AMERICAN FRIENDS OF MAGEN DAVID ADOM

Saving lives. It's in our blood.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2022 AND 2021

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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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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, 2022 and 2021, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 9 to the financial statements, AFMDA changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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.

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.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- 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 audits 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 29, 2023

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2C and 15A)	$ 41,787,363	$ 34,179,207
Pledges receivable, net (Notes 2F, 2G, 4 and 15B)	8,835,567	12,338,076
Investments, at fair value (Notes 2D, 6 and 7)	4,280,990	1,438,367
Prepaid expenses and other assets	1,243,493	1,218,260
Assets held in split interest agreements, at fair value (Notes 7 and 8)	6,965,440	8,174,141
Beneficial interest in perpetual trust (Note 16)	10,177,119	10,160,202
Property and equipment, net (Notes 2E and 5)	201,300	265,456
Right-of-use operating lease (Note 9)	2,464,182	-
TOTAL ASSETS	$ 75,955,454	$ 67,773,709
LIABILITIES		
Accounts payable and accrued expenses	$ 20,126,775	$ 14,851,446
Grants payable (Notes 2M and 10)	16,420,748	16,478,771
Loans payable (Note 11)	2,300,000	2,300,000
Deferred revenue (Note 2J)	780,776	295,641
Accrued post-retirement health benefit costs (Notes 12 and 13)	719,324	1,029,821
Lease liability (Note 9)	2,506,634	-
TOTAL LIABILITIES	42,854,257	34,955,679
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2B)		
Without donor restrictions	(3,841,026)	4,290,342
With donor restrictions (Note 16)	36,942,223	28,527,688
TOTAL NET ASSETS	33,101,197	32,818,030
TOTAL LIABILITIES AND NET ASSETS	$ 75,955,454	$ 67,773,709

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

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
OPERATING REVENUE AND SUPPORT:						
Special event revenue	$ 304,457	$ 281,176	$ 585,633	$ 218,795	$ 255,440	$ 474,235
Less: direct benefit to donors	(88,815)	-	(88,815)	(125,583)	-	(125,583)
Special event revenue, net	215,642	281,176	496,818	93,212	255,440	348,652
Contributions (Notes 2F and 16)	18,718,385	15,065,916	33,784,301	12,406,741	45,113,935	57,520,676
Estates, trusts, bequests, legacies and other (Note 2I)	3,486,378	11,012,990	14,499,368	5,741,762	505,790	6,247,552
Gifts in-kind (Note 2L)	4,324	-	4,324	-	-	-
Interest	296,145	-	296,145	359,154	-	359,154
Investment activity (Note 6)	(28,156)	-	(28,156)	73,635	-	73,635
Change in value of split interest agreements (Note 8)	(1,058,949)	-	(1,058,949)	1,028,638	-	1,028,638
Miscellaneous income	25,598	-	25,598	91,438	-	91,438
Net assets released from restrictions (Notes 2B and 16)	17,962,464	(17,962,464)	-	42,657,532	(42,657,532)	-
TOTAL OPERATING REVENUE AND SUPPORT	39,621,831	8,397,618	48,019,449	62,452,112	3,217,633	65,669,745
			-			
OPERATING EXPENSES (Note 2K):						
Program services	38,803,817	-	38,803,817	56,132,459	-	56,132,459
Management and general	3,992,214	-	3,992,214	3,593,209	-	3,593,209
Fundraising	5,175,473	-	5,175,473	5,100,795	-	5,100,795
TOTAL OPERATING EXPENSES	47,971,504	-	47,971,504	64,826,463	-	64,826,463
CHANGE IN NET ASSETS (DEFICIT) FROM OPERATIONS	(8,349,673)	8,397,618	47,945	(2,374,351)	3,217,633	843,282
NON-OPERATING ACTIVITIES:						
Beneficial interest in perpetual endowment (Note 16)	-	16,917	16,917	-	39,176	39,176
Foreign exchange valuation (Notes 2C and 2N)	(76,030)	-	(76,030)	67,210	-	67,210
Other components of net periodic pension credit changes (Note 13)	24,410	-	24,410	7,878	-	7,878
TOTAL NON-OPERATING ACTIVITIES	(51,620)	16,917	(34,703)	75,088	39,176	114,264
CHANGE IN NET ASSETS (DEFICIT) BEFORE POST-RETIREMENT CHANGE OTHER THAN NET PERIODIC PENSION CHANGES	(8,401,293)	8,414,535	13,242	(2,299,263)	3,256,809	957,546
Post-retirement change other than net periodic pension changes (Note 13)	269,925	-	269,925	75,857	-	75,857
CHANGE IN TOTAL NET ASSETS (DEFICIT)	(8,131,368)	8,414,535	283,167	(2,223,406)	3,256,809	1,033,403
Net assets - beginning of year	4,290,342	28,527,688	32,818,030	6,513,748	25,270,879	31,784,627
NET ASSETS (DEFICIT) - END OF YEAR	$ (3,841,026)	$ 36,942,223	$ 33,101,197	$ 4,290,342	$ 28,527,688	$ 32,818,030

