EISNERAMPER
ACCOUNTANTS & ADVISORS

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

EisnerAmper
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INDEPENDENT AUDITORS' REPORT

To the Audit Subcommittee of the Executive Committee
of the Board of Directors
American Friends of Shalva Israel, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of American Friends of Shalva Israel, Inc., (the "Organization"), which comprise the statement of financial position as of December 31, 2014 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the organization'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 organization'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 American Friends of Shalva Israel, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, NY
November 6, 2015

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statement of Financial Position
December 31, 2014

ASSETS	
Cash	**$ 344,919**
Pledges receivable, net	**5,304,755**
Investments	**568,410**
Prepaid expenses and other assets	**18,700**
Property and equipment, net	**3,206**
	$ 6,239,990
LIABILITIES AND NET ASSETS	
Liabilities:	
Accrued expenses and other liabilities	**$ 46,944**
Deferred revenue	**97,268**
Annuities payable	**8,913**
Total liabilities	**153,125**
Commitments (see Note I)	
Net assets:	
Unrestricted	**533,283**
Temporarily restricted	**5,553,582**
Total net assets	**6,086,865**
	$ 6,239,990

See notes to financial statements

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 723,507	$ 3,749,111	$ 4,472,618
Special events (net of direct benefit to donors of $665,642)	1,923,918		1,923,918
Investment income	9,969		9,969
Total support and revenue before net assets released from restrictions	2,657,394	3,749,111	6,406,505
Net assets released from restrictions	3,798,357	(3,798,357)	0
Total support and revenue	6,455,751	(49,246)	6,406,505
Expenses:			
Program services	5,842,862		5,842,862
Supporting services:			
Management and general	514,967		514,967
Fund-raising	330,263		330,263
Total supporting services	845,230		845,230
Total expenses	6,688,092		6,688,092
Decrease in net assets	(232,341)	(49,246)	(281,587)
Net assets, beginning of year (as restated; see Note A[11])	765,624	5,602,828	6,368,452
Net assets, end of year	$ 533,283	$ 5,553,582	$ 6,086,865

See notes to financial statements

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statement of Functional Expenses
Year Ended December 31, 2014

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Advocacy	$ 96,012			$ 96,012
Provision for bad debt		$ 111,072		111,072
Computer maintenance		26,220		26,220
Credit card processing fees			$ 37,580	37,580
Depreciation		801		801
Grants to Shalva Israel	5,680,000			5,680,000
Equipment rental and maintenance		11,163		11,163
Events			17,689	17,689
Insurance		7,464		7,464
Professional fees		23,698		23,698
Office and other expense		52,542		52,542
Payroll tax	6,064	19,749	17,466	43,279
Postage and delivery			24,606	24,606
Rent		51,650		51,650
Salaries	60,786	197,730	174,866	433,382
Telephone			19,208	19,208
Travel		12,878	38,848	51,726
	$ 5,842,862	$ 514,967	$ 330,263	$ 6,688,092

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statement of Cash Flows
Year Ended December 31, 2014

Cash flows from operating activities:	
Decrease in net assets	**$ (281,587)**
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	**801**
Donated securities	**(52,268)**
Proceeds from sales of donated securities	**52,268**
Provision for allowance for bad debt	**111,072**
Changes in:	
Pledges receivable	**179,105**
Prepaid expenses and other assets	**(10,700)**
Accrued expenses and other liabilities	**40,338**
Deferred revenue	**97,268**
Annuities payable	**(1,905)**
Net cash provided by operating activities	**134,392**
Cash flows from investing activities:	
Purchases of property and equipment	**(4,007)**
Purchases of investments	**(110)**
Proceeds from sales of investments	**4,981**
Net cash provided by investing activities	**864**
Net change in cash	**135,256**
Cash, beginning of year	**209,663**
Cash, end of year	**$ 344,919**

See notes to financial statements

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

American Friends of Shalva Israel Inc., (the "Organization") is a not-for-profit corporation exempt under Section 501(c)(3) of the Internal Revenue Code. It was formed on July 30, 2007 under the not-for-profit statute of the State of Delaware. The Organization commenced operations on November 1, 2009 and is a successor organization to American Friends of Shalva, Inc., an Ohio not-for-profit organization. The assets, consisting of cash, marketable securities, pledges receivable and rent security deposit, were transferred to the Organization. The mission and purposes of both organizations are identical.

The Organization was established for the primary purpose of raising funds to provide grants to support the annual operations of Shalva - The Israel Association to Relieve the Handicapped Child and Family, an Israeli not-for-profit organization ("Shalva Israel'). In connection with the construction of the Shalva Israel's National Children's Center in Jerusalem, Israel (the "New Center"), the Organization also has been raising funds in a capital campaign to assist in the cost of such construction (the "Capital Campaign").

[2] Basis of accounting:

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Investments:

Investments in cash held in interest-bearing accounts, with readily determinable fair values are reported at their fair values in the accompanying statement of financial position, with realized and unrealized gains and losses included in the accompanying statement of activities.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on assets sold and unrealized appreciation or depreciation on investments held are reported in the accompanying statement of activities. The earnings from dividends and interest are recognized when earned.

Investment expenses include the investment manager and custodial fees. The balances of investment management fees disclosed in Note B are those specific fees charged by the Organization's investment manager.

