

MACCABI USA, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
AND
INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]
ACCOUNTANTS AND ADVISORS

MACCABI USA, INC.

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ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Maccabi USA, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Maccabi USA, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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 Maccabi USA, Inc. as of December 31, 2020 and 2019, and the change 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.

A handwritten signature in black ink that reads "Freedman LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
November 10, 2021

MACCABI USA, INC.

STATEMENTS OF FINANCIAL POSITION

| | December 31, | |
|--|---------------------|--------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,621,246 | \$ 1,184,611 |
| Investments, Israel bonds | 5,000 | 5,000 |
| Pledges receivable, net of allowance | 250,000 | - |
| Prepaid expenses and other | 318,844 | 49,431 |
| Due from related parties | 28,916 | 15,175 |
| Total current assets | 2,224,006 | 1,254,217 |
| Property and equipment, net | 6,080 | 5,105 |
| Pledges receivable, net of current portion and allowance | - | 10,500 |
| | 6,080 | 15,605 |
| Total assets | \$ 2,230,086 | \$ 1,269,822 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 74,913 | \$ 93,982 |
| Deferred rent, current portion | 3,891 | - |
| Notes payable, current portion | 101,231 | - |
| Total current liabilities | 180,035 | 93,982 |
| Long-term liabilities | | |
| Notes payable, net of current portion | 181,369 | - |
| Deferred rent, net of current portion | 15,065 | - |
| Total non-current liabilities | 196,434 | - |
| Total liabilities | 376,469 | 93,982 |
| Commitments | | |
| Net Assets | | |
| Without donor restrictions | (427,909) | 192,434 |
| With donor restrictions | 2,281,526 | 983,406 |
| Total net assets | 1,853,617 | 1,175,840 |
| Total liabilities and net assets | \$ 2,230,086 | \$ 1,269,822 |

See notes to financial statements.

MACCABI USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| | Year Ended December 31, | | | | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | 2020 | | | 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue | | | | | | |
| Program revenues | \$ 38,886 | \$ - | \$ 38,886 | \$ 3,541,182 | \$ - | \$ 3,541,182 |
| Contributions | | | | | | |
| Support of games | 80,232 | 1,163,261 | 1,243,493 | 549,411 | 134,402 | 683,813 |
| General | 248,009 | 425,657 | 673,666 | 110,025 | 419,961 | 529,986 |
| In-kind donation | 60,000 | - | 60,000 | 60,000 | - | 60,000 |
| Board member dues | 20,163 | - | 20,163 | 35,164 | - | 35,164 |
| Special events (net of direct donor benefit of \$84,165 in 2020 and \$90,563 in 2019) | 13,928 | 157,652 | 171,580 | 124,299 | 77,702 | 202,001 |
| Interest income | 4,244 | - | 4,244 | 4,000 | - | 4,000 |
| Net assets released from restriction | 448,450 | (448,450) | - | 189,282 | (189,282) | - |
| Total support and revenue | 913,912 | 1,298,120 | 2,212,032 | 4,613,363 | 442,783 | 5,056,146 |
| Expenses | | | | | | |
| Program services | 1,042,191 | - | 1,042,191 | 3,279,973 | - | 3,279,973 |
| Management and general | 225,083 | - | 225,083 | 414,699 | - | 414,699 |
| Fundraising | 266,981 | - | 266,981 | 410,043 | - | 410,043 |
| Total expenses | 1,534,255 | - | 1,534,255 | 4,104,715 | - | 4,104,715 |
| Change in net assets | (620,343) | 1,298,120 | 677,777 | 508,648 | 442,783 | 951,431 |
| Net assets, beginning of year | 192,434 | 983,406 | 1,175,840 | (316,214) | 540,623 | 224,409 |
| Net assets, end of year | \$ (427,909) | \$ 2,281,526 | \$ 1,853,617 | \$ 192,434 | \$ 983,406 | \$ 1,175,840 |

See notes to financial statements.

