

Yad Chessed Fund, Inc.

Financial Statements
and
Independent Auditor's Report

August 31, 2020

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JAMES A. GEORGE, P.C.
Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Yad Chessed Fund, Inc.:

We have audited the accompanying financial statements of Yad Chessed Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020, and the related statement 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 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.



JAMES A. GEORGE, P.C.
Certified Public Accountants & Business Consultants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yad Chessed Fund, Inc. as of August 31, 2020, 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.

James A. George, P.C.

JAMES A. GEORGE, P.C.
Reading, Massachusetts
May 14, 2021

Yad Chessed Fund, Inc.
Statements of Financial Position
August 31, 2020

Assets

Current Assets	
Cash	\$ 793,476
Loan Receivable, Net of Allowance	4,460
Other Receivables	7,399
Gift Card Inventory	85,955
Other Assets	1,500
Prepaid Expenses	3,941
Total Current Assets	<u>896,731</u>
Total Assets	<u><u>\$ 896,731</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ 1,174
Accrued Expenses	12,328
Outstanding Vouchers	30,310
Total Current Liabilities	<u>43,812</u>
Total Liabilities	<u>43,812</u>
Net Assets	
Net Assets Without Donor Restrictions	844,586
Net Assets With Donor Restrictions	8,333
	<u>852,919</u>
Total Liabilities and Net Assets	<u><u>\$ 896,731</u></u>

See accompanying notes to the financial statements.

Yad Chessed Fund, Inc.
Statements of Activities
For the Year Ended August 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public Support, Revenues, and Reclassifications			
Direct Public Support	\$ 1,407,800	\$ 8,333	\$ 1,416,133
Conditional Grants	65,100	-	65,100
Dividend and Interest Income	43	-	43
Total Public Support, Revenues, and Reclassifications	1,472,943	8,333	1,481,276
Expenses and Losses			
Program Expenses	958,268	-	958,268
General and Administrative	90,837	-	90,837
Fundraising	65,999	-	65,999
Total Expenses and Losses	1,115,104	-	1,115,104
Change in Net Assets	357,839	8,333	366,172
Net Assets as of the Beginning of the Year	486,747	-	486,747
Net Assets as of the End of the Year	\$ 844,586	\$ 8,333	\$ 852,919

See accompanying notes to the financial statements.

Yad Chessed Fund, Inc.
Statements of Cash Flows
August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 366,172
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
(Increase) Decrease in Operating Assets	
Loan Receivable	(7,399)
Other Receivables	2,300
Gift Card Inventory	(42,386)
Other Assets	(1,000)
Prepaid Expenses	(240)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(243)
Accrued Expenses	6,604
Outstanding Vouchers	19,410
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	343,218
NET INCREASE (DECREASE) IN CASH	343,218
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	450,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 793,476

See accompanying notes to the financial statements.

Yad Chessed Fund, Inc.
Statements of Functional Expenses
For the Years Ended August 31, 2020

	<u>Program Expenses</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and Wages	\$ 287,670	\$ 42,179	\$ 9,661	\$ 339,510
Employee Benefits	4,831	1,374	22,842	29,047
Payroll Taxes	25,602	3,694	777	30,073
Total Salaries and Benefits	318,103	47,247	33,280	398,630
Assistance	595,347	-	-	595,347
Rent	24,900	2,400	2,700	30,000
Professional Fees	9,421	1,600	39,821	50,842
Other Expenses	30	-	-	30
Communications	4,483	293	1,398	6,174
Printing and Mailing	1,344	5,640	4,253	11,237
Office Expenses	2,341	7,363	8,874	18,578
Insurance	2,236	215	242	2,693
Professional Development	62	-	-	62
Bank Fees	1	1,241	269	1,511
	<u>640,165</u>	<u>18,752</u>	<u>57,557</u>	<u>716,474</u>
Total Expenses	\$ 958,268	\$ 65,999	\$ 90,837	\$ 1,115,104

See accompanying notes to the financial statements.

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note A – Nature of Activities and Significant Accounting Policies

Nature of Activities

Yad Chessed Fund, Inc. (the Organization) is a Massachusetts not-for-profit corporation, organized for the purpose of several charitable endeavors including distribution of food and clothing certificates, direct payment of expenses for families in need and provision of interest free loans.

Financial Statement Presentation

The accompanying financial statements of Yad Chessed Fund, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require Yad Chessed Fund, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Yad Chessed Fund, Inc.'s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Yad Chessed Fund, Inc. or by the passage of time. Other donor restriction are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

There were no board restricted net assets at the end of August 31, 2020.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note A – Nature of Activities and Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Resulting unrealized gains or losses are reported in the statement of activities as increases or decreases in net assets without restrictions.

Estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. General administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Income Taxes

The Organization is exempt from income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken on a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at August 31, 2020.

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note A – Nature of Activities and Significant Accounting Policies (Continued)

The Organization's information returns are subject to examination by the federal and state jurisdictions and generally remain open for the most recent three years.

Fair Value Measurement

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Yad Chessed Fund, Inc. groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

- Level 2 - Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.

- Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

New Accounting Pronouncement

On September 1, 2019, Yad Chessed Fund, Inc. adopted FASB's Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. Due to Yad Chessed Fund, Inc.'s revenue recognition policies and nature of contractual revenue for services performed, there was not a material impact to revenue recognition as a result of adopting this standard. Yad Chessed Fund, Inc. adopted Topic 606 using the full-retrospective method. The adoption of this ASU did not impact Yad Chessed Fund, Inc.'s net asset classes, results of operations, or cash flows for the year ended August 31, 2020.

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note A – Nature of Activities and Significant Accounting Policies (Continued)

On September 1, 2019, Yad Chessed Fund, Inc. adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain non-exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Yad Chessed Fund, Inc. adopted ASU 2018-08 using a modified prospective method effective September 1, 2019. Under the modified prospective method, this ASU only applies to agreements not

completed or entered into (revenue or expense that has not yet been recognized) as of September 1, 2019. As a result, there was no cumulative-effect adjustment to opening net assets as of September 1, 2019. There were no material changes to the recognition of contribution revenue during fiscal year 2020.

During the fiscal year 2020, Yad Chessed Fund, Inc. adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for the purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

Note B – Availability and Liquidity

The following represents Yad Chessed Fund, Inc. financial assets at August 31, 2020:

Financial assets at Year End

Cash and Cash Equivalents	\$ 793,476
Client Receivables, Net of Allowance	4,460
Other Receivables	7,399
Total Financial Assets	<u>805,335</u>

Financial assets available to meet general expenditures over the next twelve months.	<u>\$ 805,335</u>
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As of August 31, 2020, the Organization had no borrowing commitments.

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note C – Concentrations

The Organization maintains cash accounts at one financial institution. The cash account is insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. Cash exceeded federally insured limits by \$550,391 at August 31, 2020.

Note D – Gift Card Inventory

The Organization routinely purchases gift cards for distribution to its clients based on need. The Organization is able to purchase these gift cards at a discount from face value. The discounts range from 0% to 10%. The Organization's policy is to record the gift cards at cost. The cost of gift cards on hand was \$85,955 as of August 31, 2020.

Note E – Operating Leases

The Organization entered into a lease agreement for 1,547 square feet of office space in Waltham, Massachusetts. The Organization renewed the lease for another year with the term ending on June 30, 2021. The current monthly rent payment is \$2,325 per month plus utilities. Future minimum payments for the year ending August 31, 2021 is \$23,250. The current rent expense for the year ended August 31, 2020 was \$30,000.

Note F – Loans Receivable

The Organization grants interest free loans to families in need. Management reviews the ability to repay the loans on an ongoing basis and has begun to issue more assistance instead of loans. Management has set up an allowance for doubtful accounts on the current outstanding balance of the loans. Details of the loan receivables are as follows:

Loan Receivable	\$ 4,460
Less: Allowance for Doubtful Accounts	-
Net Loan Receivable	<u>\$ 4,460</u>

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note G – Outstanding Vouchers

The Organization's voucher program provides assistance to families in need. There are three types of vouchers. All vouchers are food vouchers. The Purim and Pesach vouchers expire at the end of the fiscal year in which they were issued. The monthly and emergency assistance vouchers expire at the end of the fiscal year in which they were issued, unless they were issued in the last quarter of the fiscal year, in which case they are carried over until the next fiscal year. The Rosh Hashanah vouchers generally expire in the fiscal year in which they are issued. There are occasions depending on when Rosh Hashanah falls in which the vouchers carry over until the next fiscal year. The current liability of these vouchers is recorded at cost. As of August 31, 2020, the cost of vouchers was \$30,310.

Note H – Donor Concentrations

The Organization's operations are largely funded by donations from one donor. Donations from this single donor accounted for 22.55% of total revenue for the years ended August 31, 2020.

Note I – Conditional Grants

Yad Chessed Fund, Inc. applied for and was awarded a loan of \$65,100 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a covered period, as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two year period with interest at 1%. Any repayment will be deferred until November 1, 2020, when the note, plus interest, will be due in equal monthly payments through May 1, 2022. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Association (SBA). In the opinion of management, the results of such review, will not have a material effect on the financial position of Yad Chessed Fund, Inc. as of August 31, 2020, and on the changes in its net assets for the year then ended.

Yad Chessed Fund, Inc. believes there is less than a remote chance this loan will not be forgiven and therefore is accounting for it as a conditional grant under ASC Subtopic 958-605. It has been determined that this grant is conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when Yad Chessed Fund, Inc. has incurred expenditures in compliance with the loan application and CARES Act requirements. As of August 31, 2020, Yad Chessed Fund, Inc. recognized \$65,100 of grant revenue. Yad Chessed Fund, Inc. has not accrued interest as of August 31, 2020, since it expects the interest to be forgiven.

Yad Chessed Fund, Inc.
Notes to Financial Statements
August 31, 2020

Note J – Subsequent Events

The Organization has evaluated subsequent events through May 14, 2021 and the financial statements were available to be issued on May 14, 2021.