

Emunah of America, Inc.

Financial Statements

December 31, 2017 and 2016



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Independent Auditors' Report

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

We have audited the accompanying financial statements of Emunah of America, Inc, which comprise the statement of financial position as of December 31, 2017, and the related statements 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

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 Emunah of America, Inc. as of December 31, 2017, 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, as Restated

We have previously audited Emunah of America, Inc's, December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2017. As discussed in Note 13 to the financial statements, certain errors resulting in understatements of amounts previously reported for accounts payable and grant expenses as of December 31, 2016, were discovered by management of the Emunah of America, Inc. during the current year. Accordingly, the amounts reported for accounts payable and grant expenditures have been restated as of December 31, 2016 to correct the error. Our opinion is not modified with respect to that matter. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, with the exception of the restatement noted above, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Mazars USA LLP".

May 22, 2018

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Emunah of America Inc.

Statements of Financial Position

December 31, 2017

(With comparative summarized totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u> <i>restated</i>
Assets		
Cash and cash equivalents	\$ 379,991	\$ 711,310
Contributions receivable	289,928	448,207
Prepaid expenses and other assets	10,050	138,498
Investments	236,851	235,050
Inventory	35,967	39,914
Property and equipment, at cost, net of accumulated depreciation	<u>6,043</u>	<u>22,819</u>
 Total assets	 <u><u>\$ 958,830</u></u>	 <u><u>\$ 1,595,798</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	549,170	\$ 656,891
Deferred revenue	-	237,263
Deferred rent	-	34,885
Annuities payable	5,211	16,312
Loans payable	<u>160,000</u>	<u>-</u>
 Total liabilities	 <u>714,381</u>	 <u>945,351</u>
 Net assets		
Unrestricted (deficit)	(232,063)	(19,815)
Temporarily restricted	252,512	446,262
Permanently restricted	<u>224,000</u>	<u>224,000</u>
 Total net assets	 <u>244,449</u>	 <u>650,447</u>
 Total liabilities and net assets	 <u><u>\$ 958,830</u></u>	 <u><u>\$ 1,595,798</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, 2017

(With comparative summarized totals for the year ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	restated Total
Revenues and support				
Contributions	2,627,035	\$ -	\$ -	\$ 4,125,560
Gala contributions net of direct expenditure 2017: \$236,821, 2016: \$244,103	537,341	-	-	538,856
Missions	1,203,778	-	-	1,039,990
Event income, net of direct expense 2017: \$67,359, 2016: \$97,692	345,377	-	-	491,366
Merchandise sales, net of cost of goods sold 2017: \$16,857, 2016: \$ 30,312	(8,249)	-	-	(3,289)
Net investment income (loss)	12,017	-	-	902
Other income	-	-	-	2,744
	<u>4,717,299</u>	<u>-</u>	<u>-</u>	<u>6,196,129</u>
Net assets released from restrictions, satisfaction of time and program restrictions	193,750	(193,750)	-	-
Total revenue and support	<u>4,911,049</u>	<u>(193,750)</u>	<u>-</u>	<u>6,196,129</u>
Expenses				
Program services				
Israel projects	2,780,870	-	-	3,640,766
Missions	1,353,531	-	-	1,165,399
Members' projects	273,135	-	-	347,082
Total program services	<u>4,407,536</u>	<u>-</u>	<u>-</u>	<u>5,153,247</u>
Supporting services				
Management and general	362,024	-	-	541,052
Fundraising	353,737	-	-	338,063
Total supporting services	<u>715,761</u>	<u>-</u>	<u>-</u>	<u>879,115</u>
Total expenses	<u>5,123,297</u>	<u>-</u>	<u>-</u>	<u>6,032,362</u>
Change in net assets	(212,248)	(193,750)	-	163,767
Net assets beginning of year	<u>(19,815)</u>	<u>446,262</u>	<u>224,000</u>	<u>486,680</u>
Net assets, end of year	<u>\$ (232,063)</u>	<u>\$ 252,512</u>	<u>\$ 224,000</u>	<u>\$ 650,447</u>

