YAD EZRA

(A MICHIGAN NON-PROFIT CORPORATION)

Financial Report
For the Years Ended
December 31, 2018 and 2017

GORDON
Advisors, P.C.
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YAD EZRA
Berkley, Michigan

I N D E X

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yad Ezra
Berkley, Michigan

We have audited the accompanying financial statements of Yad Ezra (a Michigan nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of Yad Ezra as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Yad Ezra as of December 31, 2017, were audited by other auditors whose report dated November 15, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gordon Advisors, P.C.

October 11, 2019

YAD EZRA
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 294,903	$ 239,617
Investments	5,141,113	5,362,671
Pledges receivable - current	67,858	89,433
Inventory	77,931	75,042
Prepaid expenses	-	7,739
Total Current Assets	5,581,805	5,774,502
Property and Equipment, net of accumulated depreciation	1,200,825	1,248,736
Other Assets		
Pledges receivable - long term	68,333	86,667
Total Other Assets	68,333	86,667
Total Assets	$ 6,850,963	$ 7,109,905
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	$ 57,030	$ 30,813
Security deposits	1,750	1,750
Deferred revenue	5,000	5,000
Total Current Liabilities	63,780	37,563
Net Assets		
Without donor restrictions		
Undesignated	2,934,664	3,176,523
Designated by the Board	956,871	979,281
Net assets without donor restrictions	3,891,535	4,155,804
With donor restrictions		
Perpetual in nature	2,801,841	2,777,341
Purpose restrictions	93,807	139,197
Net assets with donor restrictions	2,895,648	2,916,538
Total Net Assets	6,787,183	7,072,342
Total Liabilities and Net Assets	$ 6,850,963	$ 7,109,905

See Independent Auditors' Report and Accompanying Footnotes.

YAD EZRA
Statements of Activities and Changes in Net Assets
For The Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)

	Without Donor Restrictions	Wih Donor Restrictions	Totals 2018	Totals 2017
Support and Revenue				
Contributions	$ 959,739	$ 24,500	$ 984,239	$ 1,276,232
Special events, net of expenses of $93,410 and $102,259, respectively	561,221	-	561,221	575,395
Donated food	524,938	-	524,938	631,257
Miscellaneous	1,408	-	1,408	1,257
Rental income	22,459	-	22,459	23,500
Investment income (loss), net	(116,372)	-	(116,372)	538,790
Net assets released from restriction	45,390	(45,390)	-	-
Total Support and Revenue	1,998,783	(20,890)	1,977,893	3,046,431
Expenses				
Program services	2,068,901	-	2,068,901	1,975,165
General and administrative	119,283	-	119,283	116,066
Fundraising	74,868	-	74,868	146,031
Total Expenses	2,263,051	-	2,263,051	2,237,262
Change In Net Assets	(264,268)	(20,890)	(285,158)	809,169
Net Assets - Beginning of Year	4,155,804	2,916,538	7,072,342	6,263,173
Net Assets - End of Year	$ 3,891,536	$ 2,895,648	$ 6,787,184	$ 7,072,342

See Independent Auditors' Report and Accompanying Footnotes.

YAD EZRA
Statements of Functional Expenses
For The Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)

	Program Services	General and Administrative	Fundraising	Totals 2018	Totals 2017
Salaries and Related Expenses					
Salaries and wages	$ 286,303	$ 49,626	$ 45,808	$ 381,737	$ 350,733
Employee insurance benefits	31,316	5,428	5,010	41,754	38,085
Payroll taxes	19,111	5,804	3,398	28,313	27,792
Total Salaries and Related Expenses	336,730	60,858	54,216	451,804	416,610
Operating Expenses					
Distributed food and household goods	1,470,902	-	-	1,470,902	1,539,481
Community and client programs	96,101	-	-	96,101	56,203
Computer expense	12,268	6,134	6,134	24,535	17,884
Depreciation	43,120	2,396	2,396	47,911	53,795
Insurance	19,340	1,074	1,074	21,489	14,628
Office supplies and expenses	4,653	7,541	3,851	16,044	15,124
Printing, postage, and publications	3,588	17,699	2,631	23,917	22,958
Professional fees	-	8,574	-	8,574	8,600
Repairs and maintenance	51,881	2,882	2,882	57,646	45,986
Service fees	-	10,441	-	10,441	11,730
Utilities	30,319	1,684	1,684	33,688	34,263
Total Operating Expenses	1,732,171	58,425	20,652	1,811,248	1,820,652
Total Functional Expenses	$ 2,068,901	$ 119,283	$ 74,868	$ 2,263,052	$ 2,237,262

See Independent Auditors' Report and Accompanying Footnotes.

