



FINANCIAL REPORT



IMPACTISRAEL, INC.

YEARS ENDED DECEMBER 31, 2023 AND 2022

IMPACTISRAEL, INC.
FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2023 AND 2022

CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Functional Expenses | 5 - 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 - 23 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ImpactIsrael, Inc.
Needham, Massachusetts

Opinion

We have audited the accompanying financial statements of ImpactIsrael, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ImpactIsrael, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of ImpactIsrael, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Adjustments - Correction of Error

As described in Note 17 to the financial statements, certain errors were discovered by management of the organization during the current year impacting the 2022 and 2021 financial statements. Accordingly amounts reported for opening net assets with donor restrictions, contributions, grants and pledges with donor restrictions, and contributions and grants receivable, current portion have been restated in the 2022 financial statements now presented. Our opinion is not modified with respect to these adjustments.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ImpactIsrael, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ImpactIsrael, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ImpactIsrael, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Thompson Greenspon

Fairfax, Virginia
August 7, 2024

IMPACTISRAEL, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

| | <u>2023</u> | <u>(Restated) 2022</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,672,181 | \$ 2,060,565 |
| Contributions and grants receivable, current portion, net | 2,752,534 | 2,293,781 |
| Prepaid expenses | 45,987 | 4,972 |
| Total Current Assets | <u>6,470,702</u> | <u>4,359,318</u> |
| Property and Equipment, net | <u>407,739</u> | <u>417,647</u> |
| Other Assets | | |
| Contributions and grants receivable, noncurrent portion, net | 1,935,138 | 2,260,985 |
| Investments | 21,501,979 | 16,967,261 |
| Deposits | 3,487 | 3,487 |
| Cash surrender value of life insurance | 645,484 | 596,415 |
| Operating lease right-of-use asset | 123,478 | 159,429 |
| Total Other Assets | <u>24,209,566</u> | <u>19,987,577</u> |
| Total Assets | <u><u>\$ 31,088,007</u></u> | <u><u>\$ 24,764,542</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 19,207 | \$ 12,802 |
| Grants payable | 4,355,693 | 1,149,670 |
| Operating lease liability, current | 37,329 | 35,669 |
| Total Current Liabilities | <u>4,412,229</u> | <u>1,198,141</u> |
| Long-term Liabilities | | |
| Operating lease liability, net of current portion | <u>90,286</u> | <u>127,615</u> |
| Total Liabilities | <u>4,502,515</u> | <u>1,325,756</u> |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 173,115 | 1,298,720 |
| Board-designated endowment and other funds | 13,101,792 | 9,209,813 |
| | <u>13,274,907</u> | <u>10,508,533</u> |
| With donor restrictions | <u>13,310,585</u> | <u>12,930,253</u> |
| Total Net Assets | <u>26,585,492</u> | <u>23,438,786</u> |
| Total Liabilities and Net Assets | <u><u>\$ 31,088,007</u></u> | <u><u>\$ 24,764,542</u></u> |

The Notes to Financial Statements are an integral part of these statements.

IMPACTISRAEL, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | 2023 | | | (Restated) 2022 | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Support | | | | | | |
| Contributions, grants and pledges | \$ 7,299,965 | \$ 4,810,265 | \$ 12,110,230 | \$ 3,418,218 | \$ 5,596,180 | \$ 9,014,398 |
| Special events | | | | | | |
| Gross receipts | - | - | - | 1,177,304 | - | 1,177,304 |
| Less: direct donor benefits | - | - | - | (145,244) | - | (145,244) |
| Other revenue and support | | | | | | |
| Interest and investment income (loss), net of fees | 1,283,613 | 1,049,680 | 2,333,293 | (1,089,668) | (890,121) | (1,979,789) |
| Foreign currency gain | 51,566 | - | 51,566 | 6,525 | - | 6,525 |
| Other income | - | - | - | 3,118 | - | 3,118 |
| Net assets released from restrictions | 5,479,613 | (5,479,613) | - | 4,814,172 | (4,814,172) | - |
| Total Revenue and Support | <u>14,114,757</u> | <u>380,332</u> | <u>14,495,089</u> | <u>8,184,425</u> | <u>(108,113)</u> | <u>8,076,312</u> |
| Expenses | | | | | | |
| Program services | | | | | | |
| Yemin Orde Youth Village | 4,751,074 | - | 4,751,074 | 4,090,048 | - | 4,090,048 |
| Village Way Education Initiatives | 4,975,226 | - | 4,975,226 | 3,831,678 | - | 3,831,678 |
| Total Program Services | <u>9,726,300</u> | <u>-</u> | <u>9,726,300</u> | <u>7,921,726</u> | <u>-</u> | <u>7,921,726</u> |
| Supporting services | | | | | | |
| General and administrative | 529,767 | - | 529,767 | 586,339 | - | 586,339 |
| Fundraising | 1,092,316 | - | 1,092,316 | 1,061,701 | - | 1,061,701 |
| Total Supporting Services | <u>1,622,083</u> | <u>-</u> | <u>1,622,083</u> | <u>1,648,040</u> | <u>-</u> | <u>1,648,040</u> |
| Total Expenses | <u>11,348,383</u> | <u>-</u> | <u>11,348,383</u> | <u>9,569,766</u> | <u>-</u> | <u>9,569,766</u> |
| Change in Net Assets | <u>2,766,374</u> | <u>380,332</u> | <u>3,146,706</u> | <u>(1,385,341)</u> | <u>(108,113)</u> | <u>(1,493,454)</u> |
| Net Assets, beginning of year (as originally stated) | 10,508,533 | 12,930,253 | 23,438,786 | 11,893,874 | 12,388,366 | 24,282,240 |
| Prior Period Adjustment | - | - | - | - | 650,000 | 650,000 |
| Net Assets, beginning of year (restated) | <u>10,508,533</u> | <u>12,930,253</u> | <u>23,438,786</u> | <u>11,893,874</u> | <u>13,038,366</u> | <u>24,932,240</u> |
| Net Assets, end of year | <u>\$ 13,274,907</u> | <u>\$ 13,310,585</u> | <u>\$ 26,585,492</u> | <u>\$ 10,508,533</u> | <u>\$ 12,930,253</u> | <u>\$ 23,438,786</u> |

