



**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF  
JERUSALEM, INC.**

**FINANCIAL STATEMENTS  
(TOGETHER WITH INDEPENDENT AUDITORS' REPORT)**

**FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

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

ACCOUNTANTS & ADVISORS

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**

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

**DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of:  
American Friends of the Episcopal Diocese of Jerusalem, Inc.

We have audited the accompanying financial statements of American Friends of the Episcopal Diocese of Jerusalem, Inc. which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets, 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 American Friends of the Episcopal Diocese of Jerusalem, Inc. as of December 31, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities". Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Marks Paneth CP". The signature is written in a cursive, slightly slanted style.

Marks Paneth LLP  
Purchase, New York

April 29, 2019

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 691,677	\$ 680,800
Investments	719,178	827,865
Pledges receivable	12,798	18,195
Prepaid expenses	<u>3,389</u>	<u>5,204</u>
Total Current Assets	1,427,042	1,532,064
<b>Property and Equipment</b> , net of accumulated depreciation of \$24,058 and \$20,223, respectively	2,015	5,840
<b>Security Deposits</b>	<u>2,000</u>	<u>2,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,431,057</u>	<u>\$ 1,539,904</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,216	\$ 7,670
Total Current Liabilities	<u>3,216</u>	<u>7,670</u>
<b>Net Assets</b>		
Without donor restrictions		
Available for operations	213,757	207,048
Board-designated	<u>624,346</u>	<u>687,885</u>
Total without donor restrictions	838,103	894,933
With donor restrictions	<u>589,738</u>	<u>637,301</u>
Total Net Assets	<u>1,427,841</u>	<u>1,532,234</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,431,057</u>	<u>\$ 1,539,904</u>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 531,635	\$ 1,230,823	\$ 1,762,458
Non-cash contributions	68,893	-	68,893
Special events revenue	31,670	-	31,670
Special events expense	(7,582)	-	(7,582)
Net assets released from restrictions	<u>1,271,858</u>	<u>(1,271,858)</u>	<u>-</u>
Total Public Support	<u>1,896,474</u>	<u>(41,035)</u>	<u>1,855,439</u>
<b>REVENUE</b>			
Investment return	<u>(36,121)</u>	<u>(6,528)</u>	<u>(42,649)</u>
Total Revenue	<u>(36,121)</u>	<u>(6,528)</u>	<u>(42,649)</u>
 Total Public Support and Revenue	 <u>1,860,353</u>	 <u>(47,563)</u>	 <u>1,812,790</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,477,957	-	1,477,957
Management and general	238,269	-	238,269
Fundraising and development	<u>200,957</u>	<u>-</u>	<u>200,957</u>
Total Functional Expenses	<u>1,917,183</u>	<u>-</u>	<u>1,917,183</u>
 <b><u>CHANGE IN NET ASSETS</u></b>	 <u>(56,830)</u>	 <u>(47,563)</u>	 <u>(104,393)</u>
Net assets - beginning of year	<u>894,933</u>	<u>637,301</u>	<u>1,532,234</u>
 Net assets - end of year	 <u>\$ 838,103</u>	 <u>\$ 589,738</u>	 <u>\$ 1,427,841</u>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 450,817	\$ 994,333	\$ 1,445,150
Non-cash contributions	46,312	-	46,312
Special events revenue	32,910	-	32,910
Special events expense	(16,463)	-	(16,463)
Net assets released from restrictions	<u>721,117</u>	<u>(721,117)</u>	<u>-</u>
Total Public Support	<u>1,234,693</u>	<u>273,216</u>	<u>1,507,909</u>
<b>REVENUE</b>			
Investment return	100,838	35,378	136,216
Gain on recovery of assets	<u>1,581</u>	<u>-</u>	<u>1,581</u>
Total Revenue	<u>102,419</u>	<u>35,378</u>	<u>137,797</u>
 Total Public Support and Revenue	 <u>1,337,112</u>	 <u>308,594</u>	 <u>1,645,706</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,232,442	-	1,232,442
Management and general	140,974	-	140,974
Fundraising and development	<u>212,760</u>	<u>-</u>	<u>212,760</u>
Total Functional Expenses	<u>1,586,176</u>	<u>-</u>	<u>1,586,176</u>
 <b><u>CHANGE IN NET ASSETS</u></b>	 (249,064)	 308,594	 59,530
Net assets - beginning of year	<u>1,143,997</u>	<u>328,707</u>	<u>1,472,704</u>
 Net assets - end of year	 <u>\$ 894,933</u>	 <u>\$ 637,301</u>	 <u>\$ 1,532,234</u>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>SUPPORTING SERVICES</u>			<u>TOTAL FUNCTIONAL EXPENSES</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>		<u>Total</u>
Salaries	\$ 70,510	\$ 94,925	\$ 113,927	\$ 208,852	\$ 279,362
Payroll taxes and benefits	<u>19,850</u>	<u>13,016</u>	<u>24,372</u>	<u>37,388</u>	<u>57,238</u>
Total Payroll	90,360	107,941	138,299	246,240	336,600
Grants	1,336,398	-	-	-	1,336,398
Outside services	6,493	15,327	14,220	29,547	36,040
Rent	8,856	4,429	8,856	13,285	22,141
Telephone	555	-	756	756	1,311
Office supplies	1,311	98	755	853	2,164
Printing	9,194	2,043	9,194	11,237	20,431
Postage	2,771	1,385	9,696	11,081	13,852
Travel, meetings and entertainment	6,868	29,293	15,014	44,307	51,175
Travel, conventions and seminars	8,594	-	125	125	8,719
Professional fees	-	60,758	-	60,758	60,758
Dues and subscriptions	641	1,846	1,826	3,672	4,313
Bank fees and interest	-	13,162	-	13,162	13,162
Insurance	641	607	1,052	1,659	2,300
Miscellaneous expenses	<u>1,675</u>	<u>1,155</u>	<u>1,164</u>	<u>2,319</u>	<u>3,994</u>
Total Expenses before Depreciation	1,474,357	238,044	200,957	439,001	1,913,358
Depreciation	<u>3,600</u>	<u>225</u>	<u>-</u>	<u>225</u>	<u>3,825</u>
 Total Functional Expenses	 <u>\$ 1,477,957</u>	 <u>\$ 238,269</u>	 <u>\$ 200,957</u>	 <u>\$ 439,226</u>	 <u>\$ 1,917,183</u>

