American Friends of Magen David Adom

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2013 and 2012

MARKS PANETH

ACCOUNTANTS & ADVISORS

AMERICAN FRIENDS OF MAGEN DAVID ADOM

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2013 and 2012

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MARKS PANETH
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Friends of Magen David Adom

We have audited the accompanying financial statements of American Friends of Magen David Adom (the "Organization") which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 the Organization as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
July 2, 2014

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	$ 16,875,053	$ 11,630,608
Pledges receivable, net (Notes 2F, 2G and 5)	8,837,980	4,142,583
Investments, at fair value (Notes 2D, 3, 6 and 14)	18,816,563	18,947,691
Assets held in split interest agreements, at fair value (Notes 11 and 14)	7,031,483	6,138,557
Prepaid expenses and other assets (Note 7)	1,101,607	528,927
Property and equipment, net (Notes 2E and 4)	287,467	198,334
TOTAL ASSETS	$ 52,950,153	$ 41,586,700
LIABILITIES		
Accounts payable and accrued expenses (Note 11)	$ 8,752,170	$ 7,937,915
Grants payable (Notes 2M and 13)	16,224,834	16,077,918
Loans payable (Note 6)	3,500,000	-
Interest rate swap liability (Note 6)	59,223	-
Deferred revenue (Note 2K)	351,016	427,664
Accrued pension and postretirement health benefit costs (Notes 7, 8, 9 and 15)	1,521,275	5,056,964
TOTAL LIABILITIES	30,408,518	29,500,461
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted	4,424,889	5,864,636
Temporarily restricted (Note 12)	17,866,746	6,221,603
Permanently restricted (Note 12)	250,000	-
TOTAL NET ASSETS	22,541,635	12,086,239
TOTAL LIABILITIES AND NET ASSETS	$ 52,950,153	$ 41,586,700

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

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013				Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Unrestricted	Temporarily Restricted	Total 2012
REVENUES AND SUPPORT:							
Contributions (Notes 5 and 12)	$ 6,505,656	$ 12,718,943	$ -	$ 19,224,599	$ 5,481,617	$ 8,466,690	$ 13,948,307
Special events, net of direct expenses of $762,280 and $203,032 for 2013 and 2012, respectively (Note 2J)	1,882,172	5,991,698	-	7,873,870	2,165,849	-	2,165,849
Estates, trusts, bequests and legacies and other (Note 2I)	4,818,000	2,783,428	250,000	7,851,428	5,808,764	-	5,808,764
Interest	58,106	-	-	58,106	88,263	-	88,263
Investment activity (Note 3)	110,169	-	-	110,169	25,621	-	25,621
Change in value of split interest agreements (Note 11)	662,557	-	-	662,557	1,119,508	-	1,119,508
Loss on interest rate swap (Note 6)	(59,223)	-	-	(59,223)	0	-	-
Net assets released from restrictions (Note 12)	9,848,926	(9,848,926)	-	-	10,049,722	(10,049,722)	-
Total Revenues and Support	23,826,363	11,645,143	250,000	35,721,506	24,739,344	(1,583,032)	23,156,312
EXPENSES:							
Program services	19,805,506	-	-	19,805,506	18,056,024	-	18,056,024
Management and general	2,287,813	-	-	2,287,813	1,937,792	-	1,937,792
Fundraising	3,769,483	-	-	3,769,483	3,544,259	-	3,544,259
Total Expenses	25,862,802	-	-	25,862,802	23,538,075	-	23,538,075
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES AND OTHER	(2,036,439)	11,645,143	250,000	9,858,704	1,201,269	(1,583,032)	(381,763)
Pension and postretirement changes other than net periodic pension cost (Notes 7, 8 and 9)	596,692	-	-	596,692	(724,668)	-	(724,668)
CHANGE IN NET ASSETS	(1,439,747)	11,645,143	250,000	10,455,396	476,601	(1,583,032)	(1,106,431)
Net assets - beginning of year	5,864,636	6,221,603	-	12,086,239	5,388,035	7,804,635	13,192,670
NET ASSETS - END OF YEAR	$ 4,424,889	$ 17,866,746	$ 250,000	$ 22,541,635	$ 5,864,636	$ 6,221,603	$ 12,086,239

