AMERICAN FRIENDS OF MAGEN DAVID ADOM

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2014 and 2013

MARKS PANETH

ACCOUNTANTS & ADVISORS

AMERICAN FRIENDS OF MAGEN DAVID ADOM

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(Together with Independent Auditors' Report)

Years Ended December 31, 2014 and 2013

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

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, 2014 and 2013, 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, 2014 and 2013, 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
June 29, 2015

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2C and 9)	$ 34,463,995	$ 16,875,053
Pledges receivable, net (Notes 2F, 2G and 4)	11,415,255	8,837,980
Investments, at fair value (Notes 2D, 6 and 14)	11,181,089	18,816,563
Assets held in split interest agreements, at fair value (Notes 10 and 14)	7,416,786	7,031,483
Prepaid expenses and other assets (Note 6)	525,770	1,101,607
Property and equipment, net (Notes 2E and 3)	234,737	287,467
TOTAL ASSETS	$ 65,237,632	$ 52,950,153
LIABILITIES		
Accounts payable and accrued expenses (Note 8)	$ 8,795,847	$ 8,752,170
Grants payable (Notes 2M, 11 and 15)	34,256,988	16,224,834
Loans payable (Note 5)	3,000,000	3,500,000
Foreign exchange contract valuation (Note 2C and 15)	4,377,432	-
Interest rate swap liability (Note 5)	56,194	59,223
Deferred revenue (Note 2K)	204,244	351,016
Accrued pension and postretirement health benefit costs (Notes 6, 7, and 8)	1,820,488	1,521,275
TOTAL LIABILITIES	52,511,193	30,408,518
NET ASSETS (Note 2B)		
Unrestricted	(2,628,103)	4,424,889
Temporarily restricted (Note 12)	14,922,042	17,866,746
Permanently restricted (Note 12)	432,500	250,000
TOTAL NET ASSETS	12,726,439	22,541,635
TOTAL LIABILITIES AND NET ASSETS	$ 65,237,632	$ 52,950,153

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

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 30, 2014 AND 2013

	For the Year Ended December 30, 2014				For the Year Ended December 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
OPERATING REVENUE AND SUPPORT (Note 2J):								
Contributions (Notes 4 and 12)	$ 3,042,997	$ 16,727,352	$ -	$ 19,770,349	$ 6,505,656	$ 12,718,943	$ -	$ 19,224,599
Special events, net of direct expenses of $1,148,538 and $762,280 for 2014 and 2013, respectivly (Note 2J)	6,219,873	5,459,822	-	11,679,695	1,882,172	5,991,698	-	7,873,870
Estates, trusts, bequests and legacies and other (Note 2I)	7,859,691	1,381,588	182,500	9,423,779	4,818,000	2,783,428	250,000	7,851,428
Interest	189,984	-	-	189,984	58,106	-	-	58,106
Investment activity (Note 13)	134,107	-	-	134,107	110,169	-	-	110,169
Change in value of split interest agreements (Note 10)	248,499	-	-	248,499	662,557	-	-	662,557
Net assets released from restrictions (Note 12)	26,513,466	(26,513,466)	-	-	9,848,926	(9,848,926)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	44,208,617	(2,944,704)	182,500	41,446,413	23,885,586	11,645,143	250,000	35,780,729
OPERATING EXPENSES (Notes 2I and 2J):								
Program services	37,913,819	-	-	37,913,819	19,805,506	-	-	19,805,506
Management and general	2,341,632	-	-	2,341,632	2,287,813	-	-	2,287,813
Fundraising	4,367,823	-	-	4,367,823	3,769,483	-	-	3,769,483
TOTAL OPERATING EXPENSES	44,623,274	-	-	44,623,274	25,862,802	-	-	25,862,802
DEFICIT OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES	(414,657)	(2,944,704)	182,500	(3,176,861)	(1,977,216)	11,645,143	250,000	9,917,927
NON-OPERATING ACTIVITIES (Note 2J):								
Gain (Loss) on interest rate swap (Note 5)	3,029	-	-	3,029	(59,223)	-	-	(59,223)
Foreign exchange contract valuation (Note 2C and 15)	(4,377,432)	-	-	(4,377,432)	-	-	-	-
TOTAL NON-OPERATING ACTIVITIES	(4,374,403)	-	-	(4,374,403)	(59,223)	-	-	(59,223)
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES AND OTHER ITEMS	(4,789,060)	(2,944,704)	182,500	(7,551,264)	(2,036,439)	11,645,143	250,000	9,858,704
Pension and postretirement changes other than net periodic pension cost (Notes 6, 7 and 8)	(2,263,932)	-	-	(2,263,932)	596,692	-	-	596,692
CHANGE IN TOTAL NET ASSETS	(7,052,992)	(2,944,704)	182,500	(9,815,196)	(1,439,747)	11,645,143	250,000	10,455,396
Net assets - beginning of year	4,424,889	17,866,746	250,000	22,541,635	5,864,636	6,221,603	-	12,086,239
NET ASSETS - END OF YEAR	$ (2,628,103)	$ 14,922,042	$ 432,500	$ 12,726,439	$ 4,424,889	$ 17,866,746	$ 250,000	$ 22,541,635

