



FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2023 AND 2022

AMERICAN FRIENDS OF MAGEN DAVID ADOM

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Friends of Magen David Adom
New York, NY

Opinion

We have audited the financial statements of American Friends of Magen David Adom ("AFMDA"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AFMDA as of December 31, 2023 and 2022, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AFMDA's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 AFMDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AFMDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.

New York, NY
November 13, 2024

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2C and 15A)	\$ 31,464,020	\$ 41,787,363
Pledges receivable, net (Notes 2F, 2G, 4 and 15B)	20,340,761	8,835,567
Investments, at fair value (Notes 2D, 6 and 7)	244,772,726	4,280,990
Prepaid expenses and other assets	5,016,537	1,243,493
Assets held in split interest agreements, at fair value (Notes 7 and 8)	8,076,604	6,965,440
Beneficial interest in perpetual trust (Note 16)	10,337,500	10,177,119
Property and equipment, net (Notes 2E and 5)	135,896	201,300
Right-of-use operating lease (Notes 2N and 9)	2,198,794	2,464,182
TOTAL ASSETS	<u>\$ 322,342,838</u>	<u>\$ 75,955,454</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 39,656,798	\$ 20,126,775
Grants payable (Notes 2L and 10)	43,293,649	16,420,748
Loans payable (Note 11)	2,300,000	2,300,000
Deferred revenue (Note 2J)	482,746	780,776
Accrued post-retirement health benefit costs (Notes 12 and 13)	680,092	719,324
Lease liability (Notes 2N and 9)	2,276,001	2,506,634
TOTAL LIABILITIES	<u>88,689,286</u>	<u>42,854,257</u>
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (DEFICIT) (Note 2B)		
Without donor restrictions	170,924,095	(3,841,026)
With donor restrictions (Note 16)	62,729,457	36,942,223
TOTAL NET ASSETS	<u>233,653,552</u>	<u>33,101,197</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 322,342,838</u>	<u>\$ 75,955,454</u>

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	2023 Total	Without Donor Restrictions	With Donor Restrictions	2022 Total
OPERATING REVENUE AND SUPPORT:						
Special event revenue	\$ 2,216,419	\$ 3,579,815	\$ 5,796,234	\$ 304,457	\$ 281,176	\$ 585,633
Less: direct benefit to donors	(895,261)	-	(895,261)	(88,815)	-	(88,815)
Special event revenue, net (Note 2J)	1,321,158	3,579,815	4,900,973	215,642	281,176	496,818
Contributions (Notes 2F and 16)	204,710,217	62,713,489	267,423,706	18,718,385	15,065,916	33,784,301
Estates, trusts, bequests, legacies and other (Note 2I)	11,938,755	2,349,739	14,288,494	3,486,378	11,012,990	14,499,368
Interest	375,881	-	375,881	296,145	-	296,145
Investment activity (Note 6)	2,473,848	-	2,473,848	(31,644)	-	(31,644)
Change in value of split interest agreements (Note 8)	1,193,291	-	1,193,291	(1,058,949)	-	(1,058,949)
Miscellaneous income	6,626	-	6,626	29,922	-	29,922
Net assets released from restrictions (Notes 2B and 16)	43,016,190	(43,016,190)	-	17,962,464	(17,962,464)	-
TOTAL OPERATING REVENUE AND SUPPORT	265,035,966	25,626,853	290,662,819	39,618,343	8,397,618	48,015,961
OPERATING EXPENSES (Note 2K):						
Program services	78,420,643	-	78,420,643	38,803,817	-	38,803,817
Management and general	4,812,008	-	4,812,008	3,988,726	-	3,988,726
Fundraising	7,076,428	-	7,076,428	5,175,473	-	5,175,473
TOTAL OPERATING EXPENSES	90,309,079	-	90,309,079	47,968,016	-	47,968,016
CHANGE IN NET ASSETS (DEFICIT) FROM OPERATIONS	174,726,887	25,626,853	200,353,740	(8,349,673)	8,397,618	47,945
NON-OPERATING ACTIVITIES:						
Change in beneficial interest in perpetual endowment (Note 16)	-	160,381	160,381	-	16,917	16,917
Foreign exchange valuation (Notes 2C and 2M)	-	-	-	(76,030)	-	(76,030)
Other components of net periodic pension credit changes (Note 13)	28,877	-	28,877	24,410	-	24,410
TOTAL NON-OPERATING ACTIVITIES	28,877	160,381	189,258	(51,620)	16,917	(34,703)
CHANGE IN NET ASSETS (DEFICIT) BEFORE POST-RETIREMENT CHANGE OTHER THAN NET PERIODIC PENSION CHANGES	174,755,764	25,787,234	200,542,998	(8,401,293)	8,414,535	13,242
Post-retirement change other than net periodic pension changes (Note 13)	9,357	-	9,357	269,925	-	269,925
CHANGE IN TOTAL NET ASSETS (DEFICIT)	174,765,121	25,787,234	200,552,355	(8,131,368)	8,414,535	283,167
Net assets (deficit) - beginning of year	(3,841,026)	36,942,223	33,101,197	4,290,342	28,527,688	32,818,030
NET ASSETS (DEFICIT) - END OF YEAR	\$ 170,924,095	\$ 62,729,457	\$ 233,653,552	\$ (3,841,026)	\$ 36,942,223	\$ 33,101,197

