AMERICAN FRIENDS OF LEKET ISRAEL, INC.

FINANCIAL STATEMENTS

YEAR ENDED

DECEMBER 31, 2019
# INDEX

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITOR'S REPORT</td>
<td>2</td>
</tr>
<tr>
<td>STATEMENT OF FINANCIAL POSITION</td>
<td>3</td>
</tr>
<tr>
<td>DECEMBER 31, 2019</td>
<td></td>
</tr>
<tr>
<td>STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS</td>
<td>4</td>
</tr>
<tr>
<td>YEAR ENDED DECEMBER 31, 2019</td>
<td></td>
</tr>
<tr>
<td>STATEMENT OF FUNCTIONAL EXPENSES</td>
<td>5</td>
</tr>
<tr>
<td>YEAR ENDED DECEMBER 31, 2019</td>
<td></td>
</tr>
<tr>
<td>STATEMENT OF CASH FLOWS</td>
<td>6</td>
</tr>
<tr>
<td>YEAR ENDED DECEMBER 31, 2019</td>
<td></td>
</tr>
<tr>
<td>NOTES TO FINANCIAL STATEMENTS</td>
<td>7 - 13</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

TO THE BOARD OF DIRECTORS OF
AMERICAN FRIENDS OF LEKET ISRAEL, INC.

I have audited the accompanying financial statements of American Friends of Leket Israel, Inc. ("the Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 the entity’s internal control. Accordingly, I express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of Leket Israel, Inc. as of December 31, 2019 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.

Lawrence M. Ginsberg, CPA, PC
Rochelle Park, New Jersey

September 30, 2020
AMERICAN FRIENDS OF LEKET ISRAEL, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents $ 108,748
Contributions receivable 2,658,460
Prepaid expenses 12,747
Security deposits 2,850

Total assets $ 2,782,805

LIABILITIES AND NET ASSETS

Liabilities:
Accounts payable and accrued expenses $ 38,263
Credit card payable 10,813
Total liabilities 49,076

Net assets:
Without donor restrictions 562,919
With donor restrictions 2,170,810
Total net assets 2,733,729

Total liabilities and net assets $ 2,782,805

See Notes to Financial Statements
# AMERICAN FRIENDS OF LEKET ISRAEL, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended December 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special events income</td>
<td>$62,241</td>
<td>$</td>
<td>$62,241</td>
</tr>
<tr>
<td>Less: costs of direct benefits to donors</td>
<td>(29,677)</td>
<td></td>
<td>(29,677)</td>
</tr>
<tr>
<td>Special events income, net</td>
<td>32,564</td>
<td></td>
<td>32,564</td>
</tr>
<tr>
<td>Contributions</td>
<td>7,728,142</td>
<td>2,324,310</td>
<td>10,052,452</td>
</tr>
<tr>
<td>Interest income</td>
<td>397</td>
<td></td>
<td>397</td>
</tr>
<tr>
<td>Net realized and unrealized gain on securities</td>
<td>37</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td>Net assets released from restrictions - satisfaction of program restrictions</td>
<td>1,266,784</td>
<td>(1,266,784)</td>
<td></td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>9,027,924</td>
<td>1,057,526</td>
<td>10,085,450</td>
</tr>
</tbody>
</table>

**Expenses:**

**Program services:**
- Grants to Leket Israel 8,375,000

**Supporting services:**
- Management and general 184,510
- Fundraising 495,006
- **Total supporting services** 679,516

**Total expenses** 9,054,516

| Change in net assets   | (26,592) | 1,057,526 | 1,030,934 |
| Net assets, beginning of year | 589,511 | 1,113,284 | 1,702,795 |
| Net assets, end of year   | $562,919 | $2,170,810 | $2,733,729 |

See Notes to Financial Statements
### AMERICAN FRIENDS OF LEKET ISRAEL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grants to Leket Israel</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$127,207</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>10,226</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>8,994</td>
</tr>
<tr>
<td>Rent</td>
<td>4,500</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>1,671</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>3,654</td>
</tr>
<tr>
<td>Office expense and supplies</td>
<td>2,169</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>29,446</td>
</tr>
<tr>
<td>Travel and other related costs</td>
<td>21,720</td>
</tr>
<tr>
<td>Purchased services</td>
<td>12,000</td>
</tr>
<tr>
<td>Program assistance</td>
<td>$8,375,000</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>$14,089</td>
</tr>
</tbody>
</table>

