

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2016

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

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Board of Directors
WIZO - Women's International
Zionist Organization

Report on the Financial Statements

We have audited the accompanying financial statements of WIZO - Women's International Zionist Organization, which comprise the balance sheet 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; 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 United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the 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 WIZO - Women's International Zionist Organization 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 United States of America.

Report on Summarized Comparative Information

We have previously audited WIZO - Women's International Zionist Organization's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb + Troper LLP

October 30, 2017

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

BALANCE SHEET

DECEMBER 31, 2016

(With Summarized Financial Information for December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 3,343,199	\$ 4,431,119
Investments (Note 4)	3,811,921	3,544,755
Investments - certificates of deposit	378,817	376,084
Contributions receivable (Note 3)	383,338	603,270
Prepaid expenses	133,346	88,340
Security deposits	15,000	15,000
Office equipment (net of accumulated depreciation of \$133,157 in 2016 and \$129,808 in 2015)	2,491	5,840
Condominium (net of accumulated depreciation of \$79,399 in 2016 and \$76,345 in 2015)	42,735	45,789
	<u>8,110,847</u>	<u>9,110,197</u>
Total assets	<u>\$ 8,110,847</u>	<u>\$ 9,110,197</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 66,996	\$ 62,104
Annuity payable (Note 5)	6,622	7,002
	<u>73,618</u>	<u>69,106</u>
Total liabilities	<u>73,618</u>	<u>69,106</u>
Net assets (Exhibit B)		
Unrestricted	5,453,072	5,857,100
Temporarily restricted (Note 6)	2,584,157	3,183,991
	<u>8,037,229</u>	<u>9,041,091</u>
Total net assets	<u>8,037,229</u>	<u>9,041,091</u>
Total liabilities and net assets	<u>\$ 8,110,847</u>	<u>\$ 9,110,197</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

EXHIBIT B

STATEMENT OF ACTIVITIES

**YEAR ENDED DECEMBER 31, 2016
(With Summarized Financial Information
for the Year Ended December 31, 2015)**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Revenues, gains (losses) and other support				
Contributions	\$ 1,475,001	\$ 165,126	\$ 1,640,127	\$ 1,704,284
Bequests	1,785		1,785	2,211,919
Special events income	\$ 2,683,016			
Direct cost of special events	(840,857)		1,842,159	2,554,244
Membership dues	24,494		24,494	29,407
Investment gain (loss) - net (Note 4)	291,831		291,831	(201,434)
Net assets released from restrictions (Note 6)	768,897	(768,897)		
Change in value of split-interest agreements		3,937	3,937	2,595
Total revenues, gains (losses) and other support	4,404,167	(599,834)	3,804,333	6,301,015
Expenses (Exhibit C)				
Program services				
Israel projects	3,277,632		3,277,632	3,158,594
Supporting services				
Management and general	439,318		439,318	354,239
Fund raising	1,091,245		1,091,245	1,108,701
Total supporting services	1,530,563		1,530,563	1,462,940
Total expenses	4,808,195		4,808,195	4,621,534
Change in net assets (Exhibit D)	(404,028)	(599,834)	(1,003,862)	1,679,481
Net assets - beginning of year	5,857,100	3,183,991	9,041,091	7,361,610
Net assets - end of year (Exhibit A)	\$ 5,453,072	\$ 2,584,157	\$ 8,037,229	\$ 9,041,091

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2016
(With Summarized Financial Information
for the Year Ended December 31, 2015)**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Direct Cost of Special Events</u>	<u>Total</u>	
	<u>Israel Projects</u>	<u>Management and General</u>	<u>Fund Raising</u>		<u>2016</u>	<u>2015</u>
Transfers to Israel for projects	\$ 3,277,632				\$ 3,277,632	\$ 3,158,594
Salaries		\$ 149,429	\$ 348,666		498,095	472,052
Payroll taxes and employee benefits		29,573	69,002		98,575	97,273
Occupancy (Note 7)		23,132	53,976		77,108	75,879
Telephone		1,614	3,766		5,380	5,208
Office, stationery and printing		31,547	30,310		61,857	58,547
Postage		6,281	4,187		10,468	12,057
Professional fees		68,687	25,405		94,092	116,704
Travel		2,528	1,190		3,718	3,817
Maintenance		12,829			12,829	18,314
Membership recruitment			9,409		9,409	29,332
Meetings and conferences			428,267		428,267	449,208
Advertising		2,125	4,958		7,083	5,645
Computer consultants		10,218	23,842		34,060	25,354
Insurance		180	421		601	3,045
Credit card fees		90	59,814		59,904	63,548
Food, facility rental and entertainment				\$ 840,857	840,857	732,919
Legal		1,500			1,500	
Bad debt		87,571			87,571	
Depreciation		1,921	4,482		6,403	7,153
Miscellaneous		10,093	23,550		33,643	19,804
Total expenses	3,277,632	439,318	1,091,245	840,857	5,649,052	5,354,453
Less expenses deducted directly from revenues on the statement of activities						
Direct cost of special events				(840,857)	(840,857)	(732,919)
Total expenses reported on the statement of activities (Exhibit B)	\$ 3,277,632	\$ 439,318	\$ 1,091,245	\$ -	\$ 4,808,195	\$ 4,621,534