MACCABI USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

| | Program services | | | | Management and | | Fundraising | Total |
|-------------------------------------|------------------|------------|----------------|--------------|----------------|------------|--------------|-------|
| | Maccabiah Games | Mac @ Home | Other Programs | Total | General | | | |
| Personnel | | | | | | | | |
| Salaries | \$ 149,726 | \$ 149,726 | \$ 124,772 | \$ 424,224 | \$ 93,578 | \$ 106,056 | \$ 623,858 | |
| Payroll taxes and employee benefits | 28,464 | 28,464 | 23,720 | 80,648 | 17,790 | 20,162 | 118,600 | |
| Total personnel costs | 178,190 | 178,190 | 148,492 | 504,872 | 111,368 | 126,218 | 742,458 | |
| Other expenses | | | | | | | | |
| Advertising and marketing | 13,033 | 3,660 | 10,980 | 27,673 | - | 18,299 | 45,972 | |
| Bank fees | 8,416 | - | - | 8,416 | 395 | - | 8,811 | |
| Depreciation | - | - | - | - | 1,424 | - | 1,424 | |
| Insurance | 15,573 | 15,573 | 12,978 | 44,124 | 9,733 | 11,031 | 64,888 | |
| IT support services | 11,807 | 11,807 | 9,839 | 33,453 | 7,379 | 8,363 | 49,195 | |
| Marketing | 3,480 | 3,480 | 2,900 | 9,860 | 2,175 | 2,465 | 14,500 | |
| Membership fees | 37,920 | 37,920 | 31,600 | 107,440 | 23,700 | 26,860 | 158,000 | |
| Newsletter | 4,606 | 1,151 | 3,453 | 9,210 | - | - | 9,210 | |
| Office expenses | 4,763 | 4,763 | 3,968 | 13,494 | 11,507 | 3,374 | 28,375 | |
| Other expenses | 5,627 | 51 | 2,698 | 8,376 | 534 | 416 | 9,326 | |
| Postage and shipping | 2,576 | 2,499 | 6,812 | 11,887 | 198 | 11,137 | 23,222 | |
| Professional fees | 67,523 | 26,733 | 51,737 | 145,993 | 40,856 | 9,305 | 196,154 | |
| Registration fees | - | - | - | - | - | 23,076 | 23,076 | |
| Rent | 19,645 | 19,644 | 16,369 | 55,658 | 12,277 | 13,914 | 81,849 | |
| Special events | - | - | - | - | - | 8,514 | 8,514 | |
| Team | 550 | - | 42,292 | 42,842 | - | - | 42,842 | |
| Telephone | 1,749 | 1,334 | 1,113 | 4,196 | 833 | 945 | 5,974 | |
| Travel and entertainment | 4,397 | 1,959 | 1,633 | 7,989 | 1,224 | 1,387 | 10,600 | |
| Utilities | 2,367 | 2,367 | 1,974 | 6,708 | 1,480 | 1,677 | 9,865 | |
| Total expenses | \$ 382,222 | \$ 311,131 | \$ 348,838 | \$ 1,042,191 | \$ 225,083 | \$ 266,981 | \$ 1,534,255 | |

See notes to financial statements.