Total expenses: $8,375,000

$184,510   $495,006   $679,516   $9,054,516

See Notes to Financial Statements
Operating activities:
  Change in net assets $1,030,934
  Adjustments to reconcile change in net assets to net cash used in operating activities:
    Net realized and unrealized gain on securities (37)
  Changes in operating assets and liabilities:
    Contributions receivable (1,071,551)
    Prepaid expenses (12,747)
    Accounts payable and accrued expenses 444
    Credit card payable 5,441
  Net cash used in operating activities (47,516)

Investing activities:
  Proceeds from sale/maturity of investments 4,239
  Purchase of investments (4,202)
  Net cash provided by investing activities 37

Net decrease in cash and cash equivalents (47,479)

Cash and cash equivalents, beginning of year 156,227

Cash and cash equivalents, end of year $108,748

See Notes to Financial Statements
Note 1 - Organization:

American Friends of Leket Israel, Inc. ("AFLI") was incorporated as a not-for-profit corporation in Delaware on December 16, 2006. AFLI's primary focus is to provide aid and supportive services for organization's outside of the United States in rescuing healthy, surplus food and delivering it to those in need through partner nonprofit organizations. AFLI is qualified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. AFLI's support is derived primarily from contributions and fundraising events. AFLI is a registered charity in New Jersey.

Note 2 - Summary of significant accounting policies and basis of presentation:

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require AFLI to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of AFLI's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AFLI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets as of December 31, 2019 that are maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.
AMERICAN FRIENDS OF LEKET ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies and basis of presentation (continued):

Measure of operations:

The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to AFLI's aid and supportive services in rescuing healthy, surplus food and delivering it to those in need through partner nonprofit organizations, and interest and dividends earned on investments (including investment gains and losses on contributed investments that are sold upon receipt). Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents:

Cash and cash equivalents includes bank accounts subject to immediate withdrawal, money market accounts and highly-liquid investments with an original maturity of three months or less.

Concentrations of credit risk:

Financial instruments that potentially subject AFLI to concentrations of credit risk consist principally of cash and cash equivalent and investments. At various times during the year, the cash and investment balances may exceed the Federal Deposit Insurance Corporation (FDIC) limits or the Securities Investor Protection Corporation (SIPC) limits. AFLI maintains its cash and investment accounts with high credit quality financial institutions to mitigate its credit risk and monitors its account balances and the financial institutions involved as a method of reducing its credit risk. AFLI has not experienced, nor does it anticipate, any losses with respect to such accounts.

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. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

An allowance for uncollectible promises to give is made based on management's judgement reflected by factors such as prior collection history, the type of contributions made and other relevant factors. As of December 31, 2019, no allowance was necessary because management believes the contributions receivable balance to be fully collectible.
Note 2 - Summary of significant accounting policies and basis of presentation (continued):

Contributions receivable (continued):

Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Contributions receivable as of December 31, 2019 include unconditional promises to give as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution receivable</td>
<td>$2,705,150</td>
</tr>
<tr>
<td>Less: discount at 1.59%</td>
<td>(46,690)</td>
</tr>
<tr>
<td></td>
<td>2,658,460</td>
</tr>
<tr>
<td>Less: current portion due within one year</td>
<td>(1,449,318)</td>
</tr>
<tr>
<td>Contribution receivable, net of current portion</td>
<td></td>
</tr>
<tr>
<td>(Due in one to five years)</td>
<td>$1,209,142</td>
</tr>
</tbody>
</table>

Investments:

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities. There were no investments as of December 31, 2019.

Fair value measurements:

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). AFLI groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets/liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability;
- Inputs that are derived principally from or corroborated by other observable market data.
AMERICAN FRIENDS OF LEKET ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies and basis of presentation (continued):

Fair value measurements (continued):

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at estimated fair value.

