	<u>2,045,477</u>
Total assets held in split interest agreements	<u>8,174,141</u>	<u>-</u>	<u>8,174,141</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 9,397,689</u>	<u>\$ 214,819</u>	<u>\$ 9,612,508</u>

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 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE:			
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
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>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 6,952,399</u>	<u>\$ 180,061</u>	<u>\$ 7,132,460</u>

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, 2021 and 2020, the estimated future liabilities of \$4,010,940 and \$3,296,669, 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, 2021 and 2020. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2021 and 2020, 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 AFMDA.

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NOTE 9 – GRANTS PAYABLE

As of December 31, 2021 and 2020, AFMDA was obligated under unconditional promises to give amounting to \$16,478,771 and \$19,575,605, 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, 2021, the grants payable are expected to be paid to MDA within one to three years or upon completion of ongoing projects.

NOTE 10 – LOANS PAYABLE

During 2013, AFMDA 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, 2021 and 2020, AFMDA 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 interest will be payable at a money market rate plus 1% per annum. Principal is due at 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, 2021 and 2020 amounted to \$27,549 and \$30,685, respectively.

NOTE 11 – PENSION PLANS

AFMDA has a 403(b) defined contribution pension plan for all employees. AFMDA contributes 6% of eligible employees' compensation to the plan after one year of employment. The total expense of AFMDA under the plan for the years ended December 31, 2021 and 2020 amounted to \$174,152 and \$251,354, respectively.

NOTE 12 – POST-RETIREMENT HEALTH BENEFITS PLAN

AFMDA 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 post-retirement 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, AFMDA amended the Post-retirement Plan to require participants who retire on or after September 1, 2011 to contribute 50% of the premium rates.

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

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,105,678	\$ 1,138,510
Service cost	5,423	4,513
Interest cost	22,014	30,700
Plan participants' contributions	23,366	23,586
Actuarial gain	(29,252)	7,195
Benefits paid	<u>(97,408)</u>	<u>(98,826)</u>
Benefit obligation at end of year	<u>1,029,821</u>	<u>1,105,678</u>
Funded status	<u>\$ (1,029,821)</u>	<u>\$ (1,105,678)</u>

AMERICAN FRIENDS OF MAGEN DAVID ADOM
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NOTE 12 – POST-RETIREMENT HEALTH BENEFITS PLAN (Continued)

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

	<u>2021</u>	<u>2020</u>
Service cost	\$ 5,423	\$ 4,513
Interest cost	22,014	30,700
Prior service (credit)	-	(49,377)
Actuarial gain	<u>(35,315)</u>	<u>(42,963)</u>
	(13,301)	(61,640)
Net benefits (credit) cost	<u>\$ (7,878)</u>	<u>\$ (57,127)</u>

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

	<u>2021</u>	<u>2020</u>
Net actuarial gain	\$ 496,500	\$ 502,563
Prior service credit	<u>-</u>	<u>-</u>
	<u>\$ 496,500</u>	<u>\$ 502,563</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>2021</u>	<u>2020</u>
Net actuarial gain	\$ (6,063)	\$ (50,000)
Net prior service cost	<u>-</u>	<u>(49,535)</u>
	<u>\$ (6,063)</u>	<u>\$ (99,535)</u>

AFMDA's expected rate of return on Post-retirement 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>2021</u>	<u>2020</u>
Discount rate	2.51%	2.06%

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

	<u>2021</u>	<u>2020</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

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NOTE 12 – POST-RETIREMENT HEALTH BENEFITS PLAN (Continued)

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:

2022	\$	75,204
2023		75,931
2024		76,117
2025		75,697
2026		74,623
Five years thereafter		351,476
	<u>\$</u>	<u>729,048</u>

For the years ended December 31, 2021 and 2020, the Postretirement Plan held no assets.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- A. AFMDA leases certain office facilities and equipment. AFMDA also entered into a new ten-year lease for AFMDA'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, 2021:

	<u>Real Property</u>	<u>Office Equipment</u>	<u>Total</u>
2022	\$ 368,730	\$ 4,735	\$ 373,465
2023	357,778	4,735	362,513
2024	357,701	2,476	360,177
2025	387,565	-	387,565
2026	401,486	-	401,486
2027 and after	<u>1,237,959</u>	<u>-</u>	<u>1,237,959</u>
	<u>\$ 3,111,219</u>	<u>\$ 11,946</u>	<u>\$ 3,123,165</u>

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

	<u>2021</u>	<u>2020</u>
Real property	\$ 447,648	\$ 537,757
Equipment	30,492	30,368

- B. On November 29, 2020, AFMDA renewed its longstanding relationship 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 confirms AFMDA's commitment to focus its operations solely on raising funds for MDA. The agreement is for three years commencing January 1, 2021 and will be renewed automatically in three-year periods up to four renewals.
- C. AFMDA believes it has no material uncertain tax positions as of December 31, 2021 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.

Subsequent to the year end, AFMDA received penalty notices from the IRS for late filing of IRS Form 3520. Management filed an abatement letter with the IRS and is awaiting the resolution. Management believes the abatement will be successful and no liabilities are accrued in the financials as of December 31, 2021.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

- D. On April 20, 2020, AFMDA 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.

AFMDA opted to account for the PPP loan as a conditional contribution under Financial Accounting Standards Board (“FASB”) ASC Topic 958-605. AFMDA believed that it had met the barriers to record revenue for the PPP loan as of December 31, 2020 and recognized revenue amounting to \$1,008,642.

NOTE 14 – CONCENTRATIONS

- A. Financial instruments that potentially subject AFMDA to a concentration of credit risk include cash held with two banks in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately \$33.8 million and \$29 million as of December 31, 2021 and 2020, respectively. Cash accounts are insured up to \$250,000 per depositor, per insured financial institution. AFMDA also maintains cash and cash equivalents in financial institutions located in Israel that are not FDIC insured. These accounts totaled approximately \$584,000 and \$135,000 as of December 31, 2021 and 2020, respectively.
- B. As of December 31, 2021 and 2020, approximately 19% and 32% of pledges receivable is comprised of three and four donors, respectively.

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Ambulances	\$ 11,688,617	\$ 4,583,262
Blood center construction	4,612,502	9,109,962
Other	1,604,247	994,509
Restricted in perpetuity	<u>10,622,322</u>	<u>10,583,146</u>
	<u>\$ 28,527,688</u>	<u>\$ 25,270,879</u>

Net assets with donor restrictions amounting to \$42,657,532 and \$37,236,988 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, 2021 and 2020, respectively.

Net assets with donor restrictions also include funds restricted in perpetuity of \$10,622,322 and \$10,583,146 as of December 31, 2021 and 2020, respectively, included in the statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Beneficial interest in perpetual trust	\$ 10,160,202	\$ 10,121,026
Cash and cash equivalents	<u>462,120</u>	<u>462,120</u>
	<u>\$ 10,622,322</u>	<u>\$ 10,583,146</u>

In 2012, a decedent bequeathed a portion of her estate to a perpetual endowment in which AFMDA 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.

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NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. AFMDA 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 AFMDA has interpreted NYPMIFA as allowing AFMDA to appropriate for expenditure or accumulate as much of an endowment fund as AFMDA 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 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 17, 2022, the date the financial statements were available to be issued.