

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Friends of the Israel Defense Forces**

December 31, 2021  
with summarized comparative information  
for the year ended December 31, 2020

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**GRANT THORNTON LLP**

757 Third Ave., 9<sup>th</sup> Floor  
New York, NY 10017-2013

**D** +1 212 599 0100

**F** +1 212 370 4520

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Friends of the Israel Defense Forces

**Opinion**

We have audited the financial statements of Friends of the Israel Defense Forces ("FIDF"), 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 FIDF 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 FIDF 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.

**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 FIDF's ability to continue as a going concern for one year after the date the 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 US GAAS will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US 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 FIDF'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 FIDF'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.

**Report on 2020 summarized comparative information**

We have previously audited FIDF's 2020 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 11, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant Thornton LLP*

New York, New York  
August 17, 2022

**Friends of the Israel Defense Forces**

**STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2021, with summarized comparative information as of December 31, 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 308,598	\$ 632,916
Investments (Note 3)	133,629,076	130,047,233
Contributions receivable, net (Note 5)	61,566,012	73,867,440
Prepaid expenses and other assets	850,837	198,791
Fixed assets, net (Note 7)	710,443	772,602
Total current assets	<b>\$ 197,064,966</b>	<b>\$ 205,518,982</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,741,721	\$ 2,096,672
Payroll Protection Plan loan payable (Note 14)	-	2,670,524
Grants payable for capital projects (Note 9)	12,461,033	20,213,078
Annuities payable (Note 8)	8,783,082	10,307,292
Total current liabilities	22,985,836	35,287,566
<b>Net assets</b>		
Without donor restrictions	51,697,549	39,326,272
With donor restrictions (Note 13)	122,381,581	130,905,144
Total net assets	174,079,130	170,231,416
Total liabilities and net assets	<b>\$ 197,064,966</b>	<b>\$ 205,518,982</b>

The accompanying notes are an integral part of this financial statement.

Friends of the Israel Defense Forces

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021, with summarized comparative information for the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>Revenues, gain, losses and other support</b>				
Contributions	\$ 19,821,949	\$ 39,787,659	\$ 59,609,608	\$ 42,839,707
Bequests	5,957,024	2,493,648	8,450,672	10,650,011
Special events income (Note 2)				
Special events revenue	\$ 11,246,532			
Direct costs of special events	(1,398,002)			
Special events income, net	3,826,868	6,021,662	9,848,530	5,238,679
In-kind contributions (Note 2)	689,750	-	689,750	1,256,760
Forgiveness of PPP loan	4,670,524	-	4,670,524	-
Investment income (Note 3)	2,496,819	1,721,549	4,218,368	4,041,367
Foreign exchange gain (loss)	11,639	-	11,639	(151,174)
Change in split interest agreements	604,362	(132,461)	471,901	(1,319,380)
Net assets released from restrictions (Note 13)	55,818,931	(55,818,931)	-	-
<b>Total revenues, gains, losses and other support</b>	<b>93,897,866</b>	<b>(5,926,874)</b>	<b>87,970,992</b>	<b>62,555,970</b>
<b>Expenses</b>				
Program services				
Construction programs - transfers (cash)	\$ 17,261,437			
Construction programs - change in grants payable	(7,752,045)			
Construction programs	9,509,392	-	9,509,392	21,228,310
Educational and scholarship programs	22,039,433	-	22,039,433	24,873,792
Wellbeing and recreational programs	29,946,874	-	29,946,874	27,049,039
<b>Total program services</b>	<b>61,495,699</b>	<b>-</b>	<b>61,495,699</b>	<b>73,151,141</b>
Supporting services				
Management and general	10,276,376		10,276,376	10,859,891
Fundraising	9,733,142		9,733,142	9,083,172
<b>Total supporting services</b>	<b>20,009,518</b>	<b>-</b>	<b>20,009,518</b>	<b>19,943,063</b>
Bad debt expense from uncollectible pledges	21,372	2,596,689	2,618,061	162,335
<b>Total expenses</b>	<b>81,526,589</b>	<b>2,596,689</b>	<b>84,123,278</b>	<b>93,256,539</b>
<b>CHANGE IN NET ASSETS</b>	<b>12,371,277</b>	<b>(8,523,563)</b>	<b>3,847,714</b>	<b>(30,700,569)</b>
Net assets - beginning of year	39,326,272	130,905,144	170,231,416	200,931,985
Net assets - end of year	\$ 51,697,549	\$ 122,381,581	\$ 174,079,130	\$ 170,231,416

The accompanying notes are an integral part of this financial statement.

