

**Friends of Yad Sarah, Inc.**

**Financial statements for the period ending June 30, 2016.**

**Shelley Hubert, CPA**

**Independent Auditor's Report**

**November 30, 2016**

**Shelley C. Hubert, CPA, MPA**  
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Board of Directors  
Friends of Yad Sarah, Inc.  
445 Park Avenue, Suite 1702  
New York, NY 10022

November 30, 2016

Dear Members of the Board of Directors,

I have audited the accompanying statement of financial position of the Friends of Yad Sarah, Inc. as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the period from July 2015 to June 30, 2016. These financial statements are the responsibility of the Friends of Yad Sarah's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of Yad Sarah's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for this opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of Yad Sarah Inc. as of June 30, 2016 and the changes in its net assets and its cash flows for the period from July 1, 2015 to June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.



Shelley Hubert, CPA

**Friends of Yad Sarah**  
**Statement of Financial Position**

*June 30, 2016*

<b>Assets:</b>	<b>Comparative</b>	
<b>Current:</b>	<b>Fiscal 2016</b>	<b>Fiscal 2015</b>
Cash and cash equivalents (note 2d, 3)	\$121,153	\$107,427
Pledges Receivable	300,000	0
Total Current Assets	421,153	107,427
Securities held for long-term investment (note 2e,f,3,4)	5,721,858	4,439,814
Notes Receivable (Note 2g,5)	1,773,423	
Total Long term Investments	7,495,280	
<b>Total Assets</b>	<b>7,916,434</b>	<b>4,547,241</b>
<b>Liabilities and Net Assets:</b>		
<b>Current Liabilities</b>		
Accounts Payable and accrued expenses	6,139	6,642
Due to Lifetime Beneficiaries (note 2g)	768,335	625,658
	774,474	632,300
<b>Net assets:</b>		
Unrestricted	6,189,427	3,758,468
Temporarily Restricted	801,832	5,597
Permanently Restricted	150,701	150,874
Total net assets (note 2c)	7,141,960	3,914,940
<b>Total liabilities and net assets</b>	<b>\$7,916,434</b>	<b>\$4,547,240</b>
<i>See accompanying notes to financial statements</i>		

**Friends of Yad Sarah  
Statement of Activities**

*Twelve months ended June 30, 2016*

	Temporarily Unrestricted	Permanently Restricted	Permanently Restricted	Total 2016	Comparative 2015
<b>Revenues:</b>					
<b>Grants and Contributions (not</b>	2,623,081	800,000		3,423,081	2,153,168
<b>Investment Earnings</b>					
<b>Interest Income</b>	53,473	4,118		57,592	43,747
<b>Realized Gains</b>	22,289		6,396	28,684	
<b>Unrealized Gains/(Losses)</b>	(27,215)		(6,568)	(33,783)	(22,018)
<b>Other Income</b>	143,044			143,044	1,869,884
<b>Net assets Released from Restr</b>	7,884	(7,884)		-	-
<b>Total Revenue</b>	<b>2,822,555</b>	<b>796,235</b>	<b>(173)</b>	<b>3,618,617</b>	<b>4,044,781</b>
<b>Expenses:</b>					
<b>Program Service</b>	1,786,722			1,786,722	1,821,716
<b>Management and general</b>	109,710			109,710	64,264
<b>Fundraising</b>	268,587			268,587	179,825
<b>Total Expens</b>	<b>2,165,019</b>			<b>2,165,019</b>	<b>2,065,805</b>
<b>Change in Net Assets</b>	657,536	796,235	(173)	1,453,598	1,978,976
<b>Prior Period Adjustment (Note 5,6)</b>	1,773,423			1,773,423	
<b>Net Assets, Beginning of Period</b>	3,758,468	5,597	150,874	3,914,939	1,935,965
<b>Net Assets, End of Period</b>	6,189,427	801,832	150,701	7,141,960	3,914,941

