

**Friends of Yemin Orde, Inc.
Financial Statements
December 31, 2015 and 2014**



Friends of Yemin Orde

Supporting Yemin Orde Youth Village & Yemin Orde Educational Initiatives

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - For the year ended December 31, 2015	5
Statement of Functional Expenses - For the year ended December 31, 2014	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19



JOHN T SQUIRE CPA (Retired)

SUSAN A LEMKIN CPA

CHRISTOPHER J MATHEWS CPA

BART J LANMAN CPA CFP®

ROBERT J KOPERA CPA

NANCY C JOHNSON CPA

LISA M BLACKMORE CPA MBA

SQUIRE, LEMKIN + COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

111 ROCKVILLE PIKE

SUITE 475

ROCKVILLE MARYLAND 20850

301 424 6800 TELEPHONE

301 424 6892 FACSIMILE

EMAIL SUPPORT@MYCPAS.COM

WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Yemin Orde, Inc.
Rockville, MD

We have audited the accompanying financial statements of Friends of Yemin Orde, Inc., a not-for-profit organization, which are comprised of the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 auditors' 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 auditors consider 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 Friends of Yemin Orde, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Syouse, Lember + Co., LLP

April 27, 2016

FRIENDS OF YEMIN ORDE, INC.

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents:		
Checking and savings accounts	\$ 1,274,598	\$ 2,165,821
Held by investment managers	818,995	915,130
Total cash and cash equivalents	<u>\$ 2,093,593</u>	<u>\$ 3,080,951</u>
Pledges and grants receivable, net	4,746,873	4,334,631
Prepaid expenses	7,730	5,447
TOTAL CURRENT ASSETS	<u>\$ 6,848,196</u>	<u>\$ 7,421,029</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 478,658</u>	<u>\$ 489,723</u>
OTHER ASSETS:		
Pledges and grants receivable, net	\$ 2,103,833	\$ 2,136,126
Investments	10,943,071	11,379,867
Deposits	3,543	3,543
TOTAL OTHER ASSETS	<u>\$ 13,050,447</u>	<u>\$ 13,519,536</u>
TOTAL ASSETS	<u><u>\$ 20,377,301</u></u>	<u><u>\$ 21,430,288</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,407	\$ 13,647
Deferred rent	2,980	1,656
TOTAL CURRENT LIABILITIES	<u>\$ 4,387</u>	<u>\$ 15,303</u>
LONG TERM LIABILITIES:		
Deferred rent, net of current portion	<u>\$ 10,090</u>	<u>\$ 13,070</u>
TOTAL LIABILITIES	<u>\$ 14,477</u>	<u>\$ 28,373</u>
NET ASSETS:		
Unrestricted:		
Undesignated	\$ 1,907,477	\$ 1,094,731
Board designated endowment and other funds	5,740,094	6,798,454
Total unrestricted	<u>\$ 7,647,571</u>	<u>\$ 7,893,185</u>
Temporarily restricted	7,373,373	8,176,950
Permanently restricted	5,341,880	5,331,780
TOTAL NET ASSETS	<u>\$ 20,362,824</u>	<u>\$ 21,401,915</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,377,301</u></u>	<u><u>\$ 21,430,288</u></u>