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

AMERICAN FREINDS OF MAGEN DAVID ADOM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013					Year Ended December 31, 2012				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	TOTAL EXPENSES 2013	Program Services	Management and General	Fundraising	Total Supporting Services	TOTAL EXPENSES 2012
Salaries	$ 1,179,188	$ 966,518	$ 1,119,934	$ 2,086,452	$ 3,265,640	$ 1,172,184	$ 938,383	$ 1,135,301	$ 2,073,684	$ 3,245,868
Payroll taxes and employee benefits (Notes 7 and 8)	359,571	310,704	360,022	670,726	1,030,297	383,224	299,316	343,420	642,736	1,025,960
Total salaries and related costs	1,538,759	1,277,222	1,479,956	2,757,178	4,295,937	1,555,408	1,237,699	1,478,721	2,716,420	4,271,828
Occupancy (Note 10A)	178,625	175,292	203,117	378,409	557,034	175,905	178,432	206,312	384,744	560,649
Professional fees (Note 2L)	268,107	169,152	231,780	400,932	669,039	256,816	109,700	126,841	236,541	493,357
Insurance	39,026	75,154	-	75,154	114,180	41,183	38,345	44,337	82,682	123,865
Printing, publications and supplies	88,810	79,542	248,864	328,406	417,216	92,282	83,550	96,605	180,155	272,437
Travel, conferences and events	182,205	95,996	299,398	395,394	577,599	163,126	65,125	75,301	140,426	303,552
Telephone	31,567	26,406	30,598	57,004	88,571	28,433	24,316	159,618	183,934	212,367
Postage and shipping	86,667	84,951	122,991	207,942	294,609	97,664	99,786	115,377	215,163	312,827
Dues and subscriptions	2,708	2,666	3,089	5,755	8,463	7,303	7,422	8,581	16,003	23,306
Equipment (Note 10A)	52,631	51,809	60,032	111,841	164,472	41,561	42,902	49,605	92,507	134,068
Bank charges and interest expense	49,024	81,429	-	81,429	130,453	37,940	25,590	29,589	55,179	93,119
Direct-mail, advertising and public relations	502,753	-	1,089,658	1,089,658	1,592,411	397,545	-	1,004,889	1,004,889	1,402,434
MDA program-related grant expenses	16,754,625	-	-	-	16,754,625	15,111,642	-	-	-	15,111,642
Depreciation and amortization	21,324	45,314	-	45,314	66,638	24,189	24,925	28,870	53,795	77,984
Bad debt expense	-	104,502	-	104,502	104,502	-	-	75,000	75,000	75,000
Miscellaneous	8,675	18,378	-	18,378	27,053	25,027	-	44,613	44,613	69,640
TOTAL EXPENSES	$ 19,805,506	$ 2,287,813	$ 3,769,483	$ 6,057,296	$ 25,862,802	$ 18,056,024	$ 1,937,792	$ 3,544,259	$ 5,482,051	$ 23,538,075

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 10,455,396	$ (1,106,431)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Pension and post retirement changes	(596,692)	724,668
Depreciation and amortization	66,638	77,984
Bad debt	104,502	75,000
Donated Stock	(1,240,161)	(992,965)
Change in value of split interest agreements	(662,557)	(1,119,508)
Change in discount on pledges receivable	1,834	47,599
Loss on interest rate swap	59,223	-
Realized and unrealized gain on investments	5,004	(4,383)
Subtotal	8,193,187	(2,298,036)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(4,801,733)	(59,871)
Prepaid expenses and other assets	(572,680)	(52,049)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses (net of change in split interest agreements)	583,886	(211,491)
Grants payable	146,916	(2,599,297)
Accrued postretirement benefit costs	(2,938,997)	(591,627)
Deferred revenue	(76,648)	174,696
Net Cash Provided (Used) by Operating Activities	533,931	(5,637,675)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(155,771)	-
Proceeds from sales/redemptions of investments	1,388,301	1,068,406
Purchase of investments	(22,016)	(163,850)
Net Cash Provided by Investing Activities	1,210,514	904,556
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	3,500,000	-
Net Cash Provided by Financing Activities	3,500,000	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	5,244,445	(4,733,119)
Cash and cash equivalents - beginning of year	11,630,608	16,363,727
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 16,875,053	$ 11,630,608
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 36,244	

