

**Impact Israel, Inc.
Financial Statements
December 31, 2019 and 2018**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Impact Israel, Inc.
Bethesda, MD

We have audited the accompanying financial statements of Impact Israel, Inc., a not-for-profit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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 auditors' 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 auditors consider 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 Impact Israel, Inc. as of December 31, 2019 and 2018, and the changes 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.

Sydney Lencic + Co., LLP

July 7, 2020

IMPACT ISRAEL, INC.

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents:		
Checking and savings accounts	\$ 725,030	\$ 1,722,114
Held as foreign currency	161,959	463,349
Total cash and cash equivalents	\$ 886,989	\$ 2,185,463
Pledges and grants receivable, current net	3,900,840	3,417,036
Prepaid expenses	5,282	5,187
TOTAL CURRENT ASSETS	\$ 4,793,111	\$ 5,607,686
PROPERTY AND EQUIPMENT, NET	\$ 437,161	\$ 448,316
OTHER ASSETS:		
Pledges and grants receivable, non-current net	\$ 3,139,857	\$ 3,461,220
Investments	16,221,886	13,823,573
Deposits	3,543	3,543
TOTAL OTHER ASSETS	\$ 19,365,286	\$ 17,288,336
TOTAL ASSETS	\$ 24,595,558	\$ 23,344,338
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 12,602	\$ 2,195
TOTAL LIABILITIES	\$ 12,602	\$ 2,195
NET ASSETS:		
Without donor restrictions:		
Undesignated	\$ 1,335,767	\$ 1,943,298
Board designated endowment and other funds	8,541,371	7,290,191
Accumulated currency translation adjustments	47,098	5,012
Total without donor restrictions	\$ 9,924,236	\$ 9,238,501
With donor restrictions	14,658,720	14,103,642
TOTAL NET ASSETS	\$ 24,582,956	\$ 23,342,143
TOTAL LIABILITIES AND NET ASSETS	\$ 24,595,558	\$ 23,344,338

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

IMPACT ISRAEL, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions, grants, and pledges	\$ 1,344,316	\$ 6,142,360	\$ 7,486,676	\$ 1,371,959	\$ 5,123,146	\$ 6,495,105
Awards dinner:						
Gross revenue	1,005,687	-	1,005,687	1,134,270	-	1,134,270
Less, direct expenses	(226,643)	-	(226,643)	(418,917)	-	(418,917)
Other revenue and support:						
Interest and investment income (loss), net of fees	1,250,759	1,181,744	2,432,503	(265,701)	(273,712)	(539,413)
Foreign currency gain	47,098	-	47,098	5,012	-	5,012
Other income	22,958	-	22,958	-	-	-
Net assets released from donor restrictions	6,769,026	(6,769,026)	-	6,279,068	(6,279,068)	-
TOTAL REVENUE AND SUPPORT	<u>\$ 10,213,201</u>	<u>\$ 555,078</u>	<u>\$ 10,768,279</u>	<u>\$ 8,105,691</u>	<u>\$ (1,429,634)</u>	<u>\$ 6,676,057</u>
EXPENSES:						
PROGRAM SERVICES:						
Support for Yemin Orde Youth Village	\$ 4,340,736	\$ -	\$ 4,340,736	\$ 4,453,347	\$ -	\$ 4,453,347
Grants to Village Way Education Initiatives	3,922,450	-	3,922,450	3,219,161	-	3,219,161
TOTAL PROGRAM SERVICES	<u>\$ 8,263,186</u>	<u>\$ -</u>	<u>\$ 8,263,186</u>	<u>\$ 7,672,508</u>	<u>\$ -</u>	<u>\$ 7,672,508</u>
SUPPORTING SERVICES:						
General and administrative	\$ 515,476	\$ -	\$ 515,476	\$ 1,009,424	\$ -	\$ 1,009,424
Fundraising	738,626	-	738,626	659,396	-	659,396
TOTAL SUPPORTING SERVICES	<u>\$ 1,254,102</u>	<u>\$ -</u>	<u>\$ 1,254,102</u>	<u>\$ 1,668,820</u>	<u>\$ -</u>	<u>\$ 1,668,820</u>
TOTAL EXPENSES	<u>\$ 9,517,288</u>	<u>\$ -</u>	<u>\$ 9,517,288</u>	<u>\$ 9,341,328</u>	<u>\$ -</u>	<u>\$ 9,341,328</u>
CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES	\$ 695,913	\$ 555,078	\$ 1,250,991	\$ (1,235,637)	\$ (1,429,634)	\$ (2,665,271)
PROVISION FOR INCOME TAXES	(10,178)	-	(10,178)	(1,160)	-	(1,160)
CHANGE IN NET ASSETS AFTER PROVISION FOR INCOME TAXES	\$ 685,735	\$ 555,078	\$ 1,240,813	\$ (1,236,797)	\$ (1,429,634)	\$ (2,666,431)
NET ASSETS, BEGINNING OF YEAR	<u>9,238,501</u>	<u>14,103,642</u>	<u>23,342,143</u>	<u>10,475,298</u>	<u>15,533,276</u>	<u>26,008,574</u>
NET ASSETS, END OF YEAR	<u>\$ 9,924,236</u>	<u>\$ 14,658,720</u>	<u>\$ 24,582,956</u>	<u>\$ 9,238,501</u>	<u>\$ 14,103,642</u>	<u>\$ 23,342,143</u>

