

American Society for Yad Vashem, Inc.

Financial Statements

December 31, 2017 and 2016

Independent Auditors' Report

Board of Directors American Society for Yad Vashem, Inc.

We have audited the accompanying financial statements of American Society for Yad Vashem, Inc. ("ASYV") which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 of 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 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 American Society for Yad Vashem, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited American Society for Yad Vashem, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

January 29, 2019

American Society for Yad Vashem, Inc.

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,626,684	\$ 9,760,568
Pledge receivable	6,322,789	6,607,770
Investments	59,917,672	45,894,962
Accrued interest	298,589	178,359
Prepaid expenses	8,563	8,563
Furniture and equipment, net	5,793	1,327
Security deposits	<u>10,150</u>	<u>10,150</u>
 Total Assets	 <u>\$ 73,190,240</u>	 <u>\$ 62,461,699</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 161,527	\$ 162,878
Due to International Society for Yad Vashem, Inc.	<u>417,554</u>	<u>509,044</u>
Total Liabilities	<u>579,081</u>	<u>671,922</u>
 Net Assets		
Unrestricted		
Current	6,370,698	9,287,045
Board-designated	53,167,672	39,144,962
Temporarily restricted	6,322,789	6,607,770
Permanently restricted	<u>6,750,000</u>	<u>6,750,000</u>
Total Net Assets	<u>72,611,159</u>	<u>61,789,777</u>
 Total Liabilities and Net Assets	 <u>\$ 73,190,240</u>	 <u>\$ 62,461,699</u>

See notes to financial statements

American Society for Yad Vashem, Inc.

Statement of Activities Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	2017			2016 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUE AND SUPPORT					
Contributions	\$ 26,075,077	\$ 8,091,871	\$ -	\$ 34,166,948	\$ 12,980,506
Special events, less costs of direct benefit to donors of \$177,239 and \$206,199	797,218	-	-	797,218	481,010
Interest and dividend income	925,491	225,836	-	1,151,327	895,757
Net realized gain on investments	585,325	74,311	-	659,636	8,156
Net unrealized gain on investments	1,102,477	139,967	-	1,242,444	1,114,495
Rental income	-	-	-	-	60,143
In-kind services	216,139	-	-	216,139	20,000
Net assets released from restriction	8,816,966	(8,816,966)	-	-	-
Total Revenue and Support	<u>38,518,693</u>	<u>(284,981)</u>	<u>-</u>	<u>38,233,712</u>	<u>15,560,067</u>
EXPENSES					
Program	24,807,357	-	-	24,807,357	13,972,775
Management and general	724,882	-	-	724,882	827,694
Fundraising	1,880,091	-	-	1,880,091	1,014,902
Total Expenses	<u>27,412,330</u>	<u>-</u>	<u>-</u>	<u>27,412,330</u>	<u>15,815,371</u>
Change in Net Assets	11,106,363	(284,981)	-	10,821,382	(255,304)
NET ASSETS					
Beginning of year	<u>48,432,007</u>	<u>6,607,770</u>	<u>6,750,000</u>	<u>61,789,777</u>	<u>62,045,081</u>
End of year	<u>\$ 59,538,370</u>	<u>\$ 6,322,789</u>	<u>\$ 6,750,000</u>	<u>\$ 72,611,159</u>	<u>\$ 61,789,777</u>

See notes to financial statements

American Society for Yad Vashem, Inc.

