

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016**



# Bernath & Rosenberg, P.C.

Certified Public Accountants & Wealth Managers

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of  
**ISRAEL SPECIAL KIDS FUND**  
New York, NY

We have reviewed the accompanying financial statements of Israel Special Kids Fund (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***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.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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***Accountants' Conclusion***

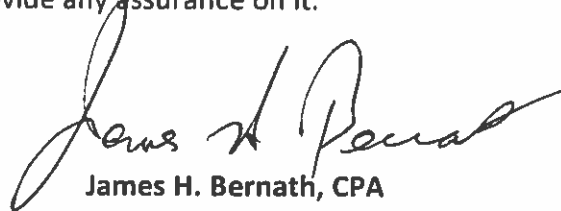
Based on our review, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Known Departure From Accounting Principles Generally Accepted in the United States of America***

As disclosed in Note 5 to the financial statements, accounting principles generally accepted in the United States of America requires the inclusion of a liability for deferred compensation. Management has informed us that deferred compensation is not included in the accompanying financial statements. Quantification of the effects of this departure from generally accepted accounting principles on the financial position, results of operations, and cash flows of Israel Special Kids Fund is not practicable.

***Other Matter***

The accompanying statement of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.



James H. Bernath, CPA  
BERNATH & ROSENBERG, P.C.  
Certified Public Accountants

August 29, 2017  
New York, NY

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$ 89,844
Prepaid Expenses	1,000
Total Current Assets	<u>90,844</u>

**Other Assets:**

Investment – Debt Security	292,133
Total Other Assets	<u>292,133</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 382,977</u></b>
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**LIABILITIES AND NET ASSETS**

**Liabilities:**

Payroll Taxes Payable	\$ 2,814
Total Liabilities	<u>2,814</u>

**Net Assets:**

Unrestricted	380,163
Total Net Assets	<u>380,163</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 382,977</u></b>
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*See Independent Accountants' Review Report and Accompanying Notes to the Financial Statements.*

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Support and Revenue:**

Revenues, Gains, and Other Support:

Contributions	\$ 366,083
Interest	12,776
Total Support and Revenue	378,859

**Expenses:**

Program Services	359,731
General and Administrative	55,788
Fundraising	47,091
Total Expenses	462,610

Change in Net Assets, Unrestricted	(83,751)
Net Assets, Unrestricted, Beginning of Year	463,914
Net Assets, Unrestricted, End of Year	\$ 380,163

*See Independent Accountants' Review Report and Accompanying Notes to the Financial Statements.*

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Change in Net Assets</b>	<b>\$ (83,751)</b>
<b>Cash Flows from Operating Activities:</b>	
Adjustments to Reconcile Change in Net Assets	
<b>To Cash Used In Operating Activities:</b>	
<b>Changes in Assets and Liabilities:</b>	
Prepaid Expenses	12,000
Payroll Taxes Payable	2,814
	<hr/>
Cash Flows Used In Operating Activities	(68,937)
<b>Cash Flows from Investing Activities:</b>	
Additional Investment in Debt Security	(12,700)
	<hr/>
Cash Flows Used In Investing Activities	(12,700)
<b>Net Decrease in Cash</b>	<b>(81,637)</b>
Cash - Beginning of Year	171,481
	<hr/>
Cash - End of Year	<b>\$ 89,844</b>

*See Independent Accountants' Review Report and Accompanying Notes to the Financial Statements.*

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 - NATURE OF ORGANIZATION**

ISRAEL SPECIAL KIDS FUND (the "Organization") was incorporated in the State of New York on December 12, 1997 and commenced operations in February 1999 as a nonprofit organization. The Organization's primary purpose is to provide medical funds and other programs for seriously ill children in Israel.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The books and records of the Organization are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. As of December 31, 2016 there were no permanently or temporarily restricted contributions.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies including making estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during a reporting period.

*See Independent Accountants' Review Report.*

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The most significant assumptions and estimates relate to depreciable lives, revenue recognition and the recoverability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

**Cash**

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in major financial institutions and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

**Cash Equivalents**

For purposes of the statement of cash flows the Organization considers all short term securities purchased with a maturity of three months or less to be cash equivalents.

**Revenue Recognition**

The Organization recognizes contribution income upon receipt and not based on pledges to contribute, unless a donor has a contractual obligation. At December 31, 2016, there were no contractual pledge receivables.

