

**NORTH AMERICAN CONFERENCE ON
ETHIOPIAN JEWRY, INC. AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED

DECEMBER 31, 2019

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS OF
NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC.**

I have audited the accompanying combined financial statements of North American Conference on Ethiopian Jewry, Inc. and Affiliate ("the Organization") (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities, 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 combined 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 combined financial statements based on my audit. I did not audit the financial statements of the affiliate, North American Conference on Ethiopian Jewry - Israel, a separate organization under Israeli law, which statements reflect total assets of \$273,388 as of December 31, 2019 and total support and revenues of \$1,334,860 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Israeli organization, is based solely on the report of the other auditors. 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 combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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, based on my audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of North American Conference on Ethiopian Jewry, Inc. and Affiliate as of December 31, 2019 and the changes in its net assets and 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
October 21, 2020

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|-------------------------------|----------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,403,896 | \$ 181,253 | \$ 1,585,149 |
| Contributions receivable, net | 14,637 | 38,156 | 52,793 |
| Prepaid expenses | 84,282 | | 84,282 |
| Investments | 6,050,297 | | 6,050,297 |
| Security deposits | 15,553 | | 15,553 |
| Total assets | \$ 7,568,665 | \$ 219,409 | \$ 7,788,074 |

LIABILITIES AND NET ASSETS

Liabilities:

| | | | |
|---------------------------------------|----------------|--|----------------|
| Accounts payable and accrued expenses | \$ 134,094 | | \$ 134,094 |
| Deferred public support | 181,253 | | 181,253 |
| Total liabilities | 315,347 | | 315,347 |

Net assets:

| | | | |
|----------------------------|------------------|----------------|------------------|
| Without donor restrictions | 7,253,318 | | 7,253,318 |
| With donor restrictions | | 219,409 | 219,409 |
| Total net assets | 7,253,318 | 219,409 | 7,472,727 |

| | | | |
|---|---------------------|-------------------|---------------------|
| Total liabilities and net assets | \$ 7,568,665 | \$ 219,409 | \$ 7,788,074 |
|---|---------------------|-------------------|---------------------|

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| <u>Operating Activities</u> | | | |
| Revenues and Other Support: | | | |
| Public support | \$ 5,615,709 | \$ 1,109,308 | \$ 6,725,017 |
| Sales (net of cost of goods sold of \$96) | 3,919 | | 3,919 |
| Other income | 4,888 | | 4,888 |
| Interest and dividend income | 51,598 | | 51,598 |
| Net assets released from restrictions | 2,414,725 | (2,414,725) | |
| Total revenues and other support | <u>8,090,839</u> | <u>(1,305,417)</u> | <u>6,785,422</u> |
| Expenses: | | | |
| Program services: | | | |
| Relief in Ethiopia | 163,107 | | 163,107 |
| Assistance in Israel | 1,442,845 | | 1,442,845 |
| Information and Education - USA | 201,934 | | 201,934 |
| Total program services | <u>1,807,886</u> | | <u>1,807,886</u> |
| Supporting services: | | | |
| Management and general | 176,884 | | 176,884 |
| Fundraising | 271,297 | | 271,297 |
| Total supporting services | <u>448,181</u> | | <u>448,181</u> |
| Total expenses | <u>2,256,067</u> | | <u>2,256,067</u> |
| Change in net assets from operations | <u>5,834,772</u> | <u>(1,305,417)</u> | <u>4,529,355</u> |
| <u>Nonoperating Activities</u> | | | |
| Investment return, net | <u>203,160</u> | | <u>203,160</u> |
| Total nonoperating activities | <u>203,160</u> | | <u>203,160</u> |
| Change in net assets | 6,037,932 | (1,305,417) | 4,732,515 |
| Net assets, beginning of year | <u>1,215,386</u> | <u>1,524,826</u> | <u>2,740,212</u> |
| Net assets, end of year | <u>\$ 7,253,318</u> | <u>\$ 219,409</u> | <u>\$ 7,472,727</u> |

