

KEREN OR, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

KEREN OR, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Keren Or, Inc.

We have audited the accompanying statement of financial position of Keren Or, Inc. which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. We did not audit the financial statements of the Jerusalem Center for Multi-Handicapped Blind Children, which are included in these financial statements. Those statements reflect total assets of \$5,770,000 as of December 31, 2016, and total revenues of \$3,188,000 for the year then ended, and were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Jerusalem Center for Multi-Handicapped Blind Children, is based solely on the report of the other auditors.

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 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 Keren Or, 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.



WASSER, BRETTLER, KLAR & LIPSTEIN, LLP
Certified Public Accountants

New York, New York
December 13, 2017

KEREN OR, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$1,292,215
Accounts receivable- Israel	148,000
Prepaid expenses	4,264
Marketable securities (cost of \$47,968)	30,541
Security deposit	8,535
Fixed assets (net of accumulated depreciation of \$5,067,503)	<u>6,590,424</u>
Total Assets	<u>\$8,073,979</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 216,219
Reserve for severance pay	202,000
Notes payable	<u>516,009</u>

Total Liabilities	934,228
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Commitments and contingencies

Net Assets

Unrestricted	\$6,913,528
Temporarily restricted	4,040
Permanently restricted	<u>222,183</u>

Total Net Assets	<u>7,139,751</u>
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Total Liabilities and Net Assets	<u>\$8,073,979</u>
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See independent auditor's report and accompanying notes to the financial statements.

KEREN OR, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Revenues, Gains (Losses) and Other Support				
Israeli Government grants	\$2,390,000	\$2,390,000	\$ -0-	\$ -0-
Contributions	840,314	840,314	-0-	-0-
Gain on sale of fixed assets	675,000	675,000	-0-	-0-
Legacies and bequests	414,024	414,024	-0-	-0-
Tuition income	118,000	118,000	-0-	-0-
Special events (net of \$31,990 cost of functions)	89,115	89,115	-0-	-0-
Other income	39,753	39,753	-0-	-0-
Investment income (losses)	<u>(4,330)</u>	<u>(5,577)</u>	<u>479</u>	<u>768</u>
Total Revenues, Gains (Losses) and Other Support	<u>4,561,876</u>	<u>4,560,629</u>	<u>479</u>	<u>768</u>
Expenses				
Program related expenses	3,084,310	3,084,310	-0-	-0-
Administrative expenses - Israeli Centre	525,000	525,000	-0-	-0-
Administrative expenses	295,825	295,825	-0-	-0-
Fundraising expenses	<u>261,769</u>	<u>261,769</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>4,166,904</u>	<u>4,166,904</u>	<u>-0-</u>	<u>-0-</u>
Increase in Net Assets	394,972	393,725	479	768
Net Assets - January 1, 2016	<u>6,744,779</u>	<u>6,519,803</u>	<u>3,561</u>	<u>221,415</u>
Net Assets - December 31, 2016	<u>\$7,139,751</u>	<u>\$6,913,528</u>	<u>\$4,040</u>	<u>\$222,183</u>

See independent auditor's report and accompanying notes to the financial statements.

KEREN OR INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Related</u>	<u>Israel Centre Administration</u>	<u>Total Program Services</u>	<u>New York office Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related experiences	\$2,283,000	\$331,000	\$2,614,000	\$110,062	\$110,062	\$2,834,124
Occupancy	234,000	-0-	234,000	34,623	34,623	303,246
Depreciation	278,310	16,000	294,310	1,760	1,760	297,830
Professional fees	10,000	133,000	143,000	9,733	1,200	153,933
Cleaning	92,000	-0-	92,000	-0-	-0-	92,000
Student food and clothing	87,000	-0-	87,000	-0-	-0-	87,000
Office expenses	-0-	-0-	-0-	62,100	5,082	67,182
Insurance	34,000	-0-	34,000	6,000	6,000	46,000
Employee benefits	-0-	-0-	-0-	21,839	21,839	43,678
Medical care	30,000	-0-	30,000	-0-	-0-	30,000
Printing and publications	-0-	-0-	-0-	-0-	27,016	27,016
Cultural entertainment	25,000	-0-	25,000	-0-	-0-	25,000
Supplies	-0-	23,000	23,000	575	575	24,150
Interest expense	-0-	-0-	-0-	21,325	-0-	21,325
Advertising and public relations	-0-	8,000	8,000	-0-	11,208	19,208
Postage and shipping	-0-	-0-	-0-	4,244	14,226	18,470
Payroll taxes	-0-	-0-	-0-	8,833	8,833	17,666
Telephone and communications	-0-	10,000	10,000	2,586	2,586	15,172
Temporary help	-0-	-0-	-0-	5,438	5,438	10,876
Fundraising costs	-0-	-0-	-0-	-0-	6,810	6,810
Bank charges	-0-	-0-	-0-	5,972	-0-	5,972
Travel and transportation	4,000	-0-	4,000	-0-	1,492	5,492
Taxes	4,000	-0-	4,000	-0-	-0-	4,000
Automobile expense	-0-	4,000	4,000	-0-	-0-	4,000
Computer services	-0-	-0-	-0-	-0-	3,019	3,019
Volunteers	2,000	-0-	2,000	-0-	-0-	2,000
Other expenses	1,000	-0-	1,000	-0-	-0-	1,000
Dues and publications	-0-	-0-	-0-	735	-0-	735
Total Expenses	<u>\$3,084,310</u>	<u>\$525,000</u>	<u>\$3,609,310</u>	<u>\$295,825</u>	<u>\$261,769</u>	<u>\$4,166,904</u>

See independent auditor's report and accompanying notes to the financial statements.

