

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

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2014 AND 2013

**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



LOEB & TROPER LLP

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, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

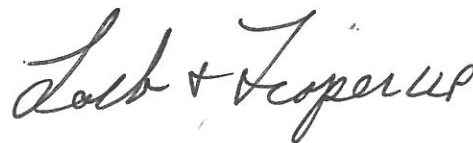
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 11 to the financial statements, net assets as of December 31, 2012 were restated to recognize Friends of Israel Disabled Veterans, Inc.'s beneficial interest in the Chai Trust. We have not modified our opinion for this matter.



July 25, 2015

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		(Restated - Note 11)
Cash - unrestricted	\$ 1,663,119	\$ 1,301,156
Cash - temporarily restricted	334,393	40,300
Investments (Note 3)	258,770	290,335
Investments - trust funds (Notes 3 and 4)	14,242	12,234
Contributions receivable - current	85,126	74,676
Beneficial interest in remainder trust (Note 4)	3,316,058	2,838,288
Security deposits	20,621	20,621
Prepaid expenses	27,939	3,085
Fixed assets - net (Note 5)	11,371	18,208
Total assets	\$ 5,731,639	\$ 4,598,903
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 19,316	\$ 27,026
Grants payable (Note 7)	526,724	
Annuities payable (Note 4)		12,234
Total liabilities	546,040	39,260
Net assets (Exhibit B)		
Unrestricted	1,492,905	1,576,442
Temporarily restricted (Note 6)	3,692,694	2,983,201
Total net assets	5,185,599	4,559,643
Total liabilities and net assets	\$ 5,731,639	\$ 4,598,903

See independent auditor's report.

The accompanying notes are an integral part of these statements.

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

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u> (Restated - Note 11)
Revenues and other support				
Contributions	\$ 1,559,735	\$ 1,534,146	\$ 3,093,881	\$ 2,765,770
Direct mail	559,350		559,350	43,611
Change in value of split-interest agreements	14,242	477,770	492,012	(162,425)
Miscellaneous income	2,255		2,255	10,082
Net assets released from restrictions (Note 6)	<u>1,302,423</u>	<u>(1,302,423)</u>		
Total revenues and other support	<u>3,438,005</u>	<u>709,493</u>	<u>4,147,498</u>	<u>2,657,038</u>
Expenses (Exhibit C)				
Program services				
Facilities and special programs (Note 7)	<u>2,528,020</u>		<u>2,528,020</u>	<u>1,281,270</u>
Supporting services				
Management and general	346,867		346,867	307,445
Fund raising	<u>646,296</u>		<u>646,296</u>	<u>584,673</u>
Total supporting services	<u>993,163</u>		<u>993,163</u>	<u>892,118</u>
Total expenses	<u>3,521,183</u>		<u>3,521,183</u>	<u>2,173,388</u>
Change in net assets before investment income (loss)	(83,178)	709,493	626,315	483,650
Investment income (loss) (Note 3)	<u>(359)</u>		<u>(359)</u>	<u>21,631</u>
Change in net assets (Exhibit D)	(83,537)	709,493	625,956	505,281
Net assets - beginning of year	<u>1,576,442</u>	<u>2,983,201</u>	<u>4,559,643</u>	<u>4,054,362</u>
Net assets - end of year (Exhibit A)	<u>\$ 1,492,905</u>	<u>\$ 3,692,694</u>	<u>\$ 5,185,599</u>	<u>\$ 4,559,643</u>

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

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total (Restated - Note 11)</u>
Revenues and other support			
Contributions	\$ 2,118,537	\$ 647,233	\$ 2,765,770
Direct mail	43,611		43,611
Change in value of split-interest agreements		(162,425)	(162,425)
Miscellaneous income	10,082		10,082
Net assets released from restrictions (Note 6)	598,254	(598,254)	-
	<u>2,770,484</u>	<u>(113,446)</u>	<u>2,657,038</u>
Expenses (Exhibit C)			
Program services			
Facilities and special programs (Note 7)	1,281,270		1,281,270
Supporting services			
Management and general	307,445		307,445
Fund raising	584,673		584,673
	<u>892,118</u>		<u>892,118</u>
	<u>2,173,388</u>		<u>2,173,388</u>
Change in net assets before investment income	597,096	(113,446)	483,650
Investment income (Note 3)	21,631		21,631
Change in net assets (Exhibit D)	618,727	(113,446)	505,281
Net assets - beginning of year, as previously reported	957,715	103,861	1,061,576
Restatement (Note 11)		2,992,786	2,992,786
Net assets - beginning of year	957,715	3,096,647	4,054,362
Net assets - end of year, as restated (Exhibit A)	<u>\$ 1,576,442</u>	<u>\$ 2,983,201</u>	<u>\$ 4,559,643</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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	Program Services	Supporting Services			Total
		Facilities and Special Programs	Management and General	Fund Raising	
Transmissions to Israel-Zahal	\$ 2,528,020				\$ 2,528,020
Disabled Veterans' Fund (Note 7)		\$ 118,184	\$ 229,417	\$ 347,601	\$ 1,281,270
Salaries		34,808	67,568	102,376	346,069
Payroll taxes and employee benefits		122,762	7,993	130,755	93,443
Professional fees		12,235	23,751	35,986	121,964
Data processing			150,158	150,158	28,345
Direct mail			43,860	66,455	135,825
Occupancy (Note 9)		22,595	6,733	10,202	60,130
Telephone and online services		23,096	44,834	67,930	11,412
Office supplies		3,959	7,685	11,644	50,949
Postage, printing and publications			2,065	2,065	6,077
Advertising			35,844	35,844	12,347
Travel			15,210	15,210	16,202
Catering and awards		2,325	4,512	6,837	1,382
Depreciation		3,434	6,666	10,100	3,731
Miscellaneous					4,242
		\$ 346,867	\$ 646,296	\$ 993,163	\$ 2,173,388
	\$ 2,528,020	\$ 346,867	\$ 646,296	\$ 993,163	\$ 3,521,183

