

Emunah of America, Inc.

Financial Statements

December 31, 2016 and 2015



Emunah of America, Inc.

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December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors and Board of Trustees
Eemunah of America, Inc.

We have audited the accompanying financial statements of Eemunah of America, Inc, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expense and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Eemunah of America, Inc. as of December 31, 2016, 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.

Report on Summarized Comparative Information

The previous Eemunah of America, Inc.'s 2015 financial statements were audited by other auditors, whose report dated June 16, 2016 expressed an unmodified audit opinion on those audited financial statements. In their opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

April 27, 2017

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Emunah of America, Inc.

Statements of Financial Position

December 31, 2016

(with comparative summarized totals for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents (Notes 1b and 8)	\$ 711,310	\$ 465,111
Contributions receivable (Notes 1c and 3)	448,207	612,344
Prepaid expenses and other assets	138,498	183,064
Investments (Notes 1d, 1e and 4)	235,050	24,881
Inventory (Note 1f)	39,914	52,465
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 5)	<u>22,819</u>	<u>35,139</u>
Total assets	<u><u>\$ 1,595,798</u></u>	<u><u>\$ 1,373,004</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 412,891	\$ 590,676
Deferred revenue (Note 1h)	237,263	257,912
Deferred rent (Note 1i)	34,885	19,483
Annuities payable (Note 6)	<u>16,312</u>	<u>18,253</u>
Total liabilities	<u>701,351</u>	<u>886,324</u>
Net assets		
Unrestricted (deficit)	224,185	12,795
Temporarily restricted (Note 2)	446,262	473,885
Permanently restricted	<u>224,000</u>	<u>-</u>
Total net assets	<u>894,447</u>	<u>486,680</u>
Total liabilities and net assets	<u><u>\$ 1,595,798</u></u>	<u><u>\$ 1,373,004</u></u>

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

Emunah of America, Inc.**Statement of Activities and Changes in Net Assets****Year Ended December 31, 2016****(with comparative summarized totals for the year ended December 31, 2015)**

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and support					
Contributions (Notes 1c and 3)	\$ 3,691,359	\$ 210,201	\$ 224,000	\$ 4,125,560	\$ 3,494,211
Gala contributions net of direct expenditure 2016: \$244,103, 2015: \$223,896	538,856	-	-	538,856	416,507
Missions	1,039,990	-	-	1,039,990	1,599,457
Event income, net of direct expense 2016: \$97,692, 2015: \$64,185	491,366	-	-	491,366	382,711
Merchandise sales, net of cost of goods sold 2016: \$30,312, 2015: \$89,426	(3,289)	-	-	(3,289)	16,688
Net investment income (loss) (Note 4)	902	-	-	902	(4,513)
Other income	2,744	-	-	2,744	3,609
	<u>5,761,928</u>	<u>210,201</u>	<u>224,000</u>	<u>6,196,129</u>	<u>5,908,670</u>
Net assets released from restrictions, satisfaction of time and program restrictions	237,824	(237,824)	-	-	-
Total revenue and support	<u>5,999,752</u>	<u>(27,623)</u>	<u>224,000</u>	<u>6,196,129</u>	<u>5,908,670</u>
Expenses					
Program services					
Israel projects	3,396,766	-	-	3,396,766	2,966,529
Missions	1,165,399	-	-	1,165,399	1,591,738
Members' projects	347,082	-	-	347,082	422,529
Total program services	<u>4,909,247</u>	<u>-</u>	<u>-</u>	<u>4,909,247</u>	<u>4,980,796</u>
Supporting services					
Management and general	541,052	-	-	541,052	446,184
Fundraising	338,063	-	-	338,063	368,792
Total supporting services	<u>879,115</u>	<u>-</u>	<u>-</u>	<u>879,115</u>	<u>814,976</u>
Total expenses	<u>5,788,362</u>	<u>-</u>	<u>-</u>	<u>5,788,362</u>	<u>5,795,772</u>
Change in net assets	211,390	(27,623)	224,000	407,767	112,898
Net assets beginning of year,	<u>12,795</u>	<u>473,885</u>	<u>-</u>	<u>486,680</u>	<u>373,782</u>
Net assets, end of year	<u>\$ 224,185</u>	<u>\$ 446,262</u>	<u>\$ 224,000</u>	<u>\$ 894,447</u>	<u>\$ 486,680</u>

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

Emunah of America, Inc.**Statement of Functional Expenses****Year Ended December 31, 2016****(with comparative summarized totals for the year ended December 31, 2015)**

