

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Friends of the Israel Defense Forces**

December 31, 2023,  
with summarized comparative information  
for the year ended December 31, 2022

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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, 2023, 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, 2023, 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 2022 summarized comparative information**

We have previously audited FIDF's 2022 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2023. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant Thornton LLP*

New York, New York  
September 25, 2024

**Friends of the Israel Defense Forces**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2023, with summarized comparative information as of December 31, 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,213,580	\$ 218,101
Investments (Note 3)	256,365,803	132,060,741
Contributions receivable, net (Note 5)	68,274,295	56,837,511
Government grant receivable	-	1,264,629
Prepaid expenses and other assets	959,138	439,098
Fixed assets, net (Note 7)	602,886	632,251
Operating lease right-of-use asset (Note 10)	8,018,566	8,357,072
Total assets	\$ 336,434,268	\$ 199,809,403
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,535,431	\$ 2,140,690
Grants payable for capital projects (Note 9)	28,825,837	5,719,627
Annuities payable (Note 8)	8,368,162	8,561,836
Operating lease liabilities, net (Note 10)	8,724,266	9,084,464
Total liabilities	48,453,696	25,506,617
<b>Net assets</b>		
Without donor restrictions	67,047,161	58,918,625
With donor restrictions (Note 13)	220,933,411	115,384,161
Total net assets	287,980,572	174,302,786
Total liabilities and net assets	\$ 336,434,268	\$ 199,809,403

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, 2023, with summarized comparative information for the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
<b>Revenues, gain, losses and other support</b>				
Contributions	\$ 21,943,479	\$ 205,993,842	\$ 227,937,321	\$ 50,280,271
Bequests	17,752,396	161,891	17,914,287	15,455,980
Special events income				
Special events revenue	\$ 37,998,342			
Direct costs of special events	(5,426,603)			
Special events income, net	17,096,821	15,474,918	32,571,739	19,163,468
In-kind contributions (Note 2)	689,148	-	689,148	379,708
Government grant	-	-	-	1,264,629
Investment gain (loss) (Note 3)	7,384,315	-	7,384,315	(4,610,323)
Foreign exchange gain (loss)	399,715	-	399,715	(63,140)
Change in split interest agreements	678,804	369,103	1,047,907	(949,798)
Net assets released from restrictions (Note 13)	110,174,122	(110,174,122)	-	-
<b>Total revenues, gains, losses and other support</b>	<b>176,118,800</b>	<b>111,825,632</b>	<b>287,944,432</b>	<b>80,920,795</b>
<b>Expenses</b>				
Program services				
Construction programs - transfers (cash)	12,167,429			
Construction programs - change in grants payable	24,072,248			
Construction programs	36,239,677	-	36,239,677	6,712,080
Educational and scholarship programs	23,262,186	-	23,262,186	22,613,164
Wellbeing and recreational programs	82,672,631	-	82,672,631	30,564,344
<b>Total program services</b>	<b>142,174,494</b>	<b>-</b>	<b>142,174,494</b>	<b>59,889,588</b>
Supporting services				
Management and general	12,046,062	-	12,046,062	9,681,290
Fundraising	13,706,310	-	13,706,310	9,729,391
<b>Total supporting services</b>	<b>25,752,372</b>	<b>-</b>	<b>25,752,372</b>	<b>19,410,681</b>
Bad debt expense from uncollectible pledges	63,398	6,276,382	6,339,780	1,396,870
<b>Total expenses</b>	<b>167,990,264</b>	<b>6,276,382</b>	<b>174,266,646</b>	<b>80,697,139</b>
<b>CHANGE IN NET ASSETS</b>	<b>8,128,536</b>	<b>105,549,250</b>	<b>113,677,786</b>	<b>223,656</b>
<b>Net assets - beginning of year</b>	<b>58,918,625</b>	<b>115,384,161</b>	<b>174,302,786</b>	<b>174,079,130</b>
<b>Net assets - end of year</b>	<b>\$ 67,047,161</b>	<b>\$ 220,933,411</b>	<b>\$ 287,980,572</b>	<b>\$ 174,302,786</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, 2023, with summarized comparative information for the year ended December 31, 2022

