

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



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, 2023 and 2022, 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, 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 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 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

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents (Notes 1b and 11)	\$ 196,099	\$ 317,802
Unconditional promises to give - without donor restrictions (Notes 1e and 4)	210,511	65,954
Accounts receivable	-	9,344
Prepaid expenses and other assets	33,619	42,418
Investments (Notes 1c, 1d, 5, and 6)	4,553,364	3,990,873
Operating lease right-of-use asset (Note 1g)	170,399	237,401
Website costs and leasehold improvements (Notes 1j and 7)	2,122	5,479
Security deposit	29,231	29,231
Beneficial interest in remainder trust (Notes 1d and 8)	<u>299,533</u>	<u>280,849</u>
Total Assets	<u>\$5,494,878</u>	<u>\$4,979,351</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 19,838	\$ 36,116
Operating lease liability (Notes 1g and 10)	163,624	230,106
Refundable advance (Note 9)	-	186,150
Total Liabilities	<u>183,462</u>	<u>452,372</u>
Commitment (Note 12)		
Net Assets		
Without donor restrictions	458,519	255,257
With donor restrictions (Notes 3 and 5)	<u>4,852,897</u>	<u>4,271,722</u>
Total Net Assets	<u>5,311,416</u>	<u>4,526,979</u>
Total Liabilities and Net Assets	<u>\$5,494,878</u>	<u>\$4,979,351</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions (Note 1e)	\$3,630,078	\$4,349,671
Net investment income (Notes 1c and 6)	-	47,000
Net assets released from restrictions		
Satisfaction of time and program restrictions	14,500	66,431
Miscellaneous income	250	9,091
	<u>3,644,828</u>	<u>4,472,193</u>
Total Revenue and Support		
Expenses		
Program Services	<u>2,826,940</u>	<u>3,677,365</u>
Supporting Services		
Management and general	330,228	404,831
Fundraising	<u>284,398</u>	<u>333,925</u>
Total Supporting Services	<u>614,626</u>	<u>738,756</u>
Total Expenses	<u>3,441,566</u>	<u>4,416,121</u>
Increase in Net Assets Without Donor Restrictions	<u>203,262</u>	<u>56,072</u>
Changes in Net Assets With Donor Restrictions		
Change in value of beneficial interest in remainder trust (Notes 1d and 8)	33,184	(55,098)
Net investment gain (loss) (Notes 1c and 6)	562,491	(859,127)
Net assets released from restrictions	<u>(14,500)</u>	<u>(66,431)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>581,175</u>	<u>(980,656)</u>
Increase (decrease) in net assets	784,437	(924,584)
Net assets, beginning of year	<u>4,526,979</u>	<u>5,451,563</u>
Net Assets, End of Year	<u><u>\$5,311,416</u></u>	<u><u>\$4,526,979</u></u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				2022					
	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	\$2,601,571	\$ -	\$ -	\$ -	\$2,601,571	\$3,430,254	\$ -	\$ -	\$ -	\$3,430,254
Salaries, payroll taxes and benefits	145,935	159,052	145,935	304,987	450,922	149,720	193,591	126,146	319,737	469,457
Professional fees	-	40,059	11,823	51,882	51,882	-	41,993	82,213	124,206	124,206
Advertising and marketing	3,500	-	14,548	14,548	18,048	42,613	-	40,182	40,182	82,795
Occupancy	23,217	25,305	23,217	48,522	71,739	24,724	31,677	20,861	52,538	77,262
Office expenses	19,452	21,201	19,452	40,653	60,105	16,543	21,196	13,958	35,154	51,697
Educational materials	27,350	-	27,349	27,349	54,699	9,239	-	9,239	9,239	18,478
Event expenses	4,829	-	14,489	14,489	19,318	1,970	-	5,906	5,906	7,876
Computer expenses	-	35,509	-	35,509	35,509	-	32,638	-	32,638	32,638
Website expenses	-	26,498	26,498	52,996	52,996	-	33,477	33,478	66,955	66,955
Insurance	-	10,115	-	10,115	10,115	-	12,800	-	12,800	12,800
Travel	-	9,613	-	9,613	9,613	-	29,926	-	29,926	29,926
Equipment leasing and maintenance	-	564	-	564	564	-	3,367	-	3,367	3,367
On-line fundraising fees	-	-	-	-	-	-	-	-	-	-
Board activities	-	-	-	-	-	-	16	-	16	16
Miscellaneous	-	1,128	-	1,128	1,128	-	1,200	-	1,200	1,200
Amortization	1,086	1,184	1,087	2,271	3,357	2,302	2,950	1,942	4,892	7,194
Total Expenses	<u>\$2,826,940</u>	<u>\$ 330,228</u>	<u>\$ 284,398</u>	<u>\$614,626</u>	<u>\$3,441,566</u>	<u>\$3,677,365</u>	<u>\$ 404,831</u>	<u>\$ 333,925</u>	<u>\$738,756</u>	<u>\$4,416,121</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$784,437	\$ (924,584)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Reduction in carrying amount of operating lease right-of-use asset	67,002	66,262
Amortization	3,357	7,194
Change in value of beneficial interests in remainder trusts	(33,184)	55,098
Realized gain on sales of investments	(80,437)	(300,420)
Unrealized (gain) loss on investments	(388,050)	1,185,566
(Increase) decrease in:		
Unconditional promises to give	(144,557)	35,113
Accounts receivable	9,344	(9,344)
Prepaid expenses and other assets	8,799	(22,088)
Distributions from beneficial interest in remainder trust	14,500	15,500
Increase (decrease) in:		
Accounts payable and accrued expenses	(16,278)	(3,065)
Operating lease liability	(66,482)	(73,557)
Refundable advance	(186,150)	-
Net Cash Provided (Used) By Operating Activities	<u>(27,699)</u>	<u>31,675</u>
Cash Flows From Investing Activities		
Acquisition of website costs and leasehold improvements	-	(3,298)
Purchase of investments	(406,174)	(1,458,856)
Proceeds from sale of investments	312,170	1,469,893
Net Cash Provided (Used) By Investing Activities	<u>(94,004)</u>	<u>7,739</u>
Net increase (decrease) in cash and cash equivalents	(121,703)	39,414
Cash and cash equivalents, beginning of year	<u>317,802</u>	<u>278,388</u>
Cash and Cash Equivalents, End of Year	<u>\$196,099</u>	<u>\$317,802</u>
Supplemental disclosure of non-cash investing activities:		
Operating lease right-of-use asset obtained in exchange for lease liability	<u>\$ -</u>	<u>\$ 303,663</u>

