

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

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2016 AND 2015

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

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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, 2016 and 2015, 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.

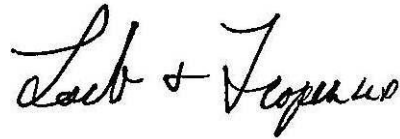
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, 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, 2014 were restated to recognize Friends of Israel Disabled Veterans, Inc.'s beneficial interest in the Chai Trust. Our opinion has not been modified with respect to this matter.

A handwritten signature in cursive script that reads "Loeb & Troper".

June 15, 2017

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		(Restated)
Cash and cash equivalents - unrestricted	\$ 1,405,314	\$ 796,720
Cash and cash equivalents - temporarily restricted	1,063,262	57,696
Investments (Note 3)	273,774	293,116
Investments - trust funds (Notes 3 and 4)		14,366
Contributions receivable - current	12,695	426,721
Beneficial interest in remainder trust (Note 4)	2,735,055	2,884,606
Beneficial interest in perpetual trust (Notes 4 and 11)	162,893	158,339
Security deposits	20,621	20,621
Prepaid expenses	34,259	15,197
Fixed assets - net (Note 5)	2,230	4,935
Total assets	\$ 5,710,103	\$ 4,672,317
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 31,066	\$ 56,119
Grants payable (Note 7)	650,000	
Deferred income		72,078
Total liabilities	681,066	128,197
Net assets (Exhibit B)		
Unrestricted	1,067,827	580,332
Temporarily restricted (Note 6)	3,798,317	3,805,449
Permanently restricted	162,893	158,339
Total net assets	5,029,037	4,544,120
Total liabilities and net assets	\$ 5,710,103	\$ 4,672,317

See independent auditor's report.

The accompanying notes are an integral part of these statements.

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

EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015 (Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
Contributions	\$ 1,767,242	\$ 1,733,030		\$ 3,500,272	\$ 383,878	\$ 2,584,366	\$ 909	\$ 2,969,153
Direct mail	382,715			382,715	450,954			450,954
Gross revenue from special events	\$ 178,831				\$ 211,313			
Less: direct costs of special events	(88,775)				(76,974)			
Net revenue from special events	90,056			90,056	134,339			134,339
Change in value of split-interest agreements	(3,256)	149,955		146,699	124	(175,202)		(175,078)
Change in value of perpetual trust			\$ 4,554	4,554			(8,422)	(8,422)
Miscellaneous income					960			960
Bad debt loss		(231,823)		(231,823)				
Net assets released from restrictions (Note 6)	1,658,294	(1,658,294)			2,296,409	(2,296,409)		
Total revenues and other support	3,895,051	(7,132)	4,554	3,892,473	3,266,664	112,755	(7,513)	3,371,906
Expenses (Exhibit C)								
Program services								
Facilities and special programs (Note 7)	2,600,416			2,600,416	3,203,075			3,203,075
Supporting services								
Management and general	276,988			276,988	330,399			330,399
Fund raising	547,156			547,156	651,623			651,623
Total supporting services	824,144			824,144	982,022			982,022
Total expenses	3,424,560			3,424,560	4,185,097			4,185,097
Change in net assets before investment income	470,491	(7,132)	4,554	467,913	(918,433)	112,755	(7,513)	(813,191)
Investment income (Note 3)	17,004			17,004	5,860			5,860
Change in net assets (Exhibit D)	487,495	(7,132)	4,554	484,917	(912,573)	112,755	(7,513)	(807,331)
Net assets - beginning of year, as previously reported	580,332	3,805,449	158,339	4,544,120	1,492,905	3,692,694		5,185,599
Restatement (Note 11)							165,852	165,852
Net assets - beginning of year, restated	580,332	3,805,449	158,339	4,544,120	1,492,905	3,692,694	165,852	5,351,451
Net assets - end of year, as restated (Exhibit A)	\$ 1,067,827	\$ 3,798,317	\$ 162,893	\$ 5,029,037	\$ 580,332	\$ 3,805,449	\$ 158,339	\$ 4,544,120

