



**TANENBAUM CENTER FOR  
INTERRELIGIOUS UNDERSTANDING**

Audited Financial Statements

December 31, 2018

## **Independent Auditor's Report**

To the Board of Directors of  
Tanenbaum Center for Interreligious Understanding

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Tanenbaum Center for Interreligious Understanding (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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.

### ***Auditor's 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 organization'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 organization'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***

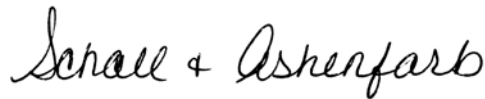
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tanenbaum Center for Interreligious Understanding as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Foundation adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited the Organization’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2018. 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.



Schall & Ashenfarb  
Certified Public Accountants, LLC

June 17, 2019

**TANENBAUM CENTER FOR INTERRELIGIOUS UNDERSTANDING**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**

(With comparative totals as of December 31, 2017)

| <b>Assets</b>  | <u>12/31/18</u>           | <u>12/31/17*</u>          |
|--|---------------------------|---------------------------|
| Current assets:  |                           |                           |
| Cash and cash equivalents  | \$140,971                 | \$225,363                 |
| Investments (Note 4)   | 1,815,162                 | 1,752,525                 |
| Pledges receivable (Note 3)  | 195,381                   | 276,730                   |
| Other receivables  | 64,469                    | 87,030                    |
| Prepaid expenses and other assets                                  | 30,942                    | 67,607                    |
| Total current assets   | <u>2,246,925</u>          | <u>2,409,255</u>          |
| Long term assets:  |                           |                           |
| Pledges receivable for future programs and time periods (Note 3)   | 281,927                   | 427,874                   |
| Security deposits  | 26,961                    | 22,000                    |
| Fixed assets, net (Note 5)   | 8,929                     | 7,947                     |
| Pledges receivable, net - restricted for endowment (Notes 3 and 7) | 303,429                   | 291,059                   |
| Investments restricted for endowment (Notes 4 and 7)               | 2,297,029                 | 2,600,527                 |
| Total long term assets   | <u>2,918,275</u>          | <u>3,349,407</u>          |
| Total assets   | <u><u>\$5,165,200</u></u> | <u><u>\$5,758,662</u></u> |
| <br><b>Liabilities and Net Assets</b><br>                          |                           |                           |
| Liabilities:   |                           |                           |
| Current liabilities:   |                           |                           |
| Accounts payable and accrued expenses                              | \$70,546                  | \$31,563                  |
| Deferred rent, current portion                                     | 1,639                     | 272                       |
| Deferred revenue, current portion                                  | 144,332                   | 145,000                   |
| Total current liabilities  | <u>216,517</u>            | <u>176,835</u>            |
| Long term liabilities:   |                           |                           |
| Deferred rent, net of current portion                              | 17,951                    | 18,105                    |
| Deferred revenue, net of current portion                           | 9,167                     | 9,167                     |
| Total long term liabilities  | <u>27,118</u>             | <u>27,272</u>             |
| Total liabilities  | <u>243,635</u>            | <u>204,107</u>            |
| Commitments (Note 8)   |                           |                           |
| Net assets:  |                           |                           |
| Without donor restrictions   | <u>1,694,763</u>          | <u>1,821,049</u>          |
| With donor restrictions:   |                           |                           |
| For future programs and time periods (Note 6)                      | 626,344                   | 841,920                   |
| Donor restricted endowment (Notes 6 and 7)                         | 2,600,458                 | 2,891,586                 |
| Total net assets with donor restrictions                           | <u>3,226,802</u>          | <u>3,733,506</u>          |
| Total net assets   | <u>4,921,565</u>          | <u>5,554,555</u>          |
| Total liabilities and net assets                                   | <u><u>\$5,165,200</u></u> | <u><u>\$5,758,662</u></u> |

\* Reclassified for comparative purposes

*The attached notes and auditor's report are an integral part of these financial statements.*

