

**GOTBETTER AND WEINSTEIN**

CERTIFIED PUBLIC ACCOUNTANTS  
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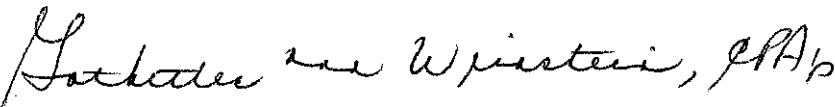
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
American Friends of Migdal Ohr.

We have audited the accompanying statement of financial position of American Friends of Migdal Ohr as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of American Friends of Migdal Ohr management. Our responsibility is to express an opinion on the financial statements based on our audit. .

We have 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 whether the financial statements are free of material misstatement. An audit included 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 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 Migdal Ohr as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
GOTBETTER AND WEINSTEIN, CPAs

June 25, 2014

THE AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF FINANCIAL POSITION

|  |                     |                     |
|--|---------------------|---------------------|
| December 31  | <u>2,013</u>        | <u>2,012</u>        |
| Cash:  |                     |                     |
| United States of America                                       | \$ 1,011,132        | \$ 584,455          |
| Pledges Receivable - Net                                       | 1,354,625           | 1,456,798           |
| Investments and Accrued Interest                               | -                   | 30,323              |
| Prepaid Expenses and Other Assets                              | 14,863              | 26,858              |
| Property and Equipment, net                                    | <u>7,426</u>        | <u>12,274</u>       |
| Total Assets   | <u>\$ 2,388,046</u> | <u>\$ 2,110,708</u> |
| LIABILITIES AND NET ASSETS                                     |                     |                     |
| Current Liabilities - Accounts Payable and<br>Accrued Expenses | 12,132              | \$ 11,690           |
| Commitments  |                     |                     |
| Net Assets:  |                     |                     |
| Unrestricted   | 1,665,914           | 989,018             |
| Temporarily Restricted   | <u>710,000</u>      | <u>1,110,000</u>    |
| Net Assets   | <u>2,375,914</u>    | <u>2,099,018</u>    |
| Total Liabilities and Net Assets                               | <u>\$ 2,388,046</u> | <u>\$ 2,110,708</u> |

THE ACCOMPANYING LETTER OF TRANSMITTAL IS AN INTEGRAL PART OF THIS REPORT.

**GOTBETTER AND WEINSTEIN**  
CERTIFIED PUBLIC ACCOUNTANTS

THE AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF ACTIVITIES  
(with summarized financial information for the year 2012)

Year ended December 31, 2013

|   | Unrestricted | Temporarily Restricted | Total        | Summarized Comparative<br>2,012 |
|---|--------------|------------------------|--------------|---------------------------------|
| Revenue, gains and other support:             |              |                        |              |                                 |
| Contributions                                 | \$ 4,301,263 | \$ -                   | 4,301,263    | \$ 2,727,917                    |
| Special Events                                | 448,648      |                        | 448,648      | 82,754                          |
| Dividend and Interest Income                  | 215          |                        | 215          | 160                             |
| Net assets released from restrictions:        |              |                        |              |                                 |
| Satisfaction of program restrictions          |              |                        |              |                                 |
| Total revenue, gains and other support        | 4,750,126    | -                      | 4,750,126    | 2,810,831                       |
| Expenses:                                     |              |                        |              |                                 |
| Program services - Israel Migdal Ohr projects | 3,760,655    |                        | 3,760,655    | 2,685,471                       |
| Fund Raising:                                 |              |                        |              |                                 |
| Direct Costs of special events                | 94,014       |                        | 94,014       | 47,483                          |
| Other   | 445,624      |                        | 445,624      | 390,789                         |
| Management and general                        | 172,937      |                        | 172,937      | 384,564                         |
| Total supporting services                     | 712,575      |                        | 712,575      | 822,836                         |
| Total expenses                                | 4,473,230    |                        | 4,473,230    | 3,508,307                       |
| Projects Completed                            | 400,000      | (400,000)              |              | 458,000                         |
| Changes in net assets                         | 276,896      |                        | 276,896      | (697,475)                       |
| Net Change                                    | 676,896      |                        |              | (239,475)                       |
| Net assets at beginning of year               | 989,018      | 1,110,000              | 2,099,018    | 1,228,496                       |
| Net assets at end of year                     | \$ 1,665,914 | \$ 710,000             | \$ 2,375,914 | \$ 989,018                      |

