

# **American Friends of Yad Eliezer, Inc.**

Independent Auditor's Report and Financial Statements

September 30, 2018 and 2017



**American Friends of Yad Eliezer, Inc.**  
**September 30, 2018 and 2017**

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## Independent Auditor's Report

Board of Directors  
American Friends of Yad Eliezer, Inc.  
New York, New York

We have audited the accompanying financial statements of American Friends of Yad Eliezer, Inc. which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 American Friends of Yad Eliezer, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Audited by Other Auditors***

The 2017 financial statements were audited by other auditors, and their report thereon, dated June 28, 2018, expressed an unmodified opinion.

*BKD, LLP*

New York, New York  
August 15, 2019

**American Friends of Yad Eliezer, Inc.**  
**Statements of Financial Position**  
**September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash	\$ 469,326	\$ 1,606,455
Investments	873,908	795,071
Prepaid expenses and other assets	6,845	6,840
Total assets	\$ 1,350,079	\$ 2,408,366
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 26,660	\$ 26,573
Settlement payable	-	105,000
Total liabilities	26,660	131,573
 <b>Net Assets</b>		
Unrestricted	1,323,419	1,301,793
Temporarily restricted	-	975,000
Total net assets	1,323,419	2,276,793
Total liabilities and net assets	\$ 1,350,079	\$ 2,408,366

**American Friends of Yad Eliezer, Inc.**  
**Statements of Activities**  
**Years Ended September 30, 2018 and 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>						
Contributions and grants	\$42,044,426	\$ -	\$42,044,426	\$40,959,632	\$ 975,000	\$41,934,632
Special event income						
Ticket sales	\$708,337			\$603,254		
Direct cost of special events	<u>(249,583)</u>	-	458,754	<u>(189,916)</u>	-	413,338
Contributed services	10,750	-	10,750	14,875	-	14,875
Net investment return	78,506	-	78,506	17,489	-	17,489
Net assets released from restrictions	<u>975,000</u>	<u>(975,000)</u>	<u>-</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
Total revenues, gains and other support	<u>43,567,436</u>	<u>(975,000)</u>	<u>42,592,436</u>	<u>42,405,334</u>	<u>(25,000)</u>	<u>42,380,334</u>
<b>Expenses</b>						
Program services - aid to poor and disadvantaged	42,171,900	-	42,171,900	40,469,950	-	40,469,950
Management and general	613,674	-	613,674	689,420	-	689,420
Fund raising	<u>760,236</u>	<u>-</u>	<u>760,236</u>	<u>734,469</u>	<u>-</u>	<u>734,469</u>
Total expenses	<u>43,545,810</u>	<u>-</u>	<u>43,545,810</u>	<u>41,893,839</u>	<u>-</u>	<u>41,893,839</u>
<b>Change in Net Assets</b>	21,626	(975,000)	(953,374)	511,495	(25,000)	486,495
<b>Net Assets, Beginning of Year</b>	<u>1,301,793</u>	<u>975,000</u>	<u>2,276,793</u>	<u>790,298</u>	<u>1,000,000</u>	<u>1,790,298</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,323,419</u>	<u>\$ -</u>	<u>\$ 1,323,419</u>	<u>\$ 1,301,793</u>	<u>\$ 975,000</u>	<u>\$ 2,276,793</u>

**American Friends of Yad Eliezer, Inc.**  
**Statements of Functional Expenses**  
**Years Ended September 30, 2018 and 2017**

	2018				Total
	Program Services	Management and General	Fund Raising	Direct Cost of Special Events	
Grants - Aid to the poor and disadvantaged	\$ 42,171,900	\$ -	\$ -	\$ -	\$ 42,171,900
Salaries and fringe benefits	-	300,963	415,371	-	716,334
Professional fees	-	77,680	-	-	77,680
Rent	-	12,100	-	-	12,100
Telephone	-	5,464	-	-	5,464
Printing and postage	-	-	20,461	-	20,461
Office supplies	-	154,021	-	-	154,021
Travel and entertainment	-	-	61,190	-	61,190
Insurance	-	13,690	-	-	13,690
Network and informational technology services	-	-	-	-	-
Advertising and promotion	-	-	263,214	-	263,214
Bank charges and other fees	-	12,070	-	-	12,070
Catering and facility rental	-	-	-	249,583	249,583
Legal settlement	-	-	-	-	-
Miscellaneous expenses	-	37,686	-	-	37,686
<b>Total expenses</b>	<b>42,171,900</b>	<b>613,674</b>	<b>760,236</b>	<b>249,583</b>	<b>43,795,393</b>
Less direct costs of special events	-	-	-	(249,583)	(249,583)
<b>Total expenses reported by function on the statements of activities</b>	<b>\$ 42,171,900</b>	<b>\$ 613,674</b>	<b>\$ 760,236</b>	<b>\$ -</b>	<b>\$ 43,545,810</b>

