

Israel Emergency Alliance dba StandWithUs

Financial Statements

December 31, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Israel Emergency Alliance dba StandWithUs
Los Angeles, California

We have audited the accompanying financial statements of Israel Emergency Alliance dba StandWithUs (a California nonprofit corporation) ("StandWithUs"), which comprise the statement of financial position as of December 31, 2016, 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 (the "U.S."); 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.

Auditor's 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 U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of StandWithUs as of December 31, 2016, 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 U.S.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
Los Angeles, California

December 21, 2017

Israel Emergency Alliance dba StandWithUs
Statement of Financial Position
December 31, 2016

ASSETS

Cash and cash equivalents	\$ 3,485,204
Investments reported at cost	78,360
Investments	1,211,678
Pledges receivable, net	2,173,214
Bequest receivable	412,697
Accounts receivable	5,444
Inventory	17,650
Prepaid expenses and other current assets	68,646
Property and equipment, net	344,542
Deposits	<u>51,901</u>
Total assets	<u><u>\$ 7,849,336</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	<u>\$ 713,778</u>
Total liabilities	<u>713,778</u>
Commitments (Note 7)	
Net assets	
Unrestricted	
General	2,243,562
Board-designated	<u>2,000,000</u>
Total unrestricted	4,243,562
Temporarily restricted	<u>2,891,996</u>
Total net assets	<u>7,135,558</u>
Total liabilities and net assets	<u><u>\$ 7,849,336</u></u>

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

Israel Emergency Alliance dba StandWithUs
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Grants and contributions	\$ 91,281	\$ 6,507,908	\$ 6,599,189
Fundraising events, net of direct costs of \$847,398	1,526,115	1,937,775	3,463,890
Contributed investments	83,156	-	83,156
Bequests	-	412,697	412,697
Educational events	512,841	-	512,841
Material sales	9,712	-	9,712
Miscellaneous income	63,822	-	63,822
Net assets released from restriction	<u>7,495,657</u>	<u>(7,495,657)</u>	<u>-</u>
Total revenue and support	<u>9,782,584</u>	<u>1,362,723</u>	<u>11,145,307</u>
Functional expenses			
Program services	<u>9,684,313</u>	<u>-</u>	<u>9,684,313</u>
Support services			
Management and general	871,885	-	871,885
Fundraising	<u>601,251</u>	<u>-</u>	<u>601,251</u>
Total support services	<u>1,473,136</u>	<u>-</u>	<u>1,473,136</u>
Total functional expenses	<u>11,157,449</u>	<u>-</u>	<u>11,157,449</u>
Change in net assets from operations	<u>(1,374,865)</u>	<u>1,362,723</u>	<u>(12,142)</u>
Investment results			
Interest and dividends	3,829	-	3,829
Realized gains on sales of contributed investments	201,050	-	201,050
Realized gains on liquidation of investments reported at cost	<u>67,201</u>	<u>-</u>	<u>67,201</u>
Total investment results	<u>272,080</u>	<u>-</u>	<u>272,080</u>
Change in net assets	(1,102,785)	1,362,723	259,938
Net assets, beginning of year	<u>5,346,347</u>	<u>1,529,273</u>	<u>6,875,620</u>
Net assets, end of year	<u>\$ 4,243,562</u>	<u>\$ 2,891,996</u>	<u>\$ 7,135,558</u>

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

Israel Emergency Alliance dba StandWithUs
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 4,714,873	\$ 399,362	\$ 333,093	\$ 5,447,328
Employee benefits	406,195	37,262	19,955	463,412
Payroll taxes	<u>385,058</u>	<u>62,484</u>	<u>6,277</u>	<u>453,819</u>
Total personnel expenses	<u>5,506,126</u>	<u>499,108</u>	<u>359,325</u>	<u>6,364,559</u>
Other expenses				
Advertising	106,145	420	-	106,565
Bad debt expense	-	22,090	-	22,090
Bank and credit card fees	11,573	122,719	-	134,292
Brochures, flyers, video and materials	408,156	-	-	408,156
Contributions and donations	8,455	-	-	8,455
Depreciation and amortization	73,385	331	-	73,716
Direct mail campaign	-	-	176,504	176,504
Educational events and conferences	1,610,161	-	-	1,610,161
Information technology	311,638	8,468	18,630	338,736
Insurance	38,330	13,153	-	51,483
Miscellaneous	35,914	8,564	3,191	47,669
Occupancy	324,152	72,983	23,114	420,249
Office	147,174	15,845	18,015	181,034
Partnered events	233,036	-	-	233,036
Professional fees	849	107,754	-	108,603
Speakers, educators and consultants	743,991	-	-	743,991
Telephone	37,170	450	2,189	39,809
Travel	<u>88,058</u>	<u>-</u>	<u>283</u>	<u>88,341</u>
Total other expenses	<u>4,178,187</u>	<u>372,777</u>	<u>241,926</u>	<u>4,792,890</u>
	<u>\$ 9,684,313</u>	<u>\$ 871,885</u>	<u>\$ 601,251</u>	<u>\$ 11,157,449</u>

