

**Friends of Yemin Orde, Inc.  
Financial Statements  
December 31, 2017 and 2016**



**Friends of Yemin Orde**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Friends of Yemin Orde, Inc., a not-for-profit organization, which are comprised of the statements of financial position as of December 31, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Yemin Orde, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Syouse, Lember + Co., LLP*

May 8, 2018

**FRIENDS OF YEMIN ORDE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	DECEMBER 31,	
ASSETS	2017	2016
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents:		
Checking and savings accounts	\$ 2,689,692	\$ 2,155,165
Held by investment managers	1,471,777	1,284,010
Total cash and cash equivalents	\$ 4,161,469	\$ 3,439,175
Pledges and grants receivable, net	4,249,039	3,749,747
Prepaid expenses	81,449	4,278
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 8,491,957</b>	<b>\$ 7,193,200</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>\$ 456,822</b>	<b>\$ 467,594</b>
<b>OTHER ASSETS:</b>		
Pledges and grants receivable, net	\$ 4,248,965	\$ 2,641,164
Investments	12,709,904	11,311,063
Deposits	3,543	3,543
<b>TOTAL OTHER ASSETS</b>	<b>\$ 16,962,412</b>	<b>\$ 13,955,770</b>
<b>TOTAL ASSETS</b>	<b>\$ 25,911,191</b>	<b>\$ 21,616,564</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,300	\$ 33,714
Deferred rent	5,747	4,343
Deferred revenue	100,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 108,047</b>	<b>\$ 38,057</b>
<b>LONG TERM LIABILITIES:</b>		
Deferred rent, net of current portion	\$ -	\$ 5,747
<b>TOTAL LIABILITIES</b>	<b>\$ 108,047</b>	<b>\$ 43,804</b>
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated	\$ 3,019,773	\$ 2,927,611
Board designated endowment and other funds	7,250,095	6,298,962
Total unrestricted	\$ 10,269,868	\$ 9,226,573
Temporarily restricted	10,157,008	6,990,919
Permanently restricted	5,376,268	5,355,268
<b>TOTAL NET ASSETS</b>	<b>\$ 25,803,144</b>	<b>\$ 21,572,760</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,911,191</b>	<b>\$ 21,616,564</b>

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

FRIENDS OF YEMIN ORDE, INC.

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED DECEMBER 31,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>								
Contributions, grants, and pledges	\$ 1,604,616	\$ 9,106,466	\$ 21,000	\$ 10,732,082	\$ 2,027,316	\$ 5,222,883	\$ 13,388	\$ 7,263,587
Interest and investment income	808,161	895,790	-	1,703,951	344,582	409,031	-	753,613
Other revenue and change in allowance	-	-	-	-	147,716	-	-	147,716
Net assets released from donor restrictions	6,836,167	(6,836,167)	-	-	6,014,368	(6,014,368)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>\$ 9,248,944</u>	<u>\$ 3,166,089</u>	<u>\$ 21,000</u>	<u>\$ 12,436,033</u>	<u>\$ 8,533,982</u>	<u>\$ (382,454)</u>	<u>\$ 13,388</u>	<u>\$ 8,164,916</u>
<b>EXPENSES:</b>								
<b>PROGRAM SERVICES:</b>								
Yemin Orde Youth Village Support grants	\$ 3,835,560	\$ -	\$ -	\$ 3,835,560	\$ 3,568,187	\$ -	\$ -	\$ 3,568,187
Village Way Education Initiatives grants	3,414,977	-	-	3,414,977	2,469,240	-	-	2,469,240
<b>TOTAL PROGRAM SERVICES</b>	<u>\$ 7,250,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,250,537</u>	<u>\$ 6,037,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,037,427</u>
<b>SUPPORTING SERVICES:</b>								
General and administrative	\$ 334,292	\$ -	\$ -	\$ 334,292	\$ 339,495	\$ -	\$ -	\$ 339,495
Fundraising	620,820	-	-	620,820	578,058	-	-	578,058
<b>TOTAL SUPPORTING SERVICES</b>	<u>\$ 955,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955,112</u>	<u>\$ 917,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,553</u>
<b>TOTAL EXPENSES</b>	<u>\$ 8,205,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,205,649</u>	<u>\$ 6,954,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,954,980</u>
<b>CHANGE IN NET ASSETS</b>	\$ 1,043,295	\$ 3,166,089	\$ 21,000	\$ 4,230,384	\$ 1,579,002	\$ (382,454)	\$ 13,388	\$ 1,209,936
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>9,226,573</u>	<u>6,990,919</u>	<u>5,355,268</u>	<u>21,572,760</u>	<u>7,647,571</u>	<u>7,373,373</u>	<u>5,341,880</u>	<u>20,362,824</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,269,868</u>	<u>\$ 10,157,008</u>	<u>\$ 5,376,268</u>	<u>\$ 25,803,144</u>	<u>\$ 9,226,573</u>	<u>\$ 6,990,919</u>	<u>\$ 5,355,268</u>	<u>\$ 21,572,760</u>

