

American Friends of Beit Ruth Inc.

**Financial Statements
as of December 31, 2018**

Financial Statements as at December 31, 2018

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Auditors' Report to the Members of American Friends of Beit Ruth Inc.

We have audited the accompanying balance sheets of American Friends of Beit Ruth Inc. as of December 31, 2018 and 2017 and the related statements of activities, and cash flows for each of the years then ended. These financial statements are the responsibility of the board and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board and by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of Beit Ruth Inc. as at December 31, 2018 and 2017 and its results of operations, and its cash flows for each of the years then ended, in accordance with generally accepted accounting principles in the United States of America.


Somekh Chaikin
Certified Public Accountants (Isr.)

November 12, 2019

Balance Sheet as at December 31

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents		341,050	344,113
Traded securities		2,400,589	700,636
Contributions receivable – short-term	4	724,015	365,435
		<u>3,465,654</u>	<u>1,410,184</u>
 Contributions receivable – long-term	4	<u>1,487,500</u>	<u>125,000</u>
		<u>4,953,154</u>	<u>1,535,184</u>
 Current liabilities			
Accounts payable and accrued expenses	5	13,246	114,478
Commitment to projects	6	-	499,992
		<u>13,246</u>	<u>614,470</u>
 Net assets			
Without donor restrictions		<u>4,939,908</u>	<u>920,714</u>
		<u>4,953,154</u>	<u>1,535,184</u>

Michael Asker
Name

[Signature]
Signature

11-11-19
Date

The accompanying notes are an integral part of these financial statements.

Statement of Activities

		<u>Without donor restrictions</u>		
	<u>Note</u>	<u>Accumulated surplus</u>	<u>With donor restrictions</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
For the year ended December 31, 2018				
Revenues				
Without donor restrictions	3	2,813,633	-	2,813,633
With donor restrictions	3	-	1,879,500	1,879,500
Released from restrictions for operations		799,097	(799,097)	-
Released from restrictions for projects		1,080,403	(1,080,403)	-
Gains on securities and other finance income		77,101	-	77,101
Total revenues		<u>4,770,234</u>	<u>-</u>	<u>4,770,234</u>
Expenses				
Transfers to Beit Ruth for operations		299,105	-	299,105
Development and fundraising		391,557	-	391,557
General and administrative		60,378	-	60,378
Total expenses		<u>751,040</u>	<u>-</u>	<u>751,040</u>
Total change in net assets		4,019,194	-	4,019,194
Net assets as at January 1, 2018		<u>920,714</u>	<u>-</u>	<u>920,714</u>
Net assets as at December 31, 2018		<u>4,939,908</u>	<u>-</u>	<u>4,939,908</u>

The accompanying notes are an integral part of these financial statements.

Statement of Activities

	Note	Without donor restrictions Accumulated surplus \$	With donor restrictions \$	Total \$
For the year ended December 31, 2017				
Revenues				
Without donor restrictions	3	229,575	-	229,575
With donor restrictions	3	-	717,736	717,736
Released from restrictions for operations		164,000	(164,000)	-
Released from restrictions for projects		553,736	(553,736)	-
Gains on securities and other finance income		152,043	-	152,043
Total revenues		<u>1,099,354</u>	<u>-</u>	<u>1,099,354</u>
Expenses				
Transfers to Beit Ruth for operations		164,000	-	164,000
Commitments of donations to projects	6	73,435	-	73,435
Development and fundraising		252,215	-	252,215
General and administrative		36,831	-	36,831
Total expenses		<u>526,481</u>	<u>-</u>	<u>526,481</u>
Total change in net assets		572,873	-	572,873
Net assets as at January 1, 2017		<u>347,841</u>	<u>-</u>	<u>347,841</u>
Net assets as at December 31, 2017		<u>920,714</u>	<u>-</u>	<u>920,714</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	For the year ended December 31,	
	2018	2017
	\$	\$
Cash flows from operating activities		
Change in net assets	4,019,194	572,873
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Decrease (increase) in contributions and other receivables	(1,721,080)	1,167,042
Decrease in commitments and accrued Expenses	(601,224)	(2,379,407)
Revaluation of traded securities	(209,606)	(133,032)
Net cash provided by (used in) operating activities	1,487,284	(772,524)
Cash flows from investing activities		
Purchase of securities	(1,490,347)	-
Net cash provided by investing activities	(1,490,347)	-
Decrease in cash and cash equivalents	(3,063)	(772,524)
Balance of cash and cash equivalents at beginning of year	344,113	1,116,637
Balance of cash and cash equivalents at end of year	341,050	344,113

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements as at December 31, 2018

Note 1 - General

American Friends of Beit Ruth Inc. (hereinafter: "The Organization") was established in February 2012, as a not-for-profit organization in the State of New York and obtained its 501(c)3 status. The Organization commenced operations in September 2013 and supports the programs and activities of The Beit Ruth Educational & Therapeutic Village for at-risk and vulnerable girls, located in Afula, Israel. The Beit Ruth Village is a non-governmental organization in Israel and as such has not been consolidated in the accompanying financial statements.

