

Consolidated Financial Statements and Supplementary
Information Together with
Report of Independent Certified Public Accountants

THE BIRTHRIGHT ISRAEL FOUNDATION

For the year ended December 31, 2013, with comparative
information for the year ended December 31, 2012

THE BIRTHRIGHT ISRAEL FOUNDATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The Birthright Israel Foundation:

Report on financial statements

We have audited the accompanying consolidated financial statements of The Birthright Israel Foundation and its Affiliate, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statement of activities, consolidated statement of functional expenses and consolidated cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Birthright Israel Foundation and its Affiliate as of December 31, 2013, and the consolidated changes in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, included on pages 15 through 17, is presented for purposes of additional analysis, rather than to present the financial positions, results of operations, and cash flows of the individual companies as of and for the year ended December 31, 2013, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2012 summarized comparative information

We have previously audited the Foundation's 2012 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 6, 2013. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
May 29, 2014

THE BIRTHRIGHT ISRAEL FOUNDATION

Consolidated Statement of Financial Position

As of December 31, 2013, with comparative consolidated information as of December 31, 2012

ASSETS	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 14,909,215	\$ 27,626,732
Cash held in escrow (Note 4)	233,099	230,623
Accounts receivable - shared services (Note 11)	732,729	166,232
Contributions receivable - net (Note 3)	475,397	1,833,527
Prepaid expenses and other assets	315,298	157,137
Investments	32,300	31,300
Fixed assets - net (Note 5)	<u>803,400</u>	<u>984,270</u>
 Total assets	 <u>\$ 17,501,438</u>	 <u>\$ 31,029,821</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 809,421	\$ 1,080,110
Deferred revenue	476,235	-
Deferred compensation (Note 7)	31,875	-
Deferred rent	<u>288,318</u>	<u>273,269</u>
 Total liabilities	 <u>1,605,849</u>	 <u>1,353,379</u>
 Contingencies (Note 9)		
Net assets		
Unrestricted	14,293,701	6,980,111
Temporarily restricted (Note 8)	<u>1,601,888</u>	<u>22,696,331</u>
 Total net assets	 <u>15,895,589</u>	 <u>29,676,442</u>
 Total liabilities and net assets	 <u>\$ 17,501,438</u>	 <u>\$ 31,029,821</u>

The accompanying notes are an integral part of this consolidated statement.

THE BIRTHRIGHT ISRAEL FOUNDATION
Consolidated Statement of Activities
For the year ended December 31, 2013, with comparative consolidated information as of December 31, 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 75,437,544	\$ 426,084	\$ 75,863,628	\$ 103,669,760
Interest	21,841	-	21,841	12,491
Realized gain on investments	3,234	-	3,234	1,077
Other income	11,407	-	11,407	8,176
Net assets released from restrictions (Note 8)	21,520,527	(21,520,527)	-	-
Total revenues and other support	<u>96,994,553</u>	<u>(21,094,443)</u>	<u>75,900,110</u>	<u>103,691,504</u>
EXPENSES				
Program expenses:				
TAGLIT - Birthright Israel (Note 6)	77,331,363	-	77,331,363	75,881,085
NEXT - Post programming	3,487,670	-	3,487,670	3,179,650
Total program services	<u>80,819,033</u>	<u>-</u>	<u>80,819,033</u>	<u>79,060,735</u>
Supporting services:				
Management and general	2,679,614	-	2,679,614	3,392,272
Fundraising	6,182,316	-	6,182,316	5,978,446
Total supporting services	<u>8,861,930</u>	<u>-</u>	<u>8,861,930</u>	<u>9,370,718</u>
Total expenses	<u>89,680,963</u>	<u>-</u>	<u>89,680,963</u>	<u>88,431,453</u>
Change in net assets	<u>7,313,590</u>	<u>(21,094,443)</u>	<u>(13,780,853)</u>	<u>15,260,051</u>
Net assets, beginning of year	<u>6,980,111</u>	<u>22,696,331</u>	<u>29,676,442</u>	<u>14,416,391</u>
Net assets, end of year	<u>\$ 14,293,701</u>	<u>\$ 1,601,888</u>	<u>\$ 15,895,589</u>	<u>\$ 29,676,442</u>

The accompanying notes are an integral part of this consolidated statement.