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

FRIENDS OF YEMIN ORDE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Contributions, grants, and pledges	\$ 1,539,146	\$ 5,964,277	\$ 10,100	\$ 7,513,523	\$ 897,573	\$ 5,006,416	\$ 21,000	\$ 5,924,989
Awards dinner:								
Gross revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,014,145	\$ -	\$ -	\$ 1,014,145
Direct benefit to donors	-	-	-	-	(67,200)	-	-	(67,200)
Total awards dinner	\$ -	\$ -	\$ -	\$ -	\$ 946,945	\$ -	\$ -	\$ 946,945
Other revenue and support:								
Interest and investment income	\$ (61,231)	\$ (75,408)	\$ -	\$ (136,639)	\$ 673,468	\$ 704,683	\$ -	\$ 1,378,151
Foreign currency loss	-	-	-	-	(115,205)	-	-	(115,205)
Other revenue and change in allowance	66,931	1,200	-	68,131	36,854	68,800	-	105,654
Net assets released from donor restrictions	6,693,646	(6,693,646)	-	-	6,684,265	(6,684,265)	-	-
Total other revenue and support	\$ 6,699,346	\$ (6,767,854)	\$ -	\$ (68,508)	\$ 7,279,382	\$ (5,910,782)	\$ -	\$ 1,368,600
TOTAL REVENUE AND SUPPORT	\$ 8,238,492	\$ (803,577)	\$ 10,100	\$ 7,445,015	\$ 9,123,900	\$ (904,366)	\$ 21,000	\$ 8,240,534
EXPENSES:								
PROGRAM SERVICES:								
Yemin Orde Youth Village Support	\$ 4,151,293	\$ -	\$ -	\$ 4,151,293	\$ 5,227,331	\$ -	\$ -	\$ 5,227,331
Yemin Orde Education Initiatives	3,353,189	-	-	3,353,189	2,685,662	-	-	2,685,662
TOTAL PROGRAM SERVICES	\$ 7,504,482	\$ -	\$ -	\$ 7,504,482	\$ 7,912,993	\$ -	\$ -	\$ 7,912,993
SUPPORTING SERVICES:								
General and administrative	\$ 372,258	\$ -	\$ -	\$ 372,258	\$ 373,001	\$ -	\$ -	\$ 373,001
Fundraising	607,366	-	-	607,366	515,096	-	-	515,096
TOTAL SUPPORTING SERVICES	\$ 979,624	\$ -	\$ -	\$ 979,624	\$ 888,097	\$ -	\$ -	\$ 888,097
TOTAL EXPENSES	\$ 8,484,106	\$ -	\$ -	\$ 8,484,106	\$ 8,801,090	\$ -	\$ -	\$ 8,801,090
CHANGE IN NET ASSETS	\$ (245,614)	\$ (803,577)	\$ 10,100	\$ (1,039,091)	\$ 322,810	\$ (904,366)	\$ 21,000	\$ (560,556)
NET ASSETS, BEGINNING OF YEAR	7,893,185	8,176,950	5,331,780	21,401,915	7,570,375	9,081,316	5,310,780	21,962,471
NET ASSETS, END OF YEAR	\$ 7,647,571	\$ 7,373,373	\$ 5,341,880	\$ 20,362,824	\$ 7,893,185	\$ 8,176,950	\$ 5,331,780	\$ 21,401,915

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

FRIENDS OF YEMIN ORDE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants:				
Yemin Orde Youth Village support	\$ 4,151,293	\$ -	\$ -	\$ 4,151,293
Yemin Orde Education Initiatives support	3,353,189	-	-	3,353,189
Total grants	\$ 7,504,482	\$ -	\$ -	\$ 7,504,482
Personnel costs:				
Salaries	\$ -	\$ 140,318	\$ 228,940	\$ 369,258
Benefits	-	8,476	13,829	22,305
Retirement	-	2,608	4,256	6,864
Payroll taxes	-	52,545	85,731	138,276
Total personnel costs	\$ -	\$ 203,947	\$ 332,756	\$ 536,703
Other expenses:				
Advertising, marketing and communications	\$ -	\$ 5,547	\$ 9,050	\$ 14,597
Bank service charges	-	10,504	17,137	27,641
Computer and network maintenance	-	1,170	1,910	3,080
Dues and subscriptions	-	602	981	1,583
Equipment purchase	-	294	479	773
Insurance	-	2,061	3,362	5,423
Leadership consultant	-	37,064	60,472	97,536
Licenses and permits	-	774	1,263	2,037
Miscellaneous	-	26	43	69
Office supplies	-	1,262	2,060	3,322
Postage and shipping	-	2,768	4,516	7,284
Printing and reproduction	-	11,239	18,337	29,576
Professional fees	-	45,090	73,567	118,657
Regional expenses	-	5,665	9,244	14,909
Rent	-	19,380	31,620	51,000
Software license	-	4,535	7,400	11,935
Special events and programs	-	2,887	4,710	7,597
Telephone and internet	-	2,829	4,616	7,445
Travel and entertainment	-	14,614	23,843	38,457
Total other expenses	\$ -	\$ 168,311	\$ 274,610	\$ 442,921
TOTAL EXPENSES	\$ 7,504,482	\$ 372,258	\$ 607,366	\$ 8,484,106