The Notes to Financial Statements are an integral part of these statements.

IMPACTISRAEL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

| | Program Services | | | Supporting Services | | |
|---|-----------------------------|---|------------------------------|-------------------------------|---------------------|----------------------|
| | Yemin Orde Youth Village | Village Way Education Initiatives | Total Program Services | General and Administrative | Fundraising | Total |
| Grants | | | | | | |
| Yemin Orde Youth Village support | \$ 4,737,616 | \$ - | \$ 4,737,616 | \$ - | \$ - | \$ 4,737,616 |
| Village Way Education Initiatives support | - | 4,975,226 | 4,975,226 | - | - | 4,975,226 |
| Total Grants | <u>4,737,616</u> | <u>4,975,226</u> | <u>9,712,842</u> | <u>-</u> | <u>-</u> | <u>9,712,842</u> |
| Personnel costs | | | | | | |
| Salaries | - | - | - | 231,902 | 792,224 | 1,024,126 |
| Benefits | - | - | - | 8,946 | 30,562 | 39,508 |
| Retirement | - | - | - | 4,877 | 16,662 | 21,539 |
| Payroll taxes | - | - | - | 16,746 | 57,208 | 73,954 |
| Total Personnel Costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>262,471</u> | <u>896,656</u> | <u>1,159,127</u> |
| Other expenses | | | | | | |
| Accounting and auditing | - | - | - | 203,141 | - | 203,141 |
| Advertising, marketing and communications | - | - | - | 10,918 | 37,298 | 48,216 |
| Bank service charges | - | - | - | 4,892 | 16,711 | 21,603 |
| Computer and network maintenance | - | - | - | 2,975 | 10,163 | 13,138 |
| Depreciation and amortization | 13,458 | - | 13,458 | - | - | 13,458 |
| Dues and subscriptions | - | - | - | 2,129 | 7,273 | 9,402 |
| Equipment purchase | - | - | - | 1,281 | 4,376 | 5,657 |
| Insurance | - | - | - | 1,421 | 4,853 | 6,274 |
| Licenses and permits | - | - | - | 4,673 | - | 4,673 |
| Office supplies | - | - | - | 557 | 1,905 | 2,462 |
| Postage and shipping | - | - | - | 514 | 1,756 | 2,270 |
| Printing and reproduction | - | - | - | 4,366 | 14,915 | 19,281 |
| Professional fees | - | - | - | 3,519 | 12,023 | 15,542 |
| Rent | - | - | - | 8,912 | 30,446 | 39,358 |
| Seminars and training | - | - | - | 226 | 770 | 996 |
| Software license | - | - | - | 2,524 | 8,624 | 11,148 |
| Special events and programs | - | - | - | - | 15,145 | 15,145 |
| Telephone and internet | - | - | - | 1,184 | 4,045 | 5,229 |
| Travel and entertainment | - | - | - | 7,422 | 25,357 | 32,779 |
| Uncollectible contributions | - | - | - | 6,642 | - | 6,642 |
| Total Other Expenses | <u>13,458</u> | <u>-</u> | <u>13,458</u> | <u>267,296</u> | <u>195,660</u> | <u>476,414</u> |
| Total Expenses | <u>\$ 4,751,074</u> | <u>\$ 4,975,226</u> | <u>\$ 9,726,300</u> | <u>\$ 529,767</u> | <u>\$ 1,092,316</u> | <u>\$ 11,348,383</u> |

The Notes to Financial Statements are an integral part of this statement.

