

KEREN OR, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015

KEREN OR, INC.
INDEX TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Page</u>
Independent Auditor's Report	2 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11

WASSER BRETTLER KLAR & LIPSTEIN, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

132 NASSAU STREET, SUITE 300
NEW YORK, NEW YORK 10038-2490
TELEPHONE (212) 962-6100
TELEFAX (212) 608-4176

MAX WASSER, CPA
MICHAEL LIPSTEIN, CPA
IRA J. WASSER, CPA
CHARLES STEINMAN, CPA

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, 2015, 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 \$5,744,000 as of December 31, 2015, and total revenues of \$4,882,000 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, 2015 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

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

New York, New York
November 22, 2016

KEREN OR, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$ 737,744
Accounts receivable- Israel	224,000
Prepaid expenses	2,400
Marketable securities (cost of \$42,581)	28,529
Security deposit	8,535
Fixed assets (net of accumulated depreciation of \$4,917,950)	<u>7,070,124</u>
Total Assets	<u>\$8,071,332</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 524,946
Reserve for severance pay	209,000
Notes payable	<u>592,607</u>
Total Liabilities	1,326,553

Commitments and contingencies

Net Assets	
Unrestricted	\$6,519,803
Temporarily restricted	3,561
Permanently restricted	<u>221,415</u>
Total Net Assets	<u>6,744,779</u>
Total Liabilities and Net Assets	<u>\$8,071,332</u>

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

KEREN OR, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Revenues, Gains (Losses) and Other Support				
Israeli Government grants	\$2,982,000	\$2,982,000	\$ -0-	\$ -0-
Contributions	960,761	960,761	-0-	-0-
Legacies and bequests	239,379	239,379	-0-	-0-
Special events (net of \$48,893 cost of functions)	165,516	165,516	-0-	-0-
Other income	5,514	5,514	-0-	-0-
Investment losses	(9,511)	(4,905)	(4,041)	(565)
Total Revenues, Gains (Losses) and Other	<u>4,343,659</u>	<u>4,348,265</u>	<u>(4,041)</u>	<u>(565)</u>
Support Expenses				
Program related expenses	4,118,088	4,118,088	-0-	-0-
Administrative expenses - Israeli Centre	589,000	589,000	-0-	-0-
Administrative expenses	240,012	240,012	-0-	-0-
Fundraising expenses	<u>262,433</u>	<u>262,433</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>5,209,533</u>	<u>5,209,533</u>	<u>-0-</u>	<u>-0-</u>
Decrease in Net Assets	(865,874)	(861,268)	(4,041)	(565)
Assets Released from Restriction	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Decrease in Net Assets	(865,874)	(861,268)	(4,041)	(565)
Net Assets - January 1, 2015	<u>7,610,653</u>	<u>7,381,071</u>	<u>7,602</u>	<u>221,980</u>
Net Assets - December 31, 2015	<u>\$6,744,779</u>	<u>\$6,519,803</u>	<u>\$3,561</u>	<u>\$221,415</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, 2015

	<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	\$3,108,000	\$385,000	\$3,493,000	\$ 97,882	\$ 97,882	\$3,688,764
Occupancy	315,000	-0-	315,000	33,302	33,302	381,604
Depreciation	277,088	15,000	292,088	1,817	1,817	295,722
Professional fees	13,000	101,000	114,000	5,400	-0-	119,400
Student food and clothing	119,000	-0-	119,000	-0-	-0-	119,000
Cleaning	104,000	-0-	104,000	-0-	-0-	104,000
Cultural entertainment	49,000	-0-	49,000	-0-	-0-	49,000
Interest expense	-0-	22,000	22,000	24,535	-0-	46,535
Insurance	29,000	-0-	29,000	6,272	6,272	41,544
Medical care	40,000	-0-	40,000	-0-	-0-	40,000
Employee benefits	-0-	-0-	-0-	18,952	18,952	37,904
Printing and publications	-0-	-0-	-0-	-0-	36,167	36,167
Temporary help	-0-	-0-	-0-	17,491	17,491	34,982
Supplies	-0-	29,000	29,000	717	717	30,434
Volunteers	25,000	-0-	25,000	-0-	-0-	25,000
Postage and shipping	-0-	-0-	-0-	5,069	16,877	21,946
Advertising and public relations	-0-	12,000	12,000	-0-	9,294	21,294
Telephone and communications	-0-	13,000	13,000	2,919	2,919	18,838
Payroll taxes	-0-	-0-	-0-	9,340	9,340	18,680
Other expenses	15,000	-0-	15,000	-0-	-0-	15,000
Travel and transportation	12,000	-0-	12,000	-0-	1,651	13,651
Automobile expense	-0-	12,000	12,000	-0-	-0-	12,000
Taxes	12,000	-0-	12,000	-0-	-0-	12,000
Office expenses	-0-	-0-	-0-	5,848	5,703	11,551
Bank charges	-0-	-0-	-0-	9,651	-0-	9,651
Computer services	-0-	-0-	-0-	-0-	2,338	2,338
List rentals	-0-	-0-	-0-	-0-	1,711	1,711
Dues and publications	-0-	-0-	-0-	817	-0-	817
Total Expenses	<u>\$4,118,088</u>	<u>\$589,000</u>	<u>\$4,707,088</u>	<u>\$240,012</u>	<u>\$262,433</u>	<u>\$5,209,533</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, 2015**

