

Israel Emergency Alliance dba StandWithUs

Financial Statements

December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Israel Emergency Alliance dba StandWithUs (a California nonprofit corporation) ("StandWithUs"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (the "U.S."); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of StandWithUs as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the U.S.

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

Armanino^{LLP}
Los Angeles, California

September 17, 2018

Israel Emergency Alliance dba StandWithUs
Statement of Financial Position
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 3,999,137
Investments	1,251,894
Pledges receivable, net	1,510,442
Bequest receivable	131,632
Accounts receivable	7,125
Inventory	18,711
Prepaid expenses and other current assets	23,798
Assets held for resale	815,579
Property and equipment, net	278,376
Deposits	<u>57,705</u>
Total assets	<u><u>\$ 8,094,399</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ <u>882,904</u>
Total liabilities	<u>882,904</u>
Commitments (Note 7)	
Net assets	
Unrestricted	
General	2,713,346
Board-designated	<u>2,000,000</u>
Total unrestricted	4,113,236
Temporarily restricted	<u>3,098,259</u>
Total net assets	<u>7,211,495</u>
Total liabilities and net assets	<u><u>\$ 8,094,399</u></u>

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

Israel Emergency Alliance dba StandWithUs
Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Grants and contributions	\$ 4,586,935	\$ 2,778,562	\$ 7,365,497
Fundraising events, net of direct costs of \$1,080,142	1,902,048	1,161,332	3,063,380
Contributed investments	353,233	-	353,233
Bequests	834,624	131,632	966,256
Educational events	359,058	-	359,058
Material sales	38,179	-	38,179
Miscellaneous income	36,987	-	36,987
Net assets released from restriction	<u>3,865,263</u>	<u>(3,865,263)</u>	<u>-</u>
Total revenue and support	<u>11,976,327</u>	<u>206,263</u>	<u>12,182,590</u>
Functional expenses			
Program services	<u>10,656,439</u>	<u>-</u>	<u>10,656,439</u>
Support services			
Management and general	816,901	-	816,901
Write-off amount due from affiliate (Note 8)	<u>534,760</u>	<u>-</u>	<u>534,760</u>
	1,351,661	-	1,351,661
Fundraising	<u>567,209</u>	<u>-</u>	<u>567,209</u>
Total support services	<u>1,918,870</u>	<u>-</u>	<u>1,918,870</u>
Total functional expenses	<u>12,575,309</u>	<u>-</u>	<u>12,575,309</u>
Change in net assets from operations	<u>(598,982)</u>	<u>206,263</u>	<u>(392,719)</u>
Investment results			
Interest income	13,943	-	13,943
Realized losses on sales of investments	<u>(773)</u>	<u>-</u>	<u>(773)</u>
Total investment results	<u>13,170</u>	<u>-</u>	<u>13,170</u>
Change in net assets	(585,812)	206,263	(379,549)
Net assets, beginning of year, as restated (Note 8)	<u>4,699,048</u>	<u>2,891,996</u>	<u>7,591,044</u>
Net assets, end of year	<u>\$ 4,113,236</u>	<u>\$ 3,098,259</u>	<u>\$ 7,211,495</u>

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

Israel Emergency Alliance dba StandWithUs
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 5,341,882	\$ 416,052	\$ 305,954	\$ 6,063,888
Employee benefits	496,921	22,256	22,981	542,158
Payroll taxes	486,413	72,099	5,335	563,847
Total personnel expenses	<u>6,325,216</u>	<u>510,407</u>	<u>334,270</u>	<u>7,169,893</u>
Other expenses				
Advertising	67,289	-	-	67,289
Bad debt expense	-	11,860	-	11,860
Bank and credit card fees	32,751	91,833	-	124,584
Brochures, flyers, video and materials	436,813	-	-	436,813
Contributions and donations	1,000	-	-	1,000
Depreciation and amortization	65,036	-	-	65,036
Direct mail campaign	-	-	169,065	169,065
Educational events and conferences	1,473,980	-	-	1,473,980
Information technology	370,548	10,099	22,219	402,866
Insurance	48,381	12,326	-	60,707
Miscellaneous	19,338	13,565	3,618	36,521
Occupancy	354,869	87,224	26,606	468,699
Office	206,813	16,152	454	223,419
Partnered events	248,724	-	-	248,724
Professional fees	13,566	62,388	-	75,954
Speakers, educators and consultants	863,373	-	-	863,373
Telephone	41,004	1,047	2,447	44,498
Travel	87,738	-	8,530	96,268
Write-off amount due from affiliate	-	534,760	-	534,760
Total other expenses	<u>4,331,223</u>	<u>841,254</u>	<u>232,939</u>	<u>5,405,416</u>
	<u>\$ 10,656,439</u>	<u>\$ 1,351,661</u>	<u>\$ 567,209</u>	<u>\$ 12,575,309</u>
Percentage of total	<u>84.7 %</u>	<u>10.7 %</u>	<u>4.6 %</u>	<u>100.0 %</u>

