AFEDJ
American Friends of the
Episcopal Diocese of Jerusalem

American Friends of the Episcopal Diocese of Jerusalem, Inc.

Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended
December 31, 2019 and 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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MARKS PANETH
ACCOUNTANTS & ADVISORS

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, 2019 and 2018, 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, 2019 and 2018, 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.

Marks Paneth LLP

Purchase, New York
April 22, 2020

Morison KSi
Independent member

AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current Assets		
Cash and cash equivalents	$ 1,013,628	$ 691,677
Contributions receivable	82,907	12,798
Prepaid expenses	4,427	3,389
Total Current Assets	1,100,962	707,864
Investments	871,087	719,178
Property and Equipment, net of accumulated depreciation of $27,604 and $24,058, respectively	14,496	2,015
Security Deposits	2,000	2,000
TOTAL ASSETS	$ 1,988,545	$ 1,431,057

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities		
Accounts payable and accrued expenses	$ 2,215	$ 3,216
Total Current Liabilities	2,215	3,216
Net Assets		
Without donor restrictions		
Available for operations	362,282	213,757
Board-designated	739,745	624,346
Total without donor restrictions	1,102,027	838,103
With donor restrictions	884,303	589,738
Total Net Assets	1,986,330	1,427,841
TOTAL LIABILITIES AND NET ASSETS	$ 1,988,545	$ 1,431,057

See accompanying notes to financial statements.

AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Contributions	$ 744,376	$ 1,248,909	$ 1,993,285
Non-cash contributions	79,060	-	79,060
Net assets released from restrictions	976,711	(976,711)	-
Total Public Support	1,800,147	272,198	2,072,345
REVENUE			
Investment return	115,335	22,367	137,702
Total Revenue	115,335	22,367	137,702
Total Public Support and Revenue	1,915,482	294,565	2,210,047
FUNCTIONAL EXPENSES			
Program services	1,243,384	-	1,243,384
Management and general	190,574	-	190,574
Fundraising and development	217,600	-	217,600
Total Functional Expenses	1,651,558	-	1,651,558
CHANGE IN NET ASSETS	263,924	294,565	558,489
Net assets - beginning of year	838,103	589,738	1,427,841
Net assets - end of year	$ 1,102,027	$ 884,303	$ 1,986,330

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

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
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	(3,736)	-	(3,736)
Net assets released from restrictions	1,271,858	(1,271,858)	-
Total Public Support	1,900,320	(41,035)	1,859,285
REVENUE			
Investment return	(36,121)	(6,528)	(42,649)
Total Public Support and Revenue	1,864,199	(47,563)	1,816,636
FUNCTIONAL EXPENSES			
Program services	1,477,957	-	1,477,957
Management and general	238,269	-	238,269
Fundraising and development	204,803	-	204,803
Total Functional Expenses	1,921,029	-	1,921,029
CHANGE IN NET ASSETS	(56,830)	(47,563)	(104,393)
Net assets - beginning of year	894,933	637,301	1,532,234
Net assets - end of year	$ 838,103	$ 589,738	$ 1,427,841

See accompanying notes to financial statements.

AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

		SUPPORTING SERVICES			
	Program Services	Management and General	Fundraising and Development	Total	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 101,217	$ 55,628	$ 116,757	$ 172,385	$ 273,602
Payroll taxes and benefits	18,772	15,719	27,477	43,196	61,968
Total Payroll	119,989	71,347	144,234	215,581	335,570
Grants	1,076,906	-	-	-	1,076,906
Outside services	2,993	10,047	3,519	13,566	16,559
Rent	8,941	4,470	14,584	19,054	27,995
Telephone	514	257	1,101	1,358	1,872
Office supplies	769	436	1,088	1,524	2,293
Printing	7,869	1,749	7,869	9,618	17,487
Postage	2,426	1,213	8,491	9,704	12,130
Travel, meetings and entertainment	10,538	13,874	22,975	36,849	47,387
Travel, conventions and seminars	401	-	-	-	401
Professional fees	-	79,500	750	80,250	80,250
Dues and subscriptions	1,398	2,314	3,567	5,881	7,279
Bank fees and interest	8,700	222	-	222	8,922
Insurance	924	556	1,302	1,858	2,782
Miscellaneous expenses	1,016	1,043	8,120	9,163	10,179
Depreciation	-	3,546	-	3,546	3,546
Total Functional Expenses	$ 1,243,384	$ 190,574	$ 217,600	$ 408,174	$ 1,651,558

See accompanying notes to financial statements.