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

FRIENDS OF YEMIN ORDE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Grants:				
Yemin Orde Youth Village support	\$ 5,227,331	\$ -	\$ -	\$ 5,227,331
Yemin Orde Education Initiatives support	2,685,662	-	-	2,685,662
Total grants	<u>\$ 7,912,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,912,993</u>
Personnel costs:				
Salaries	\$ -	\$ 133,881	\$ 184,884	\$ 318,765
Benefits	-	8,348	11,529	19,877
Retirement	-	3,429	4,735	8,164
Payroll taxes	-	55,989	77,318	133,307
Total personnel costs	<u>\$ -</u>	<u>\$ 201,647</u>	<u>\$ 278,466</u>	<u>\$ 480,113</u>
Other expenses:				
Advertising, marketing and communications	\$ -	\$ 7,401	\$ 10,220	\$ 17,621
Awards dinner	-	45,039	62,197	107,236
Bank service charges	-	8,136	11,235	19,371
Computer and network maintenance	-	2,412	3,330	5,742
Dues and subscriptions	-	941	1,299	2,240
Equipment purchase	-	433	598	1,031
Insurance	-	2,388	3,297	5,685
Licenses and permits	-	911	1,257	2,168
Miscellaneous	-	257	354	611
Office supplies	-	1,965	2,714	4,679
Postage and shipping	-	2,873	3,967	6,840
Printing and reproduction	-	9,376	12,949	22,325
Professional fees	-	37,104	51,238	88,342
Regional expenses	-	4,573	6,316	10,889
Rent	-	21,096	29,132	50,228
Software license	-	2,988	4,127	7,115
Special events and programs	-	3,723	5,142	8,865
Telephone and internet	-	2,988	4,126	7,114
Travel and entertainment	-	16,750	23,132	39,882
Total other expenses	<u>\$ -</u>	<u>\$ 171,354</u>	<u>\$ 236,630</u>	<u>\$ 407,984</u>
TOTAL EXPENSES	<u><u>\$ 7,912,993</u></u>	<u><u>\$ 373,001</u></u>	<u><u>\$ 515,096</u></u>	<u><u>\$ 8,801,090</u></u>

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

FRIENDS OF YEMIN ORDE, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,039,091)	\$ (560,556)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	11,065	11,138
Unrealized losses (gains) on investments	1,257,419	(672,895)
Realized gains on sales of investments	(771,793)	(120,423)
Donated investments	(326,572)	(234,329)
Change in allowance for doubtful accounts	(1,200)	(68,800)
Change in present value discount	(23,343)	(7,948)
Permanently restricted contributions	(10,100)	(21,000)
Decrease (increase) in assets:		
Pledges and grants receivable	(355,406)	1,537,243
Prepaid expenses	(2,283)	31,297
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(12,240)	(20,156)
Deferred rent	(1,656)	3,171
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,275,200)	\$ (123,258)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	\$ (10,221,744)	\$ (3,610,711)
Proceeds from sales of investments	10,499,486	3,774,091
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 277,742	\$ 163,380
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	\$ 10,100	\$ 21,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 10,100	\$ 21,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (987,358)	\$ 61,122
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,080,951	3,019,829
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,093,593	\$ 3,080,951

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

FRIENDS OF YEMIN ORDE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1. **Organization and Significant Accounting Policies**

Organization - Friends of Yemin Orde, Inc. (FYO) was incorporated in the United States of America on December 28, 1990 as a not-for-profit organization. FYO supports the programs and activities of the Yemin Orde Wingate Youth Village (the Youth Village), located in Hof Ha Carmel, Israel, and the Yemin Orde Educational Initiatives (YOEI). Both the Youth Village and YOEI are non-governmental organizations in Israel and have not been consolidated in the accompanying financial statements. The programs of FYO are as follows:

Support for Yemin Orde Youth Village - The Youth Village is located on 77 acres atop Mount Carmel in northern Israel. The Youth Village provides a home, a safe haven, and an education to more than 400 at-risk immigrant children from around the world. Through a deeply sensitive approach to living and learning, and a dedicated staff and team of professionals, these formerly traumatized children's lives are transformed. They develop self-esteem and leadership skills and learn to live in wholeness: healthy, capable, and strong. The Youth Village also includes a high school, an art and music center, a modern computer center, a central dining room, library, eco-farm, and sports facilities.