**American Friends of Yad Eliezer, Inc.**  
**Statements of Functional Expenses (Continued)**  
**Years Ended September 30, 2018 and 2017**

	2017				Total
	Program Services	Management and General	Fund Raising	Direct Cost of Special Events	
Grants - Aid to the poor and disadvantaged	\$ 40,469,950	\$ -	\$ -	\$ -	\$ 40,469,950
Salaries and fringe benefits	-	265,514	433,208	-	698,722
Professional fees	-	84,931	-	-	84,931
Rent	-	13,550	-	-	13,550
Telephone	-	9,117	-	-	9,117
Printing and postage	-	26,072	103,216	-	129,288
Office supplies	-	8,889	7,000	-	15,889
Travel and entertainment	-	-	22,275	-	22,275
Insurance	-	4,586	-	-	4,586
Network and informational technology services	-	-	63,747	-	63,747
Advertising and promotion	-	-	89,719	-	89,719
Bank charges and other fees	-	171,761	-	-	171,761
Catering and facility rental	-	-	14,359	189,916	204,275
Legal settlement	-	105,000	-	-	105,000
Miscellaneous expenses	-	-	945	-	945
Total expenses	40,469,950	689,420	734,469	189,916	42,083,755
Less direct costs of special events	-	-	-	(189,916)	(189,916)
Total expenses reported by function on the statements of activities	<u>\$ 40,469,950</u>	<u>\$ 689,420</u>	<u>\$ 734,469</u>	<u>\$ -</u>	<u>\$ 41,893,839</u>



**American Friends of Yad Eliezer, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Activities</b>		
Change in net assets	\$ (953,374)	\$ 486,495
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized gains on investments	(73,084)	(14,735)
Changes in		
Prepaid expenses and other assets	(5)	(839)
Accounts payable and accrued expenses	87	(41,185)
Settlement payable	(105,000)	105,000
Net cash provided by (used in) operating activities	(1,131,376)	534,736
<b>Investing Activities</b>		
Proceeds from sale of investments	213,611	276,848
Purchase of investments	(219,364)	(282,706)
Net cash used in investing activities	(5,753)	(5,858)
<b>Increase (Decrease) in Cash</b>	(1,137,129)	528,878
<b>Cash, Beginning of Year</b>	1,606,455	1,077,577
<b>Cash, End of Year</b>	\$ 469,326	\$ 1,606,455

# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

American Friends of Yad Eliezer, Inc. (the Organization) is a non-profit organization incorporated in New York in December 1998. The Organization's stated purpose is to render financial aid and support to the poor and disadvantaged in Israel, United States and elsewhere. The Organization primarily receives its support as contributions from the general public.

#### ***Use of 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash***

At September 30, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$160,000.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in certain entities are recorded at net asset value (NAV), as a practical expedient. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

#### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

# **American Friends of Yad Eliezer, Inc.**

## **Notes to Financial Statements**

**September 30, 2018 and 2017**

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

### ***Contributed Services***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services consisted of donated legal services of \$10,750 and \$14,875 for the years ended September 30, 2018 and 2017, respectively.

### ***Income Taxes***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

### ***Grants – Transmissions to Yad Eliezer-Israel***

All transmissions to Yad Eliezer-Israel or other educational and charitable institutions in Israel and the United States are recorded pursuant to authorization by the Board of Directors of the Organization.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the management and general and fund raising categories based on the utilization of time and other methods.