KEREN OR, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities		
Increase in Net Assets		\$ 394,972
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	\$297,830	
Unrealized gains (net) on investments in marketable securities	2,012	
Decrease in accounts receivable - Israel	(76,000)	
Increase in prepaid expenses	1,864	
Decrease in accounts payable and accrued expenses	(308,726)	
Decrease in reserve for severance pay	(7,000)	
Total Adjustments		(90,020)
Net Cash Provided By Operating Activities		304,952
Cash Flows From Investing Activities		
Sale of fixed assets	461,105	
Acquisition of fixed assets	(134,988)	
Net Cash Provided By Investing Activities		326,117
Cash Flows From Financing Activities		
Repayment of note	(76,598)	
Net Cash Used In Financing Activities		(76,598)
Increase in Cash and Cash Equivalents		554,471
Cash and Cash Equivalents - Beginning of Year		<u>737,744</u>
Cash and Cash Equivalents - End of Year		<u>\$1,292,215</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash Paid During the Year for:

Interest	<u>\$ 21,325</u>
Income Tax	<u>\$ -0-</u>

See independent auditor's report and accompanying notes to the financial statements.

KEREN OR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - ORGANIZATION

Keren Or, Inc. is a not-for-profit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. It operates a center for multi handicapped children in Israel known as "The Jerusalem Center for Multi-Handicapped Blind Children". It has an administrative and fundraising office in New York City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The books and records of the Organization are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The Israel operation's financial statement was rounded to the nearest thousand dollars.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Fixed Assets

The building is being depreciated over its estimated useful life of fifty years. Other assets have been depreciated over their estimated useful lives of seven to ten years.

Leasehold improvements have been amortized over the term of the lease and are fully amortized.

D. Cash and Cash Equivalents

Short-term investments purchased with a maturity of three months or less are considered to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent auditor's report.

KEREN OR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period pledged, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized as restricted revenue when the promise is made, and transferred to unrestricted assets when the conditions on which they depend are substantially met.

G. Concentration of Credit Risk

The Organization's cash balances are maintained in various financial institutions. Funds at a banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the year, the Organization had balances on deposit exceeding this amount.

H. Subsequent Events

Management has evaluated subsequent events through December 13, 2017, the date the financial statements were available to be issued.

NOTE 3 - MARKETABLE SECURITIES

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

NOTE 4 - FIXED ASSETS

Fixed assets consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Israel			
Building and improvements - Ramot	\$10,018,752	\$3,795,085	\$6,223,667
Furniture and equipment	1,284,060	958,935	325,125
Vehicles	<u>137,678</u>	<u>109,568</u>	<u>28,110</u>
Total Israel	<u>11,440,490</u>	<u>4,863,588</u>	<u>6,576,902</u>
New York			
Furniture and fixtures	49,819	48,922	897
Computer hardware and software	130,857	118,232	12,625
Leasehold improvement	<u>36,761</u>	<u>36,761</u>	<u>-0-</u>
Total New York	<u>217,437</u>	<u>203,915</u>	<u>13,522</u>
Total Fixed Assets	<u>\$11,657,927</u>	<u>\$5,067,503</u>	<u>\$6,590,424</u>

See independent auditor's report.

KEREN OR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - NOTES PAYABLE

This represents two notes payable to Suntrust Bank. The first note is payable in monthly installments of \$3,134 through March 2017, at which time a balloon payment in the amount of \$124,659 is due. Interest is payable at a rate of 4.5% per annum. The outstanding balance as of December 31, 2016 was \$129,573.

The second note is payable in monthly installments of \$5,026 through May 2017, at which time a balloon payment in the amount of \$371,819 is due. Interest is payable at a rate of 3.5% per annum. The outstanding balance as of December 31, 2016 was \$386,436.

The principal and interest payment for each year until maturity are as follows:

Year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$516,009</u>	<u>\$6,841</u>	<u>\$522,850</u>
Total Payments	<u>\$516,009</u>	<u>\$6,841</u>	<u>\$522,850</u>

NOTE 6 - COMMITMENTS

Lease Commitments

The Organization rents its office space in New York City. The lease expires January 31, 2017.

A summary of the minimum annual rental commitments are as follows:

December 31, 2017	<u>\$5,163</u>
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The Organization's total rent expense for the year ended December 31, 2016 was \$66,590.

NOTE 7 - PERMANENTLY RESTRICTED ASSETS

This amount represents assets which have been contributed with the stipulation that the principal remain intact and earnings be available for unrestricted use by the Organization.

See independent auditor's report.

KEREN OR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - NOTES TO FINANCIAL STATEMENT

Notes pertaining to the Israel Centre operations are contained in a separate audited financial statement prepared in Israel.

See independent auditor's report.