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, 2022 AND 2021

	For the Year Ended December 31, 2022					For the Year Ended December 31, 2021				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2022	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2021
Salaries	$ 2,546,512	$ 1,630,510	$ 1,802,225	$ 3,432,735	$ 5,979,247	$ 2,184,852	$ 1,627,437	$ 1,787,166	$ 3,414,603	$ 5,599,455
Payroll taxes and employee benefits (Notes 12 and 13)	793,302	435,383	481,177	916,560	1,709,862	703,724	393,019	441,366	834,385	1,538,109
Total salaries and related costs	3,339,814	2,065,893	2,283,402	4,349,295	7,689,109	2,888,576	2,020,456	2,228,532	4,248,988	7,137,564
Occupancy and utilities (Note 9)	100,936	277,575	126,170	403,745	504,681	95,398	260,603	118,456	379,059	474,457
Professional fees	160,664	583,772	105,560	689,332	849,996	152,239	382,139	97,190	479,329	631,568
Insurance	26,183	52,366	26,183	78,549	104,732	23,739	47,479	23,739	71,218	94,957
Printing, publications and supplies	86,600	64,456	109,815	174,271	260,871	87,888	80,856	115,862	196,718	284,606
Travel, conferences and events	285,941	48,889	165,466	214,355	500,296	148,023	11,743	58,470	70,213	218,236
Telephone	27,540	41,630	36,426	78,056	105,596	27,412	42,273	36,989	79,262	106,674
Postage and shipping (Note 2L)	35,041	74,678	272,079	346,757	381,798	62,377	98,420	287,411	385,831	448,208
Dues and subscriptions	8,127	6,966	8,127	15,093	23,220	14,892	12,765	14,892	27,657	42,549
Equipment (Note 9)	20,502	57,997	77,179	135,176	155,678	13,939	40,192	50,882	91,074	105,013
Bank charges and interest expense (Note 11)	55,927	73,596	64,396	137,992	193,919	54,907	87,307	76,393	163,700	218,607
Events expense	-	-	468,978	468,978	468,978	-	-	406,643	406,643	406,643
Depreciation and amortization	-	70,406	-	70,406	70,406	-	53,738	-	53,738	53,738
Marketing and direct mail	1,128,486	155,611	1,520,507	1,676,118	2,804,604	848,865	164,795	1,684,256	1,849,051	2,697,916
Bad debt expense	-	385,938	-	385,938	385,938	-	268,637	-	268,637	268,637
Grants to Magen David Adom	33,528,056	-	-	-	33,528,056	51,699,089	-	-	-	51,699,089
Miscellaneous	-	32,441	-	32,441	32,441	15,115	21,806	26,663	48,469	63,584
TOTAL EXPENSES	38,803,817	3,992,214	5,264,288	9,256,502	48,060,319	56,132,459	3,593,209	5,226,378	8,819,587	64,952,046
Less: Special event direct expenses	-	-	(88,815)	(88,815)	(88,815)	-	-	(125,583)	(125,583)	(125,583)
TOTAL EXPENSES, Net of special event direct expenses	$ 38,803,817	$ 3,992,214	$ 5,175,473	$ 9,167,687	$ 47,971,504	$ 56,132,459	$ 3,593,209	$ 5,100,795	$ 8,694,004	$ 64,826,463