IMPACTISRAEL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

| | Program Services | | | Supporting Services | | Direct Donor Benefit | Total |
|--|-----------------------------|---|------------------------------|-------------------------------|---------------------|-------------------------|---------------------|
| | Yemin Orde Youth Village | Village Way Education Initiatives | Total Program Services | General and Administrative | Fundraising | | |
| Grants | | | | | | | |
| Yemin Orde Youth Village support | \$ 4,072,831 | \$ - | \$ 4,072,831 | \$ - | \$ - | \$ - | \$ 4,072,831 |
| Village Way Education Initiatives support | - | 3,831,678 | 3,831,678 | - | - | - | 3,831,678 |
| Total Grants | <u>4,072,831</u> | <u>3,831,678</u> | <u>7,904,509</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,904,509</u> |
| Personnel costs | | | | | | | |
| Salaries | - | - | - | 242,353 | 614,017 | - | 856,370 |
| Benefits | - | - | - | 11,296 | 28,619 | - | 39,915 |
| Retirement | - | - | - | 5,241 | 13,277 | - | 18,518 |
| Payroll taxes | - | - | - | 17,781 | 45,048 | - | 62,829 |
| Total Personnel Costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>276,671</u> | <u>700,961</u> | <u>-</u> | <u>977,632</u> |
| Other expenses | | | | | | | |
| Accounting and auditing | - | - | - | 139,738 | - | - | 139,738 |
| Advertising, marketing and communications | - | - | - | 14,585 | 36,952 | - | 51,537 |
| Bank service charges | - | - | - | 5,959 | 15,096 | - | 21,055 |
| Computer and network maintenance | - | - | - | 4,005 | 10,146 | - | 14,151 |
| Depreciation and amortization | 11,349 | - | 11,349 | - | - | - | 11,349 |
| Dues and subscriptions | - | - | - | 1,009 | 2,558 | - | 3,567 |
| Equipment purchase | - | - | - | 1,673 | 4,238 | - | 5,911 |
| Insurance | - | - | - | 19,284 | 3,235 | - | 22,519 |
| Licenses and permits | - | - | - | 1,824 | - | - | 1,824 |
| Office supplies | - | - | - | 2,084 | 5,280 | - | 7,364 |
| Postage and shipping | - | - | - | 600 | 1,519 | - | 2,119 |
| Printing and reproduction | - | - | - | 6,615 | 16,759 | - | 23,374 |
| Professional fees | - | - | - | 39,060 | 98,961 | - | 138,021 |
| Rent | - | - | - | 13,068 | 33,109 | - | 46,177 |
| Seminars and training | - | - | - | 198 | 502 | - | 700 |
| Software license | - | - | - | 1,224 | 3,102 | - | 4,326 |
| Special events and programs | - | - | - | - | 99,955 | 145,244 | 245,199 |
| Telephone and internet | - | - | - | 1,909 | 4,838 | - | 6,747 |
| Travel and entertainment | 5,868 | - | 5,868 | 9,666 | 24,490 | - | 40,024 |
| Uncollectible contributions | - | - | - | 47,167 | - | - | 47,167 |
| Total Other Expenses | <u>17,217</u> | <u>-</u> | <u>17,217</u> | <u>309,668</u> | <u>360,740</u> | <u>145,244</u> | <u>832,869</u> |
| Total Expenses | <u>4,090,048</u> | <u>3,831,678</u> | <u>7,921,726</u> | <u>586,339</u> | <u>1,061,701</u> | <u>145,244</u> | <u>9,715,010</u> |
| Less Expenses Included with Revenue and Support on the Statements of Activities and Changes in Net Assets | | | | | | | |
| Special events | - | - | - | - | - | (145,244) | (145,244) |
| Total Expenses Included in the Expense Section on the Statements of Activities and Changes in Net Assets | <u>\$ 4,090,048</u> | <u>\$ 3,831,678</u> | <u>\$ 7,921,726</u> | <u>\$ 586,339</u> | <u>\$ 1,061,701</u> | <u>\$ -</u> | <u>\$ 9,569,766</u> |

The Notes to Financial Statements are an integral part of this statement.

IMPACTISRAEL, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | (Restated) 2022 |
|--|--------------|--------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 3,146,706 | \$ (1,493,454) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 13,458 | 11,349 |
| Uncollectible contributions | 6,642 | 47,167 |
| Unrealized (gains) losses on investments | (1,095,997) | 2,263,549 |
| Realized (gains) losses on investments | (817,277) | 73,490 |
| Donated investments | (181,396) | (147,240) |
| Change in present value discount and allowance | (25,940) | 63,962 |
| (Increase) decrease in cash surrender value of life insurance | (49,069) | 17,771 |
| Original donor-restricted gift required to be maintained in perpetuity by donor | (1,000) | - |
| (Increase) Decrease in | | |
| Contributions and grants receivable | (113,608) | (844,635) |
| Prepaid expenses | (41,015) | 81,854 |
| Deposits | - | 56 |
| Increase (Decrease) in | | |
| Operating lease assets and liabilities | 282 | 3,855 |
| Accounts payable and accrued expenses | 6,405 | (37,448) |
| Grants payable | 3,206,023 | 828,068 |
| Net Cash Provided by Operating Activities | 4,054,214 | 868,344 |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | (3,550) | (14,145) |
| Purchases and reinvested earnings of investments | (10,896,462) | (3,050,014) |
| Proceeds from sales of investments | 8,456,414 | 3,819,272 |
| Life insurance premium payments | - | (18,007) |
| Net Cash (Used) Provided by Investing Activities | (2,443,598) | 737,106 |
| Cash Flows from Financing Activities | | |
| Original donor-restricted gift required to be maintained in perpetuity by donor | 1,000 | - |
| Payments on line of credit | - | (150,000) |
| Net Cash Provided (Used) by Financing Activities | 1,000 | (150,000) |
| Net Increase in Cash and Cash Equivalents | 1,611,616 | 1,455,450 |
| Cash and Cash Equivalents, beginning of year | 2,060,565 | 605,115 |
| Cash and Cash Equivalents, end of year | \$ 3,672,181 | \$ 2,060,565 |