**TANENBAUM CENTER FOR INTERRELIGIOUS UNDERSTANDING**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With comparative totals for the year ended December 31, 2017)

|   | <u>With Donor Restrictions</u> |                  |                    | Total<br>With Donor<br>Restrictions | Total<br>12/31/18  | Total<br>12/31/17* |
|---|--------------------------------|------------------|--------------------|-------------------------------------|--------------------|--------------------|
|   | Without Donor<br>Restrictions  | Programs         | Endowment          |                                     |                    |                    |
| Revenue and support:  |                                |                  |                    |                                     |                    |                    |
| Contributions   | \$271,044                      | \$174,053        | \$12,370           | \$186,423                           | \$457,467          | \$3,605,538        |
| In-kind contributions (Note 2j)   | 15,739                         |                  |                    |                                     | 15,739             | 474,181            |
| Event income (net of expenses with a direct benefit to donor) (Note 10) | 465,048                        | 9,000            |                    | \$9,000                             | 474,048            | 592,199            |
| Program fees and other income   | 443,809                        |                  |                    |                                     | 443,809            | 557,748            |
| Investment return, net of fee (Note 4)                                  | (37,412)                       |                  | (153,488)          | (153,488)                           | (190,900)          | 87,205             |
| Net assets released from restrictions:                                  |                                |                  |                    |                                     |                    |                    |
| Satisfaction of program restrictions (Note 6)                           | 548,639                        | (398,629)        | (150,010)          | (548,639)                           | 0                  | 0                  |
| Total revenue and support   | <u>1,706,867</u>               | <u>(215,576)</u> | <u>(291,128)</u>   | <u>(506,704)</u>                    | <u>1,200,163</u>   | <u>5,316,871</u>   |
| Expenses:   |                                |                  |                    |                                     |                    |                    |
| Program services  | <u>1,296,909</u>               |                  |                    |                                     | <u>1,296,909</u>   | <u>1,569,550</u>   |
| Supporting services:  |                                |                  |                    |                                     |                    |                    |
| Management and general  | 193,924                        |                  |                    |                                     | 193,924            | 199,170            |
| Fundraising   | 342,320                        |                  |                    |                                     | 342,320            | 319,911            |
| Total supporting services   | <u>536,244</u>                 | <u>0</u>         | <u>0</u>           | <u>0</u>                            | <u>536,244</u>     | <u>519,080</u>     |
| Total expenses  | <u>1,833,153</u>               | <u>0</u>         | <u>0</u>           | <u>0</u>                            | <u>1,833,153</u>   | <u>2,088,631</u>   |
| Change in net assets (before transfer of net assets)                    | (126,286)                      | (215,576)        | (291,128)          | (506,704)                           | (632,990)          | 3,228,240          |
| 2017 Transfer of net assets (Note 11)                                   | <u>0</u>                       | <u>0</u>         | <u>0</u>           | <u>0</u>                            | <u>0</u>           | <u>(420,642)</u>   |
| Change in net assets (after transfer of net assets)                     | (126,286)                      | (215,576)        | (291,128)          | (506,704)                           | (632,990)          | 2,807,598          |
| Net assets - beginning of year  | <u>1,821,049</u>               | <u>841,920</u>   | <u>2,891,586</u>   | <u>3,733,506</u>                    | <u>5,554,555</u>   | <u>2,746,957</u>   |
| Net assets - end of year  | <u>\$1,694,763</u>             | <u>\$626,344</u> | <u>\$2,600,458</u> | <u>\$3,226,802</u>                  | <u>\$4,921,565</u> | <u>\$5,554,555</u> |

\* Reclassified for comparative purposes

*The attached notes and auditor's report are an integral part of these financial statements.*

**TANENBAUM CENTER FOR INTERRELIGIOUS UNDERSTANDING  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

(With comparative totals for the year ended December 31, 2017)

