

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Friends of the Israel Defense Forces**

December 31, 2022  
with summarized comparative information  
for the year ended December 31, 2021

## Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statement of financial position as of December 31, 2022, with summarized comparative information as of December 31, 2021	5
Statement of activities for the year ended December 31, 2022, with summarized comparative information for the year ended December 31, 2021	6
Statement of functional expenses for the year ended December 31, 2022, with summarized comparative information for the year ended December 31, 2021	7
Statement of cash flows for the year ended December 31, 2022, with summarized comparative information for the year ended December 31, 2021	8
Notes to financial statements	9

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**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, 2022, 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, 2022, 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.

**Emphasis of matter**

As discussed in Note 2 to the financial statements, as of January 1, 2022, FIDF adopted FASB ASC 842, *Leases*. 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 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 2021 summarized comparative information**

We have previously audited FIDF's 2021 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 17, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York  
September 7, 2023

**Friends of the Israel Defense Forces**

**STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2022, with summarized comparative information as of December 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 218,101	\$ 308,598
Investments (Note 3)	132,060,741	133,629,076
Contributions receivable, net (Note 5)	56,837,511	61,566,012
Government grant receivable	1,264,629	-
Prepaid expenses and other assets	439,098	850,837
Fixed assets, net (Note 7)	632,251	710,443
Operating lease right-of-use asset (Note 10)	8,357,072	-
	<b>\$ 199,809,403</b>	<b>\$ 197,064,966</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,140,690	\$ 1,741,721
Grants payable for capital projects (Note 9)	5,719,627	12,461,033
Annuities payable (Note 8)	8,561,836	8,783,082
Operating lease liabilities, net (Note 10)	9,084,464	-
	25,506,617	22,985,836
<b>Net assets</b>		
Without donor restrictions	58,918,625	51,697,549
With donor restrictions (Note 13)	115,384,161	122,381,581
	174,302,786	174,079,130
	<b>\$ 199,809,403</b>	<b>\$ 197,064,966</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, 2022, with summarized comparative information for the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Revenues, gain, losses and other support</b>				
Contributions	\$ 12,356,230	\$ 37,924,041	\$ 50,280,271	\$ 59,609,608
Bequests	14,350,393	1,105,587	15,455,980	8,450,672
Special events income				
Special events revenue	\$ 23,703,365			
Direct costs of special events	(4,539,897)			
Special events income, net	7,161,690	12,001,778	19,163,468	9,848,530
In-kind contributions (Note 2)	379,708	-	379,708	689,750
Government grant	1,264,629	-	1,264,629	4,670,524
Investment loss (Note 3)	(1,360,844)	(3,249,479)	(4,610,323)	4,218,368
Foreign exchange gain (loss)	(63,140)	-	(63,140)	11,639
Change in split interest agreements	(784,944)	(164,854)	(949,798)	471,901
Net assets released from restrictions (Note 13)	53,231,592	(53,231,592)	-	-
<b>Total revenues, gains, losses and other support</b>	<b>86,535,314</b>	<b>(5,614,519)</b>	<b>80,920,795</b>	<b>87,970,992</b>
<b>Expenses</b>				
Program services				
Construction programs - transfers (cash)	13,453,486			
Construction programs - change in grants payable	(6,741,406)			
Construction programs	6,712,080	-	6,712,080	9,509,392
Educational and scholarship programs	22,613,164	-	22,613,164	22,039,433
Wellbeing and recreational programs	30,564,344	-	30,564,344	29,946,874
<b>Total program services</b>	<b>59,889,588</b>	<b>-</b>	<b>59,889,588</b>	<b>61,495,699</b>
Supporting services				
Management and general	9,681,290	-	9,681,290	10,276,376
Fundraising	9,729,391	-	9,729,391	9,733,142
<b>Total supporting services</b>	<b>19,410,681</b>	<b>-</b>	<b>19,410,681</b>	<b>20,009,518</b>
Bad debt expense from uncollectible pledges	13,969	1,382,901	1,396,870	2,618,061
<b>Total expenses</b>	<b>79,314,238</b>	<b>1,382,901</b>	<b>80,697,139</b>	<b>84,123,278</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,221,076</b>	<b>(6,997,420)</b>	<b>223,656</b>	<b>3,847,714</b>
<b>Net assets - beginning of year</b>	<b>51,697,549</b>	<b>122,381,581</b>	<b>174,079,130</b>	<b>170,231,416</b>
<b>Net assets - end of year</b>	<b>\$ 58,918,625</b>	<b>\$ 115,384,161</b>	<b>\$ 174,302,786</b>	<b>\$ 174,079,130</b>

