

**Impact Israel, Inc.
Financial Statements
December 31, 2020 and 2019**



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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, 2020 and 2019, 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, 2020 and 2019, 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.

Squire, Lenth & Co., LLP

June 21, 2021

IMPACT ISRAEL, INC.

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents:		
Checking and savings accounts	\$ 987,327	\$ 725,030
Held as foreign currency	-	161,959
Total cash and cash equivalents	\$ 987,327	\$ 886,989
Pledges and grants receivable, current net	3,731,445	3,900,840
Prepaid expenses	82,453	5,282
TOTAL CURRENT ASSETS	\$ 4,801,225	\$ 4,793,111
PROPERTY AND EQUIPMENT, NET	\$ 426,006	\$ 437,161
OTHER ASSETS:		
Pledges and grants receivable, non-current net	\$ 1,290,147	\$ 3,139,857
Investments	17,471,510	16,221,886
Deposits	3,543	3,543
TOTAL OTHER ASSETS	\$ 18,765,200	\$ 19,365,286
TOTAL ASSETS	\$ 23,992,431	\$ 24,595,558
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,189	\$ 12,602
Grants payable	620,170	-
TOTAL LIABILITIES	\$ 621,359	\$ 12,602
NET ASSETS:		
Without donor restrictions:		
Undesignated	\$ 658,537	\$ 1,327,430
Board designated endowment and other funds	9,174,366	8,549,708
Accumulated currency translation adjustments	-	47,098
Total without donor restrictions	\$ 9,832,903	\$ 9,924,236
With donor restrictions	13,538,169	14,658,720
TOTAL NET ASSETS	\$ 23,371,072	\$ 24,582,956
TOTAL LIABILITIES AND NET ASSETS	\$ 23,992,431	\$ 24,595,558