|  | Supporting Services |                              |                  | Total<br>Supporting<br>Services | Total<br>Expenses<br>12/31/18 | Total<br>Expenses<br>12/31/17* |
|--|---------------------|------------------------------|------------------|---------------------------------|-------------------------------|--------------------------------|
|  | Program<br>Services | Management<br>and<br>General | Fundraising      |                                 |                               |                                |
| Salaries   | \$761,613           | \$41,089                     | \$153,616        | \$194,705                       | \$956,318                     | \$769,339                      |
| Payroll taxes and employee benefits                                | 140,361             | 7,571                        | 28,310           | 35,881                          | 176,242                       | 91,006                         |
| Total salaries and related costs                                   | <u>901,974</u>      | <u>48,660</u>                | <u>181,926</u>   | <u>230,586</u>                  | <u>1,132,560</u>              | <u>860,345</u>                 |
| Professional fees  | 84,928              | 90,429                       | 95,662           | 186,091                         | 271,019                       | 313,791                        |
| Special project - MFA professional fees                            |                     | 0                            |                  | 0                               | 0                             | 14,000                         |
| In-kind professional fees (Note 2j)                                | 7,101               | 1,694                        | 6,944            | 8,638                           | 15,739                        | 474,181                        |
| Occupancy  | 91,573              | 5,943                        | 19,228           | 25,171                          | 116,744                       | 190,857                        |
| Supplies   | 5,582               | 358                          | 1,159            | 1,517                           | 7,099                         | 11,355                         |
| Printing and<br>Printing and reproduction                          | 5,513               | 41                           | 8,470            | 8,511                           | 14,024                        | 22,856                         |
| Postage and mailing  | 4,083               | 846                          | 3,343            | 4,189                           | 8,272                         | 9,798                          |
| Events   | 48,973              | 171                          | 112,219          | 112,390                         | 161,363                       | 102,660                        |
| Telephone  | 23,250              | 2,395                        | 2,096            | 4,491                           | 27,741                        | 20,562                         |
| Travel   | 88,709              | 3,122                        | 3,109            | 6,231                           | 94,940                        | 88,392                         |
| Equipment and rental   | 11,492              | 746                          | 2,413            | 3,159                           | 14,651                        | 13,879                         |
| Insurance  | 6,748               | 438                          | 1,417            | 1,855                           | 8,603                         | 8,081                          |
| Dues and subscriptions   | 1,623               | 73                           | 3,754            | 3,827                           | 5,450                         | 14,074                         |
| Depreciation   |                     | 3,383                        |                  | 3,383                           | 3,383                         | 5,311                          |
| Bad debt expense   |                     | 20,000                       |                  | 20,000                          | 20,000                        | 0                              |
| Other  | 15,360              | 15,625                       | 1,411            | 17,036                          | 32,396                        | 28,351                         |
| Total expenses before direct event<br>expenses netted with revenue | <u>1,296,909</u>    | <u>193,924</u>               | <u>443,151</u>   | <u>637,075</u>                  | <u>1,933,984</u>              | <u>2,178,493</u>               |
| Less: direct special event expenses<br>netted with revenue         |                     |                              | <u>(100,831)</u> | <u>(100,831)</u>                | <u>(100,831)</u>              | <u>(89,862)</u>                |
| Total expenses   | <u>\$1,296,909</u>  | <u>\$193,924</u>             | <u>\$342,320</u> | <u>\$536,244</u>                | <u>\$1,833,153</u>            | <u>\$2,088,631</u>             |

\* Reclassified for comparative purposes

*The attached notes and auditor's report are an integral part of these financial statements.*

**TANENBAUM CENTER FOR INTERRELIGIOUS UNDERSTANDING**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With comparative totals for the year ended December 31, 2017)

|   | 12/31/18    | 12/31/17*   |
|---|-------------|-------------|
| Cash flows from operating activities:   |             |             |
| Change in net assets  | (\$632,990) | \$2,807,598 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |             |             |
| Depreciation  | 3,383       | 5,311       |
| Bad debt expense  | 20,000      | 0           |
| Realized and unrealized loss on investments   | 336,335     | 19,171      |
| Changes in assets and liabilities:  |             |             |
| Pledges receivable  | 207,296     | (274,896)   |
| Other receivables   | 22,561      | (50,688)    |
| Prepaid expenses and other assets   | 36,665      | 646         |
| Security deposits   | (4,961)     | 68,388      |
| Accounts payable and accrued expenses   | 38,983      | (12,938)    |
| Deferred rent   | 1,213       | 14,568      |
| Deferred revenue  | (668)       | 15,000      |
| Total adjustments   | 660,807     | (215,438)   |
| Net cash provided by operating activities   | 27,817      | 2,592,160   |
| Cash flows from investing activities:   |             |             |
| Pledges receivable, net - restricted for endowment  | (12,370)    | (11,866)    |
| Purchase of investments   | (1,309,971) | (2,910,163) |
| Sale of investments   | 1,214,497   | 401,000     |
| Purchase of fixed assets  | (4,365)     | (6,002)     |
| Net cash used for investing activities  | (112,209)   | (2,527,031) |
| Net (decrease)/increase in cash and cash equivalents  | (84,392)    | 65,129      |
| Cash and cash equivalents - beginning   | 225,363     | 160,234     |
| Cash and cash equivalents - ending  | \$140,971   | \$225,363   |
| Supplemental disclosure of cash flow information:   |             |             |
| Cash paid during the year for interest and taxes  | \$0         | \$0         |