MACCABI USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

| | Program services | | | | | Management and General | | | Total |
|-------------------------------------|------------------|----------------|--------------|----------------|--------------|------------------------|-------------|--------------|-------|
| | Maccabiah Games | European Games | Pan-Am Games | Other Programs | Total | General | Fundraising | Total | |
| Personnel | | | | | | | | | |
| Salaries | \$ 66,294 | \$ 152,477 | \$ 165,736 | \$ 26,518 | \$ 411,025 | \$ 106,071 | \$ 145,848 | \$ 662,944 | |
| Payroll taxes and employee benefits | 11,443 | 26,319 | 28,608 | 4,577 | 70,947 | 18,308 | 25,175 | 114,430 | |
| Total personnel costs | 77,737 | 178,796 | 194,344 | 31,095 | 481,972 | 124,379 | 171,023 | 777,374 | |
| Other expenses | | | | | | | | | |
| Advertising and marketing | 9,482 | - | 2,217 | - | 11,699 | - | 5,002 | 16,701 | |
| Apparel | - | 86,764 | 161,141 | - | 247,905 | - | 5,740 | 253,645 | |
| Alumni events | - | - | - | 17,458 | 17,458 | - | - | 17,458 | |
| Bad debt recovery | - | - | - | - | - | (6,374) | - | (6,374) | |
| Bank fees | 742 | 36,678 | 73,070 | - | 110,490 | 2,831 | - | 113,321 | |
| Conferences | 2,080 | 4,783 | 5,199 | 832 | 12,894 | 3,328 | 4,575 | 20,797 | |
| Depreciation | - | - | - | - | - | 445 | - | 445 | |
| Dues | 289 | 664 | 722 | 116 | 1,791 | 462 | 635 | 2,888 | |
| Insurance | 7,015 | 21,133 | 17,536 | 2,806 | 48,490 | 11,223 | 15,432 | 75,145 | |
| Interest | - | - | - | - | - | 1,984 | - | 1,984 | |
| IT support services | 5,278 | 12,138 | 13,194 | 2,111 | 32,721 | 8,444 | 11,611 | 52,776 | |
| Marketing | 2,400 | 7,181 | 6,000 | 960 | 16,541 | 3,840 | 5,280 | 25,661 | |
| Membership fees | 15,800 | 36,340 | 39,500 | 6,320 | 97,960 | 25,280 | 34,760 | 158,000 | |
| Office expenses | 2,025 | 13,992 | 11,571 | 809 | 28,397 | 4,058 | 4,455 | 36,910 | |
| Other expenses | 832 | 818 | 12,208 | - | 13,858 | - | - | 13,858 | |
| Postage and shipping | 635 | 3,903 | 8,944 | 112 | 13,594 | 448 | 37,971 | 52,013 | |
| Printing | 12 | - | - | - | 12 | - | 1,502 | 1,514 | |
| Professional fees | - | - | - | - | - | 213,622 | - | 213,622 | |
| Raffle | - | 4,200 | 6,300 | - | 10,500 | - | - | 10,500 | |
| Registration fees | - | 331,646 | 1,013,362 | - | 1,345,008 | - | 7,440 | 1,352,448 | |
| Rent | 9,085 | 20,894 | 22,711 | 3,634 | 56,324 | 14,535 | 19,986 | 90,845 | |
| Security | - | 52,440 | 43,187 | - | 95,627 | - | - | 95,627 | |
| Special events | - | - | - | - | - | - | 76,112 | 76,112 | |
| Team | - | 23,993 | 21,785 | 101,779 | 147,557 | - | - | 147,557 | |
| Telephone | 722 | 4,048 | 3,809 | 289 | 8,868 | 1,155 | 1,588 | 11,611 | |
| Travel and entertainment | 2,268 | 243,017 | 227,062 | 798 | 473,145 | 3,191 | 4,389 | 480,725 | |
| Utilities | 1,155 | 2,657 | 2,888 | 462 | 7,162 | 1,848 | 2,542 | 11,552 | |
| Total expenses | \$ 137,557 | \$ 1,086,085 | \$ 1,886,750 | \$ 169,581 | \$ 3,279,973 | \$ 414,699 | \$ 410,043 | \$ 4,104,715 | |

See notes to financial statements.

MACCABI USA, INC.

STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | |
|--|-------------------------|---------------------|
| | 2020 | 2019 |
| Cash flows from operating activities | | |
| Change in net assets | \$ 677,777 | \$ 951,431 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 1,424 | 445 |
| Bad debt expense (recovery) | 500 | (6,374) |
| Changes in operating assets and liabilities | | |
| Pledges receivable | (240,000) | 42,460 |
| Prepaid expenses and other | (269,712) | 406,511 |
| Due from related parties | (13,741) | (9,434) |
| Accounts payable and accrued expenses | (18,770) | (140,449) |
| Deferred rent | 18,956 | (11,551) |
| Deferred revenue | - | (315,078) |
| Net cash flows provided by operating activities | 156,434 | 917,961 |
| Cash flows used in investing activities | | |
| Acquisition of equipment | (2,399) | (1,661) |
| Cash flows provided by (used in) financing activities | | |
| Net repayments on line of credit | - | (150,000) |
| Proceeds from notes payable | 282,600 | - |
| Net cash flows provided by (used in) operating activities | 282,600 | (150,000) |
| Net increase in cash and cash equivalents | 436,635 | 766,300 |
| Cash and cash equivalents, beginning of year | 1,184,611 | 418,311 |
| Cash and cash equivalents, end of year | \$ 1,621,246 | \$ 1,184,611 |
| Cash paid for interest | \$ - | \$ 1,984 |

See notes to financial statements.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION

Maccabi USA Inc., (the “Organization”), is the official sponsor of the United States team to the World Maccabiah Games in Israel, as well as other international Maccabi Games in Latin America, Australia, and Europe. Each team is comprised of Jewish athletes from the United States who represent their country in athletic competition and learn about the Jewish culture and heritage in the host country where the Games take place. It is the unique combination of sports and history that allows Maccabi USA to change the lives of all who participate in the Games. Athletes leave the competition with a feeling of accomplishment for their athletic ability, great new friends from around the world and most important, a sense of pride for their unique culture and heritage. They feel a special connection with their fellow Jews from around the world and a strong connection to the State of Israel.

Maccabi USA distinguishes themselves by:

- Sponsoring the United States Team to the World Maccabiah Games.
- Supporting programs such as the JCC Maccabi Games which introduce American Jewish youth to their heritage by sponsoring sports-related programs and activities.
- Supporting programs that enhance participation of American Jewish youth with their brethren throughout the world.
- Supporting athletic facilities and programs in Israel.
- Being a member of Maccabi World Union and worldwide Maccabi movement.

To further its mission, Maccabi USA lends support to the Maccabi World Union, Project Tikvah, The Wingate Institute, Israel Sports Center for Disabled, Israel's Special Olympics and Paralympics teams, the International Jewish Sports Hall of Fame and Israel's Olympic athletes.

Maccabi USA is one of 50 territorial representatives of Maccabi World Union, the international governing organization. Maccabi World Union has a membership of more than 400,000 throughout the world. The Maccabi movement, with ties to the ideals of Zionism and named for Judah (The Hammer) Maccabee, symbolizes Jewish excellence in sport.

The Organization is supported primarily through contributions and program revenues associated with the athletic games.

Maccabi USA is officially recognized by the United States Olympic and Paralympic Committee as an Affiliated Organization and is an adjunct member of the Conference of Presidents of Major Jewish Organizations.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements reflect the accounts of the Organization and have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (US GAAP) and presented in accordance with Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

Net Assets

Net assets, revenues, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The net assets whose use is restricted by the Board of Directors are also included within net assets without donor restrictions. The Organization had no board restricted net assets at December 31, 2020 and 2019.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or purposes specified by the donor. Other donor-imposed restrictions (endowments) are permanent in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Support and Revenue Recognition

In accordance with Financial Accounting Standards Board (“FASB”) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), the Organization determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Organization satisfies the performance obligations.

