



**American Friends of the Episcopal Diocese of  
Jerusalem, Inc.**

**Financial Statements  
(Together with Independent Auditors' Report)**

**For the Years Ended  
December 31, 2021 and 2020**



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

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the financial statements of American Friends of the Episcopal Diocese of Jerusalem, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements 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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Report on 2020 Financial Statements**

The financial statements of American Friends of the Episcopal Diocese of Jerusalem, Inc. as of and for the year ended December 31, 2020 were audited by another auditor whose report dated April 21, 2021 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Friends of the Episcopal Diocese of Jerusalem, Inc.'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.

In performing an audit in accordance with GAAS standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Friends of the Episcopal Diocese of Jerusalem, Inc.'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 American Friends of the Episcopal Diocese of Jerusalem, Inc.'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 P.C.*

Purchase, NY  
April 21, 2022

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

**ASSETS**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 481,997	\$ 877,588
Contributions receivable	36,668	15,213
Prepaid expenses	13,260	5,936
Other receivables	-	119
Total Current Assets	531,925	898,856
<b>Investments</b>	1,424,372	1,186,181
<b>Property and Equipment</b> , net of accumulated depreciation of \$16,465 and \$13,259, respectively	8,580	11,786
<b>Security Deposits</b>	2,000	2,000
 <b>TOTAL ASSETS</b>	 <b>\$ 1,966,877</b>	 <b>\$ 2,098,823</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,933	\$ 2,676
Loans and notes payable, current portion	-	40,512
Total Current Liabilities	1,933	43,188
 Loans and notes payable, net of current portion	 -	 15,808
<b>Net Assets</b>		
Without donor restrictions		
Available for operations	309,777	274,400
Board-designated	1,077,144	942,045
Total without donor restrictions	1,386,921	1,216,445
With donor restrictions	578,023	823,382
Total Net Assets	1,964,944	2,039,827
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 1,966,877</b>	 <b>\$ 2,098,823</b>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 820,692	\$ 1,727,124	\$ 2,547,816
Contributions of nonfinancial assets	11,870	-	11,870
Net assets released from restrictions	1,990,366	(1,990,366)	-
Total Public Support	2,822,928	(263,242)	2,559,686
<b>REVENUE</b>			
Investment return, net of investment fees of \$6,593	134,077	17,883	151,960
Gain on extinguishment of debt - PPP loan	56,320	-	56,320
Total Revenue	190,397	17,883	208,280
Total Public Support and Revenue	3,013,325	(245,359)	2,767,966
<b>FUNCTIONAL EXPENSES</b>			
Program services	2,365,538	-	2,365,538
Management and general	133,280	-	133,280
Fundraising and development	344,031	-	344,031
Total Functional Expenses	2,842,849	-	2,842,849
<b>CHANGE IN NET ASSETS</b>	170,476	(245,359)	(74,883)
Net assets - beginning of year	1,216,445	823,382	2,039,827
Net assets - end of year	\$ 1,386,921	\$ 578,023	\$ 1,964,944

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, 2020**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 826,922	\$ 1,291,600	\$ 2,118,522
Contributions of nonfinancial assets	63,428	-	63,428
Net assets released from restrictions	<u>1,367,471</u>	<u>(1,367,471)</u>	<u>-</u>
Total Public Support	<u>2,257,821</u>	<u>(75,871)</u>	<u>2,181,950</u>
<b>REVENUE</b>			
Investment return, net of investment fees of \$5,780	<u>92,861</u>	<u>14,950</u>	<u>107,811</u>
Total Public Support and Revenue	<u>2,350,682</u>	<u>(60,921)</u>	<u>2,289,761</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	1,796,641	-	1,796,641
Management and general	186,364	-	186,364
Fundraising and development	<u>253,259</u>	<u>-</u>	<u>253,259</u>
Total Functional Expenses	<u>2,236,264</u>	<u>-</u>	<u>2,236,264</u>
<b><u>CHANGE IN NET ASSETS</u></b>			
	114,418	(60,921)	53,497
Net assets - beginning of year	<u>1,102,027</u>	<u>884,303</u>	<u>1,986,330</u>
Net assets - end of year	<u>\$ 1,216,445</u>	<u>\$ 823,382</u>	<u>\$ 2,039,827</u>

