

**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2012

**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

- A - Statement of Financial Position**
- B - Statement of Activities**
- C - Statement of Functional Expenses**
- D - Statement of Cash Flows**

Notes to Financial Statements



Independent Auditor's Report

Board of Directors
Friends of Israel Disabled Veterans, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Israel Disabled Veterans, Inc., which comprise the statement of financial position as of December 31, 2012, 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 Friends of Israel Disabled Veterans, Inc. as of December 31, 2012, and the changes in 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 Friends of Israel Disabled Veterans, Inc.'s December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb + Troper LLP

May 1, 2013

FRIENDS OF ISRAEL DISABLED VETERANS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

(With Summarized Financial Information for December 31, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash - unrestricted	\$ 614,623	\$ 1,793,803
Cash - temporarily restricted	36,400	49,276
Investments (Note 3)	272,380	234,025
Investments - trust funds (Notes 3 and 7)	13,710	20,111
Accrued interest receivable		1,194
Contributions receivable - current	167,863	55,086
Beneficial interest in remainder trust (Note 7)	7,927	9,795
Security deposits	9,972	9,972
Prepaid expenses	15,921	24,741
Fixed assets - net (Note 5)	<u>1,085</u>	<u>1,770</u>
Total assets	<u>\$ 1,139,881</u>	<u>\$ 2,199,773</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 64,595	\$ 26,283
Annuities payable (Note 7)	<u>13,710</u>	<u>33,404</u>
Total liabilities	<u>78,305</u>	<u>59,687</u>
Net assets (Exhibit B)		
Unrestricted	957,715	2,083,447
Temporarily restricted (Note 4)	<u>103,861</u>	<u>56,639</u>
Total net assets	<u>1,061,576</u>	<u>2,140,086</u>
Total liabilities and net assets	<u>\$ 1,139,881</u>	<u>\$ 2,199,773</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

FRIENDS OF ISRAEL DISABLED VETERANS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012
 (With Summarized Financial Information for
 the Year Ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Revenues and other support				
Contributions	\$ 1,048,766	\$ 348,569	\$ 1,397,335	\$ 3,692,114
Direct mail	388,122		388,122	406,508
Change in value of split-interest agreements	11,704	(279)	11,425	(16,666)
Miscellaneous income	15,277		15,277	10,125
Net assets released from restrictions (Note 4)	<u>301,068</u>	<u>(301,068)</u>		
Total revenues and other support	<u>1,764,937</u>	<u>47,222</u>	<u>1,812,159</u>	<u>4,092,081</u>
Expenses (Exhibit C)				
Program services				
Facilities and special programs (Note 6)	<u>2,035,635</u>		<u>2,035,635</u>	<u>3,341,555</u>
Supporting services				
Management and general	382,105		382,105	292,280
Fund raising	<u>479,785</u>		<u>479,785</u>	<u>393,549</u>
Total supporting services	<u>861,890</u>		<u>861,890</u>	<u>685,829</u>
Total expenses	<u>2,897,525</u>		<u>2,897,525</u>	<u>4,027,384</u>
Change in net assets before investment income	(1,132,588)	47,222	(1,085,366)	64,697
Investment income (Note 3)	<u>6,856</u>		<u>6,856</u>	<u>12,301</u>
Change in net assets (Exhibit D)	(1,125,732)	47,222	(1,078,510)	76,998
Net assets - beginning of year	<u>2,083,447</u>	<u>56,639</u>	<u>2,140,086</u>	<u>2,063,088</u>
Net assets - end of year (Exhibit A)	<u>\$ 957,715</u>	<u>\$ 103,861</u>	<u>\$ 1,061,576</u>	<u>\$ 2,140,086</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

FRIENDS OF ISRAEL DISABLED VETERANS, INC.