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

**FRIENDS OF YEMIN ORDE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
<b>Grants:</b>				
Yemin Orde Youth Village support	\$ 3,835,560	\$ -	\$ -	\$ 3,835,560
Village Way Education Initiatives support	3,414,977	-	-	3,414,977
<b>Total grants</b>	<b>\$ 7,250,537</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,250,537</b>
<b>Personnel costs:</b>				
Salaries	\$ -	\$ 190,789	\$ 354,321	\$ 545,110
Benefits	-	2,363	4,389	6,752
Retirement	-	3,040	5,646	8,686
Payroll taxes	-	13,677	25,399	39,076
<b>Total personnel costs</b>	<b>\$ -</b>	<b>\$ 209,869</b>	<b>\$ 389,755</b>	<b>\$ 599,624</b>
<b>Other expenses:</b>				
Advertising, marketing and communications	\$ -	\$ 6,529	\$ 12,125	\$ 18,654
Bad debt	-	9,546	17,728	27,274
Bank service charges	-	4,785	8,886	13,671
Computer and network maintenance	-	1,898	3,526	5,424
Dues and subscriptions	-	403	749	1,152
Equipment purchase	-	350	650	1,000
Insurance	-	1,978	3,672	5,650
Licenses and permits	-	982	1,823	2,805
Office supplies	-	1,184	2,199	3,383
Postage and shipping	-	2,160	4,012	6,172
Printing and reproduction	-	8,278	15,372	23,650
Professional fees	-	44,189	82,064	126,253
Regional expenses	-	3,923	7,286	11,209
Rent	-	18,363	34,102	52,465
Software license	-	2,029	3,767	5,796
Special events and programs	-	2,278	4,230	6,508
Telephone and internet	-	2,638	4,898	7,536
Travel and entertainment	-	12,910	23,976	36,886
<b>Total other expenses</b>	<b>\$ -</b>	<b>\$ 124,423</b>	<b>\$ 231,065</b>	<b>\$ 355,488</b>
<b>TOTAL EXPENSES</b>	<b>\$ 7,250,537</b>	<b>\$ 334,292</b>	<b>\$ 620,820</b>	<b>\$ 8,205,649</b>

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

**FRIENDS OF YEMIN ORDE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
<b>Grants:</b>				
Yemin Orde Youth Village support	\$ 3,568,187	\$ -	\$ -	\$ 3,568,187
Village Way Education Initiatives support	2,469,240	-	-	2,469,240
Total grants	\$ 6,037,427	\$ -	\$ -	\$ 6,037,427
<b>Personnel costs:</b>				
Salaries	\$ -	\$ 195,116	\$ 332,224	\$ 527,340
Benefits	-	2,498	4,254	6,752
Retirement	-	3,819	6,503	10,322
Payroll taxes	-	13,977	23,799	37,776
Total personnel costs	\$ -	\$ 215,410	\$ 366,780	\$ 582,190
<b>Other expenses:</b>				
Advertising, marketing and communications	\$ -	\$ 10,168	\$ 17,313	\$ 27,481
Bank service charges	-	5,154	8,775	13,929
Computer and network maintenance	-	1,758	2,994	4,752
Dues and subscriptions	-	636	1,082	1,718
Equipment purchase	-	809	1,377	2,186
Insurance	-	2,088	3,555	5,643
Leadership consultant	-	93	159	252
Licenses and permits	-	473	805	1,278
Miscellaneous	-	184	314	498
Office supplies	-	1,786	3,040	4,826
Postage and shipping	-	3,157	5,376	8,533
Printing and reproduction	-	9,655	16,439	26,094
Professional fees	-	41,487	70,639	112,126
Regional expenses	-	6,105	10,396	16,501
Rent	-	19,430	33,083	52,513
Software license	-	3,621	6,166	9,787
Special events and programs	-	3,006	5,119	8,125
Telephone and internet	-	2,888	4,917	7,805
Travel and entertainment	-	11,587	19,729	31,316
Total other expenses	\$ -	\$ 124,085	\$ 211,278	\$ 335,363
<b>TOTAL EXPENSES</b>	<b>\$ 6,037,427</b>	<b>\$ 339,495</b>	<b>\$ 578,058</b>	<b>\$ 6,954,980</b>