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

AMERICAN FRIENDS OF MAGEN DAVIS ADOM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Year Ended December 31, 2014					Year Ended December 31, 2013				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2014	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2013
Salaries	$ 1,361,039	$ 912,599	$ 1,232,559	$ 2,145,158	$ 3,506,197	$ 1,179,188	$ 966,518	$ 1,119,934	$ 2,086,452	$ 3,265,640
Payroll taxes and employee benefits (Notes 6 and 7)	436,554	313,101	422,875	735,976	1,172,530	359,571	310,704	360,022	670,726	1,030,297
Total salaries and related costs	1,797,593	1,225,700	1,655,434	2,881,134	4,678,727	1,538,759	1,277,222	1,479,956	2,757,178	4,295,937
Occupancy (Note 9A)	202,981	168,688	227,831	396,519	599,500	178,625	175,292	203,117	378,409	557,034
Professional fees (Note 2L)	289,262	202,527	273,534	476,061	765,323	268,107	169,152	231,780	400,932	669,039
Insurance	28,976	21,131	28,540	49,671	78,647	39,026	75,154	-	75,154	114,180
Printing, publications and supplies	136,684	105,783	142,871	248,654	385,338	88,810	79,542	248,864	328,406	417,216
Travel, conferences and events	191,280	17,851	259,170	277,021	468,301	182,205	95,996	299,398	395,394	577,599
Telephone	42,788	32,046	43,281	75,327	118,115	31,567	26,406	30,598	57,004	88,571
Postage and shipping	116,546	96,557	130,411	226,968	343,514	86,667	84,951	122,991	207,942	294,609
Dues and subscriptions	1,570	1,310	1,769	3,079	4,649	2,708	2,666	3,089	5,755	8,463
Equipment (Note 9A)	63,273	52,647	71,105	123,752	187,025	52,631	51,809	60,032	111,841	164,472
Bank charges and interest expense	5,311	238,242	-	238,242	243,553	49,024	81,429	-	81,429	130,453
Direct-mail, advertising and public relations	582,109	-	1,241,132	1,241,132	1,823,241	502,753	-	1,089,658	1,089,658	1,592,411
MDA program-related grant expenses	34,378,715	-	-	-	34,378,715	16,754,625	-	-	-	16,754,625
Depreciation and amortization	36,951	72,501	-	72,501	109,452	21,324	45,314	-	45,314	66,638
Bad debt expense	-	75,000	250,000	325,000	325,000	-	104,502	-	104,502	104,502
Miscellaneous	39,780	31,649	42,745	74,394	114,174	8,675	18,378	-	18,378	27,053
TOTAL EXPENSES	$ 37,913,819	$ 2,341,632	$ 4,367,823	$ 6,709,455	$ 44,623,274	$ 19,805,506	$ 2,287,813	$ 3,769,483	$ 6,057,296	$ 25,862,802