Friends of the Israel Defense Forces

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021, with summarized comparative information for the year ended December 31, 2020

	Program Services				Supporting Services			Total	
	Construction Programs	Educational and Scholarship Programs	Wellbeing and Recreational Programs	Total	Management and General	Fundraising	Direct Costs of Special Events	2021	2020
Grants for projects and programs (including direct payments to vendors)	\$ 8,580,220	\$ 20,617,036	\$ 28,664,355	\$ 57,861,611	\$ -	\$ -	\$ -	\$ 57,861,611	\$ 70,244,944
Salaries	591,800	764,434	907,868	2,264,102	4,901,927	5,792,373	-	12,958,402	11,997,314
Payroll taxes and employee benefits	127,548	221,666	173,182	522,396	1,008,420	880,863	-	2,411,679	2,723,215
Occupancy	25,766	98,369	10,736	134,871	855,878	570,585	-	1,561,334	1,651,000
Telephone and internet	2,246	16,244	936	19,426	110,034	73,356	-	202,816	226,404
Office supplies	876	3,642	871	5,389	36,038	12,933	-	54,360	72,284
Postage and freight	74	31	238	343	27,153	156,987	-	184,483	180,940
Consulting and outside services	99,788	24,947	41,578	166,313	83,157	336,800	-	586,270	365,590
Professional fees	33,551	176,536	38,023	248,110	1,789,606	1,291,722	-	3,329,438	3,531,619
Travel and conferences	47,523	56,381	101,381	205,285	209,066	177,490	520,575	1,112,416	592,773
Non-capitalizable equipment purchases	-	3,761	17	3,778	10,430	-	-	14,208	15,154
Advertising	-	30,517	-	30,517	1,219	9,151	-	40,887	56,843
Printing and publications	-	204	137	341	8,035	111,347	-	119,723	102,011
Photo and video services	-	16,095	371	16,466	-	69,380	10,245	96,091	121,410
Insurance	-	-	-	-	345,857	3,136	-	348,993	268,335
Credit card and bank fees	-	-	-	-	687,076	-	-	687,076	572,702
Catering/refreshments	-	8,270	468	8,738	3,702	109,536	726,199	848,175	706,896
Entertainment/speakers	-	1,107	1,659	2,766	105	92,338	31,957	127,166	120,624
Promotional items and awards	-	193	5,054	5,247	910	45,145	109,026	160,328	184,136
Depreciation and amortization	-	-	-	-	148,314	-	-	148,314	152,360
Miscellaneous	-	-	-	-	49,449	-	-	49,449	69,783
	9,509,392	22,039,433	29,946,874	61,495,699	10,276,376	9,733,142	1,398,002	82,903,219	93,956,337
Less expenses deducted directly from revenue on the statement of activities	-	-	-	-	-	-	(1,398,002)	(1,398,002)	(862,133)
Total expenses before bad debt expense	9,509,392	22,039,433	29,946,874	61,495,699	10,276,376	9,733,142	-	81,505,217	93,094,204
Bad debt expense	-	-	-	-	-	-	-	2,618,061	162,335
Total expenses	\$ 9,509,392	\$ 22,039,433	\$ 29,946,874	\$ 61,495,699	\$ 10,276,376	\$ 9,733,142	\$ -	\$ 84,123,278	\$ 93,256,539

The accompanying notes are an integral part of this financial statement.

