AMERICAN FRIENDS OF MAGEN DAVID ADOM

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

MARKS PANETH

ACCOUNTANTS & ADVISORS

AMERICAN FRIENDS OF MAGEN DAVID ADOM

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2015 AND 2014

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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, 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 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, 2015 and 2014, 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 27, 2016

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2C and 9)	$ 33,598,805	$ 34,463,995
Pledges receivable, net (Notes 2F, 2G and 4)	19,163,694	11,068,491
Investments, at fair value (Notes 2D, 6 and 14)	11,633,378	11,181,089
Assets held in split interest agreements, at fair value (Notes 10 and 14)	6,870,328	7,416,786
Prepaid expenses and other assets (Note 6)	1,255,895	872,534
Property and equipment, net (Notes 2E and 3)	152,010	234,737
TOTAL ASSETS	$ 72,674,110	$ 65,237,632
LIABILITIES		
Accounts payable and accrued expenses (Note 8)	$ 11,097,799	$ 8,795,847
Grants payable (Notes 2M, 11 and 15)	37,388,769	34,256,988
Loans payable (Note 5)	2,500,000	3,000,000
Foreign exchange contract valuation (Note 2C and 15)	961,419	4,377,432
Interest rate swap liability (Note 5)	49,080	56,194
Deferred revenue (Note 2K)	476,291	204,244
Accrued pension and postretirement health benefit costs (Notes 6, 7, and 8)	1,566,617	1,820,488
TOTAL LIABILITIES	54,039,975	52,511,193
NET ASSETS (Note 2B)		
Unrestricted	1,109,466	(2,628,103)
Temporarily restricted (Note 12)	17,062,549	14,922,042
Permanently restricted (Note 12)	462,120	432,500
TOTAL NET ASSETS	18,634,135	12,726,439
TOTAL LIABILITIES AND NET ASSETS	$ 72,674,110	$ 65,237,632

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 30, 2015 AND 2014

	For the Year Ended December 30, 2015				For the Year Ended December 30, 2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**2015 Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**2014 Total**
OPERATING REVENUE AND SUPPORT (Note 2J):								
Contributions (Notes 4 and 12)	$ 6,695,806	$ 9,620,272	$ -	$ 16,316,078	$ 3,042,997	$ 16,727,352	$ -	$ 19,770,349
Special events, net of direct expenses of $1,846,861 and $1,148,538 for 2015 and 2014, respectivly (Note 2J)	2,938,858	9,483,562	-	12,422,420	6,219,873	5,459,822	-	11,679,695
Estates, trusts, bequests and legacies and other (Note 2I)	10,022,133	1,476,399	29,620	11,528,152	7,859,691	1,381,588	182,500	9,423,779
Interest	303,828	-	-	303,828	189,984	-	-	189,984
Investment activity (Note 13)	53,026	-	-	53,026	134,107	-	-	134,107
Change in value of split interest agreements (Note 10)	(435,941)	-	-	(435,941)	248,499	-	-	248,499
Net assets released from restrictions (Note 12)	18,439,726	(18,439,726)	-	-	26,513,466	(26,513,466)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	38,017,436	2,140,507	29,620	40,187,563	44,208,617	(2,944,704)	182,500	41,446,413
OPERATING EXPENSES (Notes 2I and 2J):								
Program services	26,891,305	-	-	26,891,305	37,913,819	-	-	37,913,819
Management and general	2,803,289	-	-	2,803,289	2,341,632	-	-	2,341,632
Fundraising	4,256,876	-	-	4,256,876	4,367,823	-	-	4,367,823
TOTAL OPERATING EXPENSES	33,951,470	-	-	33,951,470	44,623,274	-	-	44,623,274
CHANGE IN NET ASSETS FROM OPERATIONS	4,065,966	2,140,507	29,620	6,236,093	(414,657)	(2,944,704)	182,500	(3,176,861)
NON-OPERATING ACTIVITIES (Note 2J):								
Gain (Loss) on interest rate swap (Note 5)	7,114	-	-	7,114	3,029	-	-	3,029
Foreign exchange contract valuation (Note 2C and 15)	(290,292)	-	-	(290,292)	(4,377,432)	-	-	(4,377,432)
TOTAL NON-OPERATING ACTIVITIES	(283,178)	-	-	(283,178)	(4,374,403)	-	-	(4,374,403)
CHANGE IN NET ASSETS BEFORE POSTRETIREMENT RELATED CHANGES	3,782,788	2,140,507	29,620	5,952,915	(4,789,060)	(2,944,704)	182,500	(7,551,264)
Postretirement changes other than net periodic pension cost (Notes 6, 7 and 8)	(45,219)	-	-	(45,219)	(2,263,932)	-	-	(2,263,932)
CHANGE IN TOTAL NET ASSETS	3,737,569	2,140,507	29,620	5,907,696	(7,052,992)	(2,944,704)	182,500	(9,815,196)
Net assets - beginning of year	(2,628,103)	14,922,042	432,500	12,726,439	4,424,889	17,866,746	250,000	22,541,635
NET ASSETS - END OF YEAR	$ 1,109,466	$ 17,062,549	$ 462,120	$ 18,634,135	$ (2,628,103)	$ 14,922,042	$ 432,500	$ 12,726,439