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (9,815,196)	$ 10,455,396
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	109,452	66,638
Pension and post retirement changes	2,263,932	(596,692)
Bad debt	325,000	104,502
Change in value of split interest agreements	(248,499)	(662,557)
Change in discount on pledges receivable	132,144	1,834
Loss on foreign exchange contract	4,377,432	-
(Gain) loss on interest rate swap	(3,029)	59,223
Realized and unrealized gain on investments	(4,524)	5,004
Subtotal	(2,863,288)	9,433,348
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(3,034,419)	(4,801,733)
Prepaid expenses and other assets	575,837	(572,680)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses (net of change in split interest agreements)	(93,127)	583,886
Grants payable	18,032,154	146,916
Accrued postretirement benefit costs	(1,964,719)	(2,938,997)
Deferred revenue	(146,772)	(76,648)
Net Cash Provided by Operating Activities	10,505,666	1,774,092
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(56,722)	(155,771)
Proceeds from sales/redemptions of investments	10,810,335	1,388,301
Purchase of investments	(3,170,337)	(1,262,177)
Net Cash Provided by (Used In) Investing Activities	7,583,276	(29,647)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans payable	(500,000)	-
Proceeds from loans payable	-	3,500,000
Net Cash (Used In) Provided by Financing Activities	(500,000)	3,500,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,588,942	5,244,445
Cash and cash equivalents - beginning of year	16,875,053	11,630,608
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 34,463,995	$ 16,875,053
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 145,462	$ 36,244

The accompanying notes are an integral part of these consolidated 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 $9,012,696 set aside as collateral for the foreign exchange contract (Note 15).

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 $325,000 and $0, 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 $50,774 and $0 for the years ended December 31, 2014 and 2013, 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.

O. Certain items in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 presentation and had no impact on the change in net assets for the year ended December 31, 2013.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2014 and 2013:

	Estimated Useful Lives	2014	2013
Furniture and equipment	3-7 years	$ 402,064	$ 755,807
Leasehold improvements	10 years	194,775	191,123
		596,839	946,930
Less: accumulated depreciation and amortization		(362,102)	(659,463)
Net book value		$ 234,737	$ 287,467

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization expense amounted to $109,452 and $69,638 for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the organization wrote off fully depreciated property and equipment of $187,909.

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, 2014 and 2013:

	2014	2013
One year or less	$ 8,785,218	$ 5,352,799
One year to five years	2,233,600	3,061,600
Five years and more	1,180,000	750,000
	12,198,818	9,164,399
Less: allowance for doubtful pledges	(325,000)	-
Less: present value discount ranging from 0.6% to 4.55%	(458,563)	(326,419)
	$ 11,415,255	$ 8,837,980

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, 2014 and 2013, loans payable amounted to $3,000,000 and $3,500,000, respectively, 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.

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, 2014 amounted to $145,462. 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 ($56,194) and (59,223) as of December 31, 2014 and 2013, 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 (loss) of $3,029 and ($59,223) for the year ended December 31, 2014 and 2013, 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, 2014 and 2013 amounted to $170,995 and $170,805, respectively.

NOTE 6 – PENSION PLANS (Continued)

The Organization sponsored a defined benefit pension plan (the "Plan"). The Plan was terminated as of September 30, 2013.

The funded status of the Plan as of December 31, 2014 and 2013 is as follows:

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 7,586,784	$ 8,478,271
Interest cost	274,824	300,718
Actuarial (gain) loss	1,456,855	(632,899)
Special/contractual termination benefits	(8,867,787)	-
Benefits paid	(450,676)	(559,306)
Benefit obligation at end of year	-	7,586,784
Fair value of Plan assets	-	8,080,614
Funded status	$ -	$ 493,830

As of December 31, 2014 and 2013, the accumulated benefit obligation for the Plan was $0 and $7,586,784, respectively. As of December 31, 2013 prepaid pension asset of $493,830 is included under prepaid expense and other assets.

The components of benefit credit for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Interest cost	$ 274,824	$ 300,718
Expected return on assets	(543,868)	(476,424)
Actuarial loss	58,566	80,705
Recognized loss due to settlements	-	-
Recognized prior service cost credit	(31,085)	-
Prior service credit recognized	(2,018)	(2,421)
Net benefits credit	$ (243,581)	$ (97,422)

Other changes in Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2014 and 2013 amounted to a loss of $1,793,830 and $411,199, respectively.

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, 2014 and 2013 are based on the following assumptions:

	2014	2013
Discount rate	N/A	3.70%
Expected return on Plan assets	N/A	8%
Rate of compensation increase	N/A	N/A

Expected future benefit payments and services, as appropriate, are expected to be zero paid in each of the next five years and in the aggregate for the five years thereafter.

NOTE 6 – PENSION PLANS (Continued)

The Plan assets of $8,080,614 as of December 31, 2013 were cash and money market funds carried at fair value under Level 1 (See fair value definitions under Note 14). As of December 31, 2014 the assets are $0.