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016						2015					
	Program Services	Supporting Services			Direct Cost of Special Events	Total	Program Services	Supporting Services			Direct Cost of Special Event	Total
	Facilities and Special Programs	Management and General	Fund Raising	Total Supporting Services			Facilities and Special Programs	Management and General	Fund Raising	Total Supporting Services		
Transmissions to Israel-Zahal Disabled Veterans' Organization (Note 7)	\$ 2,600,416					\$ 2,600,416	\$ 3,203,075					\$ 3,203,075
Salaries		\$ 105,889	\$ 225,014	\$ 330,903		330,903		\$ 120,894	\$ 245,450	\$ 366,344		366,344
Payroll taxes and employee benefits		20,758	44,111	64,869		64,869		26,056	52,902	78,958		78,958
Professional fees		84,700	10,029	94,729		94,729		106,998	32,043	139,041		139,041
Insurance		299	636	935		935		308	624	932		932
Data processing		10,309	21,908	32,217		32,217		12,031	24,427	36,458		36,458
Direct mail			106,686	106,686		106,686			125,674	125,674		125,674
Occupancy (Note 9)		23,423	49,775	73,198		73,198		22,701	46,089	68,790		68,790
Telephone and online services		2,960	6,291	9,251		9,251		5,503	11,172	16,675		16,675
Office supplies		25,540	54,272	79,812		79,812		22,523	45,729	68,252		68,252
Postage, printing and publications		1,279	2,719	3,998		3,998		9,123	18,521	27,644		27,644
Advertising			3,807	3,807		3,807			2,584	2,584		2,584
Travel			18,020	18,020		18,020			33,054	33,054		33,054
Catering, entertainment and awards					\$ 88,775	88,775			4,702	4,702	\$ 76,974	81,676
Depreciation		1,312	2,787	4,099		4,099		2,124	4,312	6,436		6,436
Miscellaneous		519	1,101	1,620		1,620		2,138	4,340	6,478		6,478
Total expenses	2,600,416	276,988	547,156	824,144	88,775	3,513,335	3,203,075	330,399	651,623	982,022	76,974	4,262,071
Less direct costs of special events deducted from revenue on the statement of activities					(88,775)	(88,775)					(76,974)	(76,974)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 2,600,416	\$ 276,988	\$ 547,156	\$ 824,144	\$ -	\$ 3,424,560	\$ 3,203,075	\$ 330,399	\$ 651,623	\$ 982,022	\$ -	\$ 4,185,097

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, 2016 AND 2015

	2016	2015
		(Restated)
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 484,917	\$ (807,331)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated stock	(2,071)	(54,221)
Depreciation and amortization	4,099	6,436
Realized and unrealized loss (gain) on investments	(7,663)	310
Permanently restricted contributions		(909)
Change in value of split-interest agreements	149,551	431,328
Change in value of perpetual trust	(4,554)	8,422
Decrease (increase) in assets		
Contributions receivable	414,026	(341,595)
Prepaid expenses	(19,062)	12,742
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(25,053)	36,803
Grants payable	650,000	(526,724)
Deferred income	(72,078)	72,078
	1,572,112	(1,162,661)
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of investments		(3,348)
Proceeds from sales of investments	43,442	22,913
Purchase of fixed assets	(1,394)	
	42,048	19,565
Net cash provided by investing activities		
Net change in cash and cash equivalents	1,614,160	(1,143,096)
Cash and cash equivalents - beginning of year	854,416	1,997,512
Cash and cash equivalents - end of year	\$ 2,468,576	\$ 854,416

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, 2016 AND 2015

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, four Beit Halochem Centers (“Centers”) were built in Tel Aviv, Haifa, Jerusalem and Beer Sheva and a rest and recreational facility in Nahariya. Construction of a fifth center is scheduled to start in September 2017. 6,500 veterans and their families will benefit from a center of their own. A campaign for the new center in Ashdod started in 2016. 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 and sports scholarships. 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, 2016 AND 2015

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.

Cash and cash equivalents - Cash equivalents include investments in highly liquid instruments with original maturities, when acquired, of three months or less.

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, 2016 AND 2015

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, 2016 as compared to those used at December 31, 2015.

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, 2016 AND 2015

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.

See Note 3 for a table which sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2016 and 2015.

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.

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.

Transmissions to Israel-Zahal Disabled Veterans' Fund - Friends grants funds to Z.D.V.O. for different programs. Grants are recorded when approved by the Board of Directors. Funds approved for transmission are recorded as grants payable.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income - Special event revenues received in advance of the event occurring have been deferred.

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.

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, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through June 15, 2017, 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, 2016 AND 2015

NOTE 3 - INVESTMENTS

	2016		Total
	Level I	Level II	
General			
Equities			
Basic materials	\$ 976		\$ 976
Financial	112		112
Healthcare	38,801		38,801
Industrial goods	56,608		56,608
Technology	<u>18,521</u>		<u>18,521</u>
Total equities	<u>115,018</u>		<u>115,018</u>
State of Israel bonds		\$ <u>40,180</u>	<u>40,180</u>
Fixed-income securities			
Government National Mortgage Association		<u>24,464</u>	<u>24,464</u>
Mutual funds			
Money market	<u>94,112</u>		<u>94,112</u>
Total investments reported on the fair value hierarchy	<u>\$ 209,130</u>	<u>\$ 64,644</u>	<u>\$ 273,774</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 3 - INVESTMENTS (continued)