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

AMERICAN FRIENDS OF MAGEN DAVIS ADOM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015					Year Ended December 31, 2014				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2015	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2014
Salaries	$ 1,420,009	$ 1,175,926	$ 1,326,495	$ 2,502,421	$ 3,922,430	$ 1,361,039	$ 912,599	$ 1,232,559	$ 2,145,158	$ 3,506,197
Payroll taxes and employee benefits (Notes 6 and 7	1,065,175	316,150	356,630	672,780	1,737,955	436,554	313,101	422,875	735,976	1,172,530
Total salaries and related costs	2,485,184	1,492,076	1,683,125	3,175,201	5,660,385	1,797,593	1,225,700	1,655,434	2,881,134	4,678,727
Occupancy (Note 9A)	227,424	219,555	247,667	467,222	694,646	202,981	168,688	227,831	396,519	599,500
Professional fees (Note 2L)	367,330	312,047	352,003	664,050	1,031,380	289,262	202,527	273,534	476,061	765,323
Insurance	43,703	42,086	47,475	89,561	133,264	28,976	21,131	28,540	49,671	78,647
Printing, publications and supplies	155,295	138,814	156,588	295,402	450,697	136,684	105,783	142,871	248,654	385,338
Travel, conferences and events	281,653	117,356	345,187	462,543	744,196	191,280	17,851	259,170	277,021	468,301
Telephone	36,522	32,917	37,132	70,049	106,571	42,788	32,046	43,281	75,327	118,115
Postage and shipping	132,090	109,418	147,793	257,211	389,301	116,546	96,557	130,411	226,968	343,514
Dues and subscriptions	8,130	7,867	8,875	16,742	24,872	1,570	1,310	1,769	3,079	4,649
Equipment (Note 9A)	60,972	57,493	64,854	122,347	183,319	63,273	52,647	71,105	123,752	187,025
Bank charges and interest expense	10,330	194,192	-	194,192	204,522	5,311	238,242	-	238,242	243,553
Direct-mail, advertising and public relations	687,106	-	1,008,029	1,008,029	1,695,135	582,109	-	1,241,132	1,241,132	1,823,241
MDA program-related grant expenses	22,350,856	-	-	-	22,350,856	34,378,715	-	-	-	34,378,715
Depreciation and amortization	36,820	72,245	-	72,245	109,065	36,951	72,501	-	72,501	109,452
Bad debt expense	-	-	150,000	150,000	150,000	-	75,000	250,000	325,000	325,000
Miscellaneous	7,890	7,223	8,148	15,371	23,261	39,780	31,649	42,745	74,394	114,174
TOTAL EXPENSES	$ 26,891,305	$ 2,803,289	$ 4,256,876	$ 7,060,165	$ 33,951,470	$ 37,913,819	$ 2,341,632	$ 4,367,823	$ 6,709,455	$ 44,623,274