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, 2014 and 2013 is as follows:

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,543,097	$ 1,855,184
Service cost	18,097	30,931
Interest cost	65,242	64,731
Plan participants' contributions	10,796	8,899
Actuarial loss (gain)	271,974	(338,934)
Benefits paid	(88,718)	(77,714)
Benefit obligation at end of year	1,820,488	1,543,097
Fair value of Postretirement Plan assets	-	21,822
Funded status	$ (1,820,488)	$ (1,521,275)

The components of benefit credit for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Service cost	$ 18,097	$ 30,931
Interest cost	65,242	64,731
Prior service credit	(67,333)	(67,333)
Actuarial gain	(130,195)	(86,112)
Net benefits (credit) cost	$ (114,189)	$ (57,783)

The amounts recognized in the unrestricted net assets for the Postretirement Plan as of December 31, 2014 and 2013 consist of the following:

	2014	2013
Net actuarial gain	$ 551,421	$ 953,590
Prior service credit	386,042	453,375
	$ 937,463	$ 1,406,965

NOTE 7 – POSTRETIREMENT HEALTH BENEFITS PLAN (Continued)

Other changes in Postretirement Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2014 and 2013 consist of the following:

	2014	2013
Net actuarial (loss) gain	$ (402,169)	$ 252,826
Net prior service cost	(67,333)	(67,333)
	$ (469,502)	$ 185,493

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, 2014 and 2013 are based on the following assumptions:

	2014	2013
Discount rate	3.9%	4.7%

The postretirement Plan expense computation assumes a future medical cost inflation of NA and 8% in 2014 and 2013, 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, 2014 and 2013 are as follows:

	2014	2013
Health care cost trend rate assumed for next year	8.5%/6.0%	7%
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	2019

To illustrate, increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by $264,135 as of December 31, 2014, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $12,526. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by $217,984 as of December 31, 2014, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $10,221.

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	$ 84,904
2015	88,907
2016	91,132
2017	96,059
2018	98,846
Five years thereafter	529,341

The postretirement Plan assets carried at fair value under Level 1 (See fair value definitions under Note 14) as of December 31, 2014 and 2013 are classified as follows:

	2014	2013
Cash and money market funds	$ -	$ 21,822
	$ -	$ 21,822

NOTE 7 – POSTRETIREMENT HEALTH BENEFITS PLAN (Continued)

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, 2014:

	Real Property	Office Equipment	Total
2015	$ 591,000	$ 37,000	$ 628,000
2016	594,000	31,000	625,000
2017	563,000	26,000	589,000
2018	509,000	26,000	535,000
2019	194,000	8,000	202,000
	$ 2,451,000	$ 128,000	$ 2,579,000

Rent expense amounted to the following for the years ended December 31, 2014 and 2013:

	2014	2013
Real property	$ 550,081	$ 511,173
Equipment	68,853	85,829

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, 2014 and 2013 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 2011.

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 $24.4 million and $16.2 million as of December 31, 2014 and 2013, 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 $35,292,000 and $695,000 as of December 31, 2014 and 2013, 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, 2014 and 2013, the estimated future liabilities of $3,882,220 and $3,730,075, 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, 2014 and 2013. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2014 and 2013, 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, 2014 and 2013, the Organization was obligated under unconditional promises to give amounting to $34,256,988 and $16,224,834, 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, 2014, 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 $14.3 million received for the Blood Center Project as of December 31, 2014.

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2014 and 2013:

	2014	2013
Ambulances	$ 7,829,528	$ 6,009,073
Blood center construction	6,536,140	11,493,219
Paramedic training	556,374	364,454
	$ 14,922,042	$ 17,866,746

Temporarily restricted net assets amounting to $26,513,466 and $9,848,926 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, 2014 and 2013, respectively.

During the years ended December 31, 2014 and 2013, the Organization received $182,500 and $250,000, 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, 2014 and 2013:

	2014	2013
Cash and money market funds	$ 6,048,269	$ 5,292,654
Equities	31,946	40,236
U.S. treasury bills	-	8,270,000
Government bonds	5,100,874	5,213,673
	$ 11,181,089	$ 18,816,563

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

NOTE 13 – INVESTMENTS (Continued)

Investment activity consists of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividends	$ 139,215	$ 105,165
Realized gain (loss) on investments	(4,816)	5,239
Unrealized loss on investments	(292)	(235)
	$ 134,107	$ 110,169

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, 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
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 14 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets 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 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, 2014 amounted to a liability of $4,377,432.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through June 29, 2015, the date the financial statements were available to be issued.