Total expenses reported by
function on the statement
of activities (Exhibit B)

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FRIENDS OF ISRAEL
DISABLED VETERANS, INC.

EXHIBIT C
-2-

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2013			
	Program Services Facilities and Special Programs	Management and General	Fund Raising	Supporting Services Total
Transmissions to Israel-Zahal	\$ 1,281,270			\$ 1,281,270
Disabled Veterans' Fund (Note 7)		\$ 110,742	\$ 235,327	\$ 346,069
Salaries		29,902	63,541	93,443
Payroll taxes and employee benefits		114,037	7,927	121,964
Professional fees		9,070	19,275	28,345
Data processing			135,825	135,825
Direct mail		19,242	40,888	60,130
Occupancy (Note 9)		3,652	7,760	11,412
Telephone and online services		16,304	34,645	50,949
Office supplies		1,945	4,132	6,077
Postage, printing and publications			12,347	12,347
Advertising			16,202	16,202
Travel			1,382	1,382
Catering and awards		1,194	2,537	3,731
Depreciation		1,357	2,885	4,242
Miscellaneous				
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 1,281,270	\$ 307,445	\$ 584,673	\$ 892,118
				\$ 2,173,388

Total expenses reported by function on the statement of activities (Exhibit B)

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, 2014 AND 2013

	2014	2013
		(Restated - Note 11)
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 625,956	\$ 505,281
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated stock	(4,179)	(180)
Depreciation and amortization	6,837	3,731
Realized and unrealized losses (gains) on investments	5,201	(13,999)
Change in value of split-interest agreements	(492,012)	162,425
Decrease (increase) in assets		
Contributions receivable	(10,450)	93,187
Security deposits		(10,649)
Prepaid expenses	(24,854)	12,836
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(7,710)	(37,569)
Grants payable	526,724	
Net cash provided by operating activities	625,513	715,063
Cash flows from investing activities		
Purchase of investments	(4,540)	(3,324)
Proceeds from sales of investments	33,075	1,024
Purchase of fixed assets		(20,854)
Net cash provided (used) by investing activities	28,535	(23,154)
Cash flows from financing activities		
Payment of annuity obligations	(66)	(2,696)
Proceeds from investment income subject to annuity agreements	2,074	1,220
Net cash provided (used) by financing activities	2,008	(1,476)
Net change in cash	656,056	690,433
Cash - beginning of year	1,341,456	651,023
Cash - end of year	\$ 1,997,512	\$ 1,341,456

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, 2014 AND 2013

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 Z.D.V.O. Its major mission is to bring awareness of 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, 2014 AND 2013

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 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, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements 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, 2014 as compared to those used at December 31, 2013.

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

Fixed-income 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.

Mutual funds - Valued at the net asset value ("NAV") of shares held by Friends at year end.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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 sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Level 1 investments		
Equities		
Basic materials	\$ 1,155	\$ 1,110
Consumer goods		1,839
Financial	12,438	10,976
Healthcare	41,866	50,079
Industrial goods	7,614	8,715
Services		4,265
Technology	<u>2,902</u>	<u>2,202</u>
Total equities	65,975	79,186
Mutual funds		
Money market	<u>95,839</u>	<u>95,286</u>
Total Level 1 investments	<u>161,814</u>	<u>174,472</u>
Level 2 investments		
State of Israel bonds	72,430	78,530
Fixed-income securities		
Government National Mortgage Association	<u>38,768</u>	<u>49,567</u>
Total Level 2 investments	<u>111,198</u>	<u>128,097</u>
Total assets at fair value	<u>\$ 273,012</u>	<u>\$ 302,569</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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, including leasehold improvement in excess of \$1,500 with an estimated useful life of greater than one year are capitalized, and are stated at cost. Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Amortization of leasehold improvement is provided on the straight-line basis over the shorter of the estimated useful lives of the assets or the term of the lease.

