

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

Financial Statements

December 31, 2014

## **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, 2014, 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, 2014 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.

***Report on Summarized Comparative Information***

We have previously audited American Friends of Beit Issie Shapiro, Inc.'s December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*O'Connor Davies, LLP*

New Windsor, New York  
November 10, 2015

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

Statement of Financial Position

December 31, 2014

(with comparative amounts at December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 315,288	\$ 330,234
Investments	279,174	281,545
Contributions receivable, net	232,493	339,154
Prepaid expenses and other assets	16,552	5,408
Office equipment, net	<u>6,085</u>	<u>-</u>
	<u>\$ 849,592</u>	<u>\$ 956,341</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 35,168</u>	<u>\$ 50,049</u>
Net Assets		
Unrestricted	715,120	607,692
Temporarily restricted	<u>99,304</u>	<u>298,600</u>
Total Net Assets	<u>814,424</u>	<u>906,292</u>
	<u>\$ 849,592</u>	<u>\$ 956,341</u>

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

Statement of Activities

Year Ended December 31, 2014

(with summarized totals for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 924,467	\$ 80,304	\$ 1,004,771	\$ 1,230,318
In-kind support	31,500	-	31,500	27,000
Special events, less cost of direct benefits to donors of \$255,445 and \$212,022	513,093	-	513,093	304,189
Unrealized and realized gains on investments	5,627	-	5,627	24,808
Interest income, net of investment fees of \$909 and \$702	2,002	-	2,002	74
Net assets released from restrictions	<u>279,600</u>	<u>(279,600)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,756,289</u>	<u>(199,296)</u>	<u>1,556,993</u>	<u>1,586,389</u>
<b>EXPENSES</b>				
Program	1,362,566	-	1,362,566	1,209,241
Management and general	132,958	-	132,958	139,214
Fundraising	<u>153,337</u>	<u>-</u>	<u>153,337</u>	<u>335,673</u>
Total Expenses	<u>1,648,861</u>	<u>-</u>	<u>1,648,861</u>	<u>1,684,128</u>
Change in Net Assets	107,428	(199,296)	(91,868)	(97,739)
<b>NET ASSETS</b>				
Beginning of year	<u>607,692</u>	<u>298,600</u>	<u>906,292</u>	<u>1,004,031</u>
End of year	<u>\$ 715,120</u>	<u>\$ 99,304</u>	<u>\$ 814,424</u>	<u>\$ 906,292</u>

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

Statement of Functional Expenses

Year Ended December 31, 2014

(with summarized totals for the Year Ended December 31, 2013)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Total</u>	<u>2013 Total</u>
Salaries and related benefits	\$ 398,889	\$ 95,550	\$ 127,869	\$ 622,308	\$ 552,593
Consulting fees	-	-	-	-	25,132
Database management maintenance	16,380	1,958	2,038	20,376	20,302
Insurance	3,905	2,008	3,905	9,818	9,944
Office expense	24,462	22,237	3,010	49,709	35,223
Printing and postage	2,393	714	1,536	4,643	3,652
Professional services	7,201	3,429	6,858	17,488	18,234
Publications	18,869	17	188	19,074	33,340
Promotional events	10,273	-	-	10,273	7,821
Recognitions	218	-	-	218	427
Rent	46,752	5,234	5,776	57,762	49,996
Support for Beit Issie Shapiro, Israel	815,401	-	-	815,401	904,635
Telephone	8,547	587	1,015	10,149	11,695
Travel and entertainment	8,491	1,126	1,044	10,661	11,134
Depreciation	785	98	98	981	-
	<u>\$ 1,362,566</u>	<u>\$ 132,958</u>	<u>\$ 153,337</u>	<u>\$ 1,648,861</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, 2014

(with comparative amounts for the Year Ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (91,868)	\$ (97,739)
Adjustments to reconcile change in net assets to cash from operating activities		
Depreciation	981	-
Unrealized and realized gains on investments	(5,627)	(24,106)
Changes in operating assets and liabilities		
Contributions receivable	106,661	256,125
Prepaid expenses and other assets	(11,144)	(4,661)
Accounts payable and accrued expenses	<u>(14,881)</u>	<u>(17,562)</u>
Net Cash from Operating Activities	(15,878)	112,057
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	10,909	-
Purchase of investments	(2,911)	(33,000)
Acquisition of office equipment	<u>(7,066)</u>	<u>-</u>
Net Cash from Investing Activities	932	(33,000)
 Net Change in Cash	(14,946)	79,057
 <b>CASH</b>		
Beginning of year	<u>330,234</u>	<u>251,177</u>
End of year	<u>\$ 315,288</u>	<u>\$ 330,234</u>

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

Notes to Financial Statements  
December 31, 2014 and 2013

### **1. Organization and Taxation**

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 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 Accounting and Use of Estimates***

The accompanying 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. Accordingly, actual results could differ from those estimates.