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (1,003,862)	\$ 1,679,481
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,403	7,153
Net loss (gain) on investments	(84,210)	400,588
Change in value of split-interest agreements	(3,937)	(2,595)
Investment gain on investments held for annuity obligations	2,025	591
Decrease (increase) in assets		
Contributions receivable	219,932	(271,316)
Prepaid expenses	(45,006)	(35,716)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	4,892	(13,107)
Net cash provided (used) by operating activities	<u>(903,763)</u>	<u>1,765,079</u>
Cash flows from investing activities		
Proceeds from sale of investments	705,937	937,583
Purchase of investments	<u>(891,626)</u>	<u>(968,724)</u>
Net cash used by investing activities	<u>(185,689)</u>	<u>(31,141)</u>
Cash flows from financing activities		
Payments of annuity obligation	(2,500)	(2,500)
Proceeds from investment income subject to annuity agreements	<u>4,032</u>	<u>4,032</u>
Net cash provided by financing activities	<u>1,532</u>	<u>1,532</u>
Change in cash and cash equivalents	(1,087,920)	1,735,470
Cash and cash equivalents - beginning of year	<u>4,431,119</u>	<u>2,695,649</u>
Cash and cash equivalents - end of year	<u>\$ 3,343,199</u>	<u>\$ 4,431,119</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 - NATURE OF ORGANIZATION

WIZO - Women's International Zionist Organization ("WIZO USA") was incorporated in New York State as a not-for-profit corporation in July 1980. WIZO USA is funded primarily by special events and contribution campaigns to support various social welfare institutions in Israel, such as day care centers, schools, youth clubs, community centers, golden age clubs and other welfare facilities.

WIZO USA has been determined by the Internal Revenue Service to be a charitable organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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.

Cash and cash equivalents - Cash equivalents consist of highly liquid instruments with original maturities when acquired of three months or less.

Investments - Investments are recorded at fair value. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the financial statements.

Investments - certificates of deposit - Certificates of deposit have maturity dates of more than three months and are considered investments for purposes of cash flow reporting.

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-adjusted interest rates applicable to the years in which the promises are received. Amortization of the present value of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts - WIZO USA determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessments of the aged basis of its contributions, current economic conditions, subsequent receipts and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fixed assets - Fixed assets with a cost of \$2,000 and an estimated useful life of greater than one year are capitalized. Depreciation of office equipment and the condominium is recorded on the straight-line method over estimated useful lives of five to seven years and twenty years, respectively.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Temporarily restricted net assets - Temporarily restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Functional allocation of expenses - The costs of providing the organization'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.

Transfers to Israel - Transfers of funds to Israel for specific programs are recognized when granted by the Board. There were no amounts payable as of December 31, 2016.

Rent expense - Rent is recorded on the straight-line basis over the term of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Advertising - Advertising costs are expensed as incurred.

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**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special events - WIZO USA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefit received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statement of activities.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that WIZO USA has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 as compared to those used at December 31, 2015.

U.S. government obligations and equities - Valued at the closing price reported on the active market on which the individual items are traded.

Preferred corporate bonds - Valued based on a computerized pricing service, or for less actively traded issues by utilizing a yield-based matrix system to arrive at an estimated market value.

Foreign bonds - Certain foreign bonds are valued at the closing price reported on the active market in which the bonds are traded. Other foreign bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds - Valued at the net asset value (NAV) of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while WIZO USA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The assets at fair value as of December 31, 2016 are set forth by level within the fair value hierarchy in Note 4.