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

Emunah of America Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

(With comparative summarized totals for the year ended December 31, 2016)

	2017						2016
	Program Services			Supporting Services			<i>restated</i>
	Israel Projects	Missions	Members' Projects	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	\$ 205,861	\$ 202,849	\$ 110,162	\$ 101,998	\$ 139,396	\$ 760,266	\$ 907,201
Grants	2,433,243	-	-	-	-	2,433,243	3,301,293
Missions	-	1,089,592	-	-	-	1,089,592	921,137
Consultants	24,531	-	-	98,125	-	122,656	162,927
Postage and delivery	3,184	2,106	3,903	3,235	1,530	13,957	20,232
Marketing and advertising	8,550	5,655	10,482	8,686	4,108	37,481	7,139
Printing and publications	-	-	-	-	-	-	48,595
Rent expense	33,735	22,312	41,357	34,271	16,206	147,881	175,569
Office expenses	6,813	4,506	8,353	6,922	3,273	29,867	25,652
Insurance	3,039	2,010	3,726	3,088	1,460	13,323	11,138
Telephone	4,424	2,926	5,424	4,494	2,125	19,393	29,618
Equipment rental and maintenance	5,140	3,399	6,301	5,221	2,469	22,530	29,553
Travel	7,632	5,048	9,356	7,753	3,666	33,455	20,259
Supplies	3,482	2,303	4,269	3,538	1,673	15,265	24,547
Legal and accounting	-	-	-	68,068	-	68,068	81,494
Events expense	24,869	-	49,739	-	91,187	165,795	114,928
Indirect benefit expense	-	-	-	-	78,781	78,781	71,974
Dues and subscriptions	1,677	1,109	2,056	1,703	805	7,350	15,570
Credit card fees	9,056	5,990	11,102	9,200	4,351	39,698	44,109
Miscellaneous expenses	1,806	1,195	2,215	1,835	868	7,919	7,107
Depreciation	3,827	2,531	4,692	3,888	1,839	16,777	12,320
Total expenses	\$ 2,780,870	\$ 1,353,531	\$ 273,135	\$ 362,024	\$ 353,737	\$ 5,123,297	\$ 6,032,362

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

Emunah of America Inc.

Statement of Cash Flows

Year Ended December 31, 2017

(With comparative summarized totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u> <i>restated</i>
Cash flows from operating activities		
Change in net assets	\$ (405,998)	\$ 163,767
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	16,777	12,320
Realized loss (gain) on sale of investments	(8,873)	229
Unrealized (gain) loss on investments	(3,144)	673
Change in annuities payable	(4,365)	6,793
Permanently restricted contribution	-	(224,000)
(Increase) decrease in:		
Contributions receivable	158,279	164,137
Inventory	3,947	12,551
Prepaid expenses and other assets	128,448	44,566
Increase (decrease) in:		
Accounts payable and accrued expenses	(107,722)	66,215
Deferred revenue	(237,263)	(20,649)
Deferred rent	(34,885)	15,402
Net cash (used in) provided by operating activities	<u>(494,799)</u>	<u>242,004</u>
Cash flows from investing activities		
Sale of investments	182,061	15,159
Purchase of investments	(171,845)	(226,230)
Net cash provided by (used in) investing activities	<u>10,216</u>	<u>(211,071)</u>
Cash flows from financing activities		
Payment of annuities payable	(6,736)	(8,734)
Loan from members	160,000	-
Permanently restricted contribution	-	224,000
Net cash provided by financing activities	<u>153,264</u>	<u>215,266</u>
Net increase in cash and cash equivalents	(331,319)	246,199
Cash and cash equivalents		
Beginning	<u>711,310</u>	<u>465,111</u>
End	<u>\$ 379,991</u>	<u>\$ 711,310</u>

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

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

Organization

Emunah of America, Inc. (“Emunah” or the “Organization”) 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 plans missions and 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 Board members, chapters and volunteers throughout the United States of America. These committed volunteers 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 volunteer and supporters to action on behalf of issues that are important to the welfare of the entire Jewish community and the State of Israel. Through its volunteers and 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 of America Inc.