	2016					2015	
	Program Services		Members' Projects	Supporting Services		Total	Total
	Israel Projects	Missions		Management and General	Fundraising		
Salaries, payroll taxes and benefits	\$ 190,512	\$ 163,296	\$ 226,800	\$ 226,800	\$ 99,792	\$ 907,201	\$ 986,338
Grants	3,057,293	-	-	-	-	3,057,293	2,614,286
Missions	-	921,137	-	-	-	921,137	1,366,804
Consultants	40,732	-	-	122,195	-	162,927	38,299
Postage and delivery	4,249	3,642	5,058	5,058	2,226	20,232	32,495
Marketing and advertising	1,499	1,285	1,785	1,785	785	7,139	20,558
Printing and publications	19,438	4,860	14,579	4,860	4,860	48,595	48,830
Occupancy	36,869	31,602	43,892	43,892	19,313	175,569	177,399
Office expenses	5,387	4,617	6,413	6,413	2,822	25,652	24,576
Insurance	2,339	2,005	2,785	2,785	1,225	11,138	12,694
Telephone	6,220	5,331	7,405	7,405	3,258	29,618	30,792
Equipment rental and maintenance	6,206	5,320	7,388	7,388	3,251	29,553	32,595
Travel	4,254	3,647	5,065	5,065	2,228	20,259	20,584
Supplies	5,155	4,418	6,137	6,137	2,700	24,547	32,597
Legal and accounting	-	-	-	81,494	-	81,494	58,055
Events expense	-	-	-	-	114,928	114,928	148,668
Indirect benefit expense	-	-	-	-	71,974	71,974	55,408
Dues and subscriptions	3,270	2,803	3,893	3,893	1,713	15,570	19,070
Credit card fees	9,263	7,940	11,027	11,027	4,852	44,109	49,372
Interest expense	-	-	-	-	-	-	1,947
Miscellaneous expenses	1,492	1,279	1,777	1,777	782	7,107	7,764
Moving expenses	-	-	-	-	-	-	6,946
Depreciation	2,587	2,218	3,080	3,080	1,355	12,320	9,695
Total expenses	\$ 3,396,766	\$ 1,165,399	\$ 347,082	\$ 541,052	\$ 338,063	\$ 5,788,362	\$ 5,795,772

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

Emunah of America, Inc.

Statements of Cash Flows

December 31, 2016

(with comparative summarized totals for the year ended December 31, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 407,767	\$ 112,898
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	12,320	9,695
Realized loss (gain) on sale of investments	229	(1,552)
Unrealized (gain) loss on investments	673	8,307
Change in annuities payable	6,793	5,550
Annuity reclassified as contribution	-	(5,418)
Permanently restricted contribution	(224,000)	
(Increase) decrease in:		
Contributions receivable	164,137	(119,996)
Inventory	12,551	(52,465)
Prepaid expenses and other assets	44,566	9,483
Increase (decrease) in:		
Accounts payable and accrued expenses	(177,785)	264,772
Deferred revenue	(20,649)	(105,624)
Deferred rent	15,402	19,483
Net cash provided by operating activities	<u>242,004</u>	<u>145,133</u>
Cash flows from investing activities:		
Acquisition of property and equipment	-	(15,750)
Sale of investments	15,159	75,361
Purchase of investments	(226,230)	(2,278)
Net cash (used in) provided by investing activities	<u>(211,071)</u>	<u>57,333</u>
Cash flows from financing activities:		
Payment of annuities payable	(8,734)	(7,077)
Permanently restricted contribution	224,000	
Net cash provided by (used in) financing activities	<u>215,266</u>	<u>(7,077)</u>
Net increase in cash and cash equivalents	246,199	195,389
Cash and cash equivalents		
Beginning	<u>465,111</u>	<u>269,722</u>
End	<u>\$ 711,310</u>	<u>\$ 465,111</u>

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

1. Organization and Summary of Significant Accounting Policies

Organization

Emunah of America, Inc. (“Emunah”) was established to provide support for the activities of Emunah of Israel, one of the largest volunteer organizations in Israel, providing a vast network of social welfare and educational programs. Since its establishment in the United States of America in 1948, Emunah has been responding to the needs of the people of Israel, caring for the young and old, new immigrants and veteran Israelis.

