American Friends of Magen David Adom

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

AMERICAN FRIENDS OF MAGEN DAVID ADOM

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

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, 2017 and 2016, 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, 2017 and 2016, 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
August 8, 2018

Morison KSi
Independent member

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2C and 9)	$ 33,004,740	$ 40,845,767
Pledges receivable, net (Notes 2F, 2G and 4)	39,392,935	26,560,719
Investments, at fair value (Notes 2D and 14)	8,112,915	6,331,004
Assets held in split interest agreements, at fair value (Notes 10 and 14)	8,157,759	7,198,517
Foreign exchange contract valuation (Note 2C and 15)	1,151,561	-
Prepaid expenses and other assets	1,320,039	690,864
Property and equipment, net (Notes 2E and 3)	673,509	54,444
TOTAL ASSETS	$ 91,813,458	$ 81,681,315
LIABILITIES		
Accounts payable and accrued expenses	$ 12,497,847	$ 11,016,533
Grants payable (Notes 2M and 11)	33,520,023	38,707,075
Loans payable (Note 5)	2,300,000	2,300,000
Foreign exchange contract valuation (Note 2C and 15)	-	17,215
Interest rate swap liability (Note 5)	2,895	27,632
Deferred revenue (Note 2K)	634,307	618,609
Accrued postretirement health benefit costs (Notes 6 and 7)	1,184,894	1,269,866
TOTAL LIABILITIES	50,139,966	53,956,930
NET ASSETS (Note 2B)		
Unrestricted	6,665,711	6,677,858
Temporarily restricted (Note 12)	34,545,661	20,584,407
Permanently restricted (Note 12)	462,120	462,120
TOTAL NET ASSETS	41,673,492	27,724,385
TOTAL LIABILITIES AND NET ASSETS	$ 91,813,458	$ 81,681,315

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, 2017 AND 2016

	For the Year Ended December 31, 2017				For the Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
OPERATING REVENUE AND SUPPORT:								
Contributions (Notes 4 and 12)	$ 2,891,213	$ 16,881,526	$ -	$ 19,772,739	$ 4,613,108	$ 17,851,981	$ -	$ 22,465,089
Special events, net of direct expenses of $1,556,936 and $1,776,104 for 2017 and 2016, respectively (Note 2J)	7,783,113	12,000,000	-	19,783,113	6,928,074	788,950	-	7,717,024
Estates, trusts, bequests, legacies and other (Note 2I)	6,311,151	468,362	-	6,779,513	6,523,975	1,324,243	-	7,848,218
Interest	254,689	-	-	254,689	299,267	-	-	299,267
Investment activity (Note 13)	166,288	-	-	166,288	73,322	-	-	73,322
Change in value of split interest agreements (Note 10)	1,131,530	-	-	1,131,530	779,538	-	-	779,538
Net assets released from restrictions (Note 12)	15,388,634	(15,388,634)	-	-	16,443,316	(16,443,316)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	33,926,618	13,961,254	-	47,887,872	35,660,600	3,521,858	-	39,182,458
OPERATING EXPENSES (Note 6):								
Program services	26,365,423	-	-	26,365,423	21,716,043	-	-	21,716,043
Management and general	2,780,537	-	-	2,780,537	3,105,541	-	-	3,105,541
Fundraising	6,130,008	-	-	6,130,008	5,068,073	-	-	5,068,073
TOTAL OPERATING EXPENSES	35,275,968	-	-	35,275,968	29,889,657	-	-	29,889,657
CHANGE IN NET ASSETS FROM OPERATIONS	(1,349,350)	13,961,254	-	12,611,904	5,770,943	3,521,858	-	9,292,801
NON-OPERATING ACTIVITIES:								
Gain on interest rate swap (Notes 2N and 5)	24,737	-	-	24,737	21,448	-	-	21,448
Foreign exchange contract valuation (Note 2C, 2N and 15)	1,464,586	-	-	1,464,586	(215,012)	-	-	(215,012)
TOTAL NON-OPERATING ACTIVITIES	1,489,323	-	-	1,489,323	(193,564)	-	-	(193,564)
CHANGE IN NET ASSETS BEFORE POSTRETIREMENT RELATED CHANGES	139,973	13,961,254	-	14,101,227	5,577,379	3,521,858	-	9,099,237
Postretirement changes other than net periodic pension cost (Notes 6 and 7)	(152,120)	-	-	(152,120)	(8,987)	-	-	(8,987)
CHANGE IN TOTAL NET ASSETS	(12,147)	13,961,254	-	13,949,107	5,568,392	3,521,858	-	9,090,250
Net assets - beginning of year	6,677,858	20,584,407	462,120	27,724,385	1,109,466	17,062,549	462,120	18,634,135
NET ASSETS - END OF YEAR	$ 6,665,711	$ 34,545,661	$ 462,120	$ 41,673,492	$ 6,677,858	$ 20,584,407	$ 462,120	$ 27,724,385