The Notes to Financial Statements are an integral part of these statements.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ImpactIsrael, Inc. (the Organization) was incorporated in the United States of America on December 28, 1990 as a not-for-profit organization. The Organization provides grants for support of the programs and activities of the Yemin Orde Youth Village (the Youth Village), located in Hof Ha Carmel, Israel, and the Village Way Educational Initiatives (VWEI). Both the Youth Village and VWEI are non-governmental organizations in Israel and have not been consolidated in the accompanying financial statements. The programs of the Organization are as follows:

Yemin Orde Youth Village - The Youth Village is located on 77 acres atop Mount Carmel in northern Israel. The Youth Village provides a home, a safe haven, and an education to at-risk immigrant children from around the world. Through a deeply sensitive approach to living and learning, and a dedicated staff and team of professionals, these formerly traumatized children's lives are transformed. They develop self-esteem and leadership skills and learn to live in wholeness: healthy, capable, and strong. The Youth Village also includes a high school, an art and music center, a modern computer center, a central dining room, library, eco-farm, and sports facilities.

Village Way Educational Initiatives - VWEI is an independent organization created in 2006 to extend Yemin Orde's unique methodology, called the Village Way, to transform other youth villages and public high schools in Israel serving at-risk youth. Facilitators provide resources, workshops, teacher training and interventions to empower educators throughout Israel. In addition, VWEI provides resources for three Pre-Military Leadership Programs - two for men and one for women - in Northern Israel.

Revenue and Support Recognition

Exchange transactions, such as fees for service contracts, are recognized under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

Contributions and grants, including unconditional promises to give, are recorded as revenue in the year notification is received from the donor. Contributions of property or contributions for the purchase or renovations of property, which are received without donor stipulations for how long the contributed assets must be used for, are reported as support without donor restrictions. Contributions of long-lived assets with donor-imposed time restrictions are reported as donor-restricted support. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash, including stock, are recorded at their estimated fair value at the date of the gift. Other income is recorded when earned.

Special events revenue is bifurcated between contributions and grants and exchange revenue. Management has analyzed the provisions of ASC Topic 606 and has concluded that each ticket provided for the 2022 Gala had an associated fair market value of \$360 and is associated with a performance obligation of hosting the Gala event. The revenue associated with this performance obligation is recognized at a point in time, when the event occurs. The revenue in excess of the fair market value of the benefits is deemed to be contributions and grants. The contributions and grants are also recognized at the time of the event because the revenue is conditional on the event taking place. For the year ended December 31, 2022, the exchange portion of the Gala revenue was \$110,610. There was no awards dinner in 2023. When Gala revenue is received in advance, the portion related to unfulfilled performance obligations remains in deferred revenue. As of December 31, 2023 and 2022, there was no outstanding contract performance liabilities.

The Organization also had no accounts receivable, contract assets, or contract liabilities associated with fee for service revenue at January 1, 2022.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Method of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include demand deposits and all highly liquid debt instruments with original maturities of three months or less, which are not held for long-term purposes.

All other highly liquid instruments, which are to be used for the long-term purposes of the Organization, are reported as investments rather than as cash and cash equivalents.

As of December 31, 2023 and 2022, cash and cash equivalents includes the U.S. dollar equivalent of \$403,088 and \$171 held in Israeli Shekels (ILS), respectively.

Foreign Currency Translation

Gains from foreign currency translation are included in the statements of activities and changes in net assets. During the years ended December 31, 2023 and 2022, the Organization recognized a foreign currency gain of \$51,566 and \$6,525, respectively, due to changes in the exchange rates of the associated currencies.

Contributions and Grants Receivable

Contributions and grants receivable are stated at their net realizable present value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Accretion of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. The allowance for uncollectible receivables is determined based upon annual review of account balances, including the age of the balance and historical experience with the donor. The allowance for credit losses for the years ended December 31, 2023 and 2022 was \$5,000 and \$17,120, respectively.

