

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



LUTZ AND GARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
American Friends of ALYN Hospital, Inc.

We have audited the accompanying financial statements of American Friends of ALYN Hospital, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of ALYN Hospital, Inc. as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, American Friends of ALYN Hospital, Inc. has suspended its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to that matter.

Lotz + Carr, LLP

New York, New York
June 29, 2021

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 155,021	\$ 173,962
Unconditional promises to give - without donor restrictions (Note 1e)	73,481	108,842
Prepaid expenses and other assets	25,611	28,819
Investments (Notes 1c, 1d and 5)	4,932,882	4,900,272
Website costs and leasehold improvements (Notes 1i and 6)	16,670	13,166
Security deposit	29,231	29,231
Beneficial interests in remainder trusts (Notes 1d and 7)	<u>329,716</u>	<u>779,588</u>
Total Assets	<u><u>\$5,562,612</u></u>	<u><u>\$6,033,880</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses (Note 12)	\$ 231,272	\$ 428,726
Loan payable (Note 8)	<u>94,770</u>	<u>-</u>
Total Liabilities	<u>326,042</u>	<u>428,726</u>
Commitment and Contingency (Notes 9 and 12)		
Net Assets (Deficit)		
Without Donor Restrictions	<u>(26,028)</u>	<u>(74,706)</u>
With Donor Restrictions (Notes 3 and 4)		
Time and purpose restrictions	412,598	829,860
Perpetual in nature	<u>4,850,000</u>	<u>4,850,000</u>
Total With Donor Restrictions	<u>5,262,598</u>	<u>5,679,860</u>
Total Net Assets	<u>5,236,570</u>	<u>5,605,154</u>
Total Liabilities and Net Assets	<u><u>\$5,562,612</u></u>	<u><u>\$6,033,880</u></u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions (Note 1e)	\$2,740,570	\$2,960,614
Net investment income (Notes 1c and 5)	570,752	775,354
Net assets released from restrictions		
Satisfaction of time and program restrictions	500,993	-
Total Revenue and Support	<u>3,812,315</u>	<u>3,735,968</u>
Expenses		
Program Services	<u>3,221,345</u>	<u>2,433,042</u>
Supporting Services		
Management and general	365,725	313,330
Fundraising	176,567	167,466
Total Supporting Services	<u>542,292</u>	<u>480,796</u>
Total Expenses	<u>3,763,637</u>	<u>2,913,838</u>
Increase in Net Assets Without Donor Restrictions	<u>48,678</u>	<u>822,130</u>
Changes in Net Assets With Donor Restrictions		
Change in value of beneficial interests in remainder trusts (Notes 1d and 7)	849	63,318
Net investment income (Notes 1c and 5)	82,882	50,272
Net assets released from restrictions	<u>(500,993)</u>	<u>-</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(417,262)</u>	<u>113,590</u>
Increase (decrease) in net assets	(368,584)	935,720
Net assets, beginning of year	<u>5,605,154</u>	<u>4,669,434</u>
Net Assets, End of Year	<u><u>\$5,236,570</u></u>	<u><u>\$5,605,154</u></u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020					2019				
	Supporting Services				Total Expenses	Supporting Services				Total Expenses
Program Services	Management and General	Fundraising	Total	Program Services		Management and General	Fundraising	Total		
Grants to ALYN	\$3,003,705	\$ -	\$ -	\$ -	\$3,003,705	\$2,218,104	\$ -	\$ -	\$ -	\$2,218,104
Salaries, payroll taxes and benefits	131,600	193,140	102,360	295,500	427,100	95,420	130,777	83,408	214,185	309,605
Professional fees	775	59,850	775	60,625	61,400	-	51,405	-	51,405	51,405
Advertising and marketing	37,708	-	6,332	6,332	44,040	55,705	-	8,891	8,891	64,596
Occupancy	26,233	38,080	20,310	58,390	84,623	25,721	34,849	22,402	57,251	82,972
Office expenses	12,659	18,375	9,800	28,175	40,834	31,998	43,352	27,869	71,221	103,219
Educational materials	-	-	-	-	-	-	-	-	-	-
Event expenses	7,240	-	21,720	21,720	28,960	5,629	-	16,886	16,886	22,515
Computer expenses	-	17,153	-	17,153	17,153	-	25,325	-	25,325	25,325
Website expenses	-	7,757	7,758	15,515	15,515	-	1,410	1,410	2,820	2,820
Insurance	-	12,713	-	12,713	12,713	-	17,188	-	17,188	17,188
Travel	-	4,174	-	4,174	4,174	-	361	-	361	361
Equipment leasing and maintenance	-	3,759	-	3,759	3,759	-	3,892	-	3,892	3,892
On-line fundraising fees	-	-	6,409	6,409	6,409	-	-	6,195	6,195	6,195
Board activities	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	8,656	-	8,656	8,656	-	4,140	-	4,140	4,140
Amortization	1,425	2,068	1,103	3,171	4,596	465	631	405	1,036	1,501
Total Expenses	<u>\$3,221,345</u>	<u>\$ 365,725</u>	<u>\$ 176,567</u>	<u>\$542,292</u>	<u>\$3,763,637</u>	<u>\$2,433,042</u>	<u>\$ 313,330</u>	<u>\$ 167,466</u>	<u>\$480,796</u>	<u>\$2,913,838</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (368,584)	\$ 935,720
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Amortization	4,596	1,501
Change in value of beneficial interests in remainder trusts	(849)	(63,318)
Realized gains on sales of investments	(38,595)	(31,199)
Unrealized gains on investments	(499,396)	(680,429)
(Increase) decrease in:		
Unconditional promises to give	35,361	(45,810)
Prepaid expenses and other assets	3,208	(18,487)
Final distribution from beneficial interest in remainder trust	450,721	-
Decrease in accounts payable and accrued expenses	<u>(197,454)</u>	<u>(249,969)</u>
Net Cash Used By Operating Activities	<u>(610,992)</u>	<u>(151,991)</u>
Cash Flows From Investing Activities		
Acquisition of website costs and leasehold improvements	(8,100)	(13,782)
Purchase of investments	(2,372,201)	(1,009,902)
Proceeds from sale of investments	<u>2,877,582</u>	<u>1,207,190</u>
Net Cash Provided By Investing Activities	<u>497,281</u>	<u>183,506</u>
Cash Flows From Financing Activities		
Proceeds from loan payable	<u>94,770</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(18,941)	31,515
Cash and cash equivalents, beginning of year	<u>173,962</u>	<u>142,447</u>
Cash and Cash Equivalents, End of Year	<u>\$ 155,021</u>	<u>\$ 173,962</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