#### ***Net Assets***

Resources are classified for accounting and reporting purposes into net asset classes according to externally imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met within the same year as received. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by American Friends is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of American Friends pursuant to these stipulations. Permanently restricted net assets have been restricted by donors to be maintained by American Friends in perpetuity. American Friends has no permanently restricted net assets.

#### ***Contributions Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions on the statement of operations and changes in net assets. Conditional promises to give are not included as support until the conditions are substantially met.

American Friends provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of specific accounts.



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

Notes to Financial Statements  
December 31, 2014 and 2013

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

#### ***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, 2014, management has concluded that an allowance is not required.

#### ***Fair Value Measurement***

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 and Investment Valuation***

Investments are carried at fair value. Investment gains and losses, both realized and unrealized, are reported in the 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 comingled funds managed by the Greater Miami Jewish Federation, Inc. (an unrelated organization).

#### ***Office Equipment***

American Friends follows the practice of capitalizing all expenditures for office equipment which exceed \$200 and have a useful life of at least three years. Office equipment is stated at cost if purchased and at fair value at date of donation, if donated. Depreciation is recognized using the straight-line method over the estimated useful lives of equipment ranging from 5 - 20 years.

#### ***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.

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

Notes to Financial Statements  
December 31, 2014 and 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 statement of activities at the estimated fair value.

***Special Events***

Special events include the American Friends Gala and other events.

***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded when declared. Realized and unrealized gains and losses are included in the determination of the change in net assets.

***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.

***Operating Leases***

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to rental expense. Rental expense is recorded on the straight-line basis. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense.

***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, 2011.

***Reclassifications***

Certain reclassifications have been made to the 2013 balances previously reported in order to conform to the 2014 presentation.

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

Notes to Financial Statements  
December 31, 2014 and 2013

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

***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 November 10, 2015.

**3. Contributions Receivable, Net**

Contributions receivable, net as of December 31, 2014 are as follows:

Due in one year	\$ 183,012
Due in two to three years	<u>55,000</u>
	238,012
Discount to net present value	<u>(5,519)</u>
	<u>\$ 232,493</u>

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

**4. Investments**

Investments as of December 31, 2014, represent an investment in comingled funds held at The Greater Miami Jewish Federation, Inc. (an unaffiliated organization) in the amount of \$279,174. 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. Office Equipment, Net**

Office equipment, net consisted of the following at December 31, 2014:

Office equipment	\$ 8,871
Accumulated depreciation	<u>(2,786)</u>
	<u>\$ 6,085</u>

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

Notes to Financial Statements  
December 31, 2014 and 2013

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes during 2014:

	December 31, 2013	Additions	Net Assets Released from Restrictions	December 31, 2014
Future contributions receivable to be used for Support for Beit Issie Shapiro, Israel	<u>\$ 298,600</u>	<u>\$ 80,304</u>	<u>\$ (279,600)</u>	<u>\$ 99,304</u>

**7. Concentrations of Credit Risk**

Financial instruments that potentially subject American Friends to concentrations of credit risk consist principally of cash, 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.

**8. Operating Lease Commitments**

American Friends leased office space under month to month lease agreements through August 2014. Subsequently, American Friends entered into a lease for office space beginning in September 2014 and ending August 2016. Rent expense under this lease was \$48,800 for the year ended December 31, 2014. Minimum annual lease payments due as of December 31, 2014 are as follows:

2015	\$ 61,000
2016	<u>42,000</u>
	<u>\$ 103,000</u>

American Friends has an equipment lease expiring in 2016. Total equipment lease expense for 2014 was \$3,537. Minimum annual lease payments due as of December 31, 2014, are as follows:

2015	\$ 3,144
2016	<u>2,882</u>
	<u>\$ 6,026</u>

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