Statement of Functional Expenses Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Program	Management and General	Fundraising	2017 Total	2016 Total
Grant to Yad Vashem - National Remembrance Authority	\$ 23,884,976	\$ -	\$ -	\$ 23,884,976	\$ 13,104,650
Salaries	449,532	248,467	714,832	1,412,831	1,015,219
Development	-	-	225	225	116
Payroll taxes	27,237	19,005	43,610	89,852	73,379
Occupancy	128,289	128,288	156,915	413,492	328,857
Telephone	3,748	973	6,456	11,177	11,595
Office supplies and expense	45,475	7,150	45,475	98,100	48,446
Postage and mailings	12,199	1,566	20,462	34,227	50,612
Dues and subscriptions	1,418	240	1,230	2,888	399
Meetings and events	95,800	-	187,688	283,488	225,605
Professional fees	-	299,084	551,766	850,850	744,404
Advertising	1,591	-	1,307	2,898	14,704
Bank charges	-	-	890	890	1,041
Consulting	43,700	-	-	43,700	7,000
Printing and reproduction	48,864	3,666	64,347	116,877	97,990
Travel and entertainment	53,065	4,048	61,232	118,345	48,972
Insurance	11,463	11,319	11,320	34,102	36,986
Licenses and fees	-	228	7,569	7,797	3,187
Interest	-	-	4,767	4,767	-
Depreciaton	-	848	-	848	2,209
	<u>\$ 24,807,357</u>	<u>\$ 724,882</u>	<u>\$ 1,880,091</u>	<u>\$ 27,412,330</u>	<u>\$ 15,815,371</u>

See notes to financial statements

American Society for Yad Vashem, Inc.

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative amounts for year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,821,382	\$ (255,304)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	848	2,209
Unrealized gain on investments	(1,242,444)	(1,114,495)
Realized gain on investments	(659,636)	(8,156)
Change in operating assets and liabilities		
Pledge receivable	284,981	4,128,806
Accrued interest	(120,230)	(8,791)
Prepaid expenses	-	11,999
Accounts payable and accrued expenses	(1,351)	(221,895)
Due to International Society for Yad Vashem, Inc.	(91,490)	27,740
Net Cash from Operating Activities	8,992,060	2,562,113
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,314)	(1,677)
Proceeds from sale of investments	4,194,884	7,534,627
Purchase of investments	(16,315,514)	(13,307,328)
Net Cash from Investing Activities	(12,125,944)	(5,774,378)
Net Change in Cash and Cash Equivalents	(3,133,884)	(3,212,265)
 CASH AND CASH EQUIVALENTS		
Beginning of year	9,760,568	12,972,833
End of year	\$ 6,626,684	\$ 9,760,568

See notes to financial statements

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

1. Organization and Tax Status

Founded in 1981 by a group of Holocaust survivors, the American Society for Yad Vashem, Inc. ("ASYV") works in partnership with Yad Vashem, The Holocaust Martyrs' and Heroes' Remembrance Authority in Jerusalem ("Yad Vashem") to support their efforts in the areas of commemoration, education, research, capital improvement and special projects.

Yad Vashem was established in 1953 by the Israeli Parliament (Knesset) and was entrusted with the task of commemorating the six million murdered by the Nazis and their collaborators. It mandates Holocaust remembrance, commemoration and education to ensure the lessons of the Holocaust are secured for posterity.

ASYV was incorporated in the State of New York and is a not-for-profit organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and is also exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

ASYV considers all highly liquid debt investments with a maturity of three months or less when purchased to be cash equivalents. Their carrying amounts approximate fair value because of the short maturity.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurement

ASYV carries its investments at fair value. Fair value is an estimate of the exit price based on closing market prices or bid quotations, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy consists of three levels that are used to prioritize inputs to fair value techniques:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investment Income

Dividends are recorded on the ex-dividend date, and interest is recorded when earned. Security transactions are accounted for on a trade date basis. Net realized gains or losses on sales of investments are determined on the basis of average cost.

Pledges Receivable

Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Conditional pledges are not included as support until such time as the conditions are substantially met.

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collectible. The determination of this allowance is an estimate based on ASYV's historical experience, review of balances and expectations relative to collections. In the opinion of management, all receivables for which collectability is doubtful have been written off and the remaining receivables are collectible and accordingly no provision for doubtful collection is deemed necessary.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Furniture and Equipment

Furniture and equipment is recorded at cost. Depreciation is provided in accordance with straight-line and accelerated methods in amounts sufficient to amortize the costs of the related assets at the expiration of their estimated useful lives, which range from 3 to 20 years.