See accompanying notes to financial statements.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	<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	\$ 114,209	\$ 63,843	\$ 129,422	\$ 193,265	\$ 307,474
Payroll taxes and benefits	43,941	16,289	22,811	39,100	83,041
Total Payroll	158,150	80,132	152,233	232,365	390,515
Grants	2,140,969	-	500	500	2,141,469
Outside services	685	8,563	119,868	128,431	129,116
Occupancy costs	9,351	4,675	11,351	16,026	25,377
Telephone	455	227	925	1,152	1,607
Office supplies	326	193	400	593	919
Printing	11,618	2,582	21,987	24,569	36,187
Postage	6,613	952	6,876	7,828	14,441
Travel, meetings and entertainment	7,756	1,188	12,644	13,832	21,588
Professional fees	-	24,520	8,000	32,520	32,520
Dues and subscriptions	4,186	2,765	2,968	5,733	9,919
Bank fees and interest	22,132	178	-	178	22,310
Insurance	890	547	1,241	1,788	2,678
Miscellaneous expenses	2,407	3,552	5,038	8,590	10,997
Depreciation	-	3,206	-	3,206	3,206
Total Functional Expenses	<u>\$ 2,365,538</u>	<u>\$ 133,280</u>	<u>\$ 344,031</u>	<u>\$ 477,311</u>	<u>\$ 2,842,849</u>

See accompanying notes to financial statements.



**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	<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	\$ 86,939	\$ 59,076	\$ 140,863	\$ 199,939	\$ 286,878
Payroll taxes and benefits	<u>20,735</u>	<u>15,460</u>	<u>38,723</u>	<u>54,183</u>	<u>74,918</u>
Total Payroll	107,674	74,536	179,586	254,122	361,796
Grants	1,647,139	-	-	-	1,647,139
Outside services	169	12,288	37,359	49,647	49,816
Occupancy costs	9,121	4,561	9,121	13,682	22,803
Telephone	777	223	636	859	1,636
Office supplies	329	211	403	614	943
Printing	8,519	2,217	9,978	12,195	20,714
Postage	1,773	917	6,668	7,585	9,358
Travel, meetings and entertainment	1,773	930	2,519	3,449	5,222
Professional fees	-	75,678	-	75,678	75,678
Dues and subscriptions	1,305	3,640	3,999	7,639	8,944
Bank fees and interest	15,660	197	-	197	15,857
Insurance	779	560	1,459	2,019	2,798
Miscellaneous expenses	1,623	6,751	1,531	8,282	9,905
Depreciation	<u>-</u>	<u>3,655</u>	<u>-</u>	<u>3,655</u>	<u>3,655</u>
Total Functional Expenses	<u>\$ 1,796,641</u>	<u>\$ 186,364</u>	<u>\$ 253,259</u>	<u>\$ 439,623</u>	<u>\$ 2,236,264</u>

See accompanying notes to financial statements.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (74,883)	\$ 53,497
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Realized and unrealized gains on marketable securities	(156,781)	(113,499)
Depreciation	3,206	3,655
Gain on extinguishment of debt - PPP loan	(56,320)	-
Changes in Operating Assets and Liabilities:		
Contributions receivable	(21,455)	67,694
Grants receivable	-	-
Prepaid expenses	(7,324)	(1,509)
Other receivables	119	(119)
Accounts payable and accrued expenses	(743)	461
Total Adjustments	(239,298)	(43,317)
Net Cash Provided by (Used in) Operating Activities	(314,181)	10,180
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(945)
Proceeds from sale of investments	570,677	341,654
Purchase of investments	(652,087)	(543,249)
Net Cash Used in Investing Activities	(81,410)	(202,540)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans and notes payable	-	56,320
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(395,591)	(136,040)
Cash and cash equivalents - beginning of year	877,588	1,013,628
Cash and cash equivalents - end of year	\$ 481,997	\$ 877,588

See accompanying notes to financial statements.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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 earnings 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.

*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.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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.

Government and foundation grants and contracts are nonexchange transactions (contributions) and accounted for under Accounting Standards Update (“ASU”) 2018-08. Grants and contracts, as with all contributions, are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grants and contracts amounted to \$270,200 and \$553,800 as of December 31, 2021 and 2020, respectively, and are included in the statements of activities and change in net assets.

As of December 31, 2021, the Organization has received a conditional \$550,000 government grant. This grant has not been recognized in the accompanying financial statements as it will be received in future periods once the provisions of the grant are met. These provisions include that the funds must be expended in accordance with the grant terms, and that the Organization may be required to return funds previously received if the terms of the grant are not complied with.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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 acquisition to be cash equivalents.