THE BIRTHRIGHT ISRAEL FOUNDATION
Consolidated Statement of Functional Expenses

For the year ended December 31, 2013, with comparative consolidated information as of December 31, 2012

	2013						2012	
	Program Services			Supporting Services			Total	Total
	TAGLIT - Birthright Israel	NEXT - Post Programming	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and fringe benefits	\$ -	\$ 1,828,287	\$ 1,828,287	\$ 1,334,477	\$ 4,074,521	\$ 5,408,998	\$ 7,237,285	\$ 7,774,509
Grants	77,331,363	639,263	77,970,626	-	10,525	10,525	77,981,151	76,433,880
Professional fees	-	221,447	221,447	437,155	583,854	1,021,009	1,242,456	1,394,923
Travel	-	128,691	128,691	182,523	130,552	313,075	441,766	420,303
Conferences and meetings	-	46,662	46,662	43,705	47,746	91,451	138,113	158,553
Equipment rental and maintenance	-	19,221	19,221	16,094	1,136	17,230	36,451	30,034
Supplies and office expenses	-	16,687	16,687	63,891	15,250	79,141	95,828	42,523
Communications	-	17,358	17,358	44,496	18,447	62,943	80,301	94,095
Advertising	-	2,910	2,910	5,940	8,105	14,045	16,955	14,291
Postage and delivery	-	16,448	16,448	20,295	240,436	260,731	277,179	183,390
Dues and subscriptions	-	1,227	1,227	29,918	3,795	33,713	34,940	36,770
Printing and production	-	41,617	41,617	13,812	201,982	215,794	257,411	262,834
Computer maintenance	-	7,075	7,075	28,882	93,806	122,688	129,763	73,833
Website maintenance	-	12,420	12,420	215,700	748	216,448	228,868	96,495
Insurance	-	18,848	18,848	11,380	36,023	47,403	66,251	49,877
Occupancy	-	292,684	292,684	149,793	534,011	683,804	976,488	919,105
Depreciation	-	163,452	163,452	38,750	122,663	161,413	324,865	325,385
Bank charges	-	3,535	3,535	18,148	49,271	67,419	70,954	98,580
State registrations and filing fees	-	503	503	8,272	-	8,272	8,775	7,763
Other	-	9,335	9,335	16,383	9,445	25,828	35,163	14,310
	<u>\$ 77,331,363</u>	<u>\$ 3,487,670</u>	<u>\$ 80,819,033</u>	<u>\$ 2,679,614</u>	<u>\$ 6,182,316</u>	<u>\$ 8,861,930</u>	<u>\$ 89,680,963</u>	<u>\$ 88,431,453</u>

The accompanying notes are an integral part of this consolidated statement.

THE BIRTHRIGHT ISRAEL FOUNDATION
Consolidated Statements of Cash Flows
For the year ended December 31, 2013, with comparative consolidated information as of December 31, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (13,780,853)	\$ 15,260,051
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	324,865	325,385
Donated securities	(1,031,275)	(355,051)
Realized loss (gain) on investments	(3,234)	(1,077)
Decrease (increase) in assets:		
Accounts receivable - shared services	(566,497)	(832)
Contributions receivable	1,358,130	3,314,915
Prepaid expenses and other assets	(158,161)	45,715
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(270,689)	232,754
Deferred revenue	476,235	-
Deferred compensation	31,875	-
Deferred rent	15,049	39,980
Net cash provided by operating activities	<u>(13,604,555)</u>	<u>18,861,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash held in escrow	(2,476)	125,829
Purchase of fixed assets	(143,995)	(107,758)
Sale of fixed assets	-	2,590
Proceeds from sale of investments	1,033,509	352,528
Net cash provided by investing activities	<u>887,038</u>	<u>373,189</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from borrowing	-	4,500,000
Cash paid for repayment of loans	-	(4,500,000)
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	(12,717,517)	19,235,029
Cash and cash equivalents - beginning of year	<u>27,626,732</u>	<u>8,391,703</u>
Cash and cash equivalents - end of year	<u>\$ 14,909,215</u>	<u>\$ 27,626,732</u>
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 13,920</u>

