

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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, 2021 and 2020, and the related statements of activities, 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 American Friends of ALYN Hospital, Inc. as of December 31, 2021 and 2020, 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 Audit of the Financial Statements section of our report. We are required to be independent of American Friends of ALYN Hospital, 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.

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 American Friends of ALYN Hospital, 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 Audit 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, including omissions, 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 American Friends of ALYN Hospital, 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 American Friends of ALYN Hospital, 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lotz + Carr, LLP

New York, New York
August 11, 2022

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b and 11)	\$ 278,388	\$ 155,021
Unconditional promises to give - without donor restrictions (Note 1e)	101,067	73,481
Prepaid expenses and other assets	20,330	25,611
Investments (Notes 1c, 1d and 5)	4,887,056	4,932,882
Website costs and leasehold improvements (Notes 1i and 6)	9,375	16,670
Security deposit	29,231	29,231
Beneficial interests in remainder trusts (Notes 1d and 7)	<u>351,447</u>	<u>329,716</u>
Total Assets	<u><u>\$5,676,894</u></u>	<u><u>\$5,562,612</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses (Note 12)	\$ 39,181	\$ 231,272
Refundable advance (Note 8)	186,150	-
Loan payable - Paycheck Protection Program (Note 9)	-	94,770
Total Liabilities	<u>225,331</u>	<u>326,042</u>
Commitment (Note 10)		
Net Assets (Deficit)		
Without Donor Restrictions	<u>199,185</u>	<u>(26,028)</u>
With Donor Restrictions (Notes 3 and 4)		
Time and purpose restrictions	402,378	412,598
Perpetual in nature	<u>4,850,000</u>	<u>4,850,000</u>
Total With Donor Restrictions	<u>5,252,378</u>	<u>5,262,598</u>
Total Net Assets	<u>5,451,563</u>	<u>5,236,570</u>
Total Liabilities and Net Assets	<u><u>\$5,676,894</u></u>	<u><u>\$5,562,612</u></u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions (Note 1e)	\$4,150,959	\$2,740,570
Loan forgiveness - Paycheck Protection Program (Note 9)	94,770	-
Net investment income (Notes 1c and 5)	570,642	570,752
Net assets released from restrictions		
Satisfaction of time and program restrictions	82,882	500,993
	<u>4,899,253</u>	<u>3,812,315</u>
Expenses		
Program Services	3,982,175	3,221,345
Supporting Services		
Management and general	354,216	365,725
Fundraising	337,649	176,567
Total Supporting Services	691,865	542,292
	<u>4,674,040</u>	<u>3,763,637</u>
	<u>225,213</u>	<u>48,678</u>
Changes in Net Assets With Donor Restrictions		
Change in value of beneficial interests in remainder trusts (Notes 1d and 7)	35,606	849
Net investment income (Notes 1c and 5)	37,056	82,882
Net assets released from restrictions	(82,882)	(500,993)
	<u>(10,220)</u>	<u>(417,262)</u>
Increase (decrease) in net assets	214,993	(368,584)
Net assets, beginning of year	5,236,570	5,605,154