### ***Reclassifications***

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 2: Investments and Investment Return

Investments at September 30 consisted of the following:

	<b>2018</b>	<b>2017</b>
Cash equivalents	\$ 412,847	\$ 387,954
Certificates of deposit	101,160	120,102
Limited partnership	359,901	287,015
Total	\$ 873,908	\$ 795,071

Total investment return is comprised of the following:

	<b>2018</b>	<b>2017</b>
Dividends and interest	\$ 5,422	\$ 3,179
Net realized and unrealized gains	73,109	14,735
Less investment fees	(25)	(425)
Total	\$ 78,506	\$ 17,489

### **Alternative Investments**

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	<b>Fair Value</b>		<b>Unfunded</b>	<b>Redemption</b>	<b>Redemption</b>
	<b>2018</b>	<b>2017</b>	<b>Commitments</b>	<b>Frequency</b>	<b>Notice Period</b>
Limited partnership	\$ 359,901	\$ 287,015	None	Monthly	30 days

*Limited partnership:* The Fund's primary investment strategy is to identify (1) companies that the investment manager believes are growing faster than average with upside to their valuations, and (2) overvalued companies that the investment manager believes will experience a slowdown in revenue and/or growth.

# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 3: Net Assets

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets at September 30 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Support for the needy	\$ -	\$ 875,000
Capital fund	-	100,000
	<u>\$ -</u>	<u>\$ 975,000</u>

#### *Net Assets Released from Restrictions*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2018</u>	<u>2017</u>
Support for the needy	\$ 875,000	\$ 1,000,000
Capital fund	100,000	-
	<u>\$ 975,000</u>	<u>\$ 1,000,000</u>

### Note 4: Pension Plan

The Organization has a defined contribution pension plan covering substantially all employees. Employees may contribute to this plan up to the maximum permitted by law. The Organization provides a discretionary contribution of 10% of each employee's gross compensation. Employer contributions amounted to \$37,690 and \$32,890 for the years ended September 30, 2018 and 2017, respectively.

### Note 5: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2018 and 2017:

	Total	Fair Value Measurements Using			Investments Measured at NAV(A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	
<b>September 30, 2018</b>					
<b>Assets</b>					
Cash equivalents	\$ 412,847	\$ 412,847	\$ -	\$ -	\$ -
Certificates of deposit	101,160	-	101,160	-	-
Limited partnership	359,901	-	-	-	359,901
Total assets	<u>\$ 873,908</u>	<u>\$ 412,847</u>	<u>\$ 101,160</u>	<u>\$ -</u>	<u>\$ 359,901</u>
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	Investments Measured at NAV(A)
<b>September 30, 2017</b>					
<b>Assets</b>					
Cash equivalents	\$ 387,954	\$ 387,954	\$ -	\$ -	\$ -
Certificates of deposit	120,102	-	120,102	-	-
Limited partnership	287,015	-	-	-	287,015
Total assets	<u>\$ 795,071</u>	<u>\$ 387,954</u>	<u>\$ 120,102</u>	<u>\$ -</u>	<u>\$ 287,015</u>

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended September 30, 2018 and 2017.

*Certificates of deposit:* Valued at fair value by discounting the related cash flows based on the current yields of similar instruments with comparable durations, considering the creditworthiness of the issuers.

*Limited partnership:* Valued at the net asset value (NAV) of shares held at year end as determined by asset managers. The NAV is used as a practical expedient to estimate fair value. The NAV is based upon the fair value of the underlying investments held less any liability. The practical expedient is not used when it is determined to be probable that the investments will be sold for an amount different than reported at NAV.

### Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Litigation***

The Organization as well as other non-profit organizations, were a named party in a lawsuit relating to one of the Organization's donors. In January 2018, the matter was settled for \$105,000. This amount was accrued at September 30, 2017, and was paid in full in 2018.

#### ***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

#### ***Contributions***

Approximately 27 percent of all contributions were received from two donors in 2018.

### Note 7: Subsequent Event

Subsequent events have been evaluated through August 15, 2019, which is the date the financial statements were available to be issued.

# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 8: Future Change in Accounting Principle

#### ***Presentation of Financial Statements for Not-for-Profit Entities***

The Financial Accounting Standards Board (FASB) recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes requirements for financial statements and notes of all NFP entities and is effective for fiscal years beginning after December 15, 2017. A summary of the key changes by financial statement area most relevant to the Organization is as follows.

#### **Statements of Financial Position**

- The statement of financial position will distinguish between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds will be shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets.

#### **Statements of Activities**

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

#### **Notes to the Financial Statements**

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheets.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

The Organization is in the process of evaluating the impact the amendment will have on the financial statements, however, no significant impact on previously reported total change in net assets is anticipated.



# American Friends of Yad Eliezer, Inc.

## Notes to Financial Statements

September 30, 2018 and 2017

### ***FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions***

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.