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

IMPACT ISRAEL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants:				
Yemin Orde Youth Village support	\$ 4,251,183	\$ -	\$ -	\$ 4,251,183
Village Way Education Initiatives support	3,922,450	-	-	3,922,450
Total grants	\$ 8,173,633	\$ -	\$ -	\$ 8,173,633
Personnel costs:				
Salaries	\$ -	\$ 258,705	\$ 391,896	\$ 650,601
Benefits	-	9,642	25,149	34,791
Retirement	-	3,553	5,381	8,934
Payroll taxes	-	17,768	26,915	44,683
Total personnel costs	\$ -	\$ 289,668	\$ 449,341	\$ 739,009
Other expenses:				
Accounting and auditing	\$ -	\$ 31,900	\$ -	\$ 31,900
Advertising, marketing and communications	-	44,964	68,114	113,078
Awards dinner direct expenses	-	-	226,643	226,643
Bank service charges	-	6,482	9,819	16,301
Computer and network maintenance	-	2,573	3,898	6,471
Depreciation and amortization	10,625	530	-	11,155
Dues and subscriptions	-	407	617	1,024
Equipment purchase	-	505	765	1,270
Insurance	-	2,811	4,257	7,068
Licenses and permits	-	2,409	-	2,409
Office supplies	-	1,647	2,495	4,142
Other projects	78,928	-	-	78,928
Postage and shipping	-	2,976	4,507	7,483
Printing and reproduction	-	7,773	11,774	19,547
Professional fees	-	56,398	85,433	141,831
Provision for income taxes	-	10,178	-	10,178
Regional expenses	-	10,612	16,075	26,687
Rent	-	19,879	30,114	49,993
Software license	-	2,498	3,784	6,282
Special events and programs	-	5,149	7,801	12,950
Telephone and internet	-	3,203	4,852	8,055
Travel and entertainment	-	23,092	34,980	58,072
Total other expenses	\$ 89,553	\$ 235,986	\$ 515,928	\$ 841,467
TOTAL EXPENSES	\$ 8,263,186	\$ 525,654	\$ 965,269	\$ 9,754,109
LESS OTHER EXPENSES INCLUDED ON THE STATEMENT OF ACTIVITIES				
Awards dinner direct expenses	-	-	(226,643)	(226,643)
Provision for income taxes	-	(10,178)	-	(10,178)
TOTAL EXPENSES BY FUNCTION	\$ 8,263,186	\$ 515,476	\$ 738,626	\$ 9,517,288