The accompanying notes are an integral part of this consolidated statement.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2013

1. NATURE OF ORGANIZATION

The Birthright Israel Foundation (the “Foundation”) was incorporated on December 10, 1999. It was formed to support the education of members of the Jewish community outside of Israel about Judaism, to strengthen the understanding of their heritage, and to foster stronger bonds between the Jews of the Diaspora and the State of Israel. In furtherance of these purposes, the Foundation provides funding to enable individuals aged 18-26 to participate in an educational peer-group trip to Israel (this program is reflected as TAGLIT-Birthright Israel).

Additionally, educational programs have been developed to target participants who have returned from Israel to enhance their Israel experience and strengthen their bond with the Jewish community in both North America and Israel. This program is reflected as NEXT-Post Programming. In January 2009, NEXT-Post Programming also organized a separate entity to further these activities. Effective January 1, 2012, NEXT: A Division of Birthright Israel Foundation (“NEXT”), due to a change in governance structure, was consolidated with the Foundation.

The Foundation is funded primarily by contributions from public charities, private foundations and the general public.

The Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of The Birthright Israel Foundation and NEXT (collectively referred to as the “Foundation”) and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). All significant intercompany balances and transactions have been eliminated in consolidation.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted - includes net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - includes net assets subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by actions of the Foundation, pursuant to those stipulations. The income derived from temporarily restricted net assets is available for general purposes within unrestricted net assets unless otherwise specified by the donor.

Permanently restricted - includes net assets subject to donor-imposed stipulations that require the corpus to be maintained in perpetuity. The income derived from permanently restricted net assets is available for general or specific purposes, as stipulated by the respective donors. The Foundation had no permanently restricted net assets as of December 31, 2013.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2013

Contributions with donor stipulations that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted net assets. Unconditional promises to give, with payments due in future years, are reported as either temporarily restricted or permanently restricted net assets. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions on the statement of activities. Expirations of temporary restrictions on net assets that have occurred in the same reporting period are reflected as unrestricted net assets on the accompanying statement of activities.

Fair Value Measurements

The Foundation measures fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The Foundation also prioritizes, within the measurement of fair value, the use of market based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and significant to overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation's management. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. The Foundation does not adjust the quoted price for such instruments, even in situations, if applicable, where the Foundation holds a large position and a sale could reasonably impact the quoted price.

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2013

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments and investments that qualify for use of the net asset value (“NAV”) practical expedient. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for such securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach), as applicable. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As of December 31, 2013, the Foundation’s investments consisted of foreign sovereign debt with a fair value of \$32,300 that is classified within Level 2 of the fair value hierarchy.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities when acquired of three months or less.

Cash Held in Escrow

Cash held in escrow includes collateral set aside for a letter of credit on the Foundation’s lease agreements (Note 4).

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Allowance for Doubtful Accounts

The Foundation determines whether an allowance for uncollectibles should be provided for contributions and accounts receivable. Such estimates are based on management’s assessment of the aged basis of its receivables and other sources, current economic conditions, subsequent receipts and historical information. Pledges and accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

THE BIRTHRIGHT ISRAEL FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2013

Fixed Assets

Fixed assets and leasehold improvements with a cost of \$1,000 or greater and estimated useful lives of more than one year are capitalized. Capitalized assets are depreciated and amortized on the straight-line method over the estimated useful life of the assets.

Donated Securities

Donated securities are recorded at their fair values the date they are received.