**Investments**

The Organization follows FASB guidance on fair value, which, among other things, defines fair value, establishes a hierarchical 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.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

**Investments (continued)**

*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 and 2 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.

**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, 2021, 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 is 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 2020 financial statements to conform to the 2021 financial statement presentation.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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, the Organization’s financial assets were as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 481,997	\$ 877,588
Investments	1,424,372	1,186,181
Contributions receivable	36,668	15,213
Subtotal financial assets at year end	1,943,037	2,078,982
Less: amounts with limits on usage:		
Board designated net assets	(1,077,144)	(942,045)
Spendable net assets with donor restrictions	(578,023)	(823,382)
Total financial assets available for general use within one year	<b>\$ 287,870</b>	<b>\$ 313,555</b>

As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve endowment, which was \$1,077,144 as of December 31, 2021. 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, 2021 represent uncollected receivables and unconditional promises to give in future periods. The Organization regularly evaluates the collectability of its receivables outstanding. Uncollectible amounts in 2021 and 2020 are not material. All receivables are due within one year and thus no discount was taken. Outstanding receivables at December 31, 2021 and 2020 were \$36,668 and \$15,213, respectively.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 5 – INVESTMENTS**

The following table presents the Organization's fair value hierarchy for those investments measured at fair value as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds	\$ 243,373	\$ 243,373	\$ -
Mutual funds	791,351	96,498	694,853
Fixed income	<u>389,648</u>	<u>-</u>	<u>389,648</u>
 Total Investments	 <u>\$ 1,424,372</u>	 <u>\$ 339,871</u>	 <u>\$ 1,084,501</u>

The following table presents the Organization's fair value hierarchy for those investments measured at fair value as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds	\$ 120,573	\$ 120,573	\$ -
Mutual funds	707,318	-	707,318
Fixed income	<u>358,290</u>	<u>-</u>	<u>358,290</u>
 Total Investments	 <u>\$ 1,186,181</u>	 <u>\$ 120,573</u>	 <u>\$ 1,065,608</u>

The Organizations investments in mutual funds are classified as Level 1 assets in the fair value hierarchy. Mutual funds are valued based on the unadjusted closing market price reported on the active market on which the individual securities are traded. Money market funds are open-end, actively traded mutual funds that are registered with the United States Securities and Exchange Commission and are valued at the daily closing price, or net asset value ("NAV"), as reported by the fund.

The Organization's fixed income investments (common collective trust funds) are classified as Level 2 assets in the fair value hierarchy. Common collective trust funds have the characteristics of a structure similar to a mutual fund and are valued based on the readily determinable quoted market price that each fund publishes at the end of each day. While the underlying assets are actively traded on an exchange, the common collective trust funds are not and, therefore, are classified as Level 2 assets in the fair value hierarchy. There were no transfers between Level 1 and Level 2 and there have been no changes in the methodologies used for assets measured at fair value during the years ended December 31, 2021 and 2020.

Investment activity, including interest earned on cash accounts, is summarized as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 1,772	\$ 92
Realized and unrealized gains	156,781	113,499
Investment fees	<u>(6,593)</u>	<u>(5,780)</u>
 Total Investment Return	 <u>\$ 151,960</u>	 <u>\$ 107,811</u>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.  
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**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>	<u>Depreciable Life</u>
Furniture and fixtures	\$ 4,115	\$ 4,115	7 years
Software	16,027	16,027	5 years
Computer equipment	<u>4,903</u>	<u>4,903</u>	5 years
	25,045	25,045	
Less: accumulated depreciation	<u>16,465</u>	<u>13,259</u>	
Total Property and Equipment, net	<u>\$ 8,580</u>	<u>\$ 11,786</u>	

The Organization wrote down and disposed of assets consisting of software. The value of the assets disposed of was \$18,000 for the year ended December 31, 2020. There were no dispositions in 2021.

**NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS**

Contributed nonfinancial assets recognized within the statements of activities and change in net assets included the following at December 31:

	<u>2021</u>	<u>2020</u>
Professional services	<u>\$ 11,870</u>	<u>\$ 63,428</u>

Professional services recognized comprise of legal fees from attorneys advising American Friends of the Episcopal Diocese of Jerusalem, Inc. on various administrative legal matters. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services.