Cash Flows From Operating Activities		
Decrease in Net Assets		(\$ 865,874)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used In Operating Activities		
Depreciation and amortization	\$295,722	
Unrealized gains (net) on investments in marketable securities	1,438	
Decrease in accounts receivable - Israel	137,000	
Decrease in prepaid expenses	265	
Decrease in accounts payable and accrued expenses	(462,471)	
Decrease in reserve for severance pay	<u>(131,000)</u>	
Total Adjustments		<u>(159,046)</u>
Net Cash Used In Operating Activities		<u>(1,024,920)</u>
Cash Flows From Investing Activities		
Sale of investment	20,600	
Acquisition of fixed assets	<u>(54,038)</u>	
Net Cash Used In Investing Activities		<u>(33,438)</u>
Cash Flows From Financing Activities		
Repayment of note	<u>(73,692)</u>	
Net Cash Used In Financing Activities		<u>(73,692)</u>
Decrease in Cash and Cash Equivalents		<u>(1,132,050)</u>
Cash and Cash Equivalents - Beginning of Year		<u>1,869,794</u>
Cash and Cash Equivalents - End of Year		<u>\$ 737,744</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash Paid During the Year for:

Interest	<u>\$ 46,534</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, 2015

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, 2015

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 November 22, 2016, 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	\$10,471,857	\$3,720,050	\$6,751,807
Furniture and equipment	1,164,060	898,936	265,124
Vehicles	<u>137,678</u>	<u>98,568</u>	<u>39,110</u>
Total Israel	<u>11,773,595</u>	<u>4,717,554</u>	<u>7,056,041</u>
New York			
Furniture and fixtures	49,819	47,988	1,831
Computer hardware and software	127,899	115,647	12,252
Leasehold improvement	<u>36,761</u>	<u>36,761</u>	<u>-0-</u>
Total New York	<u>214,479</u>	<u>200,396</u>	<u>14,083</u>
Total Fixed Assets	<u>\$11,988,074</u>	<u>\$4,917,950</u>	<u>\$7,070,124</u>

See independent auditor's report.

KEREN OR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 - NOTES PAYABLE

This represents two notes payable to Suntrust Bank. The first note is payable in monthly installments of \$3,134 through September 2016 at which time a balloon payment in the amount of \$137,465 is due. Interest is payable at a rate of 4.5% per annum. The outstanding balance as of December 31, 2015 was \$160,494.

The second note is payable in monthly installments of \$5,026 through March 2018 at which time a balloon payment in the amount of \$326,880 is due. Interest is payable at a rate of 3.5% per annum. The outstanding balance as of December 31, 2015 was \$432,113.

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>
2016	\$206,225	\$19,760	\$225,985
2017	47,368	12,945	60,313
2018	<u>339,014</u>	<u>2,933</u>	<u>341,947</u>
Total Payments	<u>\$592,607</u>	<u>\$35,638</u>	<u>\$628,245</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, 2016	\$61,808
December 31, 2017	<u>5,163</u>
Total	<u>\$66,971</u>

The Organization's total rent expense for the year ended December 31, 2015 was \$63,820.

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, 2015

NOTE 8 - NOTES TO FINANCIAL STATEMENT

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

NOTE 9 - SUBSEQUENT EVENTS

In November 2015 the Board of Directors approved a proposal to turn most of the day to day operations and management of the Israel Centre to the Government of Israel in return for their funding the programs.

See independent auditor's report.