Property and Equipment

Property and equipment purchases with a useful life of greater than one year and an acquisition value exceeding \$2,000 are recorded at cost and depreciated using the straight-line method over an estimated useful life ranging between three and five years. Property and equipment donations are recorded at fair value on the date of donation. Leasehold improvements are recorded at cost and amortized over the lesser of the useful life or the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses when incurred. The Organization also purchased land in Zichron Yaacov, Israel and constructed a building. The building is being depreciated over an estimated useful life of 40 years.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. The entire investment balance makes up the Organization's endowment. Interest, dividends, and unrealized and realized gains (losses) are netted with investment fees and are included in interest and investment income (loss), net of fees in the accompanying statements of activities and changes in net assets. Interest and investment income (loss) are recorded as revenue when earned.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances the disclosure requirements for fair value measurements.

Basis of Presentation

Net assets, revenue and support, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets are classified and reported 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. These net assets may be used at the discretion of the Organization, management and the Board of Directors (the Board). Board-designated endowment funds are classified as net assets without donor restrictions.

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.

The bylaws of the Organization include a variance provision whereby the Organization will determine in its sole discretion which grant requests from the Youth Village and VWEI to fund. Based on this provision, all contributions and assets not classified as donor-restricted are classified as without donor restrictions. Receipts of unconditional promises to give with payments due in future periods are reported as donor-restricted support unless the donor provides explicit stipulations that the pledged funds are to be used to support activities of the current period. Expenses are reported as decreases in net assets without donor restrictions. When a time or purpose restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

At times during the year, the Organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash. Cash and cash equivalents held in foreign currency are not insured by the FDIC and are subject to exchange rate fluctuations.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

| <u>Expenses</u> | <u>Method of Allocation</u> |
|---|-----------------------------|
| Personnel costs | time and effort |
| Advertising, marketing and communications | time and effort |
| Bank service charges | time and effort |
| Computer and network maintenance | time and effort |
| Dues and subscriptions | time and effort |
| Equipment purchase | time and effort |
| Insurance | time and effort |
| Office supplies | time and effort |
| Postage and shipping | time and effort |
| Printing and reproduction | time and effort |
| Professional fees | time and effort |
| Rent | time and effort |
| Seminars and training | time and effort |
| Software licenses | time and effort |
| Telephone and internet | time and effort |
| Travel and entertainment | time and effort |

Tax-Exempt Status

The Organization is a 501(c)(3) organization that is exempt from Federal income taxes under the provisions of the Internal Revenue Code Section 501(a), except for income unrelated to their exempt purpose. The Organization is classified as an organization that is not a private foundation and qualifies for charitable contribution deductions. The Organization is taxed on ordinary income generated by investments in publicly traded partnerships. During the year ended December 31, 2023, the Organization had income taxes of \$3,797, that is included with bank service charges on the statement of functional expenses. During the year ended December 31, 2022, the Organization had no net taxable income and, therefore, had no tax.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Uncertain Tax Positions

The Organization complies with the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. For the years ended December 31, 2023 and 2022, no unrecognized tax provision or benefit exists in the accompanying financial statements.

Leases

At lease inception, the Organization determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liabilities, and noncurrent operating lease liabilities in the financial statements.

ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured at the present value of the lease payments over the lease term.

The Organization uses the rate implicit in the lease if it is readily determinable. Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, includes an accounting policy election for non-public business entities to use the risk-free rate for the measurement of lease liabilities when the rate implicit in the lease is not determinable. The Organization elected to utilize the risk-free rate for the measurement of lease liabilities for initial transition and going forward. This rate will be applied to all leases using a period comparable to the lease.

Operating ROU assets are calculated at the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Organization has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with any short-term leases or variable lease payments is included in rent expense in the statements of functional expenses.

To the extent a lease arrangement includes both lease and non-lease components, the Organization has elected to account for the components as a single lease component.

Subsequent Events

The date to which events occurring after December 31, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is August 7, 2024, which is the date on which the financial statements were available to be issued.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

2. AVAILABILITY AND LIQUIDITY

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

| | 2023 | (Restated) 2022 |
|--|--------------|--------------------|
| Cash and cash equivalents | \$ 3,672,181 | \$ 2,060,565 |
| Contributions and grants receivable, net | 4,687,672 | 4,554,766 |
| Investments | 21,501,979 | 16,967,261 |
| Financial assets, at year end | 29,861,832 | 23,582,592 |
| | | |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | 13,310,585 | 12,930,253 |
| Less net assets with restrictions to be met in less than one year | (3,171,119) | (1,915,722) |
| Board-designated endowment and other funds | 13,101,792 | 9,209,813 |
| | 23,241,258 | 20,224,344 |
| | | |
| Financial assets available to meet general expenditures over the next twelve months | \$ 6,620,574 | \$ 3,358,248 |

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, contributions and grants receivable, investments, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget which includes an endowment distribution and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

3. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consists of the following:

| | 2023 | 2022 |
|--------------------------------|------------|------------|
| Furniture and equipment | \$ 20,344 | \$ 16,794 |
| Property in Israel | | |
| Building | 425,000 | 425,000 |
| Land | 132,800 | 132,800 |
| Totals | 578,144 | 574,594 |
| Less: accumulated depreciation | (170,405) | (156,947) |
| Property and equipment, net | \$ 407,739 | \$ 417,647 |

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable reflect commitments made to the Organization by individuals and foundations. Contributions and grants with payments that are to be received in future years have been discounted to their present value using an effective interest based on the average daily treasury yield curve rates for the respective years. The applicable rates were 3.3 to 5.58 percent at December 31, 2023 and 2022.