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

IMPACT ISRAEL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants:				
Yemin Orde Youth Village support	\$ 4,442,722	\$ -	\$ -	\$ 4,442,722
Village Way Education Initiatives support	3,219,161	-	-	3,219,161
Total grants	\$ 7,661,883	\$ -	\$ -	\$ 7,661,883
Personnel costs:				
Salaries	\$ -	\$ 242,743	\$ 364,115	\$ 606,858
Benefits	-	5,778	17,603	23,381
Retirement	-	3,800	5,701	9,501
Payroll taxes	-	17,356	26,035	43,391
Total personnel costs	\$ -	\$ 269,677	\$ 413,454	\$ 683,131
Other expenses:				
Accounting and auditing	\$ -	\$ 30,650	\$ -	\$ 30,650
Advertising, marketing and communications	-	11,378	17,066	28,444
Awards dinner direct expenses	-	-	418,917	418,917
Bad debt	-	542,008	-	542,008
Bank service charges	-	6,881	10,321	17,202
Computer and network maintenance	-	2,572	3,858	6,430
Depreciation and amortization	10,625	530	-	11,155
Dues and subscriptions	-	852	1,277	2,129
Equipment purchase	-	757	1,135	1,892
Insurance	-	3,280	4,919	8,199
Licenses and permits	-	2,593	-	2,593
Office supplies	-	1,744	2,616	4,360
Postage and shipping	-	2,809	4,214	7,023
Printing and reproduction	-	8,059	12,089	20,148
Professional fees	-	64,680	97,019	161,699
Provision for income taxes	-	1,160	-	1,160
Regional expenses	-	7,349	11,023	18,372
Rent	-	20,475	30,712	51,187
Software license	-	2,446	3,668	6,114
Special events and programs	-	2,892	4,337	7,229
Telephone and internet	-	3,326	4,990	8,316
Travel and entertainment	-	24,466	36,698	61,164
Total other expenses	\$ 10,625	\$ 740,907	\$ 664,859	\$ 1,416,391
TOTAL EXPENSES	\$ 7,672,508	\$ 1,010,584	\$ 1,078,313	\$ 9,761,405
LESS OTHER EXPENSES INCLUDED ON THE STATEMENT OF ACTIVITIES				
Awards dinner direct expenses	-	-	(418,917)	(418,917)
Provision for income taxes	-	(1,160)	-	(1,160)
TOTAL EXPENSES BY FUNCTION	\$ 7,672,508	\$ 1,009,424	\$ 659,396	\$ 9,341,328

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

IMPACT ISRAEL, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,240,813	\$ (2,666,431)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	11,155	11,155
Unrealized (gains) losses on investments	(1,693,297)	1,178,019
Realized gains on sales of investments	(350,017)	(391,040)
Donated investments	(226,870)	(160,044)
Change in allowance for doubtful accounts	(2,880)	60,000
Change in present value discount	(2,480)	(3,434)
Original donor-restricted gift required to be maintained in perpetuity by donor	(46,136)	(62,587)
Decrease (increase) in assets:		
Pledges and grants receivable	(157,081)	1,563,182
Prepaid expenses	(95)	76,262
Increase (decrease) in liabilities:		
Accounts payable	10,407	(105)
Deferred rent	-	(5,747)
Deferred revenue	-	(100,000)
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,216,481)	\$ (500,770)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	\$ -	\$ (2,649)
Purchases and reinvested earnings of investments	(5,109,339)	(5,002,541)
Proceeds from sales of investments	4,981,210	4,733,714
NET CASH USED IN INVESTING ACTIVITIES	\$ (128,129)	\$ (271,476)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Original donor-restricted gift required to be maintained in perpetuity by donor	\$ 46,136	\$ 62,587
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 46,136	\$ 62,587
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,298,474)	\$ (709,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,185,463	2,895,122
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 886,989	\$ 2,185,463

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

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1. **Organization and Significant Accounting Policies**

Organization - Impact Israel, Inc. (the Organization) was incorporated in the United States of America on December 28, 1990 as a not-for-profit organization. The Organization provides grants for support of the programs and activities of the Yemin Orde Wingate Youth Village (the Youth Village), located in Hof Ha Carmel, Israel, and the Village Way Educational Initiatives (VWEI). Both the Youth Village and VWEI are non-governmental organizations in Israel and have not been consolidated in the accompanying financial statements. The programs of the Organization are as follows:

Support for Yemin Orde Youth Village - The Youth Village is located on 77 acres atop Mount Carmel in northern Israel. The Youth Village provides a home, a safe haven, and an education to more than 400 at-risk immigrant children from around the world. Through a deeply sensitive approach to living and learning, and a dedicated staff and team of professionals, these formerly traumatized children's lives are transformed. They develop self-esteem and leadership skills and learn to live in wholeness: healthy, capable, and strong. The Youth Village also includes a high school, an art and music center, a modern computer center, a central dining room, library, eco-farm, and sports facilities.

