

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

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2017 AND 2016

**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, 2017 and 2016, 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, 2017 and 2016, 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.

Loeb & Troper LLP

June 15, 2018

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 1,885,264	\$ 1,405,314
Cash and cash equivalents - temporarily restricted	221,497	1,063,262
Investments (Note 3)	304,219	273,774
Contributions receivable - current	427,764	12,695
Beneficial interest in remainder trust (Note 4)	2,485,863	2,735,055
Beneficial interest in perpetual trust (Note 4)	176,938	162,893
Security deposits	20,621	20,621
Prepaid expenses	13,649	34,259
Fixed assets - net (Note 5)	<u>2,248</u>	<u>2,230</u>
Total assets	<u>\$ 5,538,063</u>	<u>\$ 5,710,103</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 20,691	\$ 31,066
Grants payable (Note 7)	<u>551,418</u>	<u>650,000</u>
Total liabilities	<u>572,109</u>	<u>681,066</u>
Net assets (Exhibit B)		
Unrestricted	2,081,656	1,067,827
Temporarily restricted (Note 6)	2,707,360	3,798,317
Permanently restricted	<u>176,938</u>	<u>162,893</u>
Total net assets	<u>4,965,954</u>	<u>5,029,037</u>
Total liabilities and net assets	<u>\$ 5,538,063</u>	<u>\$ 5,710,103</u>

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, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
Contributions	\$ 2,352,387	\$ 2,650,330		\$ 5,002,717	\$ 1,767,242	\$ 1,733,030		\$ 3,500,272
Direct mail	459,104			459,104	382,715			382,715
Gross revenue from special events	\$ 159,931			\$ 159,931	\$ 178,831			\$ 178,831
Less: direct costs of special events	(101,892)			(101,892)	(88,775)			(88,775)
Net revenue from special events	58,039			58,039	90,056			90,056
Change in value in beneficial interest in remainder trusts		(249,192)		(249,192)	(3,256)	149,955		146,699
Change in value of perpetual trust			\$ 14,045	14,045			\$ 4,554	4,554
Bad debt loss						(231,823)		(231,823)
Net assets released from restrictions (Note 6)	3,492,095	(3,492,095)			1,658,294	(1,658,294)		
Total revenues and other support	6,361,625	(1,090,957)	14,045	5,284,713	3,895,051	(7,132)	4,554	3,892,473
Expenses (Exhibit C)								
Program services								
Facilities and special programs (Note 7)	4,571,193			4,571,193	2,600,416			2,600,416
Supporting services								
Management and general	207,344			207,344	276,988			276,988
Fund raising	584,198			584,198	547,156			547,156
Total supporting services	791,542			791,542	824,144			824,144
Total expenses	5,362,735			5,362,735	3,424,560			3,424,560
Change in net assets before investment income	998,890	(1,090,957)	14,045	(78,022)	470,491	(7,132)	4,554	467,913
Investment income (Note 3)	14,939			14,939	17,004			17,004
Change in net assets (Exhibit D)	1,013,829	(1,090,957)	14,045	(63,083)	487,495	(7,132)	4,554	484,917
Net assets - beginning of year	1,067,827	3,798,317	162,893	5,029,037	580,332	3,805,449	158,339	4,544,120
Net assets - end of year (Exhibit A)	\$ 2,081,656	\$ 2,707,360	\$ 176,938	\$ 4,965,954	\$ 1,067,827	\$ 3,798,317	\$ 162,893	\$ 5,029,037

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017						2016					
	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)	\$ 4,571,193					\$ 4,571,193	\$ 2,600,416					\$ 2,600,416
Salaries		\$ 109,630	\$ 232,964	\$ 342,594		342,594	\$ 105,889	\$ 225,014	\$ 330,903			330,903
Payroll taxes and employee benefits		17,664	37,535	55,199		55,199	20,758	44,111	64,869			64,869
Professional fees		24,585	52,243	76,828		76,828	84,700	10,029	94,729			94,729
Insurance		662	1,408	2,070		2,070	299	636	935			935
Data processing		1,970	30,556	32,526		32,526	10,309	21,908	32,217			32,217
Direct mail			95,884	95,884		95,884		106,686	106,686			106,686
Occupancy (Note 9)		24,429	51,912	76,341		76,341	23,423	49,775	73,198			73,198
Telephone and online services		2,093	4,447	6,540		6,540	2,960	6,291	9,251			9,251
Office supplies		21,475	45,633	67,108		67,108	25,540	54,272	79,812			79,812
Postage, printing and publications		3,654	7,764	11,418		11,418	1,279	2,719	3,998			3,998
Advertising			3,653	3,653		3,653		3,807	3,807			3,807
Travel			17,690	17,690		17,690		18,020	18,020			18,020
Catering, entertainment and awards					\$ 101,892	101,892				\$ 88,775		88,775
Depreciation		597	1,268	1,865		1,865	1,312	2,787	4,099			4,099
Miscellaneous		585	1,241	1,826		1,826	519	1,101	1,620			1,620
Total expenses	4,571,193	207,344	584,198	791,542	101,892	5,464,627	2,600,416	276,988	547,156	824,144	88,775	3,513,335
Less direct costs of special events deducted from revenue on the statement of activities					(101,892)	(101,892)					(88,775)	(88,775)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 4,571,193	\$ 207,344	\$ 584,198	\$ 791,542	\$ -	\$ 5,362,735	\$ 2,600,416	\$ 276,988	\$ 547,156	\$ 824,144	\$ -	\$ 3,424,560

