

Emunah of America, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020



Emunah of America, Inc.
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Eminah of America, Inc.
New York, New York

Opinion

We have audited the financial statements of Eminah of America, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eminah of America, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

The 2020 financial statements, before they were restated for the matters described in *Note 14*, were audited by other auditors, and their report thereon, dated March 12, 2021, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

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 Eminah of America, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's 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 auditor's 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eminah of America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eminah of America, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

BKD, LLP

New York, New York
April 1, 2022

Emunah of America, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020 (Restated - Note 14)
Assets		
Cash	\$ 540,506	\$ 706,350
Investments	959,923	688,462
Contributions receivable, net	173,401	277,027
Beneficial interest	100,000	-
Prepaid expenses and other assets	25,875	25,875
Property and equipment, net	2,430	8,248
Total assets	\$ 1,802,135	\$ 1,705,962
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 50,886	\$ 42,291
Grant payable	283,232	543,939
Annuities payable	119,731	93,338
Refundable advances	86,085	-
Total liabilities	539,934	679,568
Net Assets		
Without donor restrictions	713,902	589,973
With donor restrictions	548,299	436,421
Total net assets	1,262,201	1,026,394
Total liabilities and net assets	\$ 1,802,135	\$ 1,705,962

Emunah of America, Inc.
Statements of Activities
Years Ended December 31, 2021 and 2020

	2021			2020 (Restated - Note 14)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Contributions and grants	\$ 3,152,624	\$ 170,000	\$ 3,322,624	\$ 2,646,727	\$ 128,541	\$ 2,775,268
Contributions - PPP forgiveness	-	-	-	88,337	-	88,337
Investment income	53,339	-	53,339	50,107	-	50,107
Gala benefit, net of direct cost of \$92,166 and \$64,365 in 2021 and 2020, respectively	655,713	-	655,713	607,573	-	607,573
Mission income	8,995	-	8,995	3,331	-	3,331
Special events, net of direct cost of \$117,493 and \$72,215 in 2021 and 2020, respectively	324,324	-	324,324	271,291	-	271,291
Merchandise sales gain (loss), net of cost of goods sold \$0 and \$12,730 in 2021 and 2020, respectively	1,089	-	1,089	(2,284)	-	(2,284)
Change in charitable gift annuity	(26,393)	-	(26,393)	-	-	-
Miscellaneous income	386	-	386	-	-	-
Net assets released from restrictions	58,122	(58,122)	-	110,548	(110,548)	-
Total revenues and other support	<u>4,228,199</u>	<u>111,878</u>	<u>4,340,077</u>	<u>3,775,630</u>	<u>17,993</u>	<u>3,793,623</u>
Expenses						
Program services	<u>3,778,354</u>	<u>-</u>	<u>3,778,354</u>	<u>3,316,123</u>	<u>-</u>	<u>3,316,123</u>
Management and general	120,038	-	120,038	142,845	-	142,845
Fundraising	<u>205,878</u>	<u>-</u>	<u>205,878</u>	<u>199,235</u>	<u>-</u>	<u>199,235</u>
Total supporting services	<u>325,916</u>	<u>-</u>	<u>325,916</u>	<u>342,080</u>	<u>-</u>	<u>342,080</u>
Total expenses	<u>4,104,270</u>	<u>-</u>	<u>4,104,270</u>	<u>3,658,203</u>	<u>-</u>	<u>3,658,203</u>
Change in Net Assets	123,929	111,878	235,807	117,427	17,993	135,420
Net Assets, Beginning of Year, as Previously Reported	589,973	436,421	1,026,394	534,028	356,946	890,974
Restatement (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,482)</u>	<u>61,482</u>	<u>-</u>
Net Assets, Beginning of Year, as Restated	<u>589,973</u>	<u>436,421</u>	<u>1,026,394</u>	<u>472,546</u>	<u>418,428</u>	<u>890,974</u>
Net Assets, End of Year	<u>\$ 713,902</u>	<u>\$ 548,299</u>	<u>\$ 1,262,201</u>	<u>\$ 589,973</u>	<u>\$ 436,421</u>	<u>\$ 1,026,394</u>