Program revenues – Program revenues include amounts paid by athletes to participate in the various Maccabi games. A portion of the amount paid by the athlete is considered a contribution to the Organization and has been classified as such in the statements of activities and changes in net assets. These revenues are recognized at a point in time during the year in which the game is held. Accordingly, amounts received in advance are deferred until the event occurs. Application fees are recognized when the application is received regardless of when games will take place.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (Continued)

Contributions – In accordance with ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), unconditional promises to give cash and other assets to the Organization are reported as contributions and recorded at fair value on the date the promise is received. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions received for specific purposes or with donor stipulations are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Restricted contributions received, whose restrictions are met in the same reporting period, are reflected as without restrictions.

Special events – Revenue earned from sponsorships or attendance at fundraising events is recognized at the time of the event. Revenue from sponsorships is considered contribution revenue as they are generally nonreciprocal transactions. Revenue from ticket sales are considered an exchange transaction for the value received. Amounts received in advance of the event are recorded as deferred revenue (contract liability) until the event is held. Expenses incurred in connection with an event that provide direct benefit to the donors reported offsetting special event revenue in the statements of activities and changes in net assets. For the year ended December 31, 2020, the revenue from special events amounted to \$255,745, of which \$84,165 was earned as a benefit to the donor. For the year ended December 31, 2019, the revenue from special events amounted to \$292,564, of which \$90,563 was earned as a benefit to the donor.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less, which are not intended to be held for investment purposes, to be cash equivalents

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Any unrealized gains or losses on investments are included in the statements of activities and changes in net assets.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give

Unconditional promises to give are recorded as received at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount these amounts. Amortization of discounts is included in contribution revenue. The Organization uses an allowance method to determine uncollectible promises receivable. The allowance for doubtful accounts was \$42,000 and \$41,500 as of December 31, 2020 and 2019, respectively.

Property and Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years. The cost of maintenance and repairs is charged to expense as incurred.

In-Kind Contributions

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received as contributions with offsetting expenses. Contributed services, consisting of legal services in the amount of \$60,000 for each of the years ended December 31, 2020 and 2019. In addition, the Organization received donated services from a variety of unpaid volunteers. The value of these services is not reflected in the accompanying financial statements as these services do not meet the criteria for recognition as contributed services.

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited. All expenses are allocated based on total salary and benefit costs, whose distribution to programs is determined based on the estimates of time and effort incurred by personnel.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs were \$45,972 and \$16,701 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3), and is exempt from state income taxes. The Organization is not a private foundation.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

| | December 31, | |
|--|--------------|--------------|
| | 2020 | 2019 |
| Cash and cash equivalents | \$ 1,621,246 | \$ 1,184,611 |
| Israel bonds | 5,000 | 5,000 |
| Pledges receivable | 250,000 | - |
| Total financial assets available within one year | 1,876,246 | 1,189,611 |
| Less: amounts unavailable for general expenditures within one year, due to | | |
| Restricted by donor with purpose restrictions | (2,002,557) | (983,406) |
| Total financial assets available to management for general expenditure within one year | \$ (126,311) | \$ 206,205 |

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and program expenditures in fiscal year 2021.

During the year ended December 31, 2020, the Organization increased its efforts in the development of contributions without donor restrictions in order to replenish the donor restricted assets utilized to fund general operations.

The Organization typically runs on a four year budget cycle culminating in the Maccabiah Games. Due to the COVID-19 pandemic, this budget cycle was extended to a five year budget. (see Note 15) As a result, the 2020 financial results are in line with management's expectations for a typical year 3 of the 5 year budget cycle. The Organization fully expects to increase liquidity in years 4 and 5 of the budget cycle.

Liquidity Management

The Organization, with oversight of the Board of Directors, maintains any excess funds in an interest bearing cash account. To help manage unanticipated liquidity needs, the Organization has a line of credit of \$750,000, that it can draw on to meet short-term cash needs (see Note 6).