\* Reclassified for comparative purposes

*The attached notes and auditor's report are an integral part of these financial statements.*

**TANENBAUM CENTER FOR INTERRELIGIOUS UNDERSTANDING**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Note 1 - Organization**

The Tanenbaum Center for Interreligious Understanding (the “Organization”) promotes mutual respect with practical programs that bridge religious differences and combat prejudice and violence in areas of armed conflict, schools, workplaces, and health care settings. The Organization is a secular, and non-sectarian nonprofit that operates in the United States and abroad. For over twenty-six years, the Organization has trained educators to teach about religious differences and combat bullying, helped medical professionals develop skills to care for religiously diverse patients and prevent disparities in care, created inclusive work environments in some of the world’s largest companies to counter religious harassment, and supported a network of courageous *Peacemakers* in the world’s most contentious conflict zones.

The Education program counters bullying and religious conflicts in schools by training teachers to run inclusive learning environments where young people learn behaviors of respect for differences, including religious differences. By providing teachers with the Organization’s pedagogy and curricular materials, the Organization helps teachers prepare students to put respect into practice and utilize concrete skills in conflict resolution. In 2015, Tanenbaum added a new initiative called Combating Extremism, which provides data, inspirational content and easily accessible materials for adults and students to critically assess and counter hatemongering, stereotyping and the increasing divisions in our global society.

The Workplace program engages with business leaders, global employers, managers and human resources professionals to counter harassment and discrimination. Through trainings and materials on how to effectively work with a global and increasingly religiously-diverse workforce and customer base, companies improve the bottom line and become more productive and inclusive environments for their national and global workforces.

The Health Care program provides targeted trainings and hands-on materials for health care providers at all levels on how to offer religiously-competent health care and thereby prevent disparities in treatment. The Health Care program further invests in the future of health care by disseminating curriculum to medical schools, residency programs, and in 2018; to nursing schools, to prepare the next generation of medical providers for an increasingly religiously diverse patient population.

The Peacebuilding and Conflict Resolution program identifies and coordinates a Peacemakers’ Network of religiously motivated peacemakers worldwide, who support and cooperate with each other to counter violence and war. The Organization also studies and documents their work through publications so that their specialized techniques can be shared and replicated by others. In addition, we help diplomats become familiar with *Peacemaker* efforts and begin to identify ways to work with them in overcoming conflict and building stable, peaceful societies. Over the long-term, this program is advancing the recognition and institutionalization of the vocation of religious peacemaking.



## Note 2 - Significant Accounting Policies

### a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 12). Amounts previously reported as investment expense on the statement of functional expenses are now included in investment return on the statement of activities. The changes required by the update have been applied retrospectively to all periods presented.

### b. Basis of Presentation

The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

### c. Contributions

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a 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. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Conditional contributions are recognized as income when the conditions have been substantially met.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectible accounts was deemed necessary.

d. Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash and cash equivalents, other than those held as part of the endowment.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash, money market accounts and investment securities that have been placed with financial institutions that management deems to be creditworthy. While balances may occasionally exceed federally insured limits, the Organization has not experienced any losses in any of those accounts due to bank failure.

f. Investments

Investments are recorded at fair value, which is defined as the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the statement of activities.

g. Fixed Assets, Net

Fixed assets that exceed pre-determined amounts and that have a useful life of greater than one year are recorded at cost or at fair value on the date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Office equipment – 3 to 5 years

Furniture and fixtures – 5 years

Leasehold improvements – *Life of lease or assets, whichever is shorter*

h. Deferred Revenue

Deferred revenue consists of fees received in advance of when services are to be performed.

i. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line basis. Rent expense recognized in excess of cash payments is reflected as deferred rent. When payments exceed the amount of rent recognized as expense, the deferred rent is reduced until it becomes zero at the end of the lease.

j. In-Kind Contributions

Donated services are recognized when they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. Donated assets are recorded at the estimated fair value.