*See accompanying notes to financial statements*

**Friends of Yad Sarah  
Statement of Functional Expenses**

*Twelve months ended June 30, 2016*

	Program services and Public Education	Management and General	Fundraising	Total	Comparative fiscal 6/30/15
<b>Program Service transmissions:</b>					
<b>Total transmissions for the benefit of Yad Sarah and affiliates in Israel (note 2o)</b>	1,184,139			1,184,139	1,170,366
<b>Salaries and related expenses:</b>				-	
Salaries	96,109	52,382	36,221	184,712	173,787
Employee benefits and taxes	19,522	13,968	7,886	41,376	49,307
<b>Total salaries and related expenses</b>	115,631	66,350	44,108	226,088	223,094
<b>Other Expenses:</b>					
Direct Mail Design, Printing	213,657	5,624	97,191	316,472	282,478
Postage	66,571	1,958	29,370	97,898	118,421
Professional fees	101,855	10,500	82,652	195,007	167,290
Publications and advertisements	45,747			45,747	37,313
Travel, Lodging, and Meals	37,883			37,883	14,978
Insurance		1,868		1,868	2,841
Supplies, office expenses including filing fees	11,886	11,076	10,589	33,551	17,854
Information technology	9,355	1,559	4,677	15,591	11,868
Meetings and Receptions				-	6,411
Investment expenses and bank charges		10,774		10,774	12,891
<b>Total expenses before depreciation</b>	1,786,722	109,710	268,587	2,165,019	2,065,805
<b>Depreciation</b>				-	
<b>Total Expenses</b>	1,786,722	109,710	268,587	2,165,019	2,065,805

*See accompanying notes to financial statements*

**Friends of Yad Sarah**  
**Statement of Cash Flows**

*Twelve months ended June 30, 2016*

**Cash flow from operating activities:**

<b>Change in net assets</b>	<b>1,453,598</b>
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>	
<b>Pledges and legacies receivable</b>	<b>(300,000)</b>
<b>Unrealized loss</b>	<b>33,783</b>

**Increase (decrease) in:**

<b>Increase in prepaid assets</b>	
<b>Accounts payable and accrued expenses</b>	<b>(503)</b>
<b>Due to lifetime beneficiaries</b>	<b>142,677</b>

<b>Net cash provided by operating activities</b>	<b>1,329,555</b>
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**Cash flows for financing activities:**

<b>Purchases of Investments</b>	<b>(994,454)</b>
<b>Proceeds from sale of investments</b>	<b>987,791</b>

<b>Net cash used by investing activities</b>	<b>(6,663)</b>
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<b>Net Increase in cash and cash equivalents</b>	<b>1,322,892</b>
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<b>Cash and cash equivalents, beginning of period</b>	<b>2,804,431</b>
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<b>Cash and cash equivalents, end of period</b>	<b>4,114,187</b>
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*See accompanying notes to financial statements*

Friends of Yad Sarah, Inc.

Notes to Financial Statements

1.	Description of Organization	<p><b>Friends of Yad Sarah</b> represents the mission of Yad Sarah to its friends in the U.S. and to the international community at the UN. The New York office assists individuals, families and communities with dedication opportunities, <i>chesed</i> projects, planned giving, equipment collections and other new initiatives, raising much needed funds to support the work of the Yad Sarah organization and its dedicated corps of volunteers in Israel.</p>
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2.	Summary of Significant Accounting Policies	(a)	<p><i>General</i></p> <p>The financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.</p>
		(b)	<p><i>Accounting Changes</i></p>
			<p>In June 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for certain financial statements issued for interim and annual periods ending after December 15, 2009. The ASC identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with general accepted accounting principles (“GAAP”) in the United States. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into ASC through Accounting Standards Updates (“ASU”).</p>
		(c)	<p><i>Financial Statement Presentation</i></p>
			<p>The classification of the Friends of Yad Sarah’s net assets is based on the existence or absence of donor-imposed restricted. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.</p>

			Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donors-imposed restrictions.

		(i)	<b>Permanently Restricted</b> – Net assets resulting from contributions and other inflows of assets whose use by Friends of Yad Sarah is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Friends of Yad Sarah.
		(ii)	<b>Temporarily Restricted</b> - Net assets resulting from contributions and other inflows of assets whose use by Friends of Yad Sarah is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Friends pursuant to those stipulations.
		(iii)	<b>Unrestricted</b> – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

		(d)	<i>Cash and Cash Equivalents</i>
			Cash equivalents represent short-term investments with original maturities of three months or less.
		(e)	<i>Investments</i>
			Investments in money market funds, equity securities and mutual funds with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statements of activities.
		(f)	<i>Fair Value Measurements</i>
			ASC, “Fair Value Measurements” (formerly Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” establishes a hierarchy inputs used in measuring