Deferred Revenue

Deferred revenue primarily represents payments received from donors for the Birthright Israel Foundation Gala in the following year. Such amounts are recognized as revenue during the subsequent year.

Deferred Rent

Certain operating leases contain escalation clauses for base rentals. Accordingly, the Foundation has recorded the straight-line effects of such escalations and recognized a deferred rent liability within the accompanying statement of financial position of \$288,318 as of December 31, 2013.

Advertising

The Foundation uses advertising to promote its programs and events. The production costs of advertising are expensed as funds are disbursed and are presented in the accompanying statement of functional expenses. For the year ended December 31, 2013, the Foundation had advertising costs of \$16,955.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents. The Foundation maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At certain times, the Foundation's cash account balances may exceed federally insured limits. However, the Foundation has not experienced, nor does it anticipate, any losses with respect to such bank balances. For the year ended December 31, 2013, the Foundation received approximately 26% of its revenue in the form of contributions from one source.

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2013

Income Taxes

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ending 2010, 2011 and 2012 are still open to audit for both federal and state purposes. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

Subsequent events have been evaluated through May 29, 2014, which is the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, represent promises to pay from various sources. Amounts due in more than one year have been discounted using a discount rate of 6%.

Past due	\$ 265,800
2014	280,147
2015	110,550
2016	110,300
2017	10,300
2018	10,300
Thereafter	<u>10,000</u>
	797,397
Less discount to present value	(25,000)
Less allowance for uncollectible contributions	<u>(297,000)</u>
	<u><u>\$ 475,397</u></u>

4. LEASE COMMITMENTS

In April 2008, the Foundation signed a 10-year lease, which commenced in August 2008, for new office space. Birthright Israel North America (“BRINA”) was responsible for 24 percent of the fiscal 2013 lease payments of this lease.

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2013

In December 2010, the Foundation signed an 8-year lease for additional space. This additional space is fully occupied by NEXT, which is responsible for the entire cost of the lease.

There is a letter of credit outstanding for \$233,099, which has been collateralized by an interest-bearing money market account at December 31, 2013, and is included within cash held in escrow on the accompanying statement of financial position.

The future minimum lease payments for all leases as of December 31, 2013 are as follows:

2014	\$ 929,162
2015	958,896
2016	987,362
2017	1,014,514
2018	<u>656,844</u>
	<u>\$4,546,778</u>

The original lease agreement provided for one month of free rent in the first year. The free rent is being amortized over the life of the lease. The net rent expense for the year ended December 31, 2013 totaled \$883,339 and is included within occupancy expenses on the accompanying statement of functional expenses.

5. FIXED ASSETS, NET

Depreciation expense for the year ended December 31, 2013 was \$324,865.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 327,087	\$ 212,197	\$ 114,890	5 - 7 years
Computers and computer systems	419,635	351,371	68,264	3 years
Internally developed software - website	761,412	527,009	234,403	5 years
Security equipment	15,025	15,025	-	5 years
Video and telephone equipment	94,662	91,217	3,445	5 years
Other equipment	9,970	9,970	-	3 years
Leasehold improvements	<u>671,029</u>	<u>288,631</u>	<u>382,398</u>	10 years
	<u>\$2,298,820</u>	<u>\$ 1,495,420</u>	<u>\$ 803,400</u>	

6. GRANTS

The Foundation awards grants to organizations and individuals that implement its missions and goals. In 2013, the Foundation awarded and transferred \$77,331,363 to Birthright Israel International.

THE BIRTHRIGHT ISRAEL FOUNDATION
Notes to Consolidated Financial Statements
December 31, 2013

7. PENSION PLAN AND DEFERRED COMPENSATION

The Foundation offers a defined contribution plan for eligible employees who have completed 12 months of service and have attained age 21. The Foundation's contributions equal 100% of the eligible employee's contributions of 5% of their compensation. Participants are fully vested after 5 years of service. Pension expense for the year ended December 31, 2013 totaled \$215,163. The Foundation also contributed to an executive deferred compensation plan. Deferred compensation expense for the year ended December 31, 2013 totaled \$31,875.

8. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2013, temporarily restricted net assets were as follows:

	<u>2013</u>
Restricted for both time and purpose	\$ 386,628
Restricted as to purpose (NEXT - Post programming)	903,060
Restricted as to purpose (Other programs)	<u>312,200</u>
	<u>\$ 1,601,888</u>

Temporarily restricted net assets in the amount of \$21,520,527 were released from time restrictions during the year ended December 31, 2013.

9. CONTINGENCIES

In the normal course of its operations, the Foundation is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Foundation is not aware of any claims or contingencies that would have a material adverse effect on the Foundation's financial position, change in net assets or cash flows.

10. LINE OF CREDIT

On December 14, 2011, the Foundation entered into a \$3 million revolving line of credit loan ("RLCL") agreement with The Northern Trust Company in order to support seasonal shortages in cash flow. The term of the agreement was for 1 year, extended to January 4, 2013 and interest on borrowings were at the lower of the prime-based rate less 0.75% or LIBOR plus 0.70%. The RLCL was secured by a pledge agreement and control agreement with a philanthropist. At December 31, 2013, there was no outstanding balance under this loan agreement which has not been renewed.

11. RELATED PARTY TRANSACTIONS

Accounts receivable represents shared services of amounts due from Birthright Israel North America which shares space and common goals but are not consolidated with the financial statements of the Foundation, as the criteria for consolidation under U.S. GAAP has not been met as of December 31, 2013 (Note 1).

SUPPLEMENTARY INFORMATION

THE BIRTHRIGHT ISRAEL FOUNDATION
Consolidating Schedule of Financial Position
As of December 31, 2013

	<u>Foundation</u>	<u>NEXT</u>	<u>TOTAL</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 14,073,195	\$ 836,020	\$ 14,909,215	\$ -	\$ 14,909,215
Cash held in escrow	233,099	-	233,099	-	233,099
Accounts receivable - shared services	873,339	-	873,339	(140,610)	732,729
Contributions receivable - net	386,800	88,597	475,397	-	475,397
Prepaid expenses and other assets	275,397	39,901	315,298	-	315,298
Investments	32,300	-	32,300	-	32,300
Fixed assets - net	538,479	264,921	803,400	-	803,400
Total assets	<u>\$ 16,412,609</u>	<u>\$ 1,229,439</u>	<u>\$ 17,642,048</u>	<u>\$ (140,610)</u>	<u>\$ 17,501,438</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 649,876	\$ 159,545	\$ 809,421	\$ -	\$ 809,421
Accounts payable - shared services	-	140,610	140,610	(140,610)	-
Deferred revenue	476,235	-	476,235	-	476,235
Deferred compensation	31,875	-	31,875	-	31,875
Deferred rent	244,094	44,224	288,318	-	288,318
Total liabilities	<u>1,402,080</u>	<u>344,379</u>	<u>1,746,459</u>	<u>(140,610)</u>	<u>1,605,849</u>
Net Assets:					
Unrestricted	13,457,141	836,560	14,293,701	-	14,293,701
Temporarily restricted	1,553,388	48,500	1,601,888	-	1,601,888
Total net assets	<u>15,010,529</u>	<u>885,060</u>	<u>15,895,589</u>	<u>-</u>	<u>15,895,589</u>
Total liabilities and net assets	<u>\$ 16,412,609</u>	<u>\$ 1,229,439</u>	<u>\$ 17,642,048</u>	<u>\$ (140,610)</u>	<u>\$ 17,501,438</u>

The accompanying report of independent certified public accountants should be read in conjunction with this schedule.