**NOTE 8 – GAIN ON EXTINGUISHMENT OF DEBT**

On May 4, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$56,320 (the "PPP Loan"). The principal and interest amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization.

The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP Loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period.

The Organization has met all of the conditions for forgiveness of the PPP loan as of December 31, 2021 and recognized gain on extinguishment of debt amounting to \$56,320. On February 18, 2021, the Organization was legally released from its PPP Loan obligation.



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**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Endowment assets non-diocesan programs	\$ 140,315	\$ 129,519
Church programs	92,499	66,535
Educational programs	60,882	320,046
Institutes for disabled	81,305	10,275
Medical program	127,342	221,779
Non-diocesan programs	<u>75,680</u>	<u>75,228</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 578,023</u>	 <u>\$ 823,382</u>

Net assets released from restrictions and disbursed during the years end December 31, were as follows:

	<u>2021</u>	<u>2020</u>
Programs in support of the Diocese	\$ 1,982,633	\$ 1,342,079
Non-diocesan programs	<u>7,733</u>	<u>25,392</u>
 Total Net Assets Released from Restrictions	 <u>\$ 1,990,366</u>	 <u>\$ 1,367,471</u>

**NOTE 10 – 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 Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Trustees 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 as held in perpetuity 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:

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**NOTE 10 – ENDOWMENT NET ASSETS (Continued)**

- 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 policies, 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. Actual returns in any given year may vary from this amount. 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 fixed income 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 Grupp endowment funds (with donor restrictions). 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.

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

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Endowment net assets, January 1, 2020</b>	<b>\$ 739,745</b>	<b>\$ 143,312</b>	<b>\$ 883,057</b>
Investment return:			
Investment income	54	10	64
Net appreciation	<u>96,187</u>	<u>14,940</u>	<u>111,127</u>
Total Investment Return	96,241	14,950	111,191
Transfers to board-designated endowment funds	110,783	-	110,783
Appropriation of endowment assets for expenditure	<u>(4,724)</u>	<u>(28,743)</u>	<u>(33,467)</u>
<b>Endowment net assets, December 31, 2020</b>	<b>\$ 942,045</b>	<b>\$ 129,519</b>	<b>\$ 1,071,564</b>

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
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**NOTE 10 – ENDOWMENT NET ASSETS (Continued)**

<b>Endowment net assets, December 31, 2020</b>	<b><u>\$ 942,045</u></b>	<b><u>\$ 129,519</u></b>	<b><u>\$ 1,071,564</u></b>
Investment return:			
Investment income	16,984	2,212	19,196
Net appreciation	<u>123,885</u>	<u>15,671</u>	<u>139,556</u>
Total Investment Return	140,869	17,883	158,752
Transfers to board-designated endowment funds	100,000	-	100,000
Appropriation of endowment assets for expenditure	<u>(105,770)</u>	<u>(7,087)</u>	<u>(112,857)</u>
<b>Endowment net assets, December 31, 2021</b>	<b><u>\$ 1,077,144</u></b>	<b><u>\$ 140,315</u></b>	<b><u>\$ 1,217,459</u></b>

The amounts in the above tables do not include non-endowment, net assets with donor restrictions of \$437,708 in 2021 and \$693,863 in 2020 intended for various programs of the Diocese.

**NOTE 11 – 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, 2021 and 2020 was \$27,673 and \$25,819, respectively.

**NOTE 12 – 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, 2021 are as follows:

2022	\$ 3,420
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Rent expense for the years ended December 31, 2021 and 2020 was \$20,420 and \$19,824, respectively.

**AMERICAN FRIENDS OF THE EPISCOPAL DIOCESE OF JERUSALEM, INC.**  
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**NOTE 13 – CONCENTRATIONS OF CREDIT RISK**

The Organization received approximately 44% and 51% of its total revenue from fund-raising from five donors (individuals, foundations, other religious organizations) for the years ended December 31, 2021 and 2020, respectively.

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, 2021, the Organization's uninsured cash and cash equivalents balance totaled \$166,468.

Additionally, the Organization maintains investment accounts with major investment firms that are covered by Securities Investor Protection Corporation ("SIPC") insurance. At December 31, 2021, investment balances in excess of SIPC coverage were \$717,459.

**NOTE 14 – 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 15 – COVID-19 PANDEMIC**

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 the Organization's 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, the Organization cannot predict the extent to which its financial condition and results of operations will be affected.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 21, 2022, the date the financial statements were available to be issued.