

EISNERAMPER

**AMERICAN FRIENDS OF
SHALVA ISRAEL, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

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 statements of financial position as of December 31, 2017 and 2016, 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

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.

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 audits 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 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 American Friends of Shalva Israel, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
September 17, 2018



AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS		
Cash	\$ 236,553	\$ 237,393
Pledges receivable, net	3,237,448	4,189,679
Investments	18,413	20,001
Prepaid expenses and other assets	82,215	90,487
Property and equipment, net	<u>802</u>	<u>1,603</u>
	<u>\$ 3,575,431</u>	<u>\$ 4,539,163</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and other liabilities	\$ 59,144	\$ 56,706
Deferred revenue	647,822	513,011
Note payable		1,270,000
Annuity payable	<u>5,927</u>	<u>7,496</u>
Total liabilities	<u>712,893</u>	<u>1,847,213</u>
Commitments (Notes L)		
Net assets:		
Unrestricted (deficit) (Note J)	(374,910)	(1,497,729)
Temporarily restricted	<u>3,237,448</u>	<u>4,189,679</u>
Total net assets	<u>2,862,538</u>	<u>2,691,950</u>
	<u>\$ 3,575,431</u>	<u>\$ 4,539,163</u>

See notes to financial statements.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Support and revenue:						
Contributions (including donated services of \$140,932 in 2017 and \$93,533 in 2016)	\$ 889,504	\$ 1,175,978	\$ 2,065,482	\$ 3,149,453	\$ 1,160,012	\$ 4,309,465
Special events (net of direct benefit to donors of \$862,334 in 2017 and \$709,298 in 2016)	2,638,146		2,638,146	3,334,792		3,334,792
Interest income	1,328		1,328	3,414		3,414
Total support and revenue before net assets released from restrictions	3,528,978	1,175,978	4,704,956	6,487,659	1,160,012	7,647,671
Net assets released from restrictions	2,128,209	(2,128,209)	0	2,567,018	(2,567,018)	0
Total support and revenue	5,657,187	(952,231)	4,704,956	9,054,677	(1,407,006)	7,647,671
Expenses:						
Program services	3,499,279		3,499,279	9,646,348		9,646,348
Supporting services:						
Management and general	445,014		445,014	413,264		413,264
Fund-raising	590,075		590,075	564,094		564,094
Total supporting services	1,035,089		1,035,089	977,358		977,358
Total expenses	4,534,368		4,534,368	10,623,706		10,623,706
Change in net assets	1,122,819	(952,231)	170,588	(1,569,029)	(1,407,006)	(2,976,035)
Net assets, beginning of year	(1,497,729)	4,189,679	2,691,950	71,300	5,596,685	5,667,985
Net assets, end of year	\$ (374,910)	\$ 3,237,448	\$ 2,862,538	\$ (1,497,729)	\$ 4,189,679	\$ 2,691,950

See notes to financial statements.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statements of Functional Expenses

Year Ended December 31,

	2017					2016						
	Supporting Services				Direct Benefit to Donors	Total	Supporting Services				Direct Benefit to Donors	Total
	Grants and Award Programs	Management and General	Fund-Raising	Total			Grants and Award Programs	Management and General	Fund-Raising	Total		
Salaries	\$ 117,104	\$ 142,562	\$ 249,484	\$ 392,046		\$ 509,150	\$ 122,910	\$ 149,629	\$ 261,852	\$ 411,481		\$ 534,391
Payroll taxes and employee benefits	9,506	11,573	20,252	31,825		41,331	10,041	12,223	21,391	33,614		43,655
Total salaries and fringe benefits	126,610	154,135	269,736	423,871		550,481	132,951	161,852	283,243	445,095		578,046
Grants to Shalva Israel Advocacy (lecture fees paid (Note F))	3,131,000					3,131,000	9,290,260					9,290,260
Events	96,000		10,000	10,000		10,000	96,000		10,000	10,000		10,000
Credit card processing fees	18,450	22,461	39,307	61,768		80,218	15,979	19,452	34,041	53,493		69,472
Professional and consulting fees	60,398	73,527	128,673	202,200		262,598	47,522	57,853	101,243	159,096		206,618
Insurance	1,927	2,346	4,104	6,450		8,377	2,199	2,678	4,686	7,364		9,563
Rent	24,207	29,469	51,571	81,040		105,247	24,358	29,653	51,892	81,545		105,903
Postage and delivery	7,405	9,014	15,776	24,790		32,195	9,211	11,213	19,624	30,837		40,048
Travel	14,777	17,989	31,481	49,470		64,247	5,295	6,446	11,280	17,726		23,021
Telephone	3,539	4,309	7,541	11,850		15,389	5,118	6,230	10,902	17,132		22,250
Computer maintenance	5,217	6,352	11,116	17,468		22,685	6,353	7,734	13,533	21,267		27,620
Equipment rental and maintenance	2,682	3,266	5,715	8,981		11,663	3,579	4,357	7,623	11,980		15,559
Office and other expense	7,067	8,602	15,055	23,657		30,724	7,523	9,159	16,027	25,186		32,709
Interest		18,059	18,059	18,059		18,059		23,989	23,989	23,989		23,989
Provision for bad debt		94,684	94,684	94,684		94,684		71,846	71,846	71,846		71,846
Depreciation		801	801	801		801		802	802	802		802
	3,499,279	445,014	590,075	1,035,089		4,534,368	9,646,348	413,264	564,094	977,358		10,623,706
Direct benefit to donors					\$ 862,334	862,334					\$ 709,298	709,298
	<u>\$ 3,499,279</u>	<u>\$ 445,014</u>	<u>\$ 590,075</u>	<u>\$ 1,035,089</u>	<u>\$ 862,334</u>	<u>\$ 5,396,702</u>	<u>\$ 9,646,348</u>	<u>\$ 413,264</u>	<u>\$ 564,094</u>	<u>\$ 977,358</u>	<u>\$ 709,298</u>	<u>\$ 11,333,004</u>