YAD EZRA
Statements of Cash Flow
For The Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Changes in Net Assets	$ (285,159)	$ 809,169
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	47,911	53,795
Unrealized (gain) loss on investments	66,445	(460,949)
Changes in operating assets and liabilities		
(Increase) decrease in grants and pledges receivable	39,909	(120,762)
Increase (decrease) in inventory	(2,889)	1,133
Increase (decrease) in prepaid expense	7,739	(541)
Increase (decrease) in deferred revenue	0	(12,500)
Increase (decrease) in accrued expenses	26,217	7,112
Cash Flows Provided By (Used In) Operating Activities	(99,827)	276,457
Cash Flows from Investing Activities		
Proceeds from sales of investments	306,234	1,377,900
Purchases of investments	(151,121)	(1,880,363)
Purchase of property and equipment	-	(46,826)
Cash Flows Provided By (Used In) Investing Activities	155,113	(549,289)
Change In Cash and Cash Equivalents	55,286	(272,832)
Cash and Cash Equivalents - Beginning of Year	239,617	512,449
Cash and Cash Equivalents - End of Year	$ 294,903	$ 239,617
Supplemental Disclosure		
Cash paid for interest	$ 0	$ 0
Cash paid for income taxes	$ 0	$ 348

YAD EZRA
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE:

1. Summary of Significant Accounting Policies

Description of Entity – Yad Ezra (the "Organization") is a not-for-profit organization located in Berkley, Michigan. The organization serves as a voluntary welfare agency whose primary purpose is to distribute food to needy individuals meeting certain financial criteria. In addition, the Organization has a greenhouse operated in conjunction with the Giving Gardens Project, a major program of the Organization. The Giving Gardens' Project primary initiative is to broaden the Organization's volunteer base to include those interested in farming and food systems, which enables the Organization to expand awareness about the needs of those living in Southeast Michigan, food sustainability, and the value of growing locally. The Organization derives its revenue primarily from donations.

Basis of Accounting – The financial statements of Yad Ezra are prepared on the accrual basis of accounting following principles generally accepted in the United State and accordingly reflect all significant receivables, payables, other assets and other liabilities.

Financial Statement Presentation – The Organization classifies, and reports net assets, revenues, gains and losses based upon donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Represent those resources over which the Board has discretionary control. These include designated amounts which are revenues or funds the Board has set aside for a particular purpose. All property, equipment and related debt are considered unrestricted.

Net Assets With Donor Restrictions – Represents those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. When donor restrictions expire, that is, when stipulated time restrictions end or a purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents. The Organization maintains its cash accounts at financial institutions whose balances are insured up to limits established by the Federal Deposit Insurance Corporation. The Organization at times maintains cash balances in excess of federally insured limits. Management does not believe the Organization is exposed to any unusual credit risk on uninsured balances.

The Organization is primarily dependent upon public and private donations to meet expenses of operation. Although management of the Organization expects donations to be adequate, there can be no assurance that such donations will be sufficient to meet these obligations.

Any adverse change in the tax laws, or any adverse change in the Organization's tax status as a tax-exempt organization, would affect contributors who are currently entitled to deduct their contributions to the Organization from gross income. Any such change, in turn, could adversely affect the level of contributions to the Organization and the ability of the Organization to meet its obligations.

Use of Estimates – The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

YAD EZRA
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018 and 2017

NOTE:

1. **Summary of Significant Accounting Policies (Continued)**

Cash Equivalents – Cash and equivalents include cash, monies in banks, and highly liquid investments that are readily convertible to cash with a maturity of three months or less.