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, 2022, with summarized comparative information for the year ended December 31, 2021

	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	2022	2021
Grants for projects and programs (including direct payments to vendors)	\$ 6,131,226	\$ 20,267,297	\$ 28,364,884	\$ 54,763,407	\$ -	\$ -	\$ -	\$ 54,763,407	\$ 57,861,611
Salaries	310,258	1,093,168	1,492,469	2,895,895	4,312,592	5,640,701	-	12,849,188	12,958,402
Payroll taxes and employee benefits	82,025	346,747	349,853	778,625	914,609	1,173,712	-	2,866,946	2,411,679
Occupancy	18,091	134,434	40,705	193,230	591,047	742,056	-	1,526,333	1,561,334
Telephone and internet	1,558	16,469	3,506	21,533	114,618	25,737	-	161,888	202,816
Office supplies	1,331	8,735	2,988	13,054	23,729	15,872	-	52,655	54,360
Postage and freight	22	1,259	50	1,331	152,037	43,907	-	197,275	184,483
Consulting and outside services	74,617	130,581	167,889	373,087	98,524	63,478	-	535,089	586,270
Professional fees	29,024	224,443	47,373	300,840	1,845,540	501,302	-	2,647,682	3,329,438
Travel and conferences	54,751	306,780	75,255	436,786	113,357	464,392	3,005,729	4,020,264	1,112,416
Non-capitalizable equipment purchases	738	1,292	1,661	3,691	3,746	176	-	7,613	14,208
Advertising	-	34,087	-	34,087	5,575	11,767	-	51,429	40,887
Printing and publications	145	711	165	1,021	103,687	101,516	-	206,224	119,723
Photo and video services	-	724	-	724	59,189	606,962	29,132	696,007	96,091
Insurance	1,502	2,628	3,379	7,509	409,427	155	-	417,091	348,993
Credit card and bank fees	-	34	-	34	730,845	-	-	730,879	687,076
Catering/refreshments	408	21,538	18	21,964	6,200	135,017	1,276,469	1,439,650	848,175
Entertainment/speakers	237	2,834	319	3,390	25,642	136,944	94,966	260,942	127,166
Promotional items and awards	2,563	8,637	5,767	16,967	19,172	65,697	133,603	235,439	160,328
Depreciation and amortization	834	5,956	1,876	8,666	134,325	-	-	142,991	148,314
Miscellaneous	2,750	4,810	6,187	13,747	17,429	-	-	31,176	49,449
	6,712,080	22,613,164	30,564,344	59,889,588	9,681,290	9,729,391	4,539,899	83,840,168	82,903,219
Less expenses deducted directly from revenue on the statement of activities	-	-	-	-	-	-	(4,539,899)	(4,539,899)	(1,398,002)
Total expenses before bad debt expense	6,712,080	22,613,164	30,564,344	59,889,588	9,681,290	9,729,391	-	79,300,269	81,505,217
Bad debt expense	-	-	-	-	-	-	-	1,396,870	2,618,061
Total expenses	\$ 6,712,080	\$ 22,613,164	\$ 30,564,344	\$ 59,889,588	\$ 9,681,290	\$ 9,729,391	\$ -	\$ 80,697,139	\$ 84,123,278

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, 2022, with summarized comparative information for the year ended December 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 223,656	\$ 3,847,714
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	142,991	148,314
Contributions restricted for endowments	(73,500)	(606,006)
Change in split interest agreements	949,798	(471,901)
Contributions restricted for split-interest agreements	(297,778)	(406,947)
Realized and unrealized loss (gain) on investments	5,509,935	(3,799,440)
Lease amortization	727,392	-
Forgiveness of PPP loan	-	(2,670,524)
(Increase) decrease in assets:		
Contributions receivable	4,728,501	12,301,428
Government grant receivable	(1,264,629)	-
Prepaid expenses and other assets	411,739	(652,046)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	398,969	(354,951)
Grants payable for capital projects	(6,741,406)	(7,752,045)
Net cash provided by (used in) operating activities	4,715,668	(416,404)
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(64,799)	(86,155)
Purchases of investments and securities	(40,498,170)	(11,857,622)
Proceeds from sale of investments and securities	36,556,570	12,075,219
Net cash (used in) provided by investing activities	(4,006,399)	131,442
<b>Cash flows from financing activities:</b>		
Proceeds from contribution for endowment	73,500	606,006
Proceeds from investments subject to split-interest agreements	550,000	775,352
Proceeds from investment income subject to split-interest agreements	(87,213)	59,708
Payment of annuity obligations	(1,336,053)	(1,480,422)
Net cash used in financing activities	(799,766)	(39,356)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(90,497)	(324,318)
<b>Cash and cash equivalents - beginning of year</b>	308,598	632,916
<b>Cash and cash equivalents - end of year</b>	\$ 218,101	\$ 308,598