	<u>\$5,451,563</u>	<u>\$5,236,570</u>
Net Assets, End of Year	<u>\$5,451,563</u>	<u>\$5,236,570</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021					2020				
	Program Services	Supporting Services			Total Expenses	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total			Management and General	Fundraising	Total	
Grants to ALYN	\$3,703,996	\$ -	\$ -	\$ -	\$3,703,996	\$3,003,705	\$ -	\$ -	\$ -	\$3,003,705
Salaries, payroll taxes and benefits	153,293	185,071	118,742	303,813	457,106	131,600	193,140	102,360	295,500	427,100
Professional fees	-	44,465	52,880	97,345	97,345	775	59,850	775	60,625	61,400
Advertising and marketing	42,071	-	15,308	15,308	57,379	37,708	-	6,332	6,332	44,040
Occupancy	27,784	34,519	21,890	56,409	84,193	26,233	38,080	20,310	58,390	84,623
Office expenses	20,766	25,801	16,361	42,162	62,928	12,659	18,375	9,800	28,175	40,834
Event expenses	31,858	-	95,575	95,575	127,433	7,240	-	21,720	21,720	28,960
Computer expenses	-	23,409	-	23,409	23,409	-	17,153	-	17,153	17,153
Website expenses	-	10,138	10,138	20,276	20,276	-	7,757	7,758	15,515	15,515
Insurance	-	10,637	-	10,637	10,637	-	12,713	-	12,713	12,713
Travel	-	10,921	-	10,921	10,921	-	4,174	-	4,174	4,174
Equipment leasing and maintenance	-	4,222	-	4,222	4,222	-	3,759	-	3,759	3,759
On-line fundraising fees	-	-	4,858	4,858	4,858	-	-	6,409	6,409	6,409
Board activities	-	72	-	72	72	-	-	-	-	-
Miscellaneous	-	1,970	-	1,970	1,970	-	8,656	-	8,656	8,656
Amortization	2,407	2,991	1,897	4,888	7,295	1,425	2,068	1,103	3,171	4,596
Total Expenses	<u>\$3,982,175</u>	<u>\$ 354,216</u>	<u>\$ 337,649</u>	<u>\$691,865</u>	<u>\$4,674,040</u>	<u>\$3,221,345</u>	<u>\$ 365,725</u>	<u>\$ 176,567</u>	<u>\$542,292</u>	<u>\$3,763,637</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 214,993	\$ (368,584)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Loan forgiveness - Paycheck Protection Program	(94,770)	-
Amortization	7,295	4,596
Change in value of beneficial interests in remainder trusts	(35,606)	(849)
Realized gains on sales of investments	(83,358)	(38,595)
Unrealized gains on investments	(424,930)	(499,396)
(Increase) decrease in:		
Unconditional promises to give	(27,586)	35,361
Prepaid expenses and other assets	5,281	3,208
Distribution from beneficial interest in remainder trust	13,875	450,721
Increase (decrease) in:		
Accounts payable and accrued expenses	(192,091)	(197,454)
Refundable advance	186,150	-
Net Cash Used By Operating Activities	<u>(430,747)</u>	<u>(610,992)</u>
Cash Flows From Investing Activities		
Acquisition of website costs and leasehold improvements	-	(8,100)
Purchase of investments	(1,061,288)	(2,372,201)
Proceeds from sale of investments	1,615,402	2,877,582
Net Cash Provided By Investing Activities	<u>554,114</u>	<u>497,281</u>
Cash Flows From Financing Activities		
Proceeds from loan payable	-	94,770
Net increase (decrease) in cash and cash equivalents	123,367	(18,941)
Cash and cash equivalents, beginning of year	<u>155,021</u>	<u>173,962</u>
Cash and Cash Equivalents, End of Year	<u>\$ 278,388</u>	<u>\$ 155,021</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****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, 2021 AND 2020