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | Supporting Services | | |
|--------------------------------|--------------------|----------------------|------------------------------------|------------------------|-------------------|---------------------|
| | Relief in Ethiopia | Assistance in Israel | Information and Education - U.S.A. | Management and General | Fundraising | Total Expenses |
| Salaries and wages | \$ 13,158 | \$ 167,160 | \$ 108,941 | \$ 69,104 | \$ 144,029 | \$ 213,133 |
| Payroll taxes | 1,253 | 6,808 | 6,556 | 6,584 | 9,901 | 16,485 |
| Employee benefits | 4,074 | 22,130 | 21,311 | 21,402 | 32,179 | 53,581 |
| Rent | 2,790 | 26,909 | 14,593 | 14,655 | 22,034 | 36,689 |
| Telephone and communications | | 4,262 | 1,166 | 583 | 1,750 | 2,333 |
| Postage and shipping | | 2,684 | 8,051 | 5,366 | 10,734 | 16,100 |
| Office expense and supplies | 315 | 12,345 | 1,645 | 1,652 | 2,484 | 4,136 |
| Printing and publications | | 1,099 | 25,823 | 549 | 27,472 | 28,021 |
| Travel and other related costs | | 3,974 | 393 | 131 | 525 | 656 |
| Purchased services | | 39,912 | 4,885 | 29,311 | 4,885 | 34,196 |
| Program assistance | 141,517 | 1,120,714 | | | | 1,262,231 |
| Other operating expenses | | 34,848 | 8,570 | 27,547 | 15,304 | 42,851 |
| Total expenses | \$ 163,107 | \$ 1,442,845 | \$ 201,934 | \$ 176,884 | \$ 271,297 | \$ 448,181 |
| | | | | | | \$ 2,256,067 |

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in net assets | \$ 6,037,932 | \$ (1,305,417) | \$ 4,732,515 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | |
| Investment return, net | 203,160 | | 203,160 |
| Endowment funds released from restrictions | | 1,024,530 | 1,024,530 |
| Changes in operating assets and liabilities: | | | |
| Contributions receivable, net | 15,582 | 16,565 | 32,147 |
| Prepaid expenses | (36,634) | | (36,634) |
| Accounts payable and accrued expenses | (27,495) | | (27,495) |
| Deferred public support | (264,322) | | (264,322) |
| Net cash provided by (used in) operating activities | 5,928,223 | (264,322) | 5,663,901 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (6,250,879) | (8,573) | (6,259,452) |
| Net cash used in investing activities | (6,250,879) | (8,573) | (6,259,452) |
| Net decrease in cash and cash equivalents | (322,656) | (272,895) | (595,551) |
| Cash and cash equivalents, beginning of year | 1,726,552 | 454,148 | 2,180,700 |
| Cash and cash equivalents, end of year | \$ 1,403,896 | \$ 181,253 | \$ 1,585,149 |

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Organization:

North American Conference on Ethiopian Jewry, Inc. ("NACOEJ") is a nonprofit organization established in 1984. NACOEJ assists the community of Ethiopian Jews. It works independently and, whenever possible, in concert with other concerned agencies to respond to the needs of Ethiopian Jewry.

NACOEJ conducts its operations in Israel through North American Conference on Ethiopian Jewry-Israel ("NACOEJ-Israel") which is a separate nonprofit organization under local Israeli law. NACOEJ-Israel has a separate and distinct Board of Directors from NACOEJ although there is significant common control. NACOEJ signed an operational agreement with the government of Ethiopia to establish NACOEJ ("NACOEJ-Ethiopia") as a registered nongovernmental organization in Ethiopia. NACOEJ conducted its operations in Ethiopia through this entity, however, operations in Ethiopia have been phased out. During 2019, NACOEJ provided funds for some feeding programs through local organizations.

The primary programs of the Organization include:

- Relief in Ethiopia - provides food to Ethiopian Jews living in Ethiopia.
- Assistance in Israel - provides educational, cultural and vocational assistance and meals to Ethiopian Jews who have reached Israel in making a transition to their new land.
- Information and Education - U.S.A. - informs the American community about the current status of Ethiopian Jews in Ethiopia and Israel and introduces the American community to the cultural heritage of the Ethiopian Jews.

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

Combined financial statements:

The combined financial statements include the accounts and activities of NACOEJ and NACOEJ-Israel. Inter-organizational accounts and transactions have been eliminated in combination. As used herein, the "Organization" refers to NACOEJ and NACOEJ-Israel, collectively.

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 the Organization to report information regarding its financial position and activities according to the following net asset classifications :

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Basis of presentation (continued):

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 the Organization'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 the Organization 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.

Measure of operations:

The statement of activities 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 the Organization's program activities, and interest and dividends earned on investments. 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 other short-term investments with an original maturity of three months or less from the date of purchase.

Concentrations of credit risk:

Financial instruments that potentially subject the Organization 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. The Organization 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. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Contributions receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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. Management has recorded the contributions receivable net of estimated doubtful accounts of \$22,000 at December 31, 2019 and expects the balance to be collected within one year. 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.

Furniture and equipment, net:

Furniture and equipment are stated at cost at the date of purchase less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the respective assets on a straight-line basis. The useful lives range from five to seven years. The Organization's policy is to capitalize assets with a useful life of greater than one year and in excess of \$2,000. Furniture and equipment is fully depreciated as of December 31, 2019. Depreciation expense for the year ended December 31, 2019 was \$0.

Investments:

Investments get 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.