See notes to financial statements.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Statements of Cash Flows

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 170,588	\$ (2,976,035)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	801	802
Provision for allowance for bad debts	94,684	71,846
Changes in:		
Pledges receivable, net	857,547	927,419
Prepaid expenses and other assets	8,272	(80,087)
Accrued expenses and other liabilities	2,438	14,583
Deferred revenue	134,811	279,129
Annuity payable	<u>(1,569)</u>	<u>(942)</u>
Net cash provided by (used in) operating activities	<u>1,267,572</u>	<u>(1,763,285)</u>
Cash flows from investing activities:		
Purchases of investments		(20,719)
Proceeds from sales of investments	<u>1,588</u>	<u>563,628</u>
Net cash provided by investing activities	<u>1,588</u>	<u>542,909</u>
Cash flows from financing activities:		
Proceeds from note		2,150,000
Repayment of note	<u>(1,270,000)</u>	<u>(880,000)</u>
Net cash (used in) provided by financing activities	<u>(1,270,000)</u>	<u>1,270,000</u>
Net change in cash	(840)	49,624
Cash, beginning of year	<u>237,393</u>	<u>187,769</u>
Cash, end of year	\$ <u>236,553</u>	\$ <u>237,393</u>
Supplemental disclosures of cash flow information:		
Donated services	\$ 140,932	\$ 93,533
Interest paid	\$ 18,059	\$ 23,989

See notes to financial statements.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

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 statutes 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 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 has also raised 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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Investments:

Investments in money-market accounts, are reported at their fair values in the statements of financial position.

Investment transactions are recorded on a trade-date basis. The earnings from interest is recognized when earned.

Donated securities are recorded at their estimated fair values on the dates of donation. The Organization's policy is to sell donated securities immediately, and, accordingly, for purposes of the accompanying statements of cash flows, donated securities received and sold in the same year are reported in the changes in net assets shown in 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 2-3 years for computer hardware and 5-7 years for furniture and equipment, for items with an original cost of \$2,500 or greater.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

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. Long-lived assets were tested for impairment as of December 31, 2017 and 2016, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[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 or for use in specific time periods. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

[7] Revenue recognition:

(i) *Contributions and pledges:*

Contributions made to the Organization are recognized as revenue upon the receipt of cash or 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. Conditional contributions are recorded when the conditions have been met, and pledges to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable has been provided using management's judgement of potential defaults, which considers factors such as prior collection history, the type of contributions received, and the nature of the Organization's fund-raising activity.

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

(ii) *Special events:*

During fiscal-years 2017 and 2016, the Organization held various fund-raising events to raise money for its operating costs. A portion of the gross proceeds paid by the attendees of the event represents payment for the direct cost of the benefits received by the attendees at the event. Such special-event income is reported net of the direct costs of the event that are attributable to the benefit that the donors receive referred to as "direct benefit to donor." The direct benefit to donors' portion received in advance of the events is deferred until the day of the event.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

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

[7] Revenue recognition: (continued)

(iii) Donated services:

For recognition of donated services in the financial statements, such services must: (i) create or enhance non-financial assets; and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require specialized skills and (ii) be provided by individuals possessing these skills. Donated services are recorded as support at their estimated fair value at the dates of donation and are reported as unrestricted support. Donated services are reported as both contributions and offsetting expenses in the accompanying statements of activities.

[8] Grants awarded to Shalva Israel:

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

[9] Functional allocation of expenses:

The cost of providing the Organization's program and other activities have been summarized in the schedule of functional expenses. Costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Indirect costs have been allocated on the basis of employee salaries.

[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] Upcoming accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and the availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization will adopt this accounting pronouncement in 2018.

[12] Subsequent events:

The Organization evaluated subsequent events through September 17, 2018, the date on which the financial statements were available to be issued.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

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

[13] Reclassification:

Certain amounts included in the prior year's financial statements have been reclassified to conform to the current year's presentation. This reclassification had no effect on the previously reported change in net assets.

NOTE B - INVESTMENTS

At December 31, 2017 and 2016, investments consisted of money market funds with a cost of \$18,413 and \$20,001, respectively, which approximated their fair values at each year end.