Emunah of America, Inc.
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021						
	Program Services			Supporting Services			
	Israel Projects	Members' Projects	Total	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and employee benefits	\$ 224,881	\$ 94,803	\$ 319,684	\$ 26,457	\$ 94,803	\$ 121,260	\$ 440,944
Grants	3,255,117	-	3,255,117	-	-	-	3,255,117
Event direct expenses	-	-	-	-	209,659	209,659	209,659
Consultants	23,978	35,967	59,945	35,967	23,978	59,945	119,890
Postage and delivery	912	385	1,297	107	385	492	1,789
Marketing	8,342	3,517	11,859	981	3,517	4,498	16,357
Rent expense	16,188	6,824	23,012	1,904	6,824	8,728	31,740
Office expenses	22,755	9,593	32,348	2,677	9,593	12,270	44,618
Telephone	3,930	1,657	5,587	462	1,657	2,119	7,706
Travel	2,896	1,221	4,117	341	1,221	1,562	5,679
Supplies	11,028	4,649	15,677	1,297	4,649	5,946	21,623
Accounting and other	-	-	-	45,731	-	45,731	45,731
Indirect benefit expenses	-	-	-	-	44,509	44,509	44,509
Dues and subscriptions	4,725	1,992	6,717	556	1,992	2,548	9,265
Credit card fees and bank charges	27,277	11,499	38,776	3,209	11,499	14,708	53,484
Depreciation and amortization	2,967	1,251	4,218	349	1,251	1,600	5,818
	<u>3,604,996</u>	<u>173,358</u>	<u>3,778,354</u>	<u>120,038</u>	<u>415,537</u>	<u>535,575</u>	<u>4,313,929</u>
Total expenses							
Less expenses deducted directly from revenues							
Direct cost of special events	-	-	-	-	(209,659)	(209,659)	(209,659)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(209,659)</u>	<u>(209,659)</u>	<u>(209,659)</u>
Total expenses reported by function on the statements of activities	<u>\$ 3,604,996</u>	<u>\$ 173,358</u>	<u>\$ 3,778,354</u>	<u>\$ 120,038</u>	<u>\$ 205,878</u>	<u>\$ 325,916</u>	<u>\$ 4,104,270</u>

Emunah of America, Inc.
Statements of Functional Expenses (Continued)
Years Ended December 31, 2021 and 2020

	2020 (Restated - Note 14)							
	Program Services				Supporting Services			
	Israel Projects	Missions	Members' Projects	Total	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and employee benefits	\$ 207,328	\$ 34,555	\$ 108,600	\$ 350,483	\$ 29,618	\$ 113,537	\$ 143,155	\$ 493,638
Grants	2,717,078	-	-	2,717,078	-	-	-	2,717,078
Gala direct expenses	-	-	-	-	-	64,365	64,365	64,365
Event direct expenses	-	-	-	-	-	72,215	72,215	72,215
Cost of goods sold	-	-	-	-	-	12,730	12,730	12,730
Consultants	14,966	9,978	24,944	49,888	39,910	9,978	49,888	99,776
Postage and delivery	405	116	145	666	58	241	299	965
Marketing	10,180	2,909	3,636	16,725	1,454	6,060	7,514	24,239
Rent expense	14,968	4,277	5,346	24,591	2,138	8,910	11,048	35,639
Office expenses	24,223	6,922	8,652	39,797	3,461	14,421	17,882	57,679
Telephone	4,077	1,165	1,456	6,698	582	2,427	3,009	9,707
Travel	7,335	2,096	2,620	12,051	1,048	4,366	5,414	17,465
Supplies	10,169	2,905	3,632	16,706	1,453	6,053	7,506	24,212
Accounting and other	-	-	-	-	57,108	-	57,108	57,108
Events expenses	8,656	2,597	7,791	19,044	1,154	8,656	9,810	28,854
Indirect benefit expenses	9,748	2,924	8,773	21,445	1,300	9,748	11,048	32,493
Dues and subscriptions	3,263	932	1,166	5,361	466	1,943	2,409	7,770
Credit card fees and bank charges	18,818	5,376	6,721	30,915	2,688	11,201	13,889	44,804
Depreciation and amortization	2,846	813	1,016	4,675	407	1,694	2,101	6,776
Total expenses	3,054,060	77,565	184,498	3,316,123	142,845	348,545	491,390	3,807,513
Less expenses deducted directly from revenues								
Direct cost of special events	-	-	-	-	-	(149,310)	(149,310)	(149,310)
Total expenses reported by function on the statements of activities	\$ 3,054,060	\$ 77,565	\$ 184,498	\$ 3,316,123	\$ 142,845	\$ 199,235	\$ 342,080	\$ 3,658,203