Collections:

The Organization maintains a collection of Ethiopian Jewish artifacts that were acquired during its numerous missions to Ethiopia. The collection is comprised of various decorative, ritual and functional items, including colorful woven straw baskets, traditional small black ceramic figures, musical instruments, hand-woven and hand-embroidered fabric and clothing, leather baby pouches, hand-forged tools and hand-constructed bellows and pit-looms. These items are maintained to preserve the unique and ancient culture of Ethiopian Jews.

Although the collection has historical significance, the collection is not a significant asset of the Organization. The Organization has elected not to capitalize this collection. The various items are either on loan to museums or kept in storage with the goal of finding a permanent home for them with a museum.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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). The Organization 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.**

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.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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 the Organization'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 the Organization'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.

Income taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization 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. The Organization 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 public support and investment income which comprise the significant revenue sources of NACOEJ are outside the scope of ASC 606.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 - Availability and Liquidity:

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

Financial assets:

| | <u>12/31/19</u> |
|-------------------------------|------------------|
| Cash and cash equivalents | \$ 1,585,149 |
| Contributions receivable, net | 52,793 |
| Investments | <u>6,050,297</u> |
| Total financial assets | <u>7,688,239</u> |

Less amounts not available to be used within one year:

| | |
|--|----------------|
| Net assets with donor restrictions | 219,409 |
| Less net assets with purpose restrictions to be met in less than a year | <u>219,409</u> |
| | <u>0</u> |

Financial assets available to meet general expenditures
over the next twelve months

\$ 7,688,239

NACOEJ's goal is to maintain financial assets to meet at least 90 days of operating expenses of approximately \$188,000.

Note 4 - Investments:

The following is a summary of investments at December 31, 2019:

| | <u>12/31/19</u> |
|-------------------------|---------------------|
| Equity securities | \$ 12,389 |
| Certificates of deposit | 5,003,348 |
| Mutual funds | <u>1,034,560</u> |
| Totals | <u>\$ 6,050,297</u> |

At December 31, 2019, all investments are considered Level 1 investments.

Note 5 - Lease commitments:

Total rent expense incurred under operating leases totaled \$80,981 for the year ended December 31, 2019. The Organization occupies premises in New York City under an operating lease which expired August 31, 2020 and was subsequently renewed for 5 years. Additional amounts are due for real estate tax and electricity escalation charges under the lease. The Organization occupies premises in Israel on a month to month basis.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 - Lease commitments (continued):

Minimum annual rental commitments in years subsequent to December 31, 2019 are:

| | |
|------------|-------------------|
| 2020 | \$ 66,200 |
| 2021 | 63,000 |
| 2022 | 63,700 |
| 2023 | 60,000 |
| 2024 | 67,500 |
| Thereafter | <u>45,900</u> |
| Totals | <u>\$ 366,300</u> |

Note 6 - Endowment funds:

Interpretation of law:

The Organization maintained an endowment fund, which was comprised of a certain donor-restricted fund functioning as an endowment to support a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value 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, the Organization would classify as net assets with donor restrictions (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation and depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 - Endowment funds (continued):

Investment policy:

Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods. Under the Organization's investment policy, endowment assets are invested in a manner that is intended to preserve inflation adjusted values and provide annual budgetary support that is both stable and growing.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both a current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation, including, but not limited to, equity and fixed income instruments.

From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies at December 31, 2019 as there were no endowment funds at December 31, 2019.

Prior year endowment funds of \$1,024,530 were all released from restrictions during the year ended December 31, 2019.

Note 7 - Employee benefit plans:

The Organization sponsors a defined contribution pension plan which covers all eligible employees working in the United States. Contributions to the plan are determined by the Board of Directors. Pension expense was \$37,397 in 2019.

The Organization maintains an employee severance pay fund for eligible employees working in Israel as required by Israeli law. In 2019, the provision for employee severance pay was \$351,097 calculated on the basis of one month's salary multiplied by years of employment for each employee. Prepaid employee severance pay at December 31, 2019 was \$66,387 which is included in the prepaid expenses on the combined statement of financial position.

Note 8 - Joint cost allocation:

In 2019, the Organization incurred joint costs of \$53,295 for informational materials and activities that included fundraising appeals. Of those costs, \$27,472 was allocated to fundraising expense and \$25,823 was allocated to information and education.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9 - 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 NACOEJ has evaluated subsequent events through October 21, 2020, the financial statement issuance date. The management of NACOEJ has determined that 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 NACOEJ 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 NACOEJ believes the current condition related to COVID-19 has negatively impacted NACOEJ, 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, NACOEJ secured a Payroll Protection Program ("PPP") loan of approximately \$84,000 in May of 2020. The full amount of the loan is eligible for forgiveness, but such has not yet been determined.

* * * * *