

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

COMBINED FINANCIAL STATEMENTS

YEAR ENDED

DECEMBER 31, 2020

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 (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2020, 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 \$316,133 as of December 31, 2020 and total support and revenues of \$1,169,360 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 North American Conference on Ethiopian Jewry - Israel, 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, 2020 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
November 1, 2021

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,295,506	\$ 187,346	\$ 1,482,852
Contributions receivable, net	97,625	48,242	145,867
Prepaid expenses	100,391		100,391
Investments	6,688,454		6,688,454
Security deposits	15,553		15,553
Total assets	\$ 8,197,529	\$ 235,588	\$ 8,433,117

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 137,348	\$ 137,348
Deferred public support	187,346	187,346
Total liabilities	324,694	324,694

Net assets:

Without donor restrictions	7,872,835	7,872,835
With donor restrictions	235,588	235,588
Total net assets	7,872,835	8,108,423
Total liabilities and net assets	\$ 8,197,529	\$ 8,433,117

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

**COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Activities</u>			
Revenues and Other Support:			
Public support	\$ 1,544,180	\$ 677,766	\$ 2,221,946
Sales (net of cost of goods sold of \$75)	550		550
Other income	2,483		2,483
Interest and dividend income	221,961		221,961
Net assets released from restrictions	661,587	(661,587)	
Total revenues and other support	2,430,761	16,179	2,446,940
Expenses:			
Program services:			
Relief in Ethiopia	444,145		444,145
Assistance in Israel	1,175,549		1,175,549
Information and Education - USA	192,928		192,928
Total program services	1,812,622		1,812,622
Supporting services:			
Management and general	179,215		179,215
Fundraising	282,544		282,544
Total supporting services	461,759		461,759
Total expenses	2,274,381		2,274,381
Change in net assets from operations	156,380	16,179	172,559
<u>Nonoperating Activities</u>			
Investment return, net	463,137		463,137
Total nonoperating activities	463,137		463,137
Change in net assets	619,517	16,179	635,696
Net assets, beginning of year	7,253,318	219,409	7,472,727
Net assets, end of year	\$ 7,872,835	\$ 235,588	\$ 8,108,423

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services		
	Relief in Ethiopia	Assistance in Israel	Information and Education - U.S.A.	Management and General	Fundraising	Total
Salaries and wages	\$ 13,411	\$ 211,335	\$ 111,801	\$ 71,093	\$ 147,896	\$ 218,989
Payroll taxes	1,033	5,646	5,437	5,481	14,177	19,658
Employee benefits	3,898	21,310	20,521	20,686	39,117	59,803
Rent	2,784	46,787	14,658	14,777	22,162	36,939
Telephone and communications		1,603	776	388	1,163	1,551
Postage and shipping		220	660	440	6,881	7,321
Office expense and supplies	246	19,132	1,294	1,304	1,955	3,259
Printing and publications		946	22,222	473	23,639	24,112
Travel and other related costs		6,361	521	174	693	867
Purchased services		38,289	5,766	34,595	5,765	40,360
Program assistance	422,773	798,114	1,220,887			1,220,887
Other operating expenses		25,806	9,272	29,804	19,096	48,900
Total expenses	\$ 444,145	\$ 1,175,549	\$ 192,928	\$ 179,215	\$ 282,544	\$ 461,759
						\$ 2,274,381

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

**COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 619,517	\$ 16,179	\$ 635,696
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Investment return, net	(463,137)		(463,137)
Changes in operating assets and liabilities:			
Contributions receivable, net	(82,988)	(10,086)	(93,074)
Prepaid expenses	(16,109)		(16,109)
Accounts payable and accrued expenses	3,254		3,254
Deferred public support	6,093		6,093
	66,630	6,093	72,723
Net cash provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(175,020)		(175,020)
Net cash used in investing activities	(175,020)		(175,020)
Net increase (decrease) in cash and cash equivalents	(108,390)	6,093	(102,297)
Cash and cash equivalents, beginning of year	1,403,896	181,253	1,585,149
Cash and cash equivalents, end of year	\$ 1,295,506	\$ 187,346	\$ 1,482,852

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 2020, NACOEJ provided funds to some feeding programs through local organizations.