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

American Friends of Magen David Adom (the "Organization"), a not-for-profit 501(c)(3) organization, exempt from federal income taxes, is recognized by the U.S. Internal Revenue Service as a public charity. The Organization solicits contributions, which are used to purchase ambulances, medical and other supplies, emergency medical stations, blood service center, cord blood bank and training for Magen David Adom ("MDA") in Israel. The Organization is the only authorized tax-exempt fundraising organization in the United States for MDA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America.

B. The Organization maintains its net assets under the following three classes:

   (i) Unrestricted – represents resources available for support to the Organization's operations over which the Board of Directors has discretionary control.

   (ii) Temporarily restricted – represents net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions.

   (iii) Permanently restricted – represents net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

C. Cash equivalents consist of all highly liquid debt instruments with maturities of three months or less when acquired except for certain cash, money market funds and short-term government securities held for long-term investment purposes, which are included in investments.

D. Investments are carried at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 14.

E. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Property and equipment is capitalized provided its cost is $5,000 or more and its useful life is greater than one year. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease.

F. Unconditional promises to give are recorded as income when the Organization is formally notified of the grants or contributions by the respective donors. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Material unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. If material, the discounts are computed using risk-adjusted interest rates for the expected term of the promise to give applicable to the years in which the promises are received. Conditional pledges are not included as support until the conditions are substantially met.

G. As of December 31, 2013 and 2012, the Organization determined that no allowance for uncollectible was necessary relative to its pledges receivable. Such estimates are based on management's assessment of the creditworthiness of donors, review of individual accounts outstanding, as well as current economic conditions and historical information.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. The Organization recognizes bequests as income when the bequests become known and when the individual's will is declared valid by the probate court and the sum is certain.

J. The direct expense of special events includes expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct expenses of special events.

K. On occasion, the Organization receives cash donations for special events that are to be held after the date of the statement of financial position. It is the policy of the Organization to refund all cash received in advance of special events (both contribution and exchange portions), if the event is subsequently cancelled.

L. The Organization records donated stock or services at their fair value on the date of receipt. Donated legal services are estimated at $0 and $833 for the years ended December 31, 2013 and 2012, respectively, and are included as contributions income and professional services expense in the accompanying financial statements.

M. Grants made, including unconditional promises to give, are recognized as an expense in the period made. Unconditional promises to give that are payable in future periods are recorded as grants payable in the statements of financial position.

NOTE 3 – INVESTMENTS

Investments consist of the following as of December 31, 2013 and 2012:

	2013	2012
Cash and money market funds	$ 5,292,654	$ 206,553
Equities	40,236	175,546
U.S. treasury bills	8,270,000	18,332,610
Government bonds	5,213,673	232,982
	$ 18,816,563	$ 18,947,691

Investments are subject to market volatility that could change their carrying value in the near term.

Investment activity consists of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Interest and dividends	$ 105,165	$ 21,238
Realized gain on investments	5,239	4,093
Unrealized loss on investments	(235)	(290)
	$ 110,169	$ 25,621

Investment fees amounted to approximately $0 and $11,000 for the years ended December 31, 2013 and 2012, respectively, and are included in professional fees in the accompanying statements of functional expenses.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2013 and 2012:

	Estimated Useful Lives	2013	2012
Furniture and equipment	3-7 years	$ 755,807	$ 600,036
Leasehold improvements	10 years	191,123	191,123
		946,930	791,159
Less:accumulated depreciation and amortization		(659,463)	(592,825)
Net book value		$ 287,467	$ 198,334

Depreciation and amortization expense amounted to $69,638 and $77,984 for the years ended December 31, 2013 and 2012, respectively.