The FASB's ASC Topic 820, *Fair Value Measurement*, 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 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.

The Organization's investments are classified as Level 1 for both 2017 and 2016.

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 would be reported at the beginning of the reporting period. There were no transfers among levels during 2017 and 2016.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE C - PLEDGES RECEIVABLE

At each year-end, pledges receivable were estimated to be due as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Less than one year	\$ 1,401,193	\$ 1,703,524
One to five years	<u>2,101,110</u>	<u>2,838,927</u>
	3,502,303	4,542,451
Reduction for pledges due in excess of one year, at a 2% discount rate	<u>(124,763)</u>	<u>(171,074)</u>
	3,377,540	4,371,377
Allowance for uncollectible pledges	<u>(140,092)</u>	<u>(181,698)</u>
	<u>\$ 3,237,448</u>	<u>\$ 4,189,679</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 54,075	\$ 54,075
Computer hardware	<u>4,007</u>	<u>4,007</u>
	58,082	58,082
Less accumulated depreciation	<u>(57,280)</u>	<u>(56,479)</u>
	<u>\$ 802</u>	<u>\$ 1,603</u>

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Time-restricted	\$ 191,200	\$ 92,159
Capital Campaign	<u>3,046,248</u>	<u>4,097,520</u>
Total	<u>\$ 3,237,448</u>	<u>\$ 4,189,679</u>

Net assets released from restrictions during 2017 and 2016 were for the following:

	<u>Year Ended</u> <u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Time-restricted	\$ 343,626	\$ 847,183
Capital Campaign	<u>1,784,583</u>	<u>1,719,835</u>
Total	<u>\$ 2,128,209</u>	<u>\$ 2,567,018</u>

NOTE F - RELATED-PARTY TRANSACTIONS

- [1] In each of the years 2017 and 2016, advocacy expenses was \$96,000. The fees were paid to a company for lectures presented on topics related to individuals with severe disabilities. A founder and the director of Shalva Israel performed these services for the company.
- [2] During 2017 and 2016, the Organization received donated legal services valued at \$140,932 and \$93,533, respectively. The services were rendered by a law firm, which has a partner who also serves as a Director on the Organization's Board.

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 the 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 using the Internal Revenue Service's 90CM mortality table.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE G - ANNUITY PAYABLE (CONTINUED)

The Organization's gift annuity obligation at December 31, 2017 and 2016 was \$5,927 and \$7,496, respectively. Annual estimated payments to be made subsequent to December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 1,256
2019	1,256
2020	1,256
2021	1,256
Thereafter	<u>903</u>
Total	<u>\$ 5,927</u>

Payments made to the beneficiaries during both 2017 and 2016 were \$1,256, respectively.

NOTE H - NOTE PAYABLE

In August 2016, the Organization entered into a term loan agreement with First Republic Bank, in the amount of \$2,150,000, bearing interest, payable monthly, at 4.00% per annum, and due August 2019. The term loan was used as an advance to fund program activity against future cash payments on outstanding pledges for the Capital Campaign. Through the term of the loan, principal payments were due, at a level sufficient to reduce the outstanding principal balance to \$1,650,000 by August 31, 2017, and to \$900,000 by August 31, 2018. As collateral for the borrowings under the loan agreement, one Board member had entered into a letter of credit agreement, on behalf of the Organization, for \$1,000,000, and two other Board members had entered into limited guarantee agreements. As of December 31, 2017, the loan was paid in full and the letter of credit expired.

NOTE I - CONCENTRATION OF REVENUE

As of December 31, 2017, pledges receivable balances from three donors totaled approximately \$2,000,000 (representing approximately 57% of the outstanding pledges receivable as of December 31, 2017).

During 2016, the Organization received from three donors contributions aggregating \$3,250,000 for the Capital Campaign (which amount represented approximately 42% of the Organization's total support and revenue for that year). As of December 31, 2016, pledges receivable balances from four donors was approximately \$2,900,000 (representing approximately 69% of the pledges receivable as of December 31, 2016).

NOTE J - FUNDING OF THE ORGANIZATION

As of December 31, 2017, the Organization had a deficit in unrestricted net assets of \$374,910 as a result of its grant-making to Shalva Israel. The Organization's Board of Directors and donors continues to fund the Organization as needed, so as to maintain the necessary asset level for the required grant making.

NOTE K - CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash-equivalent accounts deposited in a high-credit-quality financial institution. The balances of which, from time to time, may be in excess of federally insured limits. However, management believes that the Organization has no significant risk of loss on any of these accounts that would be due to the failure of the financial institutions.

AMERICAN FRIENDS OF SHALVA ISRAEL, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE L - COMMITMENTS

[1] Leases:

The Organization leases office space and office equipment under operating lease agreements expiring through December 31, 2018. The future minimum annual rental payments to be made under the lease agreements is \$98,400 in 2018. The Organization is in negotiations with the landlord to renew its office space lease.

[2] Other contracts:

In the normal course of business, the Organization enters into contracts for profession and other services, which are typically renewable on a year-to year basis.