Receivables – Contributions, pledges, and grants receivable consist of unconditional promises to give, which are considered fully collectible. Accordingly, no allowance for uncollectible receivables is provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Investments– Investments in marketable securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change of net assets. Investment income and gains on restricted net assets are classified as unrestricted unless specifically restricted by the donor. Investment income restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Inventory– Inventory consists of purchased or donated food and related items. Purchased food is stated at cost, determined by the first-in, first-out method. Donated food is stated at the estimated fair value at the time of donation.

Property and Equipment – The property and equipment of the Organization is recorded at cost if purchased or self-constructed, or at estimated fair market value at the date received, if donated. The Organization capitalizes additions for expenditures greater than $1,000 which will provide an economic benefit greater than two years into the future. Depreciation is computed using the straight-line method over the estimated life of the asset ranging from 3 to 40 years. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions – Contributions received by the Organization, including unconditional promises to give, are reported as revenue when received and measured at fair value. Support without donor-imposed restricted or with donor-imposed time or purpose restrictions that were met in the same period as the gift, are both reported as unrestricted support. Contributions of marketable securities are recorded at fair market value and are converted to cash as soon as possible.

Contributed Materials and Services – The fair value of significant donated materials is recognized as both revenue and expense by the Organization. Donations of food ae valued based on the calculation of pounds and market value at the time of donation. In addition, the Organization receives a substantial amount of volunteer hours. No amounts are reflected in the financial statements for those services because they do not meet the criteria for recognition under accounting guidance.

Functional Allocation of Expenses – The costs of providing the program and supporting services have been reported on a functional basis in the statement of functional expenses. Costs have been allocated between program and supporting services based on estimates by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

YAD EZRA
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018 and 2017

NOTE:

1. **Summary of Significant Accounting Policies (Continued)**

Income Tax Uncertainties – Professional standards require an evaluation of whether a tax position reported on a tax return is more likely than not to be sustained if challenged. Management believes no such positions exist that would have significant impact on the Organization 's financial position and results of operations. As of December 31, 2018 and 2017, no liability for unrecognized tax benefit was required to be recorded.

Income Taxes – The Organization is exempt from federal income taxes under Internal Revenue Service Section 501(c)(3), except for taxes that may result from unrelated business activities.

Subsequent Events – The Organization has evaluated events and transactions that occurred through October 11, 2019, which is the date the financial statements were available for issue.

Advertising – The Organization expenses advertising costs as incurred.

2. **Pledges Receivable**

Long-term pledges are received as part of the Organization's fundraising efforts. Pledges receivable as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
Less than one year:		
Annual dinner	$ 24,525	$ 46,100
Giving Gardens program	43,333	43,333
	67,858	89,433
In one to five years:		
Annual dinner	25,000	-
Giving Gardens program	43,333	86,667
Total pledges receivable	$ 136,191	$ 176,100

3. **Investments/Fair Value Measurements**

Investments are held and managed in several investment accounts. All investments donated to the Organization during the year were sold during the year.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, business risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritized the inputs and valuation techniques used to measure fair value.

YAD EZRA
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018 and 2017

NOTE:

3. Investments/Fair Value Measurements (Continued)

The following table presents information about the Organization's assets measured at fair value on a recurring basis at December 31, 2018 and 2017, and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization had the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Organization had no Level 3 assets.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets measured at fair value on a recurring basis at December 31, 2018 are as follows:

	Quoted Price In Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance December 31, 2018
Investments:				
Money market funds	$ 221,559	$ -	$ -	$ 221,559
Bond funds	1,645,123	-	-	1,645,123
Equity funds	2,589,868	-	-	2,589,868
Other asset funds	684,563	-	-	684,564
Total assets	$ 5,141,113	$ -	$ -	$ 5,141,113

Assets measured at fair value on a recurring basis at December 31, 2017 are as follows:

	Quoted Price In Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance December 31, 2017
Investments:				
Money market funds	$ 361,290	$ -	$ -	$ 361,290
Bond funds	1,659,630	-	-	1,659,630
Equity funds	2,718,310	-	-	2,718,310
Other asset funds	623,441	-	-	623,441
Total assets	$ 5,362,671	$ -	$ -	$ 5,362,671