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable are recorded net of a discount (at a risk adjusted rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of December 31, 2013 and 2012:

	2013	2012
One year or less	$ 5,352,799	$ 2,760,124
One year to five years	3,061,600	957,044
Five years and more	750,000	750,000
	9,164,399	4,467,168
Less: present value discount ranging from 0.6% to 4.55%	(326,419)	(324,585)
	$ 8,837,980	$ 4,142,583

As of December 31, 2013, pledge receivable from one donor constitutes 44% of total net pledges receivable.

NOTE 6 – LOANS PAYABLE AND INTEREST RATE SWAP

During the year ended December 31, 2013, the Organization obtained two loans from a bank. The Organization is in the process of terminating its defined benefit pension plan and the proceeds from the loans were used to pay down the accrued defined benefit pension plan liability. As of December 31, 2013, loans payable amounted to $3,500,000 and consists of the following two loans:

A. Loan payable to a bank in the principal amount of $1,200,000 and matures on April 1, 2016. Interest on the outstanding principal balance accrues and will be payable monthly at a fixed rate of 3.45% per annum. Principal is due on maturity. Up to $500,000 of principal may be prepaid on this loan in each year of the loan without prepayment charge. Any prepayment in excess of $500,000 in any year shall be subject to a prepayment charge per the loan agreement. The loan is secured by investments.

B. Loan payable to a bank in the principal amount of $2,300,000 and matures on April 1, 2018. Interest on the outstanding principal balance accrues and will be payable monthly at a fixed rate of 2.5% per annum plus LIBOR. Principal is due on maturity. There is no prepayment charge with respect to this loan. The loan is secured by investments.

Interest expense for the year ended December 31, 2013 amounted to $36,244. In connection with the loan payable in the amount of $2,300,000, the Organization entered into a fixed rate swap agreement with the bank. The purpose of the swap agreement is to establish a synthetic fixed rate. The synthetic fixed rate is fixed at 4.45%. The fair value of the swap agreement was ($59,223) as of December 31, 2013 and is included as a liability in the statements of financial position.

NOTE 7 – PENSION PLANS

The Organization has a 403(b) defined contribution pension plan for all employees. The Organization contributes 6% of eligible employees' compensation to the plan. The total expense of the Organization under the plan for the years ended December 31, 2013 and 2012 amounted to $170,805 and $160,165, respectively.

In addition, the Organization maintains a defined benefit pension plan (the "Plan"). The future benefit accruals were frozen as of June 30, 2006 for active employees. Employees hired after June 30, 2006 are not eligible to participate in the Plan. The Plan was amended on June 10, 2013 to terminate the Plan as of September 30, 2013. In connection with the plan termination, the Plan was also amended to provide a one-time lump sum option to active and deferred vested participants whose present value of accrued benefits are less than or equal to $25,000. The lump sums will be paid upon approval of the plan termination process by the Internal Revenue Service ("IRS") and Pension Benefit Guaranty Corporation ("PBGC"). Subsequent to December 31, 2013, the Organization received final approval from the IRS.

Because the Plan was amended to terminate as of September 30, 2013, there will be no minimum funding requirement for the 2014 plan year. However, in connection with the plan termination, the Organization made contributions of approximately $3.2 million during 2013, and will make any such additional contributions in 2012 as may be necessary to achieve timely plan termination. Therefore, the contributions for the 2014 fiscal year will not be known until the distribution of the plan assets to plan participants is completed during 2014.

The funded status of the Plan as of December 31, 2013 and 2012 is as follows:

	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 8,478,271	$ 8,110,398
Interest cost	300,718	339,347
Actuarial (gain) loss	(632,899)	436,698
Benefits paid	(559,306)	(408,172)
Benefit obligation at end of year	7,586,784	8,478,271
Fair value of Plan assets	8,080,614	5,254,673
Funded status	$ 493,830	$ (3,223,598)

As of December 31, 2013 and 2012, the accumulated benefit obligation for the Plan was $7,586,784 and $8,478,271, respectively. As of December 31, 2013 prepaid pension asset of $493,830 is included under prepaid expense and other assets. As of December 31, 2012, accrued pension obligation of $3,223,598 is included under accrued pension benefits in the statement of financial position.