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, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating lease - Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

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.

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, 2011 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through July 25, 2015, 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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 3 - INVESTMENTS

	<u>2014</u>	<u>2013</u>
General		
Money market funds	\$ <u>94,035</u>	\$ <u>94,028</u>
Equities		
Basic materials	1,155	1,110
Consumer goods		1,839
Healthcare	41,866	50,079
Industrial goods	7,614	8,715
Services		4,265
Technology	<u>2,902</u>	<u>2,202</u>
Total equities	<u>53,537</u>	<u>68,210</u>
State of Israel bonds	<u>72,430</u>	<u>78,530</u>
Fixed-income securities		
Government National Mortgage Association	<u>38,768</u>	<u>49,567</u>
	<u>258,770</u>	<u>290,335</u>
Trust funds		
Money market funds	1,804	1,258
Equity - financial	<u>12,438</u>	<u>10,976</u>
	<u>14,242</u>	<u>12,234</u>
	<u>\$ 273,012</u>	<u>\$ 302,569</u>

Investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 4,842	\$ 7,632
Net realized and unrealized gains (losses) on investments	<u>(5,201)</u>	<u>13,999</u>
	<u>\$ (359)</u>	<u>\$ 21,631</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 4 - SPLIT-INTEREST AGREEMENTS

Friends was the trustee and residual beneficiary of two charitable remainder annuity trust agreements established by Mr. and Mrs. Carl Gans of New York, New York. Mrs. Gans, the last remaining annuitant, passed away in 2014. As of December 31, 2014 the assets of the trust were not distributed. As of December 31, 2014 and 2013, the trust fund assets are \$14,242 and \$12,234, respectively.

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, 2014 and 2013 is \$10,124 and \$9,502, respectively. The trust uses a 6% discount rate. As of December 31, 2014 and 2013, the trust fund assets are \$22,752 and \$27,032, respectively.

In June 2011, Friends was bequeathed a 25% interest in the residual assets of the Chai Trust (the "Trust"). The Trust provides for annual fixed distributions for a period of 10 years to other named beneficiaries, as well as annual distributions to Friends. At the conclusion of the ten year period, the trust will be liquidated and any residual assets distributed to the beneficiaries. Friends received distributions of \$342,500 and \$262,500 in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the value of Friend's interest in the trust at the present value of estimated future cash flows, net of distributions and appreciation of the trust assets, was valued by the trustee to be worth approximately \$3,305,934 and \$2,828,786, respectfully.

Anticipated future distributions, recorded at present value using a discount rate of 5% as of December 31, 2014 are as follows:

2015	\$ 300,000
2016	454,000
2017	313,000
2018	317,000
2019	370,000
Thereafter	<u>2,668,000</u>
	4,422,000
Less present value discount	<u>(1,116,066)</u>
Total	<u>\$ 3,305,934</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 5 - FIXED ASSETS

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Computers and equipment	\$ 2,055	\$ 2,055	3 years
Furniture and fixtures	3,864	3,864	3 years
Leasehold improvements	<u>16,990</u>	<u>16,990</u>	5 years
	22,909	22,909	
Less accumulated depreciation and amortization	<u>(11,538)</u>	<u>(4,701)</u>	
Net fixed assets	<u>\$ 11,371</u>	<u>\$ 18,208</u>	

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Programs for paralyzed veterans	\$ 376,636	\$ 144,913
Time restrictions	3,305,934	2,828,786
Charitable remainder annuity trusts	<u>10,124</u>	<u>9,502</u>
	<u>\$ 3,692,694</u>	<u>\$ 2,983,201</u>

Temporarily restricted net assets were released from restrictions for the following:

	<u>2014</u>	<u>2013</u>
Programs for paralyzed veterans	<u>\$ 1,302,423</u>	<u>\$ 598,254</u>

NOTE 7 - ZAHAL DISABLED VETERANS' FUND

During 2014 and 2013, Friends granted the sum of \$2,528,020 and \$1,281,270, respectively, to Zahal Disabled Veterans' Fund of Z.D.V.O., which included funding for building the new center in Beer-Sheva, sports, cultural and educational activities, equipment and academic scholarships. As of December 31, 2014, Friends had grants payable of \$526,724.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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, 2014 and 2013 is \$1,718,201 and \$1,064,017, respectively.

NOTE 9 - OCCUPANCY COSTS

Friends leases space for its operations. The lease expires on April 30, 2016. The lease expense was \$66,455 in 2014 and \$60,130 for 2013.

Minimum lease payments are as follows:

2015	\$	61,152
2016		<u>20,584</u>
	\$	<u>81,736</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, 2014 and 2013 was \$8,155 and \$7,154, respectively.

NOTE 11 - RESTATEMENT

Friends erroneously did not record their beneficial interest in the Chai Trust. As a result, the January 1, 2013 net asset balance was restated to reflect the net present value of the trust, which was \$2,992,786. In addition, the statement of activities was restated to reflect the change in value of the trust in 2013.