As part of our Israel programs, Emunah of America makes it possible for Emunah of Israel to provide a network of day-care centers and after-school programs. For children who are removed from their parents because of abuse or neglect, Emunah of Israel maintains crisis shelters and residential homes providing sanctuary and both short-term and permanent care and education. Emunah of Israel sponsors high schools and the Emunah College of Arts and Technology, renowned for their innovative programs for young women. For new immigrants, Emunah of Israel provides resettlement assistance; for families, Emunah of Israel maintains counseling centers; for adults of all backgrounds, Emunah of Israel runs literacy programs and continuing Jewish education; and for the elderly, Emunah of Israel provides golden-age centers and hot meal programs.

Emunah missions department programs are designed to bolster our efforts in Israel. In addition, the missions department is committed to bringing our members and donors to Israel for the purpose of witnessing first-hand the efforts being made at the various projects and programs we support. We are committed to providing support through tourism to Israel. Our moral obligation to lend support to Jews around the world – at times takes us to Jewish communities around the globe.

Much of Emunah’s projects are carried out by chapters and divisions throughout the United States of America. These chapters and divisions educate the membership on issues facing our social service and educational network projects as well as supporting the programs. Through the national organization, Emunah can mobilize our membership to action on behalf of issues that are important to the welfare of the entire Jewish community and the State of Israel. Through its chapters, Emunah brings community-based programming to a significant section of the American Jewish community.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Emunah considers all unrestricted highly liquid investments with an initial maturity of three months or less, to be cash equivalents, except for those short-term investments managed by Emunah’s investment managers as part of their long-term strategies.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to Emunah, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Emunah uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

Investments in equity securities are stated at fair value based on quoted market prices. The net realized and unrealized gains and loss on investments are reflected as investment income or loss in the statement of activities and changes in net assets.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of Emunah. Unobservable inputs reflect Emunah's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Emunah has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Emunah of America Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Inventory

Emunah's inventory consists of cookbooks and is stated at the lower of cost, as determined by the average cost method, or market value.

Property and Equipment

Property and equipment are recorded at cost, if purchased, and at fair value at date of donation, if contributed and is being depreciated using the straight-line method over the estimated useful lives of the assets.

Deferred Revenue

Emunah recognizes revenue from conferences and conventions during the period when the event occurs. Deferred revenue represents the amount received in the current fiscal year that is to be recognized in the next fiscal year.

Deferred Rent

Emunah records rent expense associated with its office lease on a straight-line basis over the life of the lease (Note 7). The difference between the straight-line amount and the amount actually paid during the year is recorded as liability and an expense in the accompanying financial statements.

Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs. Advertising expense for 2016 and 2015 was \$7,030 and \$15,822, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Status

Emunah is a not-for-profit organization exempt income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

The Organization is current with respect to its Federal and State income tax filing requirements. Management is not aware of any issues or circumstances that would unfavorably impact its tax exempt status. Management has determined that it has no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2013.

Emunah of America Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statements of activities, the prior year information is presented in total, not by net asset class. With respect to the statements of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Emunah of America Inc.'s financial statements for the year ended December 31, 2015 from which summarized information was derived.

Reclassifications

Reclassifications were made to the 2015 financial statements to conform to the 2016 presentation.

2. Net Assets

The net assets of Emunah of America, Inc. and changes therein are classified and reported as follows:

Unrestricted

Resources that are undesignated and available for general purposes are used for the general activity of the Organization.

Temporarily Restricted

Temporarily restricted net assets consist of resources, the use of which has been restricted by donors. The release of net assets from restrictions results from either the satisfaction of the restricted purposes specified by the donors, or from the passage of time.

Permanently Restricted

Permanently restricted net assets consist of resources, the use of which has been permanently restricted by donors and the income from which is directed to specific use by the donors.

3. Contributions Receivable

Contributions receivable at December 31, 2016 and 2015 are due as follows:

	Unrestricted	2016 for Future Programs/ Periods	Total
Due in less than one year	\$ 91,945	\$ 215,000	\$ 306,945
Due in one to three years	-	150,000	150,000
	<u>91,945</u>	<u>365,000</u>	<u>456,945</u>
Less: discount to present value	-	(8,738)	(8,738)
	<u>\$ 91,945</u>	<u>\$ 356,262</u>	<u>\$ 448,207</u>

Emunah of America Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

	Unrestricted	2015 for Future Programs/ Periods	Total
Due in less than one year	\$ 138,459	\$ 237,824	\$ 376,283
Due in one to three years	-	250,000	250,000
	<u>138,459</u>	<u>487,824</u>	<u>626,283</u>
Less: discount to present value	-	(13,939)	(13,939)
	<u>\$ 138,459</u>	<u>\$ 473,885</u>	<u>\$ 612,344</u>

At December 31, 2016 and 2015, restricted grants were due from five donors and two donors, respectively. Uncollectible promises to give are discounted to net present value using the discount rate of 3%.