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

IMPACT ISRAEL, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions, grants, and pledges	\$ 2,839,241	\$ 3,769,383	\$ 6,608,624	\$ 1,344,316	\$ 6,142,360	\$ 7,486,676
Awards dinner:						
Gross revenue	-	-	-	1,005,687	-	1,005,687
Less, direct expenses	-	-	-	(226,643)	-	(226,643)
Other revenue and support:						
Interest and investment income, net of fees	757,300	681,673	1,438,973	1,250,759	1,181,744	2,432,503
Foreign currency gain	126,404	-	126,404	47,098	-	47,098
Other income	2,555	-	2,555	22,958	-	22,958
Forgiveness of debt	110,500	-	110,500	-	-	-
Net assets released from donor restrictions	5,571,607	(5,571,607)	-	6,769,026	(6,769,026)	-
TOTAL REVENUE AND SUPPORT	<u>\$ 9,407,607</u>	<u>\$ (1,120,551)</u>	<u>\$ 8,287,056</u>	<u>\$ 10,213,201</u>	<u>\$ 555,078</u>	<u>\$ 10,768,279</u>
EXPENSES:						
PROGRAM SERVICES:						
Support for Yemin Orde Youth Village	\$ 4,486,830	\$ -	\$ 4,486,830	\$ 4,340,736	\$ -	\$ 4,340,736
Grants to Village Way Education Initiatives	3,719,484	-	3,719,484	3,922,450	-	3,922,450
TOTAL PROGRAM SERVICES	<u>\$ 8,206,314</u>	<u>\$ -</u>	<u>\$ 8,206,314</u>	<u>\$ 8,263,186</u>	<u>\$ -</u>	<u>\$ 8,263,186</u>
SUPPORTING SERVICES:						
General and administrative	\$ 434,115	\$ -	\$ 434,115	\$ 515,476	\$ -	\$ 515,476
Fundraising	858,511	-	858,511	738,626	-	738,626
TOTAL SUPPORTING SERVICES	<u>\$ 1,292,626</u>	<u>\$ -</u>	<u>\$ 1,292,626</u>	<u>\$ 1,254,102</u>	<u>\$ -</u>	<u>\$ 1,254,102</u>
TOTAL EXPENSES	<u>\$ 9,498,940</u>	<u>\$ -</u>	<u>\$ 9,498,940</u>	<u>\$ 9,517,288</u>	<u>\$ -</u>	<u>\$ 9,517,288</u>
CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES	\$ (91,333)	\$ (1,120,551)	\$ (1,211,884)	\$ 695,913	\$ 555,078	\$ 1,250,991
PROVISION FOR INCOME TAXES	-	-	-	(10,178)	-	(10,178)
CHANGE IN NET ASSETS AFTER PROVISION FOR INCOME TAXES	\$ (91,333)	\$ (1,120,551)	\$ (1,211,884)	\$ 685,735	\$ 555,078	\$ 1,240,813
NET ASSETS, BEGINNING OF YEAR	9,924,236	14,658,720	24,582,956	9,238,501	14,103,642	23,342,143
NET ASSETS, END OF YEAR	<u>\$ 9,832,903</u>	<u>\$ 13,538,169</u>	<u>\$ 23,371,072</u>	<u>\$ 9,924,236</u>	<u>\$ 14,658,720</u>	<u>\$ 24,582,956</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, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants:				
Yemin Orde Youth Village support	\$ 4,475,705	\$ -	\$ -	\$ 4,475,705
Village Way Education Initiatives support	3,719,484	-	-	3,719,484
Total grants	<u>\$ 8,195,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,195,189</u>
Personnel costs:				
Salaries	\$ -	\$ 275,977	\$ 555,910	\$ 831,887
Benefits	-	9,441	23,942	33,383
Retirement	-	3,361	6,225	9,586
Payroll taxes	-	17,851	35,957	53,808
Total personnel costs	<u>\$ -</u>	<u>\$ 306,630</u>	<u>\$ 622,034</u>	<u>\$ 928,664</u>
Other expenses:				
Accounting and auditing	\$ -	\$ 34,480	\$ -	\$ 34,480
Advertising, marketing and communications	-	6,306	12,701	19,007
Bank service charges	-	4,991	10,054	15,045
Computer and network maintenance	-	3,039	6,121	9,160
Depreciation and amortization	10,625	530	-	11,155
Dues and subscriptions	-	378	760	1,138
Equipment purchase	-	1,003	2,019	3,022
Insurance	-	2,374	4,781	7,155
Licenses and permits	-	1,871	-	1,871
Office supplies	-	194	390	584
Other projects	500	-	-	500
Postage and shipping	-	2,429	4,893	7,322
Printing and reproduction	-	8,401	16,922	25,323
Professional fees	-	36,151	72,820	108,971
Regional expenses	-	4,167	8,393	12,560
Rent	-	15,781	31,787	47,568
Seminars and training	-	69	140	209
Software license	-	2,336	4,705	7,041
Special events and programs	-	322	650	972
Telephone and internet	-	1,975	3,979	5,954
Travel and entertainment	-	688	1,387	2,075
Virtual event	-	-	53,975	53,975
Total other expenses	<u>\$ 11,125</u>	<u>\$ 127,485</u>	<u>\$ 236,477</u>	<u>\$ 375,087</u>
TOTAL EXPENSES	<u><u>\$ 8,206,314</u></u>	<u><u>\$ 434,115</u></u>	<u><u>\$ 858,511</u></u>	<u><u>\$ 9,498,940</u></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.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,211,884)	\$ 1,240,813
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	11,155	11,155
Unrealized gains on investments	(1,153,113)	(1,693,297)
Realized losses (gains) on sales of investments	36,718	(350,017)
Donated investments	(206,603)	(226,870)
Change in allowance for doubtful accounts	-	(2,880)
Change in present value discount	(60,242)	(2,480)
Original donor-restricted gift required to be maintained in perpetuity by donor	(38,479)	(46,136)
Forgiveness of debt	(110,500)	-
Decrease (increase) in assets:		
Pledges and grants receivable	2,079,347	(157,081)
Prepaid expenses	(77,171)	(95)
Increase (decrease) in liabilities:		
Accounts payable	(11,413)	10,407
Grants payable	620,170	-
NET CASH USED IN OPERATING ACTIVITIES	\$ (122,015)	\$ (1,216,481)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases and reinvested earnings of investments	\$ (3,372,497)	\$ (5,109,339)
Proceeds from sales of investments	3,445,871	4,981,210
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 73,374	\$ (128,129)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Original donor-restricted gift required to be maintained in perpetuity by donor	\$ 38,479	\$ 46,136
Proceeds from note payable	110,500	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 148,979	\$ 46,136
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 100,338	\$ (1,298,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	886,989	2,185,463
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 987,327	\$ 886,989