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



**FRIENDS OF YEMIN ORDE, INC.**

**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED DECEMBER 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,230,384	\$ 1,209,936
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,772	11,065
Unrealized gains on investments	(1,203,187)	(492,753)
Realized (gains) losses on sales of investments	(142,417)	75,888
Donated investments	(553,953)	(255,974)
Change in present value discount	60,766	6,651
Permanently restricted contributions	(21,000)	(13,388)
Decrease (increase) in assets:		
Pledges and grants receivable	(2,167,859)	453,144
Prepaid expenses	(77,171)	3,452
Increase (decrease) in liabilities:		
Accounts payable	(31,414)	32,307
Deferred rent	(4,343)	(2,980)
Deferred revenue	100,000	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 200,578</b>	<b>\$ 1,027,348</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	\$ (2,546,135)	\$ (2,054,707)
Proceeds from sales of investments	3,046,851	2,359,553
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 500,716</b>	<b>\$ 304,846</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanently restricted contributions	\$ 21,000	\$ 13,388
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ 21,000</b>	<b>\$ 13,388</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 722,294</b>	<b>\$ 1,345,582</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,439,175</b>	<b>2,093,593</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,161,469</b>	<b>\$ 3,439,175</b>

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

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

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

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

Grants to Village Way Educational Initiatives - VWEI is an independent organization created in 2006 to extend Yemin Orde's unique methodology, called the Village Way, to transform other youth villages and public high schools in Israel serving at-risk youth. Facilitators provide resources, workshops, teacher training and interventions to empower educators throughout Israel. VWEI has reached 14,200 children and 1,775 staff members in 36 educational communities. In addition VWEI provides resources for two Pre-Military Leadership Programs - one for men and one for women in Northern Israel.

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

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

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

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

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

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

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

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

**Cash and Cash Equivalents** - FYO considers all cash, money market funds, and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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

**FRIENDS OF YEMIN ORDE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

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

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

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

**Contributions, Grants, and Pledges Receivable** - Contributions and grants, including unconditional promises to give pledges, are recorded as revenue in the year notification is received from the donor. Sponsorships paid for future events are classified as deferred revenue until the event occurs.

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

Pledges and grants receivable are stated at their net realizable present value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Accretion of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restriction, if any, on the contributions. The allowance for doubtful accounts is determined based upon annual review of account balances, including the age of the balance and historical experience with the donor. There was no allowance for doubtful accounts for each of the years ended December 31, 2017 and 2016.

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

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

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

**Uncertain Tax Positions** - FYO complies with the accounting standard on accounting for uncertainty in income taxes which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. FYO's management has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. No provision for income taxes was required for the years ended December 31, 2017 or 2016. Generally, FYO is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years ended before December 31, 2014.

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

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

**Reclassifications** - Certain prior year balances have been reclassified to conform to the current year presentation.

Note 2. **Pledges and Grants Receivable** - Pledges and grants receivable reflect commitments made to FYO by individuals and foundations. Pledges and grants with payments that are to be received in future years have been discounted to their present value using an effective interest rate of 0.85% and 0.26% as of December 31, 2017 and 2016, respectively. The discount is based on the average daily treasury yield curve rates for the respective years.

Pledges and grants receivable as of December 31, 2017 and 2016 are expected to be received as follows:

Years Ending December 31,	2017	2016
2017	\$ --	\$ 3,749,747
2018	4,249,039	2,279,982
2019	2,304,191	346,000
2020	770,358	5,000
2021	630,000	25,000
2022	140,000	--
Thereafter	480,000	--
Totals	\$ 8,573,588	\$ 6,405,729
Present value discount	(75,584)	(14,818)
Net pledges and grants receivable	<u>\$ 8,498,004</u>	<u>\$ 6,390,911</u>

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

Pledges receivable are recorded in the statements of financial position on December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Current portion	\$ 4,249,039	\$ 3,749,747
Noncurrent portion	<u>4,248,965</u>	<u>2,641,164</u>
Total pledges and grants receivable	<u>\$ 8,498,004</u>	<u>\$ 6,390,911</u>