THE BIRTHRIGHT ISRAEL FOUNDATION

Consolidating Schedule of Activities

For the year ended December 31, 2013

	<u>Foundation</u>	<u>NEXT</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT					
Contributions	\$ 74,221,738	\$ 3,317,390	\$ 77,539,128	\$ (1,675,500)	\$ 75,863,628
Interest	21,841	-	21,841	-	21,841
Realized gain on investments	3,234	-	3,234	-	3,234
Other income	<u>10,543</u>	<u>864</u>	<u>11,407</u>	<u>-</u>	<u>11,407</u>
Total revenues and other support	<u>74,257,356</u>	<u>3,318,254</u>	<u>77,575,610</u>	<u>(1,675,500)</u>	<u>75,900,110</u>
EXPENSES					
Program expenses:					
TAGLIT - Birthright Israel	77,331,363	-	77,331,363	-	77,331,363
NEXT - Post programming	<u>1,833,500</u>	<u>3,329,670</u>	<u>5,163,170</u>	<u>(1,675,500)</u>	<u>3,487,670</u>
Total program services	<u>79,164,863</u>	<u>3,329,670</u>	<u>82,494,533</u>	<u>(1,675,500)</u>	<u>80,819,033</u>
Supporting services:					
Management and general	2,679,614	-	2,679,614	-	2,679,614
Fundraising	<u>6,182,316</u>	<u>-</u>	<u>6,182,316</u>	<u>-</u>	<u>6,182,316</u>
Total supporting services	<u>8,861,930</u>	<u>-</u>	<u>8,861,930</u>	<u>-</u>	<u>8,861,930</u>
Total expenses	<u>88,026,793</u>	<u>3,329,670</u>	<u>91,356,463</u>	<u>(1,675,500)</u>	<u>89,680,963</u>
Change in net assets	<u>(13,769,437)</u>	<u>(11,416)</u>	<u>(13,780,853)</u>	<u>-</u>	<u>(13,780,853)</u>
Net assets, beginning of year	<u>28,779,966</u>	<u>896,476</u>	<u>29,676,442</u>	<u>-</u>	<u>29,676,442</u>
Net assets, end of year	<u>\$ 15,010,529</u>	<u>\$ 885,060</u>	<u>\$ 15,895,589</u>	<u>\$ -</u>	<u>\$ 15,895,589</u>

The accompanying report of independent certified public accountants should be read in conjunction with this schedule.

THE BIRTHRIGHT ISRAEL FOUNDATION
Consolidating Schedule of Functional Expenses
For the year ended December 31, 2013

	<u>Foundation</u>	<u>NEXT</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Salaries and fringe benefits	\$ 5,408,998	\$ 1,828,287	\$ 7,237,285	\$ -	\$ 7,237,285
Grants	79,175,388	481,263	79,656,651	(1,675,500)	77,981,151
Professional fees	1,021,009	221,447	1,242,456	-	1,242,456
Travel	313,075	128,691	441,766	-	441,766
Conferences and meetings	91,451	46,662	138,113	-	138,113
Equipment rental and maintenance	17,230	19,221	36,451	-	36,451
Supplies and office expenses	79,141	16,687	95,828	-	95,828
Communications	62,943	17,358	80,301	-	80,301
Advertising	14,045	2,910	16,955	-	16,955
Postage and delivery	260,731	16,448	277,179	-	277,179
Dues and subscriptions	33,713	1,227	34,940	-	34,940
Printing and production	215,794	41,617	257,411	-	257,411
Computer maintenance	122,688	7,075	129,763	-	129,763
Website maintenance	216,448	12,420	228,868	-	228,868
Insurance	47,403	18,848	66,251	-	66,251
Occupancy	683,804	292,684	976,488	-	976,488
Depreciation	161,413	163,452	324,865	-	324,865
Bank charges	67,419	3,535	70,954	-	70,954
State registrations and filing fees	8,272	503	8,775	-	8,775
Miscellaneous	25,828	9,335	35,163	-	35,163
	<u>\$ 88,026,793</u>	<u>\$ 3,329,670</u>	<u>\$ 91,356,463</u>	<u>\$ (1,675,500)</u>	<u>\$ 89,680,963</u>

The accompanying report of independent certified public accountants should be read in conjunction with this schedule.