**Friends of the Israel Defense Forces**

**STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2021, with summarized comparative information for the year ended December 31, 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,847,714	\$ (30,700,569)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	148,314	152,360
Contributions restricted for endowments	(606,006)	(163,331)
Change in split interest agreements	(471,901)	1,319,380
Contributions restricted for split-interest agreements	(406,947)	(299,338)
Realized and unrealized gain on investments	(3,799,440)	(3,325,441)
Forgiveness of PPP loan	(2,670,524)	-
(Increase) decrease in assets:		
Contributions receivable	12,301,428	36,499,399
Prepaid expenses and other assets	(652,046)	308,942
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(354,951)	(110,494)
Payroll Protection Plan loan payable	-	2,670,524
Grants payable for capital projects	(7,752,045)	13,854,767
	<u>(416,404)</u>	<u>20,206,199</u>
<b>Net cash (used in) provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(86,155)	(69,735)
Purchases of investments and securities	(11,857,622)	(55,464,139)
Proceeds from sale of investments and securities	12,075,219	32,931,557
	<u>131,442</u>	<u>(22,602,317)</u>
<b>Net cash provided by (used in) investing activities</b>		
<b>Cash flows from financing activities:</b>		
Proceeds from contribution for endowment	606,006	163,331
Proceeds from investments subject to split-interest agreements	775,352	1,761,000
Proceeds from investment income subject to split-interest agreements	59,708	1,844,126
Payment of annuity obligations	(1,480,422)	(1,862,324)
	<u>(39,356)</u>	<u>1,906,133</u>
<b>Net cash provided by financing activities</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(324,318)</u>	<u>(489,985)</u>
<b>Cash and cash equivalents - beginning of year</b>	<u>632,916</u>	<u>1,122,901</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 308,598</u>	<u>\$ 632,916</u>

The accompanying notes are an integral part of this financial statement.

**Friends of the Israel Defense Forces**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 1 - PURPOSE OF ORGANIZATION**

Friends of the Israel Defense Forces (“FIDF”) was incorporated under the laws of the State of New York on December 15, 1981 and began operations on April 1, 1983. FIDF is a Section 501(c)(3) not-for-profit organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”). FIDF has been classified as a publicly supported organization as described in Section 509(a)(1) of the Code.

FIDF offers educational, cultural, recreational, social services programs, and facilities that provide hope, purpose, and life-changing support for the soldiers who protect Israel. FIDF’s primary sources of revenue are contributions and special event income.

FIDF’s national office and New York regional offices are located in New York City. Other regional offices are located in or near Atlanta, Baltimore, Boca Raton, Boston, Chicago, Cleveland, Detroit, Houston, Los Angeles, Miami, Philadelphia, San Diego, San Francisco, Washington, D.C. and Tel Aviv, Israel.

FIDF’s support for the soldiers includes the following programs and projects:

***Educational and Scholarship Programs***

The FIDF IMPACT! Scholarship Program grants full four-year scholarships to Israeli soldiers who have completed their military service. The personal nature of the program enables sponsors to directly see the “impact” of their donations on veterans’ lives, and offers the opportunity to build relationships which last way beyond the completion of the recipient’s studies. To be eligible, veterans must come from a combat or combat-support unit and a disadvantaged socioeconomic background. Each scholarship recipient is required to complete 130 hours of community service every year during the full term of the scholarship. FIDF partners with 24 organizations which empower the students to help their communities and improve their environment. In the 2021-2022 academic year, FIDF was able to fund approximately 4,257 scholarships of college or university study. In 2021, FIDF had granted approximately \$15.5 million of scholarship assistance.

During 2021, FIDF also sponsored approximately \$6.5 million of educational programs which provide for a successful continuum from high school to higher education, or for soldiers to enter directly into the job market. These programs utilize seminars, workshops, discussion groups and field trips to also assist new immigrant soldiers in their assimilation process, provide enrichment opportunities to soldiers with special needs, and develop educational resources. During 2021, about 32,000 soldiers participated in such activities.

***Wellbeing and Recreational Programs***

*The Dignity Program* eases the burden by providing economic relief for soldiers who are in financial distress through the provision of cash subsidies, holiday gift packages, food vouchers, and other assistance to their families. During 2021, FIDF provided approximately \$6.9 million for such assistance to about 18,848 soldiers.

*The Lone Soldiers Program* ensures Lone Soldiers never feel truly alone by enabling FIDF to act as a second family for soldiers who have no immediate family in Israel during their military service. FIDF also sponsors flights for lone soldiers, enabling them to visit their families in their home countries during their period of service. During 2021, FIDF provided approximately \$4.5 million to assist over 6,900 lone soldiers through these programs.