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012
 (With Summarized Financial Information
 for the Year Ended December 31, 2011)

	Program Services Facilities and Special Programs	Supporting Services			Total
		Management and General	Fund Raising	Total	
		2012	2011	2012	2011
Transmissions to Israel-Zahal	\$ 2,035,635	\$	\$	\$ 2,035,635	\$ 3,341,555
Disabled Veterans' Fund (Note 6)				258,589	215,616
Salaries		129,295	129,294	54,251	60,906
Payroll taxes and employee benefits		27,126	27,125	149,207	91,384
Professional fees		145,684	3,523	25,959	22,587
Data processing		2,596	23,363	220,915	170,099
Direct mail			220,915	51,423	50,176
Occupancy (Note 9)		25,712	25,711	24,275	9,086
Telephone and online services		10,681	13,594	41,631	23,209
Office supplies		31,223	10,408	6,838	7,079
Postage, printing and publications		1,710	5,128	18,738	22,433
Advertising		4,685	14,053	3,392	3,432
Travel		102	3,290	2,519	2,173
Catering and awards		343	2,519	685	285
Depreciation			342		
Miscellaneous		2,948	520	3,468	7,364
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 2,035,635	\$ 382,105	\$ 479,785	\$ 861,890	\$ 4,027,384

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u> (Restated)
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (1,078,510)	\$ 76,998
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated stock	(46,874)	(8,008)
Depreciation and amortization	685	285
Realized and unrealized loss on investments	3,604	1,027
Change in value of split-interest agreements	(11,425)	16,666
Decrease (increase) in assets		
Accrued interest receivable	1,194	(1,194)
Contributions receivable	(112,777)	250,238
Prepaid expenses	8,820	(22,361)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	38,312	(2,083)
Net cash provided (used) by operating activities	<u>(1,196,971)</u>	<u>311,568</u>
Cash flows from investing activities		
Purchase of investments	(38,184)	(58,835)
Purchase of fixed assets		(2,055)
Proceeds from sales of investments	49,500	144,076
Net cash provided by investing activities	<u>11,316</u>	<u>83,186</u>
Cash flows from financing activities		
Payment of annuity obligations	(7,090)	(9,554)
Proceeds from investment income (losses) subject to annuity agreements	689	(1,436)
Net cash used by financing activities	<u>(6,401)</u>	<u>(10,990)</u>
Net change in cash	(1,192,056)	383,764
Cash - beginning of year	<u>1,843,079</u>	<u>1,459,315</u>
Cash - end of year	<u>\$ 651,023</u>	<u>\$ 1,843,079</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION

Zahal Disabled Veterans Organization ("Z.D.V.O.") was founded to represent, lobby for and rehabilitate the quadriplegic, paraplegic, blind, burned, amputee and other disabled Israeli veterans. To facilitate their rehabilitation, three Beit Halochem Centers ("Centers") were built in Tel Aviv, Haifa, Jerusalem and a rest and recreational facility in Nahariya. Friends of Israel Disabled Veterans, Inc. is the official U.S. tax-exempt representative of Zahal Disabled Veterans Organization. Its major mission is to bring awareness and raise funds for these Centers and the veterans they serve.

The Centers are dedicated to providing comprehensive treatment and services. Limited by serious handicaps, many disabled find it difficult to re-establish a daily regimen so necessary to physical and mental well-being. Providing the means to succeed is Beit Halochem's top priority. The veterans receive individualized physical and hydrotherapy, psychological counseling, sports, vocational and academic training. The Centers also provide programs and activities for the entire family, bringing together parents and children in an environment of "normalcy" and warmth.

Academic scholarships give the disabled veterans the opportunity to go to college, either to continue what they were learning before being disabled, or new fields, as their disabilities often prevent them from pursuing their original goals.

The Centers also provide state-of-the-art sports training. Some of the members progress so well that they are given specialized training in order to compete in the Paralympics and other games specifically geared to disabled athletes around the world. The Centers' veterans have won gold medals at many of these events. Becoming a successful athlete gives the disabled veteran strength of mind and spirit, enabling him or her to overcome the painful obstacles of the disability.

The Centers enable these men and women to regain control of their lives, with self-confidence and dignity, in an atmosphere of love, encouragement and deep appreciation for their tremendous sacrifice.

In the last ten years, due to terror attacks, civilians found themselves standing on the front line and being injured side by side with soldiers. Due to this new situation, Z.D.V.O. took upon itself to care for this population. Today civilian victims of terror can become equal members of one of the three Beit Halochem Centers and enjoy Beit Halochem Centers and benefit from their services.