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

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year Ended December 31, 2017					Year Ended December 31, 2016				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2017	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 2016
Salaries	$ 2,394,091	1,176,234	1,678,298	$ 2,854,532	$ 5,248,623	$ 2,284,802	$ 1,201,042	$ 1,548,185	$ 2,749,227	$ 5,034,029
Payroll taxes and employee benefits (Notes 6 and 7)	892,670	251,596	397,958	649,554	1,542,224	602,413	316,668	408,196	724,864	1,327,277
Total salaries and related costs	3,286,761	1,427,830	2,076,256	3,504,086	6,790,847	2,887,215	1,517,710	1,956,381	3,474,091	6,361,306
Occupancy (Note 8A)	265,497	176,998	294,997	471,995	737,492	261,328	233,170	195,421	428,591	689,919
Professional fees (Note 2L)	261,434	809,856	230,195	1,040,051	1,301,485	465,463	593,451	265,597	859,048	1,324,511
Insurance	40,025	26,549	44,248	70,797	110,822	34,509	38,994	35,796	74,790	109,299
Printing, publications and supplies	74,615	43,021	71,702	114,723	189,338	63,633	81,565	49,713	131,278	194,911
Travel, conferences and events	343,527	24,072	240,723	264,795	608,322	273,553	155,546	218,048	373,594	647,147
Telephone	36,333	23,134	38,557	61,691	98,024	26,774	58,359	17,342	75,701	102,475
Postage and shipping	23,113	15,409	25,681	41,090	64,203	18,092	45,310	9,071	54,381	72,473
Dues and subscriptions	3,591	2,394	3,990	6,384	9,975	2,027	4,877	1,565	6,442	8,469
Equipment (Note 8A)	23,808	15,390	25,650	41,040	64,848	27,771	54,893	23,014	77,907	105,678
Bank charges and interest expense	101,423	158,852	-	158,852	260,275	13,213	251,040	-	251,040	264,253
Marketing, direct mail and public relations	2,200,102	-	2,636,249	2,636,249	4,836,351	1,471,428	-	1,820,500	1,820,500	3,291,928
MDA program-related grant expenses	19,668,102	-	-	-	19,668,102	16,120,161	-	-	-	16,120,161
Depreciation and amortization	10,312	18,333	-	18,333	28,645	32,938	64,628	-	64,628	97,566
Bad debt expense	-	-	430,996	430,996	430,996	-	-	460,433	460,433	460,433
Miscellaneous	26,780	38,699	10,764	49,463	76,243	17,938	5,998	15,192	21,190	39,128
TOTAL EXPENSES	$ 26,365,423	$ 2,780,537	$ 6,130,008	$ 8,910,545	$ 35,275,968	$ 21,716,043	$ 3,105,541	$ 5,068,073	$ 8,173,614	$ 29,889,657

AMERICAN FRIENDS OF MAGEN DAVID ADOM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 13,949,107	$ 9,090,250
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	28,645	97,566
Pension and post retirement changes	152,120	8,987
Bad debt	430,996	460,433
Loss on disposal	1,799	-
Change in value of split interest agreements	(1,131,530)	(779,538)
Change in discount on pledges receivable	166,112	199,135
Change in value from foreign exchange contract	(1,464,586)	215,012
Value of contributed property	(649,509)	-
Gain on interest rate swap	(24,737)	(21,448)
Realized and unrealized gain on investments	(603)	6,049
Subtotal	11,457,814	9,276,446
Changes in operating assets and liabilities:		
Increase in assets:		
Pledges receivable	(13,429,324)	(7,461,540)
Prepaid expenses and other assets	(629,175)	(30,022)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses (net of change in split interest agreements)	1,653,602	370,083
Grants payable	(5,187,052)	1,318,306
Accrued postretirement health benefit costs	(237,092)	(305,738)
Deferred revenue	15,698	142,318
Net Cash (Used in) Provided by Operating Activities	(6,355,529)	3,309,853
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales/redemptions of investments	4,112,091	8,689,581
Purchase of investments	(5,893,399)	(3,393,256)
Net Cash (Used In) Provided by Investing Activities	(1,781,308)	5,296,325
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in value of foreign exchange contract	295,810	(1,159,216)
Repayment of loans payable	-	(200,000)
Net Cash Provided by (Used In) Financing Activities	295,810	(1,359,216)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,841,027)	7,246,962
Cash and cash equivalents - beginning of year	40,845,767	33,598,805
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 33,004,740	$ 40,845,767
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 103,772	$ 112,972
Supplemental Non-Cash Flow Information:		
Donated property	$ 649,509	$ -

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 of America 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.