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets (deficit)	$ 283,167	$ 1,033,403
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities		
Depreciation and amortization	70,406	53,738
Pension and post-retirement changes	(310,497)	(75,857)
Bad debt	385,938	268,637
Change in beneficial interest in perpetual endowment	(16,917)	(39,176)
Change in value of split interest agreements	1,208,701	(1,742,909)
Change in discount on pledges receivable	20,951	(528,301)
Realized and unrealized loss on investments, net	98,395	26,746
Subtotal	1,740,144	(1,003,719)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	3,095,620	4,036,427
Prepaid expenses and other assets	(25,233)	(401,398)
Right-of-use operating lease	(2,464,182)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,275,329	5,826,032
Grants payable	(58,023)	(3,096,834)
Deferred revenue	485,135	295,641
Lease liability	2,506,634	-
Net Cash Provided By Operating Activities	10,555,424	5,656,149
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,250)	(2,518)
Purchase of investments	(5,141,949)	(11,882,550)
Proceeds from sales/redemptions of investments	2,200,931	11,118,665
Net Cash Used In Investing Activities	(2,947,268)	(766,403)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,608,156	4,889,746
Cash and cash equivalents - beginning of year	34,179,207	29,289,461
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 41,787,363	$ 34,179,207
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 28,779	$ 27,549

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

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 and amortization. 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.

G. ***Allowance for doubtful accounts -*** As of December 31, 2022 and 2021, AFMDA determined that allowances of $500,000 and $400,000, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements 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 gifts in-kind -*** AFMDA records donated stock or services at their fair value on the date of receipt. Gifts in-kind for the year ended December 31, 2022 was $4,324. The gifts in-kind were for shipping services, valued at fair market value and are included in program services in the statement of functional expenses. There were no gifts in kind for the year ended December 31, 2021.

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.

O. ***Leases*** – AFMDA determines if an arrangement is a lease at inception. Leases are included in right-of-use ("ROU") operating lease and lease liability in the statements of financial position as of December 31, 2022. ROU asset and lease liability reflect the present value of future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. AFMDA does not report ROU assets and leases liabilities for its short-term leases.

P. ***Recently enacted accounting standard -*** Financial Accounting Standards Board ("FASB") ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("Gifts-in-Kind") was adopted by AFMDA for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit ("NFP") organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendment did not change existing recognition and measurement requirements for those assets. For further detail, see Note 2L.

AFMDA adopted FASB ASU 2016-02, *Leases* (Topic 842) for the year ended December 31, 2022. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. AFMDA adopted Topic 842 for the year ended December 31, 2022, which required the recognition of lease assets and liabilities as of that date. The lease asset and liability on December 31, 2022 totaled $2,464,182 and $2,506,634, respectively. The adoption of Topic 842 had no effect on the change in net assets as previously reported. For further detail, see Note 9.

Q. ***Reclassification*** – Certain line items in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation.

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 expenditures. As of December 31, 2022 and 2021, AFMDA's financial assets available to meet the general expenditures over the next twelve months were as follows:

	2022	2021
Cash and cash equivalents	$ 41,787,363	$ 34,179,207
Pledges receivable (collectable within one year)	8,220,636	10,666,445
Investments, at fair value	4,280,990	1,438,367
Total financial assets	54,288,989	46,284,019
Less: net assets with donor restrictions	(36,942,223)	(28,527,688)
	$ 17,346,766	$ 17,756,331

NOTE 4 – PLEDGES RECEIVABLE, NET

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:

	2022	2021
Less than one year	$ 8,220,636	$ 10,666,445
One year to four years	1,310,884	2,219,719
Five years and more	190,000	275,000
	9,721,520	13,161,164
Less: allowance for doubtful pledges	(500,000)	(400,000)
Less: present value discount (0.15% to 4.48%)	(385,953)	(423,088)
	$ 8,835,567	$ 12,338,076

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	Estimated Useful Lives	2022	2021
Furniture and equipment	3-7 years	$ 303,246	$ 324,496
Leasehold improvements	10 years	100,935	100,935
		404,181	425,431
Less: accumulated depreciation and amortization		(202,881)	(159,975)
Total		$ 201,300	$ 265,456

Depreciation and amortization expense amounted to $70,406 and $53,738 for the years ended December 31, 2022 and 2021, respectively. AFMDA wrote off $27,500 of fully depreciated assets that were no longer in use for year ended December 31, 2022. There were no write offs for year ended December 31, 2021.

