AMERICAN FRIENDS OF NISHMAT, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Friends of Nishmat, Inc.

We have audited the accompanying financial statements of American Friends of Nishmat, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 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; 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 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.

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INDEPENDENT AUDITORS' REPORT *(Continued)*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of Nishmat, Inc. as of June 30, 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 United States of America.

DDK & Company LLP

New York, New York
January 31, 2017

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

Cash and cash equivalents	$ 532,550
Contributions receivable, net	2,995,495
Prepaid expenses and other assets	849
Property and equipment, net	687
Security deposit	4,800
Total assets	$ 3,534,381

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	$ 9,394
Commitments and Contingencies	
Net Assets	
Unrestricted	439,931
Temporarily restricted	3,085,056
Total net assets	3,524,987
Total liabilities and net assets	$ 3,534,381

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

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Support			
Contributions			
Education	$ 1,671,931	$ 1,803,602	$ 3,475,533
Capital campaign	606,980	583	607,563
Special events, net of direct costs of $64,555	451,542	-	451,542
Other campaigns	78,808	-	78,808
Donated rent	11,250	-	11,250
Donated services	2,000	-	2,000
Interest and dividend income	21	-	21
Net assets released from restrictions:			
Capital improvements in the Nishmat campus in Israel	742,525	(742,525)	-
Educational and other related purposes	292,616	(292,616)	-
Total revenue, gains, and support	3,857,673	769,044	4,626,717
Expenses and Losses			
Program services	3,414,792	-	3,414,792
Supporting services:			
General and administrative	126,540	-	126,540
Special events	47,677	-	47,677
Fundraising	53,714	-	53,714
Total expenses	3,642,723	-	3,642,723
Increase in net assets	214,950	769,044	983,994
Net assets at beginning of year	224,981	2,316,012	2,540,993
Net assets at end of year	$ 439,931	$ 3,085,056	$ 3,524,987

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

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services	Supporting Services			
	Education	General and Administrative	Special Events	Fundraising	Total
Expenses					
Program grants	$ 1,512,170	$ -	$ -	$ -	$ 1,512,170
Capital grants	1,273,731	-	-	-	1,273,731
Research grants	80,974	-	-	-	80,974
Educational programs	113,984	-	-	-	113,984
Salaries	301,314	52,658	16,755	26,329	397,056
Payroll taxes and employee benefits	36,152	9,129	2,905	4,564	52,750
Communication and public relations	-	-	-	557	557
Catering and site rental	-	-	50,942	-	50,942
Computer expenses	715	7,929	-	-	8,644
Finance charges	-	661	-	-	661
Insurance	-	2,637	-	-	2,637
Office expense	23,613	4,606	1,535	1,535	31,289
Postage and shipping	-	540	20,526	9,251	30,317
Printing and publications	-	91	17,029	362	17,482
Professional services	28,936	16,880	-	-	45,816
Rent expense	11,250	28,531	-	-	39,781
Telephone	2,817	939	471	470	4,697
Travel	22,499	1,015	1,740	2,175	27,429

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

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES *(Continued)*
Year Ended June 30, 2016

	Program Services	Supporting Services			
	Education	General and Administrative	Special Events	Fundraising	Total
Expenses *(Continued)*					
Depreciation	-	266	-	-	266
Miscellaneous	6,637	658	329	8,471	16,095
	3,414,792	126,540	112,232	53,714	3,707,278
Less: Direct costs of special events	-	-	64,555	-	64,555
Total expenses, net of direct costs of special events	$ 3,414,792	$ 126,540	$ 47,677	$ 53,714	$ 3,642,723

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

AMERICAN FRIENDS OF NISHMAT, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

Cash Flows From Operating Activities	
Increase in net assets	$ 983,994
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	266
Contribution of marketable securities	(99,530)
Changes in operating assets and liabilities:	
Contributions receivable, net	(776,904)
Accounts payable and accrued expenses	7,707
Net cash provided by operating activities	115,533
Cash Flows From Investing Activities	
Proceeds from sale of marketable securities	99,530
Net cash provided by investing activities	99,530
Net increase in cash and cash equivalents	215,063
Cash and cash equivalents at beginning of year	317,487
Cash and cash equivalents at end of year	$ 532,550
Supplemental Disclosure of Non-Cash Operating Transaction	
Contribution of marketable securities received by the Organization	$ 99,530

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

American Friends of Nishmat, Inc. (the "Organization") was formed in 1990 to promote gender equality in education, encourage high level learning for women, assist women in leadership roles, and enhance educational and professional opportunities for disadvantaged women. In addition, the Organization gives financial support to institutions where women can study full time, at advanced levels, including, but not limited to, the Nishmat Institute in Israel.

The Organization was formed exclusively for one or more of the purposes as specified in Section 501(c)(3) of the Internal Revenue Code, including making distributions to other organizations that qualify as exempt under Section 501(c)(3) of the Internal Revenue Code.

The Organization's primary sources of support are contributions from individuals and foundations.

Basis of Accounting

The Organization's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

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

Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

1) Unrestricted net assets include assets, revenues and gains that are available for support of the Organization's general operations.

2) Temporarily restricted net assets include contributions that are donor restricted for uses which have not yet been fulfilled either in time or by purpose. When a 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. The Organization has $3,085,056 in temporarily restricted net assets at June 30, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of Presentation *(Continued)*

3) Permanently restricted net assets represent endowments which are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be used for specified or general purposes. The Organization has no permanently restricted net assets at June 30, 2016.