Grants to Yemin Orde Educational Initiatives - YOEI is an independent organization created in 2006 to extend Yemin Orde's unique methodology, called the Village Way, to transform other youth villages and public high schools in Israel serving at-risk youth. Facilitators provide resources, workshops, teacher training and interventions to empower educators throughout Israel. YOEI has reached 9,650 children and 1,320 staff members in 27 educational communities. In addition YOEI provides resources for two Pre-Military Leadership Programs - one for men and one for women in Northern Israel.

Fire Recovery and Rebuilding - After the December 2010 wildfire in the Youth Village, rebuilding began immediately with a massive cleanup, electrical and communications work, the removal of debris and destroyed buildings, and many repairs and renovations. Because of the extensive devastation to the Youth Village, FYO recognized that major rebuilding would be needed and initiated a master plan for the Youth Village taking into account future needs. Construction was started in October 2012 and a significant portion of the project was completed by December 31, 2014, and is included in Yemin Orde Youth Village Support on the statements of activities. The last phase, which includes a new road and entrance area, was completed in June 2015.

Income Taxes - FYO is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. FYO is not a private foundation.

Basis of Accounting - The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is realized when earned and expenses are recognized when incurred.

FRIENDS OF YEMIN ORDE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1. **Organization and Significant Accounting Policies** (Continued)

Classification of Contributions and Net Assets - FYO's net assets are reported in three self-balancing groups as follows:

Unrestricted net assets - include support and contributions received without donor-imposed restrictions. These net assets include both internally designated and undesignated resources.

Temporarily restricted net assets - include support and contributions subject to donor-imposed stipulations that will be met by the actions of FYO and/or the passage of time. Endowment income with donor-imposed restrictions is reported as temporarily restricted revenues and is reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.

Permanently restricted net assets - represent funds restricted by the donor to be maintained in perpetuity by FYO.

The bylaws of FYO include a variance provision whereby FYO will determine in its sole discretion which grant requests from the Youth Village and YOEI to fund. Based on this provision, all contributions and assets not classified as temporarily or permanently restricted are classified as unrestricted. Receipts of unconditional promises to give with payments due in future periods are reported as temporarily restricted support unless the donor provides explicit stipulations that the pledged funds are to be used to support activities of the current period. Expenses are reported as decreases in unrestricted net assets. When a time or purpose restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - FYO considers all cash, money market funds, foreign currency time deposits, and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Foreign currency held in New Israel Shekels was translated into U.S. dollars as of December 31, 2014 and foreign currency gains are recorded in the statements of activities. All foreign currency was spent during 2014, leaving a \$0 balance at December 31, 2015 and 2014.

Property and Equipment - Property and equipment purchases with a useful life of greater than one year and an acquisition value exceeding \$2,000 are recorded at cost and depreciated using the straight line method over an estimated useful life ranging between three and five years. Property and equipment donations are recorded at fair value on the date of donation. Leasehold improvements are recorded at cost and amortized over the lesser of the useful life or the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses when incurred. FYO also purchased land in Zichron Yaacov, Israel and constructed a building. The building is being depreciated over an estimated useful life of 40 years.

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 1. **Organization and Significant Accounting Policies** (Continued)

Investments - Investments are recorded at fair value based on quoted market prices when available. Unrealized and realized gains and losses are included in interest and investment income in the accompanying statements of activities. Dividends and interest are recorded as revenue when earned.

Fair Value Measurements - FYO complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances the disclosure requirements for fair value measurements. FYO accounts for a significant portion of its financial statements at fair value or considers fair value in their measurement.

Contributions, Grants, and Pledges Receivable - Contributions and grants, including unconditional promises to give pledges, are recorded as revenue in the year notification is received from the donor.