## Friends of the Israel Defense Forces

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

*The Legacy Program* provides comfort and care by helping those families who have suffered a devastating loss of a loved one fallen during military service. Through recreational vacations in Israel with activities such as workshops, shows, excursions, entertainment by popular Israeli artists, sports activities, and more, FIDF stands united by the side of these beloved families through their lives. During 2021, FIDF provided approximately \$427 thousand for such activities, aiding over 1,231 members of bereaved families.

*Rejuvenation Weeks for Combat Soldiers* strengthen units' cohesion and resilience by connecting the soldiers to their military mission, raising the motivation to carry out their duties, providing a platform for meaningful dialogue between commanders and soldiers, expressing recognition and appreciation and giving the soldiers time for respite. The principle of the week is: "Win from within" - the program strives to unite battalions, for the soldiers to find strength within themselves and win together with the help of each other, which is also the professional military requirement. The program takes place at the Recreation Village in Ashkelon, which is fully equipped with lodging and dining facilities, swimming pool, fitness room, and other amenities. During 2021, FIDF provided approximately \$2.4 million for such activities, sponsoring 48 weeks of such programs for a total of about 17,928 soldiers.

*The Adopt a Brigade Program* offers multi-faceted support, empowering soldiers to focus exclusively on the challenging mission of protecting Israel without the burden of financial uncertainty at home. The funds are devoted to benefitting the welfare and wellbeing of each of the brigade's soldiers with an emphasis on lone Soldiers and on those from low socio-economic backgrounds. The program also provides commanders with funds to hold events and activities that celebrate the soldiers' achievements. During 2021, FIDF provided approximately \$2.4 million to sponsor the needs of the 16 brigades adopted by FIDF (approximately 62,000 soldiers).

*The Adopt a Battalion Program* provides year-long recreational activities for designated battalions. During 2021, FIDF provided approximately \$1.7 million to sponsor ceremonies, trips and other wellbeing activities for the 86 battalions adopted by FIDF (approximately 35,000 soldiers).

*The Wounded Veterans Program* offered a second chance at a life without limitations in 2021 with approximately \$2.3 million to sponsor activities supporting over 1,200 wounded veterans.

*The Spiritual Needs Program*, brings Israel's historic Judaic roots, culture, and traditions to the profoundly dedicated soldiers who work tirelessly to maintain the security of the nation's borders and safety of its people. We offer comforting support to those who seek it, ranging from tangible materials to meaningful experiences and courses. During 2021, FIDF provided approximately \$3.1 million to sponsor such articles and activities and touched the lives of over 11,400 soldiers.

#### **Construction Programs**

FIDF helps provide a "home away from home" by sponsoring the construction, refurbishment and maintenance of recreation and sports centers, cultural and educational facilities, synagogues, memorial rooms, auditoriums, and soldier recreational homes for soldiers throughout Israel. These facilities range from individual structures to large wellbeing complexes. FIDF also sponsors the construction and renovation of smaller projects and semi-permanent facilities, such as social clubs, and synagogues that soldiers can use everywhere. Construction activity during 2021 was as follows: 10 construction projects were completed, with a total budget of approximately \$30 million, 4 additional projects were under construction, with a total budget of approximately \$12 million, and 10 projects were in the design and bidding stage, with a total budget of approximately \$19 million. In addition, 75 smaller facilities renovation and refurbishment projects were completed, with a total budget of approximately \$2.3 million.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

FIDF classifies its net assets in the following categories:

*Net Assets Without Donor Restriction* - Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for FIDF to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes FIDF's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

*Net Assets With Donor Restriction* - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of FIDF's net assets with donor restrictions are subject to donor-imposed restrictions that require FIDF to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with FIDF's financial statements for the year ended December 31, 2020, from which the summarized totals were derived.

***Cash and Cash Equivalents***

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less. Cash balances denominated in a foreign currency, primarily the New Israeli Shekel ("NIS"), are reported at the exchange rate effective at the reporting date.