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	For the Year Ended December 31, 2023						For the Year Ended December 31, 2022					
	Supporting Services						Supporting Services					
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2023	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2022		
Salaries	\$ 2,867,910	\$ 1,393,120	\$ 2,174,061	\$ 3,567,181	\$ 6,435,091	\$ 2,546,512	\$ 1,630,510	\$ 1,802,225	\$ 3,432,735	\$ 5,979,247		
Payroll taxes and employee benefits (Notes 12 and 13)	795,202	378,144	559,031	937,175	1,732,377	793,302	435,383	481,177	916,560	1,709,862		
Total salaries and related costs	3,663,112	1,771,264	2,733,092	4,504,356	8,167,468	3,339,814	2,065,893	2,283,402	4,349,295	7,689,109		
Occupancy and utilities (Notes 2N and 9)	105,910	291,072	132,306	423,378	529,288	100,936	277,575	126,170	403,745	504,681		
Professional fees	477,053	921,812	459,517	1,381,329	1,858,382	160,664	580,284	105,560	685,844	846,508		
Insurance	31,360	62,720	31,360	94,080	125,440	26,183	52,366	26,183	78,549	104,732		
Printing, publications and supplies	98,938	169,641	84,821	254,462	353,400	86,600	64,456	109,815	174,271	260,871		
Travel, conferences and events	355,604	69,243	227,708	296,951	652,555	285,941	48,889	165,466	214,355	500,296		
Telephone	25,690	38,834	33,980	72,814	98,504	27,540	41,630	36,426	78,056	105,596		
Postage and shipping	80,531	79,829	106,439	186,268	266,799	35,041	74,678	272,079	346,757	381,798		
Dues and subscriptions	11,342	9,722	11,342	21,064	32,406	8,127	6,966	8,127	15,093	23,220		
Equipment (Note 9)	51,872	94,940	47,470	142,410	194,282	20,502	57,997	77,179	135,176	155,678		
Bank charges and interest expense (Note 11)	527,130	837,459	732,777	1,570,236	2,097,366	55,927	73,596	64,396	137,992	193,919		
Events expense	720,113	204,567	1,125,116	1,329,683	2,049,796	-	-	468,978	468,978	468,978		
Depreciation and amortization (Note 5)	-	70,962	-	70,962	70,962	-	70,406	-	70,406	70,406		
Marketing and direct mail	1,269,008	173,804	1,698,271	1,872,075	3,141,083	1,128,486	155,611	1,520,507	1,676,118	2,804,604		
Bad debt expense	-	-	528,662	528,662	528,662	-	385,938	-	385,938	385,938		
Grants to Magen David Adom	70,984,051	-	-	-	70,984,051	33,528,056	-	-	-	33,528,056		
Miscellaneous	18,929	16,139	18,828	34,967	53,896	-	32,441	-	32,441	32,441		
TOTAL EXPENSES	78,420,643	4,812,008	7,971,689	12,783,697	91,204,340	38,803,817	3,988,726	5,264,288	9,253,014	48,056,831		
Less: Special event direct expenses (Note 2J)	-	-	(895,261)	(895,261)	(895,261)	-	-	(88,815)	(88,815)	(88,815)		
TOTAL EXPENSES, Net of special event direct expenses	\$ 78,420,643	\$ 4,812,008	\$ 7,076,428	\$ 11,888,436	\$ 90,309,079	\$ 38,803,817	\$ 3,988,726	\$ 5,175,473	\$ 9,164,199	\$ 47,968,016		