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

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 25,000 children and 2,750 educators in 60 educational communities. In addition VWEI provides resources for three Pre-Military Leadership Programs - two for men and one for women in Northern Israel.

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, 2020 AND 2019

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 years ended December 31, 2020 and 2019, the Organization maintained funds in Israeli Shekels (ILS). The ILS funds are recorded in the accounting records at their value in US Dollars (USD) at the time they are obtained, using published exchange rates. Translation adjustments for such assets are recorded when expenses are incurred with the ILS funds or at year-end. For the years ended December 31, 2020 and 2019, the gains on foreign currency translation were \$126,404 and \$47,098, respectively. Gains from foreign currency translation for the period are included in the statement of activities. Translation adjustments for such assets are accumulated separately in net assets without donor restriction. As of December 31, 2019, accumulated currency translation adjustments for on cash held as foreign currency totaled \$47,098. As of December 31, 2020, there was no accumulated currency translation adjustments because the Organization did not have any cash held in foreign currency.

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, 2020 and 2019 was \$57,120 and \$57,120, respectively.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 (FDIC) 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, 2020 AND 2019

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
Seminars and training	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, that is, those with a measurable performance or other barrier, and a right of return, 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 awards dinner revenue 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 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 year ended December 31, 2019, the exchange portion of the Gala revenue was

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

\$112,000. There was no awards dinner in 2020 because of the COVID-19 pandemic. When Gala revenue is received in advance, the portion related to unfulfilled performance obligations remains in deferred revenue. As of December 31, 2019, there was no outstanding contract performance liabilities because the event occurred in the same year as the receipt of funds. As of December 31, 2020, there was no outstanding contract performance liabilities because no contracts were made for the 2020 or 2021 awards dinners.

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 is taxed on ordinary income generated by investments in publicly traded partnerships. The Organization had no net taxable income, and therefore, no tax for the year ended December 31, 2020. The Organization had tax expense of \$10,178 for the year ended December 31, 2019.

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, 2020 and 2019, 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, 2017.

Note 2. **Property and Equipment** - Property and equipment as of December 31, 2020 and 2019, consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 2,649	\$ 2,649
Property in Israel:		
Building	425,000	425,000
Land	<u>132,800</u>	<u>132,800</u>
Totals	\$ 560,449	\$ 560,449
Less, Accumulated depreciation	<u>(134,443)</u>	<u>(123,288)</u>
Total property and equipment	<u>\$ 426,006</u>	<u>\$ 437,161</u>

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 0.35% and 2.12% as of December 31, 2020 and 2019, respectively. The discount is based on the average daily treasury yield curve rates for the respective years.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3. Pledges and Grants Receivable (Continued)

Pledges and grants receivable as of December 31, 2020 and 2019 are expected to be received as follows:

<u>Years Ending December 31,</u>	<u>2020</u>	<u>2019</u>
2020	\$ --	\$ 3,957,960
2021	3,788,565	2,439,527
2022	677,325	290,000
2023	212,250	120,000
2024	170,000	120,000
2025	120,000	120,000
Thereafter	<u>120,000</u>	<u>120,000</u>
Totals	\$ 5,088,140	\$ 7,167,487
Present value discount	(9,428)	(69,670)
Allowance for doubtful accounts	<u>(57,120)</u>	<u>(57,120)</u>
Net pledges and grants receivable	<u>\$ 5,021,592</u>	<u>\$ 7,040,697</u>