***Investments***

Investments are recorded at fair value. FIDF invests in various investment securities. These securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect FIDF's financial statements.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

***Fair Value Measurements***

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by US GAAP for fair value measurement, FIDF uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed; and
- Level 3 - Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by FIDF. FIDF considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to FIDF's perceived risk of that instrument.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 as compared to December 31, 2020.

*U.S. Treasury and government agency guaranteed obligation* - Valued using pricing models maximizing the use of observable inputs for similar securities.

*Exchange traded funds (ETFs) and common stock* - Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds and common trust funds* - Valued at the net asset value ("NAV") of shares held at year end.

*State of Israel bonds* - Fair value is determined using observed pricing for similar instruments, which approximates cost.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FIDF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See Note 3 for a table which sets forth by level, within the fair value hierarchy, the assets and liabilities at fair value as of December 31, 2021.

***Contributions Receivable***

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. The amortization of discounts is included in contribution revenues on the accompanying statement of activities for the year ended December 31, 2021. Conditional promises to give are not recorded as receivable until the conditions are substantially met. Interest is not charged on outstanding receivables.

***Allowance for Doubtful Accounts***

FIDF determines whether an allowance for doubtful accounts should be provided for contributions and other accounts receivable. Such estimates are based on management's assessments of its receivable balances, current economic conditions, subsequent collections and historical information. Receivables are written off when all reasonable collection efforts have been exhausted.

***Fixed Assets***

Fixed assets are stated at cost. Items of \$500 or more with an estimated useful life of more than one year are capitalized at cost. Depreciation is recorded under the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the assets or remaining lease terms, whichever is shorter.

***Contributions***

Unconditional contributions including promises to give cash and other assets are reported at fair value at the date the contribution is received. Such gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

For the year ended December 31, 2021, approximately 15% of contribution revenues were provided by 5 donors.

***Bequests***

Bequest income is recorded when notification of the bequest is received, the will is declared valid by the probate court and the proceeds are reasonably determinable.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

***In-kind Contributions***

Donated legal services with a fair value of \$654,500 for the year ended December 31, 2021 were recognized at the date the services were received and are reported as in-kind contributions and professional fees in the accompanying statements of activities and functional expenses, respectively. Promotional items and awards received for the purposes of special events with a fair value of \$78,024 for the year ended December 31, 2021 were recognized at the date of the donation and are reported within special events income and direct costs of special events in the accompanying statement of activities.

***Functional Allocation of Expenses***

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Grants Payable***

Grants are recorded as expenses in the year in which they are awarded, including multi-year awards which are discounted to present value using risk-adjusted discount rates.

***Rent Expense***

Rent expense is recorded on the straight-line basis over the terms of the leases.

***Advertising***

Advertising costs are expensed when incurred.

***Uncertainty in Income Taxes***

FIDF follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

FIDF is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. FIDF has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has a nexus; and to identify and evaluate other matters that may be considered tax positions. FIDF has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, FIDF has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The following table sets forth by level, within the fair value hierarchy, the assets and liabilities as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
U.S. Treasury and government agency guaranteed obligations	\$ -	\$ 7,049,697	\$ -	\$ 7,049,697
Mutual funds and ETFs	2,966,218	5,254,199	-	8,220,417
Common stock	9,213,124	-	-	9,213,124
State of Israel bonds	-	183,342	-	183,342
	<u>          </u>	<u>          </u>	<u>          </u>	
Total investments reported on the fair value hierarchy	<u>\$ 12,179,342</u>	<u>\$ 12,487,238</u>	<u>\$ -</u>	24,666,580
Cash and cash equivalents				98,846,622
Investments at NAV				<u>10,115,874</u>
				<u>\$ 133,629,076</u>

FIDF's investments at NAV as of December 31, 2021 consisted of holdings in eight funds. The redemption terms for these funds vary from daily to semi-monthly and there are no associated unfunded commitments as of December 31, 2021.

Investment income consisted of the following as of December 31, 2021:

Interest and dividend income	\$ 418,928
Realized and unrealized gain on investments	<u>3,799,440</u>
Total investment income	<u>\$ 4,218,368</u>

**NOTE 4 - FOREIGN EXCHANGE**

For the year ended December 31, 2021, the net realized foreign exchange gain on FIDF's foreign currency transactions amounted to \$116,611.