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:

	2021			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual funds, equity and fixed income	\$4,886,101	\$4,886,101	\$ -	\$ -
State of Israel bond	955	955	-	-
Beneficial interests in remainder trusts	<u>351,447</u>	<u>-</u>	<u>-</u>	<u>351,447</u>
Total Assets	<u>\$5,238,503</u>	<u>\$4,887,056</u>	<u>\$ -</u>	<u>\$351,447</u>
	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>

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

	2021	2020
Balance, beginning of year	\$329,716	\$779,588
Distribution of beneficial interests in remainder trusts	(13,875)	(450,721)
Increase in value of beneficial interests in remainder trusts	<u>35,606</u>	<u>849</u>
Balance, End of Year	<u>\$351,447</u>	<u>\$329,716</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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 August 11, 2022, 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

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, 2021 AND 2020

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, 2021 and 2020 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 278,388	\$ 155,021
Unconditional promises to give	101,067	73,481
Investments	<u>4,887,056</u>	<u>4,932,882</u>
Total Financial Assets	5,266,511	5,161,384
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	(402,378)	(412,598)
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>\$ 14,133</u>	<u>\$ -</u>

In addition to these financial assets available within one year, AFAH maintains a donor-restricted endowment valued at \$4,887,056 and \$4,932,882 at December 31, 2021 and 2020, 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, 2021 AND 2020

Note 3 - Restrictions on Assets

a - Net Assets With Donor Restrictions

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

	2021	2020
Operating		
Subject to passage of time	\$ 402,378	\$ 412,598
Endowment in perpetuity	4,850,000	4,850,000
Total Net Assets With Donor Restrictions	\$5,252,378	\$5,262,598

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, 2021 and 2020.

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, 2021 AND 2020

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:

	<u>With Donor Restrictions</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment fund, 2021	<u>\$37,056</u>	<u>\$4,850,000</u>	<u>\$4,887,056</u>
Donor-restricted endowment fund, 2020	<u>\$82,882</u>	<u>\$4,850,000</u>	<u>\$4,932,882</u>

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

	<u>2021</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$ 82,882	\$4,850,000	\$4,932,882
Investment Return:			
Net investment income	607,698	-	607,698
Appropriations for use in operations	<u>(653,524)</u>	<u>-</u>	<u>(653,524)</u>
Endowment Funds, End of Year	<u>\$ 37,056</u>	<u>\$4,850,000</u>	<u>\$4,887,056</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 4 - Endowment Funds (continued)

	<u>2020</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
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>

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, 2021 AND 2020

Note 5 - Investments

Investments consist of the following at December 31:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds:				
Equity	\$1,989,551	\$3,597,018	\$2,038,936	\$3,197,167
Fixed income	881,391	879,060	1,309,476	1,336,524
Inflation hedges	127,795	159,462	135,023	160,968
Hedged strategies	160,727	178,834	198,922	217,733
Cash and cash equivalents	<u>71,727</u>	<u>71,727</u>	<u>19,590</u>	<u>19,590</u>
	3,231,191	4,886,101	3,701,947	4,931,982
State of Israel Bond	<u>900</u>	<u>955</u>	<u>900</u>	<u>900</u>
	<u>\$3,232,091</u>	<u>\$4,887,056</u>	<u>\$3,702,847</u>	<u>\$4,932,882</u>

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

	<u>2021</u>	<u>2020</u>
Interest, dividends and capital gain distributions	\$129,896	\$144,791
Realized gains	83,358	38,595
Unrealized gains	424,930	499,396
Investment fees	<u>(30,486)</u>	<u>(29,148)</u>
Net Investment Income	<u>\$607,698</u>	<u>\$653,634</u>

Note 6 - Website Costs and Leasehold Improvements

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

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Website redesign	3 years	\$26,720	\$26,720
Leasehold improvements		<u>11,092</u>	<u>11,092</u>
		37,812	37,812
Less: Accumulated amortization		<u>(28,437)</u>	<u>(21,142)</u>
		<u>\$ 9,375</u>	<u>\$ 16,670</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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, 2021, there was a \$13,875 distribution to AFAH from one of the unitrusts. During the year ended December 31, 2020, there was a \$450,721 final distribution to AFAH from one of the unitrusts.

Note 8 - Refundable Advance

During the year ended December 31, 2021, AFAH received an award of which \$219,000 is conditional upon a matching requirement. At December 31, 2021, the matching requirement had not been met, therefore is not reflected as revenue in these financial statements. AFAH received an advance payment of \$186,150 of this award recognized in the statement of financial position as a refundable advance.

Note 9 - Loan Payable - Paycheck Protection Program

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. In January 2021, AFAH was notified that the loan was fully forgiven and, accordingly, recognized \$94,770 as loan forgiveness income during the year ended December 31, 2021.

Note 10 - Commitment

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

Year ending December 31, 2022	\$76,338
Thereafter, through April 2023	26,019

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 11 - 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.

Note 12 - 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 \$14,381 were made for the year ended December 31, 2021. Total contributions of \$13,500 were made for the year ended December 31, 2020.