	2015		Total
	Level I	Level II	
General			
Equities			
Basic materials	\$ 680		\$ 680
Financial	11,996		11,996
Healthcare	38,252		38,252
Industrial goods	63,028		63,028
Technology	<u>3,624</u>		<u>3,624</u>
Total equities	<u>117,580</u>		<u>117,580</u>
State of Israel bonds		\$ <u>62,180</u>	<u>62,180</u>
Fixed-income securities			
Government National Mortgage Association		<u>31,291</u>	<u>31,291</u>
Mutual funds			
Money market	<u>96,431</u>		<u>96,431</u>
Total investments reported on the fair value hierarchy	\$ <u>214,011</u>	\$ <u>93,471</u>	\$ <u>307,482</u>

Investment income consists of the following:

	2016	2015
Interest and dividends	\$ 9,341	\$ 6,170
Net realized and unrealized gains on investments	<u>7,663</u>	<u>(310)</u>
	\$ <u>17,004</u>	\$ <u>5,860</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 4 - SPLIT-INTEREST AGREEMENTS AND BENEFICIAL INTEREST IN TRUSTS

- A. 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 annuitant, passed away in 2014. As of December 31, 2015, the trust fund assets were \$14,366 and the assets of the trust were fully distributed in 2016.
- B. Friends has a beneficial interest in a 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, 2016 and 2015 is \$0 and \$2,375, respectively. The trust uses a 6% discount rate. As of December 31, 2016 and 2015, the trust fund assets are \$8,869 and \$14,499, respectively.
- C. 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 \$296,250 in 2016 and \$256,250 in 2015. As of December 31, 2016 and 2015, the value of Friends' 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 \$2,735,055 and \$2,882,231, respectively.

Anticipated future distributions, recorded at present value using a discount rate of 5% as of December 31, 2016 are as follows:

2017	\$ 365,000
2018	319,000
2019	352,000
2020	202,000
2021	466,000
Thereafter	<u>1,798,000</u>
	3,502,000
Less present value discount	<u>(766,945)</u>
Total	<u>\$ 2,735,055</u>

The present value discount was \$965,769 at December 31, 2015.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**NOTE 4 - SPLIT-INTEREST AGREEMENTS AND BENEFICIAL INTEREST IN TRUSTS
(continued)**

D. In 2014, Friends was bequeathed a 9.1% interest in the Kamaiko Charitable Endowment Fund 2, a perpetual trust. The Trust provides for annual distributions of 5% of the assets of the trust in perpetuity. The fair value of Friends' proportionate share of the Trust at December 31, 2016 and 2015 was \$162,893 and \$158,339, respectively.

NOTE 5 - FIXED ASSETS

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Computers and equipment	\$ 3,449	\$ 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
	24,303	22,909	
Less accumulated depreciation and amortization	<u>(22,073)</u>	<u>(17,974)</u>	
Net fixed assets	<u>\$ 2,230</u>	<u>\$ 4,935</u>	

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Programs for paralyzed veterans	\$ 31,299	\$ 920,843
Showers at Beit Halochem Jerusalem	1,031,963	
Time restrictions	2,735,055	2,882,231
Charitable remainder annuity trusts	<u> </u>	<u>2,375</u>
	<u>\$ 3,798,317</u>	<u>\$ 3,805,449</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (continued)

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

	<u>2016</u>	<u>2015</u>
Programs for paralyzed veterans	\$ <u>1,658,294</u>	\$ <u>2,296,409</u>

NOTE 7 - ZAHAL DISABLED VETERANS' ORGANIZATION

During 2016 and 2015, Friends granted the sum of \$2,600,416 and \$3,203,075, respectively, to Zahal Disabled Veterans' Fund of Z.D.V.O., which included funding for building the new centers in Ashdod and Beer-Sheva, programs for severely wounded, young disabled, sports, cultural and educational activities, equipment and academic and sports scholarships.

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, 2016 and 2015 is \$2,155,618 and \$529,643, respectively.

NOTE 9 - OCCUPANCY COSTS

Friends leases space for its operations. The lease expires on April 30, 2019. The lease expense, including charges for Friends' proportional share of the real estate taxes and utilities, was \$73,198 in 2016 and \$68,790 in 2015.

Minimum lease payments are as follows:

2017	\$ 69,768
2018	71,860
2019	<u>24,188</u>
	<u>\$ 165,816</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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, 2016 and 2015 was \$8,549 and \$9,522, respectively.

NOTE 11 - RESTATEMENT

As of December 31, 2014, Friends erroneously did not record their beneficial interest in a remainder trust. As a result, the January 1, 2015 net asset balance was restated to reflect the value of the trust, which was \$165,852. In addition, the statements of activities and cash flows were restated to reflect the change in value of the trust in 2015 and the contribution and distribution received.

Beneficial Interests in Perpetual Trusts

Under the terms of the trusts, the income generated from the trusts is payable proportionately to Friends. The contribution is classified as permanently restricted support and the annual distributions from the trusts are reported as investment income that increases the unrestricted net assets. The balance at December 31, 2016 and 2015 was \$162,893 and \$158,379, respectively.