In addition, at December 31, 2021, unrealized loss on foreign currency held in the bank amounted to \$104,972, representing the difference between the carrying value of the currency in the accompanying statement of financial position and the purchase cost of that currency.

**Friends of the Israel Defense Forces**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021**

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable have been recorded at fair value. Those receivables that are due in more than one year have been discounted to their present value using an estimated discount rate of 3%. The receivables are due as follows as of December 31, 2021:

Less than one year	\$ 37,999,185
One to five years	31,448,687
More than five years	<u>721,000</u>
	70,168,872
Less: discount to present value	<u>(3,018,073)</u>
	67,150,799
Less: allowance for doubtful accounts	<u>(5,584,787)</u>
Contributions receivable - net	<u><u>\$ 61,566,012</u></u>

Contributions receivable at December 31, 2021 included outstanding pledges from five donors, which collectively represented approximately 38% of total outstanding gross contributions receivable.

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

FIDF manages its liquidity and reserves pursuant to a policy that takes into account the timing and stability of cash disbursements, the timing of cash receipts and cash disbursements, willingness to borrow and strategic direction. FIDF monitors cash balances at least quarterly to provide reasonable assurance that obligations will be discharged. During the year ended December 31, 2021, the level of liquidity was managed within the policy requirements.

Financial assets available within one year as of December 31, 2021 are as follows:

Cash and cash equivalents	\$ 308,598
Investments	133,629,076
Contributions receivable, net	<u>61,566,012</u>
Total financial assets	195,503,686
Donor-imposed restrictions:	
Investments and contributions receivable, net	(122,381,581)
Contractual and internal restrictions	<u>(21,381,689)</u>
Total financial assets available within one year for general expenditure	<u><u>\$ 51,740,416</u></u>

**Friends of the Israel Defense Forces**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

**NOTE 7 - FIXED ASSETS**

Fixed assets at December 31, 2021 consisted of the following:

	Estimated Useful Life		
Office equipment	5 years	\$	68,360
Computer hardware and software	3 - 5 years		902,432
Furniture and fixtures	7 years		261,248
Leasehold improvements	2 - 15 years		812,026
			2,044,066
Less: accumulated depreciation and amortization			(1,333,623)
		<b>\$</b>	<b>710,443</b>

Depreciation expense for the year ended December 31, 2021 was \$148,314.

**NOTE 8 - SPLIT-INTEREST AGREEMENTS**

FIDF's investments include funds pertaining to split-interest agreements with donors, consisting primarily of charitable gift annuities and charitable remainder unitrusts. Contribution revenues for split-interest agreements are recognized at the date the agreement is established, along with a related liability representing the present value of the future payments to be made to the donor and/or other beneficiaries. The present value of payments to beneficiaries is calculated using discount rates of 3% - 6%. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the accompanying statement of activities.

The following table summarizes the changes in FIDF's Level 3 annuities payable for the year ended December 31, 2021:

	Charitable Reminder Trusts and Gift Annuities
Balance at December 31, 2020	\$ 10,307,292
Additions	368,405
Payments to annuitants	(1,480,422)
Terminated agreements	(1,517,221)
Change in fair value of annuities payable	1,105,028
Balance at December 31, 2021	<b>\$ 8,783,082</b>

The fair value of investments held for annuities and trusts totaled \$18,181,082 at December 31, 2021.

**Friends of the Israel Defense Forces**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

**NOTE 9 - GRANTS PAYABLE FOR CAPITAL PROJECTS**

Grants payable for capital projects reflects firm commitments for the construction of capital projects in Israel. The change in the amount payable during the year is reflected in grants for projects and programs in the accompanying statement of activities.

These grants were due to be paid as follows as of December 31, 2021:

Current	\$ 9,106,993
One to three years	<u>3,480,920</u>
	12,587,913
Less: discount to present value (3%)	<u>(126,880)</u>
	<u>\$ 12,461,033</u>

Commitments denominated in NIS have been converted to U.S. dollars at the exchange rate in effect at December 31, 2021.

**NOTE 10 - RENT EXPENSE AND LEASE COMMITMENTS**

FIDF leases office space for its national office and regional offices around the United States as well as in Israel. The leases of these facilities expire at various dates between 2022 and 2031, however, certain facilities are rented on a month-to-month basis.