YAD EZRA
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018 and 2017

NOTE:

3. Investments/Fair Value Measurements (Continued)

Investment income (loss) was the following for the years ended December 31, 2018 and 2017:

	2018	2017
Realized/unrealized income (loss)	$ (59,625)	$ 581,449
Investment fees	(56,747)	(42,659)
Total investment income (loss)	$ (116,372)	$ 538,790

4. Property and Equipment

Property and Equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Buildings and improvements	$ 1,398,113	$ 1,398,113
Land and land improvements	256,617	256,617
Office equipment and furniture	27,067	96,858
Warehouse/greenhouse equipment	77,546	83,845
Vehicle	32,000	32,000
Office equipment	1,791,343	1,867,433
Less accumulated depreciation	(590,518)	(618,697)
Total property and equipment	$ 1,200,825	$ 1,248,736

5. Board Designated Net Assets

The Board of Directors has designated $800,000 of net assets without restrictions as of December 31, 2018 and 2017, to be used, generally in unusual or emergency circumstances, to fund necessary operations (Operating Reserve) as well as for any necessary building, repair improvements, or other additions deemed necessary by the Board. In addition, the Board of Directors has designated $224,101 during 2016 of net assets without restrictions for hunger advocacy programs over the next ten years, of which $156,871 and $179,281 remained designated as of December 31, 2018 and 2017.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31, 2018 and 2017:

	2018	2017
Building renovations	$ -	$ 9,197
Other	93,807	130,000
Total temporarily restricted net assets	$ 93,807	$ 139,197

YAD EZRA
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018 and 2017

NOTE:

7. Net Assets With Donor Restrictions Perpetual in Nature

The Organization has net assets with donor restrictions that are perpetual in nature consisting of endowment funds. The principal amount of the endowment has been restricted in perpetuity by their donors, whereas the investment income earned on the assets of these funds is unrestricted and expendable for program services. Net assets with donor restrictions perpetual in nature totaled $2,801,841 and $2,777,341 as of December 31, 2018 and 2017, respectively. Net assets with donor restrictions that are perpetual in nature changed during the year ended December 31, 2018 and 2017 as follows:

	2018	2017
Beginning of the year	$ 2,777,341	$ 2,753,491
Contributions	24,500	23,850
Investment income (loss)	(58,934)	5,424
Amounts appropriated for expenditure	58,934	(5,424)
End of the year	$ 2,801,841	$ 2,777,341

The Board of Directors has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets at the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

The duration and preservation of the fund,
The purposes of the Organization and the donor-restricted endowment fund,
General economic conditions,
The possible effect of inflation and deflation,
The expected total return from income and the appreciation of investments,
Other resources of the Organization, and
The investment policies of the Organization.

The Budget and Finance Committee is authorized to invest the Organization's endowment funds with the following goals:

(1) Safety, minimal risk of principal and moderate growth; and
(2) Availability of funds as needed for day-to-day operations and major purchases.

The Organization spends the unrestricted earnings in a manner that is conducive to furthering the mission of the Organization.

YAD EZRA
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018 and 2017

NOTE:

8. Rental Income

The Organization has entered into a four-year rental agreement in April 2017 to lease a portion of the warehouse. The rental agreement requires monthly payments of $2,000 per month for one year, increasing annually by two percent. Rental income totaled $22,459 and $23,500, respectively, for the years ended December 31, 2018 and 2017.

Future minimum rentals on non-cancelable operating leases are as follows:

Years Ending December 31,	Amount
2019	$ 24,849
2020	25,341
2021	6,366
	$ 56,556

9. Liquidity Management

The Organization has $5,581,805 of liquid financial assets available within one year of the statement of financial position to meet cash needs for general expenditure, subject to $2,895,648 of funds required to satisfy net assets with donor restrictions. As part of its liquidity management, the Organization invests excess cash in money market, bond and equity funds held by a financial institution. Occasionally, the Board designates a portion of any operating surplus to an operating reserve/emergency fund, which was $800,000 as of December 31, 2018 and 2017.

10. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and available resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.