See accompanying notes to the financial statements.



**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017**

	<u>SUPPORTING SERVICES</u>				<b>TOTAL FUNCTIONAL EXPENSES</b>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>	
Salaries	\$ 115,245	\$ 39,091	\$ 128,999	\$ 168,090	\$ 283,335
Payroll taxes and benefits	<u>23,756</u>	<u>8,624</u>	<u>22,392</u>	<u>31,016</u>	<u>54,772</u>
Total Payroll	139,001	47,715	151,391	199,106	338,107
Grants	1,043,552	-	-	-	1,043,552
Outside services	2,180	10,198	10,950	21,148	23,328
Rent	9,688	2,155	9,688	11,843	21,531
Telephone	585	130	585	715	1,300
Office supplies	668	416	686	1,102	1,770
Printing	8,120	130	7,408	7,538	15,658
Postage	6,834	559	7,518	8,077	14,911
Travel, meetings and entertainment	14,845	21,733	19,212	40,945	55,790
Travel, conventions and seminars	2,940	94	25	119	3,059
Professional fees	-	46,369	-	46,369	46,369
Dues and subscriptions	1,154	1,494	2,139	3,633	4,787
Bank fees and interest	-	8,840	-	8,840	8,840
Insurance	768	398	1,051	1,449	2,217
Miscellaneous expenses	<u>315</u>	<u>345</u>	<u>315</u>	<u>660</u>	<u>975</u>
Total Expenses before Depreciation	1,230,650	140,576	210,968	351,544	1,582,194
Depreciation	<u>1,792</u>	<u>398</u>	<u>1,792</u>	<u>2,190</u>	<u>3,982</u>
Total Functional Expenses	<u>\$ 1,232,442</u>	<u>\$ 140,974</u>	<u>\$ 212,760</u>	<u>\$ 353,734</u>	<u>\$ 1,586,176</u>