The minimum annual rental obligations in connection with lease commitments are as follows for the years ending December 31:

2022	\$ 1,391,500
2023	1,288,033
2024	1,075,072
2025	1,067,923
2026	1,048,036
2027 and thereafter	<u>5,412,075</u>
	<u>\$ 11,282,639</u>

The minimum annual rental obligation reported above includes a 15-year lease commitment for office space totaling \$8,638,460. The security deposit for the lease is provided via a letter of credit in the amount of \$360,782 and is reflected within prepaid expenses and other assets in the accompanying statement of financial position as of December 31, 2021.

Rent expense for 2021 was \$1,507,980. Included in accounts payable and accrued expenses on the accompanying statement of financial position is deferred rent in the amount of \$750,074 at December 31, 2021, which represented the effect of straight-lining the total minimum lease payments over the respective lease terms.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

**NOTE 11 - CONCENTRATIONS**

Financial instruments which potentially subject FIDF to a concentration of credit risk are cash accounts with a financial institution in excess of Federal Deposit Insurance Corporation insurance limits.

**NOTE 12 - EMPLOYEE RETIREMENT PLAN**

FIDF sponsors a 403(b) defined contribution employee retirement plan that covers substantially all employees in the United States. It is funded through voluntary contributions by participants and employer matching contributions of up to 3%. In May 2020, as an austerity measure, FIDF suspended this match on a temporary basis. In July 2022, FIDF reinstated the match and increased the matching contribution up to 4%. Retirement plan expense for the year ended December 31, 2021 was \$29,522.

**NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets restricted by time and/or purpose were available for the following programs as of December 31, 2021:

Construction programs	\$ 5,797,859
Educational and scholarship programs	53,591,354
Wellbeing and recreational programs	36,781,473
Split-interest agreements	16,141,493
Time restrictions	<u>10,069,402</u>
	<u>\$ 122,381,581</u>

Net assets restricted by time and/or purpose were released from donor restrictions by satisfying the following for the year ended December 31, 2021:

Construction programs	\$ 8,359,770
Educational and scholarship programs	20,252,418
Wellbeing and recreational programs	<u>27,206,743</u>
	<u>\$ 55,818,931</u>

***Endowments***

Net assets restricted in perpetuity consist of twelve individual donor-restricted endowment funds established to support activities of FIDF, as well as accumulation of income. As required by US GAAP in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

***Interpretation of Relevant Law***

FIDF has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation 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, FIDF classifies as net assets with donor restriction (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA, FIDF 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 FIDF and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of FIDF
- The investment policies of FIDF
- Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects of FIDF

***Return Objectives, Strategies Employed and Spending Policy***

The objective of FIDF is to maintain the principal endowment funds at the historical dollar value designated by the donor by investing in low-risk securities to generate investment income for the programs supported by the endowments. Investment income earned in relation to the endowment funds is recorded as increases to net assets with donor restriction and released from restriction when appropriations are made for the program for which the endowment fund was established.

***Funds with Deficiencies***

FIDF does not have any funds with deficiencies.

***Endowment Net Asset Composition by Type of Fund***

The endowment net asset composition as of December 31, 2021 consisted of the following:

Wellbeing and recreational programs	\$ 1,293,932
Educational and scholarship programs	8,508,429
Operations	<u>301,503</u>
	<u>\$ 10,103,864</u>

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

Changes in endowment net assets for the year ended December 31, 2021 consisted of the following:

	Net Assets with Donor Restrictions		
	Accumulated Unspent Earnings	Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 3,380,978	\$ 9,497,859	\$ 12,878,837
Investment gain	1,721,549	-	1,721,549
Contributions	-	606,005	606,005
Appropriation for expenditure	(428,380)	-	(428,380)
Endowment net assets, end of year	<u>\$ 4,674,147</u>	<u>\$ 10,103,864</u>	<u>\$ 14,778,011</u>

**NOTE 14 - PAYROLL PROTECTION PLAN LOAN PAYABLE**

In April 2020, FIDF was granted a loan in the amount of \$2,670,524, pursuant to the Small Business Administration Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act (the “PPP Loan”). The PPP Loan, which was in the form of a note dated April 27, 2020, matures on April 27, 2022 and bears interest at a rate of 1% per annum. The PPP Loan may be prepaid by FIDF at any time prior to maturity with no prepayment penalties. Funds from the PPP Loan may only be used for certain costs, such as payroll costs and occupancy expenses. FIDF used the entire PPP Loan amount for qualifying expenses.

