

LAPPIN FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With comparative totals for the year ended December 31, 2022)

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J. TRAINOR COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANT & BUSINESS ADVISOR

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Independent Auditor's Report

To the Board of Directors
Lappin Foundation

Opinion

We have audited the accompanying financial statements of Lappin Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lappin Foundation as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lappin Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lappin Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lappin Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lappin Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Lappin Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

J. Train Company, LLC

Wakefield, MA

March 18, 2024

LAPPIN FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022
(With comparative totals as of December 31, 2022)

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 457,390	\$589,667
Contributions receivable	100,000	100,000
Prepaid Expenses	6,667	-
Investments	<u>78,582</u>	<u>4,807</u>
TOTAL CURRENT ASSETS	<u>642,639</u>	<u>694,474</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	26,913	16,201
Operating lease right of use asset	<u>150,354</u>	<u>192,729</u>
	177,267	208,930
Less: accumulated depreciation	<u>5,833</u>	<u>1,739</u>
TOTAL PROPERTY AND EQUIPMENT	<u>171,434</u>	<u>207,191</u>
TOTAL ASSETS	<u>\$ 814,073</u>	<u>\$901,665</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Operating lease liability	\$ 43,608	\$ 42,375
Accounts payable	10,255	8,518
Accrued payroll and related taxes	<u>34,852</u>	<u>32,871</u>
TOTAL CURRENT LIABILITIES	<u>88,715</u>	<u>83,764</u>
LONG TERM LIABILITIES		
Operating lease liability	<u>106,746</u>	<u>150,354</u>
TOTAL LIABILITIES	<u>195,461</u>	<u>234,118</u>
NET ASSETS		
Without donor restrictions	508,694	553,629
With donor restrictions	<u>109,918</u>	<u>113,918</u>
TOTAL NET ASSETS	<u>618,612</u>	<u>667,547</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 814,073</u>	<u>\$901,665</u>

See accompanying notes to financial statements.

LAPPIN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With comparative totals for the year ended December 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2022 Total</u>
DONATIONS AND FEES				
Contributions	\$ 1,779,646	\$ 2,000	\$ 1,781,646	\$ 1,429,901
Trip fees	21,650	-	21,650	30,750
Miscellaneous	22,312	-	22,312	3,583
Investment gains	13,303	-	13,303	534
Net assets released from restrictions	6,000	(6,000)	-	-
TOTAL DONATIONS AND FEES	<u>1,842,911</u>	<u>(4,000)</u>	<u>1,838,911</u>	<u>1,464,768</u>
EXPENSES				
Program expenses:				
Trip to Israel program	984,471	-	984,471	954,312
Jewish culture enrichment and education programs	459,913	-	459,913	467,584
Total program expenses	<u>1,444,384</u>	<u>-</u>	<u>1,444,384</u>	<u>1,421,896</u>
Fundraising	278,289	-	278,289	199,552
Management and general	165,173	-	165,173	69,587
TOTAL EXPENSES	<u>1,887,846</u>	<u>-</u>	<u>1,887,846</u>	<u>1,691,035</u>
CHANGE IN NET ASSETS	(44,935)	(4,000)	(48,935)	(226,267)
NET ASSETS AT BEGINNING OF YEAR	<u>553,629</u>	<u>113,918</u>	<u>667,547</u>	<u>893,814</u>
NET ASSETS AT END OF YEAR	<u>\$ 508,694</u>	<u>\$ 109,918</u>	<u>\$ 618,612</u>	<u>\$ 667,547</u>

See accompanying notes to financial statements.

LAPPIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

(With comparative totals for the year ended December 31, 2022)

	Youth to Israel "Y21" Trip	Jewish Programs	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	Total
Payroll	\$ 205,577	\$ 205,577	\$ 411,154	\$ 213,990	\$ 51,394	\$ 265,384	\$ 676,538	\$ 613,528
Travel expense	552,617	2,632	555,249	-	82	82	555,331	382,327
Program expense	18,862	136,562	155,424	-	-	-	155,424	104,587
Trip expense	91,552	-	91,552	-	-	-	91,552	197,202
SILP services	28,134	28,134	56,268	-	28,132	28,132	84,400	100,225
Employee benefits	20,774	20,773	41,547	8,310	5,540	13,850	55,397	51,701
Rent	16,616	16,616	33,232	-	16,615	16,615	49,847	27,622
Payroll tax	15,034	15,034	30,068	16,834	2,469	19,303	49,371	41,635
Consulting fees	8,595	8,595	17,190	-	8,596	8,596	25,786	28,522
Liability insurance	11,544	6,927	18,471	1,154	3,464	4,618	23,089	16,765
Fundraising	-	-	-	19,709	-	19,709	19,709	19,429
Miscellaneous expenses and fees	-	4,250	4,250	5,708	2,667	8,375	12,625	14,261
Computer and equipment maintenance	4,340	4,340	8,680	542	1,628	2,170	10,850	14,720
Annual report	3,481	3,481	6,962	3,481	-	3,481	10,443	5,580
Accounting	-	-	-	-	10,000	10,000	10,000	8,750
Utilities	-	-	-	-	8,452	8,452	8,452	7,607
Conferences	2,510	2,510	5,020	2,509	-	2,509	7,529	8,010
Cleaning and trash	-	-	-	-	7,207	7,207	7,207	6,554
Website hosting	2,557	2,557	5,114	1,278	-	1,278	6,392	4,816
Scholarship	-	-	-	-	6,000	6,000	6,000	4,000
Legal fees	-	-	-	-	4,813	4,813	4,813	-
Postage	381	28	409	2,877	831	3,708	4,117	426
Depreciation	-	-	-	-	4,094	4,094	4,094	1,739
Communication	1,064	1,064	2,128	1,064	-	1,064	3,192	3,126
Office supplies	-	-	-	-	3,189	3,189	3,189	6,504
PR services	833	833	1,666	833	-	833	2,499	21,399
Total	\$ 984,471	\$ 459,913	\$ 1,444,384	\$ 278,289	\$ 165,173	\$ 443,462	\$ 1,887,846	\$ 1,691,035

See accompanying notes to financial statements.