Grants to Village Way Educational Initiatives - VWEI is an independent organization created in 2006 to extend Yemin Orde's unique methodology, called the Village Way, to transform other youth villages and public high schools in Israel serving at-risk youth. Facilitators provide resources, workshops, teacher training and interventions to empower educators throughout Israel. VWEI has reached 22,000 children and 2,500 staff members in 55 educational communities. In addition VWEI provides resources for three Pre-Military Leadership Programs - two for men and one for women in Northern Israel.

Change in Name - With effect from November 19, 2019, the name of the Organization was changed from Friends of Yemin Orde, Inc. to Impact Israel, Inc.

Basis of Accounting - The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization, management and the board of directors. Board designated endowment funds are classified as net assets without donor restrictions.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1. **Organization and Significant Accounting Policies** (Continued)

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The bylaws of the Organization include a variance provision whereby the Organization will determine in its sole discretion which grant requests from the Youth Village and VWEI to fund. Based on this provision, all contributions and assets not classified as donor restricted are classified as without donor restrictions. Receipts of unconditional promises to give with payments due in future periods are reported as donor restricted support unless the donor provides explicit stipulations that the pledged funds are to be used to support activities of the current period. Expenses are reported as decreases in net assets without donor restrictions. When a time or purpose restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - The Organization considers all cash, money market funds, foreign currency, and other highly liquid investments which are to be used for current operations, and which have an original maturity of three month or less, to be cash and cash equivalents. All other highly liquid instruments, which are to be used for the long-term purposes of the Organization, are reported as investments, rather than cash and cash equivalents.

Foreign Currency Translation - During the year ended December 31, 2018, the Organization opened a bank account which maintains funds in Israeli Shekels (ILS). This is the only asset or liability maintained in the foreign currency. The account is translated at year-end exchange rates. Translation adjustments for such assets and liabilities are accumulated separately in unrestricted net assets. As of December 31, 2019 and 2018 the unrealized gain was \$47,098 and \$5,012, respectively. Gains from foreign currency translation for the period are included in the statement of activities.

Pledges and Grants Receivable - Pledges and grants receivable are stated at their net realizable present value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Accretion of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restriction, if any, on the contributions. The allowance for doubtful accounts is determined based upon annual review of account balances, including the age of the balance and historical experience with the donor. The allowance for doubtful accounts for each of the years ended December 31, 2019 and 2018 was \$57,120 and \$60,000, respectively.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1. **Organization and Significant Accounting Policies** (Continued)

Property and Equipment - Property and equipment purchases with a useful life of greater than one year and an acquisition value exceeding \$2,000 are recorded at cost and depreciated using the straight line method over an estimated useful life ranging between three and five years. Property and equipment donations are recorded at fair value on the date of donation. Leasehold improvements are recorded at cost and amortized over the lesser of the useful life or the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses when incurred. The Organization also purchased land in Zichron Yaacov, Israel and constructed a building. The building is being depreciated over an estimated useful life of 40 years. During the year ended December 31, 2019 the organization disposed of fully depreciated furniture and equipment in the amount of \$2,199.

Investments - Investments are recorded at fair value based on quoted market prices when available. Interest, dividends, unrealized and realized gains (losses) are netted with investment fees and are included in interest and investment income, in the accompanying statements of activities. Interest and investment income are recorded as revenue when earned.

Fair Value Measurements - The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances the disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial statements at fair value or considers fair value in their measurement.

