

The Shai Fund, Inc.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Shai Fund, Inc.  
Murfreesboro, Tennessee

### **Report on Financial Statements**

We have audited the accompanying financial statement of The Shai Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statement of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statement 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 consolidated 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 the financial statement 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 statement is free from material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 consolidated 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 statement referred to above present fairly, in all material respects, the financial position of The Shai Fund, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Dempsey Nantreone + Follis PLLC*

Murfreesboro, Tennessee  
September 28, 2020

**The Shai Fund, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$	270,584
Investments		500,310
Contribution receivable		156,000
Prepaid expenses		10,544
TOTAL CURRENT ASSETS		937,438

FIXTURE AND EQUIPMENT, less  
accumulated depreciation of \$811

		1,622
		\$ 939,060

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	13,227
Accrued expenses		156,000
TOTAL CURRENT LIABILITIES		169,227

NET ASSETS

Without donor restrictions		759,986
With donor restrictions:		
Program funds		9,847

TOTAL NET ASSETS		769,833
		\$ 939,060

See the accompanying notes to consolidated financial statements.

The Shai Fund, Inc.  
STATEMENTS OF ACTIVITIES  
For The Year Ended December 31, 2019

	<b>Without Donor restriction</b>	<b>With Donor restriction</b>	<b>Without Donor restriction</b>
<b>REVENUES</b>			
Contributions	\$ 713,262	\$ 3,347	\$ 716,609
In kind donations	160,081	-	160,081
Interest	33	-	33
Miscellaneous	30	-	30
<b>TOTAL REVENUES</b>	<b>873,406</b>	<b>3,347</b>	<b>876,753</b>
<b>EXPENSES</b>			
Program Services			
Project Nazarene	131,883	-	131,883
Syrian Relief	176,000	-	176,000
Christians in Egypt	19,224	-	19,224
Other Programs	20,892	-	20,892
Total Program Services	347,999	-	347,999
Supporting Services			
Fundraising	15,218	-	15,218
General and administrative	35,799	-	35,799
Total Supporting Services	51,017	-	51,017
<b>TOTAL EXPENSES</b>	<b>399,016</b>	<b>-</b>	<b>399,016</b>
<b>INCREASE IN NET ASSETS</b>	474,390	3,347	477,737
NET ASSETS AT BEGINNING OF YEAR	285,596	6,500	292,096
NET ASSETS AT END OF YEAR	\$ 759,986	\$ 9,847	\$ 769,833

See the accompanying notes to consolidated financial statements.

The Shai Fund, Inc.  
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2019

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Project Nazarene</u>	<u>Syrian Relief</u>	<u>Christians in Egypt</u>	<u>Other Programs</u>	<u>Fundraising</u>	<u>General and administrative</u>	
EXPENSES							
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ 4,000
Bank Charges	-	-	-	151	-	1,841	1,992
Computer Supplies	-	-	-	245	51	1,001	1,297
Contract services	-	-	860	-	-	644	1,504
Depreciation	-	-	-	-	-	406	406
Dues and Subscriptions	-	-	-	-	-	995	995
Donations to other organizations	64,000	176,000	9,357	2,250	-	-	251,607
Insurance	140	-	-	-	-	-	140
Miscellaneous	-	-	314	22	-	99	435
Printing and shipping	-	-	12	-	1,085	-	1,097
Postage and Delivery	-	-	-	-	-	279	279
Professional Fees	61,309	-	-	13,678	-	22,309	97,296
Supplies	13	-	-	292	-	160	465
Telephone	756	-	57	309	-	717	1,839
Training	868	-	247	214	875	13	2,217
Travel	4,797	-	8,377	3,731	9,207	7,335	33,447
<b>TOTAL EXPENSES</b>	<u>\$ 131,883</u>	<u>\$ 176,000</u>	<u>\$ 19,224</u>	<u>20,892</u>	<u>\$ 15,218</u>	<u>\$ 35,799</u>	<u>\$ 399,016</u>

See the accompanying notes to consolidated financial statements.

**The Shai Fund**  
**STATEMENT OF CASH FLOWS**

For The Year Ended December 31, 2019

RECONCILIATION OF CHANGE IN NET ASSETS  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in net assets	\$ 477,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	406
Increase prepaid expenses	(10,544)
Increase in accounts payable and accrued expenses	110
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>467,709</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>(400,033)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(400,033)</u>

NET INCREASE IN CASH 67,676

CASH AT BEGINNING OF YEAR 202,908

CASH AT END OF YEAR \$ 270,584

Supplemental Cash Flow Disclosures

Non Cash: Gifts in kind \$ 160,081

See the accompanying notes to consolidated financial statements.



The Shai Fund, Inc.  
NOTES TO FINANCIAL STATEMENT  
December 31, 2019

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operations

The Shai Fund, Inc. (the "Organization ") is a nonprofit organization incorporated in the state of Tennessee. The organization seeks to unite international professionals to provide humanitarian assistance in disaster relief and development situations. The Organization conducts a majority of its programs internationally primarily in the middle east.

Financial Statement Presentation

The financial statement of the Organization has been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the FASB in ASC 958-605, *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment, including such factors, as prior collection history, type of contribution, and nature of fund-raising activity.

Estimates

Management is required to make estimates and assumptions in conformity with generally accepted accounting principles that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Shai Fund, Inc.  
NOTES TO FINANCIAL STATEMENT (CONTINUED)  
December 31, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fixtures and Equipment

Fixtures and equipment are stated at cost. Depreciation is computed using primarily the straight-line and accelerated methods of depreciation used for federal income tax purposes. The Organization capitalizes equipment purchases of \$1,000 or more. Fixtures and equipment are depreciated over a 5-7 year period.