The components of benefit (credit) cost for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Interest cost	$ 300,718	$ 339,347
Expected return on assets	(476,424)	(381,241)
Actuarial loss	80,705	57,178
Prior service credit recognized	(2,421)	(2,422)
Net benefits (credit) cost	$ (97,422)	$ 12,862

NOTE 7 – PENSION PLANS (Continued)

The amounts recognized in unrestricted net assets for the Plan, as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Net actuarial loss	$ (2,240,803)	$ (2,654,423)
Prior service credit	33,103	35,524
	$ (2,207,700)	$ (2,618,899)

Other changes in Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2013 and 2012 consist of the following:

	2013	2012
Net actuarial gain (loss)	$ 413,620	$ (434,858)
Prior service credit	(2,421)	(2,422)
	$ 411,199	$ (437,280)

The Organization's expected rate of return on Plan assets is determined by the Plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class. The measurement of benefit obligation as of December 31, 2013 and 2012 are based on the following assumptions:

	2013	2012
Discount rate	4.50%	3.70%
Expected return on Plan assets	8%	8%
Rate of compensation increase	N/A	N/A

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2014	$ 584,421
2015	573,183
2016	562,614
2017	553,142
2018	547,135
Five years thereafter	2,639,944

NOTE 7 – PENSION PLANS (Continued)

The Plan assets carried at fair value under Level 1 (See fair value definitions under Note 14) as of December 31, 2013 and 2012 are classified as follows:

	2013	2012
Cash and money market funds	$ 8,080,614	$ 692,922
Mutual funds:		
International	-	770,999
Income	-	1058,770
Total return	-	402,228
Bond	-	920,198
Equity and other	-	1,409,556
	$ 8,080,614	$ 5,254,673

The Plan assets are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The composition of the Plan's asset allocation is reviewed periodically by the Plan's Trustees to determine if rebalancing to target is necessary. Since the overall objective of the Plan is to meet future obligations of the Plan beneficiaries, while minimizing long-term contributions, the primary investment objective is to provide a satisfactory return on investment.

NOTE 8 – POSTRETIREMENT HEALTH BENEFITS PLAN

The Organization maintains a postretirement health benefits plan (the "Postretirement Plan") that covers substantially all current and future retirees. Employees who qualify to receive paid postretirement medical coverage are those employees who retire with an immediate pension benefit and are at least age 60 with at least 15 years of service or age 65. During 2011, the Organization amended the Postretirement Plan to require participants who retire on or after September 1, 2011 to contribute 50% of the premium rates.

The funded status of the Postretirement Plan as of December 31, 2013 and 2012 is as follows:

	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,855,184	$ 1,631,619
Service cost	30,931	77,897
Interest cost	64,731	73,271
Plan participants' contributions	8,899	-
Actuarial (gain)loss	(338,934)	136,686
Benefits paid	(77,714)	(64,289)
Benefit obligation at end of year	1,543,097	1,855,184
Fair value of Postretirement Plan assets	21,822	21,818
Funded status	$ (1,521,275)	$ (1,833,366)

NOTE 8 – POSTRETIREMENT HEALTH BENEFITS PLAN (Continued)

The components of benefit cost for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Service cost	$ 30,931	$ 77,897
Interest cost	64,731	73,271
Expected return on assets	-	(3,589)
Prior service credit	(67,333)	(67,333)
Actuarial gain	(86,112)	(88,918)
Net benefits (credit) cost	$ (57,783)	$ (8,672)

The amounts recognized in the unrestricted net assets for the Postretirement Plan as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Net actuarial gain	$ 953,590	$ 700,764
Prior service credit	453,375	520,708
	$ 1,406,965	$ 1,221,472

Other changes in Postretirement Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2013 and 2012 consist of the following:

	2013	2012
Net actuarial gain (loss)	$ 252,826	$ (220,055)
Net prior service cost	(67,333)	(67,333)
	$ 185,493	$ (287,388)

The Organization's expected rate of return on Postretirement Plan assets is determined by the Postretirement Plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class. The measurement of the benefit obligation as of December 31, 2013 and 2012 are based on the following assumptions:

	2013	2012
Discount rate	4.7%	4%

The postretirement Plan expense computation assumes a future medical cost inflation of 8% and 8.5% in 2013 and 2012, respectively, and gradually reduces by 0.5% annually each year until 2019 and remains at that level thereafter. The assumed health care cost trend rates as of December 31, 2013 and 2012 are as follows:

	2013	2012
Health care cost trend rate assumed for next year	7%	7.5%
Rate to which the cost trend rate is assumed to decline	4.75%	4.75%
Year that the rate reaches the ultimate trend rate	2019	2019

NOTE 8 – POSTRETIREMENT HEALTH BENEFITS PLAN (Continued)

To illustrate, increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by $203,690 as of December 31, 2013, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $17,312. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by $170,307 as of December 31, 2013, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $13,756.

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2014	$ 84,104
2015	87,198
2016	89,841
2017	92,091
2018	100,235
Five years thereafter	519,539

The postretirement Plan assets carried at fair value under Level 1 (See fair value definitions under Note 15) as of December 31, 2013 and 2012 are classified as follows:

	2013	2012
Cash and money market funds	$ 21,822	$ 21,818
	$ 21,822	$ 21,818

The postretirement Plan assets are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The composition of the Postretirement Plan's asset allocation is reviewed periodically by the Postretirement Plan's Trustees to determine if rebalancing to target is necessary. Since the overall objective of the Postretirement Plan is to meet future obligations of the Postretirement Plan beneficiaries, while minimizing long-term contributions, the primary investment objective is to provide a satisfactory return on investment.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. The Organization leases certain office facilities and equipment. The leases expire at various dates up to 2019. Minimum annual rentals related to the leases are approximately as follows for the years ending after December 31, 2013:

	Real Property	Office Equipment	Total
2014	$ 498,000	$ 50,000	$ 548,000
2015	462,000	19,000	481,000
2016	453,000	6,000	459,000
2017	437,000	-	437,000
2018	450,000	-	450,000
Thereafter	183,000	-	183,000
	$ 2,483,000	$ 75,000	$ 2,558,000

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense amounted to the following for the years ended December 31, 2013 and 2012:

	2013	2012
Real property	$ 511,173	$ 510,582
Equipment	85,829	69,950

Such amounts are included in occupancy and equipment, respectively, in the accompanying financial statements.

B. On January 27, 2011, the Organization entered into an agreement with MDA to act as a nationwide organization for the purpose of fundraising for MDA in the territory of the United States of America. This agreement restricts the Organization from dealing in any other business apart from raising funds for MDA and ensures that four voting members of the Board of Directors of the Organization will be from a slate of candidates proposed by MDA. The agreement is for five years commencing January 1, 2011 and will be renewed automatically in five year periods up to four renewals. Upon expiration or termination of this agreement, the Organization is required to immediately cease to solicit contributions of any kind intended for the benefit of MDA and distribute all contributions raised by the Organization to MDA in accordance with applicable laws. In addition, the termination or expiration of this agreement will require the Organization to stop using MDA trademarks, the corporate name and domain names that are in any way associated with MDA.

C. The Organization has no uncertain tax positions as of December 31, 2013 and 2012 in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2010.

NOTE 10 – CONCENTRATION

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash held with banks in excess of federal deposit insurance coverage ("FDIC") insurance limits by approximately $16.2 million and $11.4 million as of December 31, 2013 and 2012, respectively Cash accounts are insured up to $250,000 per depositor. The Organization also maintains cash and cash equivalents in financial institutions located in Israel that is not FDIC insured. These accounts totaled approximately $695,000 and $467,000 as of December 31, 2013 and 2012, respectively.

NOTE 11 – ASSETS HELD IN SPLIT INTEREST AGREEMENTS

Assets held in split interest agreements include charitable gift annuities and charitable remainder trusts agreements. As of December 31, 2013 and 2012, the estimated future liabilities of $3,730,075 and $3,499,706, respectively, are included in accounts payable and accrued expenses in the accompanying statements of financial position. The present value of the estimated future interest is calculated using a discount rate of 5% as of December 31, 2013 and 2012. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2013 and 2012, the assets comprising the charitable gift annuities are segregated and held separately for the purposes of annuity benefits and may not, without exception, be applied towards the payment of other debts or obligations of the Organization.

