

**ISRAEL SPECIAL KIDS FUND
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Israel Special Kids Fund (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 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 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 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

MEMBER AICPA, NYSSCPA

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 Israel Special Kids Fund as of December 31, 2018, 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.

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

As disclosed in Note 4 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.

Bernath & Rosenberg P.C.
BERNATH & ROSENBERG, P.C.
Certified Public Accountants

October 30, 2019
New York, NY

**ISRAEL SPECIAL KIDS FUND
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

Current Assets:

Cash	\$ 172,011
Total Current Assets	<u>172,011</u>

Other Assets:

Investment - Debt Security	<u>222,208</u>
Total Other Assets	<u>222,208</u>

TOTAL ASSETS	<u><u>\$ 394,219</u></u>
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LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Accounts Payable	<u>\$ 15,202</u>
Total Current Liabilities	<u>15,202</u>
Total Liabilities	15,202

Net Assets:

Without Donor Restictions	<u>379,017</u>
Total Net Assets	<u>379,017</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 394,219</u></u>
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See Independent Auditors' Report and Notes to the Financial Statement.

ISRAEL SPECIAL KIDS FUND
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Support and Revenue:

Contributions	\$ 612,726
Interest	12,350
Total Support and Revenue	<u>625,076</u>

Expenses:

Program Services	489,774
Management and General	59,888
Fundraising	96,336
Total Expenses	<u>645,998</u>

Change in Net Assets, Without Donor Restrictions	(20,922)
Net Assets, Without Donor Restrictions – Beginning of Year	<u>399,939</u>
Net Assets, Without Donor Restrictions – End of Year	<u><u>\$ 379,017</u></u>

See Independent Auditors' Report and Notes to the Financial Statement.

ISRAEL SPECIAL KIDS FUND
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities:

Change in Net Assets	\$ (20,922)
Adjustments to Reconcile Change in Net Assets to Cash	
Used in Operating Activities:	
Change in Assets and Liabilities:	
Accounts Payable	<u>15,202</u>
Total Adjustments	<u>15,202</u>
Net Cash Used in Operating Activities	(5,720)

Cash Flows from Investing Activities:

Net Change in Investment in Debt Security	<u>17,650</u>
Net Cash Provided By Investing Activities	<u>17,650</u>
Net Increase in Cash	11,930
Cash – Beginning of Year	<u>160,081</u>
Cash – End of Year	<u><u>\$ 172,011</u></u>

See Independent Auditors' Report and Notes to the Financial Statement.

**ISRAEL SPECIAL KIDS FUND
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contributions Distributed to Israel	\$ 448,583	\$ -	\$ -	448,583
Compensation of Officer	10,500	10,500	21,000	42,000
Other Salaries	-	-	26,000	26,000
Payroll Taxes	824	824	3,691	5,339
Travel	2,745	-	2,744	5,489
Professional Fees	-	11,590	-	11,590
Office	-	1,536	-	1,536
Telephone and Utilities	-	3,801	-	3,801
Rent	-	10,552	-	10,552
Printing and Postage	-	-	15,828	15,828
Credit Card and Bank Charges	-	5,399	-	5,399
Filing Fees	-	1,985	-	1,985
Insurance	-	3,164	-	3,164
Program Expenses	16,585	-	-	16,585
Employee Benefits	3,037	3,037	12,073	18,147
Nonqualified Deferred Compensation	7,500	7,500	15,000	30,000
Total Functional Expenses	<u>\$ 489,774</u>	<u>\$ 59,888</u>	<u>\$ 96,336</u>	<u>\$ 645,998</u>

See Independent Auditors' Report and Notes to the Financial Statement.

**ISRAEL SPECIAL KIDS FUND
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 two classes of net assets: with donor restriction and without donor restrictions.

The Organization reports gifts of cash and other assets as with donor restrictions 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, they are reclassified to without donor restrictions 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 without donor restriction support. As of December 31, 2018, there were no contributions with donor restrictions.

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 Auditors' Report.

**ISRAEL SPECIAL KIDS FUND
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, 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, 2018, 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.

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**ISRAEL SPECIAL KIDS FUND
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include; salaries, benefits, travel and deferred compensation, which are allocated based on estimated time spent on each function.

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, 2018. The lease provided 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.

As of the date of these financial statements, the lease is being negotiated with the landlord and is currently on a month to month basis.

For the year ended December 31, 2018, rent expense was \$10,552.

NOTE 4 - 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. In 2018, the investment earned interest income of \$12,350. Furthermore, \$30,000 was distributed to the beneficiary. As of December 31, 2018, the investment is recorded at fair market value of \$222,208.

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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 - CONCENTRATIONS

Two donors accounted for approximately 18% of the total contributions, for the year ended December 31, 2018.

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

NOTE 6- LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As of December 31, 2018, the Organization had \$161,569 available within one year of the balance sheet date to meet general expenditures.

NOTE 7- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statement through October 30, 2019 the date which the financial statements were available to be issued.

See Independent Auditors' Report.