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

At times during the year, the Organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1. **Organization and Significant Accounting Policies (Continued)**

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Personnel costs	Time and effort
Advertising, marketing, and communications	Time and effort
Bank service charges	Time and effort
Computer and network maintenance	Time and effort
Dues and subscriptions	Time and effort
Equipment purchase	Time and effort
Insurance	Time and effort
Office supplies	Time and effort
Postage and shipping	Time and effort
Printing and reproduction	Time and effort
Professional fees	Time and effort
Regional expenses	Time and effort
Rent	Time and effort
Software licenses	Time and effort
Special events and programs	Time and effort
Telephone and internet	Time and effort
Travel and entertainment	Time and effort

Revenue Recognition - Contributions and grants, including unconditional promises to give pledges, are recorded as revenue in the year notification is received from the donor. Contributions of property or contributions for the purchase or renovations of property, which are received without donor stipulations for how long the contributed assets must be used for, are reported as support without donor restrictions. Contributions of long-lived assets with donor-imposed time restrictions are reported as donor restricted support. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash, including stock, are recorded at their estimated fair value at the date of the gift. Other income is recorded when earned.

Sponsorships and annual gala fees are bifurcated between support and exchange revenue. Management has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that each ticket provided for the 2019 Gala had an associated fair market value of \$250 and is associated with a performance obligation of hosting the Gala event. The 2018 Gala had an associated fair market value of \$235 per ticket. The revenue associated with this performance obligation is recognized at a point in time when the event occurs. The revenue in excess of the fair market value of the benefits is deemed to be support revenue. The support revenue is also recognized at the time of the event because the revenue is conditional on the event taking place. For the years ended December 31, 2019 and 2018, the exchange portion of the Gala revenue was \$112,000 and \$143,115, respectively.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1. **Organization and Significant Accounting Policies** (Continued)

When Gala revenue is received in advance, the portion related to unfulfilled performance obligations remain in deferred revenue. As of December 31, 2019 and 2018, there was no outstanding contract performance liabilities because the events occurred in the same year as the receipt of funds.

Tax-Exempt Status - The Organization is a 501(c)(3) organization that is exempt from Federal income taxes under the provisions of the Internal Revenue Code Section 501(a), except for income unrelated to their exempt purpose. The Organization is classified as an organization that is not a private foundation and qualifies for charitable contribution deductions. The Organization had unrelated business income related to ordinary income generated by investments in publicly traded partnerships. For the year ended December 31, 2019 and 2018, the Organization had tax expenses of \$10,178 and \$1,160, respectively.

Accounting for Uncertain Tax Positions - The Organization complies with the accounting standard on accounting for uncertainty in income taxes which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Organization's management has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. For the years ended December 31, 2019 and 2018, no unrecognized tax provision or benefit exists in the accompanying financial statements. Generally, the Organization is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years ended before December 31, 2016.

Change in Accounting Principle - In June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis, where the standard is only applied to incomplete agreements as of the effective date and new agreements entered into after the effective date. Therefore, under this basis, there is no cumulative-effect to opening net assets required. There was no effect on the financial statements as the Organization's contributions were recognized the same way under the old and new guidance.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1. **Organization and Significant Accounting Policies** (Continued)

The Organization has implemented Topic 606 on a modified retrospective basis, where the cumulative effect of the change is recognized on the date of initial application in the most current period presented in the financial statements. There was no impact to the financial statements as a result of implementing this standard.

Note 2. **Property and Equipment** - Property and equipment as of December 31, 2019 and 2018, consists of the following:

	2019	2018
Furniture and equipment	\$ 2,649	\$ 4,848
Property in Israel:		
Building	425,000	425,000
Land	132,800	132,800
Totals	\$ 560,449	\$ 562,648
Less, Accumulated depreciation	(123,288)	(114,332)
Total property and equipment	\$ 437,161	\$ 448,316

Note 3. **Pledges and Grants Receivable** - Pledges and grants receivable reflect commitments made to the Organization by individuals and foundations. Pledges and grants with payments that are to be received in future years have been discounted to their present value using an effective interest rate of 2.12% and 1.85% as of December 31, 2019 and 2018, respectively. The discount is based on the average daily treasury yield curve rates for the respective years.