			<p>fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same market as Friends of Yad Sarah would use in pricing its assets or liabilities based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of Yad Sarah are traded. Friends of Yad Sarah estimates that price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in that same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:</p>
			<p>Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the counter- market.</p>
			<p>Level 2 – Valuation based on quoted prices for similar assets or liabilities in active markets quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices. Examples include corporate bonds (investment grade, high yield), mortgage-backed securities, bank loans, loan commitments, less liquid listed equities, municipal bonds and certain over-the-counter derivatives</p>
			<p>Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.</p>
		(g)	<i>Notes Receivable and Allowances for Doubtful Accounts</i>
			<p>Friends of Yad Sarah does not maintain an allowance for potentially uncollectible accounts due to the confidence of its ability to collect loaned funds.</p>
		(h)	<i>Promises to Give</i>

			Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Currently, there are no unconditional promises to give from the prior year that were not collected during the fiscal year. Conditional promises to give are not included as support until the conditions are substantially met.
		(i)	<i>Fixed Assets</i>
			Fixed assets are stated at cost, or if donated, at fair market value as of the date of the gift. Purchase of production equipment and other fixed assets of under \$3000 are expensed in the year purchased. The cost of fixed assets is depreciated over the estimated useful lives of the assets using the straight –line method. The estimated useful lives of the assets are as follows:
			Film Production Equipment and furniture: 3 years
		(J)	<i>Use of Estimates</i>
			The preparation of financial statement 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 revenue and expenses during the reporting period. Actual results could differ from those estimates
		(k)	<i>Grants and Contributions</i>
			The Friends of Yad Sarah is the recipient grants and corporate sponsorship for specific programs and unrestricted support. Individual donors provide public support.
		(l)	<i>Income Taxes</i>
			The Friends of Yad Sarah was incorporated in the State of New York and is exempt from Federal and State income taxes under Section 501(c) (3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, Friends of Yad Sarah has been determined by the Internal Revenue Service (“IRS”) not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the twelve month period ended June 30, 2013.
		(m)	<i>Accounting for Uncertainty in Income Taxes</i>
			Under ASC 740, “income Taxes” (relevant portions of which were previously addressed in FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”), an organization must

			recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. Friends of Yad Sarah does not believe there are any material uncertain tax positions, and accordingly, they have not recognized any liability for unrecognized tax benefits. The Friends of Yad Sarah has filed IRS Form 990 tax returns, as required, and all other applicable return in jurisdictions where it is required. For the twelve months ended June 30, 2016, there was no interest or penalties recorded or included in the statement of activities.
		(n)	<i>Functional Allocation of Expenses</i>
			The cost of providing the various programs and other activities has been summarized on an individual basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
		(o)	<i>Related party transactions</i>
			ASC 850, <i>Related Party Disclosures</i> , gives the requirements for related party disclosures. Related-party transactions occur between two or more parties with interlinking relationships. Related-party transactions should be disclosed to the governing board and evaluated to ensure the transaction is based on a sound economic basis that is in the best interest of the organization. The organization should pursue any related-party transactions that are clearly advantageous to the organization, but should avoid those that present conflicts of interest. Management represents that Yad Sarah engaged in advantageous related party transactions concerning space rental, insurance, office expenses, and salaries paid to relatives of members of the board of directors with overall board knowledge and agreement.
		(p)	<i>Involuntary conversion of non-monetary assets</i>
			Interpretation 30 states that diversity in practice exists in accounting for the difference between the cost of a nonmonetary asset that is involuntarily converted and the amount of monetary assets received. Generally, that difference has been recognized in income as a gain or loss.

Note 3: Investments

Investments, at fair value are composed of the following at June 30, 2015

Fiscal 2016

Fiscal 6 30 2016	<u>Market value</u>	<u>cost</u>
Cash and Cash Equivalents	3,993,033	3,993,033
Mutual Funds - Equities	575,836	512,526
Fixed income Securities	1,500	1,500
Mutual Funds- Fixed Income	1,039,151	1,021,430
Private Equity	231,239	66,199
<b>Total</b>	<b>5,840,760</b>	<b>5,594,688</b>

Fiscal 2015

Fiscal 6 30 2015	<u>Market value</u>	<u>cost</u>
Cash and Cash Equivalents	2,697,004	2,697,004
Mutual Funds - Equities	455,197	361,885
Fixed income Securities	1,500	1,500
Mutual Funds- Fixed Income	799,862	808,141
Private Equity	486,251	463,376
<b>Total</b>	<b>4,439,814</b>	<b>4,331,905</b>