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

Israel Emergency Alliance dba StandWithUs
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	\$ 259,938
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	73,716
Contributed investments reported at fair value	(83,156)
Reinvested interest	(2,942)
Realized gains on sales of investments reported at fair value	(201,050)
Realized gains on liquidation of investments reported at cost	(67,201)
Changes in operating assets and liabilities	
Pledges receivable	(1,074,231)
Bequest receivable	(412,697)
Accounts receivable	150,098
Inventory	(9,150)
Prepaid expenses and other current assets	6,029
Deposits	(6,315)
Accounts payable and accrued expenses	81,373
Net cash used in operating activities	<u>(1,285,588)</u>
Cash flows from investing activities	
Purchases of investments reported at fair value	(1,001,000)
Proceeds from sales of investments reported at fair value	280,117
Proceeds from liquidation of investments reported at cost	1,488,841
Purchases of property and equipment	<u>(30,470)</u>
Net cash provided by investing activities	<u>737,488</u>
Net decrease in cash and cash equivalents	(548,100)
Cash and cash equivalents, beginning of year	<u>4,033,304</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,485,204</u></u>

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

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

1. NATURE OF OPERATIONS

Israel Emergency Alliance, dba StandWithUs ("StandWithUs") was founded in 2001 in response to the misinformation that often surrounds the Middle East conflict, and the inappropriate, often anti-Semitic, language used about Israel and/or Jewish people worldwide. StandWithUs has offices and chapters in Los Angeles, New York, Florida, Denver, Detroit, Chicago, Seattle, Orange County, San Francisco, Santa Cruz, Milwaukee, Canada and Israel. The accounts of these offices and chapters are included in these financial statements.

StandWithUs is an international education organization that ensures that Israel's side of the story, through its main program, education, is told in communities, on campuses, in libraries, through the media, in churches through brochures, speakers, conferences, and missions to Israel, and in thousands of pages of internet resources.

Aside from producing video and audio presentations, flyers and signs, and teaching tools and resources, StandWithUs has also established other programs through its other websites and organizations, namely: StandWithUs Israel, StandWithUs Campus, Learn Israel, Stand4Facts, Ask Israel, MZ Teen Internship, Israeli Soldier Stories Tour, Librarians4Fairness, BDS Boycott-Divestment-Sanctions, Buy Israel Goods, Israel Matters Display, Say Yes to Peace, and Stop Iran's Nukes. The accounts of these programs are included in these financial statements.

StandWithUs' operations are sustained through its periodic fundraising campaigns and voluntary grants and contributions from the public.

The following programs and supporting services are components of the accompanying financial statements:

- *Education* - StandWithUs strives to educate the various sectors of the population worldwide, regarding important issues confronting Jewish people worldwide and, in particular, issues focused on Israel.
- *Management and General* - These include the discharge of administrative functions necessary to maintain an equitable personnel program, adequate working environment, proper administration of insurance and other matters, while at the same time managing the financial and budgetary responsibilities of StandWithUs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

StandWithUs is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

StandWithUs' federal income tax returns for the years 2013 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its most significant state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2012 and beyond.

Financial statement presentation

StandWithUs 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.

- *Unrestricted net assets, general* - Include contributions, events, sales and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of StandWithUs.
- *Unrestricted net assets, board-designated* - Include unrestricted net assets the Board of Directors has designated to be utilized for contingent purposes.
- *Temporarily restricted net assets* - Include contributions received that are temporarily restricted with respect to purpose by the donor or grantor, pledges receivable which are time restricted, and contributions both purpose and time restricted. When the restrictions are met or expire, or the pledges receivable are collected, these net assets are reclassified to unrestricted net assets.
- *Permanently restricted net assets* - Include assets that have been restricted by the donor in perpetuity and cannot be expended by StandWithUs. StandWithUs has no permanently restricted net assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

StandWithUs considers all financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations

Frequently, StandWithUs' bank balances exceed FDIC-insured limits. StandWithUs has not experienced and does not anticipate any losses related to cash held in these accounts.

Investments reported at fair value

Investments reported at fair value consist primarily of contributed partnership interests. Fair value of these contributed partnership interests is established by estimates of future cash flows which are provided to management by the donors. Unrealized gains and losses are recognized in the aggregate by investment. Realized gains and losses are computed and recognized using the specific identification method.

Investments reported at cost

Investments reported at cost consist of a 1% investment in a high-yield fund limited partnership.

Pledges receivable

Unconditional donor promises to give cash and other assets to StandWithUs are reported at the fair value of the promise and at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the conditions are met. Management has established an allowance for potentially uncollectible pledges totaling \$127,075 at December 31, 2016, based on management's estimate of future collections.