Contributions of property or contributions for the purchase or renovations of property which are received without donor stipulations for how long the contributed assets must be used for are reported as unrestricted support. Contributions of long-lived assets with donor-imposed time restrictions are reported as temporarily restricted support. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash, including stock, are recorded at their estimated fair value at the date of the gift.

Pledges and grants receivable are stated at their net realizable present value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Accretion of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restriction, if any, on the contributions. The allowance for doubtful accounts is determined based upon annual review of account balances, including the age of the balance and historical experience with the donor. The allowance for doubtful accounts was \$0 and \$1,200, at December 31, 2015 and 2014, respectively.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FRIENDS OF YEMIN ORDE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1. **Organization and Significant Accounting Policies** (Continued)

Uncertain Tax Positions - FYO complies with the accounting standard on accounting for uncertainty in income taxes which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. FYO's management has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. No provision for income taxes was required for the years ended December 31, 2015 or 2014. Generally, FYO is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years ending before December 31, 2012.

Risks and Uncertainties - FYO invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

At times during the year, FYO maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation limits. FYO has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Future Accounting Pronouncements - In February 2016, the FASB issued a new accounting pronouncement for leases. This guidance significantly changes the accounting for a lessee. Under previous guidance, the lessee did not have to record an operating lease on the statements of financial position. Under the new guidance, a lessee must record both a liability for the lease payments and an asset for the right to use the leased property during the lease term. The new accounting pronouncement also adds comprehensive qualitative and quantitative disclosures for lease arrangements. The disclosure requirements include information about management's significant judgments in its accounting for a leasing arrangement. Adoption of this accounting standard is required for the year ended December 31, 2020, although early adoption is permitted, and is expected to result in adding FYO's assets and liabilities for the facility lease to the statements of financial position and changing the lease disclosures.

Note 2. **Pledges and Grants Receivable** - Pledges and grants receivable reflect commitments made to FYO by individuals and foundations. Pledges and grants with payments that are to be received in future years have been discounted to their present value using an effective interest rate of 0.04% and 0.01% as of December 31, 2015 and 2014, respectively.

FRIENDS OF YEMIN ORDE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2. **Pledges and Grants Receivable** (Continued)

Pledges and grants receivable as of December 31, 2015 and 2014 are expected to be received as follows:

<u>Years Ending December 31,</u>	<u>2015</u>	<u>2014</u>
2015	\$ 4,746,873	\$ 4,335,831
2016	1,382,000	1,405,136
2017	666,500	661,500
2018	<u>63,500</u>	<u>101,000</u>
Totals	\$ 6,858,873	\$ 6,503,467
Allowance for doubtful accounts	--	(1,200)
Present value discount	<u>(8,167)</u>	<u>(31,510)</u>
Net pledges and grants receivable	<u>\$ 6,850,706</u>	<u>\$ 6,470,757</u>

Pledges receivable are recorded in the statements of financial position on December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Current portion	\$ 4,746,873	\$ 4,334,631
Noncurrent portion	<u>2,103,833</u>	<u>2,136,126</u>
Total pledges and grants receivable	<u>\$ 6,850,706</u>	<u>\$ 6,470,757</u>

Note 3. **Conditional Pledges** - FYO received grants that contain donor conditions. Since these grants represent conditional promises to give, they are not recorded as grant revenue until donor conditions are met. As of December 31, 2015, the conditional grants and related conditions are as follows:

	<u>Condition</u>	<u>Conditional Pledge</u>
YOEI pledge	Matching	\$ 671,260
Soccer field pledge	Completion of soccer field	<u>1,016,743</u>
Totals		<u>\$ 1,688,003</u>

Note 4. **Property and Equipment** - Property and equipment as of December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 10,855	\$ 10,855
Property in Israel:		
Building	425,000	425,000
Land	<u>132,800</u>	<u>132,800</u>
Totals	\$ 568,655	\$ 568,655
Less, Accumulated depreciation	<u>(89,997)</u>	<u>(78,932)</u>
Total property and equipment	<u>\$ 478,658</u>	<u>\$ 489,723</u>

For the years ended December 31, 2015 and 2014, depreciation expense totaled \$11,065 and \$11,138, respectively.