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 200,552,355	\$ 283,167
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	70,962	70,406
Pension and post-retirement changes	(39,232)	(310,497)
Bad debt	528,662	385,938
Change in beneficial interest in perpetual endowment	(160,381)	(16,917)
Change in value of split interest agreements	(1,111,164)	1,208,701
Change in discount on pledges receivable	(36,076)	20,951
Realized and unrealized (gain) loss on investments, net	<u>(626,757)</u>	<u>98,395</u>
Subtotal	199,178,369	1,740,144
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(11,997,780)	3,095,620
Prepaid expenses and other assets	(3,773,044)	(25,233)
Right-of-use operating lease	265,388	(2,464,182)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	19,530,023	5,275,329
Grants payable	26,872,901	(58,023)
Deferred revenue	(298,030)	485,135
Lease liability	<u>(230,633)</u>	<u>2,506,634</u>
Net Cash Provided By Operating Activities	<u>229,547,194</u>	<u>10,555,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,558)	(6,250)
Purchase of investments	(268,419,852)	(5,141,949)
Proceeds from sales/redemptions of investments	<u>28,554,873</u>	<u>2,200,931</u>
Net Cash Used In Investing Activities	<u>(239,870,537)</u>	<u>(2,947,268)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(10,323,343)</u>	<u>7,608,156</u>
Cash and cash equivalents - beginning of year	<u>41,787,363</u>	<u>34,179,207</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 31,464,020</u>	<u>\$ 41,787,363</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 30,315</u>	<u>\$ 28,779</u>

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

American Friends of Magen David Adom ("AFMDA"), a not-for-profit 501(c)(3) organization, exempt from federal income taxes, is recognized by the United States Internal Revenue Service (the "IRS") as a public charity. AFMDA solicits contributions, which are used to purchase ambulances, medical and other supplies, emergency medical stations, blood service centers, cord blood bank and training for Magen David Adom ("MDA") in Israel. AFMDA is the only authorized tax-exempt fundraising organization in the United States of America for MDA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting - AFMDA's financial statements have been prepared on the accrual basis of accounting. AFMDA adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. Basis of presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions – These represent resources of AFMDA that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of AFMDA's operations over which the Board of Directors has discretionary control.

With donor restrictions – These represent net assets resulting from contributions and other inflows of assets whose use by AFMDA is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of AFMDA pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), these are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. These also represent net assets resulting from contributions and other inflows of assets whose use by AFMDA is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of AFMDA.

C. Cash and cash equivalents - Cash equivalents consist of all highly liquid debt instruments with maturities of three months or less when acquired except for certain cash, money market funds and short-term government securities held for long-term investment purposes, which are included in investments.

D. Investments and fair value measurements - Investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 7.

E. Property and equipment - Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Property and equipment is capitalized provided its cost is \$5,000 or more and its useful life is greater than one year. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease.

F. Revenue recognition and pledges receivable - Contributions are accounted for under Accounting Standards Update ("ASU") 2018-08. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

G. Allowance for doubtful accounts - As of both December 31, 2023 and 2022, AFMDA determined that an allowance of \$500,000 was necessary relative to its pledges receivable. Such estimates are based on management's assessment of the creditworthiness of donors, review of individual accounts outstanding, as well as current economic conditions and historical information.