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

		SUPPORTING SERVICES				
	Program Services	Management and General	Fundraising and Development	Total	DIRECT BENEFIT TO DONORS	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 70,510	$ 94,925	$ 113,927	$ 208,852	$ -	$ 279,362
Payroll taxes and benefits	19,850	13,016	24,372	37,388	-	57,238
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	1,408	23,549
Telephone	555	-	756	756	-	1,311
Office supplies	1,311	98	1,151	1,249	-	2,560
Printing	9,194	2,043	9,534	11,577	-	20,771
Postage	2,771	1,385	9,696	11,081	-	13,852
Travel, meetings and entertainment	6,868	29,293	16,748	46,041	2,328	55,237
Travel, conventions and seminars	8,594	100	125	225	-	8,819
Professional fees	-	61,734	100	61,834	-	61,834
Dues and subscriptions	641	770	2,902	3,672	-	4,313
Bank fees and interest	-	13,162	-	13,162	-	13,162
Insurance	641	807	1,052	1,859	-	2,500
Miscellaneous expenses	1,675	955	1,364	2,319	-	3,994
Depreciation	3,600	225	-	225	-	3,825
Total Expenses	1,477,957	238,269	204,803	443,072	3,736	1,924,765
Less: direct benefits to donors recorded on statement of activities	-	-	-	-	(3,736)	(3,736)
Total Functional Expenses	$ 1,477,957	$ 238,269	$ 204,803	$ 443,072	$ -	$ 1,921,029

See accompanying notes to financial statements.

AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 558,489	$ (104,393)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Realized and unrealized (gains) losses on marketable securities	(143,121)	36,063
Depreciation	3,546	3,825
Changes in Operating Assets and Liabilities:		
Contributions receivable	(70,109)	5,397
Prepaid expenses	(1,038)	1,815
Accounts payable and accrued expenses	(1,001)	(4,454)
Total Adjustments	(211,723)	42,646
Net Cash Provided (Used) by Operating Activities	346,766	(61,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(16,027)	-
Proceeds from sale of investments	183,618	257,938
Purchase of investments	(192,406)	(185,314)
Net Cash Provided (Used) by Investing Activities	(24,815)	72,624
NET INCREASE IN CASH AND CASH EQUIVALENTS	321,951	10,877
Cash and cash equivalents - beginning of year	691,677	680,800
Cash and cash equivalents - end of year	$ 1,013,628	$ 691,677

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 equality, 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 have been prepared on the accrual basis of accounting and 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 explicit donor-imposed stipulations, including board designated funds functioning as endowment.
- 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 held in perpetuity by the Organization, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

Contributions receivable: Contributions receivable 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. Contributions receivable that are not anticipated to be fulfilled within one year are recognized at their discounted net present value. Contributions receivable are recognized when the conditions on which they depend are substantially met.

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 net assets without donor restrictions in the statements of activities and change in net assets unless a donor or law restricts their use.

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, 2019, 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 2018 financial statements to conform to the 2019 financial statement presentation.

Recent Authoritative Pronouncements

In 2018, the Organization adopted the provisions of FASB Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities" and ASU 2016-18 "Statement of Cash Flows." ASU 2016-14 provided for a number of changes including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. ASU 2016-18 required that restricted cash be included with cash and cash equivalents on the accompanying statements of cash flows. These changes had no impact on the change in net assets. The unrestricted net asset class has been renamed net assets without donor restrictions. The temporarily and permanently restricted net assets have been renamed net assets with donor restrictions.

FASB ASU 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", was adopted for the year ended December 31, 2019. ASU 2018-08 aims to assist entities in evaluating whether contributions should be accounted for as contributions or exchange transactions and determination as to whether a contribution is conditional. The adoption of this standard had no significant impact on the financial statements.

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The FASB has issued standards that the Organization must consider for adoption over the next year. Those standards include the following: "Leases," effective for the year ended December 31, 2020, which aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The Organization is currently evaluating the impact of the adoption of these standards on its financial statements.

NOTE 3 − LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL 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.