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 5. **Investments** - Investments consist of the following as of December 31, 2015 and 2014:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Stocks	\$ 5,856,181	\$ 6,545,994	\$ 6,319,802	\$ 8,056,954
Corporate bonds	999,267	990,769	1,931,285	1,908,980
Government bonds	1,300,563	1,295,887	-	-
Publicly traded partnerships	426,769	288,530	138,863	118,635
Mutual funds:				
Equity	345,753	335,262	398,691	389,914
Fixed income	252,427	237,146	201,681	197,129
Exchange traded funds:				
Equity	1,261,287	1,249,483	333,595	417,207
Fixed income	-	-	297,711	291,048
Totals	<u>\$ 10,442,247</u>	<u>\$ 10,943,071</u>	<u>\$ 9,621,628</u>	<u>\$ 11,379,867</u>

Included in interest and investment income are the following:

	2015	2014
Interest and dividends	\$ 348,987	\$ 584,833
Unrealized (losses) gains on investments	(1,257,419)	672,895
Realized gains on investments	771,793	120,423
Total interest and investment income	<u>\$ (136,639)</u>	<u>\$ 1,378,151</u>

Note 6. **Fair Value Measurements** - FYO has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

- Level 1 These are investments where values are based on unadjusted quoted prices for identical assets in an active market that FYO has the ability to access.
- Level 2 These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.
- Level 3 These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 6. Fair Value Measurements (Continued)

Financial assets recorded in the statements of financial position are categorized as follows as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 6,545,994	\$ --	\$ --	\$ 6,545,994
Corporate bonds	990,769	--	--	990,769
Government bonds	1,295,887	--	--	1,295,887
Publicly traded				
partnerships	288,530	--	--	288,530
Mutual funds	572,408	--	--	572,408
Exchange traded funds	<u>1,249,483</u>	--	--	<u>1,249,483</u>
Totals	<u>\$10,943,071</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$10,943,071</u>

Financial assets recorded in the statements of financial position are categorized as follows as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 8,056,954	\$ --	\$ --	\$ 8,056,954
Corporate bonds	1,908,980	--	--	1,908,980
Publicly traded				
partnerships	118,635	--	--	118,635
Mutual funds	587,043	--	--	587,043
Exchange traded funds	<u>708,255</u>	--	--	<u>708,255</u>
Totals	<u>\$11,379,867</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$11,379,867</u>

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

Mutual Funds, Exchange Traded Funds, Publicly Traded Partnerships, and Stocks - Comprised of securities that are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Corporate and Government Bonds - Consist of corporate bonds, government bonds and notes, and U.S. Treasury notes which are generally valued at the most recent price of the equivalent quoted price for such securities. Debt securities, which are actively traded, are classified within Level 1 of the valuation hierarchy.

Note 7. Board-Designated Net Assets - Board-designated net assets include funds set aside by the Board of Directors (the Board) of FYO for endowment purposes and special projects. The Board-designated endowment funds are not donor restricted endowment funds; they constitute the proceeds of unrestricted gifts and investment income that has been designated by the Board for the long-term purposes of the organization. Board-designated net assets are currently not subject to any spending limits, distribution requirement, or the like.

FRIENDS OF YEMIN ORDE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7. **Board-Designated Net Assets** (Continued)

Board designated net assets consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Designated for fire recovery and rebuilding	\$ --	\$ 968,000
Endowment funds	5,485,826	5,591,903
Future reserves	<u>254,268</u>	<u>238,551</u>
Totals	<u>\$ 5,740,094</u>	<u>\$ 6,798,454</u>

Note 8. **Temporarily Restricted Net Assets** - Temporarily restricted net assets consisted of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Time restricted pledges:		
Yemin Orde Educational Initiatives	\$ 3,313,789	\$ 2,212,647
Youth Village and general support	2,389,353	3,113,186
Purpose restricted pledges:		
Soccer field	225,257	151,314
YOEI handbook	50,000	50,000
House	--	850,000
Amphitheatre	225,000	225,000
Playground	--	19,924
Unspent endowment earnings	<u>1,169,974</u>	<u>1,554,879</u>
Totals	<u>\$ 7,373,373</u>	<u>\$ 8,176,950</u>

Note 9. **Permanently Restricted Net Assets** - Since 1999, FYO has received several endowment gifts that are classified in the accompanying financial statements as permanently restricted net assets. Under the terms of the awards, the funds are to be invested in-perpetuity and the investment income is to be used for program operations in accordance with restrictions set by the donors. As of December 31, 2015 and 2014, permanently restricted net assets included in the Friends of Yemin Orde Endowment Fund were \$5,341,880 and \$5,331,780, respectively.