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 approximately $1,100,000 and $1,700,00 set aside as collateral for the foreign exchange contract (Note 15), as of December 31, 2017 and 2016, 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, 2017 and 2016, the Organization determined that an allowance of $150,000 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 $222,316 and $164,733 for the years ended December 31, 2017 and 2016, 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 line items in the 2016 financial statements were reclassified to conform to the 2017 presentation. Advertising-related consulting services were reclassified from professional fees to marketing expenses in the statements of functional expenses. The reclassification had no impact to net assets.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2017 and 2016:

	Estimated Useful Lives	2017	2016
Furniture and equipment	3-7 years	$ 274,220	$ 428,402
Leasehold improvements	10 years	194,775	194,775
		468,995	623,177
Less: accumulated depreciation and amortization		(444,995)	(568,733)
Net book value		24,000	54,444
Asset held for sale		649,509	-
Total		$ 673,509	$ 54,444

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

Asset held for sale represents a donated property received by the Organization in 2017, which was sold in January 2018. Proceeds from the sale are restricted for Blood center construction.

Depreciation and amortization expense amounted to $28,645 and $97,566 for the years ended December 31, 2017 and 2016, respectively. In 2017, $154,182 of furniture and equipment that was no longer in use was disposed of, of which $152,383 was fully depreciated.

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, 2017 and 2016:

	2017	2016
One year or less	$ 26,559,415	$ 18,637,320
One year to five years	12,471,233	6,950,000
Five years and more	1,625,000	2,070,000
	40,655,648	27,657,320
Less: allowance for doubtful pledges	(150,000)	(150,000)
Less: present value discount ranging from 0.6% to 3.1%	(1,112,713)	(946,601)
	$ 39,392,935	$ 26,560,719

NOTE 5 – LOANS PAYABLE AND INTEREST RATE SWAP

During 2013, the Organization obtained two loans from a bank to pay down the accrued defined benefit pension plan liability. The first loan matured on April 1, 2016. As of December 31, 2017 and 2016, the Organization has a loan payable to a bank in the principal amount of $2,300,000, which matures on April 1, 2019. 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 years ended December 31, 2017 and 2016 amounted to $103,772 and $112,972, respectively. In connection with the loan payable 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 ($2,895) and ($27,632) as of December 31, 2017 and 2016, respectively, and is included as a liability in the statements of financial position. The recognition of the change in fair value of the swap is recorded as a gain of $24,737 and $21,448 for the years ended December 31, 2017 and 2016, 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 after one year of employment. The total expense of the Organization under the plan for the years ended December 31, 2017 and 2016 amounted to $163,300 and $159,991, 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, 2017 and 2016 is as follows:

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,269,866	$ 1,566,617
Service cost	4,024	4,250
Interest cost	44,642	49,757
Plan participants' contributions	19,574	12,464
Actuarial loss (gain)	(59,910)	(271,534)
Benefits paid	(93,302)	(91,688)
Benefit obligation at end of year	1,184,894	1,269,866
Funded status	$ (1,184,894)	$ (1,269,866)

The components of benefit credit for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Service cost	$ 4,024	$ 4,250
Interest cost	44,642	49,757
Prior service credit	(67,333)	(67,333)
Actuarial gain	(144,697)	(213,188)
Net benefits (credit) cost	$ (163,364)	$ (226,514)

The amounts recognized in the unrestricted net assets for the Postretirement Plan as of December 31, 2017 and 2016 consist of the following:

	2017	2016
Net actuarial gain	$ 637,532	$ 722,319
Prior service credit	184,043	251,376
	$ 821,575	$ 973,695

Other changes in Postretirement Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Net actuarial (loss) gain	$ (84,787)	$ 58,346
Net prior service cost	(67,333)	(67,333)
	$ (152,120)	$ (8,987)

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, 2017 and 2016 are based on the following assumptions:

	2017	2016
Discount rate	3.9%	3.9%

NOTE 7 – POSTRETIREMENT HEALTH BENEFITS PLAN (Continued)

The assumed health care cost trend rates as of December 31, 2017 and 2016 are as follows:

	2017	2016
Health care cost trend rate assumed for next year	7.0% / 5.4%	7.5% / 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 $130,599 as of December 31, 2017, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $5,772. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by $112,844 as of December 31, 2017, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $4,898.

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:

2018	$ 73,385
2019	75,754
2020	77,712
2021	79,193
2022	80,332
Five years thereafter	$ 405,170

For the years ended December 31, 2017 and 2016, the Postretirement Plan held no assets.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Organization leases certain office facilities and equipment. The leases expire at various dates up to 2021. Minimum annual rentals related to the leases are approximately as follows for the years ending after December 31, 2017:

	Real Property	Office Equipment	Total
2018	$ 661,502	$ 29,303	$ 690,805
2019	365,832	21,408	387,240
2020	188,408	4,191	192,599
2021	52,442	-	52,442
	$ 1,268,184	$ 54,902	$ 1,323,086

Rent expense amounted to the following for the years ended December 31, 2017 and 2016:

	2017	2016
Real property	$ 698,922	$ 640,516
Equipment	41,821	38,161

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2017 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

A. 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 $32.3 million and $23.6 million as of December 31, 2017 and 2016, 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 are not FDIC insured. These accounts totaled approximately $1.8 million and $16.7 million as of December 31, 2017 and 2016, respectively.