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. Use of estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- I. Bequests** - AFMDA recognizes bequests as income when the bequests become known and when the individual's will is declared valid by the probate court and the sum is certain.
- J. Special events** - The direct expense of special events includes expenses for the benefit of the donor. For example, meals, facilities and rentals are considered direct expenses of special events. On occasion, AFMDA receives cash donations for special events that are to be held after the date of the statements of financial position. It is the policy of AFMDA to refund all cash received in advance of special events (both contribution and exchange portions), if the event is subsequently cancelled.
- K. Functional allocation of expenses** - The costs of providing program, management and general and fundraising expenses have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, expenses that are not directly charged to program, management and general and fundraising are allocated among them. The expenses that are allocated include salaries and wages, benefits and payroll taxes, which are allocated on the basis of estimates of time and effort. Other costs such as occupancy, insurance and telephone are allocated on the basis of personnel services allocation.
- L. Grants payable** - Grants made, including unconditional promises to give, are recognized as an expense in the period made. Unconditional promises to give that are payable in future periods are recorded as grants payable in the statements of financial position.
- M. Operating and non-operating activities** - AFMDA includes, in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions except for those that have been restricted in perpetuity by donors. Gain or loss on interest rate swap, foreign exchange contract valuation, and other components of net periodic pension credit changes are recognized as non-operating activities.
- N. Leases** – AFMDA determines if an arrangement is a lease at inception. Leases are included in right-of-use ("ROU") operating lease and lease liability in the statements of financial position as of December 31, 2023 and 2022. ROU asset and lease liability reflect the present value of future minimum lease payments over the lease term, and ROU asset also includes prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. AFMDA does not report ROU assets and leases liabilities for its short-term leases.
- O. Reclassifications** – Certain line items in the December 31, 2022 financial statements have been reclassified to conform to the December 31, 2023 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

AFMDA manages its assets available to meet general expenditures following the guiding principles of operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets. AFMDA's primary purpose is to support MDA in Israel. All contributions received for such purpose are considered part of expenditures. As of December 31, 2023 and 2022, AFMDA's financial assets available to meet the general expenditures over the next twelve months were as follows:

	2023	2022
Cash and cash equivalents	\$ 31,464,020	\$ 41,787,363
Pledges receivable, net	20,340,761	8,835,567
Investments, at fair value	<u>244,772,726</u>	<u>4,280,990</u>
Total financial assets	296,577,507	54,903,920
Less: net assets with donor restrictions	<u>(62,729,457)</u>	<u>(36,942,223)</u>
	<u><u>\$ 233,848,050</u></u>	<u><u>\$ 17,961,697</u></u>

AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 – PLEDGES RECEIVABLE, NET

Pledges receivable are recorded net of a discount (at a risk adjusted rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of December 31:

	2023	2022
Less than one year	\$ 19,030,165	\$ 8,220,636
One year to four years	2,102,625	1,310,884
Five years and more	<u>130,000</u>	<u>190,000</u>
	21,262,790	9,721,520
Less: allowance for doubtful pledges	(500,000)	(500,000)
Less: present value discount (0.15% to 5.09%)	<u>(422,029)</u>	<u>(385,953)</u>
	<u><u>\$ 20,340,761</u></u>	<u><u>\$ 8,835,567</u></u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31:

	Estimated Useful Lives	2023	2022
Furniture and equipment	3-7 years	\$ 303,246	\$ 303,246
Leasehold improvements	10 years	<u>106,493</u>	<u>100,935</u>
		409,739	404,181
Less: accumulated depreciation and amortization		<u>(273,843)</u>	<u>(202,881)</u>
Total		<u><u>\$ 135,896</u></u>	<u><u>\$ 201,300</u></u>

Depreciation and amortization expense amounted to \$70,962 and \$70,406 for the years ended December 31, 2023 and 2022, respectively. AFMDA wrote off \$27,500 of fully depreciated assets that were no longer in use for year ended December 31, 2022. There were no write-offs for the year ended December 31, 2023. During December 31, 2023, there were additions to leasehold improvements amounting to \$5,558.

NOTE 6 – INVESTMENTS

Investments consist of the following as of December 31:

	2023	2022
Cash and money market funds	\$ 1,017,484	\$ 1,597,682
Equities	8,652,936	2,286,900
U.S. Treasuries	234,885,358	-
State of Israel bonds	<u>216,948</u>	<u>396,408</u>
	<u><u>\$ 244,772,726</u></u>	<u><u>\$ 4,280,990</u></u>

Investments are subject to market volatility that could change their carrying value in the near term. Investment activity consists of the following for the years ended December 31:

	2023	2022
Interest and dividends	\$ 1,861,677	\$ 70,239
Realized gain (loss) on investments	314,998	(105,783)
Unrealized gain on investments	311,759	7,388
Investment fees	<u>(14,586)</u>	<u>(3,488)</u>
	<u><u>\$ 2,473,848</u></u>	<u><u>\$ (31,644)</u></u>

AMERICAN FRIENDS OF MAGEN DAVID ADOM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, AFMDA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in equities, cash and money market funds, fixed income securities, and treasuries are valued using Level 1 instrument valuations obtained from real-time quotes in active exchange markets involving identical assets. Level 2 valuations are based on inputs other than Level 1 prices corroborated with observable market data. Level 3 instruments and valuations are stated at fair value in an unquoted market.