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.

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. 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.

Emunah of America Inc.

Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs. Advertising expense for 2017 and 2016 was \$37,481 and \$7,030, 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 from Federal income tax pursuant to 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 2014.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statements of activities and changes in net assets, 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, 2016 from which summarized information was derived.

Reclassifications

Reclassifications were made to the 2016 financial statements to conform to the 2017 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.

Emunah of America Inc.

3. Contributions Receivable

Contributions receivable at December 31, 2017 and 2016 are due as follows:

	<u>Unrestricted</u>	<u>2017 for Future Programs/ Periods</u>	<u>Total</u>
Due in less than one year	\$ 108,678	\$ 191,250	\$ 299,928
Less: allowance for uncollectible pledges	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
	<u>\$ 98,678</u>	<u>\$ 191,250</u>	<u>\$ 289,928</u>
	<u>Unrestricted</u>	<u>2016 for Future Programs/ Periods</u>	<u>Total</u>
Due in less than one year	\$ 101,945	\$ 215,000	\$ 316,945
Due in one to three years	-	150,000	150,000
	<u>101,945</u>	<u>365,000</u>	<u>466,945</u>
Less: discount to present value and allowance for uncollectible pledges	<u>(10,000)</u>	<u>(8,738)</u>	<u>(18,738)</u>
	<u>\$ 91,945</u>	<u>\$ 356,262</u>	<u>\$ 448,207</u>

At December 31, 2017 and 2016, restricted grants were due from four donors and five donors, respectively. Contribution receivables are discounted to net present value using the discount rate of 3%.

Emunah's Board of Directors have committed these pledge receivables to their Emunah projects based in Israel, in line with the donors' wishes. The liability to remit these pledges to the Emunah projects occur upon the receipt of cash. As of December 31, 2017 Emunah has a contingent commitment of \$191,250 to Emunah of Israel.

Emunah of America Inc.

4. Investments

Investments at December 31, 2017 and 2016 are measured at fair value and are summarized as follows:

	2017			2016		
	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Cash for long-term investment strategies	\$ 3,051	\$ 3,051	\$ -	\$ 224,000	\$ 224,000	\$ -
Corporate bonds	110,585	-	110,585	-	-	-
Mutual funds	68,213	68,213	-	-	-	-
Exchange-Traded securities	55,002	55,002	-	-	-	-
Domestic equity funds	-	-	-	8,550	8,500	-
Foreign government bonds	-	-	-	2,500	-	2,500
	<u>\$ 236,851</u>	<u>\$ 126,266</u>	<u>\$ 110,585</u>	<u>\$ 235,050</u>	<u>\$ 232,500</u>	<u>\$ 2,500</u>

Net investment income (loss) for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Interest and dividends	\$ 5,410	\$ 1,066
Realized (loss) gain on investments	3,463	(837)
Unrealized gain (loss) on investments	3,144	673
	<u>\$ 12,017</u>	<u>\$ 902</u>

The following summarizes investments at December 31, 2017 and 2016 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:

	Life	2017	2016
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	21,250
Database	3 years	29,084	29,084
New website in progress	Not yet in service	-	-
		<u>178,393</u>	<u>178,393</u>
Less: accumulated depreciation		<u>(172,350)</u>	<u>(155,574)</u>
		<u>\$ 6,043</u>	<u>\$ 22,819</u>

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$16,777 and \$12,320, respectively.

Emunah of America Inc.

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.

Decrease in actuarial liability consists of the following:

	<u>2017</u>	<u>2016</u>
Actuarial loss / annuity reclassified as contribution	\$ (4,365)	\$ 6,793
Annuity payments	<u>(6,736)</u>	<u>(8,734)</u>
	<u>\$ (11,101)</u>	<u>\$ (1,941)</u>

There were no annuity agreements written during the years ended December 31, 2017 and 2016.