	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	2023	2022
Grants for projects and programs (including direct payments to vendors)	\$ 35,273,047	\$ 21,661,825	\$ 79,037,072	\$ 135,971,944	\$ -	\$ -	\$ -	\$ 135,971,944	\$ 54,763,407
Salaries	341,395	574,092	1,735,558	2,651,045	4,128,860	8,441,055	-	15,220,960	12,849,188
Payroll taxes and employee benefits	124,052	346,087	868,363	1,338,502	794,560	1,931,199	-	4,064,261	2,866,946
Occupancy	306,449	105,423	63,950	475,822	452,654	375,450	-	1,303,926	1,526,333
Telephone and internet	-	-	-	-	140,229	-	-	140,229	161,888
Office expenses	-	-	-	-	170,232	-	-	170,232	52,655
Postage and freight	280	2,539	2,007	4,826	114,173	73,840	-	192,839	197,275
Consulting and outside services	137,233	137,233	137,233	411,699	102,643	117,883	-	632,225	535,089
Professional fees	15,579	233,645	120,873	370,097	2,429,889	625,051	-	3,425,037	2,647,682
Travel and conferences	21,896	153,918	327,007	502,821	263,980	459,923	1,904,268	3,130,992	4,020,264
Non-capitalizable equipment purchases	-	-	-	-	53,625	-	-	53,625	7,613
Advertising	-	-	-	-	57,732	1,050	-	58,782	51,429
Printing and publications	3,683	7,395	27,190	38,268	104,487	213,427	-	356,182	206,224
Photo and video services	13,118	27,505	94,246	134,869	53,113	974,329	9,159	1,171,470	696,007
Insurance	-	-	-	-	414,407	-	-	414,407	417,091
Credit card and bank fees	-	-	-	-	2,437,481	-	-	2,437,481	730,879
Catering/refreshments	690	3,304	207,541	211,535	11,628	177,256	2,819,493	3,219,912	1,439,650
Entertainment/speakers	718	4,089	21,474	26,281	28,127	87,692	326,727	468,827	260,942
Promotional items and awards	1,537	5,131	30,117	36,785	140,948	228,155	366,956	772,844	235,439
Depreciation and amortization	-	-	-	-	147,294	-	-	147,294	142,991
Other	-	-	-	-	-	-	-	-	31,176
	36,239,677	23,262,186	82,672,631	142,174,494	12,046,062	13,706,310	5,426,603	173,353,469	83,840,168
Less: expenses deducted directly from revenue on the statement of activities	-	-	-	-	-	-	(5,426,603)	(5,426,603)	(4,539,899)
Total expenses before bad debt expense	36,239,677	23,262,186	82,672,631	142,174,494	12,046,062	13,706,310	-	167,926,866	79,300,269
Bad debt expense	-	-	-	-	-	-	-	6,339,780	1,396,870
Total expenses	\$ 36,239,677	\$ 23,262,186	\$ 82,672,631	\$ 142,174,494	\$ 12,046,062	\$ 13,706,310	\$ -	\$ 174,266,646	\$ 80,697,139

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, 2023, with summarized comparative information for the year ended December 31, 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 113,677,786	\$ 223,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	147,294	142,991
Contributions restricted for endowments	(1,569,390)	(73,500)
Change in split interest agreements	(1,047,907)	949,798
Contributions restricted for split-interest agreements	(214,686)	(297,778)
Realized and unrealized (gain) loss on investments	(6,592,084)	5,509,935
Lease amortization	338,506	(8,357,072)
(Increase) decrease in assets:		
Contributions receivable	(11,436,784)	4,728,501
Government grant receivable	1,264,629	(1,264,629)
Prepaid expenses and other assets	(520,040)	411,739
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	394,738	398,969
Grants payable for capital projects	23,105,618	(6,741,406)
Operating lease liabilities, net	(360,198)	9,084,464
<u>Net cash provided by operating activities</u>	<u>117,187,482</u>	<u>4,715,668</u>
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(117,930)	(64,799)
Purchases of investments and securities	(131,279,754)	(40,498,170)
Proceeds from sale of investments and securities	15,490,401	36,556,570
<u>Net cash used in investing activities</u>	<u>(115,907,283)</u>	<u>(4,006,399)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contribution for endowment	1,569,390	73,500
Proceeds from investments subject to split-interest agreements	441,015	550,000
Proceeds from investment income subject to split-interest agreements	65,727	(87,213)
Payment of annuity obligations	(1,360,852)	(1,336,053)
<u>Net cash provided by (used in) financing activities</u>	<u>715,280</u>	<u>(799,766)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,995,479</b>	<b>(90,497)</b>
<b>Cash and cash equivalents - beginning of year</b>	<u>218,101</u>	<u>308,598</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 2,213,580</u></u>	<u><u>\$ 218,101</u></u>

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



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

**December 31, 2023**

**NOTE 1 - 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, wellbeing and cultural initiatives. FIDF’s primary sources of revenue are contributions and special event income.

FIDF’s national office and Northeast regional offices are in New York City. Other offices are 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 have 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 2023-2024 academic year, FIDF was able to fund 3,382 scholarships of college or university study. In 2023, FIDF had granted approximately \$16.9 million of scholarship assistance.

During 2023, FIDF also sponsored approximately \$5.1 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 2023, about 28,000 soldiers participated in such activities.