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THE AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF FUNCTIONAL EXPENSES  
(with summarized financial information for the year 2012)

Year ended December 31, 2013

|   | Supporting Services |                     |                           |                   | Calendar Year<br>2,012 |
|---|---------------------|---------------------|---------------------------|-------------------|------------------------|
|   | Total               | Program<br>Services | Management<br>and General | Fund-<br>raising  |                        |
| Transmissions to Migdal Ohr -<br>Israel | \$ 3,760,655        | \$ 3,760,655        |                           |                   | \$ 2,635,943           |
| Salaries                                | 304,341             |                     | \$ 36,800                 | \$ 267,541        | 409,239                |
| Consultants                             | 25,198              |                     | \$ 5,000                  | 20,198            | 100,029                |
| Payroll taxes, employee benefits        | 65,390              |                     | 7,728                     | 57,662            | 61,763                 |
| Bookkeeping Service                     | 14,590              |                     | 14,590                    |                   | 4,300                  |
| Temporary help agencies                 | 14,218              |                     | 14,218                    |                   | -                      |
| Professional Fees                       | 11,000              |                     | 11,000                    |                   | 11,000                 |
| Brochure - mailing campaign             | 24,464              |                     |                           | 24,464            | 35,567                 |
| Rent                                    | 20,838              |                     | 11,500                    | 9,338             | 39,684                 |
| Telephone                               | 11,288              |                     | 1,129                     | 10,159            | 17,822                 |
| Postage and shipping                    | 4,710               |                     | 1,570                     | 3,140             | 3,759                  |
| Office Supplies                         | 13,455              |                     | 9,450                     | 4,005             | 40,055                 |
| Printing                                | 4,365               |                     | 4,365                     |                   | 11,126                 |
| Data Processing                         | -                   |                     |                           |                   | 10,614                 |
| Travel                                  | 41,398              |                     | 10,350                    | 31,048            | 42,211                 |
| Insurance                               | 8,465               |                     | 8,465                     |                   | 6,840                  |
| Equipment rental/maintenance            | 24,984              |                     | 18,738                    | 6,246             | 9,490                  |
| Credit card commissions                 | 12,294              |                     | 12,294                    |                   | 7,508                  |
| Website                                 | 6,607               |                     |                           | 6,607             | 1,092                  |
| Advertisement                           | 960                 |                     |                           | 960               | 500                    |
| Board Meetings                          | 1,147               |                     | 1,147                     |                   | 1,147                  |
| New York State Fee                      | 275                 |                     | 275                       |                   | 275                    |
| Loss on Sale of Securities              | 21                  |                     | 21                        |                   | 343                    |
| Moving Expense                          | -                   |                     |                           |                   | 2,334                  |
| Depreciation                            | 8,553               |                     | 4,277                     | 4,276             | 8,183                  |
|   | 4,379,216           | 3,760,655           | 172,917                   | 445,644           | 3,460,824              |
| Direct Cost of special events           | 94,014              |                     |                           | 94,014            | 47,483                 |
| <b>Total functional expenses</b>        | <b>\$ 4,473,230</b> | <b>\$ 3,760,655</b> | <b>\$ 172,917</b>         | <b>\$ 539,658</b> | <b>3,508,307</b>       |

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THE AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF CASH FLOWS

| Period January 1, 2013 to December 31, 2013                     | 2,013               | Summarized<br>Comparative<br>2,012 |
|---|---------------------|------------------------------------|
| Cash flows from operating activities:                           |                     |                                    |
| Change in net assets  | \$ 276,896          | \$ (697,475)                       |
| Adjustments to reconcile change in net assets<br>to net cash    |                     |                                    |
| Used in operating activities:                                   |                     |                                    |
| (Increase) Decrease in Investments                              | 30,323              | (28,036)                           |
| Depreciation  | 8,553               | 8,183                              |
| Changes in operating assets and liabilities:                    |                     |                                    |
| (Increase) Decrease in pledges receivable                       | 102,173             | 793,427                            |
| (increase) Decrease in prepaid expenses<br>and other assets     | 12,474              | (16,343)                           |
| Increase (Decrease) in accounts payable<br>and accrued expenses | (37)                | (39,555)                           |
| (Increase) Decrease in Property and Equipment                   | (3,705)             | -                                  |
| Net Cash used in operating activities                           | <u>426,677</u>      | <u>20,201</u>                      |
| Cash flows from investing activities:                           |                     |                                    |
| None  |                     |                                    |
| Net increase (decrease) in cash                                 | 426,677             | 20,201                             |
| Cash at beginning of year                                       | <u>584,555</u>      | <u>564,254</u>                     |
| Cash at end of year   | <u>\$ 1,011,232</u> | <u>\$ 584,455</u>                  |