**Donated Services**

Donated services are recognized as contributions if the services (1) create or enhance non financing assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended December 31, 2016, there were no donated services that fit the above criteria.

**Income Taxes**

The Organization is exempt from Federal income taxes under Section 501(C)(3) of the Internal Revenue Code and therefore made no provision for income taxes in the accompanying financial statements. The Organization has also been classified as an organization that is not a private foundation under Section 509(a) of the Code.

*See Independent Accountants' Review Report.*



**ISRAEL SPECIAL KIDS FUND  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 - CONTINGENT LIABILITIES**

The Organization leases its office located at 505 8th Avenue, New York, New York under a lease which expired on April 30, 2015. In April 2015, the lease was extended to April 30, 2018. The lease provides for rent of \$756 per month with annual increases of 3%. The Organization is also responsible to reimburse the lessor for various expenses related to the operation of the property.

Future minimum rental payments as of December 31, 2016 under the lease are as follows:

For the Year Ending December 31,		
2017	\$	9,531
2018		<u>3,208</u>
	\$	12,739

For the year ended December 31, 2016, rent expense was \$11,488.

**NOTE 4 - ALLOCATION OF JOINT COSTS**

The Organization conducted activities that included requests for contributions. For the year ended December 31, 2016, the cost of these activities include a total of \$88,812 of joint costs which were not specifically identifiable to either the program services, management and general, and fundraising components of the activities.

These joint costs were allocated as follows:

	Program Services	Management and General	Fundraising	Total
Compensation of Officer	\$13,500	\$13,500	\$27,000	\$54,000
Payroll Taxes	373	373	745	1,491
Travel	13,811	-	13,811	27,622
Telephone & Utilities	-	1,000	3,539	4,539
Miscellaneous	-	400	760	1,160
<b>Total Costs</b>	<b>\$27,684</b>	<b>\$15,273</b>	<b>\$45,855</b>	<b>\$88,812</b>

*See Independent Accountants' Review Report.*

**ISRAEL SPECIAL KIDS FUND  
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DECEMBER 31, 2016**

**NOTE 5 - DEFERRED COMPENSATION**

In November 2013, the Organization established a non-qualified non-vested deferred compensation plan on behalf of its vice president. The total deferred compensation payable under this agreement is \$250,000 plus accrued income. The organization has segregated and invested the amount of \$250,000 in a debenture bond maturing on January 11, 2020. The investment was recorded at fair market value on December 31, 2013. In 2016, the investment earned interest income of \$12,770. As of December 31, 2016, the investment has been recorded at fair market value of \$292,133.

The Organization has not recorded a liability for the deferred compensation as required by accounting principles generally accepted in the United States of America. The effect of this departure from accounting principles generally accepted in the United States of America on the Organization's financial statements has not been determined.

**NOTE 6 - CONCENTRATIONS**

Two donors accounted for approximately 34% of the total contributions, for the year ended December 31, 2016.

All distributions of funds are given to an Organization in Israel.

**NOTE 7- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statement through August 29, 2017 the date which the financial statements were available to be issued.

*See Independent Accountants' Review Report.*

**ISRAEL SPECIAL KIDS FUND  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
DECEMBER 31, 2016**

FUNCTIONAL EXPENSES	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		Management and General	Fundraising	
Contributions Distributed to Israel	\$ 332,047	\$ -	\$ -	\$ 332,047
Compensation of Officer	13,500	13,500	27,000	54,000
Promotions	-	-	623	623
Payroll Taxes	373	373	745	1,491
Travel	13,811	-	13,811	27,622
Miscellaneous	-	400	760	1,160
Professional Fees	-	8,405	-	8,405
Office Expense	-	5,033	-	5,033
Telephone and Utilities	-	1,000	3,539	4,539
Rent	-	11,488	-	11,488
Printing and Publications	-	-	250	250
Postage	-	-	363	363
Credit Card and Bank Charges	-	4,980	-	4,980
Filing Fees	-	1,780	-	1,780
Insurance	-	8,829	-	8,829
<b>TOTAL</b>	<b>\$ 359,731</b>	<b>\$ 55,788</b>	<b>\$ 47,091</b>	<b>\$ 462,610</b>

*See Independent Accountants' Review Report.*