

Consolidated Financial Statements Together with  
Report of Independent Certified Public Accountants

**THE BIRTHRIGHT ISRAEL FOUNDATION**

For the year ended December 31, 2015, with comparative information for the  
year ended December 31, 2014

# 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 the financial statements**

We have audited the accompanying consolidated financial statements of The Birthright Israel Foundation and its Affiliate (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and 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 Foundation'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 Foundation'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.

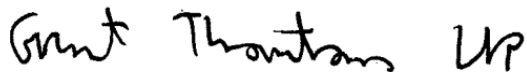
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2015, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on 2014 summarized comparative information**

We have previously audited the Foundation's 2014 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Grant Thornton LLP in black ink.

New York, New York  
May 18, 2016

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Statement of Financial Position

As of December 31, 2015, with comparative consolidated information as of December 31, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,595,962	\$ 50,192,196
Cash held in escrow (Note 4)	237,814	235,595
Accounts receivable - shared services (Note 11)	14,283	1,323,851
Contributions receivable - net (Note 3)	14,077,900	12,978,332
Prepaid expenses and other assets	311,379	316,416
Investments	8,612	27,320
Fixed assets - net (Note 5)	<u>375,932</u>	<u>658,099</u>
Total assets	<u>\$ 32,621,882</u>	<u>\$ 65,731,809</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 978,854	\$ 1,330,720
Accrued severance	163,289	320,000
Deferred revenue	-	20,000,000
Capital leases payable (Note 6)	56,873	71,329
Deferred compensation (Note 8)	108,750	69,375
Obligations to annuitants	55,833	33,392
Deferred rent	<u>226,278</u>	<u>270,014</u>
Total liabilities	<u>1,589,877</u>	<u>22,094,830</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	11,393,438	14,524,225
Board designated (Note 9)	<u>4,750,000</u>	<u>4,750,000</u>
Total unrestricted	16,143,438	19,274,225
Temporarily restricted (Note 9)	14,788,567	24,262,754
Permanently restricted (Note 10)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>31,032,005</u>	<u>43,636,979</u>
Total liabilities and net assets	<u>\$ 32,621,882</u>	<u>\$ 65,731,809</u>

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

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Consolidated Statement of Activities

For the year ended December 31, 2015, with comparative consolidated information as of December 31, 2014

	2015			2014 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>REVENUES AND OTHER SUPPORT</b>					
Contributions	\$ 78,344,294	\$ 5,713,917	\$ -	\$ 84,058,211	\$ 123,548,718
Special events - net	-	-	-	-	1,828,679
Interest	39,018	-	-	39,018	20,294
Realized loss on donated securities	(1,222)	-	-	(1,222)	(25,679)
Other income	7,628	-	-	7,628	15,756
Net assets released from restrictions (Note 9)	15,188,104	(15,188,104)	-	-	-
Total revenues and other support	<u>93,577,822</u>	<u>(9,474,187)</u>	<u>-</u>	<u>84,103,635</u>	<u>125,387,768</u>
<b>EXPENSES</b>					
Program expenses					
Birthright Israel International (Note 7)	83,073,144	-	-	83,073,144	83,212,321
Post programming	1,924,595	-	-	1,924,595	3,938,219
Total program services	<u>84,997,739</u>	<u>-</u>	<u>-</u>	<u>84,997,739</u>	<u>87,150,540</u>
Supporting services					
Management and general	2,773,793	-	-	2,773,793	3,113,147
Fundraising	8,937,077	-	-	8,937,077	7,382,691
Total supporting services	<u>11,710,870</u>	<u>-</u>	<u>-</u>	<u>11,710,870</u>	<u>10,495,838</u>
Total expenses	<u>96,708,609</u>	<u>-</u>	<u>-</u>	<u>96,708,609</u>	<u>97,646,378</u>
Change in net assets	(3,130,787)	(9,474,187)	-	(12,604,974)	27,741,390
Net assets - beginning of year	19,274,225	24,262,754	100,000	43,636,979	15,895,589
Net assets - end of year	<u>\$ 16,143,438</u>	<u>\$ 14,788,567</u>	<u>\$ 100,000</u>	<u>\$ 31,032,005</u>	<u>\$ 43,636,979</u>

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

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Consolidated Statement of Functional Expenses

For the year ended December 31, 2015, with comparative consolidated information as of December 31, 2014