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

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 5,907,696	$ (9,815,196)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	109,065	109,452
Pension and post retirement changes	45,219	2,263,932
Bad debt	150,000	325,000
Change in value of split interest agreements	435,941	(248,499)
Change in discount on pledges receivable	288,903	132,144
Change in value from foreign exchange contract	290,292	4,377,432
Gain on interest rate swap	(7,114)	(3,029)
Realized and unrealized gain on investments	(4,093)	(4,524)
Subtotal	7,215,909	(2,863,288)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(8,534,106)	(2,687,655)
Prepaid expenses and other assets	(383,361)	229,073
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses (net of change in split interest agreements)	2,412,469	(93,127)
Grants payable	3,131,781	18,032,154
Accrued pension benefit costs	(299,090)	(1,964,719)
Deferred revenue	272,047	(146,772)
Net Cash Provided by Operating Activities	3,815,649	10,505,666
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(26,338)	(56,722)
Proceeds from sales/redemptions of investments	1,388,118	10,810,335
Purchase of investments	(1,836,314)	(3,170,337)
Net Cash (Used In) Provided by Investing Activities	(474,534)	7,583,276
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in value of foreign exchange contract	(3,706,305)	-
Repayment of loans payable	(500,000)	(500,000)
Net Cash (Used In) Provided by Financing Activities	(4,206,305)	(500,000)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(865,190)	17,588,942
Cash and cash equivalents - beginning of year	34,463,995	16,875,053
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 33,598,805	$ 34,463,995
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 83,723	$ 145,462

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. Included in cash and cash equivalents is $5,379,888 and $9,012,696 set aside as collateral for the foreign exchange contract (Note 15), as of December 31, 2015 and 2014, respectively.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. As of December 31, 2014 and 2013, the Organization determined that determined that an allowance of approximately $243,000 and $325,000, respectively 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.

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 $11,533 and $50,774 for the years ended December 31, 2015 and 2014, respectively, and are included as contributions income and 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.

N. The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions except for those that have been permanently restricted by donors. Gain or loss on interest rate swap, and foreign exchange contract valuation are recognized as non-operating activities.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

	Estimated Useful Lives	2015	2014
Furniture and equipment	3-7 years	$ 428,402	$ 402,064
Leasehold improvements	10 years	194,775	194,775
		623,177	596,839
Less: accumulated depreciation and amortization		(471,167)	(362,102)
Net book value		$ 152,010	$ 234,737

Depreciation and amortization expense amounted to $109,065 and $109,452 for the years ended December 31, 2015 and 2014, respectively.

NOTE 4 – 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, 2015 and 2014:

	2015	2014
One year or less	$ 9,685,959	$ 8,785,218
One year to five years	9,553,600	2,233,600
Five years and more	915,000	1,180,000
	20,154,559	12,198,818
Less: allowance for doubtful pledges	(243,399)	(325,000)
Less: present value discount ranging from 0.6% to 3.1%	(747,466)	(458,563)
	$ 19,163,694	$ 11,415,255

NOTE 5 – LOANS PAYABLE AND INTEREST RATE SWAP

During the year ended December 31, 2013, the Organization obtained two loans from a bank. The proceeds from the loans were used to pay down the accrued defined benefit pension plan liability. As of December 31, 2015 and 2014, loans payable amounted to $2,500,000 and $3,000,000, respectively, and consists of the following two loans:

A. Loan payable to a bank in the principal amount of $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.

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, 2015 amounted to $83,723. 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 ($49,080) and ($56,194) as of December 31, 2015 and 2014, respectively, and is included as a liability in the statements of financial position. The recognition of change in fair value of the swap is recorded as a gain of $7,114 and $3,029 for the year ended December 31, 2015 and 2014, respectively.

