

The Abraham Initiatives, Inc.
Financial Statements
December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
The Abraham Initiatives, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Abraham Initiatives, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

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Certified Public Accountants

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

sgc & associates llp

Great Neck, New York
September 17, 2020

The Abraham Initiatives, Inc
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash	\$ 185,995	\$ 7,914
Cash - revolving reserve fund	650,000	500,000
Certificate of deposit	10,334	10,171
Investments, at fair value	60,824	54,169
Total current assets	907,153	572,254
Other assets	4,410	4,410
Total assets	\$ 911,563	\$ 576,664
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued expenses and other current liabilities	\$ 17,716	\$ 16,863
Total current liabilities	17,716	16,863
Total liabilities	17,716	16,863
Commitments		
Net assets:		
Without donor restrictions	182,790	5,236
With donor restrictions	711,057	554,565
Total net assets	893,847	559,801
Total liabilities and net assets	\$ 911,563	\$ 576,664

See Notes to Financial Statements

The Abraham Initiatives, Inc
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Contributions	\$ 1,046,458	\$ 755,000	\$ 1,801,458	\$ 862,445	\$ 438,500	\$ 1,300,945
Net assets released from restrictions	605,000	(605,000)	-	538,311	(538,311)	-
	1,651,458	150,000	1,801,458	1,400,756	(99,811)	1,300,945
Expenses						
Programs	1,254,314	-	1,254,314	1,514,671	-	1,514,671
Fundraising	115,418	-	115,418	85,397	-	85,397
Management and general	104,335	-	104,335	112,052	-	112,052
	1,474,067	-	1,474,067	1,712,120	-	1,712,120
Change in net assets from operating activities	177,391	150,000	327,391	(311,364)	(99,811)	(411,175)
Nonoperating activities						
Interest	163	-	163	91	-	91
Net investment income	-	6,492	6,492	10,471	-	10,471
Change in net assets from nonoperating activities	163	6,492	6,655	10,562	-	10,562
Change in net assets	177,554	156,492	334,046	(300,802)	(99,811)	(400,613)
Net assets, beginning of year	5,236	554,565	559,801	306,038	654,376	960,414
Net assets, end of year	\$ 182,790	\$ 711,057	\$ 893,847	\$ 5,236	\$ 554,565	\$ 559,801

See Notes to Financial Statements

The Abraham Initiatives, Inc
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	2019					
	Program Activities		Supporting Activities			
	Program	Total Program	Management & General	Fund-raising	Supporting Subtotal	Total Expenses
Grants to the Abraham Fund Israel	\$ 1,075,000	\$ 1,075,000	\$ -	\$ -	\$ -	\$ 1,075,000
Other grants	1,500	1,500	-	-	-	1,500
Salaries and benefits	128,006	128,006	59,479	32,027	91,506	219,513
Professional fees	-	-	28,253	-	28,253	28,253
Outreach and promotion	-	-	-	55,254	55,254	55,254
Trainings and conferences	-	-	-	11,534	11,534	11,534
Office expenses	18,861	18,861	6,287	6,287	12,574	31,435
Telephone and communications	802	802	267	267	535	1,337
Occupancy costs	20,059	20,059	6,686	6,686	13,373	33,432
Insurance	2,768	2,768	923	923	1,846	4,614
Travel and meetings	7,317	7,317	2,439	2,439	4,878	12,195
	<u>\$ 1,254,314</u>	<u>\$ 1,254,314</u>	<u>\$ 104,335</u>	<u>\$ 115,418</u>	<u>\$ 219,753</u>	<u>\$ 1,474,067</u>

See Notes to Financial Statements

The Abraham Initiatives, Inc
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	2018					
	Program Activities		Supporting Activities			
	Program	Total Program	Management & General	Fund-raising	Supporting Subtotal	Total Expenses
Grants to the Abraham Fund Israel	\$ 1,278,500	\$ 1,278,500	\$ -	\$ -	\$ -	\$ 1,278,500
Other grants	7,000	7,000	-	-	-	7,000
Salaries and benefits	139,361	139,361	48,328	26,023	74,350	213,711
Professional fees	-	-	38,381	-	38,381	38,381
Outreach and promotion	-	-	-	27,686	27,686	27,686
Trainings and conferences	-	-	-	6,345	6,345	6,345
Office expenses	48,176	48,176	11,466	11,466	22,931	71,107
Telephone and communications	2,119	2,119	706	706	1,412	3,531
Occupancy costs	17,921	17,921	5,974	5,974	11,948	29,869
Insurance	2,449	2,449	816	816	1,632	4,081
Travel and meetings	19,145	19,145	6,382	6,382	12,764	31,909
	<u>\$ 1,514,671</u>	<u>\$ 1,514,671</u>	<u>\$ 112,052</u>	<u>\$ 85,397</u>	<u>\$ 197,449</u>	<u>\$ 1,712,120</u>