Emunah of America, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> <u>(Restated -</u> <u>Note 14)</u>
Operating Activities		
Change in net assets	\$ 235,807	\$ 135,420
Items not requiring (providing) cash		
Depreciation and amortization	5,818	6,776
Annuity payable	26,393	-
Realized and unrealized (gain) loss on investments	(11,234)	30,526
Changes in		
Contributions receivable	103,626	(166,479)
Beneficial interest	(100,000)	-
Prepaid expenses and other assets	-	(19,500)
Accounts payable and accrued expenses	8,595	(51,353)
Grants payable	(260,707)	527,173
Proceeds from refundable advances	86,085	-
	<u>94,383</u>	<u>462,563</u>
Net cash provided by operating activities		
Investing Activities		
Purchases of investments	(415,000)	(207,547)
Proceeds from sales of investments	154,773	52,914
	<u>(260,227)</u>	<u>(154,633)</u>
Net cash used in investing activities		
Financing Activities		
Payment of annuities payable	-	(26,106)
	<u>-</u>	<u>(26,106)</u>
Net cash used in financing activities		
Net Change in Cash	(165,844)	281,824
Cash, Beginning of Year	<u>706,350</u>	<u>424,526</u>
Cash, End of Year	<u>\$ 540,506</u>	<u>\$ 706,350</u>

Emunah of America, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Emunah of America, Inc. (Emunah or the Organization) was founded in 1948 to provide support for the activities of Emunah of Israel, one of the largest volunteer organizations in Israel, providing a vast network of social welfare and educational programs. Since its establishment in the United States of America in 1948, Emunah has been responding to the needs of the people of Israel, caring for the young and old, new immigrants and veteran Israelis. Emunah's revenues and other support are primarily derived principally from contributions.

As part of its Israel programs, Emunah of America makes it possible for Emunah of Israel to provide a network of day-care centers and after-school programs. For children who are removed from their parents because of abuse or neglect, Emunah of Israel maintains crisis shelters and residential homes providing sanctuary and both short-term and permanent care and education. Emunah of Israel sponsors high schools and the Emunah College of Arts and Technology, renowned for their innovative programs for young women. Emunah of Israel maintains counseling centers and three crisis centers; for children, families and adults of all backgrounds. Emunah of Israel also provides golden-age centers and hot meal programs for the elderly.

Emunah plans missions and is committed to bringing its members and donors to Israel for the purpose of witnessing first-hand the efforts made at the various supported projects and programs we support. Emunah's moral obligation is to lend support to Jews around the world that takes them to Jewish Communities around the globe.

Much of Emunah's projects are carried out by Board members, chapters and volunteers throughout the United States of America. These committed volunteers educate the membership on issues facing our social services and educational network projects as well as supporting the programs. Through the national organization, Emunah can mobilize its volunteers and supporters to action on behalf of issues that are important to the welfare of the entire Jewish community and the State of Israel. Through its volunteers and chapters, Emunah brings community-based programming to a significant section of the American Jewish community.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Emunah of America, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Cash

Emunah considers liquid investments with an initial maturity of three months or less, to be cash equivalents, except for short-term investments managed by Emunah's investment managers as part of their long-term strategies.

On December 31, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$199,000.

Investments

Emunah measures securities at fair value. Emunah invests in various investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. 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, based on the markets' fluctuations and that such changes could materially affect the amounts reported in the financial statements.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Emunah maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Items with a cost in excess of \$5,000 and a useful life of greater than one year are capitalized. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Computer hardware and software	3 years
Website	3 years

Emunah of America, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Long-Lived Asset Impairment

Emunah evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Grants Payable

Grants payable are recorded as a liability and related expense when the Board of Directors approves the grant and all conditions are met, if applicable.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions.

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met

Emunah of America, Inc.
Notes to Financial Statements
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Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

As of December 31, 2021, Emunah had conditional contributions of \$300,000 which will only be transferred after Emunah provides documentation and pictures confirming the use of the initial sum for the renovation of residential units and façade of Emunah Achuzat Sara Children’s Home.

Special Events

Emunah conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying statements of activities.

Annuity Obligations

Emunah receives gifts of future interest through gift annuities. Gift annuities are arrangements in which a donor establishes a specified distribution to be made to a non-charitable beneficiary, usually the donor, over a specified period of time not to exceed the lives of the beneficiaries. The distributions to the non-charitable beneficiaries are for a fixed amount annually.