***Wellbeing and Recreational Programs***

*Financial Support* 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 2023, FIDF provided approximately \$5.7 million for such assistance to about 20,450 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 2023, FIDF provided approximately \$4.9 million to assist over 7,000 lone 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 benefiting 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

## Friends of the Israel Defense Forces

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

funds to hold events and activities that celebrate the soldiers' achievements. During 2023, FIDF provided approximately \$1.6 million to sponsor the needs of the 27 brigades adopted by FIDF (over 75,000 soldiers).

*The Adopt a Battalion Program* provides year-long recreational activities for designated battalions. During 2023, FIDF provided approximately \$2.5 million to sponsor ceremonies, trips, and other wellbeing activities for the 93 battalions adopted by FIDF (over 30,000 soldiers).

*The Wounded Soldier Support Program* offered a second chance at a life without limitations in 2023 with approximately \$0.8 million to sponsor activities supporting over 2,000 wounded veterans.

*The Spiritual 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 2023, FIDF provided approximately \$2.6 million to sponsor such articles and activities and touched the lives of over 20,000 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 2023, FIDF transferred approximately \$12.1 million in cash for construction activity. Program Services for Construction, net of change in grants payable for capital projects, was \$36.2 million.

#### **Emergency Campaign**

FIDF has played a crucial role in providing humanitarian support to Israel's courageous soldiers during the war. During 2023, FIDF provided \$57.6 million in funds for its Emergency Campaign, 100% of which has been used to fund soldiers' emergency needs. FIDF supplied \$28.4 million that went towards life-saving medical equipment, including field hospitals, ambulances, ventilators, defibrillators, and other medical supplies. FIDF also provided \$29.2 million that went towards clothing, personal wellbeing needs and financial assistance for soldiers, including those wounded, as well as bereaved families. Grant expenditures under the Emergency Campaign are reflected within Wellbeing and Recreational Programs expense on the accompanying statement of functional expenses.

In 2024, the Emergency Campaign continues with FIDF sending an additional \$32 million of support for soldiers and bereaved families including funding projects for the long-term resilience and mental health needs of soldiers. In addition, FIDF has signed a letter of commitment for the construction of a mental health and resilience center in Netanya, Israel for approximately \$40 million.

### **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").

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

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, 2022, 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

**Friends of the Israel Defense Forces**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

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 includes 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 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, 2023 as compared to December 31, 2022.

*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.

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

**December 31, 2023**

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, 2023.

***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, 2023. 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 \$425,000 for the year ended December 31, 2023 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 \$264,148 for the year ended December 31, 2023 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

***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 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 right-of-use ("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.

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.

***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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

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.

**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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
U.S. Treasury and government agency guaranteed obligations	\$ -	\$ 134,993,378	\$ -	\$ 134,993,378
Mutual funds and ETFs	10,141,377	-	-	10,141,377
Common stock	9,527,702	-	-	9,527,702
State of Israel bonds	-	325,214	-	325,214
	<u>          </u>	<u>          </u>	<u>          </u>	
Total investments reported on the fair value hierarchy	<u>\$ 19,669,079</u>	<u>\$ 135,318,592</u>	<u>\$ -</u>	154,987,671
Cash and cash equivalents				90,297,543
Investments at NAV				11,058,950
Certificates of deposit				<u>21,639</u>
				<u>\$ 256,365,803</u>

FIDF's investments at NAV as of December 31, 2023 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, 2023.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2023**

Investment income consisted of the following as of December 31, 2023:

Interest and dividend income	\$ 792,231
Realized and unrealized gain on investments	<u>6,592,084</u>
 Total investment income	 <u>\$ 7,384,315</u>

**NOTE 4 - FOREIGN EXCHANGE**

For the year ended December 31, 2023, the net realized foreign exchange gain on FIDF's foreign currency transactions amounted to \$117,251.

In addition, at December 31, 2023, unrealized gain on foreign currency held in the bank amounted to \$282,464, 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 rates of 3% to 4%. The receivables are due as follows as of December 31, 2023:

Less than one year	\$ 41,127,124
One to five years	38,569,171
More than five years	<u>316,000</u>
	80,012,295
Less: discount to present value	<u>(3,349,516)</u>
	76,662,779
Less: allowance for doubtful accounts	<u>(8,388,484)</u>
 Contributions receivable - net	 <u>\$ 68,274,295</u>

Contributions receivable at December 31, 2023 included outstanding pledges from two donors, which collectively represented approximately 29% of total outstanding gross contributions receivable.

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

FIDF manages its liquidity and reserves pursuant to a policy that considers 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, 2023, the level of liquidity was managed within the policy requirements.