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



**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022**

**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 transforms the lives of the young men and women of the Israel Defense Forces through empowering educational, financial, well-being, and cultural initiatives. FIDF’s primary sources of revenue are contributions and special event income.

FIDF’s national office and Northeast regional offices are located in New York City. Other offices are located in the Mid-Atlantic, Southeast, Central and Western Regions and in Petach Tikvah, 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 2022-2023 academic year, FIDF was able to fund 3,344 scholarships of college or university study. In 2022, FIDF had granted approximately \$13.6 million of scholarship assistance.

During 2022, FIDF also sponsored approximately \$6.6 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 2022, about 29,600 soldiers participated in such activities.

***Wellbeing and Recreational Programs***

*The Financial Support 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 2022, FIDF provided approximately \$5.5 million for such assistance to about 68,300 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 2022, FIDF provided approximately \$5.8 million to assist over 6,800 lone soldiers through these programs.

*SOULdier Recharge* is a week-long educational program that takes soldiers out of their day-to-day operational activities, often after intense periods on the battlefield, and provides them with a chance to process their experiences and mentally prepare for their mission ahead. Aimed at increasing motivation and morale, it also allows soldiers and their commanders to strengthen the unity, as well as their connection to their mission. The program takes place at the Recreation Village in Ashkelon, which is fully equipped

## Friends of the Israel Defense Forces

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022

with lodging and dining facilities, swimming pool, fitness room, and other amenities. During 2022, FIDF provided approximately \$3.8 million for such activities, sponsoring 48 weeks of such programs for a total of about 6,400 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 2022, FIDF provided approximately \$2.5 million to sponsor the needs of the 24 brigades adopted by FIDF (over 50,000 soldiers).

*The Adopt a Battalion Program* provides year-long recreational activities for designated battalions. During 2022, FIDF provided approximately \$2.3 million to sponsor ceremonies, trips and other wellbeing activities for the 66 battalions adopted by FIDF (over 25,000 soldiers).

*The Wounded Soldier Support Program* offered a second chance at a life without limitations in 2022 with approximately \$2.3 million to sponsor activities supporting over 1,200 wounded veterans.

*The Spiritual Needs and Heritage Programs* bring 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 2022, FIDF provided approximately \$1.9 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. During 2022, FIDF transferred approximately \$13.5 million in cash for construction activity. Construction Programs expense amounted to approximately \$6.7 million in 2022.

#### **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

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

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, 2021, 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.

***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.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

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, 2022 as compared to December 31, 2021.

*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.

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, 2022.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

***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, 2022. 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.

***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.

***In-kind Contributions***

Donated legal services with a fair value of \$250,000 for the year ended December 31, 2022 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 \$83,652 for the year ended December 31, 2022 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. Donated rent with a fair value of \$46,056 for the year ended December 31, 2022 was recognized at the date of the donation and is reported as an in-kind contribution in the accompanying statement of activities and as occupancy expense within the statement of functional expenses. The estimated fair value of services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered. The fair value of donated goods is estimated based on the purchase price for equivalent goods in an arms-length transaction. In-kind contributions received during 2022 did not carry any donor-imposed restrictions and were utilized in the course of operations during 2022.

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

***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.

***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.

***Adopted Accounting Pronouncement (Change in Accounting Principle)***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (“ROU”) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provided an optional transition method for applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, (i.e., the comparatives under ASC 840 option).

FIDF adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives approach under Accounting Standards Codification 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. FIDF similarly elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. FIDF has lease agreements with non-lease components that relate to the lease components. FIDF elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. Also, FIDF elected to keep short-term leases with an initial term of 12 months or less off its statement of financial

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

position as well as the practical expedient to not assess whether existing or expired land easements that were not previously accounted for as leases under Topic 840 are or contain a lease under Topic 842.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$9,100,369 and \$9,856,480, respectively. As part of adopting the standard, previously recognized liabilities for deferred rent were reclassified as a component of the ROU assets, which totaled \$756,111 as of January 1, 2022 and reconciles the difference between the ROU asset and operating lease liability at the date of adoption. FIDF did not have any capital leases (now referred to as finance leases). The standard did not significantly affect FIDF's changes in net assets or cash flows.