See accompanying notes to the financial statements.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (104,393)	\$ 59,530
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Realized and unrealized (gains) losses on marketable securities	36,063	(142,969)
Depreciation	3,825	3,982
Changes in Operating Assets and Liabilities:		
Pledges receivable	5,397	(2,190)
Grants receivable	-	-
Prepaid expenses	1,815	(3,254)
Accounts payable and accrued expenses	(4,454)	4,689
Total Adjustments	42,646	(139,742)
Net Cash Used by Operating Activities	(61,747)	(80,212)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	257,938	811,283
Purchase of investments	(185,314)	(530,692)
Net Cash Provided by Investing Activities	72,624	280,591
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	10,877	200,379
Cash and cash equivalents - beginning of year	680,800	480,421
Cash and cash equivalents - end of year	\$ 691,677	\$ 680,800

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 – NATURE OF OPERATIONS**

American Friends of the Episcopal Diocese of Jerusalem, Inc. (“AFEDJ” or the “Organization”) is a non-political, not-for-profit corporation established under the laws of the State of Florida, organized exclusively for charitable, religious, and educational purposes. AFEDJ acts as a partner with the Episcopal Diocese of Jerusalem (the “Diocese”) by helping to increase its capacity to teach and heal. AFEDJ promotes and raises program and infrastructure funds for humanitarian work of the Episcopal Diocese of Jerusalem and its institutions so it may better serve the needs of all people in Jordan, Lebanon, Syria, Palestine, and Israel. AFEDJ is devoted to equity, respect, and human dignity.

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

**Accounting Basis**

American Friends of the Episcopal Diocese of Jerusalem, Inc.’s financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) guidance on reporting information regarding its financial position and activities for not-for-profit organizations.

**Net Assets**

The Organization’s net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained permanently by the Organization, and unappropriated endowment earnings.

**Revenue Recognition and Deferred Revenue**

*Contributions:* The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that indicate a donor preference for the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Change in Net Assets as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization recognizes the support as without restriction.

*Promises to Give:* Unconditional promises to give are recognized as revenue in the period received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received as a result of the gift. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**Revenue Recognition and Deferred Revenue (Continued)**

*Non-cash Contributions:* The Organization receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers perform various administrative and fundraising functions. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. In-kind contributions are measured at the fair value of the asset transferred to the Organization or the liability cancelled or settled. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

**Investments**

The Organization follows FASB guidance on fair value, which, among other things, defines fair value, establishes a hierarchal framework for measuring fair value, and expands disclosure about fair value measurements. FASB defines fair value as 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. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as “inputs”) used in pricing the asset or liability, as follows:

*Level 1:* Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2:* Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, with fair value being determined through the use of models or other valuation methodologies.

*Level 3:* Inputs are unobservable inputs for the asset or liability and are used to the extent that observable inputs do not exist. Level 3 inputs require significant management judgment and estimation. Factors considered include the purchase cost, prices of recent private placements of the same issuer, liquidity of the investment, changes in financial condition of the issuer, and valuations of similar companies.

The Organization values investments using Level 1 inputs. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The Organization reports investment income and gains and losses as increases or decreases in unrestricted net assets in the statements of activities and change in net assets unless a donor or law restricts their use.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**Property and Equipment and Depreciation**

Property and equipment are recorded at cost, or in the case of donated assets, at estimated fair value at date of gift, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets that range from five to seven years. The Organization does not have a policy of implying time restrictions on gifts of long-lived assets. The Organization uses the direct expensing method for accounting for planned major maintenance activities.