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

Israel Emergency Alliance dba StandWithUs
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities	
Change in net assets	\$ (379,549)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	65,036
Contributed investments	(353,233)
Reinvested interest	(13,943)
Realized losses on sales of investments reported at fair value	773
Changes in operating assets and liabilities	
Pledges receivable	662,772
Bequest receivable	281,065
Accounts receivable	(1,681)
Inventory	(1,061)
Prepaid expenses and other current assets	44,848
Deposits	(5,804)
Accounts payable and accrued expenses	167,319
Assets held for resale	(807,579)
Due from affiliate	470,333
Net cash provided by operating activities	<u>129,296</u>
Cash flows from investing activities	
Purchases of investments reported at fair value	(1,500,000)
Proceeds from sales of investments reported at fair value	1,826,187
Proceeds from liquidation of investments reported at cost	78,360
Purchases of property and equipment	(6,870)
Net cash provided by investing activities	<u>397,677</u>
Net increase in cash and cash equivalents	526,973
Cash and cash equivalents, beginning of year, as restated (Note 8)	<u>3,472,164</u>
Cash and cash equivalents, end of year	<u>\$ 3,999,137</u>

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

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

1. NATURE OF OPERATIONS

Israel Emergency Alliance, dba StandWithUs ("StandWithUs") was founded in 2001 in response to the misinformation that often surrounds the Middle East conflict, and the inappropriate, often anti-Semitic, language used about Israel and/or Jewish people worldwide. StandWithUs has offices and chapters in Los Angeles, New York, Florida, Detroit, Chicago, Seattle, Orange County, Santa Cruz, Northern California, Rancho Mirage, Israel, San Diego, Philadelphia, Massachusetts, and Texas. The accounts of these offices and chapters are included in these financial statements. StandWithUs also supports the efforts of offices in Canada, the United Kingdom, and Brazil.

StandWithUs is a 17-year-old international Israel education organization that ensures that Israel's stories of history, challenges and achievements are told in communities, on campuses, in high schools, middle schools, in libraries, through social media, in churches through brochures, speakers, conferences, and missions to Israel, and in thousands of pages of internet resources. When misinformation is promoted about Israel by people wishing to create ill will against Israel and its supporters, StandWithUs works actively to challenge the inaccuracies and/or anti-Semitism.

Aside from producing video and audio presentations, booklets, and teaching tools and resources, StandWithUs has also established other programs. For example, Link, the new middle school curriculum now in over 115 middle schools, is at www.IsraelLink.org, and Alums for Campus Fairness (ACF), www.campusfairness.org, the new alumni program, already has 28 chapters and is growing rapidly.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

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

StandWithUs' federal income tax returns for the years 2014 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its most significant state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2013 and beyond.

Financial statement presentation

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

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

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

Use of estimates

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

Cash and cash equivalents

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

Concentrations

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

Investments

Investments are carried at fair value (see Note 3). Interest and dividend income, and gains and losses on investments are reported in the statement of activities as either increases or decreases in unrestricted net assets, unless the use is restricted by donor stipulations or law.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

Unconditional donor promises to give cash and other assets to StandWithUs are reported at the fair value of the promise and at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the conditions are met. Management has established an allowance for potentially uncollectible pledges totaling \$127,075 at December 31, 2017, based on management's estimate of future collections.

Property and equipment

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

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

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

Impairment of long-lived assets

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

Grants and contributions

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

Contributed investments and securities

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

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Wills and bequests

In March 2015, StandWithUs was notified they had been named as a beneficiary of a will, from which they were going to receive a residence located in Huntington Beach, California. During 2017, StandWithUS received the residential property and recorded it at the net proceeds received upon sale in March 2018 of \$815,579. At December 31, 2017 the property is included in Assets Held for Resale in the accompanying Statement of Financial Position.

During the year, StandWithUS was notified that they were named as a beneficiary in an additional will amounting to \$131,632 and received full payment of this bequest receivable in 2018.

Allocation of functional expenses

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

Advertising

StandWithUs uses advertising to promote its programs among the audiences it serves and direct mail for fundraising. All direct mail campaigns include an educational booklet about a topical issue. Advertising and direct mail costs are expensed as incurred. Advertising costs totaled \$67,289 during the year; direct mail costs totaled \$169,065.

Related party

Amounts due from affiliate represent advances for general operations, are unsecured, noninterest bearing and due upon demand.

