

**AMERICAN FRIENDS OF NEVE SHALOM/
WAHAT AL-SALAM, INC.**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2019 AND 2018

**AMERICAN FRIENDS OF NEVE SHALOM/WAHAT AL-SALAM, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Friends of Neve Shalom/Wahat Al-Salam, Inc.
Glendale, California

We have audited the accompanying financial statements of the American Friends of Neve Shalom/Wahat Al-Salam, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Friends of Neve Shalom/Wahat Al-Salam, Inc. as of August 31, 2019 and 2018 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page fourteen is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



James W. Vanstrom & Company
Jamestown, New York

November 15, 2019



**AMERICAN FRIENDS OF NEVE SHALOM/WAHAT AL-SALAM, INC.
STATEMENTS OF FINANCIAL POSITION**

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	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 159,357	\$ 98,721
Prepaid expenses	-	1,160
Total current assets	159,357	99,881
BOARD DESIGNATED ASSETS		
Investments - board designated	237,392	233,285
DONOR RESTRICTED ASSETS		
Investments held for endowment purposes	509,424	522,949
OTHER ASSETS		
Promises to give	50,000	50,000
Security deposits	800	800
Total assets	\$ 956,973	\$ 906,915
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accrued retirement contribution	\$ 1,074	\$ 980
NET ASSETS		
Without donor restrictions:		
Undesignated	209,083	149,701
Board designated	237,392	233,285
With donor restrictions	509,424	522,949
Total net assets	955,899	905,935
Total liabilities and net assets	\$ 956,973	\$ 906,915

See accompanying independent auditor's report and notes to financial statements.

**AMERICAN FRIENDS OF NEVE SHALOM/WAHAT AL-SALAM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended August 31,	
	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating revenues and other support:		
Contributions	\$ 634,885	\$ 505,861
Interest and dividends	10,142	9,335
Other operating revenue	654	30
	<hr/>	<hr/>
Total operating revenues and other support	645,681	515,226
Operating expenses:		
Program services	496,424	425,434
Support	46,205	62,718
Fundraising	48,506	46,503
	<hr/>	<hr/>
Total operating expenses	591,135	534,655
Operating income (loss)	54,546	(19,429)
Other :		
Realized and unrealized gains (losses) on investments	(6,057)	7,860
Net assets released from restrictions	15,000	30,000
	<hr/>	<hr/>
Increase in net assets without donor restrictions	63,489	18,431
NET ASSETS WITH DONOR RESTRICTIONS:		
Investment income (expense) from donor restricted investments	1,475	35,834
Net assets released from restrictions	(15,000)	(30,000)
	<hr/>	<hr/>
Increase (decrease) in net assets with donor restrictions	(13,525)	5,834
Change in net assets	49,964	24,265
Net assets at beginning of year	<hr/>	<hr/>
	905,935	881,670
Net assets at end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 955,899	\$ 905,935

See accompanying independent auditor's report and notes to financial statements.

**AMERICAN FRIENDS OF NEVE SHALOM/WAHAT AL-SALAM, INC.
STATEMENTS OF CASH FLOWS**

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	Year Ended August 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 49,964	\$ 24,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gains) losses on investments	28,944	(16,150)
Noncash contributions	(24,848)	(20,361)
Interest and dividends restricted for long-term purposes, net of investment fees	(34,504)	(36,879)
(Increase) decrease in prepaid expenses	1,160	749
Increase (decrease) in accounts payable	-	(2,036)
Increase (decrease) in accrued retirement contribution	94	(1,167)
Increase (decrease) in accrued payroll	-	-
Net cash provided by (used in) operating activities	20,810	(51,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments - other	-	18,824
(Increase) decrease in investments - other	-	3,296
Proceeds from investments - board designated	24,826	-
Purchases of investments - board designated	(10,142)	(9,336)
Proceeds from investments held for endowment purposes	15,000	30,000
Purchases of investments held for endowment purposes	(24,362)	(27,543)
Net cash provided by investing activities	5,322	15,241
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and dividends restricted for long-term purposes, net of investment fees	34,504	36,879
Net cash provided by financing activities	34,504	36,879
Net increase in cash	60,636	541
Cash at beginning of year	98,721	98,180
Cash at end of year	\$ 159,357	\$ 98,721

See accompanying independent auditor's report and notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Neve Shalom/Wahat al-Salam (NS/WAS), the "Oasis of Peace" in Hebrew and Arabic, is the only community in Israel where Jews and Palestinians choose to live, work, and raise their children in equality and mutual respect. The Village started with a handful of individuals in the 1970's, and is now home to approximately sixty families - half Jewish, half Palestinian.