Note 3. **Conditional Pledges** - FYO received grants that contain donor conditions. Since these grants represent conditional promises to give, they are not recorded as grant revenue until donor conditions are met. As of December 31, 2017, the conditional grants and related conditions are as follows:

	<u>Condition</u>	<u>Conditional Pledge</u>
VWEI pledge	Matching	\$ 3,764,042
Totals		<u>\$ 3,764,042</u>

Note 4. **Property and Equipment** - Property and equipment as of December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 10,855	\$ 10,855
Property in Israel:		
Building	425,000	425,000
Land	<u>132,800</u>	<u>132,800</u>
Totals	\$ 568,655	\$ 568,655
Less, Accumulated depreciation	<u>(111,833)</u>	<u>(101,061)</u>
Total property and equipment	<u>\$ 456,822</u>	<u>\$ 467,594</u>

Note 5. **Investments** - Investments consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 5,584,345	\$ 7,891,606	\$ 5,633,046	\$ 6,754,678
Corporate bonds	1,035,534	1,009,730	1,007,678	982,830
Government bonds	1,326,866	1,312,751	1,290,049	1,271,667
Publicly traded				
Partnerships & REITs	696,086	601,698	445,850	373,363
Mutual funds:				
Equity	360,346	362,544	360,346	354,736
Fixed income	261,426	251,142	256,092	238,384
Exchange traded funds:				
Equity	<u>1,250,613</u>	<u>1,280,433</u>	<u>1,324,424</u>	<u>1,335,405</u>
Totals	<u>\$ 10,515,216</u>	<u>\$ 12,709,904</u>	<u>\$ 10,317,485</u>	<u>\$ 11,311,063</u>

**FRIENDS OF YEMIN ORDE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

Note 5. **Investments** (Continued)

Included in interest and investment income are the following:

	2017	2016
Interest and dividends	\$ 358,347	\$ 336,748
Unrealized gains on investments	1,203,187	492,753
Realized gains (losses) on investments	142,417	(75,888)
Total interest and investment income	\$ 1,703,951	\$ 753,613

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

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

Financial assets recorded in the statements of financial position are categorized as follows as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Stocks	\$ 7,891,606	\$ --	\$ --	\$ 7,891,606
Corporate bonds	1,009,730	--	--	1,009,730
Government bonds	1,312,751	--	--	1,312,751
Publicly traded				
Partnerships & REITs	601,698	--	--	601,698
Mutual funds	613,686	--	--	613,686
Exchange traded funds	1,280,433	--	--	1,280,433
Totals	\$ 12,709,904	\$ --	\$ --	\$ 12,709,904

**FRIENDS OF YEMIN ORDE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

Note 6. **Fair Value Measurements** (Continued)

Financial assets recorded in the statements of financial position are categorized as follows as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 6,754,678	\$ --	\$ --	\$ 6,754,678
Corporate bonds	982,830	--	--	982,830
Government bonds	1,271,667	--	--	1,271,667
Publicly traded partnerships	373,363	--	--	373,363
Mutual funds	593,120	--	--	593,120
Exchange traded funds	<u>1,335,405</u>	--	--	<u>1,335,405</u>
Totals	<u>\$11,311,063</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$11,311,063</u>

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

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

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

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

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

	<u>2017</u>	<u>2016</u>
Endowment funds	\$ 6,026,699	\$ 5,564,393
Future reserves	1,223,396	734,569
Totals	<u>\$ 7,250,095</u>	<u>\$ 6,298,962</u>



**FRIENDS OF YEMIN ORDE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

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

	2017	2016
Time restricted pledges:		
Village Way Educational Initiatives	\$ 4,497,810	\$ 4,262,641
Youth Village and general support	2,362,480	1,036,581
Purpose restricted pledges:		
Soccer field	--	300,565
Capital projects	1,476,851	--
Amphitheatre	--	75,000
Integrated tool	--	50,000
Unspent endowment earnings	<u>1,819,867</u>	<u>1,266,132</u>
Totals	<u>\$ 10,157,008</u>	<u>\$ 6,990,919</u>

Note 9. **Permanently Restricted Net Assets** - Since 1999, FYO has received several endowment gifts that are classified in the accompanying financial statements as permanently restricted net assets. Under the terms of the awards, the funds are to be invested in-perpetuity and the investment income is to be used for program operations in accordance with restrictions set by the donors.