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**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION (continued)

Friends of Israel Disabled Veterans, Inc. ("Friends") was incorporated in 1987 as a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Friends website is available for more information about individual disabled veterans, current events at Beit Halochem in Israel and in the U.S., and donation opportunities.

Friends' primary purpose is to obtain contributions to fund facilities and special programs for disabled Israeli veterans in Israel.

The organization is funded primarily by contributions.

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.

Investments - Investments are carried at fair market value. Friends of Israel Disabled Veterans, Inc. invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect Friends' financial statements.

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FRIENDS OF ISRAEL DISABLED
VETERANS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

In accordance with generally accepted accounting principles, Friends of Israel adopted provisions of *Fair Value Measurements* (ASC Topic 820), which 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 Friends has the ability to access. Level 2 inputs to the valuation methodology include:

- 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 December 31, 2012 as compared to those used at December 31, 2011.

Equities, and money market funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Asset-backed securities and State of Israel bonds - Valued based on quoted market prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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 Friends 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.

The following table presents the asset balances measured at fair value by level as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Money market funds	\$ 73,110	\$ -	\$ 73,110
Equities			
Basic materials	1,040	-	1,040
Consumer goods	1,548	-	1,548
Healthcare	39,173	-	39,173
Industrial goods	5,420	-	5,420
Services	3,161	-	3,161
Technology	<u>1,982</u>	<u>-</u>	<u>1,982</u>
Total equity securities	<u>52,324</u>	<u>-</u>	<u>52,324</u>
State of Israel bonds	<u>-</u>	<u>79,350</u>	<u>79,350</u>
Fixed income			
Government National			
Mortgage Association	<u>-</u>	<u>67,596</u>	<u>67,596</u>
	<u>\$ 125,434</u>	<u>\$ 146,946</u>	<u>\$ 272,380</u>

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FRIENDS OF ISRAEL DISABLED
VETERANS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Friends does not charge interest on outstanding receivables.

Allowance for doubtful accounts - Friends determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions, current economic conditions, subsequent receipts and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of December 31, 2012, Friends had no allowance for doubtful accounts.

Beneficial interest in remainder trust - The fair value of the beneficial interest is estimated by discounting the estimated future cash flows using a risk-adjusted rate.

Fixed assets - Fixed assets are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to five years. Items with a cost of \$1,500 and an estimated useful life of greater than one year are capitalized.

Annuity payable - The fair value of the obligation is estimated by discounting the estimated future cash flows using a risk-adjusted rate.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is pledged. The gifts are reported as temporarily 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.

Advertising - Advertising costs are expensed as incurred.

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FRIENDS OF ISRAEL DISABLED
VETERANS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation - The costs of providing Friends' programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Temporarily restricted net assets - Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Restatement - In 2011, Friends recorded \$8,008 of donated stock as purchase of investments.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Friends' financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Uncertainty in income taxes - Friends has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2009 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through May 1, 2013, which is the date the financial statements were available to be issued. Management has determined that there are no material subsequent events that would require disclosure in Friends' financial statements through this date. See Note 9 for details of a lease extension obtained subsequent to year end.

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**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 3 - INVESTMENTS

	<u>2012</u>	<u>2011</u>
General		
Money market funds	\$ <u>73,110</u>	\$ <u>8,305</u>
Equities		
Basic materials	1,040	
Consumer goods	1,548	5,203
Healthcare	39,173	
Industrial goods	5,420	
Services	3,161	
Technology	<u>1,982</u>	<u>1,031</u>
Total equities	<u>52,324</u>	<u>6,234</u>
State of Israel bonds	<u>79,350</u>	<u>89,850</u>
Fixed income		
Government National Mortgage Association	67,596	
U.S. Government bonds		19,136
Corporate bonds	<u> </u>	<u>20,113</u>
Total fixed income	<u>67,596</u>	<u>39,249</u>
Federal agency obligations		<u>90,387</u>
	<u>272,380</u>	<u>234,025</u>
Trust funds		
Money market funds	516	3,148
Equity - financing	<u>13,194</u>	<u>16,963</u>
	<u>13,710</u>	<u>20,111</u>
	<u>\$ 286,090</u>	<u>\$ 254,136</u>