Support for The Beit Ruth Village is a key priority of the Organization. The Beit Ruth Village is on a campus approximately 93 kilometers north of Tel Aviv near the city of Afula. The Village is a unique and visionary full-time residential community and school which provides therapeutic, enriching and educational programs for at-risk girls in Israel. The Village is a safe and structured home-like environment that provides vulnerable girls with the loving support of a family environment and opportunity for a better future. The Village provides residential homes with communal living centers, kitchens and dining rooms. It also includes a high school, medical care, comprehensive support, an enrichment center for therapeutic art and music, grounds for sports and other activities, and a small farm and gardens.

Note 2 - Significant Reporting and Accounting Policies

A. Basis of accounting

The Organization's financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America.

B. Accounting for non-profit entities

Net assets are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net assets without donor restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization.

All net assets of the Organization at December 31, 2018 were considered to be net assets without donor restrictions.

C. Cash and cash equivalents

Cash equivalents include highly liquid investments with an original maturity of three months or less.

Notes to the Financial Statements as at December 31, 2018

Note 2 - Significant Reporting and Accounting Policies (cont'd)

D. Accrual basis

These financial statements have been prepared on the accrual basis.

Donations and project expenses are recorded when a commitment has been made and other expenses are expensed when the activity takes place.

E. 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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates.

F. Traded securities

Traded securities held as current investments are stated at their market value as of the balance sheet date. Changes in the value of securities are fully recognized on a current basis in the statement of activities as an addition to the temporarily restricted net assets.

G. Pledges receivable

Pledges are unconditional promises to make future payments. Pledges, including promises to give cash and other assets are included in the financial statements as contributions receivable and recognized as revenue in the period pledged.

H. Reclassification

Certain prior year figures have been reclassified to conform to current year presentations.

I. New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied

Notes to the Financial Statements as at December 31, 2018

Note 2 - Significant Reporting and Accounting Policies (cont'd)

I. New Accounting Pronouncements (cont'd)

on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Note 3 - Donations

a. Restricted

	For the year ended December 31,	
	2018	2017
	\$	\$
Kambiz & Halen Damaghi	1,000,000	-
The Ernst and Paula Deutsch Foundation	450,000	-
Ashner Evergreen Foundation	300,000	681,736
Others	129,500	36,000
	<u>1,879,500</u>	<u>717,736</u>

b. Unrestricted

	For the year ended December 31,	
	2018	2017
	\$	\$
Edward Khalily	1,000,000	-
Mortan and Carole Olshan Foundation Inc.	-	50,000
Eurgene J. Eder Charitable Inc.	-	18,000
Lucern Foundation	-	15,000
Ashner Evergreen Foundation	100,000	-
Michael Nachman	100,000	-
The William and Phyllis Mack Family Foundation	100,000	-
Steven Witkoff	100,000	-
Others	1,413,633	146,575
	<u>2,813,633</u>	<u>229,575</u>

Notes to the Financial Statements as at December 31, 2018**Note 4 - Contributions Receivable**

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Less than one year	724,015	365,435
One to five years	<u>1,487,500</u>	<u>125,000</u>
Total	<u>2,211,515</u>	<u>490,435</u>

Note 5 - Accounts Payable and Accrued Expenses

At December 31, 2017, includes a provision related to the Women's International Zionist Organization (WIZO) for \$100 thousand. During 2013, the Organization entered into an agreement with WIZO to fund the construction of a new building on one of WIZO's properties in exchange for the full ownership of another WIZO's property which was transferred to Beit Ruth R.A upon the execution of the agreement. The full amount has been paid as of December 31, 2018.

Note 6 - Commitment to Capital Project

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Opening balance	499,992	2,776,906
Capital commitment made	-	37,435
Distributions	<u>(499,992)</u>	<u>(2,314,349)</u>
Balance as at December 31,	<u>-</u>	<u>499,992</u>

During 2016, a commitment was made by the Organization to fund the construction of a school building in the Village. Construction began in 2016 and was completed in October 2017.

Notes to the Financial Statements as at December 31, 2018

Note 7 - Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other financial commitments. The Organization maintains a financial resources policy that outlines acceptable investment vehicles for working capital, which includes reserves to be spent in the short-term on current activities, donor restricted funds meant to be spent down over a relatively short period of time to fund programs, and operating cash, which includes gifts without donor restrictions and with restriction or funds for operating needs. Per the policy, the Organization invests available cash needed for its general expenditures, liabilities, and other obligations in short-term investments, specifically interest bearing checking accounts, money market funds, and money market mutual funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of activities to support those service operations to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient funds to cover general expenditures not covered by donor-restricted resources.