Cash and Cash Equivalents

Cash equivalents consist of cash and short-term investments with an original maturity of three months or less.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The fair value of contributions receivable that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period. The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of contributions receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts may change. At June 30, 2016, an allowance of $2,000 for uncollectible accounts and contributions receivable was deemed necessary.

Contributions

Contributions, including unconditional promises to give, are recorded in the period received at fair value which is net of estimated uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated by the donor for future periods or are restricted by the donor for specified purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from the investments thereof is expended for either general purposes or a purpose specified by the donor.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and Equipment

Property and equipment are stated at cost, less depreciation. The cost of additions and improvements is capitalized and expenditures for repairs and maintenance are expensed as incurred. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations. Depreciation of property and equipment is accounted for on the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets subject to amortization, if any, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future undiscounted cash flows. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of the donation.

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; the Organization is also exempt from state and local income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

***Income Taxes** (Continued)*

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as others factors. Generally, federal, state and local authorities may examine the Organization's tax returns for three years from the date of filing; consequently, income tax returns for years prior to 2012 are no longer subject to examination by tax authorities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services based on management's judgment.

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, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through January 31, 2017, the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2016, unconditional promises to give were scheduled to be received as follows:

Years Ending June 30,	Educational and Other Related Purposes	Capital Improvements in the Nishmat Campus in Israel	Total
2017	$ 688,810	$ 1,029,781	$ 1,718,591
2018	400,000	90,000	490,000
2019	400,000	75,000	475,000
2020	400,000	25,000	425,000
2021	-	25,000	25,000
Thereafter	-	25,000	25,000
	1,888,810	1,269,781	3,158,591
Less: Allowance for doubtful accounts	2,000	-	2,000
Less: Discount to present value	132,657	28,439	161,096
Present value of receivable, net	$ 1,754,153	$ 1,241,342	$ 2,995,495

The fair value of unconditional promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period. The present value of estimated future cash flows as of June 30, 2016 ranged from 4% to 6%.

In addition, contributions receivable from two board members represented approximately 14% of the total promises to give as of June 30, 2016.

NOTE 3 - PROPERTY AND EQUIPMENT

Major classes of property and equipment are as follows:

	Estimated Useful Lives - Years	Amounts
Office equipment	5	$ 28,064
Less: Accumulated depreciation		27,377
Property and equipment, net		$ 687

Related depreciation expense for the year ended June 30, 2016 was $266.

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Organization's retirement plan provides retirement benefits for its salaried senior faculty members in Israel. Premiums are based on the employees' salaries. The related expense was $5,249 for the year ended June 30, 2016.

In December 2009, the Organization implemented a 403(b) retirement plan for its U.S. employees that allows eligible participants to contribute up to 20% of their salary. The Organization does not match funds withheld unless specified in the employee's contract. One of the employee's contract stipulates that the Organization matches 100% the participant's contribution up to a maximum of 3% over five years of service. After five years of service, the maximum match will increase to 4% and after ten years of service, the maximum match will increase to 5%. The related expense was $6,321 for the year ended June 30, 2016.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 are available for the following purpose:

Capital improvements in the Nishmat campus in Israel for the periods after June 30, 2016	$ 1,246,843
Educational and other related purposes for the periods after June 30, 2016	1,838,213
	$ 3,085,056

Net assets released from restrictions for capital improvements in the Nishmat campus in Israel were $742,525 and for educational and other related purposes were $292,616, totaling $1,035,141 for the year ended June 30, 2016.

NOTE 6 - LEASES

In August 2014, the Organization signed a three-year operating lease agreement for an office space located in Hackensack, New Jersey commencing on September 1, 2014. The lease requires monthly rental payments of $2,275 for the first 12 months of the lease and $2,400 per month for the remainder of the lease term. The lease is secured by a deposit of $4,800. This lease was terminated in September 2016.

In July 2016, the Organization signed a 17 month lease agreement for office space located in New York, New York commencing on August 1, 2016. The lease requires monthly rental payments of $3,334. This amount is made up of a base amount of $3,081 and a proportionate share of real estate taxes of $253.

NOTE 6 - LEASES *(Continued)*

In addition, the Organization received donated classroom and lecture space in New Jersey. Donated rent is recorded as an expense and a contribution at the estimated fair value at the date of the donation. For the year ended June 30, 2016, the value of donated rent received was $11,250.

Rent expense, including utilities, totaled $39,781 for the year ended June 30, 2016.

The following is a schedule of approximate future minimum annual rental payments required under the above operating lease as of June 30, 2016:

Years Ending June 30,	Amounts
2017	$ 41,000
2018	20,000
	$ 61,000

NOTE 7 - RELATED PARTY TRANSACTIONS

Approximately 20% of the Organization's revenue from contributions was provided by the Organization's board members for the year ended June 30, 2016.

NOTE 8 - RISKS AND UNCERTAINTIES

Cash Equivalents

The Organization maintains bank balances, which at times exceed the $250,000 per bank FDIC insured limit. As of June 30, 2016, bank balances at one bank exceeded the FDIC limit by approximately $345,000.

Economic Dependency

The Organization had contributions from two donors that accounted for approximately 53% of the total contributions for the year ended June 30, 2016.

Contributions receivable from four donors represented approximately 78% of the total unconditional promises to give as of June 30, 2016.

NOTE 9 - SUBSEQUENT EVENT

The Board of Directors approved a change in the Organization's fiscal year end from June 30 to December 31 of each year. The change in the calendar year reporting commenced July 1, 2016.