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2013 and 2012:

	2013	2012
Ambulances	$ 6,009,073	$ 6,126,603
Blood center construction	11,493,219	-
Paramedic training	364,454	-
Emergency medical stations and shielding	-	95,000
	$ 17,866,746	$ 6,221,603

Temporarily restricted net assets amounting to $9,848,926 and $10,049,722 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors for the years ended December 31, 2013 and 2012, respectively.

During the year ended December 31, 2013, the Organization received $250,000 in permanently restricted endowment included under cash and cash equivalents in the statement of financial position.

NOTE 13 –GRANTS PAYABLE

As of December 31, 2013 and 2012, the Organization was obligated under unconditional promises to give amounting to $16,224,834 and $16,077,918, respectively, to MDA for several projects. The payments for such commitments are made on as needed based on actual expenses incurred by MDA. As of December 31, 2013, the grants payable are expected to be paid to MDA within a year or upon completion of ongoing projects.

NOTE 14 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

> Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
>
> Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Organization does not have investments in Level 3 category.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in common stock, cash and money market funds and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Government bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc). Fair value of the interest rate swap agreement is based on inputs from current valuation information priced with observable market assumptions and appropriate valuation adjustments for credit risk. The valuation is based on a mid-level market basis, at the close of business, on the reporting date.

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value at December 31, 2013 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Total
ASSETS CARRIED AT FAIR VALUE:			
Investments			
Cash and money market funds	$ 5,292,654	$ -	$ 5,292,654
U.S. Treasury bills	8,270,000	-	8,270,000
Equities	40,236	-	40,236
Government bonds	-	5,213,673	5,213,673
Total Investments	13,602,890	5,213,673	18,816,563
Assets held in split interest agreements			
Cash and money market funds	243,015	-	243,015
Equities:			
Consumer discretionary	290,763	-	290,763
Consumer staples	96,436	-	96,436
Energy	200,335	-	200,335
Financials	527,452	-	527,452
Healthcare	239,278	-	239,278
Industrials	326,027	-	326,027
Information technology	343,386	-	343,386
Materials and utilities	114,860	-	114,860
Foreign stock	62,418	-	62,418
Telecommunication services and others	103,554	-	103,554
Mutual funds	4,460,312	-	4,460,312
Other	-	23,647	23,647
Total Assets held in split interest agreements	7,007,836	23,647	7,031,483
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 20,610,726	$ 5,237,320	$ 25,848,046
LIABILITIES CARRIED AT FAIR VALUE:			
Interest rate swap agreement	$ -	$ 59,223	$ 59,223

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2012 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Total
ASSETS CARRIED AT FAIR VALUE:			
Investments			
Cash and money market funds	$ 206,553	$ -	$ 206,553
U.S. Treasury bills	18,332,610	-	18,332,610
Equities	175,546	-	175,546
Government bonds	-	232,982	232,982
Total Investments	18,714,709	232,983	18,947,691
Assets held in split interest agreements			
Cash and money market funds	$ 277,731	$ -	$ 277,731
Equities:			
Consumer discretionary	316,649	-	316,649
Consumer staples	115,417	-	115,417
Financials	83,450	-	83,450
Healthcare	202,798	-	202,798
Industrials	272,866	-	272,866
Information technology	304,961	-	304,961
Materials and utilities	78,555	-	78,555
Foreign stock	55,439	-	55,439
Mutual funds	4,403,439	-	4,403,439
Other	-	27,252	27,252
Total Assets held in split interest agreements	6,111,305	27,252	6,138,557
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 24,826,014	$ 260,234	$ 25,086,248

NOTE 15 – SUBSEQUENT EVENTS

The Organization has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through July 2, 2014, the date the financial statements were available to be issued. Except as disclosed under Note 7, no events have occurred subsequent to the statement of financial position date through July 2, 2014 that would require adjustment or disclosure in the financial statements.