The primary programs of NACOEJ 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, 2020 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 equivalents and investments. At various times during the year, the cash and investment balances may exceed the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 or the Securities Investor Protection Corporation (SIPC) limits of \$500,000. 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):

Concentrations of credit risk (continued):

At December 31, 2020, the Organization's uninsured cash and investment balances total approximately \$6,166,000.

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, 2020 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, 2020. Depreciation expense for the year ended December 31, 2020 was \$0.

Investments:

Investments get recorded at cost, if purchased, or at fair value, if donated and thereafter, investments are reported at their fair values in the statement of financial position. 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-loom. These items are maintained to preserve the unique and ancient culture of Ethiopian Jews.

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):

Collections (continued):

Although the collection has historical significance, the collection is not a financially 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.

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 may be 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

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 (continued):

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 the Organization's mission. These services have not been reflected in the accompanying statement of activities because they do not create or enhance a nonfinancial asset or require specialized skills.

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.

Revenue Recognition:

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

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):

Revenue Recognition (continued):

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 the Organization are outside the scope of ASC 606.

Note 3 - Availability and Liquidity:

The following represents the Organization's financial assets at December 31, 2020:

Financial assets:

Cash and cash equivalents	\$ 1,482,852
Contributions receivable, net	145,867
Investments	<u>6,688,454</u>
Total financial assets	<u>8,317,173</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	235,588
Less net assets with purpose restrictions to be met in less than a year	<u>235,588</u>
Net amounts not available to be used within one year	<u>0</u>

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

\$ 8,317,173

The Organization's goal is to maintain financial assets to meet at least 90 days of operating expenses of approximately \$569,000.

Note 4 - Investments:

The following is a summary of investments at December 31, 2020:

Equity securities and funds	\$ 2,220,383
Fixed income securities and funds	<u>4,468,071</u>
Totals	<u>\$ 6,688,454</u>

At December 31, 2020, all investments are considered Level 1 investments.

Note 5 - Lease commitments:

Total rent expense incurred under operating leases totaled \$101,168 for the year ended December 31, 2020. The Organization occupies premises in New York City under an operating lease which expires on August 31, 2025. Additional amounts are due for real

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 - Lease commitments (continued):

estate tax and electricity escalation charges under the lease. The Organization occupies premises in Israel on a month to month basis.

Minimum annual rental commitments in years subsequent to December 31, 2020 are:

2021	\$ 63,000
2022	63,700
2023	60,000
2024	67,500
2025	<u>45,900</u>
Totals	<u>\$ 300,100</u>

Note 6 - 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 \$37,655 in 2020.

The Organization maintains an employee severance pay fund for eligible employees working in Israel as required by Israeli law. In 2020, the provision for employee severance pay was \$318,505 calculated on the basis of one month's salary multiplied by years of employment for each employee. Prepaid employee severance pay at December 31, 2020 was \$83,028 which is included in the prepaid expenses on the combined statement of financial position.

Note 7 - Joint cost allocation:

In 2020, the Organization incurred joint costs of \$45,861 for informational materials and activities that included fundraising appeals. Of those costs, \$23,639 was allocated to fundraising expense and \$22,222 was allocated to information and education.

Note 8 - Risks and Uncertainties:

During the year ended December 31, 2020, 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 the Organization 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 the Organization believes the current condition related to COVID-19 has

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8 - Risks and Uncertainties (continued):

improved, management continues to monitor the economic conditions and its impact on the Organization.

Note 9 - Forgivable Paycheck Protection Program Loan:

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act that, among other economic stimulus measures, established the Payroll Protection Program ("PPP") to provide small business loans. Under these provisions, if a PPP loan is used for certain qualifying expenses, it is eligible for forgiveness. In April, 2020, the Organization obtained a PPP loan of approximately \$84,000, which is reflected as contribution income in the Combined Statement of Activities for the year ended December 31, 2020. The full amount of the PPP loan has been forgiven as of March 31, 2021 although the conditions for forgiveness were substantially met during the year ended December 31, 2020.

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 the Organization has evaluated subsequent events through November 1, 2021, the financial statement issuance date. The management of the Organization has determined that there are no unrecognized subsequent events that require additional disclosure.

*** * * * ***