For more than thirty years, NS/WAS has been dedicated to dialogue, cooperation and a genuine and durable peace between Arabs and Jews, Palestinians and Israelis. The "Oasis of Peace" is uniquely designed to fulfill this mission, through its institutions such as the bilingual, bi-national, K-6 Primary School; the School for Peace, where young adults and university students participate in conflict management programs and cross-culture encounter workshops; and the Pluralistic Spiritual Center, where adults and youth engage in interfaith, intercultural dialogue, study and leadership programs. The Peace College and Friendship Library offer continuing education and graduate-level courses of study in peace education and conflict resolution. These institutions also serve as resource and research centers for peace-promoting projects that extend throughout the Israel/Palestine region.

The American Friends of Neve Shalom/Wahat al-Salam is a nonprofit corporation formed in 1986 under Section 501(c)(3) of the Internal Revenue Code, to provide support to the Oasis of Peace and awareness to the American public. The American Friends of Neve Shalom/Wahat Al-Salam encourages, supports, and publicizes the projects of NS/WAS. The Organization is supported primarily through donor contributions, as well as foundation grants. In addition, the Organization has been awarded certain grants from the United States Agency for International Development (USAID), as further disclosed in Note K to the financial statements.

Basis of Presentation

The Organization has adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*, effective with its year ended August 31, 2019. The most significant changes required under the ASU impacting the presentation of the Organization's financial statements are as follows:

- On the statement of financial position, the unrestricted net asset class has been renamed *Net Assets without Donor Restrictions*. The temporarily and permanently restricted net asset classes have been renamed *Net Assets with Restrictions*.
- On the statement of activities, revenues and other support and expenses are reported as either *Without Donor Restrictions* or *With Donor Restrictions*.
- Additional disclosures are required regarding both quantitative and qualitative information about the availability of and how the Organization manages its liquid available financial assets to meet general expenditures within one year of year-end.

AMERICAN FRIENDS OF NEVE SHALOM/WAHAT AL-SALAM, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended August 31, 2019 and 2018

	Year Ended August 31, 2019			
	Program Services	Support	Fundraising	Total
Bank and credit card charges	\$ 173	\$ 1,567	\$ 1,356	\$ 3,096
Computer expense	1,131	1,131	1,164	3,426
Conferences	-	-	-	-
Direct mail	6,937	-	5,507	12,444
Employee benefits	10,333	1,590	3,974	15,897
Grants for NS/WAS projects	373,900	-	-	373,900
Insurance	-	3,779	-	3,779
Miscellaneous	1,055	1,645	943	3,643
Office expense	3,390	1,695	1,695	6,780
Other program expenses	4,974	-	-	4,974
Payroll	49,400	7,600	19,000	76,000
Payroll taxes	4,061	625	1,561	6,247
Postage and messenger	1,234	744	1,234	3,212
Printing and copying	1,006	252	419	1,677
Professional services	18,450	13,982	4,864	37,296
Rent	4,800	2,400	2,400	9,600
State registration fees	-	1,598	1,598	3,196
Telephone and facsimile	1,160	387	387	1,934
Travel and tour	14,420	7,210	2,404	24,034
Total operating expenses	\$ 496,424	\$ 46,205	\$ 48,506	\$ 591,135

See accompanying independent auditor's report.

Year Ended August 31, 2018

	Program			
	Services	Support	Fundraising	Total
Bank and credit card charges	\$ 291	\$ 1,125	\$ 834	\$ 2,250
Computer expense	1,390	1,390	1,433	4,213
Conferences	1,100	-	-	1,100
Direct mail	9,195	-	9,024	18,219
Employee benefits	13,180	4,193	2,596	19,969
Grants for NS/WAS projects	269,756	-	-	269,756
Insurance	-	2,822	-	2,822
Miscellaneous	1,283	1,055	792	3,130
Office expense	2,251	1,125	1,125	4,501
Other program expenses	-	-	-	-
Payroll	85,014	27,046	16,395	128,455
Payroll taxes	6,777	2,156	1,335	10,268
Postage and messenger	1,663	879	1,657	4,199
Printing and copying	-	-	-	-
Professional services	17,471	12,939	4,509	34,919
Rent	4,800	2,400	2,400	9,600
State registration fees	-	1,241	1,241	2,482
Telephone and facsimile	1,273	424	425	2,122
Travel and tour	9,990	3,923	2,737	16,650
Total operating expenses	\$ 425,434	\$ 62,718	\$ 46,503	\$ 534,655

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of temporary cash investments. The Organization maintains its cash balances in one financial institution. Balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. As of August 31, 2019 and 2018, the Organization had no uninsured funds.

Revenue Recognition

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received.

It is, normally, the Organization's policy not to accept donor-restricted contributions. Donors may request that their contributions be used for specific purposes, and the board of directors may designate the funds for use in accordance with the donor's request. However, in order to maintain discretion and control over the contributions in accordance with Internal Revenue Service regulations, the board of directors reserves the right to redirect the use of such funds at any time, and the final decision on the use of such funds is made by the board of directors. Accordingly, all contributions received by the Organization are, normally, considered for unrestricted use. During the year ended August 31, 2004, the board of directors made an exception to this policy with the establishment of the Jesse Zel Lurie Endowment Fund, which is further disclosed in Note C.