Note 10. **Endowments** - FYO's endowments consist of both donor-restricted endowment funds, funds designated by the Board of Directors to function as endowments, and temporarily restricted accumulated earnings on these funds. As required under accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 10. **Endowments** (Continued)

As a result of this interpretation, FYO 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 the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Restricted	\$ 5,485,826	\$ --	\$ --	\$ 5,485,826
Donor-Restricted	--	1,169,974	5,341,880	6,511,854
Totals	<u>\$ 5,485,826</u>	<u>\$ 1,169,974</u>	<u>\$ 5,341,880</u>	<u>\$ 11,997,680</u>

Changes in endowment net assets for the year ended December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Dec. 31, 2014	\$ 5,591,903	\$ 1,554,879	\$ 5,331,780	\$ 12,478,562
Contributions	--	--	10,100	10,100
Interest & dividends, net	156,388	192,599	--	348,987
Net (depreciation) appreciation	(217,619)	(268,007)	--	(485,626)
Appropriated for Investment fees	(44,846)	(55,229)	--	(100,075)
Appropriated for operations	--	(254,268)	--	(254,268)
Endowment net assets, Dec. 31, 2015	<u>\$ 5,485,826</u>	<u>\$ 1,169,974</u>	<u>\$ 5,341,880</u>	<u>\$ 11,997,680</u>

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 10. **Endowments** (Continued)

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Restricted	\$ 5,591,903	\$ --	\$ --	\$ 5,591,903
Donor-Restricted	--	1,554,879	5,331,780	6,886,659
Totals	<u>\$ 5,591,903</u>	<u>\$ 1,554,879</u>	<u>\$ 5,331,780</u>	<u>\$ 12,478,562</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Dec. 31, 2013	\$ 5,085,493	\$ 1,150,064	\$ 5,310,780	\$ 11,546,337
Contributions	--	--	21,000	21,000
Interest & dividends, net	205,263	260,776	--	466,039
Net appreciation	349,411	443,907	--	793,318
Appropriated for investment fees	(48,264)	(61,317)	--	(109,581)
Appropriated for operations	--	(238,551)	--	(238,551)
Endowment net assets, Dec. 31, 2014	<u>\$ 5,591,903</u>	<u>\$ 1,554,879</u>	<u>\$ 5,331,780</u>	<u>\$ 12,478,562</u>

Standard of Investments - The Investment Committee shall follow the standards set forth in the Massachusetts Prudent Investor Act, as amended from time to time. In accordance with the current form of the Massachusetts Prudent Investor Act, the Investment Committee shall invest and manage endowment assets as a prudent investor would, considering the purposes, terms, and other circumstances of the endowment, including without limitation (i) general economic conditions, (ii) the possible effect of inflation or deflation, (iii) the expected tax consequences of investment decisions or strategies, (iv) the role that each investment or course of action plays within the overall endowment portfolio, (v) the expected total return from income and the appreciation of capital, (vi) other resources of the beneficiaries, (vii) the needs for liquidity, regularity of income, and preservation or appreciation of capital, and (viii) an asset's special relationship or special value, if any, to the purposes of the trust or to one of the beneficiaries. In satisfying this standard, the Investment Committee shall exercise reasonable care, skill, and caution. It is FYO's objective in investment management to obtain the highest yield possible in the investment accounts without putting FYO's capital at risk.

Commingling and Retention of Assets - Endowment assets may be commingled with the other assets and investments held by FYO. The Investment Committee may dispose of any asset received by it, giving proper credit to any appropriate special fund for the proceeds, or may retain assets in the form in which contributed or acquired.