Financial assets carried at fair value at December 31, 2023 are classified in the table as follows:

ASSETS CARRIED AT FAIR VALUE	Level 1	Level 2	Total
Investments			
Cash and money market funds	\$ 1,017,484	\$ -	\$ 1,017,484
Equities	8,652,936	-	8,652,936
Treasuries	234,885,358	-	234,885,358
State of Israel bonds	-	216,948	216,948
Total Investments	<u>244,555,778</u>	<u>216,948</u>	<u>244,772,726</u>
Assets held in split interest agreements			
Cash and money market funds	1,927,793	-	1,927,793
Equities	3,702,560	-	3,702,560
Fixed income	2,446,251	-	2,446,251
Total assets held in split interest agreements	<u>8,076,604</u>	<u>-</u>	<u>8,076,604</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 252,632,282</u>	<u>\$ 216,948</u>	<u>\$ 252,849,330</u>

Financial assets carried at fair value at December 31, 2022 are classified in the table as follows:

ASSETS CARRIED AT FAIR VALUE:	Level 1	Level 2	Total
Investments			
Cash and money market funds	\$ 1,597,682	\$ -	\$ 1,597,682
Equities	2,286,900	-	2,286,900
State of Israel bonds	-	396,408	396,408
Total Investments	<u>3,884,582</u>	<u>396,408</u>	<u>4,280,990</u>
Assets held in split interest agreements			
Cash and money market funds	261,834	-	261,834
Equities	4,661,422	-	4,661,422
Fixed income	2,042,184	-	2,042,184
Total assets held in split interest agreements	<u>6,965,440</u>	<u>-</u>	<u>6,965,440</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 10,831,022</u>	<u>\$ 396,408</u>	<u>\$ 11,246,430</u>

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
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NOTE 8 – ASSETS HELD IN SPLIT INTEREST AGREEMENTS

Assets held in split interest agreements include charitable gift annuities and charitable remainder trusts agreements. As of December 31, 2023 and 2022, the estimated future liabilities of \$3,779,060 and \$3,861,187, respectively, are included in accounts payable and accrued expenses in the accompanying statements of financial position. The present value of the estimated future interest is calculated using a discount rate of 5% as of December 31, 2023 and 2022. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2023 and 2022, the assets comprising the charitable gift annuities are segregated and held separately for the purposes of annuity benefits and may not, without exception, be applied towards the payment of other debts or obligations of AFMDA.

NOTE 9 – OPERATING LEASES

AFMDA has entered into lease agreements through year 2029. This lease includes a rent escalation. AFMDA assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As of December 31, 2023 and 2022, the right-of-use (“ROU”) asset had a balance of \$2,198,794 and \$2,464,182, respectively, and the lease liability amounted to \$2,276,001 and \$2,506,634, respectively, as shown in the statements of financial position.

The weighted-average discount rate is based on the risk-free rate. AFMDA has elected the option to use the risk-free rate determined by using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate as of December 31, 2023:

Weighted average remaining lease term in years	
Operating leases	5.90
Weighted average discount rate	
Operating leases	2.45%

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2023 and thereafter are as follows:

2024	\$ 385,282
2025	416,124
2026	405,914
2027	405,201
2028	414,318
Thereafter	423,641
Total lease payments	2,450,480
Less: Present value discount	<u>(174,479)</u>
Present value of lease liabilities	<u>\$ 2,276,001</u>

Rent expense amounted to \$529,288 and \$485,317 for the years ended December 31, 2023 and 2022, respectively, and is included in occupancy and utilities in the accompanying statements of functional expenses. Equipment lease expense amounted to approximately \$24,000 and \$28,000 for the years ended December 31, 2023 and 2022, respectively, and is included in equipment expense in the accompanying statements of functional expenses.

NOTE 10 – GRANTS PAYABLE

As of December 31, 2023 and 2022, AFMDA was obligated under unconditional promises to give amounting to \$43,293,649 and \$16,420,748, respectively, to MDA for several projects. The payments for such commitments are made as needed based on actual expenses incurred by MDA. As of December 31, 2023, the grants payable are expected to be paid to MDA within one to three years or upon completion of ongoing projects.