Maintenance, repairs and minor renewals are charged to expense when incurred. Replacements and major renewals are capitalized.

Presentation of Net Assets

All financial transactions have been recorded as either unrestricted, temporarily restricted or permanently restricted net assets:

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the mission of ASYV and include those expendable resources which have been designated for special use by the Board of Directors.
- Temporarily restricted net assets represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets result from donors who place restrictions on the use of their contributions which mandate that the original principal be invested in perpetuity. This original principal is reported as permanently restricted net assets, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specification.

Revenue Recognition

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received. Legacies and bequests are not recorded in the accompanying financial statements until such time as ASYV has an unconditional right to the gift and the proceeds are measurable in amount. Donated assets are recorded as unrestricted contributions at their fair value.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Advertising Costs

ASYV expenses the costs of advertising as they are incurred. Advertising costs for the year ended December 31, 2017 and 2016 amounted to \$2,898 and \$14,704.

Functional Expense Allocations

The costs of providing the various program services and supporting services of ASYV have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on estimates made by management.

Accounting for Uncertainty in Income Taxes

ASYV recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that ASYV had no uncertain tax positions that would require financial statement recognition or disclosure. ASYV is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to December 31, 2015.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with ASYV's financial statements as of and for the year ended December 31, 2016, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 29, 2019.

In-Kind Services

Donated services are recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

During 2017 and 2016, ASYV received pro bono legal services valued at \$216,139 and \$20,000.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

In-Kind Services (continued)

ASYV receives services from a large number of volunteers who give significant amounts of their time to ASYV's fundraising campaigns and management. The compensation equivalent for such services is not reflected in the accompanying financial statements, as they do not meet the criteria outlined above.

3. Fair Value Measurement

The following table represents ASYV's financial instruments carried at fair value on the statement of financial position as of December 31, 2017 and 2016:

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 4,790,185	\$ -	\$ 4,790,185
U.S. Government obligations	-	15,584,897	15,584,897
Fixed income securities	-	37,283,501	37,283,501
Certificates of deposit, at cost	-	-	2,259,089
	<u>\$ 4,790,185</u>	<u>\$ 52,868,398</u>	<u>\$ 59,917,672</u>
<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 3,860,195	\$ -	\$ 3,860,195
U.S. Government obligations	-	19,930,637	19,930,637
Fixed income securities	-	20,824,142	20,824,142
Certificates of deposit, at cost	-	-	1,279,988
	<u>\$ 3,860,195</u>	<u>\$ 40,754,779</u>	<u>\$ 45,894,962</u>

ASYV's investments may be subject to the following risks:

Market risk represents the potential loss that can be caused by increases or decreases in the fair value of investments.

Interest rate risk is the risk that the fair value or future cash flows of fixed income or rate sensitive instruments will increase or decrease because of changes in interest rates. Generally the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the fair value of fixed income securities tends to decrease. Conversely, as interest rates fall, the fair value of fixed income securities tends to increase. This risk is generally greater for long-term securities than for short-term securities.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

3. Fair Value Measurement *(continued)*

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. In addition to its investments, ASYV is subject to credit risk to the extent a custodian or broker with whom it conducts business is unable to fulfill contractual obligations.

Liquidity risk is the risk that ASYV will not be able to raise funds to fulfill its obligations, including inability to sell investments quickly or at close to fair value.

4. Furniture and Equipment

Furniture and equipment, at cost, consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 84,844	\$ 83,370
Furniture and fixtures	<u>23,585</u>	<u>19,745</u>
	108,429	103,115
Less: accumulated depreciation	<u>102,636</u>	<u>101,788</u>
	<u>\$ 5,793</u>	<u>\$ 1,327</u>

5. Due to International Society for Yad Vashem, Inc.

The amount due to the International Society for Yad Vashem, Inc. ("ISYV") is non-interest bearing and due on demand.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$6,322,789 and \$6,607,770 are due to time restrictions imposed by the donor as of December 31, 2017 and 2016.