See Notes to Financial Statements

The Abraham Initiatives, Inc
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	334,046	\$ (400,613)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	2,749	12,002
Proceeds from sale of donated securities	(1,629)	(11,613)
Unrealized (loss) gain on investments	(7,775)	371
Change in certificate of deposit	(163)	(91)
Change in contributions receivable	-	110,328
Change in accounts receivable and other assets	-	(2,355)
Change in accounts payable, accrued expenses, and other current liabilities	853	(27,814)
Net cash provided (used) by operating activities	328,081	(319,785)
Increase (decrease) in cash	328,081	(319,785)
Cash, Beginning of year	507,914	827,699
Cash, End of year	\$ 835,995	\$ 507,914

See Notes to Financial Statements

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1. Organization and Purpose

The Abraham Initiatives, Inc. (the Organization) is a not-for-profit corporation organized under the laws of the State of Delaware on November 15, 1989.

The Organization's focus is on building an equal and shared society in Israel. Named for the common ancestor of both Jews and Arabs, the Organization advances a cohesive, secure and just Israeli society by promoting policies based on innovative social models, and by conducting large-scale social change initiatives, advocacy and public education. The Organization provides funding for Keren Avraham. Keren Avraham is an Israeli not-for-profit organization.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The Organization's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) to ensure financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (FASB ASC).

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Financial statement presentation: The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

Financial statement presentation (Continued): 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, where by the donor has stipulated the funds be maintained in perpetuity.

Investments and Fair Value Measurements: Investments are presented in the financial statements at fair value. Donated investments are initially recorded at fair value at the date of the donation. Gains and losses arising from the sale, maturity or other disposition of investments are accounted for on a specific identification basis calculated as of the trade-date. Dividends, unrealized gains and losses and net realized gains and losses are recognized and included in net investment income (loss) on the accompanying statements of activities. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

The estimates of fair value are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Organization's significant market assumptions.

The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for substantially the full period for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Measure of Operations: The statements 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 ongoing activities. 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.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

Market Risk: The Organization's investments are exposed to various risks, such as fluctuations in fair value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect the amounts reported in the statements of financial position.

Property and equipment: Property and equipment are recorded at cost on the date of acquisition or at fair value on the date of donation. Expenditures for major renewals and improvements are capitalized while expenditures for maintenance are expensed as incurred. Depreciation on property and equipment is computed using the straight-line method over the following estimated useful lives of the related assets:

<u>Description</u>	<u>Years</u>
Computers and equipment	5
Furniture	5-10

Costs associated with on-going projects are accumulated as construction in progress until completion. The completed asset is then reclassified to property and equipment and depreciated over its estimated useful life once placed in service.

Depreciation expense on fixed assets for the years ended December 31, 2019 and 2018 was \$0 and \$0, respectively.

Contributions receivable: Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in one year or more are recorded at the net present value of the estimated future cash flows of the outstanding principal balance, using credit-adjusted interest rates. Amortization of the discount is included in contributions revenue. An allowance for doubtful contributions, if any, is provided by management based on the Organization's experience with the donors and their ability to pay. There were no contributions receivable at December 31, 2019 and 2018.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Unconditional contributions are recognized when pledged and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Liquidity: In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities to their estimated maturity.

Grants expenses: Grants are recorded as expenses when they are approved by the Organization's board of directors and the grantees are identified. Grants payable are amounts committed but not yet disbursed at year-end.

Grants to Israel Affiliate: As of November 13, 2014, when the amended by-laws were adopted, the purpose of the Organization is to provide general operating support for the work of Amuta, the Israeli registered name of Keren Avraham. "Keren Avraham is an Israeli not-for-profit organization with a mission to fulfill the promise of full and equal citizenship and complete equality of social and political rights for Israel's Jewish and Arab citizens, as embodied in Israel's Declaration of Independence."

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

Functional Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Programs	Time and Effort
Salaries and benefits	Time and Effort
Professional fees	Time and Effort
Outreach and promotion	Time and Effort
Trainings and conferences	Time and Effort
Office expenses	Time and Effort
Phone and communications	Usage
Occupancy costs	Square Footage
Insurance	Usage
Travel and meetings	Time and Effort

Contributed Services: Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

All members of the Board of Directors are unpaid and have made significant contribution of their time to develop the Organization's programs and assist in their administration. Since the services do not meet the criteria for recognition, the value of contributed time has not been reflected in the accompanying financial statements.