Pledges receivable recorded in the statements of financial position as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current portion	\$ 3,731,445	\$ 3,900,840
Noncurrent portion	<u>1,290,147</u>	<u>3,139,857</u>
Total pledges and grants receivable	<u>\$ 5,021,592</u>	<u>\$ 7,040,697</u>

Note 4. Investments - Investments consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and equivalents	\$ 1,548,665	\$ 1,548,665	\$ 2,623,536	\$ 2,623,536
Stocks	6,685,157	10,484,076	5,559,085	8,304,600
Corporate bonds	1,118,804	1,186,849	1,022,129	1,043,377
Government bonds	1,468,400	1,546,016	1,428,921	1,462,435
Publicly traded partnerships & REITs	655,619	469,751	781,208	735,263
Mutual funds:				
Equity	376,268	394,909	363,837	367,190
Fixed income	254,291	259,563	259,528	253,117
Exchange traded funds:				
Equity	1,489,922	1,551,931	1,400,019	1,428,346
Currency derivatives	<u>13,000</u>	<u>29,750</u>	<u>10,500</u>	<u>4,022</u>
Totals	<u>\$ 13,610,126</u>	<u>\$ 17,471,510</u>	<u>\$ 13,448,763</u>	<u>\$ 16,221,886</u>

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4. **Investments** (Continued)

Included in interest and investment income are the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends, net of fees	\$ 322,578	\$ 389,189
Unrealized gains on investments	1,153,113	1,693,297
Realized gains (losses) on investments	<u>(36,718)</u>	<u>350,017</u>
Total interest and investment income (loss)	<u>\$ 1,438,973</u>	<u>\$ 2,432,503</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, 2020, the Organization held an over the counter foreign currency option expiring in March 2021 to hedge the foreign currency exposure of its commitment to provide grants paid in Israeli Shekels (ILS). As of December 31, 2019, the Organization held the same type of option expiring on February 2020. These hedging contracts are classified as fair value hedges. For the years ended December 31, 2020 and 2019, the Organization recorded an unrealized investment gain of \$16,750 and an unrealized investment loss of \$6,478, related to the option contracts, 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:

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.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

Investments recorded in the statements of financial position are categorized as follows as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 10,484,076	\$ --	\$ --	\$ 10,484,076
Corporate bonds	1,186,828	--	--	1,186,849
Government bonds	1,546,016	--	--	1,546,016
Publicly traded				
Partnerships & REITs	469,751	--	--	469,751
Mutual funds	654,472	--	--	654,472
Exchange traded funds	1,551,931	--	--	1,551,931
Currency derivatives	--	29,750	--	29,750
Subtotals	<u>\$ 15,893,074</u>	<u>\$ 29,750</u>	<u>\$ --</u>	<u>\$ 15,922,824</u>
Cash and equivalents				<u>1,548,665</u>
Totals				<u>\$ 17,471,510</u>

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>

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.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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:

	2020	2019
Time restricted pledges:		
Village Way Educational Initiatives	\$ 2,241,100	\$ 3,968,560
Youth Village and general support	1,268,421	1,140,335
Purpose restricted pledges:		
Capital projects	1,434,872	1,877,647
Crisis fund	56,242	--
Science lab	9,502	--
Women empowerment	90,000	--
IT Training	140,888	--
Endowment	<u>8,297,144</u>	<u>7,672,178</u>
Totals	<u>\$ 13,538,169</u>	<u>\$ 14,658,720</u>

Note 8. **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.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8. **Endowments** (Continued)

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.