See notes to financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023 AND 2022****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, 2023 AND 2022

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:

	2023			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds, equity and fixed income	\$4,552,349	\$4,552,349	\$ -	\$ -
State of Israel bond	1,015	1,015	-	-
Beneficial interest in remainder trust	<u>299,533</u>	<u>-</u>	<u>-</u>	<u>299,533</u>
Total Investments	<u>\$4,852,897</u>	<u>\$4,553,364</u>	<u>\$ -</u>	<u>\$299,533</u>
	2022			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds, equity and fixed income	\$3,989,889	\$3,989,889	\$ -	\$ -
State of Israel bond	984	984	-	-
Beneficial interest in remainder trust	<u>280,849</u>	<u>-</u>	<u>-</u>	<u>280,849</u>
Total Investments	<u>\$4,271,722</u>	<u>\$3,990,873</u>	<u>\$ -</u>	<u>\$280,849</u>

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$280,849	\$351,447
Distribution of beneficial interest in remainder trust	(14,500)	(15,500)
Increase (decrease) in value of beneficial interest in remainder trust	<u>33,184</u>	<u>(55,098)</u>
Balance, End of Year	<u>\$299,533</u>	<u>\$280,849</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 - Operating Lease Right-of-Use Asset and Operating Lease Liability

For leases with an initial term greater than twelve months, AFAH's operating lease liability is initially recorded at the present value of the unpaid lease payments as of the lease commencement date. AFAH's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, deferred rent liability and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

h - 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.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Financial Statement Presentation (continued)****Net Assets With Donor Restrictions**

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

i - 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.

j - Website Costs and Leasehold Improvements

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

k - 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.

l - Subsequent Events

AFAH has evaluated subsequent events through June 28, 2024, the date that the financial statements are considered available to be issued.

m - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to program or supporting functions. Expenses are applied directly to program 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 office expenses, salaries, payroll taxes and employee benefits which are allocated based on employee time and effort.

n - New Accounting Standard

During 2023, AFAH adopted ASU 2016-13, Current Expected Credit Losses ("Topic 326"). The core principles of ASU 2016-13 (the "ASU") change the way organizations recognize credit losses from the incurred loss model to the expected loss model for most financial assets. The financial assets held by AFAH that is subject to the ASU is accounts receivable. The adoption of the ASU did not have a significant impact to net assets.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 196,099	\$ 317,802
Unconditional promises to give	210,511	65,954
Accounts receivable	-	9,344
Investments	<u>4,553,364</u>	<u>3,990,873</u>
Total Financial Assets	4,959,974	4,383,973
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	<u>(4,553,364)</u>	<u>(3,990,873)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 406,610</u>	<u>\$ 393,100</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 3 - Restrictions on Assets

a - Net Assets With Donor Restrictions

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

	2023	2022
Operating		
Subject to passage of time	\$ <u>299,533</u>	\$ <u>280,849</u>
Endowments:		
Accumulated investment income above (below)		
original gift amount	(296,636)	(859,127)
Investment in perpetuity	<u>4,850,000</u>	<u>4,850,000</u>
Total Endowments	<u>4,553,364</u>	<u>3,990,873</u>
Total Net Assets With Donor Restrictions	<u>\$4,852,897</u>	<u>\$4,271,722</u>

b - 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, 2023 and 2022.

c - 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 - Unconditional Promises to Give

Unconditional promises to give are due within one year.