In-kind donations:

Donated marketable securities are recorded as contributions in the accompanying statement of activities at their estimated value at the date of receipt.

Several volunteers have made contributions of their time in furtherance of AFLI's mission. These services have not been reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under GAAP.

Functional allocation of expenses:

The costs of providing AFLI's program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable amounts determined by management predominantly according to time and effort.

Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
AMERICAN FRIENDS OF LEKET ISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies and basis of presentation (continued):

Income taxes:

AFLI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. AFLI has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. AFLI has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

New Accounting Pronouncement:

In May, 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASC 606") which is effective for years beginning after December 15, 2018 for private companies. This ASU and all subsequently issued clarifying ASU's relating to revenue recognition replaced most existing guidance in GAAP. The contributions, special event income and investment income which comprise the revenue of the AFLI are outside the scope of ASC 606.

Note 3 - Availability and Liquidity:

The following represents AFLI's financial assets at December 31, 2019:

Financial assets: 12/31/19
Cash and cash equivalents $ 108,748
Contributions receivable 2,658,460
Total financial assets 2,767,208

Less amounts not available to be used within one year:
Net assets with donor restrictions 1,200,310

Financial assets available to meet general expenditures over the next twelve months $ 1,566,898

AFLI's goal is to maintain financial assets to meet at least 90 days of operating expenses of approximately $170,000.

Note 4 - Grants to Leket Israel:

AFLI shares a common board member with its primary grantee, Leket Israel. For the year ended December 31, 2019, AFLI provided grants amounting to $8,375,000 to Leket Israel in an effort to further their programs. All grants are approved by the AFLI Board
Note 4 - Grants to Leket Israel (continued):

of Directors. AFLI established procedures to ensure adequate oversight of the usage of funds through reviewing expense reports and facilitating onsite visits to Leket Israel.

Note 5 - Net assets:

For the year ended December 31, 2019 net assets with donor restrictions were comprised of time restrictions. Once the time restriction elapses and the restriction is satisfied, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions as reflected in the accompanying financial statements. Following is a summary of the net assets with donor restrictions activity during 2019:

<table>
<thead>
<tr>
<th>Time restricted:</th>
<th>Balance</th>
<th>2019</th>
<th>2019 Releases/Expenditures</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2019</td>
<td>$1,113,284</td>
<td>$2,324,310</td>
<td>$(1,266,784)</td>
<td>$2,170,810</td>
</tr>
</tbody>
</table>

Net assets without donor restrictions are all undesignated as of December 31, 2019.

Note 6 - Lease commitments:

AFLI had a lease agreement for office space that expired in March 2019. Rent expense amounted to $18,000 for the year ended December 31, 2019. AFLI has been on a month to month basis, however, a new one year lease agreement has been signed with a term of September 1, 2020 through August 31, 2021 at $1,575 per month totaling $18,900.

Note 7 - Employee benefit plans:

AFLI sponsors a defined contribution pension plan which covers all eligible employees. Contributions to the plan are determined by the Board of Directors. Pension expense was $3,314 for the year ended December 31, 2019.

Note 10 - Evaluation of subsequent events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence of conditions which existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about the conditions that existed after the balance sheet date require disclosure in the accompanying notes.

The management of AFLI has evaluated subsequent events through September 30, 2020, the financial statement issuance date. The management of AFLI has determined that
Note 10 - Evaluation of subsequent events (continued):

there are no unrecognized subsequent events that require additional disclosure, except as noted herewith:

COVID-19:

Subsequent to the year ended December 31, 2019, a novel strain of coronavirus known as COVID-19 was reported in the United States of America and became a worldwide pandemic. The US government has implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak.

The management of AFLI has implemented various measures including remote work for staff, adjusted shifts, and placed various restrictions on access to the office, which could negatively impact productivity. Any of these occurrences may have a negative impact on the financial condition and results of operations. While the management of AFLI believes the current condition related to COVID-19 has negatively impacted AFLI, the related financial impact cannot be reasonably estimated at this time.

As part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act offered by the US government, AFLI secured a Payroll Protection Program ("PPP") loan of approximately $78,000 in May of 2020. The full amount of the loan is eligible for forgiveness, but such has not yet been determined.