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.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8. **Endowments** (Continued)

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds:			
Future reserves	\$ 3,170,636	\$ --	\$ 3,170,636
Endowment funds	6,003,730	--	6,003,730
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	--	5,523,470	5,523,470
Accumulated investment gains	--	2,773,674	2,773,674
Totals	<u>\$ 9,174,366</u>	<u>\$ 8,297,144</u>	<u>\$ 17,471,510</u>

Changes in endowment net assets for the year ended December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2019	\$ 8,549,708	\$ 7,672,178	\$ 16,221,886
Contributions	456,658	187,201	643,859
Interest and dividends, net of fees	154,075	143,436	297,511
Net appreciation	578,158	538,237	1,116,395
Appropriated for operations	(564,233)	(243,908)	(808,141)
Balance at December 31, 2020	<u>\$ 9,174,366</u>	<u>\$ 8,297,144</u>	<u>\$ 17,471,510</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds:			
Future reserves	\$ 2,873,706	\$ --	\$ 2,873,706
Endowment funds	5,676,002	--	5,676,002
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	--	2,187,187	2,187,187
Totals	<u>\$ 8,549,708</u>	<u>\$ 7,672,178</u>	<u>\$ 16,221,886</u>

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8. **Endowments** (Continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2018	\$ 7,107,889	\$ 6,715,684	\$ 13,823,573
Contributions	535,362	46,136	581,498
Interest and dividends, net of fees	197,374	189,073	386,447
Net appreciation	1,036,252	992,670	2,028,922
Appropriated for operations	<u>(327,169)</u>	<u>(271,385)</u>	<u>(598,554)</u>
Balance at December 31, 2019	<u>\$ 8,549,708</u>	<u>\$ 7,672,178</u>	<u>\$ 16,221,886</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.

Note 9. **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. In October 2020, a second extension was signed and the lease was extended until March 31, 2022. The second lease extension calls for lease payments of \$4,259 per month, and includes two months free rent. The Organization is also responsible for operating expenses each month.

As of December 31, 2020, the future minimum base lease obligations are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 50,623
2020	<u>13,161</u>
Total	<u>\$ 63,784</u>

Note 10. **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, 2020 and 2019.

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 11. **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:

	2020	2019
Conditional pledges:		
Program support - matching	\$ 86,000	\$ 1,421,596
Program support - construction of homes	175,000	--
Total conditional pledges	\$ 261,000	\$ 1,421,596

Note 12. **Contributions and Grants Paid Directly to Yemin Orde (Unaudited)** - In addition to the total commitments received by the Organization, approximately \$389,754 and \$223,517 (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, 2020 and 2019, 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.

Note 13. **Forgiveness of Debt** - On April 14, 2020, the Organization received authorization from the Small Business Administration (SBA) for a \$110,500 Paycheck Protection Program with Bank Leumi. The loan must be used for payroll, rent, and utilities and the loan or a portion of the loan may be forgiven if certain circumstances are met.

On November 17, 2020, the Organization received notification that the loan in its entirety was forgiven and the SBA remitted the loan payment to Bank Leumi.

Note 14. **Availability and Liquidity** - The following represents the Organization's financial assets at December 31, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 987,327	\$ 886,989
Pledges and grants receivable, net	5,021,592	7,040,697
Investments	17,471,510	16,221,886
Total financial assets	\$ 23,480,429	\$ 24,149,572
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 13,538,169	\$ 14,658,720
Less net assets with restrictions to be met in less than a year	(3,788,565)	(3,957,960)
Board-designated net assets	9,174,366	8,549,708
	\$ 18,923,970	\$ 19,250,468
Financial assets available to meet general expenditures over the next twelve months	\$ 4,556,459	\$ 4,899,104

IMPACT ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 14. **Availability and Liquidity** (Continued)

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 15. **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 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 June 21, 2021, 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 awards dinner scheduled in 2020. Other financial impact could occur though such potential impact is unknown at this time.

During May of 2021 the Organization approved recommendations updating the accounting policies surrounding the endowment that will be effective January 1, 2021. Changes include having all bequests without donor restrictions placed in the board designated endowment fund of the ImpactIsrael Endowment, changing the spending policy from 4% to 5% of the average trailing three year balance of the endowment, as well as changes to the approval process in order for additional distributions to be taken.