**Uncertainty in Income Taxes**

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2018, the Organization does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and change in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that are consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, which are based on time and effort within each functional area. Postage and shipping, printing and publications, and bank charges are based on expenses tracked by account across functions. Supplies, office and computer expenses and telephone are based on staff usage.

**Reclassifications**

Certain reclassifications were made to the presentation of the 2017 financial statements to conform to the 2018 financial statement presentation.

**Recent Accounting Pronouncements**

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities*. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES**

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of instructional and student activities as well as services undertaken to support those activities to be general expenditures.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES**  
**(Continued)**

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2018, the Organization's financial assets were as follows:

Cash and cash equivalents	\$ 691,677
Investments	719,178
Pledges receivable, net	<u>12,798</u>
	<u>\$ 1,423,653</u>

As of December 31, 2018, financial assets available to meet general expenditures over the next 12 months were as follows:

Cash and cash equivalents	\$ 691,677
Investments	124,346
Pledges receivable, net	<u>12,798</u>
	<u>\$ 828,821</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve endowment, which was \$624,346 as of December 31, 2018. This reserve, established by the board of trustees, may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress

**NOTE 4 – PLEDGES AND GRANTS RECEIVABLE**

The Organization raises funds for various projects and programs. Pledges and grants receivable at December 31, 2018 represent unconditional promises to give in future periods. The Organization regularly evaluates the collectability of its receivables outstanding. Uncollectible amounts in 2018 and 2017 are not material. All receivables are due within one year and thus no discount was taken. Outstanding receivables at December 31, 2018 and 2017 were \$12,798 and \$18,195, respectively.

**NOTE 5 – INVESTMENTS**

The investment portfolio, at fair value, was comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Equities	\$ 444,253	\$ 559,954
Mutual funds	-	5,787
Fixed income	<u>274,925</u>	<u>262,124</u>
Total Investments	<u>\$ 719,178</u>	<u>\$ 827,865</u>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>	<u>Depreciable Life</u>
Furniture and fixtures	\$ 4,115	\$ 4,115	7 years
Software	18,000	18,000	5 years
Computer equipment	<u>3,958</u>	<u>3,958</u>	5 years
	26,073	26,073	
Less: accumulated depreciation	<u>24,058</u>	<u>20,233</u>	
Total Property and Equipment, net	<u>\$ 2,015</u>	<u>\$ 5,840</u>	

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Church programs	\$ 51,257	\$ 66,927
Educational programs	258,962	360,666
Institutes for disabled	19,600	14,230
Medical program	125,387	51,301
Non-diocesan programs	<u>134,532</u>	<u>144,177</u>
Total Net Assets With Donor Restrictions	<u>\$ 589,738</u>	<u>\$ 637,301</u>

Net assets released from restrictions and disbursed during the year were:

	<u>2018</u>	<u>2017</u>
Programs in support of the Diocese	\$ 1,263,899	\$ 714,230
Non-diocesan programs	<u>7,959</u>	<u>6,887</u>
Total Net Assets Released from Restrictions	<u>\$ 1,271,858</u>	<u>\$ 721,117</u>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 8 – ENDOWMENT NET ASSETS**

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets, if any (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations, if any, to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the State of Connecticut's Uniform Prudent Management of Institutional Funds Act.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund,
- 2) The purposes of the Organization and the donor-restricted fund,
- 3) General economic conditions,
- 4) The possible effect of inflation and deflation,
- 5) The expected total return from income and the appreciation of investments,
- 6) Other resources of the Organization, and
- 7) The investment policies of the Organization.