NOTE 6 – 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, 2015 and 2014 amounted to $175,293 and $170,995, respectively.

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.

NOTE 7 – POSTRETIREMENT HEALTH BENEFITS PLAN

The funded status of the Postretirement Plan as of December 31, 2015 and 2014 is as follows:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,820,488	$ 1,543,097
Service cost	7,218	18,097
Interest cost	62,141	65,242
Plan participants' contributions	11,927	10,796
Actuarial loss (gain)	(237,028)	271,974
Benefits paid	(98,129)	(88,718)
Benefit obligation at end of year	1,566,617	1,820,488
Funded status	$ (1,566,617)	$ (1,820,488)

The components of benefit credit for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Service cost	$ 7,218	$ 18,097
Interest cost	62,141	65,242
Prior service credit	(67,333)	(67,333)
Actuarial gain	(124,476)	(130,195)
Net benefits (credit) cost	$ (122,450)	$ (114,189)

The amounts recognized in the unrestricted net assets for the Postretirement Plan as of December 31, 2015 and 2014 consist of the following:

	2015	2014
Net actuarial gain	$ 663,973	$ 551,421
Prior service credit	318,709	386,042
	$ 982,682	$ 937,463

Other changes in Postretirement Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2015 and 2014 consist of the following:

	2015	2014
Net actuarial (loss) gain	$ 112,552	$ (402,169)
Net prior service cost	(67,333)	(67,333)
	$ 45,219	$ (469,502)

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, 2015 and 2014 are based on the following assumptions:

	2015	2014
Discount rate	3.8%	3.9%

NOTE 7 – POSTRETIREMENT HEALTH BENEFITS PLAN (Continued)

The assumed health care cost trend rates as of December 31, 2015 and 2014 are as follows:

	2015	2014
Health care cost trend rate assumed for next year	8% / 5.8%	8.5% / 6%
Rate to which the cost trend rate is assumed to decline	4.75%	4.75%
Year that the rate reaches the ultimate trend rate	2023	2023

To illustrate, increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by $188,875 as of December 31, 2015, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $9,344. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by $161,235 as of December 31, 2015, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $7,803.

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:

2016	$ 88,476
2017	91,247
2018	93,839
2019	96,123
2020	98,078
Five years thereafter	510,583

For the years ended December 31, 2015 and 2014, the Postretirement Plan held no assets. 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 8 – 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, 2015:

	Real Property	Office Equipment	Total
2016	$ 623,000	$ 35,000	$ 658,000
2017	595,000	26,000	621,000
2018	509,000	8,000	517,000
2019	194,000	-	194,000
2020	-	-	-
	$ 1,921,000	$ 69,000	$ 1,990,000

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense amounted to the following for the years ended December 31, 2015 and 2014:

	2015	2014
Real property	$ 623,757	$ 550,081
Equipment	48,640	68,853

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 believes it has no material uncertain tax positions as of December 31, 2015 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.

NOTE 9 – 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 $27.2 million and $24.4 million as of December 31, 2015 and 2014, 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 $6.4 million and $10.9 million as of December 31, 2015 and 2014, respectively.

NOTE 10 – 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, 2015 and 2014, the estimated future liabilities of $3,771,703 and $3,882,220, 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, 2015 and 2014. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2015 and 2014, 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 11 –GRANTS PAYABLE

As of December 31, 2015 and 2014, the Organization was obligated under unconditional promises to give amounting to $37,388,769 and $34,256,988, 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, 2015, the grants payable are expected to be paid to MDA within a one to three years or upon completion of ongoing projects. Grants payable also include $16.4 million received for the Blood Center Project as of December 31, 2015.

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2015 and 2014:

	2015	2014
Ambulances	$ 2,128,018	$ 7,829,528
Blood center construction	14,738,474	6,536,140
Other	196,057	556,374
	$ 17,062,549	$ 14,922,042

Temporarily restricted net assets amounting to $18,439,726 and $26,513,466 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, 2015 and 2014, respectively.