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
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NOTE 11 – LOANS PAYABLE

As of both December 31, 2023 and 2022, AFMDA has a loan payable to a bank in the principal amount of \$2,300,000 with a maturity date of March 28, 2024. Interest on the outstanding principal balance accrues and interest is payable at a money market rate plus 1% per annum. Principal is due at maturity and there is no prepayment charge with respect to this loan. The loan is secured by investments. Interest expense for the years ended December 31, 2023 and 2022 amounted to \$30,315 and \$28,779, respectively. As of March 28, 2024, the amount was paid in full.

NOTE 12 – PENSION PLANS

AFMDA has a 403(b) defined contribution pension plan for all employees. AFMDA contributes 6% of eligible employees' compensation to the plan after one year of employment. The total expense of AFMDA under the plan for the years ended December 31, 2023 and 2022 amounted to \$327,132 and \$296,929, respectively.

NOTE 13 – POST-RETIREMENT HEALTH BENEFITS PLAN

AFMDA maintains a post-retirement health benefits plan (the "Post-retirement Plan") that covers substantially all current and future retirees. Employees who qualify to receive paid post-retirement medical coverage are those employees who retire with an immediate pension benefit and are at least age 60 with at least 15 years of service, or age 65. During 2011, AFMDA amended the Post-retirement Plan to require participants who retire on or after September 1, 2011 to contribute 50% of the premium rates. For the years ended December 31, 2023 and 2022, the Post-retirement Plan held no assets. The funded status of the Post-retirement Plan as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 719,324	\$ 1,029,821
Service cost	- 1,089	1,089
Interest cost	35,164	22,632
Plan participants' contributions	24,379	23,891
Actuarial gain	(9,357)	(269,925)
Benefits paid	<u>(89,418)</u>	<u>(88,184)</u>
Benefit obligation at end of year	680,092	719,324
Funded status		
	<u>\$ (680,092)</u>	<u>\$ (719,324)</u>

The components of the net periodic benefit cost including the service cost included in payroll taxes and benefits for the Post-retirement Plan for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Service cost	\$ -	\$ 1,089
Benefits paid	89,418	88,184
Employer contributions	65,039	64,293
Administration fees	4,475	4,250

The other components of net periodic benefit cost for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Interest cost	\$ (35,164)	\$ (22,632)
Amortization of net gain	<u>64,041</u>	<u>47,042</u>
Net benefits cost	<u>\$ 28,877</u>	<u>\$ 24,410</u>

The amounts recognized in the without donor restriction net (deficit) assets as of December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Pension related change other than net periodic pension costs	<u>\$ 9,357</u>	<u>\$ 269,925</u>

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NOTE 13 – POST-RETIREMENT HEALTH BENEFITS PLAN (Continued)

AFMDA's expected rate of return on Post-retirement Plan assets is determined by the Post-retirement Plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The measurement of the benefit obligation and health care cost trends as of December 31 is based on the following assumptions:

	2023	2022
Discount rate	4.91%	5.12%
Health care cost trend rate assumed for next year	4.6%/7.0%	4.5%/ 6.5%
Rate to which the cost trend rate is assumed to decline	4.037%	4.037%
Year that the rate reaches the ultimate trend rate	2075	2075

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2024	\$ 62,284
2025	62,381
2026	62,074
2027	64,547
2028	63,198
Five years thereafter	<u>279,879</u>
	<u>\$ 594,363</u>

NOTE 14 – COMMITMENTS AND CONTINGENCIES

- A. On November 29, 2020, AFMDA renewed its longstanding relationship with MDA to act as a nationwide organization for the purpose of fundraising for MDA in the territory of the United States of America. This agreement confirms AFMDA's commitment to focus its operations solely on raising funds for MDA. The agreement is for three years commencing January 1, 2021 and will be renewed automatically in three-year periods up to four renewals. The agreement was automatically renewed on January 1, 2024.
- B. AFMDA believes it has no material uncertain tax positions as of December 31, 2023 and 2022 in accordance with Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

During 2022, AFMDA received two penalty notices from the IRS for late filing of 2014 and 2018 IRS Form 3520s. Management filed abatement letters with the IRS and is awaiting the resolution for the 2018 abatement letter. The IRS denied the abatement request with respect to the 2014 penalty, and AFMDA intends to exercise its appeal rights to pursue the removal of the penalty. Management believes the 2018 abatement and the 2014 appeal will be successful and therefore, no liabilities are accrued in the financial statements as of both December 31, 2023 and 2022.