American Friends of ALYN Hospital, Inc. ("AFAH") is a not-for-profit organization that exists solely to educate Americans about and provide support to The ALYN-Woldenberg Family Hospital/Pediatric and Adolescent Rehabilitation Center ("ALYN"), Jerusalem, Israel. ALYN, Israel's only rehabilitation center for physically handicapped children and adolescents, provides all of the medical and paramedical services necessary for successful rehabilitation in one facility. The financial statements include the accounts of its New York headquarters and its affiliated United States Chapters. Grants to ALYN are made at the discretion of the AFAH Board of Directors.

b - Cash and Cash Equivalents

For purposes of the statements of cash flows, AFAH considers all highly liquid instruments, purchased with a maturity of three months or less, to be cash equivalents, except for short-term investments being managed within the investment account.

c - Investments

AFAH reflects investments at fair value in the statements of financial position. Unrealized gains and losses on investments are reflected in the statements of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income that is limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same fiscal year in which the gains and income are recognized.

d - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of AFAH. Unobservable inputs reflect AFAH's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that AFAH has the ability to access at the measurement date.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following provides information on the fair value of the AFAH's assets by level within the fair value hierarchy as of December 31:

	2020			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds, equity and fixed income	\$4,931,982	\$4,931,982	\$ -	\$ -
State of Israel bond	900	900	-	-
Beneficial interests in remainder trusts	<u>329,716</u>	<u>-</u>	<u>-</u>	<u>329,716</u>
Total Assets	<u>\$5,262,598</u>	<u>\$4,932,882</u>	<u>\$ -</u>	<u>\$329,716</u>
	2019			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds, equity and fixed income	\$4,899,372	\$4,899,372	\$ -	\$ -
State of Israel bond	900	900	-	-
Beneficial interests in remainder trusts	<u>779,588</u>	<u>-</u>	<u>-</u>	<u>779,588</u>
Total Assets	<u>\$5,679,860</u>	<u>\$4,900,272</u>	<u>\$ -</u>	<u>\$779,588</u>

The following summarizes the changes in fair value of AFAH's Level 3 assets for the years ended December 31:

	2020	2019
Balance, beginning of year	\$779,588	\$716,270
Distribution of beneficial interests in remainder trusts	(450,721)	-
Increase in value of beneficial interests in remainder trusts	<u>849</u>	<u>63,318</u>
Balance, End of Year	<u>\$329,716</u>	<u>\$779,588</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Fair Value Measurements (continued)**