During the years ended December 31, 2015 and 2014, the Organization received $0 and $182,500, respectively in permanently restricted endowment included under cash and cash equivalents in the statement of financial position.

NOTE 13 – INVESTMENTS

Investments consist of the following as of December 31, 2015 and 2014:

	2015	2014
Cash and money market funds	$ 6,461,316	$ 6,048,269
Equities	-	31,946
Government bonds	5,172,062	5,100,874
	$ 11,633,378	$ 11,181,089

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, 2015 and 2014:

	2015	2015
Interest and dividends	$ 57,119	$ 139,215
Realized gain (loss) on investments	(3,470)	(4,816)
Unrealized loss on investments	(623)	(292)
	$ 53,026	$ 134,107

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.

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

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. Fair value of the foreign exchange contract is based on observable inputs available in the New York foreign exchange market or any other financial center, for the purchase or sale of one currency against another currency for delivery on a specified settlement date.

Financial assets and liabilities carried at fair value at December 31, 2015 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	$ 6,461,316	$ -	$ 6,461,316
U.S. Government bonds	-	5,172,062	5,172,062
Total Investments	6,461,316	5,172,062	11,633,378
Assets held in split interest agreements			
Cash and money market funds	201,388	-	201,387
Equities:			
Consumer discretionary	387,515	-	387,515
Consumer staples	241,956	-	241,956
Energy	94,193	-	94,193
Financials	751,203	-	751,203
Healthcare	196,156	-	196,156
Industrials	357,956	-	357,956
Information technology	380,236	-	380,236
Materials and utilities	33,762	-	33,761
Foreign stock	61,433	-	61,433
Mutual funds	4,026,135	-	4,026,136
Other	-	138,395	138,395
Total Assets held in split interest agreements	6,731,933	138,395	6,870,328
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 13,193,249	$ 5,310,457	$ 18,503,706
LIABILITIES CARRIED AT FAIR VALUE:			
Foreign exchange contract	-	961,418	961,418
Interest rate swap agreement	-	49,080	49,080
TOTAL LIABILITIES CARRIED AT FAIR VALUE	$ -	$ 1,010,499	$ 1,010,499

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2014 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	$ 6,048,269	$ -	$ 6,048,269
Equities	31,946	-	31,946
U.S. Government bonds	-	5,100,874	5,100,874
Total Investments	6,080,215	5,100,874	11,181,089
Assets held in split interest agreements			
Cash and money market funds	211,992	-	211,992
Equities:			
Consumer discretionary	423,863	-	423,863
Consumer staples	190,091	-	190,091
Energy	127,755	-	127,755
Financials	748,006	-	748,006
Healthcare	226,890	-	226,890
Industrials	348,731	-	348,731
Information technology	438,388	-	438,388
Materials and utilities	135,372	-	135,372
Foreign stock	62,916	-	62,916
Mutual funds	4,481,950	-	4,481,950
Other	-	20,832	20,832
Total Assets held in split interest agreements	7,395,954	20,832	7,416,786
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 13,476,169	$ 5,121,706	$ 18,597,875
LIABILITIES CARRIED AT FAIR VALUE:			
Foreign exchange contract	-	4,377,432	4,377,432
Interest rate swap agreement	-	56,194	56,194
TOTAL LIABILITIES CARRIED AT FAIR VALUE	$ -	$ 4,393,626	$ 4,393,626

NOTE 15 – FOREIGN EXCHANGE CONTRACT

During 2014, the Organization entered into a foreign exchange contract with a bank to mitigate the risk associated with fluctuations in Israeli currency value for future grant obligations. The contract enables the organization to buy the Israeli Shekel at a fixed rate. The fair value of the contract as of December 31, 2015 and December 31, 2014 amounted to a liability of $961,419 and $4,377,432 respectively.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through July 27, 2016, the date the financial statements were available to be issued.