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

As a result of this interpretation, FYO classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The earnings on the donor-restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

Note 10. **Endowments** (Continued)

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

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Restricted	\$ 6,026,699	\$ --	\$ --	\$ 6,026,699
Donor-Restricted	--	1,819,867	5,376,268	7,196,135
Totals	<u>\$ 6,026,699</u>	<u>\$ 1,819,867</u>	<u>\$ 5,376,268</u>	<u>\$ 13,222,834</u>

Changes in endowment net assets for the year ended December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Dec. 31, 2016	\$ 5,564,393	\$ 1,266,132	\$ 5,355,268	\$ 12,185,793
Contributions	--	--	21,000	21,000
Interest & dividends, net	158,314	188,388	--	346,702
Net appreciation	594,476	707,403	--	1,301,879
Appropriated for investment fees	(65,624)	(78,089)	--	(143,713)
Appropriated for operations	<u>(224,860)</u>	<u>(263,967)</u>	<u>--</u>	<u>(488,827)</u>
Endowment net assets, Dec. 31, 2017	<u>\$ 6,026,699</u>	<u>\$ 1,819,867</u>	<u>\$ 5,376,268</u>	<u>\$ 13,222,834</u>

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Restricted	\$ 5,564,393	\$ --	\$ --	\$ 5,564,393
Donor-Restricted	--	1,266,132	5,355,268	6,621,400
Totals	<u>\$ 5,564,393</u>	<u>\$ 1,266,132</u>	<u>\$ 5,355,268</u>	<u>\$ 12,185,793</u>

Changes in endowment net assets for the year ended December 31, 2016 is as follows:

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

Note 10. **Endowments** (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Dec. 31, 2015	\$ 5,485,826	\$ 1,169,974	\$ 5,341,880	\$ 11,997,680
Contributions	--	--	13,388	13,388
Interest & dividends, net	153,974	182,773	--	336,747
Net appreciation	190,608	226,257	--	416,865
Appropriated for investment fees	(45,078)	(53,508)	--	(98,586)
Appropriated for operations	<u>(220,937)</u>	<u>(259,364)</u>	<u>--</u>	<u>(480,301)</u>
Endowment net assets, Dec. 31, 2016	<u>\$ 5,564,393</u>	<u>\$ 1,266,132</u>	<u>\$ 5,355,268</u>	<u>\$ 12,185,793</u>

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

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

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

**FRIENDS OF YEMIN ORDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

Note 10. **Endowments** (Continued)

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

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as funds of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies reported as of December 31, 2017 and 2016.

Note 11. **Lease Commitment** - In September 2013, FYO entered into a lease agreement for office space in Bethesda, MD, which ends on December 31, 2018. The lease calls for graduated lease payments, starting at \$3,543 per month, and includes three months free rent. Rent expense is recognized on a straight-line basis over the life of the lease, creating a deferred rent liability on the statements of financial position for the difference between straight-line and actual rent payments. FYO is also responsible for operating expenses each month. The future minimum lease payments for this lease is \$48,204 for fiscal year 2018.

Note 12. **Line of Credit** - FYO has a \$5,000,000 uncommitted, demand revolving line of credit which is secured by FYO's investment accounts, with options for variable and fixed rate advances. The line of credit was agreed upon in December 2012 and does not have a specific term or duration, and can be terminated at the bank's discretion. Interest is accrued at various rates depending on duration and type (fixed or variable) of advance, but is generally based on LIBOR plus a percentage spread. There was no outstanding balance under the line of credit as of December 31, 2017 and 2016.

**FRIENDS OF YEMIN ORDE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

- Note 13. **Contributions and Grants Paid Directly to Yemin Orde** - In addition to the total commitments received by FYO, approximately \$116,988 and \$210,808 (cash basis) was raised by FYO on behalf of the Youth Village. These funds were sent directly to the Youth Village during the years ended December 31, 2017 and 2016, respectively. Such contributions received directly by the Youth Village are not included in the accompanying financial statements but are recognized as credits towards the grants disbursed by FYO to the Youth Village.
- Note 14. **Retirement** - FYO has a Simple Investment Retirement Account (Simple IRA) plan for all full-time employees with annual compensation of at least \$5,000. FYO matches employee contributions up to 3% of the employee's salary, up to maximum of \$6,000 per year.
- Note 15. **Subsequent Events** - In preparing these financial statements, FYO has evaluated events and transactions for potential recognition or disclosure through May 8, 2018, the date the financial statements were available to be issued.