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# THE AMERICAN FRIENDS OF MIGDAL OHR

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The American Friends of Migdal Ohr ("AFMO") was incorporated as a not-for-profit corporation in New York State on July 31, 1986. Its sole purpose is to raise funds for Migdal Ohr institutions in Israel that provide education and social guidance to children from underprivileged and problem homes. AFMO's primary source of funds is contributions from individuals.

AFMO is a not-for-profit organization incorporated under the laws of the State of New York. The Internal Revenue Service has determined that AFMO is exempt from federal income tax under Sections 501(c)(3) of the Internal Revenue Code.

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Investments are recorded at fair value, which is the prevailing market value, with the resulting change in unrealized gains or losses included in investment income on the statement of activities.

Depreciation of property and equipment is being computed by the straight-line method over the estimated useful lives of the assets. All property and equipment purchases that are greater than \$500 are capitalized.

AFMO maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. AFMO has not experienced any losses in such accounts.

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AMERICAN FRIENDS OF MIGDAL OHR

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AFMO's financial statements for the year ended December 31, 2013 from which the summarized information was derived.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from those estimates.

2. PLEDGES  
RECEIVABLE  
NET:

All unconditional pledges receivable have been recorded in the financial statements at their net realizable value. Those receivables that are payable in over one year have been discounted to their present value-using discounts rates of 1-1/2%.

| December 31,                               | <u>2013</u>        | <u>2012</u>        |
|--|--------------------|--------------------|
| Pledge due:                                |                    |                    |
| In less than one year                      | \$ 492,380         | \$ 453,267         |
| In one to five years                       | <u>939,845</u>     | <u>1,077,031</u>   |
|  | 1,432,225          | 1,530,298          |
| Discounts on Pledges Receivable            | (20,600)           | (15,500)           |
| Allowances for doubtful pledges receivable | <u>(57,000)</u>    | <u>(58,000)</u>    |
|  | <u>\$1,354,625</u> | <u>\$1,456,798</u> |

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AMERICAN FRIENDS OF MIGDAL OHR

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

| December 31,                   | <u>2013</u>     | <u>2012</u>     | Estimated Useful Life<br>3 to 5 years |
|--------------------------------|-----------------|-----------------|---------------------------------------|
| Office Equipment               | \$53,201        | \$49,495        |                                       |
| Computer Program               | 25,571          | 25,571          |                                       |
| Less: accumulated Depreciation | <u>(71,346)</u> | <u>(62,792)</u> |                                       |
| Net book value                 | <u>\$ 7,426</u> | <u>\$12,274</u> |                                       |

Depreciation expense was \$8,553 and \$8,183 for the years December 31, 2013 and 2012 respectively.

4. INVESTMENTS:

Investments consist of the following:

| December 31,     | <u>2013</u>  | <u>2012</u>     |
|------------------|--------------|-----------------|
|                  | Cost         | Cost            |
| Corporate Stocks | -0-          | <u>\$30,323</u> |
| Total            | <u>\$-0-</u> | <u>\$30,323</u> |

5. PREPAID EXPENSES

|                              |                 |
|------------------------------|-----------------|
| Prepaid Equipment Rental Fee | \$ 2,319        |
| Prepaid Transit Checks       | 479             |
| Prepaid Insurance            | 4,023           |
| Rent deposit as security     | <u>8,041</u>    |
| Total                        | <u>\$14,862</u> |

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6. LEASE  
COMMITMENT:

On June 1, 2012 AFMO entered into a new noncancelable operating lease for smaller office space. The provisions of the new lease provide for annual rentals from June 1, 2012 through May 31, 2015. The lease is subject to escalations for the Company's proportionate share of increases in real estate taxes and operating expenses. Lease payments under the current lease are as follows:

Years ending May 31,

|      |          |
|------|----------|
| 2013 | \$16,067 |
| 2014 | 16,469   |
| 2015 | 16,881   |

Rent expense charged to operations for the year ended December 31, 2013 and the year ended December 31, 2012 amounted to \$20,838 and \$39,684 respectively.

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