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

4 - PLEDGES RECEIVABLE

Pledges receivable are as follows:

| | December 31, | |
|---|--------------|-----------|
| | 2020 | 2019 |
| Gross pledges receivable | \$ 292,000 | \$ 52,000 |
| Less allowances for uncollectible pledges | (42,000) | (41,500) |
| Net pledges receivable | \$ 250,000 | \$ 10,500 |
| Amounts due in | | |
| Less than one year | \$ 292,000 | \$ - |
| One to five years | - | 52,000 |
| Gross pledges receivable | \$ 292,000 | \$ 52,000 |

5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

| | December 31, | |
|-------------------------------|--------------|-----------|
| | 2020 | 2019 |
| Computer equipment | \$ 62,461 | \$ 60,062 |
| Computer software | 51,718 | 51,718 |
| Equipment | 17,949 | 17,949 |
| | 132,128 | 129,729 |
| Less accumulated depreciation | (126,048) | (124,624) |
| | \$ 6,080 | \$ 5,105 |

Total depreciation expense for the years ended December 31, 2020 and 2019 was \$1,424 and \$445, respectively.

6 - LINE OF CREDIT

The Organization had a revolving line of credit of \$500,000 as of December 31, 2019 that expired May 30, 2020. The effective rate as of December 31, 2019 was 6.50%. Interest was payable monthly and the line of credit was unsecured. The outstanding balance was \$0 as of December 31, 2019. On September 7, 2021, the Organization signed an agreement for a revolving line of credit of \$750,000 which is due to expire on September 6, 2022.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

7 - NOTES PAYABLE

On April 7, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of \$132,600 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first seven months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon Maccabi USA, Inc.’ request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. The Organization received a letter stating that on May 13, 2021, the Small Business Administration has forgiven 100% of the loan and interest and repaid the bank in full.

In addition, On August 6, 2020, the Organization qualified for and received a loan from SBA under section 7(b) of the Small Business ACT, as amended, for an aggregate principal amount of \$150,000 (the “SBA Loan”). The SBA Loan bears interest at a fixed rate of 2.75% per annum, with the first twenty four months of interest and payments deferred, and has a term of thirty years. Monthly installment payments, including principal and interest, of \$641 will commence after the end of deferral period. The SBA Loan may be accelerated upon the occurrence of an event of default.

Future maturities of the notes payable are as follows:

| Year Ending December 31, | | |
|--------------------------|----|---------|
| 2021 | \$ | 101,231 |
| 2022 | | 32,562 |
| 2023 | | 3,646 |
| 2024 | | 3,747 |
| 2025 | | 3,851 |
| Thereafter | | 137,563 |
| | \$ | 282,600 |

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

8 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | December 31, | |
|---|---------------------|-------------------|
| | 2020 | 2019 |
| Subject to expenditure for specified purposes | | |
| Maccabiah Games 2022 | \$ 1,992,450 | \$ 940,935 |
| Israeli Olympic Baseball | 78,549 | - |
| Other | 210,527 | 42,471 |
| | <u>\$ 2,281,526</u> | <u>\$ 983,406</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the expiration of a time restriction or by occurrence of other events specified by donors.

| | December 31, | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| Subject to expenditure for specified purposes | | |
| Maccabiah Games 2022 | \$ 416,228 | \$ 137,557 |
| European Games 2019 | - | 15,986 |
| PanAm Games 2019 | - | 34,157 |
| Israeli Olympic Baseball | 32,222 | - |
| Other | - | 1,582 |
| | <u>\$ 448,450</u> | <u>\$ 189,282</u> |

9 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

9 - FAIR VALUE MEASUREMENTS (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Israel bonds – The fair value of these securities is estimated based on models considering the estimated cash flows and expected yield. These securities have a contractual term.

The following table summarizes investment assets measured at fair value at December 31, 2020 and 2019. No change in value noted during the year ended December 31, 2020.

| | Investments at Fair Value | | | |
|--|---------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Israel bonds | \$ - | \$ 5,000 | \$ - | \$ 5,000 |
| Total assets in the fair value hierarchy | \$ - | \$ 5,000 | \$ - | \$ 5,000 |

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

10 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash at various financial institutions. At times, cash in these accounts may exceed the Federal Deposit Insurance Corporation limit of \$250,000. At December 31, 2020, the uninsured cash balance was approximately \$1,080,000. The Organization has not experienced any losses in such accounts.