Fair value for the beneficial interests in remainder trusts are determined by calculating the present value of the future distributions expected to be received, using a discount rate.

e - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to AFAH, that is, in substance, unconditional. Conditional promises to give, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

AFAH uses the allowance method to determine uncollectible promises to give. The allowance, if any, is based on prior years' experience and management's analysis of specific promises made. Promises to give are due within one year.

f - Grants Payable to ALYN

Grants are accrued at the time authorized.

g - Financial Statement Presentation

The financial statements of AFAH have been prepared in accordance with accounting principles generally accepted in the United States, which require AFAH to report information regarding its financial position and activities according to the following net asset classifications:

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 AFAH. These net assets may be used at the discretion of AFAH's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AFAH or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Website

Website costs are capitalized and are being amortized using the straight-line method over the estimated useful life of the asset.

j - Tax Status

American Friends of ALYN Hospital, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k - Subsequent Events

AFAH has evaluated subsequent events through June 29, 2021, the date that the financial statements are considered available to be issued.

l - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of AFAH's expenses are directly related to program activities. The expenses that are allocated include general office expenses, salaries, payroll taxes and employee benefits which are allocated based on employee time and effort.

m - New Accounting Pronouncements

During 2020, the Organization adopted Accounting Standards Update ("ASU") 2019-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. AFAH is currently evaluating the impact of ASU 2016-02 on its financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2 - Information Regarding Liquidity and Availability

AFAH operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. AFAH considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

AFAH regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

AFAH's financial assets as of December 31, 2020 and 2019 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 155,021	\$ 173,962
Unconditional promises to give	73,481	108,842
Investments	<u>4,932,882</u>	<u>4,900,272</u>
Total Financial Assets	5,161,384	5,183,076
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passages of time	(412,598)	(829,860)
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	<u>(4,850,000)</u>	<u>(4,850,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ -</u>	<u>\$ -</u>

In addition to these financial assets available within one year, AFAH maintains a donor-restricted endowment valued at \$4,932,882 and \$4,900,272 at December 31, 2020 and 2019, respectively. The endowment is invested under the direction of the Finance Committee. Amounts in excess of \$4,850,000 could be made available to meet cash needs for general expenditures at the discretion of the Board of Directors.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3 - Restrictions on Assets

a - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Operating		
Subject to passage of time	\$ 412,598	\$ 829,860
Endowment in perpetuity	4,850,000	4,850,000
Total Net Assets With Donor Restrictions	\$5,262,598	\$5,679,860

Net Assets With Donor Restrictions - Subject to Passage of Time

Net assets with donor restrictions subject to expenditure for passage of time consist of beneficial interests in remainder trusts at December 31, 2020 and 2019.

b - Net Assets With Donor Restrictions - Perpetual in Nature

Net assets with donor restrictions - perpetual in nature represent an endowment from The Woldenberg Foundation and in accordance with donor restrictions is required to be maintained in perpetuity.

Note 4 - Endowment Funds

AFAH's restricted endowment was funded by a contribution from The Woldenberg Foundation. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), AFAH classifies as net assets with donor restrictions, perpetual in nature, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions subject to the passage of time or purpose until those amounts are appropriated for expenditure by AFAH.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4 - Endowment Funds (continued)

AFAH has a policy of appropriating for distribution each year an amount equal to the investment earnings and realized and unrealized gains and losses earned on its invested funds.

The fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. AFAH has made transfers to operations in excess of the original terms of the endowment.

As of December 31, AFAH's invested endowment fund composition, by type of fund and net asset classification, are summarized as follows:

	With Donor Restrictions		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Donor-restricted endowment fund, 2020	<u>\$ 82,882</u>	<u>\$4,850,000</u>	<u>\$4,932,882</u>
Donor-restricted endowment fund, 2019	<u>\$ 50,272</u>	<u>\$4,850,000</u>	<u>\$4,900,272</u>

Changes in the AFAH's endowment fund for the years ended December 31 are summarized as follows:

	2020		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$ 50,272	\$4,850,000	\$4,900,272
Investment Return:			
Net investment income	653,634	-	653,634
Appropriations for use in operations	<u>(621,024)</u>	<u>-</u>	<u>(621,024)</u>
Endowment Funds, End of Year	<u>\$ 82,882</u>	<u>\$4,850,000</u>	<u>\$4,932,882</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4 - Endowment Funds (continued)