	2015							2014 Total
	Program Services			Supporting Services				
	Birthright Israel International	Post Programming	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries and fringe benefits	\$ -	\$ 965,366	\$ 965,366	\$ 1,567,145	\$ 5,418,080	\$ 6,985,225	\$ 7,950,591	\$ 8,167,662
Grants	83,073,144	249,438	83,322,582	-	28,454	28,454	83,351,036	83,884,637
Professional fees	-	229,376	229,376	526,876	886,617	1,413,493	1,642,869	1,501,239
Travel	-	13,692	13,692	193,527	282,369	475,896	489,588	592,351
Conferences and meetings	-	16,686	16,686	69,881	438,472	508,353	525,039	514,348
Equipment rental and maintenance	-	10,069	10,069	15,808	5,324	21,132	31,201	285,294
Supplies and office expenses	-	2,527	2,527	21,766	9,194	30,960	33,487	67,646
Communications	-	6,211	6,211	51,495	25,871	77,366	83,577	88,185
Advertising	-	75	75	800	10,622	11,422	11,497	27,025
Postage and delivery	-	1,186	1,186	16,019	327,847	343,866	345,052	318,213
Dues and subscriptions	-	144	144	15,619	18,812	34,431	34,575	32,933
Printing and production	-	361	361	1,547	274,228	275,775	276,136	326,016
Computer maintenance	-	114,062	114,062	40,906	176,193	217,099	331,161	181,321
Website maintenance	-	4,959	4,959	34,963	-	34,963	39,922	114,766
Insurance	-	6,662	6,662	13,521	58,243	71,764	78,426	64,604
Occupancy	-	151,267	151,267	133,211	756,470	889,681	1,040,948	1,023,431
Depreciation	-	145,400	145,400	31,475	129,259	160,734	306,134	286,725
Bank charges	-	5,192	5,192	20,957	74,815	95,772	100,964	122,362
State registrations and filing fees	-	-	-	7,985	296	8,281	8,281	9,779
Miscellaneous	-	1,922	1,922	10,292	15,911	26,203	28,125	37,841
	<u>\$ 83,073,144</u>	<u>\$ 1,924,595</u>	<u>\$ 84,997,739</u>	<u>\$ 2,773,793</u>	<u>\$ 8,937,077</u>	<u>\$ 11,710,870</u>	<u>\$ 96,708,609</u>	<u>\$ 97,646,378</u>

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

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Consolidated Statement of Cash Flows

For the year ended December 31, 2015, with comparative consolidated information  
as of December 31, 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (12,604,974)	\$ 27,741,390
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	306,134	286,725
Donated securities	(308,268)	(3,340,055)
Realized loss on donated securities	1,222	25,679
Loss on disposal of fixed assets	641	208
Contributions to permanent endowment	-	(100,000)
Contributions receivable - NPV and allowance	-	26,686
Decrease (increase) in assets		
Accounts receivable - shared services	1,309,568	(591,122)
Contributions receivable	(1,099,568)	(12,529,621)
Prepaid expenses and other assets	5,037	(1,118)
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	(351,866)	521,299
Accrued severance	(156,711)	320,000
Deferred revenue	(20,000,000)	19,523,765
Deferred compensation	39,375	37,500
Obligations to annuitants	22,441	33,392
Deferred rent	(43,736)	(18,304)
Net cash (used in) provided by operating activities	<u>(32,880,705)</u>	<u>31,936,424</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash held in escrow	(2,219)	(2,496)
Purchase of fixed assets	(39,064)	(70,303)
Purchase of investments	18,708	4,980
Proceeds from sale of investments	307,046	3,314,376
Net cash provided by investing activities	<u>284,471</u>	<u>3,246,557</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions to permanent endowment	-	100,000
Net cash provided by financing activities	<u>-</u>	<u>100,000</u>
Net (decrease) increase in cash and cash equivalents	(32,596,234)	35,282,981
Cash and cash equivalents - beginning of year	<u>50,192,196</u>	<u>14,909,215</u>
Cash and cash equivalents - end of year	<u>\$ 17,595,962</u>	<u>\$ 50,192,196</u>
Asset acquired under capital lease agreement	\$ -	\$ 71,329
Cash paid during the year for interest	<u>\$ 1,942</u>	<u>\$ 743</u>

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



# THE BIRTHRIGHT ISRAEL FOUNDATION

## Notes to Consolidated Financial Statements

December 31, 2015, with comparative consolidated information as of December 31, 2014

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### 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 Birthright Israel International).

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. Effective June 24, 2015, NEXT was dissolved and all remaining net assets were transferred to 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.

Board Designated - Includes net assets that are subject to board-imposed stipulations for future activities.

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 BIRTHRIGHT ISRAEL FOUNDATION

## Notes to Consolidated Financial Statements

December 31, 2015, with comparative consolidated information as of December 31, 2014

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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, 2015, with comparative consolidated information as of December 31, 2014

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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.

State of Israel Bonds are generally stated at amortized cost, which approximate fair value. As of December 31, 2015, the Organization invested in State of Israel Bonds of \$8,612, which was included in investments on the statement of financial position.

### **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 (see 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, inclusive of applicable credit adjusted 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, 2015, with comparative consolidated information as of December 31, 2014

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### **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 represents a payment received from a donor for use in the following year subject to certain conditions.