Income Taxes

Operations of the Organization are exempt from Federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision is recognized in the financial statement for income taxes on such operations.

The Organization accounts for uncertainties in income tax law under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10. ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that the tax effects of a position be recognized only if it is “more-likely-than-not” to be sustained by the taxing authority as of the reporting date. If the tax position is not considered “more-likely-than-not” to be sustained, then no benefits of the position are to be recognized. The Organization has no unrecognized tax benefits for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties. At December 31, 2019, the Organization’s tax returns related to fiscal years ended December 31, 2017 through December 31, 2019 remain open to examination by the tax authorities.

Cash Flows

The Organization recognizes only cash held on hand and in bank accounts (demand and savings deposits) with maturities of 90 days or less as cash and cash equivalents for purposes of reporting cash flows.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2019 were \$4,000.

Donated Services

Many individuals have donated time and services to advance the Organization’s programs and objectives. The value of the services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent

The Shai Fund, Inc.  
NOTES TO FINANCIAL STATEMENT (CONTINUED)  
December 31, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**NOTE B – INVESTMENTS**

The Organization's investments primarily consist of a money market savings account and commercial paper (CD's) of the with maturities of 6 months. The investments are recorded at cost which approximates fair market value. At December 31, 2019, the money market account bears in interest rate of 1.00%. At December 31, 2019 the Organization held a CD of \$250,000 bearing an interest rate of 1.49% and maturing during June 2020. The CD was renewed when matured for an additional 6-month period at similar terms.

**NOTE C – CONTRIBUTION RECEIVABLE**

At December 31, 2019, the organization had entered into an agreement with an international aid organization to provide medical supplies and related goods as part of the Syrian Relief Program. Under the terms of the agreement the organization financed shipping and certain logistics and the international aid organization would provide the medical equipment. At December 31, 2019 the organization had prepaid the freight, which amounted to approximately \$5,300, and took position of the goods in Syria in March of 2020. As of December 31, 2019, the contribution of the gift in kind recorded as a receivable and accrued expense of \$156,000 which was the fair value of the goods promised by, and received from, the international aid organization.

**NOTE D - FIXTURES AND EQUIPMENT**

Fixtures and equipment are recorded at cost and consist of the following at December 31, 2019:

Fixtures and equipment	\$2,433
Less accumulated depreciation	(811)
	<u>\$1,622</u>

Depreciation expense was for the year ended December 31, 2019 was \$406.

**NOTE E - FAIR VALUE MEASUREMENTS**

Accounting Standards Codification (ASC) 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. ASC 820-10 describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach, and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used when applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given highest priority in the hierarchy while level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the inputs to the valuation technique used:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the assets or liability occur in a sufficient frequency and volume to provide pricing information on an ongoing basis.

The Shai Fund, Inc.  
**NOTES TO FINANCIAL STATEMENT (CONTINUED)**  
 December 31, 2019

**NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liabilities.

The following table summarizes the classification of fair value assets as of December 31, 2019:

	Fair Value as of <u>12/31/19</u>	Fair Value Measurement as of Reporting date		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 500,310</u>	<u>\$ 500,310</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE F – FINANCIAL ASSETS AND LIQUIDITY**

The Organization is supported by both restricted and unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial resources may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets and liquidity as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Financial Assets:	
Cash	\$ 270,584
Pledges Receivable, net	156,000
Investments	<u>500,310</u>
Total Financial Assets	926,894
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(165,847)</u>
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$ 761,047</u>

The Shai Fund, Inc.  
NOTES TO FINANCIAL STATEMENT (CONTINUED)  
December 31, 2019

**NOTE G – COMMITMENTS, CONTINGENCIES AND UNCERTANTIES**

International operations

Humanitarian organizations with international operations are subject to numerous domestic and international laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, registration, banking, anti-terrorism, fraud and abuse. Violations of these laws and regulations could result in significant adverse actions such as the disbarment of the entity from certain actions, loss of non-profit status, the imposition of significant fines and penalties, imprisonment and other legal ramifications either domestically or internationally. In addition, the organization often directs activities of consultants in areas of conflict or with various political uncertainties that could create significant risks to the operations of the organization and the consultants it retains. Management is aware of the risks as well as the laws and regulations and has implemented various operational controls to mitigate this risk to an acceptable level. Management believes the organization is in compliance with all laws and regulations.

Contingent promise receivable

During the year ended December 31, 2019 the organization was awarded a \$100,000 grant in connection the Aurora Prize for Awakening Humanity. The grant award was conditioned on submission, approval of a program budget which was completed and approved in 2020. The organization received funding for the grant award in 2020.

Consulting agreement

The organization retains a consultant, who also serves as president of the organization, under an ongoing informal agreement. Under the terms of the agreement the consultant receives a monthly fee, \$8,333 as of December 31, 2019, as well as reimbursement for certain operational costs incurred. For the December 31, 2019 the consultant received \$88,666 in monthly fees and an additional \$38,473 in costs reimbursements.

**NOTE H – SUBSEQUENT EVENTS**

As of the date of the financial statements, the Organization noted that there are no transactions that have transpired besides those described above that would have a material effect on the balances reported herein as of December 31, 2019 or that would significantly impact the Company's ongoing operations.

The Organization has evaluated subsequent events through September 28, 2020, which is the date the financial statements were available to be issued. Based on the evaluation no other significant subsequent events were noted.