**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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
U.S. Treasury and government agency guaranteed obligations	\$ -	\$ 42,317,452	\$ -	\$ 42,317,452
Mutual funds and ETFs	7,890,374	4,114,219	-	12,004,593
Common stock	6,630,507	-	-	6,630,507
State of Israel bonds	-	259,756	-	259,756
	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Total investments reported on the fair value hierarchy	<u>\$ 14,520,881</u>	<u>\$ 46,691,427</u>	<u>\$ -</u>	61,212,308
Cash and cash equivalents				63,190,912
Certificates of Deposit				50,748
Investments at NAV				<u>7,606,773</u>
				<u>\$ 132,060,741</u>

FIDF's investments at NAV as of December 31, 2022 consisted of holdings in seven funds. The redemption terms for these funds vary from daily to semi-monthly and there are no associated unfunded commitments as of December 31, 2022.

Investment income consisted of the following as of December 31, 2022:

Interest and dividend income	\$ 899,612
Realized and unrealized loss on investments	<u>(5,509,935)</u>
Total investment loss	<u>\$ (4,610,323)</u>

**NOTE 4 - FOREIGN EXCHANGE**

For the year ended December 31, 2022, the net realized foreign exchange loss on FIDF's foreign currency transactions amounted to \$19,322.

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

**December 31, 2022**

In addition, at December 31, 2022, unrealized loss on foreign currency held in the bank amounted to \$43,818, representing the difference between the carrying value of the currency in the accompanying statement of financial position and the purchase cost of that currency.

**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, 2022:

Less than one year	\$ 31,590,994
One to five years	33,483,436
More than five years	<u>446,917</u>
	65,521,347
Less: discount to present value	<u>(2,760,506)</u>
	62,760,840
Less: allowance for doubtful accounts	<u>(5,923,329)</u>
Contributions receivable - net	<u>\$ 56,837,511</u>

Contributions receivable at December 31, 2022 included an outstanding pledge from one donor, which represented approximately 15% 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, 2022, the level of liquidity was managed within the policy requirements.

Financial assets available within one year as of December 31, 2022 are as follows:

Cash and cash equivalents	\$ 218,101
Investments	132,060,741
Contributions receivable, net	<u>56,837,511</u>
Total financial assets	189,116,353
Less:	
Donor-imposed restrictions:	
Investments and contributions receivable, net	(115,384,161)
Contractual and internal restrictions	<u>(14,402,665)</u>
Total financial assets available within one year for general expenditure	<u>\$ 59,329,527</u>



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

**December 31, 2022**

**NOTE 7 - FIXED ASSETS**

Fixed assets at December 31, 2022 consisted of the following:

	Estimated Useful Life		
Office equipment	5 years	\$	88,508
Computer hardware and software	5 years		943,760
Furniture and fixtures	7 years		264,571
Leasehold improvements	2 - 6 years		812,026
			2,108,865
Less: accumulated depreciation and amortization			(1,476,614)
		<b>\$</b>	<b>632,251</b>

Depreciation expense for the year ended December 31, 2022 was \$142,991.

**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, 2022:

	Charitable Reminder Trusts and Gift Annuities
Balance at December 31, 2021	\$ 8,783,082
Additions	252,224
Payments to annuitants	(1,336,053)
Terminated agreements	(127,514)
Change in fair value of annuities payable	990,097
Balance at December 31, 2022	<b>\$ 8,561,836</b>

The fair value of investments held for annuities and trusts totaled \$14,656,934 at December 31, 2022.

**Friends of the Israel Defense Forces**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2022**

**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, 2022:

2023		\$	4,844,320
2024			<u>901,566</u>
			5,745,886
Less: discount to present value (3%)			<u>(26,259)</u>
		\$	<u>5,719,627</u>

Commitments denominated in NIS have been converted to U.S. dollars at the exchange rate in effect at December 31, 2022.