Pledges and grants receivable as of December 31, 2019 and 2018 are expected to be received as follows:

Years Ending December 31,	2019	2018
2019	\$ --	\$ 3,477,036
2020	3,957,960	2,158,370
2021	2,439,527	755,000
2022	290,000	140,000
2023	120,000	120,000
2024	120,000	120,000
Thereafter	240,000	240,000
Totals	\$ 7,167,487	\$ 7,010,406
Present value discount	(69,670)	(72,150)
Allowance for doubtful accounts	(57,120)	(60,000)
Net pledges and grants receivable	\$ 7,040,697	\$ 6,878,256

Pledges receivable recorded in the statements of financial position as of December 31, 2019 and 2018 are as follows:

	2019	2018
Current portion	\$ 3,900,840	\$ 3,417,036
Noncurrent portion	3,139,857	3,461,220
Total pledges and grants receivable	\$ 7,040,697	\$ 6,878,256

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4. **Investments** - Investments consist of the following as of December 31, 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and equivalents	\$ 2,623,536	\$ 2,623,536	\$ 869,008	\$ 869,008
Stocks	5,559,085	8,304,600	5,700,747	6,937,748
Corporate bonds	1,022,129	1,043,377	1,218,814	1,178,878
Government bonds	1,428,921	1,462,435	2,825,355	2,807,195
Publicly traded partnerships & REITs	781,208	735,263	777,930	650,372
Mutual funds:				
Equity	363,837	367,190	362,907	347,008
Fixed income	259,528	253,117	255,442	239,156
Exchange traded funds:				
Equity	1,400,019	1,428,346	796,698	794,208
Currency derivatives	10,500	4,022	--	--
Totals	<u>\$ 13,448,763</u>	<u>\$ 16,221,886</u>	<u>\$ 12,806,901</u>	<u>\$ 13,823,573</u>

Included in interest and investment income are the following:

	2019	2018
Interest and dividends, net of fees	\$ 389,189	\$ 247,566
Unrealized gains (losses) on investments	1,693,297	(1,178,019)
Realized gains on investments	350,017	391,040
Total interest and investment income (loss)	<u>\$ 2,432,503</u>	<u>\$ (539,413)</u>

Note 5. **Derivative Transactions** - The Organization, as a result of its grants for support of the programs and activities of foreign entities, is exposed to changes in foreign currency exchange rates which may adversely affect its activities and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Organization may enter into derivative contracts.

As of December 31, 2019, the Organization held an over the counter foreign currency option expiring through February 2020 to hedge the foreign currency exposure of its commitment to provide grants paid in Israeli Shekels (ILS). This hedging contract is classified as a fair value hedge. For the year ended December 31, 2019, the Organization recorded an unrealized investment loss of \$6,478 related to this contract, due to changes in the exchange rates of the associated currencies.

Note 6. **Fair Value Measurements** - The Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6. **Fair Value Measurements** (Continued)

- Level 1 These are investments where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access.
- Level 2 These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.
- Level 3 These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Investments recorded in the statements of financial position are categorized as follows as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 8,304,600	\$ --	\$ --	\$ 8,304,600
Corporate bonds	1,043,377	--	--	1,043,377
Government bonds	1,462,435	--	--	1,462,435
Publicly traded				
Partnerships & REITs	735,263	--	--	735,263
Mutual funds	620,307	--	--	620,307
Exchange traded funds	1,428,346	--	--	1,428,346
Currency derivatives	--	4,022	--	4,022
Subtotals	<u>\$ 13,594,328</u>	<u>\$ 4,022</u>	<u>\$ --</u>	<u>\$ 13,598,350</u>
Cash and equivalents				<u>2,623,536</u>
Totals				<u>\$ 16,221,886</u>

Investments recorded in the statements of financial position are categorized as follows as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 6,937,748	\$ --	\$ --	\$ 6,937,748
Corporate bonds	1,178,878	--	--	1,178,878
Government bonds	2,807,195	--	--	2,807,195
Publicly traded				
partnerships & REITs	650,372	--	--	650,372
Mutual funds	586,164	--	--	586,164
Exchange traded funds	794,208	--	--	794,208
Subtotals	<u>\$ 12,954,565</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,954,565</u>
Cash and equivalents				<u>869,008</u>
Totals				<u>\$ 13,823,573</u>

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6. **Fair Value Measurements** (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

Mutual Funds, Exchange Traded Funds, Publicly Traded Partnerships, REITs, and Stocks - Comprised of securities that are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Corporate and Government Bonds - Consist of corporate bonds, government bonds and notes, and U.S. Treasury notes which are generally valued at the most recent price of the equivalent quoted price for such securities. Debt securities, which are actively traded, are classified within Level 1 of the valuation hierarchy.