11 - COMMITMENTS

Lease agreements

The Organization has an office lease agreement with a company owned by a former board member through December 31, 2023. The agreement allows for an extension for an additional two years through December 31, 2025.

The original lease agreement contained rent holidays and rent escalation clauses. US GAAP requires rent expense to be recognized on a straight-line basis over the lease term. The difference between the rent due under the stated periods of the lease compared to that of the straight-line basis is recorded as deferred rent. At December 31, 2020 and 2019, deferred rent of \$18,956 and \$0, respectively, is included in the statements of financial position.

Rent expense, including taxes and operating expenses, for the years ended December 31, 2020 and 2019, was \$81,849 and \$90,845, respectively.

Future minimum lease commitments required under the lease agreement are as follows:

| Year Ending December 31, | |
|--------------------------|-------------------|
| 2021 | \$ 63,156 |
| 2022 | 65,556 |
| 2023 | 68,040 |
| | <u>\$ 196,752</u> |

Employment Agreements

On occasion, the Organization will enter into employment contracts with key employees. The contracts typically provide for minimum guaranteed compensation, as well as certain employee benefits. Future minimum employment commitments required under employment contracts are as follows:

| Year Ending December 31, | |
|--------------------------|-------------------|
| 2021 | \$ 215,373 |
| 2022 | 225,086 |
| 2023 | 115,288 |
| | <u>\$ 555,747</u> |

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

12 - RETIREMENT PLAN

The Organization has a 403(b) retirement plan. The plan covers all employees meeting certain eligibility requirements. Employees voluntarily make contributions to the Plan based upon limits established under the Internal Revenue Code. In addition, the Organization may make nonelective contributions as defined by the plan. These contributions for the years ended December 31, 2020 and 2019 totaled \$15,045 and \$13,056, respectively.

13 - RELATED PARTY TRANSACTIONS

The Organization has common board members with the Endowment Fund of Maccabi USA. For the years ended December 31, 2020 and 2019, the Organization received grants and contributions from the Endowment Fund of Maccabi USA totaling approximately \$486,000 and \$420,000, respectively.

Included in due from related party as of December 31, 2020 and 2019 were \$28,836 and \$15,105, respectively, due from Endowment Fund of Maccabi USA.

In the ordinary course of business, the Organization utilizes vendors that are owned by a certain board member of the Organization, including a travel agency and office lease. During the year ended December 31, 2019, the Organization paid these entities \$87,017 and \$533,415, respectively. During the year ended December 31, 2020, this board member no longer served on the board and therefore, is no longer a related party.

14 - UNCERTAIN TAX POSITIONS

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for profit entity. Management believes that the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been

15 - RISKS AND UNCERTAINTIES

The spread of a novel strain of coronavirus (COVID-19) around the world in 2020 has caused significant volatility in U.S. and international markets and is presently ongoing. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations. As a result of the pandemic, the Maccabiah games, originally scheduled for June 2021, have been postponed to July 2022.

MACCABI USA, INC.

NOTES TO FINANCIAL STATEMENTS

16 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 10, 2021, the date on which the financial statements were available to be issued.

On February 16, 2021, the Organization applied for a second loan under the Paycheck Protection Program under the CARES Act. The loan was approved and received in the amount of \$145,655. The loan has a term of five years and is subject to interest of 1.00%. Subject to certain conditions as defined in the Act, up to 100% of the loan may be forgiven. To the extent the loan amount is not forgiven, the Organization must make equal monthly payments of principal and interest, beginning ten months after the end of the covered period for the borrower's loan forgiveness, until the maturity date, February 16, 2026. The Organization expects to have 100% of the loan forgiven based on the current conditions defined in the Act.