In May 2021, FIDF secured a second loan of \$2,000,000 pursuant to the Paycheck Protection Program authorized under the CARES Act. In 2021, forgiveness of both loans was granted and is reflected as forgiveness of PPP loan on the accompanying statement of activities.

**NOTE 15 - CONTINGENCIES**

In March 2016, an action was brought by certain Palestinian residents against FIDF, certain of its donors, and numerous other parties in the United States District Court for the District of Columbia. The action seeks damages in excess of \$34.5 billion (subsequently reduced to \$1 billion) and alleges, among other things, civil conspiracy, war crimes, trespass, and pillage. FIDF believes the action is totally without merit and intends to defend the claims vigorously. The Defendants, including FIDF, filed a joint motion to dismiss the action, and in August 2017 the District Court granted the Defendants' motion. The Plaintiffs appealed and in February 2019 the D.C. Circuit reversed the District Court's decision but also significantly limited the scope of the Plaintiffs' claims (including by limiting any claims based on alleged conduct by the Israeli army). On July 3, 2020, the Defendants, including FIDF, jointly moved to dismiss the amended complaint for multiple reasons not considered by the District Court in its earlier opinion. FIDF and its donors also moved separately to dismiss the amended complaint on the additional basis that the D.C. Circuit's foreclosure of claims based on actions by the Israeli army precludes the Plaintiffs' claims against FIDF and its donors. The motions to dismiss were fully briefed on December 18, 2020, and are currently pending before the District Court. After the motions were fully submitted, counsel for Plaintiffs passed away. On January 31, 2022, the District Court stayed the case and ordered Plaintiffs to notify the District Court by June 1, 2022 whether they would seek representation by substitute counsel or continue with the lawsuit pro se. On July 22, 2022, the District Court dismissed without prejudice certain Plaintiffs who failed to respond its January 31, 2022 order. The District Court lifted the stay with respect to the remaining Plaintiffs in its July 22, 2022 and indicated it would rule on the pending motions to dismiss in due course.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021**

In February 2020, a separate action was brought by individual Palestinians and American taxpayers in the United States District Court for the District of Columbia against AIPAC and eighteen individuals, including state, federal, and foreign government officials and the former Executive Director for FIDF's Broward-West Palm Region. The action alleges that the Defendants aided and abetted (1) the denationalization and dehumanization of the Palestinian people and (2) rampant genocide and the installation of an apartheid regime in the Palestinian territories. The Plaintiffs seek damages of \$1 billion against each Defendant. FIDF believes the action is totally without merit and intends to defend the action vigorously. On August 14, 2020, the non-government Defendants jointly moved to dismiss the Plaintiffs' complaint. Among numerous other arguments, the motion argues that the case against the former Executive Director should be dismissed with prejudice because the District Court lacks personal jurisdiction over her. On March 3, 2021, the District Court dismissed the case without prejudice and permitted Plaintiffs to file an amended complaint to cure the deficiencies in the original complaint, including failure to serve the former Executive Director and numerous other Defendants properly. Plaintiffs filed an amended complaint that again failed to serve the former Executive Director and the other Defendants, and the Court dismissed the case on April 23, 2021. After the case was dismissed, counsel for Plaintiffs passed away. On June 16, 2021, interim counsel for Plaintiffs requested that the District Court grant Plaintiffs 120 days to find new counsel. The request has not yet been ruled upon, and interim counsel for plaintiffs withdrew his appearance on July 13, 2021.

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by a novel coronavirus, a pandemic. Management has taken steps to reduce its expenditures and increase liquidity. Management will continue to closely monitor the financial implications that may impact FIDF.

**NOTE 16 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 17, 2022, which is the date the financial statements were available to be issued. No subsequent events have occurred that would require recognition or disclosure in these financial statements other than what has been disclosed within Notes 12 and 15.