Currency Derivatives - Consist of FX forwards and over the counter options on currencies which are traded directly between two parties, without going through an exchange or other intermediary. The fair value for a derivative financial instrument is measured using quoted market prices for similar assets in active markets. Such investments are classified within Level 2 of the valuation hierarchy.

Note 7. **Net Assets With Donor Restrictions** - Net assets with donor restrictions were composed of the following as of December 31:

	2019	2018
Time restricted pledges:		
Village Way Educational Initiatives	\$ 3,968,560	\$ 4,607,429
Youth Village and general support	1,140,335	1,958,659
Purpose restricted pledges:		
Capital projects	1,877,647	806,870
Scholarship funds	--	15,000
Endowment	7,672,178	6,715,684
Totals	\$ 14,658,720	\$ 14,103,642

Note 8. **Board Designated Net Assets** - Board-designated net assets include funds set aside by the Board of Directors (the Board) of the Organization for endowment purposes and special projects. The Board designated endowment funds are not donor restricted endowment funds; they constitute the proceeds of gifts without donor restrictions and investment income that has been designated by the Board for the long-term purposes of the Organization. Board designated net assets are currently not subject to any spending limits, distribution requirement, or the like.

Board designated net assets consists of the following as of December 31:

	2019	2018
Endowment funds	\$ 6,316,659	\$ 5,568,044
Future reserves	2,224,712	1,722,147
Totals	\$ 8,541,371	\$ 7,290,191

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8. **Board Designated Net Assets** (Continued)

The changes in Board-designated net assets consist of the following for the years ended December 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 7,290,191	\$ 7,250,095
Contributions	502,565	498,751
Interest and dividends, net of fees	156,762	105,207
Net appreciation (depreciation)	823,033	(334,437)
Appropriations	<u>(231,180)</u>	<u>(229,425)</u>
Ending balance	<u>\$ 8,541,371</u>	<u>\$ 7,290,191</u>

Note 9. **Endowments** - The Organization's endowments consist of donor-restricted endowment funds, funds designated by the Board to function as endowments, and temporarily restricted accumulated earnings on these funds. As required under accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Massachusetts Uniform Prudent Management Institutional Funds Act (UPMIFA) as requiring 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 donor restricted net assets required to be maintained in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and,
- Investment policies of the Organization.

Commingling and Retention of Assets - Endowment assets may be commingled with the other assets and investments held by the Organization. The Investment Committee may dispose of any asset received by it, giving proper credit to any appropriate special fund for the proceeds, or may retain assets in the form in which contributed or acquired.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9. **Endowments** (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes stocks, corporate bonds, government bonds, publicly traded partnerships, real estate investment trusts, mutual funds, and exchange trade funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year of 4% of its endowment fund's average fair value of the prior three calendar year-ends preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 6,316,659	\$ --	\$ 6,316,659
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	--	5,484,991	5,484,991
Accumulated investment gains	--	<u>2,187,187</u>	<u>2,187,187</u>
Totals	<u>\$ 6,316,659</u>	<u>\$ 7,672,178</u>	<u>\$ 13,988,837</u>

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9. **Endowments** (Continued)

Changes in endowment net assets for the year ended December 31, 2019 is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance at December 31, 2018	\$ 5,568,044	\$ 6,715,684	\$ 12,283,728
Contributions	--	46,136	46,136
Interest and dividends, net of fees	156,762	189,073	345,835
Net appreciation	823,033	992,670	1,815,703
Appropriated for operations	<u>(231,180)</u>	<u>(271,385)</u>	<u>(502,565)</u>
Balance at December 31, 2019	<u>\$ 6,316,659</u>	<u>\$ 7,672,178</u>	<u>\$ 13,988,837</u>

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,568,044	\$ --	\$ 5,568,044
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	--	5,438,855	5,438,855
Accumulated investment gains	--	1,276,829	1,276,829
Totals	<u>\$ 5,568,044</u>	<u>\$ 6,715,684</u>	<u>\$ 12,283,728</u>

