

**AMERICAN FRIENDS OF YAD ELIEZER, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**SEPTEMBER 30, 2017**

**AMERICAN FRIENDS OF YAD ELIEZER, INC.**

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## **Independent Auditor's Report**

**Board of Directors  
American Friends of Yad Eliezer, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of American Friends of Yad Eliezer, Inc., which comprise the balance sheet as of September 30, 2017, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As further discussed in Note 9 to the financial statements, opening balances of unrestricted and temporarily restricted net assets have been restated to correct the classification of those net assets. Our opinion is not modified as a result of this matter.

*Loeb & Troper LLP*

June 28, 2018

## AMERICAN FRIENDS OF YAD ELIEZER, INC.

## BALANCE SHEET

SEPTEMBER 30, 2017

## ASSETS

Cash and cash equivalents	\$ 1,606,455
Investments (Note 3)	795,071
Prepaid expenses and other assets	<u>6,840</u>
Total assets	<u><u>\$ 2,408,366</u></u>

## LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 26,573
Settlement payable (Note 6)	<u>105,000</u>
Total liabilities	<u>131,573</u>
Net assets (Exhibit B)	
Unrestricted	
Operating fund	1,014,778
Board designated funds	<u>287,015</u>
	1,301,793
Temporarily restricted (Note 8)	<u>975,000</u>
Total net assets	<u>2,276,793</u>
Total liabilities and net assets	<u><u>\$ 2,408,366</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**AMERICAN FRIENDS OF YAD ELIEZER, INC.**

**EXHIBIT B**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 40,959,632	\$ 975,000	\$ 41,934,632
Special events income	\$ 603,254		
Less direct costs of special events	<u>(189,916)</u>	413,338	413,338
In-kind contributions (Note 5)	14,875		14,875
Investment income (Note 3)	17,489		17,489
Net assets released from restrictions (Note 8)	<u>1,000,000</u>	<u>(1,000,000)</u>	
Total revenues and other support	<u>42,405,334</u>	<u>(25,000)</u>	<u>42,380,334</u>
Expenses (Exhibit C)			
Program services	40,469,950		40,469,950
Management and general	689,420		689,420
Fund raising	<u>734,469</u>		<u>734,469</u>
Total expenses	<u>41,893,839</u>		<u>41,893,839</u>
Change in net assets (Exhibit D)	<u>511,495</u>	<u>(25,000)</u>	<u>486,495</u>
Net assets - beginning of year - as previously stated	1,790,298		1,790,298
Restatement (Note 9)	<u>(1,000,000)</u>	<u>1,000,000</u>	
Net assets - beginning of year - restated	<u>790,298</u>	<u>1,000,000</u>	<u>1,790,298</u>
Net assets - end of year (Exhibit A)	<u>\$ 1,301,793</u>	<u>\$ 975,000</u>	<u>\$ 2,276,793</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN FRIENDS OF YAD ELIEZER, INC.

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2017

	<u>Program Services - Aid to Poor and Disadvantaged</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Direct Cost of Special Event</u>	<u>Total</u>
Program expenses - grants	\$ 40,469,950				\$ 40,469,950
Salaries and fringe benefits		\$ 265,514	\$ 433,208		698,722
Professional fees (Note 5)		84,931			84,931
Rent (Note 6)		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			22,275		22,275
Insurance		4,586			4,586
Information technology			63,747		63,747
Catering and facility rental			14,359	\$ 189,916	204,275
Advertising and promotion			89,719		89,719
Investment advisory fees		425			425
Bank charges and other fees		171,761			171,761
Legal settlement		105,000			105,000
Miscellaneous expenses			945		945
Total expenses	40,469,950	689,845	734,469	189,916	42,084,180
Less expenses deducted directly on the statement of activities (Exhibit B)					
Direct cost of special events				(189,916)	(189,916)
Investment advisory fees		(425)			(425)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 40,469,950	\$ 689,420	\$ 734,469	\$ -	\$ 41,893,839

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## AMERICAN FRIENDS OF YAD ELIEZER, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2017