LAPPIN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With comparative totals for the year ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (48,935)	\$ (226,267)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciaton	4,094	1,739
Net realized and unrealized investment gain	(11,294)	(544)
(Increase) decrease in assets:		
Prepaid expenses	(6,667)	-
Increase (decrease) in liabilities:		
Accounts payable	1,737	(1,037)
Accrued payroll and related taxes	1,981	32,872
	<u>(59,084)</u>	<u>(193,237)</u>
CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,712)	(16,201)
Purchases of investments	(74,482)	-
Sales of investments	12,000	1,000
	<u>(73,194)</u>	<u>(15,201)</u>
CASH USED IN INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132,278)	(208,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>589,667</u>	<u>798,105</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 457,389</u>	<u>\$ 589,667</u>

See accompanying notes to financial statements.

LAPPIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The primary purpose of the Lappin Foundation (the Foundation) is to enhance the Jewish identity across generations. This is accomplished by providing a variety of programs for children, teens, parents and others. The Foundation is supported primarily through donations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Lappin Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the donor and/or the passage of time. When a restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers its money market account to be a cash equivalent.

Promises to Give

Contributions are recognized when the donor makes a promise to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions receivable as of December 31, 2023 are considered due within one year. The Foundation provides for losses on contributions receivable using the allowance method. The allowance is based on experience and other circumstances based on collectability. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivables will not be collected. No allowance was deemed necessary as of December 31, 2023.

LAPPIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. Absent 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for furniture and vehicles to thirty years for buildings.

Leases

The Foundation adopted FASB Topic 842, *Leases*, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Foundation to carry forward the historical lease classification. In addition, the Foundation elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases, as certain options to renew were not reasonably certain.

As a result of adopting the new standard effective January 1, 2022, the Organization recorded additional net lease assets and lease liabilities of approximately \$192,729. Adoption of the new standard did not materially impact the Organization's change in net assets and had no impact on cash flows.

The Foundation leases its office space under a noncancelable operating lease. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The operating lease is included in operating lease right-of-use ("ROU") assets, current liabilities and long-term liabilities.

**LAPPIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Leases

The ROU asset represents our right to use an underlying asset for the lease term, and lease liability represents our obligation to make lease payments. The operating lease ROU asset and liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation uses the implicit rate when it is readily determinable. Since the lease does not contain an implicit rate, the Foundation uses a risk-free rate as the discount rate. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. The expenses are allocated based on estimates of time and effort.

Income Tax Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Subsequent Events

Management has reviewed subsequent events through March 18, 2024, the date the financial statements were available to be issued.

Note 2 - Concentrations

The Foundation maintains its cash and cash equivalents at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2023, the Foundation's uninsured balance totaled \$198,281.

Note 3 - Restrictions on Net Assets

The Foundation's net assets with donor restrictions includes a contribution receivable of \$100,000, which is due within one year and to be used for the general purposes of the Foundation. In addition, donor restrictions include \$9,918 which are to be used to provide scholarships.

Note 4 - Investments

The Organization reports its qualifying assets and liabilities in accordance with the Fair Value Measurements and Disclosures Standards under U.S. GAAP (ASC-820). These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

**LAPPIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 4 – Investments (continued)

The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Foundation's investments are all considered level 1 under the fair value hierarchy. The fair value of the investments as of December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Mutual funds	<u>\$ 78,583</u>	<u>\$ 4,807</u>

Note 5 - Leasing Activities

The Foundation has an operating lease for its office space with a remaining term of 3.3 years which is being discounted at a rate of 2.87%.

Operating lease expense was \$49,847 and \$27,622 for the years ended December 31, 2023 and 2022, respectively, and is included in management and general expenses.

Cash paid for amounts included in the measurement of the operating lease liabilities was \$47,352 and \$27,622 for the years ended December 31, 2023 and 2022, respectively.

**LAPPIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 5 - Leasing Activities (continued)

The maturities of the operating lease liability as of December 31, 2023 were as follows:

Year Ending December 31:

2024	\$ 47,352
2025	47,352
2026	47,352
2027	<u>15,784</u>
	157,840
Less: interest	<u>(7,486)</u>
	<u>\$ 150,354</u>

Note 6 - Liquidity and Availability of Financial Assets

The Foundation's financial assets as of December 31, 2023 include cash and cash equivalents of \$457,390, contributions receivable of \$100,000 and investments of \$78,583. Donor restricted amounts that are available for use within one year for general purposes include contributions receivable of \$100,000. Donor restricted amounts that are not available for use within one year for general purposes include donor restricted net assets of \$9,918, which are to be used for scholarships. As such, financial assets available to meet cash needs for general expenditure within one year total \$535,973.

As part of the Foundation's liquidity management, the Foundation does not invest any significant amount of cash, as the timing of the receipt of contributions is somewhat unpredictable.

Note 7 - Related Party Transactions

During the years ended December 31, 2023 and 2022, the Foundation received contributions totaling \$1,000,000 and \$925,000, respectively, from the Robert I. Lappin Charitable Foundation, an entity related by common management. In addition, the Foundation paid \$84,400 and \$118,850 in management fees, respectively, to Shetland Investments, an entity related by common management.