The Organization received donated goods and professional services for the year ended December 31, 2018 valued at \$15,739 of which \$7,101 was allocated to program services, \$1,694 to management and general, and \$6,944 to fundraising. The Organization received donated legal and professional services for the year ended December 31, 2017 valued at \$474,181 of which \$452,702 was allocated to program services (including \$408,598 for the creation of an amicus brief), \$17,646 to management and general, and \$3,833 to fundraising.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. Other than services that involve specific professional skills, these volunteer activities do not meet the criteria to be recorded and have not been included in the financial statements.

k. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| <u>Expense</u>         | <u>Method of Allocation</u>        |
|------------------------|------------------------------------|
| Salaries and benefits  | Time and effort                    |
| Professional fees      | Time and effort                    |
| Occupancy              | Square footage                     |
| Supplies               | Square footage                     |
| Telephone              | Square footage                     |
| Equipment and rental   | Square footage                     |
| Insurance              | Square footage                     |
| Dues and subscriptions | Time and effort                    |
| Other                  | Time and effort and square footage |

All other expenses have been charged directly to the applicable program or supporting services.

m. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

- n. Accounting for Uncertainty of Income Taxes  
The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2015 and later are subject to examination by applicable taxing authorities.
- o. Subsequent Events  
Management has evaluated whether potential recognition and disclosure events exists subsequent to the date of the statement of financial position through June 17, 2019, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.
- p. New Pronouncements  
On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

### Note 3 - Pledges Receivable

Pledges receivable, net of the present value of future cash flows, are due in the following periods:

|  | <u>12/31/18</u>  | <u>12/31/17</u>  |
|--|------------------|------------------|
| Within 1 year                              | \$195,381        | \$276,730        |
| 2 to 5 years                               | 292,500          | 448,500          |
| Greater than 5 years                       | <u>500,000</u>   | <u>500,000</u>   |
| Total pledges                              | 987,881          | 1,225,230        |
| Less: discount to fair value (2.4% - 4.3%) | <u>(207,144)</u> | <u>(229,567)</u> |
| Pledges receivable, net                    | <u>\$780,737</u> | <u>\$995,663</u> |

Pledges receivable are for the following purposes:

|                              | <u>12/31/18</u>  | <u>12/31/17</u>  |
|------------------------------|------------------|------------------|
| Total pledges for operations | \$477,308        | \$704,604        |
| Pledges for endowment        | <u>303,429</u>   | <u>291,059</u>   |
| Total                        | <u>\$780,737</u> | <u>\$995,663</u> |

**Note 4 - Investments**

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments, which have all been determined to be Level 1 investments:

|                                      | <u>12/31/18</u>    | <u>12/31/17</u>    |
|--------------------------------------|--------------------|--------------------|
| Cash                                 | \$217,781          | \$193,534          |
| Corporate bonds                      | 0                  | 93,347             |
| U.S. Treasury securities             | 1,088,016          | 0                  |
| Foreign stock                        | 60,898             | 121,654            |
| Mutual funds – equity funds          | 1,342,916          | 1,476,819          |
| Mutual funds – bond funds            | <u>1,402,580</u>   | <u>2,467,698</u>   |
| Total                                | <u>\$4,112,191</u> | <u>\$4,353,052</u> |
| Investments                          | \$1,815,162        | \$1,752,525        |
| Investments restricted for endowment | <u>2,297,029</u>   | <u>2,600,527</u>   |
| Total                                | <u>\$4,112,191</u> | <u>\$4,353,052</u> |

Level 1 securities are valued at the closing price reported on the active market they are traded on.

The following summarizes investment income:

|  | <u>12/31/18</u>    | <u>12/31/17</u> |
|--|--------------------|-----------------|
| Interest and dividends income                | \$150,043          | \$109,628       |
| Realized and unrealized loss on investments* | (336,335)          | (19,171)        |
| Investment fees                              | <u>(4,608)</u>     | <u>(3,252)</u>  |
| Total investment income                      | <u>(\$190,900)</u> | <u>\$87,205</u> |

\*In the fourth quarter of 2018, the stock market had significant declines, resulting in a significant unrealized loss. The stock market rebounded in the first quarter of 2019.

