Friends of United Hatzalah, Inc.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Roth&Co
BEYOND BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of United Hatzalah, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of United Hatzalah, Inc., which comprise the statements of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, functional expenses, and statements of 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of United Hatzalah, 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.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
January 11, 2022

<u>**ASSETS**</u>		
CURRENT ASSETS		
Cash	$ 3,015,949	
Pledges receivable, net	4,275,675	
Prepaid expenses	77,862	
TOTAL CURRENT ASSETS		$ 7,369,486
FIXED ASSETS		
Vehicles	33,643	
Accumulated depreciation	(11,992)	
NET FIXED ASSETS		21,651
OTHER ASSETS		
Pledges receivable, long-term	400,000	
Investment property	219,904	
Security deposits	15,960	
TOTAL OTHER ASSETS		635,864
TOTAL ASSETS		$ 8,027,001
<u>**LIABILITIES AND NET ASSETS**</u>		
CURRENT LIABILITIES		
Accounts payable	$ 74,586	
Accrued expenses	320,553	
TOTAL CURRENT LIABILITIES		$ 395,139
NET ASSETS		
Without donor restrictions	7,231,862	
With donor restrictions	400,000	
TOTAL NET ASSETS		7,631,862
TOTAL LIABILITIES AND NET ASSETS		$ 8,027,001

Friends of United Hatzalah, Inc.
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions, grants and special events	$ 23,643,768	$ -	$ 23,643,768
Direct cost of special events	(1,519,402)	-	(1,519,402)
Net revenue from contributions, grants and special events	22,124,366	-	22,124,366
Interest and dividends	893	-	893
Net assets released from restriction	320,000	(320,000)	-
TOTAL REVENUES	22,445,259	(320,000)	22,125,259
OPERATING EXPENSES			
Program expenses	16,251,826	-	16,251,826
General and administrative expenses	2,459,947	-	2,459,947
Fundraising expenses	2,204,780	-	2,204,780
TOTAL OPERATING EXPENSES	20,916,553	-	20,916,553
CHANGES IN NET ASSETS	1,528,706	(320,000)	1,208,706
NET ASSETS - BEGINNING	5,703,156	720,000	6,423,156
NET ASSETS - ENDING	$ 7,231,862	$ 400,000	$ 7,631,862

Friends of United Hatzalah, Inc.
Statement of Functional Expenses
For The Year Ended December 31, 2019

	Program	General and Administrative	Fundraising	Total
Grants	$ 15,957,100	$ -	$ -	$ 15,957,100
Salaries	189,167	508,849	1,147,518	1,845,534
Payroll taxes and employee benefits	27,142	73,010	164,647	264,799
Advertising	-	-	271,954	271,954
Bad debt	-	1,396,388	-	1,396,388
Bank and credit card fees	-	22,897	112,623	135,520
Depreciation	548	1,475	3,325	5,348
Insurance	2,258	6,072	13,695	22,025
Occupancy	12,402	33,360	75,232	120,994
Office expense	18,572	48,688	115,204	182,464
Professional fees	-	249,135	29,806	278,941
Telephone and internet	5,528	14,872	33,536	53,936
Travel	39,109	105,201	237,240	381,550
TOTAL EXPENSES	$ 16,251,826	$ 2,459,947	$ 2,204,780	$ 20,916,553

Friends of United Hatzalah, Inc.
Statement of Cash Flows
For The Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets		$ 1,208,706
Adjustment to reconcile changes in net assets		
to net cash provided by operating activities		
Depreciation	$ 5,348	
Bad debt expense	1,396,388	
Donation of vehicle	15,155	
Changes in operating assets and liabilities		
Pledges receivable	(2,407,032)	
Prepaid expenses	(77,862)	
Security deposit	(15,960)	
Accounts payable	48,240	
Accrued expenses	316,555	
Total adjustments		(719,168)
NET CASH PROVIDED BY OPERATING ACTIVITIES		489,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(14,455)	
NET CASH USED IN INVESTING ACTIVITIES		(14,455)
NET CHANGE IN CASH		475,083
CASH AT BEGINNING OF YEAR		2,540,866
CASH AT END OF YEAR		$ 3,015,949

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
Friends of United Hatzalah, Inc. (the organization), a not-for-profit organization formed in New York in January 2000, provides funds to organizations that provide medical first responder services throughout the world. Programs are funded by contributions.

Income Tax Status
The organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other assets and liabilities.

Cash Equivalents
For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less.

Pledges 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 are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Interest is not charged or accrued on outstanding receivables nor does the organization require collateral in support of its receivables.