7. Loans Payable

Five individual supporters, including two board members, provided Emunah with unsecured, interest-free loans totaling \$160,000 for the Organization's operations. The loans were repaid by March 31, 2018. When the loan proceeds were advanced, the Organization did not record contribution revenue and a loan discount as the amounts are considered trivial considering the short term of the loans. Amounts due to the two board members totaled \$50,000 and \$0 at December 31, 2017 and 2016.

8. Lease and Equipment Commitment

Effective January 1, 2014, Emunah signed a 5-year equipment lease agreement through to December 31, 2018. Effective March 1, 2016, Emunah signed a 5 year, 3 month equipment lease agreement through May 31, 2021. The minimum annual payments are as follows:

Year Ending December 31,

2018	\$ 23,657
2019	2,924
Thereafter	-

Rent expense for the years ended December 31, 2017 and 2016 was \$23,657 and \$12,149, respectively.

9. 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, 2017, cash and cash equivalents balances with all financial institution were within Federal Deposit Insurance Corporation limits. The Organization believes it mitigates its risks by banking with major financial institutions.

Emunah of America Inc.

10. 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 and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the investment income from which is available for the following purpose at December 31:

	<u>2017</u>	<u>2016</u>
The Silverstein Estate Fund (a)	<u>\$ 224,000</u>	<u>\$ 224,000</u>

(a) A memorial fund created in memory and honor of Renee Silverstein. Investment income earned in the fund is available to create, construct and maintain children's daycare centers and senior citizens' golden age centers.

Emunah's endowment consists of a donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

The Board of Directors of Emunah has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Emunah classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Emunah in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, Emunah considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of Emunah and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Emunah
- (7) The investment policy of Emunah.

Emunah of America Inc.

Endowment Net Assets by Type of Fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 224,000	\$ 224,000

Changes in Endowment Net Assets for the Year Ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ 224,000
Investment return:		
Investment income	9,659	-
Net appreciation (realized and unrealized)	3,192	-
Total investments return	12,851	-
Appropriation of endowment for expenditure	(12,851)	-
Contributions	-	-
Endowment net assets, end of year	\$ -	\$ 224,000

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ -
Investment return:		
Investment income	-	-
Net depreciation (realized and unrealized)	-	-
Total investments return	-	-
Appropriation of endowment for expenditure	-	-
Contributions	-	224,000
Endowment net assets, end of year	\$ -	\$ 224,000

12. Related Party

A family member of the Finance Consultant is employed by the financial institution holding Emunah's Endowment investment, totaling \$236,851, and acts as an investment manager to Emunah.

13. Correction of Error

Emunah's accounts payable and grant expenses as at and for the year ended December 31, 2016 has been retroactively restated to record the grant liabilities to Emunah of Israel, as a result of the receipt of restricted contributions in 2016. Accordingly, at December 31, 2016 grants expense and accounts payable were increased by \$244,000 and unrestricted net assets were decreased by \$244,000 to correct the error.

14. Liquidity

Emunah is reflecting a net decrease of approximately \$406,000 and a net increase of \$164,000 for the years ended December 31, 2017 and 2016 respectively. A large portion of the 2017 decrease is attributable to pledges receivable and contributions received in prior years. Thus, under generally accepted accounting principles, those amounts were reflected as revenue in prior years, yet the grant expense was reflected in 2017 when the cash was received and remitted to Israel.

Emunah believes that 2018 will be a positive year. In April 2018, Emunah received a substantial unrestricted gift which was neither solicited, nor anticipated. In addition, various expenses have been further reduced such as salaries, rent, and overhead. The approved budget reflects a net increase in net assets which enables Emunah to remit additional unrestricted funds to Israel.

15. Subsequent Events

Emunah has evaluated subsequent events through May 22, 2018, the date the financial statements are to be issued.

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