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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2023**

Financial assets available within one year as of December 31, 2023 are as follows:

Cash and cash equivalents	\$ 2,213,580
Investments	256,365,803
Contributions receivable, net	<u>68,274,295</u>
Total financial assets	326,853,678
Less:	
Donor-imposed restrictions:	
Investments and contributions receivable, net	(220,933,411)
Contractual and internal restrictions	<u>(36,581,447)</u>
Total financial assets available within one year for general expenditure	<u>\$ 69,338,820</u>

**NOTE 7 - FIXED ASSETS**

Fixed assets on December 31, 2023 consisted of the following:

	Estimated Useful Life	
Office equipment	5 years	\$ 28,365
Computer hardware and software	5 years	351,622
Furniture and fixtures	7 years	203,472
Leasehold improvements	1 - 8 years	<u>776,698</u>
		1,360,157
Less: accumulated depreciation and amortization		<u>(757,271)</u>
		<u>\$ 602,886</u>

Depreciation expense for the year ended December 31, 2023 was \$147,294.

**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% to 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2023**

The following table summarizes the changes in FIDF's Level 3 annuities payable for the year ended December 31, 2023:

	Charitable Reminder Trusts and Gift Annuities
Balance at December 31, 2022	\$ 8,561,836
Additions	226,329
Payments to annuitants	(1,360,851)
Terminated agreements	(14,690)
Change in fair value of annuities payable	955,540
Balance at December 31, 2023	\$ 8,368,162

The fair value of investments held for annuities and trusts totaled \$15,618,341 at December 31, 2023.

**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, 2023:

Current	\$ 11,634,949
One to three years	19,781,478
	31,416,427
Less: discount to present value (4.28% to 4.57%)	(2,590,590)
	\$ 28,825,837

Commitments denominated in NIS have been converted to U.S. dollars at the exchange rate in effect as of December 31, 2023.

**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 2024 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, 2023.

In January 2023, FIDF entered a lease commitment for office space in Cleveland, Ohio. This lease agreement expires in December 2025. In May 2023, FIDF entered a lease commitment for office space in Petach Tikva, Israel. This lease agreement expires in April 2026. In June 2023, FIDF entered a lease

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

commitment for office space in Baltimore, Maryland. This lease agreement expires in July 2026. In July 2023, FIDF entered a lease commitment for office space in Rockville, Maryland. This lease agreement expires in August 2028.

The lease cost and other required information relevant to the lease commitments for the year ended December 31, 2023 are:

Operating lease cost	\$	1,156,493
Short-term lease cost		<u>98,447</u>
Total operating lease costs	\$	<u>1,254,940</u>
Operating cash flows from operating leases	\$	1,300,984
ROU assets, obtained in exchange for new operating lease liabilities	\$	702,769
Weighted-average remaining lease term:		
Operating leases		7.43 years
Weighted-average discount rate:		
Operating leases		1.70%

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

2024	\$	1,354,704
2025		1,327,344
2026		1,155,126
2027		1,141,853
2028		1,127,347
Thereafter		<u>3,219,486</u>
Total future undiscounted lease payments		9,325,860
Less: interest		<u>(601,594)</u>
Lease liabilities	\$	<u>8,724,266</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.

**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 4%. Retirement plan expense for the year ended December 31, 2023 was \$334,046.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

**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, 2023:

Construction programs	\$ 30,389,992
Educational and scholarship programs	45,903,628
Wellbeing and recreational programs	111,320,085
Split-interest agreements	22,460,517
Time restrictions	<u>10,859,189</u>
	<u>\$ 220,933,411</u>

Net assets restricted by time and/or purpose were released from donor restrictions by satisfying the following for the year ended December 31, 2023:

Construction programs	\$ 12,167,429
Educational and scholarship programs	18,836,319
Wellbeing and recreational programs	<u>79,170,374</u>
	<u>\$ 110,174,122</u>

***Endowments***

Net assets restricted in perpetuity consist of 12 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
- 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

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

- 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, 2023 consisted of the following:

Wellbeing and recreational programs	\$ 1,302,432
Educational and scholarship programs	10,142,820
Operations	<u>301,502</u>
	<u>\$ 11,746,754</u>

Changes in endowment net assets for the year ended December 31, 2023 consisted of the following:

	<u>Net Assets with Donor Restrictions</u>		
	<u>Accumulated Unspent Earnings</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,351,668	\$ 10,177,364	\$ 11,529,032
Investment gain	2,685,346	-	2,685,346
Contributions	-	1,569,390	1,569,390
Appropriation for expenditure	<u>(599,484)</u>	<u>-</u>	<u>(599,484)</u>
Endowment net assets, end of year	<u>\$ 3,437,530</u>	<u>\$ 11,746,754</u>	<u>\$ 15,184,284</u>

**NOTE 14 - 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

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

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 on February 20, 2024, the Court dismissed the Amended Complaint under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6). On March 20, 2024, certain Plaintiffs moved to extend the time in which to file a notice of appeal. That motion remains pending. FIDF intends to defend this matter vigorously.

**NOTE 15 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 25, 2024, 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.