Temporarily restricted net assets were released from restrictions for the years ended December 31, 2017 as follows:

	<u>2017</u>	<u>2016</u>
Grant to Yad Vashem - National Remembrance Authority	\$ 8,531,985	\$ 2,775,531
Time restriction	<u>284,981</u>	<u>4,128,806</u>
	<u>\$ 8,816,966</u>	<u>\$ 6,904,337</u>

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

7. Endowment

The Board of Directors of ASYV has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation 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, ASYV 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 fund, and (c) accumulations of investment returns 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 remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objective and Risk Parameters

ASYV utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Investments are managed by fund managers under guidelines established by the Board of Directors. Target allocation percentages are established for various asset classes and are modified over time. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.

Endowment assets include those assets of donor-restricted funds that ASYV must hold in perpetuity. Under this policy, as approved by ASYV's Board of Directors, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category.

Spend Rate Policy

ASYV spends from the endowment fund (the “fund”) each year the amount of interest and dividend income earned on the fund, not to exceed seven percent of the fair value of the fund calculated based on the fair value determined quarterly and averaged over a period of the last twenty quarters ending with the last quarter of the fiscal year preceding the distribution (or for the number of quarters in existence for endowments recently created). ASYV may spend in excess of seven percent of the fair value of the fund if permitted by the donor in the gift instrument, or at the discretion of the Board of Directors.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

7. Endowment (continued)

The following is a reconciliation of the activity in the endowment funds for the years ended December 31, 2017 and 2016:

	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2015	\$ 684,150	\$ 6,750,000	\$ 7,434,150
Interest and dividend income	234,760	-	234,760
Appropriation for enactment of NYPMIFA	(684,150)	-	(684,150)
Appropriation for current expenditures	(234,760)	-	(234,760)
Balance, December 31, 2016	-	6,750,000	6,750,000
Interest and dividend income	225,836	-	225,836
Appropriation for current expenditures	(225,836)	-	(225,836)
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 6,750,000</u>	<u>\$ 6,750,000</u>

8. Concentration of Credit Risk

Financial instruments that potentially subject the ASYV to significant concentrations of credit risk consist principally of a pledge receivable, which is expected to be collected in the normal course of business, cash and cash equivalents and the investment portfolio. At times cash balances held at financial institutions were in excess of federally insured limits. ASYV has not experienced any losses on its cash deposits. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

9. Rental Commitments

ASYV and the International Society for Yad Vashem, Inc. share office space in New York City under a joint operating lease expiring on April 30, 2019. This lease arrangement requires an annual base occupancy fee of approximately \$362,000 per annum with a two percent escalation in subsequent years.

In October 2016, ASYV entered into an operating lease for office space in Los Angeles, California. This lease has a three-year term and provides for an initial annual base occupancy fee of approximately \$79,000 with a three percent escalation in subsequent years.

Occupancy expense for ASYV for the years ended December 31, 2017 and 2016 aggregated approximately \$413,000 and \$329,000, including various escalation clauses with the balance of the base occupancy fee paid by ISYV.

American Society for Yad Vashem, Inc.

Financial Statements
December 31, 2017 and 2016

9. Rental Commitments (continued)

Future minimum lease commitments (excluding renewal options) under these non-cancellable leases are approximately as follows for the years ending December 31:

2018	\$ 459,000
2019	447,000
	<u>\$ 906,000</u>

10. Subsequent Event

In June 2018 the respective Boards of ASYV and ISYV entered in to a Plan of Merger (the "Merger") subject to the approval of the New York Secretary of State which has not yet been granted. ASYV will become the surviving corporation and ISYV will be the absorbed corporation. Upon receiving such approval, the existence, purpose, powers, rights and immunities of ISYV shall be merged into and vested with ASYV, which will continue unaffected and unimpaired by the Merger, and ISYV will cease to exist. In addition, all debts, liabilities, obligations and all rights of creditors of ISYV will become those of ASYV.

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