

**American Friends of Beit Issie Shapiro, Inc.**

Financial Statements

December 31, 2013

## Independent Auditors' Report

### Board of Trustees

### American Friends of Beit Issie Shapiro, Inc.

We have audited the accompanying financial statements of American Friends of Beit Issie Shapiro, Inc., which comprise the statement of financial position as of December 31, 2013, 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.

### ***Auditors' 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 of 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 auditors' 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 statement referred to above present fairly, in all material respects, the financial position of American Friends of Beit Issie Shapiro, Inc. as of December 31, 2013 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.

*O'Connor Davies, LLP*

New Windsor, New York  
August 25, 2015

O'CONNOR DAVIES, LLP

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**American Friends of Beit Issie Shapiro, Inc.**

Statement of Financial Position

December 31, 2013

**ASSETS**

Cash and cash equivalents	\$ 330,234
Investments	281,545
Contributions receivable	40,554
Pledges receivable, net	298,600
Prepaid expenses and other assets	<u>5,408</u>
	<u>\$ 956,341</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable and accrued expenses	\$ <u>50,049</u>
Net Assets	
Unrestricted	607,692
Temporarily restricted	<u>298,600</u>
Total Net Assets	<u>906,292</u>
	<u>\$ 956,341</u>

**American Friends of Beit Issie Shapiro, Inc.**

Statement of Activities

Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and gifts	\$ 1,159,825	\$ 70,493	\$ -	\$ 1,230,318
In-kind support	27,000	-	-	27,000
Special events, less cost of direct donor expenses of \$212,022	304,189	-	-	304,189
Unrealized gains on investments	24,808	-	-	24,808
Interest income	74	-	-	74
Net assets released from restrictions	<u>393,950</u>	<u>(323,950)</u>	<u>(70,000)</u>	<u>-</u>
Total Support and Revenue	<u>1,909,846</u>	<u>(253,457)</u>	<u>(70,000)</u>	<u>1,586,389</u>
<b>EXPENSES</b>				
Program	1,209,241	-	-	1,209,241
Management and general	139,214	-	-	139,214
Fundraising	<u>335,673</u>	<u>-</u>	<u>-</u>	<u>335,673</u>
Total Expenses	<u>1,684,128</u>	<u>-</u>	<u>-</u>	<u>1,684,128</u>
Change in Net Assets	225,718	(253,457)	(70,000)	(97,739)
<b>NET ASSETS</b>				
Beginning of year	<u>381,974</u>	<u>552,057</u>	<u>70,000</u>	<u>1,004,031</u>
End of year	<u>\$ 607,692</u>	<u>\$ 298,600</u>	<u>\$ -</u>	<u>\$ 906,292</u>

See notes to financial statements

**American Friends of Beit Issie Shapiro, Inc.**

Statement of Functional Expenses

Year Ended December 31, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related benefits	\$ 230,971	\$ 96,461	\$ 225,161	\$ 552,593
Consulting fees	566	566	24,000	25,132
Database management maintenance	-	2,759	17,543	20,302
Insurance	-	1,492	8,452	9,944
Office	1,513	10,089	23,621	35,223
Printing and postage	1,008	347	2,297	3,652
Professional services	6,488	5,960	5,786	18,234
Publications	32,538	-	802	33,340
Promotional events	7,821	-	-	7,821
Recognitions	-	-	427	427
Rent	15,510	18,028	16,458	49,996
Support for Beit Issie Shapiro, Israel	904,635	-	-	904,635
Telephone	4,537	2,621	4,537	11,695
Travel and entertainment	3,654	891	6,589	11,134
	<u>\$ 1,209,241</u>	<u>\$ 139,214</u>	<u>\$ 335,673</u>	<u>\$ 1,684,128</u>

See notes to financial statements

**American Friends of Beit Issie Shapiro, Inc.**

Statement of Cash Flows

Year Ended December 31, 2013

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (97,739)
Adjustments to reconcile change in net assets to	
Unrealized gains on investments	(24,106)
Changes in operating assets and liabilities	
Contributions receivable	2,668
Pledges receivable	253,457
Prepaid expenses and other assets	(4,661)
Accounts payable and accrued expenses	<u>(17,562)</u>
Net Cash from Operating Activities	112,057

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	<u>(33,000)</u>
Net Cash from Investing Activities	(33,000)

Net Change in Cash and Cash Equivalents 79,057

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>251,177</u>
End of year	<u>\$ 330,234</u>

## **American Friends of Beit Issie Shapiro, Inc.**

Notes to Financial Statements  
December 31, 2013

### **1. Nature of Organization**

American Friends of Beit Issie Shapiro, Inc. ("American Friends") provides aid to individuals in the United States, Israel and other countries who suffer physical or mental disabilities. American Friends sponsors or otherwise assists in educational or research programs, establishes rehabilitative facilities, provides therapy, medical, psychological, social or vocational services, and any other such activities that may in any way contribute to the alleviation of the physical or mental disabilities of such individuals.