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 486,495
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net gains on investments	(14,735)
Increase in assets	
Prepaid expenses and other assets	(839)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(41,185)
Settlement payable	<u>105,000</u>
Net cash provided by operating activities	<u>534,736</u>
Cash flows from investing activities	
Purchases of investments	(282,706)
Proceeds from sale of investments	<u>276,848</u>
Net cash used by investing activities	<u>(5,858)</u>
Net change in cash and cash equivalents	528,878
Cash and cash equivalents - beginning of year	<u>1,077,577</u>
Cash and cash equivalents - end of year	<u>\$ 1,606,455</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**AMERICAN FRIENDS OF YAD ELIEZER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 1 - NATURE OF ENTITY**

American Friends of Yad Eliezer, Inc. (the "Organization") is a non-profit organization incorporated in New York in December 1998. Its stated purpose is to render financial aid and support to the poor and disadvantaged in the United States and elsewhere. The Organization and primarily receives its support as contributions from the general public. The Organization has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been held to be a publicly supported organization, and not a private foundation under section 509(a).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis of accounting.

*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 and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents* - Cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less.

*Investments* - Investments are recorded at fair value. The Organization invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility 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, based on the markets' fluctuations, and that such changes could affect the amounts reported in the Organization's financial statements.

*Unrestricted net assets* - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

*Board-designated net assets* - The Board designated funds to help provide support for orphans' weddings and other needy individuals.

*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.

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**AMERICAN FRIENDS OF YAD ELIEZER, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

**In-kind contributions** - In-kind contributions consisting of contributed professional services, are recorded at fair value at the date of donation. Donated services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation.

**Leases** - Rent expense is recorded on the straight-line basis. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

**Advertising** - Advertising costs are expensed when incurred.

**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 providing the Organization's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Fair Value Measurements**

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 2 inputs to the valuation methodology include:

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**AMERICAN FRIENDS OF YAD ELIEZER, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Fair Value Measurements (continued)*

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017, as compared to those used at September 30, 2016.

*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.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See Note 3 for the table that sets forth by level, within the fair value hierarchy, the assets at fair value as of September 30, 2017.

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## AMERICAN FRIENDS OF YAD ELIEZER, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Uncertainty in income taxes* - The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through June 28, 2018, which is the date the financial statements were available to be issued.

**NOTE 3 - INVESTMENTS**

The following are investments held at December 31, 2017 by fair value level:

	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$ <u>120,102</u>	\$ <u>120,102</u>
Total assets reported on the fair value hierarchy	\$ <u>120,102</u>	120,102
Investments measured at NAV - limited partnership*		287,015
Cash and cash equivalents		<u>387,954</u>
Total investments		\$ <u>795,071</u>

\* In accordance with ASU 2015-07, certain investments that were measured using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line item presentation on the balance sheet.

Investment income for the year ended September 30, 2017 was as follows:

Interest and dividends	\$ 3,179
Realized gain	26,652
Unrealized loss	(11,917)
Investment fees	<u>(425)</u>
Total investment income	\$ <u>17,489</u>

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**AMERICAN FRIENDS OF YAD ELIEZER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 3 - INVESTMENTS (continued)**

The following table summarizes investments measured at fair value using NAV as a practical expedient as of September 30, 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership	\$ <u>287,015</u>	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.

**NOTE 4 - CONCENTRATIONS**

Financial instruments which potentially subject the Organization to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

**NOTE 5 - IN-KIND CONTRIBUTIONS**

During 2017, the Organization received donated legal and actuarial services valued at \$14,875. These services are included in professional fees on the statement of functional expenses.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Organization leases office space under a noncancelable lease expiring in 2018. Rent expense for the year ended September 30, 2017 was \$13,550. Future minimum aggregate annual rental payments are as follows:

2018	\$ <u>5,750</u>
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In 2017, the Organization, as well as other non-profit organizations, were a named party in a litigation relating to one of the Organization's donors. In January 2018, the matter was settled for \$105,000. This amount has been accrued as of September 30, 2017.

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**AMERICAN FRIENDS OF YAD ELIEZER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**NOTE 7 - PENSION PLAN**

The Organization maintains a defined contribution pension plan on behalf of its 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 \$32,890 for the year ended September 30, 2017.

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

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

During the year, temporarily restricted net assets were released from restriction by satisfying donor stipulations as follows:

Support for the needy	\$ <u>1,000,000</u>
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**NOTE 9 - RESTATEMENT**

The following restatement was made at September 30, 2016:

The temporarily restricted net assets were understated by \$1,000,000 and unrestricted net assets were overstated by \$1,000,000 as a result of not recognizing donor stipulations in the financial statements.