Changes in endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance at December 31, 2017	\$ 6,026,699	\$ 7,196,135	\$ 13,222,834
Contributions	--	62,587	62,587
Interest and dividends, net of fees	105,207	125,621	230,828
Net depreciation	(334,437)	(399,333)	(733,770)
Appropriated for operations	<u>(229,425)</u>	<u>(269,326)</u>	<u>(498,751)</u>
Balance at December 31, 2018	<u>\$ 5,568,044</u>	<u>\$ 6,715,684</u>	<u>\$ 12,283,728</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10. **Lease Commitment** - In September 2013, The Organization entered into a lease agreement for office space in Bethesda, MD, which ended on December 31, 2018. During 2018, the lease was extended until February 28, 2021. The lease extension calls for lease payments of \$4,015 per month, and includes two months free rent. The Organization is also responsible for operating expenses each month.

As of December 31, 2019, the future minimum base lease obligations are as follows:

Years Ending December 31,	Amount
2020	\$ 48,178
2021	8,030
Total	\$ 56,208

Note 11. **Line of Credit** - The Organization has a \$5,000,000 uncommitted, demand revolving line of credit which is secured by the Organization's investment accounts, with options for variable and fixed rate advances. The line of credit was agreed upon in November 2012 and does not have a specific term or duration, and can be terminated at the bank's discretion. The line of credit is subject to certain restrictive covenants. Interest is accrued at various rates depending on duration and type (fixed or variable) of advance, but is generally based on LIBOR plus a percentage spread. There was no outstanding balance under the line of credit as of December 31, 2019 and 2018.

Note 12. **Conditional Pledges** - The Organization received grants that contain donor conditions. Since these grants represent conditional promises to give, they are not recorded as grant revenue until donor conditions are met.

As of December 31, the conditional grants and related conditions are as follows:

	Condition	2019	2018
Conditional pledges:			
Program support	Matching	\$ 1,511,540	\$ 2,721,596

Note 13. **Retirement** - The Organization has a Simple Investment Retirement Account (Simple IRA) plan for all employees with annual compensation of at least \$5,000. The Organization matches employee contributions up to 3% of the employee's salary, up to maximum of \$6,000 per year.

Note 14. **Contributions and Grants Paid Directly to Yemin Orde (Unaudited)** - In addition to the total commitments received by the Organization, approximately \$223,517 and \$459,938 (cash basis) was raised by the Organization on behalf of the Youth Village. These funds were sent directly to the Youth Village during the years ended December 31, 2019 and 2018, respectively. Such contributions received directly by the Youth Village are not included in the accompanying financial statements but are recognized as credits towards the grants disbursed by the Organization to the Youth Village.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 15. **Availability and Liquidity** - The following represents the Organization's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 886,989	\$ 2,185,463
Pledges and grants receivable, current net	3,900,840	3,417,036
Investments	<u>16,221,886</u>	<u>13,823,573</u>
Total financial assets	<u>\$ 21,009,715</u>	<u>\$ 19,426,072</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 14,658,720	\$ 14,103,642
Less net assets with purpose restrictions to be met in less than a year	(3,957,960)	(3,477,036)
Board-designated net assets	<u>8,541,371</u>	<u>7,290,191</u>
	<u>\$ 19,242,131</u>	<u>\$ 17,916,797</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,767,584</u>	<u>\$ 1,509,275</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, 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, pledges and grants receivable, investments, and a line of credit.

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 as well as the conduct of 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 operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 16. **Reclassifications** - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 17. **Subsequent Events** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 7, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The Organization canceled the Annual Gala scheduled in 2020. Other financial impact could occur though such potential impact is unknown at this time.

IMPACT ISRAEL, INC.
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DECEMBER 31, 2019 AND 2018

Note 17. **Subsequent Events** (Continued)

On April 14, 2020, the Organization received authorization from the Small Business Administration (SBA) for a \$110,500 Paycheck Protection Program loan to be used for payroll and a portion of the rent. The loan bears interest at 1.00% per annum and is for a period of 24 months from the funding date of the loan. Payments are deferred for the first 6 months and the loan may be forgiven if certain circumstances are met.