Donated material, equipment and services are not recorded if their value cannot be objectively measured or valued under FASB ASC 958-605, *Revenue Recognition*.

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization achieves some of its programmatic goals in direct mail campaigns, and travel and tour activities that include requests for contributions. For the years ended August 31, 2019 and 2018, the costs of conducting those activities included a total of \$36,478 and \$34,869, respectively, of joint costs that are not directly attributable to either the program, support, or fundraising components of the activities. Those joint costs were allocated as follows:

	<u>2019</u>	<u>2018</u>
Program services	\$ 21,357	\$ 19,185
Support	7,210	3,923
Fundraising	7,911	11,761
	<u>\$ 36,478</u>	<u>\$ 34,869</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Investments

The Organization has adopted FASB ASC 958-320, *Investments – Debt and Equity Securities*. ASC 958-320 requires not-for-profit organizations to record certain investments at fair value with unrealized gains and losses being recorded in the statements of activities and changes in net assets. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. The cost of specific securities sold is used to compute realized gains or losses on sales.

Investments - other consist of mutual fund investments. The funds are stated at fair value, which approximates their cost.

Investment income (expense) includes interest, dividends and realized and unrealized gains and losses on investments, net of investment fees.

Furniture and Equipment

The Organization capitalizes all expenditures for furniture and equipment in excess of \$1,000.

Purchased furniture and equipment are carried at cost. Donated furniture and equipment are carried at the approximate fair value at the date of donation.

The Organization has no capitalized furniture and equipment as of August 31, 2019 and 2018.

Income Taxes

American Friends of Neve Shalom/Wahat Al-Salam, Inc. has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, and is registered as a charity in all states in which it solicits contributions. Accordingly, no provision has been made for federal, state, or local income taxes.

The Organization has adopted FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. Accordingly, penalties and interest associated with uncertain tax positions are accrued as part of any income tax provision. For the years ended August 31, 2019 and 2018, there were no penalties or interest recognized related to uncertain tax positions.

The Organization files U.S. federal, as well as various state exempt organization returns. The returns for 2015 – 2018 are still open to review.

Grants Payable

Grants payable consist of grants approved by the board of directors as of year-end, to be paid in subsequent years.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events and transactions that occurred between September 1, 2019 and November 15, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE B – BOARD DESIGNATED ASSETS

The board of directors has determined that certain funds should remain in segregated board designated accounts. Such funds and the interest earned thereon are to be restricted for use, as approved by the Organization's board of directors, for certain projects at NSWAS.

For the years ended August 31, 2019 and 2018, activities related to board designated investments were as follows:

As of August 31, 2019 and 2018, board designated investments, which are stated at fair value, consisted of the following:

	2019	2018
Beginning balance	\$ 233,285	\$ 214,553
Interest and dividend income earned	10,142	9,335
Realized gains (losses)	(22)	3,616
Unrealized gains (losses)	(6,035)	5,781
Net deposits (withdrawals)	22	-
Ending balance	<u>\$ 237,392</u>	<u>\$ 233,285</u>

	2019	
	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 170,605	146,626
Cash and cash equivalents	66,787	66,787
	<u>\$ 237,392</u>	<u>\$ 213,413</u>

NOTE B – BOARD DESIGNATED ASSETS (CONTINUED)

	2018	
	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 171,721	141,707
Cash and cash equivalents	61,564	61,564
	<u>\$ 233,285</u>	<u>\$ 203,271</u>

NOTE C – DONOR RESTRICTED ASSETS

Donor restricted assets consist of the Jesse Zel Lurie Endowment Fund, which was established in May 2004. The agreement with the donor directs that the principal of the endowment remain intact. Income and appreciation from the endowment are expendable annually, first, to pay the salary and benefits of one or more school teachers at the Primary School and/or Secondary School in NS/WAS, Israel, and, if there are additional funds available in any year, for any other use identified by the Schools. The agreement also states that in extraordinary or emergency circumstances, the Organization may expend the principal of the endowment, but only upon the majority vote of the entire board of directors.

