

Friends of Yad Sarah, Inc.

Financial statements for the period ending June 30, 2017

Shelley Hubert, CPA

Independent Auditor's Report

December 31, 2017

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Board of Directors
Friends of Yad Sarah, Inc.
445 Park Avenue, Suite 1702
New York, NY 10022

December 31, 2017

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, 2017, and the related statements of activities, functional expenses and cash flows for the period from July 2016 to June 30, 2017. 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, 2017 and the changes in its net assets and its cash flows for the period from July 1, 2016 to June 30, 2017 in conformity with accounting principles generally accepted in the United States of America.

Shelley Hubert

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Shelley Hubert, CPA



Friends of Yad Sarah
Statement of Financial Position

June 30, 2017

Assets:	Comparative	
Current:	Fiscal 2017	Fiscal 2016
Cash and cash equivalents (note 2d, 3)	\$114,922	\$121,153
Pledges Receivable	0	300,000
Total Current Assets	114,922	421,153
Securities held for long-term investment (note 2e,f,3,4)	6,777,092	5,721,858
Long Term Pledges and Charitable Remainder trusts	1,003,727	
Notes Receivable (Note 2g,5)	1,435,166	1,773,423
Total Long term Investments	9,215,985	7,495,280
Total Assets	9,330,907	7,916,434
Liabilities and Net Assets:		
Current Liabilities		
Accounts Payable and accrued expenses	9,156	6,139
Due to Lifetime Beneficiaries (note 2g)	1,032,121	768,335
	1,041,277	774,474
Net assets:		
Unrestricted	7,589,877	6,189,427
Temporarily Restricted	544,335	801,832
Permanently Restricted	<u>155,418</u>	<u>150,701</u>
Total net assets (note 2c)	8,289,630	7,141,960
Total liabilities and net assets	\$9,330,907	\$7,916,434
<i>See accompanying notes to financial statements</i>		

**Friends of Yad Sarah
Statement of Activities**

Twelve months ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Comparative 2016</u>
Revenues:					
Grants and Contributions (note 2k)	3,567,461			3,567,461	3,423,081
Investment Earnings					
Interest Income	49,935	-		49,935	57,592
Realized Gains	137,064	2,203		139,267	28,684
Unrealized Gains/(Losses)	12,160		4,716	16,876	(33,783)
Other Income	-			-	143,044
Net assets Released from Restrictions	259,700	(259,700)		-	-
Total Revenue	4,026,320	(257,497)	4,716	3,773,539	3,618,617
Expenses:					
Program Service	2,281,967			2,281,967	1,786,722
Management and general	76,662			76,662	109,710
Fundraising	267,241			267,241	268,587
Total Expenses	2,625,870			2,625,870	2,165,019
Change in Net Assets	1,400,450	(257,497)	4,716	1,147,670	1,453,598
Prior Period Adjustment (Note 5,6)	-			-	1,773,423
Net Assets, Beginning of Period	6,189,427	801,832	150,701	7,141,960	3,914,939
Net Assets, End of Period	7,589,877	544,335	155,418	8,289,630	7,141,960

See accompanying notes to financial statements

Friends of Yad Sarah
Statement of Cash Flows

Twelve months ended June 30, 2017

Cash flow from operating activities:

Change in net assets	1,147,670
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Pledges and Charitable Remainder Receivables	(703,727)
Notes Receivable	338,257
Unrealized gains	(16,876)

Increase (decrease) in:

Accounts payable and accrued expenses	3,017
Due to lifetime beneficiaries	263,786

Net cash provided by operating activities **1,032,127**

Cash flows for financing activities:

Purchases of Investments	(1,162,369)
Proceeds from sale of investments	124,011
Net cash used by investing activities	(1,038,358)

Net Increase in cash and cash equivalents	(6,231)
Cash and cash equivalents, beginning of period	121,153
Cash and cash equivalents, end of period	114,922