The organization evaluates the collectability of its receivables and will establish an allowance for doubtful accounts as a contra receivable based on the age of the receivables, creditworthiness of the liable party, actual collections of these receivables in subsequent periods, current economic conditions and historical information. Increases in the allowance for doubtful accounts are charged to bad debt expense which is included in the general and administrative expenses. Receivables that are still outstanding after management has used reasonable collection efforts are written off by reducing the receivable and allowance for doubtful accounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets
The organization capitalizes all expenditures for property, plant, and equipment in excess of $5,000 at cost. Improvements and replacements of property and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Management reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the organization recognizes an impairment loss. No impairment losses were recognized for the year ended December 31, 2019.

Revenue Recognition
Contributions are recognized as support when received or when evidenced by a promise to give.

Advertising Expense
The organization uses advertising to raise funds among the audiences it serves. Advertising costs are expensed as incurred.

Functional Allocation of Expenses
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimated time spent on each function; as well as bank and credit card fees, depreciation, insurance, occupancy, office expense, telephone and internet, and travel which are allocated based on salaries.

Estimates
The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets
The organization reports information regarding its financial position and activities in two classes of net assets:

- Net assets without donor restrictions – net assets that are not subject to any donor-imposed stipulations.
- Net assets with donor restrictions – net assets subject to donor-imposed restrictions on their use. The restrictions may be met by actions of the organization or by the passage of time, or the donor-imposed or other legal restrictions may require that the principal be maintained permanently by the organization.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classes of Net Assets (continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized. The organization does not recognize an implied restriction on donations of long-lived assets. Rather, such donations are recorded as without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, reported in the statement of activities as net assets released from restrictions.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable at December 31, 2019 are $4,675,675 (net of an allowance for uncollectible amounts of $725,477) and consist of unconditional promises to give. Approximately $4,275,675 is expected to be collected in less than one year and approximately $400,000 is expected to be collected in two years.

NOTE 3 INVESTMENT PROPERTY

Investment property consists of an apartment donated to the organization. The organization intends to sell the property and use the proceeds to support its operations. The apartment is reported at fair value, based on a recent appraisal.

NOTE 4 NATURE OF RESTRICTED ASSETS

Net assets with donor restrictions consists of net assets whose use has been restricted by donors to a specific time period.

NOTE 5 DONATED SERVICES

Volunteers contribute to the activities of the organization. The value of these services is not reflected in the financial statements since it is not susceptible to objective valuation or measurement.

NOTE 6 LIQUIDITY AND AVAILABILITY

The organization's discretionary grants to others represent approximately 77% of expenditures. Liquidity is managed by disbursing grants as funds are available.

NOTE 6 LIQUIDITY AND AVAILABILITY (continued)

As of December 31, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	$ 3,015,949
Pledges receivable, net	4,275,675
Total	$ 7,291,624

NOTE 7 CONCENTRATIONS OF CREDIT RISK

Cash
At times, the organization maintains cash balances in excess of the Federal Deposit Insurance Corporation insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash.

Pledges Receivable
One donor's outstanding pledge balance accounted for 13% of the organization's assets at December 31, 2019.

NOTE 8 SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that the impacts of the pandemic will continue for some time. As of the date these financial statements were available to be issued, the organization has resumed normal operations.

As a result of the uncertainty surrounding the COVID-19 pandemic and its impact on operating results, the organization applied for and, in April 2020, received loan proceeds of $310,273 under the Paycheck Protection Program ("PPP") under a promissory note from Chase Bank (the "PPP Loan"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration. The PPP Loan has a two-year term and bears interest at an annual interest rate of 1%. Monthly principal and interest payments are deferred for six months, and the maturity date is April 2022. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of the loan and accrued interest. Such forgiveness is determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, and retention of employees and maintaining salary levels. In August 2021, $300,654 of the original loan amount and its related accrued interest, was forgiven. The remaining amount of the loan and accrued interest was paid back in full in August 2021.

NOTE 8 SUBSEQUENT EVENTS (continued)

In February 2021, the organization was approved for an additional PPP Loan of $387,942 under a new promissory note from Chase Bank. This loan has a five-year term and bears interest at an annual interest rate of 1%. Monthly principal and interest payments are deferred up to sixteen months from the origination of the loan. If certain conditions are met, the loan and accrued interest may be eligible for forgiveness.

The organization has evaluated subsequent events through January 11, 2022, the date these financial statements were available to be issued. Aside from matters already disclosed above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.