### **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 \$226,278 as of December 31, 2015.

### **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, 2015, the Foundation had advertising costs of \$11,497.

### **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 US GAAP 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, 2015, the Foundation received approximately 36% of its contribution revenue from one source.

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Notes to Consolidated Financial Statements

December 31, 2015, with comparative consolidated information as of December 31, 2014

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### 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 ended 2012, 2013, 2014, and 2015 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 18, 2016, which is the date the financial statements were issued. The Foundation is not aware of any subsequent events which require recognition or disclosure in the accompanying 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 2%.

Past due	\$ 360,000
2016	9,160,300
2017	3,410,300
2018	2,410,300
2019	<u>10,000</u>
	15,350,900
Less: discount to present value	161,000
Less: allowance for uncollectible contributions	<u>1,112,000</u>
	<u>\$ 14,077,900</u>

For the year ended December 31, 2015, seven pledgors comprised 86% of the total gross contributions receivable balance.

### 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”) is responsible for 24% of the lease payments of this lease.

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Notes to Consolidated Financial Statements

December 31, 2015, with comparative consolidated information as of December 31, 2014

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In December 2010, the Foundation signed an 8-year lease for additional space. This additional space was fully occupied by NEXT, which was responsible for the entire cost of the lease until their dissolution. Effective June 24, 2015 Birthright Israel Foundation became responsible for this additional space.

There is a letter of credit outstanding for \$237,814, which has been collateralized by an interest-bearing money market account at December 31, 2015, 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, 2015 are as follows:

2016	\$ 1,016,969
2017	1,014,514
2018	<u>656,844</u>
Total	<u>\$ 2,688,327</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, 2015 totaled \$946,191 and is included within occupancy expenses in the accompanying statement of functional expenses.

### 5. FIXED ASSETS, NET

Fixed assets, net, consisted of the following as of December 31, 2015:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 361,641	\$ 293,905	\$ 67,736	5-7 years
Computers and computer systems	465,530	427,689	37,841	3 years
Internally developed software - website	761,412	761,412	-	5 years
Security equipment	15,025	15,025	-	5 years
Video and telephone equipment	175,852	117,943	57,909	5 years
Other equipment	9,970	9,970	-	3 years
Leasehold improvements	<u>671,029</u>	<u>458,583</u>	<u>212,446</u>	10 years
	<u>\$ 2,460,459</u>	<u>\$ 2,084,527</u>	<u>\$ 375,932</u>	

Depreciation expense for the year ended December 31, 2015 was \$306,134.

# THE BIRTHRIGHT ISRAEL FOUNDATION

## Notes to Consolidated Financial Statements

December 31, 2015, with comparative consolidated information as of December 31, 2014

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### 6. CAPITAL LEASE PAYABLE

The Foundation has entered into a lease for telephone equipment and is recorded in the financial statements as a capital lease. The related obligation, in the amount equal to the present value of the minimum lease payments payable during the remaining term of the lease, is recorded as a liability. As of December 31, 2015, the future minimum payments under the capital lease are as follows:

2016	\$ 16,398
2017	16,398
2018	16,398
2019	<u>10,932</u>
	60,126
Less: amount representing interest	<u>(3,253)</u>
Present value of future minimum lease payments	<u>\$ 56,873</u>

### 7. GRANTS

The Foundation awards grants to organizations and individuals that implement its missions and goals. In 2015, the Foundation awarded and transferred \$83,073,144 to Birthright Israel International.

### 8. 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, 2015 totaled \$216,030. The Foundation also contributed to an executive deferred compensation plan. Deferred compensation expense for the year ended December 31, 2015 totaled \$39,375.

### 9. BOARD DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS

Board designated net assets of \$4.75 million as of December 31, 2015 are designated by the Board for future activities.

As of December 31, 2015, temporarily restricted net assets were as follows:

Restricted as to time	\$ 13,717,900
Restricted as to purpose (other programs)	1,040,667
Restricted as to time and purpose	<u>30,000</u>
	<u>\$ 14,788,567</u>

Temporarily restricted net assets in the amount of \$15,188,104 were released from time and purpose restrictions during the year ended December 31, 2015.

# **THE BIRTHRIGHT ISRAEL FOUNDATION**

## **Notes to Consolidated Financial Statements**

**December 31, 2015, with comparative consolidated information as of December 31, 2014**

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### **10. PERMANENTLY RESTRICTED NET ASSETS**

In 2014, the Foundation received a contribution of \$100,000 as permanently restricted. The income generated from this gift is to be used for trip enhancements. Due to a change in donor intention which was communicated during 2016, the Foundation has subsequently reclassified this amount into unrestricted net assets.

### **11. RELATED PARTY TRANSACTIONS**

Accounts receivable represents shared services of amounts due from BRINA which shares space and common goals but are not consolidated within the financial statements of the Foundation, as the criteria for consolidation under US GAAP has not been met as of December 31, 2015 (see Note 1).