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**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 3 - INVESTMENTS (continued)

Investment income (loss) consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 10,460	\$ 13,328
Net realized and unrealized gains (losses) on investments	<u>(3,604)</u>	<u>(1,027)</u>
	<u>\$ 6,856</u>	<u>\$ 12,301</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Programs for paralyzed veterans	\$ 95,934	\$ 46,844
Charitable remainder annuity trusts	<u>7,927</u>	<u>9,795</u>
	<u>\$ 103,861</u>	<u>\$ 56,639</u>

During 2012, temporarily restricted net assets were released from restrictions for the following:

Programs for paralyzed veterans	<u>\$ 301,068</u>
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NOTE 5 - FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Useful Lives</u>
Computers and equipment	<u>\$ 2,055</u>	<u>\$ 970</u>	<u>\$ 1,085</u>	3 years

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**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 6 - ZAHAL DISABLED VETERANS' FUND

During 2012, Friends was able to transmit the sum of \$2,035,635 to Zahal Disabled Veterans' Fund of Zahal Disabled Veterans Organization, which included funding for building the new center in Beer-Sheva, sports, cultural and educational activities, equipment and academic scholarships.

NOTE 7 - SPLIT-INTEREST AGREEMENTS

Friends is the trustee and beneficiary of a charitable remainder annuity trust agreement established by Mr. and Mrs. Carl Gans of New York, New York on April 14, 2000. The trust agreement provides that the trustee pay an annuity amount equal to 10.43% of the initial net fair market value of the trust assets as of the date of the annuity trust agreement. Any payment in satisfaction of the annuity amount shall be from income and, to the extent that income is not sufficient, from principal. Any income of the trust for a taxable year in excess of the annuity amount shall be added to principal. The annuity amount shall be paid in equal quarterly amounts. The trust uses a 6% discount rate. As of December 31, 2012, the trust fund assets are \$2,438.

Friends is the trustee and beneficiary of a special charitable remainder annuity trust agreement established by Mr. and Mrs. Carl Gans of New York, New York on September 25, 2001. The trust agreement provides that the trustee pay an annuity amount equal to 9.164% of the initial net fair market value of the trust assets as of the date of the annuity trust agreement. Any payment in satisfaction of the annuity amount shall be from income and, to the extent that income is not sufficient, from principal. Any income of the trust for a taxable year in excess of the annuity amount shall be added to principal. The annuity amount shall be paid in equal quarterly amounts. The trust uses a 6% discount rate. As of December 31, 2012, the trust fund assets are \$11,272.

Friends is the beneficiary of a charitable remainder annuity trust agreement established by Mr. and Mrs. Leonard Smith of Beverly Hills, California on November 24, 1995. The trust agreement provides that 8% of the net fair market value of the trust assets shall be paid semiannually to Mr. and Mrs. Leonard Smith during their lifetimes, in each taxable year. Upon the death of Mr. and Mrs. Smith, the principal of the trust would be remitted to Friends. The value of the trust at the present value of estimated future cash flows at December 31, 2012 is \$7,927. The trust uses a 6% discount rate.

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**FRIENDS OF ISRAEL DISABLED
VETERANS, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 8 - CONCENTRATIONS

Financial instruments which potentially subject Friends to a concentration of credit risk are cash accounts with financial institutions in excess of the FDIC insurance limit (\$250,000). The total exposure as of December 31, 2012 is \$401,023.

NOTE 9 - OCCUPANCY COSTS

Friends leases space for its operations. The lease expired on April 30, 2013. The lease expense was \$51,423 in 2012 and \$50,176 for 2011.

In May 2013, Friends extended their lease through April 30, 2016.

Minimum lease payments are as follows:

2013	\$	54,418
2014		59,368
2015		61,152
2016		<u>20,584</u>
	\$	<u>195,522</u>

NOTE 10 - PENSION

Friends has a defined contribution 401(k) plan which covers substantially all employees. All participating eligible employees receive a matching of employees' contributions up to a maximum 3% not to exceed IRS guidelines. The expense for the year ended December 31, 2012 was \$2,684.