Contributions and grants receivable as of December 31 are expected to be received as follows:

| <u>Year ending December 31:</u> | <u>2023</u> | <u>(Restated) 2022</u> |
|--|----------------------------|----------------------------|
| 2023 | \$ - | \$ 2,310,901 |
| 2024 | 2,757,534 | 1,163,000 |
| 2025 | 1,768,333 | 1,095,000 |
| 2026 | 270,000 | 120,000 |
| Totals | <u>4,795,867</u> | <u>4,688,901</u> |
| Present value discount | (103,195) | (117,015) |
| Allowance for credit losses | (5,000) | (17,120) |
| Contributions and grants receivable, net | <u><u>\$ 4,687,672</u></u> | <u><u>\$ 4,554,766</u></u> |

Contributions and grants receivable recorded in the statements of financial position as of December 31, are as follows:

| | <u>2023</u> | <u>(Restated) 2022</u> |
|--|----------------------------|----------------------------|
| Current portion | \$ 2,752,534 | \$ 2,293,781 |
| Noncurrent portion | 1,935,138 | 2,260,985 |
| Contributions and grants receivable, net | <u><u>\$ 4,687,672</u></u> | <u><u>\$ 4,554,766</u></u> |

5. INVESTMENTS

Investments consist of the following as of December 31:

| | <u>2023</u> | | <u>2022</u> | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash and cash equivalents | \$ 4,473,428 | \$ 4,473,428 | \$ 932,512 | \$ 932,512 |
| Stocks | 7,370,841 | 11,415,088 | 8,041,922 | 11,093,124 |
| Corporate bonds | 1,003,529 | 945,265 | 1,102,322 | 994,891 |
| Global time deposits | 415,110 | 416,550 | - | - |
| Government bonds | 1,691,555 | 1,661,365 | 1,360,578 | 1,254,172 |
| Publicly traded partnerships and REITs | 593,679 | 635,861 | 682,322 | 672,098 |
| Mutual funds | 925,598 | 803,843 | 826,997 | 673,083 |
| Exchange-traded funds | 1,170,760 | 1,150,579 | 1,387,484 | 1,347,381 |
| Totals | <u><u>\$ 17,644,500</u></u> | <u><u>\$ 21,501,979</u></u> | <u><u>\$ 14,334,137</u></u> | <u><u>\$ 16,967,261</u></u> |

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

5. INVESTMENTS (continued)

Included in interest and investment income (loss) are the following at December 31:

| | 2023 | 2022 |
|---|---------------------|-----------------------|
| Interest and dividends, net of fees | \$ 420,019 | \$ 357,250 |
| Unrealized gains (losses) on investments | 1,095,997 | (2,263,549) |
| Realized gains (losses) on investments | 817,277 | (73,490) |
| Total interest and investment income (loss) | <u>\$ 2,333,293</u> | <u>\$ (1,979,789)</u> |

During the years ended December 31, 2023 and 2022, interest and dividends, net of fees includes \$35,222 and \$-0- related to the cash surrender value of life insurance, respectively.

Investments on the statements of financial position equal the Organization's endowment as of December 31, 2023 and 2022.

6. DERIVATIVE TRANSACTIONS

The Organization, as a result of its grants for support of the programs and activities of foreign entities, is exposed to changes in foreign currency exchange rates which may adversely affect its activities and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Organization may enter into derivative contracts.

For the year ended December 31, 2022, the Organization recorded an investment loss of \$19,000 related to the expiration of option contracts that were not utilized. For the year ended December 31, 2023, there were no derivative transactions.

7. CASH SURRENDER VALUE OF LIFE INSURANCE

The Organization owns and is the beneficiary of life insurance policies on Board members, with combined face values of \$2,500,000. The policies have a combined cash surrender value of \$645,484 and \$596,415 at December 31, 2023 and 2022, respectively.

8. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities 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 the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

8. FAIR VALUE MEASUREMENTS (continued)

Corporate Bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted market prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risk.

Global time deposits: Global time deposits are generally currency deposits and valued based on the exchange rate of the associated currency.

Government Bonds: Government bonds and notes, and U.S. Treasury notes which are generally valued at the most recent price of the equivalent quoted price for such securities.

9. ENDOWMENTS

The Organization's endowments consist of donor-restricted endowment funds, funds designated by the Board to function as endowments, and temporarily restricted accumulated earnings on these funds. As required under accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Massachusetts Uniform Prudent Management Institutional Funds Act (UPMIFA) as requiring the 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 classifies as donor-restricted net assets required to be maintained in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the Organization.

Commingling and Retention of Assets

Endowment assets may be commingled with the other assets and investments held by the Organization. The Investment Committee may dispose of any asset received by it, giving proper credit to any appropriate special fund for the proceeds, or may retain assets in the form in which contributed or acquired.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

9. ENDOWMENTS (continued)

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes stocks, corporate bonds, government bonds, publicly traded partnerships, real estate investment trusts, mutual funds, and exchange-traded funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent, while growing the funds if possible.

Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually.

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value of the prior three calendar year ends preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3 percent annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------|
| Board-designated endowment funds | | | |
| Future reserves | \$ 5,743,880 | \$ - | \$ 5,743,880 |
| Endowment funds | 7,357,912 | - | 7,357,912 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor | - | 5,534,470 | 5,534,470 |
| Accumulated investment gains | - | 2,865,717 | 2,865,717 |
| Totals | \$ 13,101,792 | \$ 8,400,187 | \$ 21,501,979 |

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

9. ENDOWMENTS (continued)

Spending Policy (continued)

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Board-designated endowment funds | | | |
| Future reserves | \$ 2,507,363 | \$ - | \$ 2,507,363 |
| Endowment funds | 6,702,450 | - | 6,702,450 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor | - | 5,533,470 | 5,533,470 |
| Accumulated investment gains | - | 2,223,978 | 2,223,978 |
| Totals | \$ 9,209,813 | \$ 7,757,448 | \$ 16,967,261 |

Changes in endowment net assets for the years ended December 31 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Balance at December 31, 2021 | \$ 10,879,418 | \$ 9,046,900 | \$ 19,926,318 |
| Contributions | 745,839 | - | 745,839 |
| Interest and dividends, net of fees | 195,187 | 162,310 | 357,497 |
| Net depreciation | (1,265,608) | (1,052,431) | (2,318,039) |
| Appropriated for operations | (1,345,023) | (399,331) | (1,744,354) |
| Balance at December 31, 2022 | 9,209,813 | 7,757,448 | 16,967,261 |
| Contributions, transfers, and donated stock | 3,099,239 | 1,000 | 3,100,239 |
| Interest and dividends, net of fees | 207,679 | 174,929 | 382,608 |
| Net appreciation | 1,038,523 | 874,751 | 1,913,274 |
| Appropriated for operations | (453,462) | (407,941) | (861,403) |
| Balance at December 31, 2023 | \$ 13,101,792 | \$ 8,400,187 | \$ 21,501,979 |

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board has interpreted UPMIFA as to prevent spending from underwater endowments in order to maintain the original corpus.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were composed of the following as of December 31:

| | 2023 | (Restated) 2022 |
|-------------------------------------|---------------|--------------------|
| Time-restricted pledges | | |
| Village Way Educational Initiatives | \$ 2,576,135 | \$ 2,763,633 |
| Youth Village | 852,550 | 713,000 |
| General | 925,471 | 529,838 |
| Purpose-restricted pledges | | |
| Capital projects | 500,000 | 1,110,092 |
| Other projects | 56,242 | 56,242 |
| Endowment | 8,400,187 | 7,757,448 |
| Totals | \$ 13,310,585 | \$ 12,930,253 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, occurrence of events specified by donors, or the passage of time for the years ended December 31:

| | 2023 | 2022 |
|---|--------------|--------------|
| Time-restricted pledges | | |
| Village Way Educational Initiatives | \$ 2,474,080 | \$ 2,123,059 |
| Youth Village | 1,126,134 | 1,723,637 |
| General | 781,366 | 184,162 |
| Purpose-restricted pledges | | |
| Capital projects | 640,092 | 297,793 |
| Other projects | 50,000 | 86,190 |
| Endowment | 407,941 | 399,331 |
| Total Net Assets Released from Restrictions | \$ 5,479,613 | \$ 4,814,172 |

11. LEASE COMMITMENTS

The Organization entered into a lease agreement for office space in Bethesda, Maryland, which ended on March 31, 2022. The lease extension called for lease payments of \$4,259 per month, and included two months free rent. The Organization was also responsible for operating expenses each month.

The Organization entered into a new lease agreement for an office in Needham, Massachusetts with an effective occupancy date of April 1, 2022. The lease calls for lease payments of \$3,240 per month, with a 2 percent annual increase. The lease also includes one month free rent and tenant improvements provided by the lessor. The lease term is 5 years and does not include a renewal option.

For the years ended December 31, 2023 and 2022, rent expense totaled \$39,358 and \$46,177, respectively. For the years ended December 31, 2022 and 2023, the only component of lease expense was operating lease expense.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

11. LEASE COMMITMENTS (continued)

Minimum lease commitments represent the future amounts to be paid on various lease commitments. The minimum lease commitments, excluding renewal terms, by years, are as follows at December 31, 2023:

| Year ending December 31: | Operating Leases |
|-------------------------------|---------------------|
| 2024 | \$ 40,151 |
| 2025 | 40,896 |
| 2026 | 41,656 |
| 2027 | 10,461 |
| Total undiscounted cash flows | 133,164 |
| Less: present value discount | (5,549) |
| Total lease liabilities | \$ 127,615 |

The following summarizes the weighted average remaining lease term, discount rate and other supplemental cash flow information as of and for the years ended December 31:

| | 2023 | 2022 |
|--|-----------|------------|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | \$ 39,420 | \$ 25,920 |
| ROU assets obtained in exchange for new operating lease liabilities | \$ - | \$ 185,814 |
| Weighted-average remaining lease term in years for operating leases | 3.25 | 4.25 |
| Weighted-average discount rate for operating leases | 2.55% | 2.55% |

As of December 31, 2023, the Organization has no operating or finance leases that have not yet commenced.