**Note 5 - Fixed Assets**

Fixed assets consist of the following:

|                                | <u>12/31/18</u>  | <u>12/31/17</u>  |
|--------------------------------|------------------|------------------|
| Computers                      | \$120,352        | \$116,784        |
| Furniture and equipment        | 127,625          | 126,828          |
| Leasehold improvements         | <u>46,419</u>    | <u>46,419</u>    |
|                                | 294,396          | 290,031          |
| Less: accumulated depreciation | <u>(285,467)</u> | <u>(282,084)</u> |
| Total fixed assets, net        | <u>\$8,929</u>   | <u>\$7,947</u>   |

**Note 6 - Net Assets With Donor Restrictions**

The following summarizes net assets released from restrictions:

|  | <u>12/31/18</u>  | <u>12/31/17</u>  |
|--|------------------|------------------|
| Donor restricted support:                |                  |                  |
| Conflict resolution                      | \$30,400         | \$27,431         |
| Education                                | 75,695           | 39,120           |
| Health care                              | 101,669          | 63,050           |
| Restricted by time                       | 190,865          | 0                |
| Special Project (MFA)                    | <u>0</u>         | <u>31,876</u>    |
| Total donor restricted support           | 398,629          | 161,477          |
| Appropriated endowment earnings (Note 7) | <u>150,010</u>   | <u>0</u>         |
| Total restrictions                       | <u>\$548,639</u> | <u>\$161,477</u> |

The following summarizes the nature of net assets with donor restrictions:

|                                  | <u>12/31/18</u>    | <u>12/31/17</u>    |
|----------------------------------|--------------------|--------------------|
| Donor restricted support:        |                    |                    |
| Conflict resolution              | \$29,600           | \$35,000           |
| Education                        | 82,435             | 73,130             |
| Restricted by time               | 468,028            | 618,840            |
| Health care                      | <u>46,281</u>      | <u>114,950</u>     |
| Total donor restricted support   | <u>626,344</u>     | <u>841,920</u>     |
| Donor restricted endowment:      |                    |                    |
| Endowment corpus                 | 364,327            | 412,713            |
| Endowment earnings               | 34,566             | 58,873             |
| Term restricted endowment        | <u>2,201,565</u>   | <u>2,420,000</u>   |
| Total donor restricted endowment | <u>2,600,458</u>   | <u>2,891,586</u>   |
| Total restrictions               | <u>\$3,226,802</u> | <u>\$3,733,506</u> |

## Note 7 - Endowment Funds

The Organization's endowment consists of restricted gifts. One of the restricted gifts is required to be held in perpetuity with the income restricted to the Peacebuilding and Conflict Resolution program. The second gift is an outstanding pledge. The third gift is a term endowment gift which requires the Organization to maintain funds in an endowment until the occurrence of a specific future event. Until that time, a yield of not less than 5% per annum from the endowment is to be used for the Organization's annual operations.

### *Interpretation of Relevant Law*

The Organization follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the board of directors has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Organization will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, the Organization has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Organization classifies as endowment corpus (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 the applicable donor gift instrument at the time the accumulation is added to the fund. One donor has encouraged the Organization to retain a specific investment. The reported value in net assets with donor restrictions related to endowment corpus increased and decreased by the change in value of that investment.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditures, therefore, they have been classified in the net asset class with donor restrictions.

### *Spending Policies*

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization;
- (7) The investment policies of the Organization;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization.

The following summarizes the changes in endowment net assets:

|   | <u>December 31, 2018</u> |                 |                    |                    |
|---|--------------------------|-----------------|--------------------|--------------------|
|   | <u>Corpus</u>            | <u>Earnings</u> | <u>Term</u>        | <u>Total</u>       |
| Endowment net assets,<br>beginning of year            | \$412,713                | \$58,873        | \$2,420,000        | \$2,891,586        |
| Appropriations  | 0                        | (30,000)        | (120,010)          | (150,010)          |
| Adjustment to discount of<br>long term pledges        | 12,370                   | 0               | 0                  | 12,370             |
| Realized and unrealized<br>gain/(loss) on investments | (60,756)                 | 0               | (198,872)          | (259,628)          |
| Interest and dividends                                | <u>0</u>                 | <u>5,693</u>    | <u>100,447</u>     | <u>106,140</u>     |
| Endowment net assets,<br>end of year                  | <u>\$364,327</u>         | <u>\$34,566</u> | <u>\$2,201,565</u> | <u>\$2,600,458</u> |

|   | <u>December 31, 2017</u> |                 |                    |                    |
|---|--------------------------|-----------------|--------------------|--------------------|
|   | <u>Corpus</u>            | <u>Earnings</u> | <u>Term</u>        | <u>Total</u>       |
| Endowment net assets,<br>beginning of year            | \$412,153                | \$47,873        | \$0                | \$460,026          |
| Contributions   | 0                        | 0               | 2,420,000          | 2,420,000          |
| Adjustment to discount of<br>long term pledges        | 11,866                   | 0               | 0                  | 11,866             |
| Realized and unrealized<br>gain/(loss) on investments | (11,306)                 | 0               | 0                  | (11,306)           |
| Interest and dividends                                | <u>0</u>                 | <u>11,000</u>   | <u>0</u>           | <u>11,000</u>      |
| Endowment net assets,<br>end of year                  | <u>\$412,713</u>         | <u>\$58,873</u> | <u>\$2,420,000</u> | <u>\$2,891,586</u> |