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, 2019, the Organization's financial assets were as follows:

Cash and cash equivalents	$ 1,013,628
Investments	871,087
Contributions receivable	82,907
Less: amounts with limits on usage:	$ 1,967,622
Board designated net assets	(739,745)
Spendable net assets with donor restrictions	(815,731)
Total Financial Assets Available for General Use Within One Year	$ 412,146

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 $739,745 as of December 31, 2019. 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 – CONTRIBUTIONS RECEIVABLE

The Organization raises funds for various projects and programs. Contributions receivable at December 31, 2019 represent unconditional promises to give in future periods. The Organization regularly evaluates the collectability of its receivables outstanding. Uncollectible amounts in 2019 and 2018 are not material. All receivables are due within one year and thus no discount was taken. Outstanding receivables at December 31, 2019 and 2018 were $82,907 and $12,798, respectively.

In 2019, approximately 83 percent of total contributions receivable, or $68,572, represents pledges from one donor.

NOTE 5 – INVESTMENTS

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

	2019	2018
Equities	$ 566,173	$ 444,253
Fixed income	304,914	274,925
Total Investments	$ 871,087	$ 719,178

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018	Depreciable Life
Furniture and fixtures	$ 4,115	$ 4,115	7 years
Software	34,027	18,000	5 years
Computer equipment	3,958	3,958	5 years
	42,100	26,073	
Less: accumulated depreciation	27,604	24,058	
Total Property and Equipment, net	$ 14,496	$ 2,015	

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Church programs	$ 64,107	$ 51,257
Educational programs	369,179	258,962
Institutes for disabled	39,402	19,600
Medical program	256,898	125,387
Non-diocesan programs	154,717	134,532
Total Net Assets With Donor Restrictions	$ 884,303	$ 589,738

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

	2019	2018
Programs in support of the Diocese	$ 974,711	$ 1,263,899
Non-diocesan programs	2,000	7,959
Total Net Assets Released from Restrictions	$ 976,711	$ 1,271,858

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 net assets with donor restrictions, 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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the State of Florida’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.

The Organization has adopted investment and spending polices, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Organization’s various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 5% of a moving three-year average of the fair value of the endowment funds. Accordingly, over the long term, the Organization expects its current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

NOTE 8 − ENDOWMENT NET ASSETS (Continued)

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 143,312	$ 143,312
Board-designated endowment funds	739,745	-	739,745
Total Funds	$ 739,745	$ 143,312	$ 883,057

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 120,947	$ 120,947
Board-designated endowment funds	624,346	-	624,346
Total Funds	$ 624,346	$ 120,947	$ 745,293

Changes in endowment net assets for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	**$ 687,885**	**$ 128,435**	**$ 816,320**
Investment return:			
Investment income	145	28	173
Net depreciation	(33,014)	(6,556)	(39,570)
Total Investment Loss	(32,869)	(6,528)	(39,397)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(30,670)	(960)	(31,630)
Endowment net assets, December 31, 2018	**624,346**	**120,947**	**745,293**
Investment return:			
Investment income	10,959	2,123	13,082
Net appreciation	109,173	21,148	130,321
Total Investment Return	120,132	23,271	143,403
Appropriation of endowment assets for expenditure	(4,733)	(906)	(5,639)
Endowment net assets, December 31, 2019	**$ 739,745**	**$ 143,312**	**$ 883,057**

The amounts in the above tables do not include non-endowment, net assets with donor restrictions of $740,991 in 2019 and $468,791 in 2018 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, 2019 and 2018 was $23,757 and $18,380, respectively.

NOTE 10 − LEASING ARRANGEMENTS

In August 2018, the Organization entered into an agreement to extend the lease for an additional three years, from March 2019 to February 2022, at a monthly cost of $1,612, with escalations. 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, 2019 are as follows:

2020	$ 19,824
2021	20,420
2022	3,420

Rent expense for the years ended December 31, 2019 and 2018 was $19,250 and $18,687, respectively.

NOTE 11 − CONCENTRATIONS OF CREDIT RISK

During 2019, the Organization received approximately 71% of its total revenue from fund-raising from five donors (individuals, foundations, other religious organizations).

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, 2019, the Organization's uninsured cash and cash equivalents balance totaled $643,682.

Additionally, the Organization maintains investment accounts with major investment firms that are covered by Securities Investor Protection Corporation ("SIPC") insurance. At December 31, 2019, investment balances in excess of SIPC coverage were $383,058.

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 22, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The Organization could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, we cannot predict the extent to which our financial condition and results of operations will be affected.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity's average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) $10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Organization's employees. The Organization applied for this loan through an SBA authorized lender. As of the date of this report, the loan has not yet been approved.