Uncertainty in income taxes - WIZO USA has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through October 30, 2017, which is the date the financial statements were available to be issued.

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**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 3 - CONTRIBUTIONS RECEIVABLE

WIZO USA receives unconditional promises to give. These promises to give have been discounted to present value using a 3% discount rate. Contributions receivable are due as follows:

2017 and past due	\$ 443,055
2018	74,715
2019	62,525
2020	24,363
2021	<u>7,330</u>
	611,988
Less discount to present value	<u>(8,650)</u>
	603,338
Less allowance for accounts doubtful of collection	<u>(220,000)</u>
	<u>\$ 383,338</u>

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**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 4 - INVESTMENTS

The following table sets forth by level, within the hierarchy, the assets at fair value at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate bonds	\$ <u>-</u>	\$ <u>743,175</u>	\$ <u>743,175</u>
Preferred corporate bonds	<u>-</u>	<u>1,470,715</u>	<u>1,470,715</u>
U.S. Government obligations - treasury bond	<u>426,976</u>	<u>-</u>	<u>426,976</u>
U.S. Government obligations - notes	<u>200,575</u>	<u>-</u>	<u>200,575</u>
Foreign bonds	<u>198,358</u>	<u>13,000</u>	<u>211,358</u>
Mutual funds - closed end	<u>13,940</u>	<u>-</u>	<u>13,940</u>
Equities			
Healthcare	21,000	-	21,000
Logistic services	13,720	-	13,720
Utilities	16,889	-	16,889
Financial	<u>165,850</u>	<u>-</u>	<u>165,850</u>
Total equities	<u>217,459</u>	<u>-</u>	<u>217,459</u>
Total investments reported on the fair value hierarchy	<u>\$ 1,057,308</u>	<u>\$ 2,226,890</u>	3,284,198
Cash			<u>527,723</u>
Total investments			<u>\$ 3,811,921</u>

Investment gain (loss) consists of:

Interest and dividends	\$ 207,621
Unrealized gain	130,198
Realized loss	<u>(45,988)</u>
Net investment gain	<u>\$ 291,831</u>

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**WIZO - WOMEN'S INTERNATIONAL
ZIONIST ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 5 - ANNUITY PAYABLE

WIZO USA is the trustee of a charitable remainder annuity trust received from a donor in which WIZO USA has an irrevocable remainder interest. Under the agreement, WIZO USA invests the donated assets and distributes to the donor designees income generated from those assets until the death of the donor. WIZO USA will be able to utilize that part of the gift in which it has an interest upon the death of the respective life beneficiary. The present value of the annuity payable as of December 31, 2016 is \$6,622. The change in value of the split interest agreement was \$3,937 in 2016.

At the time of the gift, and adjusted annually, WIZO USA records contribution income and a liability for amounts payable to annuitants using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The discount rate used in the calculation is 5%.

The fair value of investments held for the trust as of December 31, 2016 were as follows:

Corporate bonds	\$ 31,513
Preferred corporate bonds	35,500
Equities - financial	<u>6,109</u>
Total	73,122
Cash	<u>9,319</u>
Total assets held for the trust	\$ <u><u>82,441</u></u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$2,584,157 as of December 31, 2016 are available for the following:

Future periods	\$ 240,039
Terror Victim Emergency Relief	265,605
Burros Center for Prevention of Violence	100,000
Battered Women and Children	<u>1,978,513</u>
	\$ <u><u>2,584,157</u></u>

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**WIZO - WOMEN'S INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets were released from donor restrictions by satisfying the following restricted purposes:

Burros Center for Prevention of Violence	\$ 300,000
Battered Women and Children	121,487
Emergency Campaign	125,000
Passage of time	<u>222,410</u>
	<u>\$ 768,897</u>

NOTE 7 - LEASE COMMITMENT

On September 1, 2012, WIZO USA entered into a lease agreement expiring on August 31, 2020.

Rent expense for 2016 was \$75,393.

Future minimum lease payments are as follows:

2017	\$ 75,000
2018	75,833
2019	77,500
2020	<u>51,667</u>
	<u>\$ 280,000</u>

NOTE 8 - CONCENTRATIONS

Financial instruments which potentially subject WIZO USA to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

NOTE 9 - LITIGATION

WIZO USA is a party to litigation which, in the opinion of management, will not have a material adverse impact on the financial position of the organization. Management also believes it carries adequate insurance.