12. LINE OF CREDIT

The Organization has a \$5,000,000 uncommitted, demand revolving line of credit which is secured by the Organization's investment accounts, with options for variable and fixed rate advances. The line of credit was agreed upon in November 2012 and does not have a specific term or duration and can be terminated at the bank's discretion. The line of credit is subject to certain restrictive covenants. Interest is accrued at various rates depending on duration and type (fixed or variable) of advance but is generally based on the UBS Variable Rate plus a percentage spread. There was no outstanding balance under the line of credit as of December 31, 2023 and 2022.

13. CONTRIBUTIONS AND GRANTS PAID DIRECTLY TO YEMIN ORDE YOUTH VILLAGE (Unaudited)

In addition to the total commitments received by the Organization, \$388,800 and \$153,036 (cash basis) was raised by the Organization on behalf of the Youth Village and was sent directly to the Youth Village during the years ended December 31, 2023 and 2022, respectively. Such contributions received directly by the Youth Village are not included in the accompanying financial statements but reduce the amount of funding the Organization needs to raise to meet the funding request from the Youth Village.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

14. CONDITIONAL GRANTS

The Organization received grants that contain donor conditions. Since these grants represent conditional promises to give, they are not recorded as grant revenue until donor conditions are met.

As of December 31, the conditional grants and related conditions are as follows:

| | 2023 | (Restated) 2022 |
|----------------------------|---------------------|---------------------|
| Conditional grants | | |
| Program support - matching | <u>\$ 3,250,000</u> | <u>\$ 4,550,000</u> |

The table below shows the change in conditional grants during the years ended December 31:

| | 2023 | (Restated) 2022 |
|-------------------------------------|---------------------|---------------------|
| Beginning conditional grant balance | \$ 4,550,000 | \$ 5,850,000 |
| New conditional grants | - | 1,349,304 |
| Conditions satisfied | <u>(1,300,000)</u> | <u>(2,649,304)</u> |
| Ending conditional grant balance | <u>\$ 3,250,000</u> | <u>\$ 4,550,000</u> |

15. RETIREMENT

The Organization has a SIMPLE Investment Retirement Account (SIMPLE IRA) plan for all employees with annual compensation of at least \$5,000. The Organization matches employee contributions up to 3 percent of the employee's salary, up to maximum of \$6,000 per year. For the years ended December 31, 2023 and 2022, employer contributions totaled \$21,539 and \$18,518, respectively.

16. CONCENTRATION RISK

For the years ended December 31, 2023 and 2022, three and four donor receivable balances accounted for more than 10 percent of the total balance of contributions and grants receivable each year, respectively. Receivables from these donors accounted for 63 and 76 percent of the Organization's total receivable balance at December 31, 2023 and 2022, respectively.

For the year ended December 31, 2022, contributions and grants from two donors accounted for more than 10 percent of the total revenue and support. Support from these donors accounted for 49 percent of the Organization's total revenue and support for the year ended December 31, 2022. During the year ended December 31, 2023, no donor accounted for more than 10 percent of the total revenue and support. During the year ended December 31, 2023, 17 percent of the total revenue and support was a result of an emergency fundraising campaign in response to the war in Israel.

17. PRIOR PERIOD ADJUSTMENT

During 2023, accounting errors were discovered whereby revenue was recorded in the wrong period. Accordingly, the Organization restated its financial statements for the affected years. The effect of the restatement was to increase the change in net assets with donor restrictions and in total for 2022 by \$50,000. Net assets with donor restrictions and in total at the beginning of 2022 were increased by \$650,000 for the effects of the restatement in 2021.

IMPACTISRAEL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

17. **PRIOR PERIOD ADJUSTMENT** (continued)

The effect of the restatement on the change in net assets with donor restrictions and financial position as of and for the years ended December 31, 2022 and 2021 are as follows:

| | 2022 | |
|---|---------------------------|--------------|
| | As previously reported | Restated |
| Contributions and grants receivable, current portion, net | \$ 1,593,781 | \$ 2,293,781 |
| Net assets with donor restrictions | 12,230,253 | 12,930,253 |
| Contributions, grants and pledges with donor restrictions | 5,546,180 | 5,596,180 |
| Change in net assets with donor restrictions | (158,113) | (108,113) |
| | 2021 | |
| | As previously reported | Restated |
| Contributions and grants receivable, current portion, net | \$ 1,957,063 | \$ 2,607,063 |
| Net assets with donor restrictions | 12,388,366 | 13,038,366 |
| Contributions, grants and pledges with donor restrictions | 4,364,898 | 5,014,898 |
| Change in net assets with donor restrictions | (1,149,803) | (1,799,803) |