Note 5 - Endowment Fund

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.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 5 - Endowment Fund (continued)

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.

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. While AFAH has made transfers to operations in excess of the original terms of the endowment in prior years, AFAH does not anticipate accessing these funds in the future.

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 (Loss) Above (Below) Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment fund, 2023	<u>\$(296,636)</u>	<u>\$4,850,000</u>	<u>\$4,553,364</u>
Donor-restricted endowment fund, 2022	<u>\$(859,127)</u>	<u>\$4,850,000</u>	<u>\$3,990,873</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 5 - Endowment Funds (continued)

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

	2023		
	Investment Income (Loss) Above (Below) Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$(859,127)	\$4,850,000	\$3,990,873
Investment Return:			
Net investment income	562,491	-	562,491
Appropriations for use in operations	-	-	-
Endowment Funds, End of Year	<u>\$(296,636)</u>	<u>\$4,850,000</u>	<u>\$4,553,364</u>
	2022		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$ 37,056	\$4,850,000	\$4,887,056
Investment loss:			
Net investment loss	(812,127)	-	(812,127)
Appropriations for use in operations	<u>(84,056)</u>	-	<u>(84,056)</u>
Endowment Funds, End of Year	<u>\$(859,127)</u>	<u>\$4,850,000</u>	<u>\$3,990,873</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, 2023 AND 2022

Note 5 - Endowment Funds (continued)

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. As of December 31, 2023 and 2022, the fund with an original gift value of \$4,850,000, had a fair value of \$4,553,364 and \$3,990,873 respectively, and were reported as net assets with donor restrictions. The shortfalls resulted from unfavorable market conditions.

Note 6 - Investments

Investments consist of the following at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds:				
Equity	\$2,089,224	\$3,049,746	\$2,068,267	\$2,664,443
Fixed income	988,586	857,956	914,968	766,337
Inflation hedges	118,190	124,733	118,222	127,739
Hedged strategies	149,281	164,887	149,280	157,323
Cash and cash equivalents	<u>349,734</u>	<u>355,027</u>	<u>269,837</u>	<u>274,047</u>
	3,695,015	4,552,349	3,520,574	3,989,889
State of Israel Bond	<u>900</u>	<u>1,015</u>	<u>900</u>	<u>984</u>
	<u>\$3,695,915</u>	<u>\$4,553,364</u>	<u>\$3,521,474</u>	<u>\$3,990,873</u>

The following summarizes net investment income (loss) for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest, dividends and capital gain distributions	\$125,446	\$ 104,034
Realized gains	80,437	300,421
Unrealized gain (loss)	388,050	(1,185,566)
Investment fees	<u>(31,442)</u>	<u>(31,016)</u>
Net Investment Income (Loss)	<u>\$562,491</u>	<u>\$ (812,127)</u>

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 7 - Website Costs and Leasehold Improvements

A summary of website costs and leasehold improvements at December 31 are as follows:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Website redesign	3 years	\$30,018	\$30,018
Leasehold improvements		<u>11,092</u>	<u>11,092</u>
		41,110	41,110
Less: Accumulated amortization		<u>(38,988)</u>	<u>(35,631)</u>
		<u>\$ 2,122</u>	<u>\$ 5,479</u>

Note 8 - Beneficial Interest in Remainder Trust

AFAH is the beneficiary of a charitable remainder unitrust under which AFAH receives the designated principal and income of the trust upon the death of the donor which will then be used for AFAH's operations. The trust assets are held by a trustee. During the years ended December 31, 2023 and 2022, AFAH received distributions of \$14,500 and \$15,500, respectively.

Note 9 - Refundable Advance

During the year ended December 31, 2021, AFAH received an award of which \$219,000 was conditional upon a matching requirement. AFAH received an advance payment of \$186,150 of this award which was recognized as a refundable advance. At December 31, 2023, the matching requirement had been met, therefore the \$186,150 refundable advance was reflected as revenue in these financial statements.

AMERICAN FRIENDS OF ALYN HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

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Note 10 - Operating Lease Liability

AFAH occupies space under an operating lease agreement expiring June 30, 2026.

Operating lease expense for the years ended December 31, 2023 and 2022 were \$69,043 each year. There were no variable lease costs incurred. As of December 31, 2023, the remaining term of the AFAH's operating lease is 42 months and the discount rate is 1.03%.

Maturities of the AFAH's operating lease liability as of December 31, 2023 are as follows:

<u>Year Ending December 31</u>	
2024	\$ 65,031
2025	66,982
2026	<u>33,820</u>
	165,833
Less: Amount attributable to interest	<u>(2,209)</u>
	<u>\$163,624</u>

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. For the plan year beginning January 1, 2023, AFAH will make a contribution equal to 3% of employee compensation to maintain a safe harbor status. Total contributions of \$5,853 were made for the year ended December 31, 2023. Total contributions of \$14,012 were made for the year ended December 31, 2022.