**NOTE 10 - LEASES**

FIDF determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. FIDF determines these assets are leased because FIDF has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because FIDF determines it does not have the right to control and direct the use of the identified asset. FIDF's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, FIDF separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space. FIDF has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. FIDF determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. FIDF has made a policy election to use a risk-free rate per U.S. Treasury instrument for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that FIDF is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

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

**December 31, 2022**

FIDF has elected not to record leases with an initial term of 12 months or less on its statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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 2023 and 2031, however, certain facilities are rented on a month-to-month basis.

The minimum annual rental obligation reported below includes a 15-year lease commitment for office space totaling \$9,489,526. 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, 2022.

In September 2022, FIDF entered into a lease commitment for office space in Miami, Florida. This lease agreement expires in September 2025.

The lease cost and other required information relevant to the lease commitments for the year ended December 31, 2022 are:

Operating lease cost	\$	1,114,513
Short-term lease cost		<u>354,977</u>
Total operating lease costs	\$	<u>1,469,490</u>
Operating cash flows from operating leases	\$	1,051,815
ROU assets, obtained in exchange for new operating lease liabilities	\$	137,117
Weighted-average remaining lease term:		
Operating leases		8.78 years
Weighted-average discount rate:		
Operating leases		1.54%

Future minimum payments under the above-described leases are due as follows:

2023	\$	1,349,174
2024		1,124,139
2025		1,104,076
2026		1,048,036
2027		1,096,295
Thereafter		<u>4,315,780</u>
Total future undiscounted lease payments		10,037,500
Less: interest		<u>(953,036)</u>
Lease liabilities	\$	<u>9,084,464</u>

**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.

Friends of the Israel Defense Forces

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022

**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, 2022 was \$193,917.

**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, 2022:

Construction programs	\$ 13,877,864
Educational and scholarship programs	49,842,657
Wellbeing and recreational programs	28,206,977
Split-interest agreements	12,727,160
Time restrictions	<u>10,729,503</u>
	<u>\$ 115,384,161</u>

Net assets restricted by time and/or purpose were released from donor restrictions by satisfying the following for the year ended December 31, 2022:

Construction programs	\$ 4,251,457
Educational and scholarship programs	20,195,297
Wellbeing and recreational programs	<u>28,784,838</u>
	<u>\$ 53,231,592</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.

***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

**Friends of the Israel Defense Forces**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2022**

- 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, 2022 consisted of the following:

Wellbeing and recreational programs	\$ 1,066,432
Educational and scholarship programs	8,809,429
Operations	301,503
	\$ 10,177,364

Changes in endowment net assets for the year ended December 31, 2022 consisted of the following:

	Net Assets with Donor Restrictions		
	Accumulated Unspent Earnings	Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 4,674,147	\$ 10,103,864	\$ 14,778,011
Investment loss	(3,249,479)	-	(3,249,479)
Contributions	-	73,500	73,500
Appropriation for expenditure	(73,000)	-	(73,000)
Endowment net assets, end of year	\$ 1,351,668	\$ 10,177,364	\$ 11,529,032

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

**NOTE 14 - CONTINGENCIES**

Lawsuits and claims may arise against FIDF in the normal course of operations. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of FIDF.

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 the lawsuit pro se. On July 22, 2022, the District Court dismissed without prejudice certain Plaintiffs who failed to respond to its January 31, 2022 order. The District Court lifted the stay with respect to the remaining Plaintiffs in its July 22, 2022 order, and indicated it would rule on the pending motions to dismiss in due course. In December 2022, Plaintiffs moved for relief from the Court's July 22, 2022 order, asking that the Court reinstate the claims of dismissed Plaintiffs. On February 9, 2023, the Court granted in part and denied in part that motion for relief, amending its July 22, 2022 order to reflect that counsel for remaining Plaintiffs had entered an appearance on behalf of fifty-two Plaintiffs, most of who had been dismissed pursuant to the Court's July 22, 2022 order. On June 20, 2023, pro se Plaintiff filed a notice of appeal to the D.C. Circuit Court with respect to certain of his motions that were denied, including a motion to set aside all Court orders issued from June 29, 2022 to January 10, 2023. Plaintiff's notice of appeal also attached the Court's February 9, 2023 order. Defendant-Appellee moved to dismiss Plaintiff's appeal as time-barred. Both Defendant-Appellee and Plaintiff's motions remain pending in the Circuit Court.

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. Interim counsel for

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022**

Plaintiffs subsequently withdrew his appearance on July 13, 2021. On September 2, 2021, the Court dismissed the case without prejudice under Rule 12(b)(5) and directed the Clerk of Court to close the case.

**NOTE 15 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 7, 2023, 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.