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The present value of the liability resulting from these gifts, determined based on mortality tables using American Council on Gift Annuities discount rates, is recorded as an annuity obligation. The amount equal to the portion of the current fair value of the gift over the amount payable is recorded as an annuity obligation.

Marketing and Advertising

Marketing and advertising costs are charged to operations when incurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The allocation of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the direct allocation of the costs incurred for the programs or support services, and allocation of the salaries of each employee based on the amount of their time spent on the programs.

Note 2: Revenue from Contracts with Special Event Attendees

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which Emunah expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by Emunah. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to donors over a period of time and Emunah does not believe it is required to provide additional goods or services related to that sale.

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Transaction Price

Emunah determines the transaction price based on standard charges for goods and services provided. For the year ended December 31, 2021, Emunah recognized revenue of \$69,243 from goods and services that transfer to the attendee over a period of time. In 2020, there was a loss of \$(2,284).

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 104,860	\$ 78,541	\$ 183,401
Less allowance for uncollectible contributions			(10,000)
			\$ 173,401

	2020 (Restated - Note 14)		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 158,486	\$ 50,000	\$ 208,486
Due within one to five years	-	78,541	78,541
	\$ 158,486	\$ 128,541	287,027
Less allowance for uncollectible contributions			(10,000)
			\$ 277,027

Emunah of America, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions on December 31 are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u> <u>(Restated -</u> <u>Note 14)</u>
Subject to expenditure for specified purpose		
Time restriction	\$ 78,541	\$ 128,541
Baka college donations	70,000	-
Torah Studies Scholarship	53,360	61,482
Beneficial interest in trust	100,000	-
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
The Silverstein Estate Fund	<u>246,398</u>	<u>246,398</u>
	<u>\$ 548,299</u>	<u>\$ 436,421</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors:

	<u>2021</u>	<u>2020</u>
Ulpanit Emunah Elishevh High School	\$ 8,122	\$ -
Israel projects	-	110,548
Time restriction	<u>50,000</u>	<u>-</u>
	<u>\$ 58,122</u>	<u>\$ 110,548</u>

Note 5: Beneficial Interest in Trust

Emunah has been named as an irrevocable beneficiary of a trust held and administered by an independent trustee. The trust provides for a distribution of \$4,000 per year until the funds are extinguished.

The estimated value of the expected future cash flows is \$100,000, which represents the fair value of the trust assets on December 31, 2021. The beneficial interest was established in 2021.

Emunah of America, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 6: Property and Equipment

Property and equipment on December 31, 2021 and 2020 consists of:

	2021	2020
Computer hardware and software	\$ 5,755	\$ 5,755
Website	35,824	35,824
	41,579	41,579
Less accumulated depreciation and amortization	(39,149)	(33,331)
	\$ 2,430	\$ 8,248

Note 7: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Emunah does not carry investment within Level 3 of the hierarchy.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<u>2021</u>
Balance, beginning of year	\$ -
Purchases	<u>100,000</u>
Balance, end of year	<u><u>\$ 100,000</u></u>

Note 8: Annuity and Trust Payable

Emunah is the recipient of a gift annuity which requires future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. Emunah has recorded a liability on December 31, 2021 and 2020 of \$119,731 and \$93,338, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 3.4 percent and rate of return of 6.5 percent. There were no contributions revenue recognized under such agreements for the years ended December 31, 2021 and 2020.

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Note 9: COVID-19 Pandemic Funding

During the year ended December 31, 2021, Emunah received second Paycheck Protection Program (PPP) loan established by the *Coronavirus Aid, Relief, and Economic Security Act* and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full time equivalent (FTE) and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The second PPP loan of \$86,085 is included in refundable advances on the 2021 statement of financial position.

Note 10: Endowment

Emunah's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, Emunah classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, Emunah considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

Emunah's endowment consists of a memorial fund created in memory and honor of Renee Silverstein. The endowment includes donor-restricted endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The composition of net assets by type of endowment fund on December 31, 2021 and 2020 was:

	2021	2020
	With Donor Restrictions	
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 246,398	\$ 246,398
Total endowment funds	\$ 246,398	\$ 246,398

Change in endowment net assets for the years ended December 31, 2021 and 2020 were:

	2021	2020
Endowment net assets, beginning of year	\$ 246,398	\$ 246,398
Investment return, net	14,336	8,288
Appropriation of endowment assets for expenditure	(14,336)	(8,288)
Endowment net assets, end of year	\$ 246,398	\$ 246,398

Investment and Spending Policies

Emunah has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds Emunah must hold in perpetuity.