Donated securities are recorded at their estimated fair values on the date of donation. The Organization's policy is to sell donated securities immediately, and, accordingly, for purposes of the cash flow statement, donated securities and the proceeds generated from their sale are included as operating activities.

[5] Property and equipment:

Property and equipment are stated at their costs on the dates of acquisition or at their fair values on their dates of donation. Minor costs or repairs and maintenances are expenses as incurred. Depreciation is provided using the straight-line method over estimated useful lives of 2 to 7 years for items with an original cost of $1,000 or greater.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Property and equipment: (continued)

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination.

[6] Net assets:

The net assets of the Organization and changes therein are classified and reported as follows:

(i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes and/or by the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

[7] Support and revenue:

Contributions to the Organization are recognized as revenue upon the receipt of cash, other assets or of unconditional pledges. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Net assets are released from restrictions through the satisfaction of the restricted purposes specified by the donor or the occurrence of other events.

The majority of the pledges receivable represent amounts promised to the Capital Campaign.

The Organization sponsors special events that comprise both contributions and direct benefits to donors. The contribution portion is recognized based upon the receipt of cash or other assets. The direct benefit to donors' portion received in advance of the events is deferred until the day of the event.

[8] Grants awarded to Shalva Israel:

The Organization awards grants to Shalva Israel that provides multi-faceted programs for mentally and physically challenged children, and respite services for the families of these children. These awards are recorded as expenses at the time they become unconditional, which is usually when they are awarded.

[9] Functional allocation of expenses:

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Income tax uncertainties:

The Organization follows the provisions of the Financial Accounting Standards Board's (the 'FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, ASC Topic 740 has not had, and is not expected to have, a material impact on the Organization's financial statements.

[11] Restatement of net assets:

Effective December 31, 2013, the Organization restated its net assets to report the impact of the adjustments to pledges receivables and other assets not recorded at December 31, 2013. The result of the restatement was an increase in net assets at December 31, 2013 of $4,217,332.

[12] Subsequent events:

The Organization considers the accounting treatments, and the related disclosures in the current-year's financial statements, that may be required as the result of all events or transactions that occur after the year-end through November 6, 2015, the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

At year-end, investments consisted of money market funds with a cost of $568,410 which approximates fair value. Investment income of $9,969 consists of interest earned during the year, net of $4,131 of investment expenses.

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments that are redeemable at or near the statement of financial position date and for which a model was derived for valuation.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the year, there were no transfers among the fair-value hierarchy levels.

All of the Organization's investments at year end were classified as Level 1 investments.

NOTE C - PLEDGES RECEIVABLE

At year end, pledges receivable are estimated to be due as follows:

Less than one year	**$ 2,752,516**
One to five years	**2,801,067**
	5,553,583
Allowance for uncollectible contributions	**(111,072)**
Reduction for contributions due in excess of one year, at a 2% discount rate	**(137,756)**
	$ 5,304,755

NOTE D - PROPERTY AND EQUIPMENT

At year-end, property and equipment consisted of the following:

Furniture and equipment	**$ 54,075**
Computer hardware and software	**4,007**
	58,082
Less accumulated depreciation	**(54,876)**
	$ 3,206

Depreciation expense for the year was $801.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets consisted of the following:

Time restriction	**$ 587,465**
Capital campaign	**4,966,117**
Total	**$ 5,553,582**

Net assets released from restrictions during the year were for the following:

Time restriction	**$ 209,857**
Capital campaign	**3,588,500**
Total	**$ 3,798,357**

NOTE F - RELATED PARTY TRANSACTIONS

Advocacy expenses of $96,012 consist of fees paid to a company for lectures presented on topics related to issues individuals have with severe disabilities. A founder and the director of Shalva Israel perform these services for the company.

NOTE G - ANNUITY PAYABLE

The Organization uses the actuarial method of recording charitable gift annuities. Under this method, when a gift is received, the present value of aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net assets category. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at 4.2% over estimated lives according to IRS 90CM Tables.

The Organization's gift annuity obligation was $8,913 for 2014 and is estimated to be paid as follows:

Year Ending December 31,	Amount
2015	$ 1,256
2016	1,256
2017	1,256
2018	1,256
2019	1,256
Thereafter	2,633
Total	$ 8,913

Payments made to the beneficiaries during the year were $1,256.

NOTE H - CONCENTRATIONS

For the year ended December 31, 2014, the Organization received from one donor a contribution of $3.2 million for the Capital Campaign (which amount represented approximately 49% of the Organization's total support and revenue for such year). $1.2 million of such contribution was a pledge receivable at December 31, 2014 (representing approximately 23% of the Organization's pledges receivable as of December 31, 2014), which was paid in full subsequent to year end. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Organization does not face a significant risk of loss on these accounts that would arise due to the failure of these institutions.

NOTE I - COMMITMENTS

[1] Leases:

The Organization leases office space and office equipment under operating lease agreements expiring through March 31, 2017. The future minimum annual rental payments to be made under the lease agreements, in each of the years subsequent to December 31, 2014, are as follows:

Year Ending December 31,	Amount
2015	$ 67,633
2016	71,083
2017	16,500
Total	$ 155,216

[2] Other contracts:

The Organization has entered into various contracts and agreements in the normal course of business operations.