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (63,083)	\$ 484,917
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated stock		(2,071)
Depreciation and amortization	1,865	4,099
Realized and unrealized gain on investments	(8,119)	(7,663)
Change in value in beneficial interest in remainder trusts	249,192	149,551
Change in value of perpetual trust	(14,045)	(4,554)
Decrease (increase) in assets		
Contributions receivable	(415,069)	414,026
Prepaid expenses	20,610	(19,062)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(10,375)	(25,053)
Grants payable	(98,582)	650,000
Deferred income		(72,078)
Net cash provided (used) by operating activities	<u>(337,606)</u>	<u>1,572,112</u>
Cash flows from investing activities		
Purchase of investments	(22,326)	
Proceeds from sales of investments		43,442
Purchase of fixed assets	(1,883)	(1,394)
Net cash provided (used) by investing activities	<u>(24,209)</u>	<u>42,048</u>
Net change in cash and cash equivalents	(361,815)	1,614,160
Cash and cash equivalents - beginning of year	<u>2,468,576</u>	<u>854,416</u>
Cash and cash equivalents - end of year	<u>\$ 2,106,761</u>	<u>\$ 2,468,576</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, 2017 AND 2016

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. The campaign for the fifth center in Ashdod started in 2015. With the tireless help of Friends of Israel Disabled Veterans, Inc. the funds were collected and submitted during 2017 which allowed the construction to begin April 2018. 6,500 veterans and their families will benefit from a center of their own. 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.

Z.D.V.O. took upon itself to care for population of civilian that found themselves standing on the front line and being insured side by side with soldiers during terror attacks. 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, 2017 AND 2016

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.

Friends 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, 2017 AND 2016

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, 2017 as compared to those used at December 31, 2016.

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, 2017 AND 2016

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, 2017 and 2016.

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. No allowance for doubtful accounts was deemed necessary as of December 31, 2017 or 2016.

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, 2017 AND 2016

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, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through June 15, 2018, 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, 2017 AND 2016

NOTE 3 - INVESTMENTS

	2017		Total
	Level I	Level II	
General			
Equities			
Basic materials	\$ 1,395		\$ 1,395
Financial	134		134
Healthcare	39,213		39,213
Industrial goods	69,498		69,498
Services	27,298		27,298
Technology	<u>24,589</u>		<u>24,589</u>
Total equities	<u>162,127</u>		<u>162,127</u>
State of Israel bonds		\$ <u>30,180</u>	<u>30,180</u>
Fixed-income securities			
Government National Mortgage Association		<u>19,693</u>	<u>19,693</u>
Total investments reported on the fair value hierarchy	<u>\$ 162,127</u>	<u>\$ 49,873</u>	212,000
Cash			<u>92,219</u>
Total investments			<u>\$ 304,219</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 3 - INVESTMENTS (continued)

	2016		
	<u>Level I</u>	<u>Level II</u>	<u>Total</u>
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>

Investment income consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 6,820	\$ 9,341
Net realized and unrealized gains on investments	<u>8,119</u>	<u>7,663</u>
	\$ <u>14,939</u>	\$ <u>17,004</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 4 - BENEFICIAL INTEREST IN TRUSTS

- A. 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, 2017 and 2016 is \$0. The trust uses a 6% discount rate. As of December 31, 2017 and 2016, the trust fund assets are \$6,155 and \$8,869, respectively.
- B. 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 \$361,000 in 2017 and \$296,250 in 2016. As of December 31, 2017 and 2016, 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 \$2,485,863 and \$2,735,055, respectively.

Anticipated future distributions, recorded at present value using a discount rate of 5% as of December 31, 2017 are as follows:

2018	\$ 320,000
2019	353,000
2020	203,000
2021	467,000
2022	211,000
Thereafter	<u>1,583,000</u>
	3,137,000
Less present value discount	<u>(651,137)</u>
Total	<u>\$ 2,485,863</u>

The present value discount was \$766,945 at December 31, 2016.

- C. 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, 2017 and 2016 was \$176,938 and \$162,893, respectively.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 - FIXED ASSETS

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Computers and equipment	\$ 5,332	\$ 3,449	3 years
Furniture and fixtures	3,864	3,864	3 years
Leasehold improvements	<u>16,990</u>	<u>16,990</u>	5 years
	26,186	24,303	
Less accumulated depreciation and amortization	<u>(23,938)</u>	<u>(22,073)</u>	
Net fixed assets	<u>\$ 2,248</u>	<u>\$ 2,230</u>	

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Programs for paralyzed veterans	\$ 189,534	\$ 31,299
Showers at Beit Halochem Jerusalem	31,963	1,031,963
Time restrictions	<u>2,485,863</u>	<u>2,735,055</u>
	<u>\$ 2,707,360</u>	<u>\$ 3,798,317</u>

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

	<u>2017</u>	<u>2016</u>
Showers at Beit Halochem Jerusalem	\$ 1,000,000	
Programs for paralyzed veterans	<u>2,492,095</u>	<u>\$ 1,658,294</u>
	<u>\$ 3,492,095</u>	<u>\$ 1,658,294</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 7 - ZAHAL DISABLED VETERANS' ORGANIZATION

During 2017 and 2016, Friends granted the sum of \$4,571,193 and \$2,600,416, 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, 2017 and 2016 is \$1,928,306 and \$2,155,618, 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 \$76,341 in 2017 and \$73,198 in 2016.

Minimum lease payments are as follows:

2018	\$	71,860
2019		<u>24,188</u>
		<u>\$ 96,048</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, 2017 and 2016 was \$8,069 and \$8,549, respectively.