B. As of December 31, 2017, approximately 67% of pledges receivable is comprised of four donors.

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, 2017 and 2016, the estimated future liabilities of $3,440,484 and $3,616,754, 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, 2017 and 2016. The majority of the underlying assets of the split interest agreements are held in equities and fixed income securities. As of December 31, 2017 and 2016, 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, 2017 and 2016, the Organization was obligated under unconditional promises to give amounting to $33,520,023 and $38,707,075, 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, 2017, 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 $27 million and $22 million received for the Blood Center Project as of December 31, 2017 and 2016, respectively.

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2017 and 2016:

	2017	2016
Ambulances	$ 4,297,594	$ 3,926,284
Blood center construction	29,846,426	16,202,123
Other	401,641	456,000
	$ 34,545,661	$ 20,584,407

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets amounting to $15,388,634 and $16,443,316 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other vents specified by the donors for the years ended December 31, 2017 and 2016, respectively.

Permanently restricted net assets are endowment funds of $462,120 which are included under cash and cash equivalents. For the years ended December 31, 2017 and 2016, there were no additions or earnings.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Organization is a New York corporation and is subject to the New York Prudent Management Institutional Funds Act ("NYPMIFA") adopted by New York State. The Board of Directors of the Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate as much of an endowment fund the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment funds is established subject to the intent of the donor as expressed in the gift instrument.

NOTE 13 – INVESTMENTS

Investments consist of the following as of December 31, 2017 and 2016:

	2017	2016
Cash and money market funds	$ 410,268	$ 1,059,637
Equities	444,616	6,486
State of Israel bonds	7,258,031	5,264,881
	$ 8,112,915	$ 6,331,004

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, 2017 and 2016:

	2017	2016
Interest and dividends	$ 303,560	$ 67,273
Realized gain (loss) on investments	(139,286)	2,111
Unrealized gain (loss) on investments	2,014	3,938
	$ 166,288	$ 73,322

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. Israel 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, 2017 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	$ 410,268	$ -	$ 410,268
Equities	444,616	-	444,616
State of Israel bonds	-	7,258,031	7,258,031
Total Investments	854,884	7,258,031	8,112,915
Assets held in split interest agreements			
Cash and money market funds	112,134	-	112,134
Equities:			
Consumer	213,807	-	213,807
Materials and utilities	204,406	-	204,406
Energy	166,685	-	166,685
Healthcare	141,359	-	141,359
Information technology	172,260	-	172,260
Other equities	256,620	-	256,620
Mutual funds	5,062,861	-	5,062,861
Fixed income- other	1,827,627	-	1,827,627
Total assets held in split interest agreements	8,157,759	-	8,157,759
Foreign exchange contract	-	1,151,561	1,151,561
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 9,012,643	$ 8,409,592	$ 17,422,235
LIABILITIES CARRIED AT FAIR VALUE:			
Interest rate swap agreement	-	2,895	2,895
TOTAL LIABILITIES CARRIED AT FAIR VALUE	$ -	$ 2,895	$ 2,895

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2016 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	$ 1,059,637	$ -	$ 1,059,637
Equities	6,486		6,486
State of Israel bonds	-	5,264,881	5,264,881
Total Investments	1,066,123	5,264,881	6,331,004
Assets held in split interest agreements			
Cash and money market funds	186,724	-	186,724
Equities:			
Consumer	497,875	-	497,875
Financials	492,181	-	492,181
Industrials	293,553	-	293,553
Information technology	211,985	-	211,985
Other equities	536,232	-	536,232
Mutual funds	4,959,041	-	4,959,041
Other	-	20,926	20,926
Total assets held in split interest agreements	7,177,591	20,926	7,198,517
TOTAL ASSETS CARRIED AT FAIR VALUE	$ 8,087,506	$ 5,285,807	$ 13,529,521
LIABILITIES CARRIED AT FAIR VALUE:			
Foreign exchange contract	-	17,215	17,215
Interest rate swap agreement	-	27,632	27,632
TOTAL LIABILITIES CARRIED AT FAIR VALUE	$ -	$ 44,847	$ 44,847

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 amounted to an asset of $1,151,561 at December 31, 2017 and a liability of $17,215 at December 31, 2016.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through August 8, 2018, the date the financial statements were available to be issued.