Property and equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at estimated fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related assets or, for leasehold improvements, the terms of the leases, as follows:

Computer hardware and software	5 years
Office furniture and equipment	7 years
Vehicles	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by StandWithUs during the year.

Grants and contributions

Grants and contributions consist primarily of donations from foundations, businesses and the general public. Grants and contributions are recorded when committed to StandWithUs by the donor.

Contributed investments and securities

StandWithUs occasionally receives contributed investments and securities. The general policy is to sell securities actively traded in public exchanges, such as corporate stocks, within days after they have been contributed and to hold other types of contributed securities until maturity or to be sold when management deems market conditions to be optimized.

Wills and bequests

In March 2015, StandWithUs was notified they have been named as a beneficiary of a will, from which they will receive a residence located in Huntington Beach, California. As of December 31, 2016 there were certain conditions of this bequest that had yet to be met. Additionally, as of December 21, 2017 the fair value of this residence has not been determined and StandWithUs does not have a final determination of the amount it will ultimately receive from this bequest. Consequently the asset has yet to be reflected in the accompanying financial statements.

During the year, StandWithUs was notified they have been named as a beneficiary of an additional will, from which they will receive an allocation of the estate. The balance of the allocation is determinable and has accordingly been reflected in the accompanying financial statements. StandWithUs received full payment of the bequest receivable in February 2017.

Allocation of functional expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses that are associated with program or supporting services have been allocated between the program and supporting services benefited based on management's estimate of time spent on the program and services.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

StandWithUs uses advertising to promote its programs among the audiences it serves and direct mail for fundraising. Advertising and direct mail costs are expensed as incurred. Advertising costs totaled \$106,565 during the year; direct mail costs totaled \$176,504.

Subsequent events

StandWithUs has evaluated events subsequent to December 31, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 21, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Notes 2 and 3.

3. INVESTMENTS

Investments reported at cost consist of a 1% interest in a high-yield fund limited partnership. The partnership was partially liquidated during the year, at which time proceeds of \$1,488,841 were disbursed to StandWithUs. The remaining proceeds of \$78,360 were disbursed in March 2017.

Investments consist of the following:

Equities (Level 1)	\$ 282
Investment in Ford Motor Credit Company LLC (Level 2)	1,003,942
State of Israel bond (Level 2)	6,600
Contributed partnership interest (Level 3)	<u>200,854</u>
	<u>\$ 1,211,678</u>

StandWithUs reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

3. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the StandWithUs's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Balance, beginning of the year	\$ -	\$ 1,500	\$ 202,147	\$ 203,647
Reinvested interest	-	2,942	-	2,942
Purchases of investments	-	1,001,000	-	1,001,000
Contributions of corporate stocks	78,056	-	-	78,056
Contribution of State of Israel bond	-	5,100	-	5,100
Proceeds from sales of investments	(77,970)	-	(202,147)	(280,117)
Realized gains on sales of investments	<u>196</u>	<u>-</u>	<u>200,854</u>	<u>201,050</u>
	<u>\$ 282</u>	<u>\$ 1,010,542</u>	<u>\$ 200,854</u>	<u>\$ 1,211,678</u>

The contributed partnership was liquidated subsequent to year-end. StandWithUs received proceeds of \$200,854 in May 2017.

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

Due in one year or less	\$ 1,950,289
Due in one to five years	200,000
Due in greater than five years	<u>150,000</u>
	2,300,289
Allowance for potentially uncollectible pledges	<u>(127,075)</u>
	<u>\$ 2,173,214</u>

StandWithUs does not discount pledges receivable, as management has determined the impact to be immaterial to the financial statements.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer hardware and software	\$ 326,044
Office furniture and equipment	131,701
Vehicles	8,000
Leasehold improvements	<u>358,108</u>
	823,853
Accumulated depreciation and amortization	<u>(479,311)</u>
	<u><u>\$ 344,542</u></u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets and releases during the year are as follows:

	Released from Restrictions	Balance December, 31, 2016
Social media	\$ (205,080)	\$ -
Campus support	(2,601,544)	93,260
High school support	(476,733)	-
Educational community events	(653,173)	-
U.S. chapters	(1,926,211)	-
Creative Community for Peace	(188,811)	212,825
Artists4Israel	(24,512)	-
Israel activities	(598,535)	-
Time-restricted (pledges receivable)	(821,058)	2,173,214
Time-restricted (bequest receivable)	<u>-</u>	<u>412,697</u>
	<u><u>\$ (7,495,657)</u></u>	<u><u>\$ 2,891,996</u></u>

7. COMMITMENTS

StandWithUs leases certain office space through 2020.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2016

7. COMMITMENTS (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2017	\$ 367,909
2018	391,337
2019	276,052
2020	<u>47,448</u>
	<u>\$ 1,082,746</u>

Office rent expense during the year, including various month-to-month leases, totaled \$377,637.