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 10. **Endowments** (Continued)

Spending Policy and Accumulation of Income and Principal - The Investment Committee shall recommend the expenditure of income and/or principal from the endowments or the accumulation of such income, including special funds to the Board for review, consideration, and approval. The Board shall, as necessary, establish and revise standards for expenditures or accumulation. The current policy for expenditures is 4% of the average of the last three years' fair value of the endowments. No expenditures from the income or principal of the endowments shall be made for any purpose (1) which is inconsistent with the purposes of FYO and the principles and policies established by it, (2) which, if made with respect to any special fund or other restricted contribution or transfer, is in conflict or fails to comply with the express conditions, limitations, or restrictions subject to which the contribution or transfer was made, received, and accepted, or (3) which will or may adversely affect or prejudice the tax-exempt status of FYO or the tax deductibility of any contribution to FYO.

Additional Limitation on Expenditures from Principal of Endowments - The Investment Committee shall follow the standards set forth in the Massachusetts Uniform Management of Institutional Funds Act, as amended from time to time. In accordance with the current form of the Massachusetts Uniform Management of Institutional Funds Act, there shall be no expenditure of the historic dollar value (original principal of contributions and transfers) of the endowments.

Subject to the conditions of any special fund or other restricted contribution or transfer, expenditures of realized and unrealized appreciation of the endowments shall be made only with the approval of the Board, and only if prudent to do so considering (i) long and short term needs of FYO in carrying out its charitable purposes, (ii) the problems peculiar to FYO, (iii) FYO's present and anticipated financial requirements, (iv) the expected total return on its investments, (v) price level trends, and (vi) general economic conditions. In accordance with the Massachusetts Uniform Management of Institutional Funds Act, there is a rebuttable presumption of imprudence in expenditures from the realized and unrealized appreciation of the endowments that exceed in the aggregate, in any one year, seven percent (7%) of the fair market value of the endowments, such fair market value determined at least quarterly and averaged over a period of three or more years.

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as funds of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies reported as of December 31, 2015 and 2014.

FRIENDS OF YEMIN ORDE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 11. **Lease Commitment** - In September 2013, FYO entered into a lease agreement for office space in Bethesda, MD, which ends on December 31, 2018. The lease calls for graduated lease payments, starting at \$3,543 per month, and includes three months free rent. Rent expense is recognized on a straight-line basis over the life of the lease, creating a deferred rent liability on the statements of financial position for the difference between straight-line and actual rent payments. FYO is also responsible for operating expenses each month. The future minimum lease payments for this lease are as follows:

For the Years Ended December 31,	<u>Totals</u>
2016	\$ 45,437
2017	46,800
2018	48,204
Total	<u>\$ 140,441</u>

For the years ended December 31, 2015 and 2014, rent and operating expenses totaled \$51,000 and \$50,228, respectively.

Note 12. **Line of Credit** - FYO has a \$5,000,000 uncommitted, demand revolving line of credit which is secured by FYO's investment accounts, with options for variable and fixed rate advances. The line of credit was agreed upon in December 2012 and does not have a specific term or duration, and can be terminated at the bank's discretion. Interest is accrued at various rates depending on duration and type (fixed or variable) of advance, but is generally based on LIBOR plus a percentage spread. There was no outstanding balance under the line of credit as of December 31, 2015 and 2014.

Note 13. **Contributions and Grants Paid Directly to Yemin Orde** - In addition to the total commitments received by FYO, approximately \$284,193 and \$256,319 (cash basis) was raised by FYO on behalf of the Youth Village. These funds were sent directly to the Youth Village during the years ended December 31, 2015 and 2014, respectively. Such contributions received directly by the Youth Village are not included in the accompanying financial statements but are recognized as credits towards the grants disbursed by FYO to the Youth Village.

Note 14. **Retirement** - FYO has a Simple Investment Retirement Account (Simple IRA) plan for all full-time employees with annual compensation of at least \$5,000. FYO matches employee contributions up to 3% of the employee's salary, up to maximum of \$6,000 per year. For the years ended December 31, 2015 and 2014, retirement expense totaled \$6,864 and \$8,164, respectively.

Note 15. **Subsequent Events** - In preparing these financial statements, FYO has evaluated events and transactions for potential recognition or disclosure through April 27, 2016, the date the financial statements were available to be issued.