Subsequent events

StandWithUs has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 17, 2018, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements except as disclosed in Note 2.

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

3. INVESTMENTS

Investments consist of the following:

Equities (Level 1)	\$ 19,835
Investment in Ford Motor Credit Company LLC (Level 2)	1,217,885
Bonds (Level 2)	6,850
Contributed partnership interest (Level 3)	<u>7,324</u>
	<u>\$ 1,251,894</u>

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

The following table sets forth by level, within the fair value hierarchy, the StandWithUs's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Balance, beginning of the year	\$ 282	\$ 1,010,542	\$ 200,854	\$ 1,211,678
Reinvested interest	-	13,943	-	13,943
Purchases of investments	-	1,500,000	-	1,500,000
Contributed corporate stocks	340,659	-	7,324	347,983
Contributed bonds	-	5,250	-	5,250
Proceeds from sales of investments	(320,333)	(1,305,000)	(200,854)	(1,826,187)
Realized losses on sales of investments	<u>(773)</u>	<u>-</u>	<u>-</u>	<u>(773)</u>
	<u>\$ 19,835</u>	<u>\$ 1,224,735</u>	<u>\$ 7,324</u>	<u>\$ 1,251,894</u>

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

Due in one year or less	\$ 1,337,517
Due in one to five years	200,000
Due in greater than five years	<u>100,000</u>
	1,637,517
Allowance for potentially uncollectible pledges	<u>(127,075)</u>
	<u>\$ 1,510,442</u>

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

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer hardware and software	\$ 325,722
Office furniture and equipment	138,571
Leasehold improvements	<u>358,108</u>
	822,401
Accumulated depreciation and amortization	<u>(544,025)</u>
	<u><u>\$ 278,376</u></u>

6. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>Released from Restrictions</u>	<u>Balance December 31, 2017</u>
Messaging	\$ (113,944)	\$ 346,056
Campus support	(910,982)	-
Alums for Campus Fairness	(70,979)	189,525
Emerson Fellowship	(252,666)	147,334
Eric Lederman Education	-	66,380
Creative Community for Peace	(248,444)	522,152
JD Fellows	(32,337)	57,663
Time-restricted (pledges receivable)	(1,823,214)	1,637,517
Time-restricted (bequest receivable)	<u>(412,697)</u>	<u>131,632</u>
	<u><u>\$ (3,865,263)</u></u>	<u><u>\$ 3,098,259</u></u>

7. COMMITMENTS

StandWithUs leases office space for its offices and chapters which expire at various dates from October 2018 through November 2020.

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

<u>Year ending December 31,</u>	
2018	\$ 433,667
2019	298,160
2020	<u>50,023</u>
	<u><u>\$ 781,850</u></u>

Israel Emergency Alliance dba StandWithUs
Notes to Financial Statements
December 31, 2017

7. COMMITMENTS (continued)

Office rent expense during the year, including various month-to-month leases, totaled \$419,810.

8. CHANGE IN REPORTING ENTITY

In prior year financial statements the assets, liabilities and results of StandWithUs's UK chapter were included within those of StandWithUs due to the fact the UK chapter looked to StandWithUs as a source of support. In 2017 StandWithUs determined that the UK chapter had become self-sustaining and that they could operate independently. Therefore StandWithUs's beginning net asset balances and specific statement of financial position accounts have been restated so that the UK assets, liabilities and results were not included.

At December 31, 2017 StandWithUs had a receivable from its former UK chapter (now called an affiliate) of \$534,760 which represented the start-up costs of launching the chapter and nine additional years of continuing support of unreimbursed overhead costs. Management does not believe this amount will be collectible and has written it off. This amount has been shown as a separate line item on the accompanying statement of activities.

The effects of the change in reporting entity on net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Assets</u>
Balance at December 31, 2016, as previously reported	\$ 4,243,562	\$ 2,891,996	\$ 7,135,558
Exclude U.K. Chapter	<u>455,486</u>	<u>-</u>	<u>455,486</u>
Balance at December 31, 2016, as restated	<u>\$ 4,699,048</u>	<u>\$ 2,891,996</u>	<u>\$ 7,591,044</u>

The effects of the change in reporting entity on various asset and liabilities are as follows:

	<u>Cash</u>	<u>Due from U.K. Chapter</u>	<u>Accounts payable and accrued expenses</u>
Balance at December 31, 2016, as previously reported	\$ 3,485,204	\$ -	\$ (713,778)
Exclude U.K. Chapter	<u>(13,040)</u>	<u>470,333</u>	<u>(1,807)</u>
Balance at December 31, 2016, as restated	<u>\$ 3,472,164</u>	<u>\$ 470,333</u>	<u>\$ (715,585)</u>