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
|                                      | <u>12/31/18</u>    | <u>12/31/17</u>    |
| Pledges receivable (net of discount) | \$303,429          | \$291,059          |
| Investments                          | <u>2,297,029</u>   | <u>2,600,527</u>   |
| Total                                | <u>\$2,600,458</u> | <u>\$2,891,586</u> |

#### *Endowment Investment Policies*

An investment policy for endowment assets has been adopted that is consistent with the investment policy of the Organization's investments without restrictions. The goal is to protect its endowment investment principal, while obtaining a reasonable and competitive return on its assets.

#### *Funds with Deficiencies*

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.



**Note 8 - Commitments**

The Organization has a five-year lease for office space which began on July 1, 2017. Future minimum lease payments under these arrangements are as follows:

|              |                   |                  |
|--------------|-------------------|------------------|
| Year ending: | December 31, 2019 | \$110,368        |
|              | December 31, 2020 | 112,575          |
|              | December 31, 2021 | 114,826          |
|              | December 31, 2022 | <u>116,734</u>   |
|              | Total             | <u>\$454,503</u> |

**Note 9 - Other Concentrations and Related Parties**

In 2017, the Organization received a term restricted gift of \$2,420,000 from two donors, a husband and wife, one of whom is an officer of the Organization. The gift represents 45% of the total revenue for the year ended December 31, 2017. There were no significant concentrations of revenue in 2018. Included in outstanding pledges receivable is approximately \$303,000 and \$291,000 (net of discount) from this donor as of December 31, 2018 and 2017, respectively. These balances represent 39% and 29% of net pledge receivables, respectively. The spouse of the officer is a principal in a foreign company in which the Organization holds stock, which has been valued at \$60,898 and \$121,654 at December 31, 2018 and 2017, respectively.

**Note 10 - Special Event**

|   | <u>12/31/18</u>  | <u>12/31/17</u>  |
|---|------------------|------------------|
| Gross revenue                                 | \$574,879        | \$682,061        |
| Less: expenses with a direct benefit to donor | <u>(100,831)</u> | <u>(89,862)</u>  |
|   | 474,048          | 592,199          |
| Less: other event expenses                    | <u>(80,090)</u>  | <u>(69,847)</u>  |
| Net gala revenue                              | <u>\$393,958</u> | <u>\$522,352</u> |

**Note 11 - Transfer of Nest Assets**

The Multifaith Alliance for Syrian Refugees ("MFA") was a project of the Organization through March 2017. Its work is to mobilize global multifaith support to alleviate the Syrian humanitarian crisis, heighten awareness of its growing dangers, and advance future stability in the region. With over 60 organizations, this project enlists religious and civil society leaders to address the ongoing suffering of Syria's war victims.

With approval from the Organization's Board, the Organization's sponsorship relationship with MFA came to a close. On March 30th, 2017, MFA moved its operations to a new sponsor, Tides Center. Money that was restricted for MFA that had not been drawn down by early 2017 and pledges for MFA for 2017, including anticipated donations to the Organization for administrative services in the total amount of \$420,642 were transferred to Tides Center. All such transfers were approved in writing by the donors before the transfers took place.

## Note 12 - Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, the Organization operates its programs within a board approved budget and relies on contributions and earned income to fund its operations and program activities.

|   |                    |
|---|--------------------|
| Financial assets at year-end:   |                    |
| Cash and cash equivalents   | \$140,971          |
| Pledges receivable  | 195,381            |
| Investments   | <u>1,815,162</u>   |
| Total short-term financial assets   | 2,151,514          |
| Less amounts not available for general expenditures -<br>donor-imposed restrictions       | (344,417)          |
| Add back: amount appropriated by the board<br>for spending in 2019                        | <u>125,730</u>     |
| Financial assets available to meet cash needs<br>for general expenditures within one year | <u>\$1,932,827</u> |

The Organization's donor restricted endowment funds are held for long term purposes; therefore, these assets are not considered available for general expenditures until they are appropriated for spending.