For the years ended August 31, 2019 and 2018, activities related to investments held for endowment purposes were as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 522,949	\$ 517,115
Interest and dividend income earned	24,362	27,544
Realized gains (losses)	(9)	13,833
Unrealized gains (losses)	(22,878)	(5,543)
Grant expenses	(15,000)	(30,000)
Ending balance	<u>\$ 509,424</u>	<u>\$ 522,949</u>

As of August 31, 2019 and 2018, investments held for endowment purposes, which are stated at fair value, consisted of the following:

	<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 473,696	444,717
Cash and cash equivalents	35,728	35,728
	<u>\$ 509,424</u>	<u>\$ 480,445</u>

NOTE C – DONOR RESTRICTED ASSETS (CONTINUED)

	2018	
	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 502,357	\$ 450,500
Cash and cash equivalents	20,592	20,592
	<u>\$ 522,949</u>	<u>\$ 471,092</u>

As of August 31, 2019 and 2018, donor restricted assets were classified as follows:

	<u>2019</u>	<u>2018</u>
Temporarily restricted for purposes as further disclosed above.	\$ 145,643	\$ 159,168
Permanently restricted endowment as further disclosed above.	363,781	363,781
	<u>\$ 509,424</u>	<u>\$ 522,949</u>

NOTE D – PROMISES TO GIVE

Promises to give consist of an unconditional gift dated March 2014, in the amount of \$50,000. The gift was directed by the donor's revocable trust, upon the death of the donor. As of the date of this report, the expected date of payment has not been determined.

NOTE E – FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of FASB ASC 820, *Fair Value Measurement*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

NOTE E – FAIR VALUE MEASUREMENTS (CONTINUED)

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. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

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.

Fair values of assets measured on a recurring basis as of August 31, 2019 and 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2019:				
Investments, including endowment funds	\$ 746,816	\$ 746,816	\$ -	\$ -
August 31, 2018:				
Investments, including endowment funds	\$ 756,234	\$ 756,234	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly reviews its financial position and operations, including liquidity required to meet general expenditures, liabilities, and obligations that may come due. The following reflects the Organization's financial assets as of August 31, 2019, reduced by amounts not available for general use because of contractual or donor/grantor imposed restrictions within one year of the balance sheet date. Amounts not available also include amounts designated by the governing board for long-term uses that could be drawn upon if the governing board approves that action.

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Financial assets at August 31, 2019:

Cash	\$ 159,357
Promises to give	50,000
Investments	<u>746,816</u>
Total financial assets	956,173

Less those unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:	(509,424)
Governing board restrictions	(237,392)
Promises to give expected to be received in more than one year	<u>(50,000)</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 159,357

NOTE G - INVESTMENT INCOME

Investment income for the years ended August 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 34,504	\$ 36,879
Realized gains (losses)	(31)	15,912
Unrealized gains (losses)	<u>(28,913)</u>	<u>238</u>
	<u>\$ 5,560</u>	<u>\$ 53,029</u>

NOTE H - GRANTS FOR NS/WAS PROJECTS

Funds are granted to NS/WAS by the board of directors in response to specific proposals submitted by the directors of NS/WAS in Israel. During the years ended August 31, 2019 and 2018, approved grants included funding for primary school general support and special projects, School for Peace general support and special projects, and humanitarian aid projects. For the years ended August 31, 2019 and 2018, grant expenses for NS/WAS projects totaled \$373,900 and \$269,756, respectively, and are included in program services expenses.

NOTE I - RENTAL ARRANGEMENTS

The Organization leases office space in Glendale, California under a three year lease, the initial term of which expired in November 2017. The lease agreement calls for monthly rent of \$800, and provides for automatic renewals of the lease for additional six month terms. The Organization may terminate this lease by providing sixty days written notice and paying a termination charge equal to one month's rent or the maximum allowable by law, whichever is less. Rent expense for the years ended August 31, 2019 and 2018 amounted to \$9,600 per year.

NOTE J- RETIREMENT PLAN

The Organization sponsors a savings incentive match plan (SIMPLE) covering employees who are reasonably expected to earn at least \$5,000 per calendar year. Employees may defer up to \$15,500 as a salary deferral contribution each year. The Organization provides a nonelective contribution of 2% of each eligible employee's compensation that is made at the end of each calendar year.

Retirement expense for the years ended August 31, 2019 and 2018 amounted to \$1,441 and \$2,053, respectively. As of August 31, 2019 and 2018, accrued retirement contributions amounted to \$1,074 and \$980, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

The Organization has, in prior years, been the recipient of certain grants from the United States Agency for International Development (USAID) to provide conflict management training for leaders of Israeli and Palestinian civilian society. The grants are subject to audit by agencies of the federal government and such audits could result in disallowances and a request for return of funds.

On October 24, 2017, the Organization received correspondence dated September 28, 2017 from USAID stating that the closeout of an audit covering the period from September 25, 2007 to June 30, 2008, which had identified questioned costs of approximately \$133,000 reported by one of the subrecipients of the grant, had been delayed and was expected to be finalized in the coming weeks. The Organization and the subrecipient, had responded to this audit with additional supporting documentation in August 2014 and continue to believe that the audit will be finalized without a requirement to return funds. Accordingly, the Organization has not accrued any losses in the accompanying financial statements pertaining to this contingency.