Tax status: The Organization is a not-for-profit organization generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows FASB ASC 740, "Income Taxes", which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes that the Organization has no material uncertainties in income taxes. The Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

The Organization will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements: On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Subsequent Events Evaluation: The Organization has evaluated subsequent events through September 17, 2020, the date which the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

Note 3. Investments

The following table is a summary of the Organization’s investments, at fair value as of December 31, 2019 and 2018:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 20,379	\$ 20,379	\$ 18,222	\$ 16,567
Mutual funds	37,673	36,000	34,292	36,000
Common stock	2,772	114	1,655	1,655
	<u>\$ 60,824</u>	<u>\$ 56,493</u>	<u>\$ 54,169</u>	<u>\$ 54,222</u>

Net investment income for the years ended December 31, 2019 and 2018 was as follows:

	2019	2018
Interest and dividends	\$ 2,207	\$ 1,920
Realized and unrealized gains	4,297	8,563
Investment expenses	(12)	(12)
Net investment income	<u>\$ 6,492</u>	<u>\$ 10,471</u>

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4. Fair Value Measurements

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money Market Funds: Money market Organizations are classified within Level 1 of the fair value hierarchy and are valued based on quoted prices in active markets for identical securities.

Mutual Funds: Valued at the daily closing price as reported by the Organization. Mutual Organizations held by the Organization are open-end mutual Organizations that are registered with the U.S. Securities and Exchange Commission. These Organizations are required to publish their daily net asset value and to transact at that price. The mutual Organizations held by the Organization are deemed to be actively traded. Because the mutual Organizations are actively traded, they are classified within Level 1 of the fair value hierarchy.

Common Stock: Common stock is classified within Level 1 of the fair value hierarchy and is valued using quoted market prices. Securities listed on national exchanges are principally valued at the regular trading session closing price on the exchange or market in which these securities are principally traded on the last business day of each period presented.

The following table is a summary of the investments measured at fair value within the GAAP fair value hierarchy on a recurring basis as of December 31, 2019. These are presented on a desegregated basis by class, determined by nature and risk associated with each investment:

	December 31, 2019			
	Level 1	Level 2	Level 3	
	Active Markets for Identical Assets	Other Observable Inputs	Significant Unobservable Assets	Total
Investments Measured at Fair Value Subject to Fair Value Leveling :				
Money market funds	\$ 20,379	\$ -	\$ -	\$ 20,379
Mutual funds:				
Income funds	37,673	-	-	37,673
Common stock	2,772	-	-	2,772
Total investments in the fair value hierarchy measured at fair value	\$ 60,824	\$ -	\$ -	\$ 60,824

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4. Fair Value Measurements (Continued)

The following table is a summary of the investments measured at fair value within the GAAP fair value hierarchy on a recurring basis as of December 31, 2018. These are presented on a desegregated basis by class, determined by nature and risk associated with each investment:

December 31, 2018				
	Level 1	Level 2	Level 3	
	Active			
	Markets for	Other	Significant	
	Identical	Observable	Unobservable	
	Assets	Inputs	Assets	Total
Investments Measured at Fair Value Subject to Fair Value Leveling :				
Money market funds	\$ 18,222	\$ -	\$ -	\$ 18,222
Mutual funds:				
Income funds	34,292	-	-	34,292
Common stock	1,655	-	-	1,655
Total investments in the fair value hierarchy measured at fair value	\$ 54,169	\$ -	\$ -	\$ 54,169

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended December 31, 2019 and 2018.

Management routinely assesses the financial strengths of its investment portfolio and believes there is no significant concentration of risk or credit exposure.

Note 5. Program and Supporting Activities

The following program and supporting activities are included in the accompanying financial statements:

Programs:

The central activity of The Organization's focus is on building an equal and shared society in Israel. Named for the common ancestor of both Jews and Arabs, the Organization advances a cohesive, secure and just Israeli society by promoting policies based on innovative social models, and by conducting large-scale social change initiatives, advocacy and public education.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 5. Program and Supporting Activities (Continued)

Management and General:

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration; and manage the financial and budgetary responsibilities of the Organization.

Fund-Raising:

Provides the structure necessary to encourage and secure financial support from individuals, foundations, and corporations for the Organization's programs.

Note 6. Grants Payable

As part of its program activities, the Organization may make periodic grants to qualifying not-for-profit organizations in Israel that support the mission and meet the grants criteria of the Organization. There were no grants unpaid at December 31, 2019 and 2018.

Note 7. Revolving Reserve Funds

The Organization has a revolving reserve fund to serve as an internal line of credit. The revolving reserve fund is comprised of donor restricted funds totaling \$500,000 received by a donor and board designated funds totaling \$150,000. The donor restricted funds and board designated funds designated for the revolving reserve fund totaled \$650,000 for the years ended December 31, 2019 and 2018.