Investments, at fair value are composed of the following at June 30, 2016

Fiscal 2016

	Tier 1	Tier 2	Tier 3	Total
Cash and Cash Equivalents	3,993,033			3,993,033
Mutual Funds - Equities	575,836			575,836
Fixed income Securities	1,500			1,500
Mutual Funds- Fixed Income		1,039,151		1,039,151
Private Equity			231,239	231,239
<b>Total</b>	<b>4,570,370</b>	<b>1,039,151</b>	<b>231,239</b>	<b>5,840,760</b>

Fiscal 2015

	Tier 1	Tier 2	Tier 3	Total
Cash and Cash Equivalents	2,697,004			2,697,004
Mutual Funds - Equities	455,197			455,197
Fixed income Securities	1,500			1,500
Mutual Funds- Fixed Income		799,862		799,862
Private Equity			486,251	486,251
<b>Total</b>	<b>3,153,701</b>	<b>799,862</b>	<b>486,251</b>	<b>4,439,814</b>

As required by US GAAP for fair value measurement, the following table summarizes the changes in fair values associated with Level 3 assets as of June 30, 2015 and 2014.

Balance as of June 30, 2015	486,251
Redemptions	-
Unrealized gains	142,346
<b>Balance as of June 30, 2016</b>	<b>231,239</b>

\*Private Equity holdings represent investment in the Ariel Limited Fund and the Ascot Partners, L.P. which are funds that invested in funds operated by Bernard L. Madoff Investment Securities, LLC. The Ariel Limited Fund and the Ascot Partners L.P. is currently being liquidated by Bart M. Schwartz, as Receiver of the Funds. Bart M. Schwartz's investigation is ongoing and it is currently unknown what amount investors shall ultimately receive as a return of their investment.

Both the Ariel Limited Fund and Ascot Partners, LP are to be considered a high risk investment, and considered relatively illiquid. As of June 30, 2016 distributions totaling \$3,325,851 have been received. The stated net asset value as of June 30, 2016 for Ariel Limited Fund and Ascot Partners LP is \$210,288 and \$29,951 respectively.

#### Note 4 Permanently Restricted Fund balance

	mv	basis
Fund Balance: July 1, 2015	150,874	153,975
Contributions	-	-
income	4,118	4,118
fees	-	-
Realized Gains (losses)	6,396	6,396
Unrealized Gains (losses)	(6,568)	
<b>Fund Balance: June 30, 2016</b>	<b>154,820</b>	<b>164,489</b>
Less Earnings held in Temp. Restricted	4,118	4,118
<b>Permanently Restricted Fund 6/30/2016</b>	<b>150,701</b>	<b>160,371</b>

#### Temporarily Restricted Fund

Fund Balance July 1, 2015	5,597
contributions	800,000
Income	4,118
<b>Fund Balance June 30, 2016</b>	<b>809,715</b>

Note 5: Notes Receivable from YSM, a wholly-owned non-profit subsidiary of Yad Sarah.

	Beginning Value	Anticipated Receipt	Ending Value	Present Value
30-Jun-16			2,149,088	1,773,423
30-Jun-17	2,149,088	250,000	1,899,088	1,567,123
30-Jun-18	1,899,088	250,000	1,649,088	1,360,824
30-Jun-19	1,649,088	250,000	1,399,088	1,189,160
30-Jun-20	1,399,088	250,000	1,149,088	1,005,972
30-Jun-21	1,149,088	250,000	899,088	810,722
30-Jun-22	899,088	250,000	649,088	602,852
30-Jun-23	649,088	250,000	399,088	381,780
30-Jun-24	399,088	250,000	149,088	146,901
30-Jun-25	149,088	149,088	-	-

Present Value assumes a rate of 3%.

Note 6: Prior Period Adjustment:

In fiscal year ended 1995, Friends of Yad Sarah wired funds of \$2,800,000 to Yad Sarah, recording a transmission expense. Those funds were used by YSM, a wholly owned subsidiary of Yad Sarah which created a note payable to Friends of Yad Sarah. As Friends of Yad Sarah did not record this transaction as a receivable in the year of transfer when YSM made partial payments for its loan from fiscal 1995 to fiscal 2015, Friends of Yad Sarah transmitted those funds to Yad Sarah for operations. These transactions were researched in fiscal 2016 where Friends of Yad Sarah learned that YSM had created a loan payable which was valued at \$2,149,088 as of December 31, 2015. YSM has made a commitment to repay this debt by a minimum of \$250,00 per year until repaid. As such, Friends of Yad Sarah is recognizing a note receivable for the fiscal year ended June 30, 2016 and recording a prior period adjustment.