NOTE 6 – INVESTMENTS

Investments consist of the following as of December 31:

	2022	2021
Cash and money market funds	$ 1,597,682	$ 432,519
Equities	2,286,900	791,029
State of Israel bonds	396,408	214,819
	$ 4,280,990	$ 1,438,367

NOTE 6 – INVESTMENTS (Continued)

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:

	2022	2021
Interest and dividends	$ 70,239	$ 100,381
Realized loss on investments	(105,783)	(15,865)
Unrealized gain (loss) on investments	7,388	(10,881)
	$ (28,156)	$ 73,635

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 Level 1 instrument valuations obtained from real-time quotes in active exchange markets involving identical assets. Level 2 valuations are based on inputs other than Level 1 prices corroborated with observable market data. Level 3 instruments and valuations are stated at fair value in an unquoted market. The Israel bonds were classified as Level 2 and Level 3 as of December 31, 2022 and 2021, respectively. While the bonds were not transferred, as of December 31, 2022 facts and circumstances were available to management that were not available as of December 31, 2021.

Financial assets carried at fair value at December 31, 2022 are classified in the table as follows:

ASSETS CARRIED AT FAIR VALUE	Level 1	Level 2	Total
Investments			
Cash and money market funds	$ 1,597,682	$ -	$ 1,597,682
Equities	2,286,900	-	2,286,900
State of Israel bonds	-	396,408	396,408
Total Investments	3,884,582	396,408	4,280,990
Assets held in split interest agreements			
Cash and money market funds	261,834	-	261,834
Equities	4,661,422	-	4,661,422
Fixed income	2,042,184	-	2,042,184
Total assets held in split interest agreements	6,965,440	-	6,965,440
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 10,831,022	$ 396,408	$ 11,246,430

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2021 are classified in the table as follows:

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

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, 2022 and 2021, the estimated future liabilities of $3,861,187 and $4,010,940, 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, 2022 and 2021. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2022 and 2021, 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.

NOTE 9 – OPERATING LEASES

AFMDA has entered into a lease agreement through year 2029. This lease includes a rent escalation. AFMDA assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting Topic 842 had no impact on the prior year statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on AFMDA's change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended December 31, 2021 (i.e. ASC 840). No comparative information is provided for the amounts reported on the statement of financial position as of December 31, 2021 since AFMDA used the modified retrospective method of transition that does not require restating the prior period.

As of December 31, 2022, the right-of-use (“ROU”) asset had a balance of $2,464,182. The lease liability totaled $2,506,634 as shown in the statement of financial position. For the year ended December 31, 2022, the lease liabilities were calculated utilizing AFMDA’s incremental borrowing rate of 2.43% for leases in effect at the initial adoption date of January 1, 2022. The weighted average of the remaining lease term is 7 years, and the weighted average discount rate is 2.43%. Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2022 and thereafter are as follows:

2023	$ 349,829
2024	357,701
2025	387,565
2026	396,285
2027	405,201
Thereafter	837,959
Total lease payments	2,734,540
Less: Present value discount	(227,906)
Present value of lease liabilities	$ 2,506,634

NOTE 9 – OPERATING LEASES (Continued)

Rent expense amounted to $485,317 and $447,648 for the years ended December 31, 2022 and 2021, respectively, and is included in occupancy and utilities in the accompanying statements of functional expenses. Equipment lease expense amounted to approximately $28,000 and $11,000 for the years ended December 31, 2022 and 2021, respectively, and is included in equipment expense in the accompanying statements of functional expenses

NOTE 10 – GRANTS PAYABLE

As of December 31, 2022 and 2021, AFMDA was obligated under unconditional promises to give amounting to $16,420,748 and $16,478,771, 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, 2022, the grants payable are expected to be paid to MDA within one to three years or upon completion of ongoing projects.