See accompanying notes to financial statements

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

Twelve months ended June 30, 2017

	Program services and Public Education	Management and General	Fundraising	Total	Comparative fiscal 6/30/16
Program Service transmissions:					
Total transmissions for the benefit of Yad Sarah and affiliates in Israel (note 2o)	1,630,055			1,630,055	1,184,139
Salaries and related expenses:				-	
Salaries	109,404	36,491	29,544	175,439	184,712
Employment taxes and benefits	37,616	13,638	10,172	61,425	41,376
Total salaries and related expenses	147,019	50,129	39,716	236,864	226,088
Other Expenses:					
Direct Mail Design, Printing	204,521	440	86,997	291,958	316,472
Postage	76,790		34,832	111,622	97,898
Professional fees	152,356	12,075	64,505	228,935	195,007
Publications and advertisements	43,469		18,630	62,099	45,747
Travel, Lodging, and Meals	733		14,078	14,810	37,883
Insurance	3,267			3,267	1,868
Supplies, office expenses including filing fees	13,684	977	4,887	19,548	33,551
Information technology	10,073	720	3,598	14,390	15,591
Investment expenses and bank charges		12,321		12,321	10,774
Total expenses before depreciation	2,281,967	76,662	267,241	2,625,870	2,165,019
Depreciation				-	
Total Expenses	2,281,967	76,662	267,241	2,625,870	2,165,019

See accompanying notes to financial statements

Friends of Yad Sarah, Inc.

Notes to Financial Statements

1.	Description of Organization	<p>Friends of Yad Sarah 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)	Permanently Restricted – 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)	Temporarily Restricted - 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)	Unrestricted – 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 in accordance of the terms of the agreement and are discounted to present value accordingly. They 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, 2017.
		(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, 2017, 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.

Friends of Yad Sarah

Note 3: Investments

Investments, at fair value are composed of the following at June 30, 2017

Fiscal 2017

Fiscal 6 30 2017	<u>Market value</u>	<u>cost</u>
Cash and Cash Equivalents	4,632,781	4,632,781
Mutual Funds - Equities	778,563	617,662
Fixed income Securities	1,500	1,500
Mutual Funds- Fixed Income	1,203,418	1,196,003
Private Equity	160,830	66,199
Total	6,777,092	6,514,144

Fiscal 2016

Fiscal 6 30 2016	<u>Market value</u>	<u>cost</u>
Cash and Cash Equivalents	3,874,131	3,874,131
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
Total	5,721,858	5,475,786

Investments, at fair value are composed of the following at June 30, 2017

	Tier 1	Tier 2	Tier 3	Total
Cash and Cash Equivalents	4,632,781			4,632,781
Mutual Funds - Equities	778,563			778,563
Fixed income Securities	1,500			1,500
Mutual Funds- Fixed Income		1,203,418		1,203,418
Private Equity			160,830	160,830
Total	5,412,844	1,203,418	160,830	6,777,092

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

	Tier 1	Tier 2	Tier 3	Total
Cash and Cash Equivalents	3,874,131			3,874,131
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
Total	4,451,468	1,039,151	231,239	5,721,858

Friends of Yad Sarah

As required by US GAAP got fair value measurement, the following table summarizes the changes in fair values associated with Level 3 assets as of June 30 2017 and 2016.

Balance as of June 30, 2016	231,239
Redemptions	(79,322)
Unrealized gains	8,913
Balance as of June 30, 2017	160,830

*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 invesment, and considered relatively illiquid. As of June 30, 2017 distributions totaling \$3,405,1731 have been received. The stated net asset value as of June 30, 2017 for Ariel Limited Fund and Ascot Partners LP is \$139,879,288 and \$20,951 respectively.

Note 4: Permanently Restricted Fund Balance

	mv	basis
Fund Balance: July 1, 2016	150,701	152,690
Contributions	-	-
income	2,943	2,943
fees	(17)	(17)
Realized Gains (losses)		
Unrealized Gains (losses)	4,716	
Fund Balance: June 30, 2017	158,343	155,616
Less Earnings held in Temp. Restricted	(2,926)	(2,926)
Permanently Restricted Fund 6/30/2017	155,417	152,690

Temporarily Restricted Fund

Fund Balance July 1, 2016	801,832
Contributions	862,609
Income	2,203
Net Asset Released form Restrictions	(259,700)
Fund Balance June 30, 2017	1,406,944

Friends of Yad Sarah

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

	Beginning Value	Actual/Anticipated Receipt	Ending Value	Present Value
30-Jun-16			2,149,088	1,773,423
30-Jun-17	2,149,088	409,910	1,739,178	1,435,166
30-Jun-18	1,739,178	250,000	1,489,178	1,228,866
30-Jun-19	1,489,178	250,000	1,239,178	1,053,244
30-Jun-20	1,239,178	250,000	989,178	865,978
30-Jun-21	989,178	250,000	739,178	666,529
30-Jun-22	739,178	250,000	489,178	454,333
30-Jun-23	489,178	250,000	239,178	228,805
30-Jun-24	239,178	239,178	-	-

Present Value assumes a rate of 3%.

Note 6: Fiscal June 30, 2016 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 \$250,000 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.