NOTE 15 – CONCENTRATIONS

- A. Financial instruments that potentially subject AFMDA to a concentration of credit risk include cash held with two banks in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$24.4 million and \$38.9 million as of December 31, 2023 and 2022, respectively. Cash accounts are insured up to \$250,000 per depositor, per insured financial institution. AFMDA also maintains cash and cash equivalents in financial institutions located in Israel that are not FDIC insured. These accounts totaled approximately \$808,000 and \$2,666,000 as of December 31, 2023 and 2022, respectively.
- B. As of December 31, 2022, approximately 16% of pledges receivable is comprised of two donors. There was no pledges receivable concentration as of December 31, 2023. Approximately 15% of revenue during the year ended December 31, 2023 was from one donor. There was no revenue concentration for the year ended December 31, 2022.

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NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Ambulances	\$ 30,584,362	\$ 15,628,555
Blood center construction	3,485,632	6,103,075
Other	14,689,463	1,446,004
Restricted in perpetuity	<u>13,970,000</u>	<u>13,764,589</u>
	<u><u>\$ 62,729,457</u></u>	<u><u>\$ 36,942,223</u></u>

Net assets with donor restrictions amounting to \$43,016,190 and \$17,962,464 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors for the years ended December 31, 2023 and 2022, respectively.

Net assets with donor restrictions also include funds restricted in perpetuity of \$13,999,620 and \$13,839,239 as of December 31, 2023 and 2022, respectively, included in the statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Beneficial interest in perpetual trust	\$ 10,337,500	\$ 10,177,199
Perpetual ambulance fund program donor restricted endowment	3,200,000	3,179,386
Donor restricted endowment	<u>432,500</u>	<u>408,004</u>
	<u><u>\$ 13,970,000</u></u>	<u><u>\$ 13,764,589</u></u>

In 2012, a decedent bequeathed a portion of her estate to a perpetual endowment in which AFMDA was named a beneficiary. In accordance with the endowment agreement signed by the decedent, the funds are to be kept in perpetual endowment, and distributions from the fund may be used for general operations.

The perpetual ambulance fund program donor restricted endowment and donor restricted endowment were included in cash and cash equivalents in the statements of financial position as of both December 31, 2023 and 2022, and therefore there was no investment activity and appropriations for the years then ended.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. AFMDA is a New York corporation and is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA") adopted by New York State. AFMDA recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered not restricted by the donor will be reflected in net assets with donor restrictions until appropriated.

The policy for valuing the AFMDA's investments is described in Notes 2D and 6. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. As of December 31, 2023, there was no deficiency. As of December 31, 2022, there was a deficiency of \$45,110 which resulted from the unfavorable market fluctuations that occurred in the economy as a whole that affected the donor-restricted endowment fund, where the fair market value was below the amount that is required to be retained in perpetuity.

**AMERICAN FRIENDS OF MAGEN DAVID ADOM
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NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	<u>With donor restrictions</u>		
	Endowment Earnings	Endowment Corpus	Total 2023
Investment activity:			
Interest and dividends	\$ 76,505	\$ -	\$ 76,505
Unrealized loss on investment	<u>168,525</u>	<u>-</u>	<u>168,525</u>
Total investment activity	245,030	-	245,030
Endowment net assets, beginning of year	<u>(45,110)</u>	<u>3,632,500</u>	<u>3,587,390</u>
Endowment net assets, end of year	<u>\$ 199,920</u>	<u>\$ 3,632,500</u>	<u>\$ 3,832,420</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	<u>With donor restrictions</u>		
	Endowment Earnings	Endowment Corpus	Total 2022
Investment activity:			
Interest and dividends	\$ 38,895	\$ -	\$ 38,895
Unrealized loss on investment	(63,650)	-	(63,650)
Contributions	<u>-</u>	<u>3,200,000</u>	<u>3,200,000</u>
Total investment activity	(24,755)	3,200,000	3,175,245
Endowment net assets, beginning of year	<u>(20,355)</u>	<u>432,500</u>	<u>412,145</u>
Endowment net assets, end of year	<u>\$ (45,110)</u>	<u>\$ 3,632,500</u>	<u>\$ 3,587,390</u>

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 13, 2024, the date the financial statements were available to be issued.