NOTE 11 – LOANS PAYABLE

As of both December 31, 2022 and 2021, AFMDA has a loan payable to a bank in the principal amount of $2,300,000 with a maturity date of March 28, 2024. Interest on the outstanding principal balance accrues and interest is payable at a money market rate plus 1% per annum. Principal is due at maturity and there is no prepayment charge with respect to this loan. The loan is secured by investments. Interest expense for the years ended December 31, 2022 and 2021 amounted to $28,779 and $27,549, respectively.

NOTE 12 – 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, 2022 and 2021 amounted to $296,929 and $174,152, respectively.

NOTE 13 – 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. For the years ended December 31, 2022 and 2021, the Post-retirement Plan held no assets. The funded status of the Post-retirement Plan as of December 31 is as follows:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,029,821	$ 1,105,678
Service cost	1,089	5,423
Interest cost	22,632	22,014
Plan participants' contributions	23,891	23,366
Actuarial gain	(269,925)	(29,252)
Benefits paid	(88,184)	(97,408)
Benefit obligation at end of year	719,324	1,029,821
Funded status	$ (719,324)	$ (1,029,821)

The components of the net periodic benefit cost including the service cost included in payroll taxes and benefits for the Post-retirement Plan for the years ended December 31 are as follows:

	2022	2021
Service cost	$ 1,089	$ 5,423
Benefits paid	88,184	97,408
Employer contributions	64,293	74,042
Administration fees	4,250	8,500

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

The other components of net periodic benefit cost for the years ended December 31 are as follows:

	2022	2021
Interest cost	$ (22,632)	$ (22,014)
Amortization of net gain	47,042	29,892
Net benefits cost	$ 24,410	$ 7,878

The amounts recognized in the without donor restriction net (deficit) assets as of December 31 consist of the following:

	2022	2021
Pension related change other than net periodic pension costs	$ 269,925	$ 75,857

AFMDA's expected rate of return on Post-retirement Plan assets is determined by the Post-retirement 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 and health care cost trends as of December 31 is based on the following assumptions:

	2022	2021
Discount Rate	5.12%	2.51%
Health care cost trend rate assumed for next year	6.5% - 4.5%	7.0% -4.5%
Rate to which the cost trend rate is assumed to decline	4.037%	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:

2023	$ 65,040
2024	65,363
2025	65,263
2026	64,652
2027	66,910
Five years thereafter	301,157
	$ 628,385

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. AFMDA believes it has no material uncertain tax positions as of December 31, 2022 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.

   During 2022 AFMDA received two penalty notices from the IRS for late filing of 2014 and 2018 IRS Form 3520s. Management filed abatement letters with the IRS and is awaiting the resolution for the 2018 abatement letter. The IRS denied the abatement request with respect to the 2014 penalty, and AFMDA intends to exercise its appeal rights to pursue the removal of the penalty. Management believes the 2018 abatement and the 2014 appeal will be successful and no liabilities are accrued in the financial statements as of both December 31, 2022 and 2021.

NOTE 15 – 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 $38.9 million and $33.8 million as of December 31, 2022 and 2021, 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 $2,666,000 and $584,000 as of December 31, 2022 and 2021, respectively.

B. As of December 31, 2022 and 2021, approximately 21% and 19% of pledges receivable is comprised of two and three donors, respectively.

NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Ambulances	$ 15,628,555	$ 9,688,617
Blood center construction	6,103,075	4,612,502
Other	1,371,354	1,604,247
Restricted in perpetuity	13,839,239	12,622,322
	$ 36,942,223	$ 28,527,688

Net assets with donor restrictions amounting to $17,962,464 and $42,657,532 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, 2022 and 2021, respectively.

Net assets with donor restrictions also include funds restricted in perpetuity of $13,839,239 and $12,622,322 as of December 31, 2022 and 2021, respectively, included in the statements of financial position as follows:

	2022	2021
Beneficial interest in perpetual trust	$ 10,177,199	$ 10,160,202
Perpetual ambulance fund program donor restricted endowment	3,200,000	2,000,000
Donor restricted endowment	462,120	462,120
	$ 13,839,239	$ 12,622,322

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.

The perpetual ambulance fund program donor restricted endowment and donor restricted endowment were included in cash and cash equivalents in the statements of financial position as of both December 31, 2022 and 2021, and therefore there was no investment activity and appropriations for the years then ended.

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 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 29, 2023, the date the financial statements were available to be issued.