Endowment net asset composition by type of fund as of December 31, 2018:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 120,947	\$ 120,947
Board-designated endowment funds	<u>624,346</u>	<u>-</u>	<u>624,346</u>
Total Funds	<u>\$ 624,346</u>	<u>\$ 120,947</u>	<u>\$ 745,293</u>

Endowment net asset composition by type of fund as of December 31, 2017:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 128,435	\$ 128,435
Board-designated endowment funds	<u>687,885</u>	<u>-</u>	<u>687,885</u>
Total Funds	<u>\$ 687,885</u>	<u>\$ 128,435</u>	<u>\$ 816,320</u>



**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
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**NOTE 8 – ENDOWMENT NET ASSETS (Continued)**

Changes in endowment net assets for the years ended December 31, 2018 and 2017:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Endowment net assets, January 1, 2017</b>	<b><u>\$ 858,922</u></b>	<b><u>\$ 109,826</u></b>	<b><u>\$ 968,748</u></b>
Investment return:			
Investment income	79	13	92
Net appreciation	<u>111,911</u>	<u>16,682</u>	<u>128,593</u>
Total Investment Return	111,990	16,695	128,685
Contributions	-	7,947	7,947
Appropriation of endowment assets for expenditure	<u>(283,027)</u>	<u>(6,033)</u>	<u>(289,060)</u>
<b>Endowment net assets, December 31, 2017</b>	<b><u>687,885</u></b>	<b><u>128,435</u></b>	<b><u>816,320</u></b>
Investment return:			
Investment income	145	28	173
Net depreciation	<u>(33,014)</u>	<u>(6,556)</u>	<u>(39,570)</u>
Total Investment Return	(32,869)	(6,528)	(39,397)
Appropriation of endowment assets for expenditure	<u>(30,670)</u>	<u>(960)</u>	<u>(31,630)</u>
<b>Endowment net assets, December 31, 2018</b>	<b><u>\$ 624,346</u></b>	<b><u>\$ 120,947</u></b>	<b><u>\$ 745,293</u></b>

The amounts in the above tables do not include non-endowment, net assets with donor restrictions of \$468,791 in 2018 and \$508,866 in 2017 intended for various programs of the Diocese.

**NOTE 9 – TAX-DEFERRED ANNUITY PLAN**

The Organization maintains a tax-deferred retirement savings plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees with at least 1,000 hours of service annually. Employees may elect to have withholdings from wages up to the maximum allowable under the Internal Revenue Code. The Organization makes a five percent contribution to the plan based on eligible individual's gross salaries. The Organization also matches 100 percent of the employees' contribution up to four percent of their gross salary. Pension expense for the years ended December 31, 2018 and 2017 was \$18,380 and \$22,982, respectively.

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**NOTE 10 – LEASING ARRANGEMENTS**

In January 2013, the Organization entered into a three-year agreement to lease office space, from March 2013 to February 2016, at a monthly rent of \$1,000, with escalations.

In August 2018, the Organization entered into an agreement to extend the lease for an additional three years, from March 2019 to February 2022. In addition to paying rent, the Organization pays the utilities and other occupancy costs.

The annual payment requirements under the lease agreement for the years subsequent to December 31, 2018 are:

2019	\$ 19,250
2020	19,824
2021	20,420
2022	3,420

Rent expense for the years ended December 31, 2018 and 2017 was \$18,687 and \$18,143, respectively.

**NOTE 11 – CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash and cash equivalent balances at several financial institutions. Concentrations of credit risk result primarily from cash on deposit at these financial institutions in excess of Federal Deposit Insurance Corporation (“FDIC”) limits. At times during the year, cash and cash equivalent balances may be in excess of FDIC coverage. At December 31, 2018, the Organization’s uninsured cash and cash equivalents balance totaled \$531,092.

**NOTE 12 – INCOME TAXES**

The Organization is exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Contributions made to the Organization are qualified for the maximum tax deductions allowable under the United States Internal Revenue Code.

**NOTE 13 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 29, 2019, the date that the financial statements were available to be issued.