	<u>2019</u>		
	<u>Investment Income Above (Below) Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$(464,068)	\$4,850,000	\$4,385,932
Investment Return:			
Net investment income	825,626	-	825,626
Appropriations for use in operations	<u>(311,286)</u>	<u>-</u>	<u>(311,286)</u>
Endowment Funds, End of Year	<u>\$ 50,272</u>	<u>\$4,850,000</u>	<u>\$4,900,272</u>

AFAH has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for 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 AFAH must hold in perpetuity, or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the AFAH's spending policy while assuming a moderate level of investment risk. AFAH expects its endowment funds, over time, to provide an average rate of return of approximately 5% - 6% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, AFAH 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). AFAH targets a diversified asset allocation of investments in mutual funds to achieve its long-term return objectives.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 5 - Investments

Investments consist of the following at December 31:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds:				
Equity	\$2,038,936	\$3,197,167	\$2,158,337	\$2,868,134
Fixed income	1,309,476	1,336,524	1,457,848	1,458,804
Inflation hedges	135,023	160,968	161,043	173,112
Hedged strategies	198,922	217,733	235,408	242,825
Cash and cash equivalents	<u>19,590</u>	<u>19,590</u>	<u>156,497</u>	<u>156,497</u>
	3,701,947	4,931,982	4,169,133	4,899,372
State of Israel Bond	<u>900</u>	<u>900</u>	<u>500</u>	<u>900</u>
	<u>\$3,702,847</u>	<u>\$4,932,882</u>	<u>\$4,169,633</u>	<u>\$4,900,272</u>

The following schedule summarizes net investment income for the years ended December 31:

	2020	2019
Interest, dividends and capital gain distributions	\$144,791	\$143,649
Realized gains	38,595	31,199
Unrealized gains	499,396	680,429
Investment fees	<u>(29,148)</u>	<u>(29,651)</u>
Net Investment Income	<u>\$653,634</u>	<u>\$825,626</u>

Note 6 - Website Costs and Leasehold Improvements

A summary of website costs and leasehold improvement at December 31, is as follows:

	Life	2020	2019
Website redesign	3 years	\$26,720	\$18,620
Leasehold improvements		<u>11,092</u>	<u>11,092</u>
		37,812	29,712
Less: Accumulated amortization		<u>(21,142)</u>	<u>(16,546)</u>
		<u>\$16,670</u>	<u>\$ 13,166</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 7 - Beneficial Interests in Remainder Trusts

AFAH was the beneficiary of two charitable remainder unitrusts under which AFAH receives the designated principal and income of the trusts upon the death of the donors which will then be used for AFAH's operations. The trusts' assets are held by the respective trustees. During the year ended December 31, 2020, there was a \$450,721 final distribution to AFAH from one of the unitrusts.

Note 8 - Loan Payable

In April 2020, AFAH received a \$94,770 Paycheck Protection Program (PPP) loan with an interest rate of 1% and a maturity of two years. The loan and any accrued interest can be forgiven in its entirety if the loan proceeds are applied towards applicable payroll and occupancy costs, as defined by the Coronavirus Aid, Relief and Economic Security Act. In January 2021, the full amount of this loan was forgiven.

Note 9 - Commitment

AFAH entered into a lease for its New York office expiring April 30, 2023. Minimum annual rentals under the agreement are as follows:

<u>Year Ending December 31,</u>	
2021	\$74,658
2022	76,338
Thereafter, through April 2023	26,019

Note 10 - Concentration of Credit Risk

AFAH maintains its cash and cash equivalents at financial institutions located in New York. The cash balances up to certain limits are insured by the Federal Insurance Corporation.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 11 - Pension Plan**

AFAH maintains a 401(k) plan for all eligible employees. AFAH determines at its sole discretion how much, if any, it will make as an employer contribution. Total contributions of \$13,500 were made for the year ended December 31, 2020. No contributions were made for 2019.

Note 12 - Separation Agreement

AFAH's former Executive Director's (the "ED") employment ended on December 31, 2018. In consideration of the ED signing a separation agreement and complying with its terms, AFAH agreed to pay severance to the ED in the amount of \$600,000 to be paid over a thirty-six month period beginning in January 2019. As of December 31, 2020 and 2019, \$189,299 and \$400,000, respectively, has been accrued and is included in accounts payable and accrued expenses in the accompanying financial statements.

Note 13 - Risks and Uncertainties

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, AFAH has suspended some of its program activities at the direction of state and local governmental authorities. With local governments easing restrictions and businesses slowly opening up, AFAH is on path to return to full business mode.