Investment income earned from the fund is available to create, construct and maintain children's daycare centers and senior citizens' golden age centers. During fiscal years 2021 and 2020, the Organization appropriated \$14,336 and \$8,288, respectively.

Underwater Endowments

The governing body of the Emunah has interpreted NYPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There are no underwater endowments on December 31, 2021 and 2020.

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Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020 (Restated - Note 14)
Financial assets at year-end		
Cash and cash equivalents	\$ 540,506	\$ 706,350
Contributions receivable	173,401	277,027
Investments	959,923	688,462
Financial assets available at year-end	1,673,830	1,671,839
Less amounts unavailable for general expenditures within one year due to restrictions of time and purpose	(548,299)	(436,421)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,125,531	\$ 1,235,418

Emunah's net assets with donor restrictions consist of endowment funds and funds restricted by donors. Income from donor-restricted endowments is restricted. The corpus of donor-restricted endowment funds are not available for general expenditure.

Emunah manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Emunah forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

Note 12: Related-Party Transactions

A family member of the finance consultant is employed by the financial institution holding Emunah's investments totaling \$959,923 and \$688,462 in 2021 and 2020, respectively, and acts as an investment manager to Emunah. As of December 31, 2021 and 2020, fees paid to the financial institution amounted to \$6,939 and \$4,249, respectively. These fees are presented net of investment income in the accompanying statements of activities.

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Note 13: Operating Lease

Emunah has entered into a noncancellable operating lease for office space that expires on May 31, 2022. Rent expense for the years ended December 31, 2021 and 2020 was \$31,740 and \$35,639, respectively. Future minimum lease payments due in fiscal 2022 are \$15,050.

Note 14: Restatement of Prior Year Financial Statements

In 2020, Emunah erroneously did not record the following:

- a) Unconditional contributions of \$228,541 which should have been recorded as contributions with donor restrictions when pledged and related grants payable for transmission to Israel
- b) Opening net assets without donor restrictions of \$61,482 was adjusted to net assets with donor restriction as of January 1, 2020 to correctly record net assets with donor restrictions

As a result, the 2020 financial statements, including the statements of financial position, activities, functional expenses and cash flows have been restated.

Emanah of America, Inc.

Notes to Financial Statements

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The following financial statement line items for 2020 were affected by the restatements:

	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Effect of Change</u>
Statement of Financial Position			
Assets			
Contribution receivable	\$ 277,027	\$ 48,486	\$ 228,541
Total assets	1,705,962	1,477,421	228,541
Liabilities			
Grant payable	543,939	315,398	228,541
Total liabilities	679,568	451,027	228,541
Net Assets			
Without donor restrictions	589,973	779,996	(190,023)
With donor restrictions	436,421	246,398	190,023
Total liabilities and net assets	1,705,962	1,477,421	228,541
Statement of Activities			
Revenues and Other Support			
Contributions with donor restrictions	128,541	-	128,541
Contributions without donor restrictions	2,646,727	2,546,727	100,000
Total revenues and other support	3,793,623	3,565,082	228,541
Expenses			
Program services	3,316,123	3,087,582	228,541
Total expenses	3,658,203	3,429,662	228,541
Net Assets			
Change in net assets - without donor restrictions	117,427	245,968	(128,541)
Change in net assets - with donor restrictions	17,993	(110,548)	128,541
Change in net assets	135,420	135,420	-
Net assets beginning of year - without donor restrictions	472,546	534,028	(61,482)
Net assets beginning of year - with donor restrictions	418,428	356,946	61,482
Total net assets, beginning of year	890,974	890,974	-
Net assets, end of year - without donor restrictions	589,973	779,996	(190,023)
Net assets, end of year - with donor restrictions	436,421	246,398	190,023
Total net assets, end of year	1,026,394	1,026,394	-
Statement of Cash Flows			
Operating Activities			
Change in net assets	135,420	135,420	-
Contributions receivable	(166,479)	62,062	(228,541)
Grants payable	527,173	298,632	228,541
Statement of Functional Expenses			
Grants - Israel Project	2,717,078	2,488,537	228,541
Total expenses - Israel Project	3,054,060	2,825,519	228,541
Total expenses reported by function on the statements of activities	3,658,203	3,429,662	228,541

Note 15: Subsequent Events

Subsequent events have been evaluated through April 1, 2022, which is the date the financial statements were available to be issued.