American Friends is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation as defined under Section 509(a)(1) of the Internal Revenue Code.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompany financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP), which 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.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist principally of demand deposits with maturities of three months or less, at the time of purchase.

#### ***Contributions and Pledges Receivable***

American Friends discounts contributions and pledges that have a collection period of more than one year using an estimated present value rate. The discounted value is amortized over the term of the contribution and is recorded in contribution revenue in the statements of activities.

#### ***Allowance for Uncollectible Receivables***

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2013, management has concluded that an allowance is not required.

## American Friends of Beit Issie Shapiro, Inc.

Notes to Financial Statements  
December 31, 2013

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Fair Value of Measurements***

American Friends follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

#### ***Investments Valuation***

Investments are carried at fair value. Investment gains and losses, both realized and unrealized, are reported in the consolidated statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. American Friends investments are held in a comingled funds managed by the Greater Miami Jewish Federation, Inc. (an unrelated organization).

#### ***Classes of Net Assets***

Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of American Friends and changes therein are classified and reported as unrestricted, temporarily restricted and permanently restricted net assets.

#### ***Contributions***

Contributions are recorded as temporarily restricted net assets and revenue and support if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions that are received and expended in the same period are considered unrestricted.

Permanently restricted contributions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Board of Trustees. Permanently restricted net assets are funds comprised of cash and cash equivalents, the income from which is to be used for the general use and purpose of Beit Issie Shapiro – Amutat Avi (“Israel”).

**American Friends of Beit Issie Shapiro, Inc.**

Notes to Financial Statements  
December 31, 2013

**2. Summary of Significant Accounting Policies (continued)**

***In-kind Support***

A number of the members of the Board of Trustees have contributed significant amounts of their time to the affairs of the American Friends; however, these services, if not professional in nature, have not been reflected in the financial statements unless the services provided represent the value of services provided by an otherwise salaried employee. The value of in-kind support for catering services is reflected in the accompanying financial statements at the estimated fair value.

***Special Events***

Special events include the American Friends Gala and other events.

***Allocation of Expenses***

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited. Such allocations are determined by management either in accordance with grant provisions or by another equitable basis.

***Accounting for Uncertainty in Income Taxes***

American Friends recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. The management of American Friends has determined that American Friends had no uncertain tax positions that would require financial statement recognition or disclosure. American Friends is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2010.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 25, 2015.

**3. Pledges Receivable, Net**

Pledges receivable, net as of December 31, 2013 are as follows:

Due in one year	\$ 289,400
Due in two to three years	<u>10,000</u>
	299,400
Discount to net present value	<u>(800)</u>
	<u>\$ 298,600</u>

A discount rate of 4.25% was used to determine the net present value of pledges receivable due in more than one year.

**American Friends of Beit Issie Shapiro, Inc.**

Notes to Financial Statements  
December 31, 2013

**4. Investments**

Investments as of December 31, 2013, represent an investment in comingled funds held at The Greater Miami Jewish Federation, Inc. (an unaffiliated organization) in the amount of \$281,545. This investment is valued at fair value using level 2 inputs (significant other observable inputs) as categorized by the U.S. GAAP fair value hierarchy and is accessible on demand without restriction.

**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following for the year ended December 31, 2013:

Program/Purpose	Balance December 31, 2012	Additions	Net Assets Released from Restrictions	Balance December 31, 2013
Support for Beit Issie Shapiro Israel	\$ 552,057	\$ 70,493	\$ (323,950)	\$ 298,600

**6. Permanently Restricted Net Assets**

During 2013, the donor of permanently restricted contributions released \$70,000 of permanently restricted corpus to be used for donations to Beit Issie Shapiro-Israel.

**7. Concentrations of Credit Risk**

Financial instruments that potentially subject American Friends to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. At times, cash balances held at financial institutions may be in excess of federally insured limits. All of American Friends investments' are held at The Greater Miami Jewish Federation, Inc., an unaffiliated organization. American Friends believes that its cash and cash equivalents, investments and receivables do not present a material credit risk.

**8. Operating Lease Commitments**

American Friends leases office space under a month to month lease agreement. Rent expense under this lease was \$48,100 for the year ended December 31, 2013.

American Friends has an equipment lease expiring through 2016. Minimum annual lease payments due as of December 31, 2013 are as follows:

2014	\$ 3,144
2015	3,144
2016	<u>2,882</u>
	<u>\$ 9,170</u>

Total equipment lease expense for the fiscal year ended December 31, 2013 was \$1,048.

**American Friends of Beit Issie Shapiro, Inc.**

Notes to Financial Statements  
December 31, 2013

**9. Prior Period Adjustments**

During 2013, American Friends determined that supporters of American Friends had established an investment in the Greater Miami Jewish Federation for the benefit of American Friends which was not previously identified. Accordingly, unrestricted net assets were increased by \$224,439 and an investment in the Greater Miami Jewish Federation, Inc. was recognized as of December 31, 2013. In addition, temporarily restricted net assets have been restated to eliminate a conditional promise to give that was previously recognized as contribution revenue in the amount of \$120,000.

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