Note 8. Net assets with donor restrictions

Net assets with donor restrictions, consisted of the following at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Conflict resolution scholarship	\$ 8,038	\$ 8,038
Permanently restricted	53,019	46,527
Revolving reserve fund	<u>650,000</u>	<u>500,000</u>
	<u>\$ 711,057</u>	<u>\$ 554,565</u>

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 8. Net assets with donor restrictions (Continued)

Permanently restricted net assets of \$53,019 and \$46,527 at December 31, 2019 and 2018 consist of the principal portion of the investments designated for university scholarships in Israel (Conflict Resolution Scholarships). Investment returns from these investments are required to be accumulated, and are available for scholarships.

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donor were as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Education Department	\$ 120,000	\$ -
Womens Leadership	-	10,000
Shared Learning	100,000	265,000
Safe Communities	200,000	100,000
Campus as a Shared Space	-	10,000
IATF Membership	5,000	5,000
Living in One Land	105,000	15,000
Marketing/Resource Development	10,000	-
Shared Cities	50,000	-
30th Anniversary Celebrations	15,000	-
Time Restriction	-	133,311
	\$ 605,000	\$ 538,311

Note 9. Net Assets – Endowment Funds

The Organization’s endowment consists of donor-restricted endowment funds which are designated by the Board of Directors to function as endowment. The Organization is subject to the New York State Prudent Management of Institutional Organizations Act (NYSPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted NYSPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted NYSPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 9. Net Assets – Endowment Funds (Continued)

Additionally, in accordance with NYSPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation or deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specific period(s). Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return net of inflation, spending distributions and administrative fees each year.

The objectives of the Organization's investment portfolio are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power or real rate of return will be defined as returns in excess of inflation as defined by the Consumer Price Index – Urban (CPI-U). At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the assets while providing the necessary capital to fund the annual spending policy plus administrative fees.

Strategies Employed for Achieving Objectives

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. The assets are invested for the long term and higher short-term volatility in these assets is to be expected and accepted.

The Abraham Initiatives, Inc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 9. Net Assets – Endowment Funds (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The funds spending distributions are made to participating funds based on their pro-rata share of the total of all participating funds. In establishing this policy, the Organization considered the long-term expected return on its endowment and the Organization’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment returns.

Changes in endowment net assets for the years ended December 31, 2019 and 2018 were as follows:

	With Donor Restrictions	
	2019	2018
Endowment net assets at January 1	\$ 54,565	\$ 53,428
Investment income	6,492	1,137
Endowment net assets at December 31	\$ 61,057	\$ 54,565

As of December 31, 2019, and 2018, the endowment is comprised of:

Investments	\$ 60,824	\$ 54,169
Cash	233	396
	\$ 61,057	\$ 54,565

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYSPMIFA requires the Organization to retain as a fund of perpetual duration. There was no deficiency of this nature as of December 31, 2019 and 2018. The Organization has a policy that permits spending underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

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Note 10. Liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 185,995	\$ 7,518
Certificate of deposit	<u>10,334</u>	<u>10,171</u>
	<u>\$ 196,329</u>	<u>\$ 17,689</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash available in excess of daily requirements in short-term investments.

Financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing in endowments.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 11. Commitments

The Organization operated in a month-to-month leased office space in Massachusetts which expired in August 2018. The Organization entered into a month-to-month lease for office space in New York effective August 1, 2018 for a monthly rent of \$2,499 and moved its operations to New York.

Rent expense amounted to approximately \$33,500 and \$30,000 for the years ended December 31, 2019 and 2018, respectively.

Note 12. 403(b) Pension Plan - United States

The Organization has a defined contribution employee benefit plan for all eligible employees in the United States. Employees must have completed one year of service unless the employee was coming to the Organization from another not-for-profit organization. Participants may elect to defer up to 25% of their annual compensation, subject to limitations as provided in the Internal Revenue Code. The Organization contributed 5% of the participants' annual compensation during years ended December 31, 2019 and 2018, which can be adjusted on a yearly basis pending approval by the board. Participants vest fully in the employer's contribution immediately. The Organization made retirement contributions totaling \$8,129 and \$10,385 for the years ended December 31, 2019 and 2018, respectively.

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Note 13. Concentrations

Financial instruments that potentially subject the Organization to a concentration of credit risk are cash accounts with major financial institutions which from time to time are in excess of Federal Deposit Insurance Corporation insurance limits, and contributions receivable.

At December 31, 2019 and 2018, all cash accounts are held by one bank. This financial institution has a strong credit rating and management believes that credit risk related to this account is minimal.

Contributions for the year ended December 31, 2019 included \$250,000 from one foundation. Contributions for the year ended December 31, 2018 included \$250,000 and \$150,000 from two foundations.