Conditional Contributions

During the year ended December 31, 2015, Emunah received a three-year grant in the amount of \$46,200, of which approximately \$36,200 is conditional upon Emunah fulfilling certain program requirements. Accordingly, the conditional portion of the grant is not reflected in these financial statements. In 2016, Emunah received \$15,150 leaving approximately \$21,050 being conditional upon Emunah fulfilling certain program requirements.

4. Investments

Investments at December 31, 2016 and 2015 are measured at fair value and are summarized as follows:

	2016			2015		
	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Cash for long-term investment strategies	\$ 224,000	\$ 224,000	\$ -	\$ -	\$ -	\$ -
Domestic equity funds	8,550	8,550		22,381	22,381	-
Foreign government bonds	2,500	-	2,500	2,500	-	2,500
	<u>\$ 235,050</u>	<u>\$ 232,550</u>	<u>\$ 2,500</u>	<u>\$ 24,881</u>	<u>\$ 22,381</u>	<u>\$ 2,500</u>

Emunah of America Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Net investment income (loss) for the years ended December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,066	\$ 2,242
Realized (loss) gain on investments	(837)	1,552
Unrealized gain (loss) on investments	<u>673</u>	<u>(8,307)</u>
	<u>\$ 902</u>	<u>\$ (4,513)</u>

The following summarizes investments at December 31, 2016 and 2015 by level within the fair value hierarchy used to measure their respective fair values.

5. Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2016</u>	<u>2015</u>
Furniture, fixtures and equipment	7 years	\$ 76,701	\$ 76,701
Computer hardware and software	3 years	51,358	51,358
Website	3 years	21,250	5,500
Database	3 years	29,084	29,084
New website in progress	Not yet in service	<u>-</u>	<u>15,750</u>
		178,393	178,393
Less: accumulated depreciation		<u>(155,574)</u>	<u>(143,254)</u>
		<u>\$ 22,819</u>	<u>\$ 35,139</u>

Depreciation expense for the years ended December 31, 2016 and 2015 total \$12,320 and \$9,695, respectively.

6. Annuities Payable

Emunah has established a gift annuity program whereby donors may contribute assets to Emunah in exchange for the right to receive a fixed-dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable donation for income tax purposes. The difference between the amount provided for the gift annuity and the present value of the liability for future payments is recognized as unrestricted contribution at the date of the gift.

The annuity liability is revalued annually based upon actually computed present values. The resulting actuarial loss is recorded in the statement of activities.

Emunah of America Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Decrease in actuarial liability consists of the following:

	<u>2016</u>	<u>2015</u>
Actuarial loss / annuity reclassified as contribution	\$ 6,793	\$ 132
Annuity payments	<u>(8,734)</u>	<u>(7,077)</u>
	<u>\$ (1,941)</u>	<u>\$ (6,945)</u>

There were no annuity agreements written during the years ended December 31, 2016 and 2015.

7. Lease and Equipment Commitment

Emunah had a lease for its office space through December 31, 2017. In addition to base rent, the lease required additional rent for utilities and increases in real estate taxes. The landlord agreed to waive \$92,669 of rent payments in 2015 and to terminate the lease on or before January 31, 2015. Effective January 1, 2015, Emunah signed a lease for new office space through December 31, 2021. The new lease requires base rent and increases in real estate taxes. Minimum annual payments are as follows:

Year Ending December 31,

2017	\$ 160,000
2018	165,000
2019	170,000
2020	175,000
Thereafter	180,000

Rent expense for the years ended December 31, 2016 and 2015 was \$175,569 and \$177,399, respectively.

Effective January 1, 2014, Emunah signed a 5-year equipment lease agreement through to December 31, 2018. The minimum annual payments are as follows:

Year Ending December 31,

2017	\$ 12,000
2018	12,000

Rent expense for the years ended December 31, 2016 and 2015 was \$12,149 and \$9,102, respectively.

8. Concentration of Credit Risk

Emunah maintains its cash and cash equivalents in several financial institutions located in New York. The cash balance, at times, may exceed federally-insured limits. As of December 31, 2016, cash and cash equivalents balances with one financial institution exceeded Federal Deposit Insurance Corporation limits by approximately \$247,000. The Organization believes it mitigates its risks by banking with major financial institutions.

Emunah of America Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

9. Functional Allocation of Expenses

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

10. Subsequent Events

Emunah has evaluated subsequent events through April 27, 2017, the date the financial statements are to be issued.

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