Financial Statements and Report of
Independent Certified Public Accountants

FRIENDS OF THE ISRAEL DEFENSE FORCES

December 31, 2018
with comparative summarized information
for the year ended December 31, 2017

FRIENDS OF THE ISRAEL DEFENSE FORCES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Friends of the Israel Defense Forces

We have audited the accompanying financial statements of Friends of the Israel Defense Forces ("FIDF"), which comprise the statement of financial position as of December 31, 2018, 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 FIDF'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 FIDF'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 Friends of the Israel Defense Forces as of December 31, 2018, 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 2017 summarized comparative information

We have previously audited FIDF's 2017 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
November 12, 2019

FRIENDS OF THE ISRAEL DEFENSE FORCES

Statements of Financial Position

As of December 31, 2018, with summarized comparative information as of December 31, 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,128,569	$ 366,281
Investments (Note 3)	107,311,202	96,961,669
Contributions receivable - net (Note 5)	128,941,879	112,044,716
Prepaid expenses and other assets	470,870	1,138,138
Beneficial interest in remainder trust (Note 8)	-	1,915,551
Fixed assets - net (Note 6)	796,264	897,615
Total assets	$ 238,648,784	$ 213,323,970
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 3,102,142	$ 2,087,414
Grants payable for capital projects (Note 9)	8,148,792	12,042,348
Annuities payable (Note 8)	8,624,568	8,766,879
Total liabilities	19,875,502	22,896,641
NET ASSETS		
Without donor restrictions	42,874,229	38,434,206
With donor restrictions (Note 13)	175,899,053	151,993,123
Total net assets	218,773,282	190,427,329
Total liabilities and net assets	$ 238,648,784	$ 213,323,970

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

FRIENDS OF THE ISRAEL DEFENSE FORCES

Statement of Activities

For the year ended December 31, 2018, with summarized comparative information for the year ended December 31, 2017

		Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
REVENUES, GAINS, LOSSES AND OTHER SUPPORT					
Contributions		$ 9,154,275	$ 24,066,588	$ 33,220,863	$ 41,727,965
Bequests		13,466,357	812,500	14,278,857	6,316,758
Special events income (Note 2)	$ 91,457,451				
Direct costs of special events	(7,826,710)				
Special events income, net		13,515,797	70,114,944	83,630,741	72,337,838
In-kind contributions (Note 2)		704,457	-	704,457	457,138
Investment income (Note 3)		1,048,620	(243,804)	804,816	1,838,995
Foreign exchange gain (loss)		(40,904)	-	(40,904)	26,196
Change in split interest agreements		(334,581)	(133,670)	(468,251)	133,445
Net assets released from restrictions (Note 13)		63,505,603	(63,505,603)	-	-
Total revenues, gains, losses and other support		101,019,624	31,110,955	132,130,579	122,838,335
EXPENSES					
Program services:					
Construction programs - transfers (cash)	$ 13,930,943				
Construction programs - change in grants payable	(3,893,556)				
Construction programs		10,037,387	-	10,037,387	15,189,364
Educational and scholarship programs		24,556,365	-	24,556,365	25,001,296
Wellbeing and recreational programs		37,208,195	-	37,208,195	33,482,359
Total program services		71,801,947	-	71,801,947	73,673,019
Supporting services:					
Management and general		11,249,671		11,249,671	10,285,616
Fundraising		13,074,608	-	13,074,608	12,230,395
Total supporting services		24,324,279	-	24,324,279	22,516,011
Bad debt expense from uncollectible pledges		453,375	7,205,025	7,658,400	4,411,809
Total expenses		96,579,601	7,205,025	103,784,626	100,600,839
Change in net assets		4,440,023	23,905,930	28,345,953	22,237,496
Net assets - beginning of year		38,434,206	151,993,123	190,427,329	168,189,833
Net assets - end of year		$ 42,874,229	$ 175,899,053	$ 218,773,282	$ 190,427,329

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

FRIENDS OF THE ISRAEL DEFENSE FORCES

Statement of Functional Expenses

For the year ended December 31, 2018, with summarized comparative information for the year ended December 31, 2017

	Program Services				Supporting Services			Total	
	Construction Programs	Educational and Scholarship Programs	Wellbeing and Recreational Programs	Total	Management and General	Fundraising	Direct Costs of Special Events	2018	2017
Grants for projects and programs (including direct payments to vendors)	$ 9,358,926	$ 22,737,876	$ 34,329,029	$ 66,425,831	$ -	$ -	$ -	$ 66,425,831	$ 68,883,918
Salaries	348,300	960,807	1,528,104	2,837,211	5,424,990	3,743,389	-	12,005,590	10,809,686
Payroll taxes and employee benefits	82,613	269,551	344,717	696,881	1,210,539	839,104	-	2,746,524	2,326,764
Occupancy	20,929	77,776	8,720	107,425	817,754	545,170	-	1,470,349	1,368,153
Telephone and internet	3,674	23,945	1,642	29,261	136,752	91,168	-	257,181	247,814
Office supplies	1,216	12,752	3,018	16,986	2,530	95,519	-	115,035	116,600
Postage and freight	1,621	1,657	3,987	7,265	9,862	579,896	-	597,023	512,295
Consulting and outside services	61,801	15,450	25,750	103,001	85,834	285,654	-	474,489	457,812
Professional fees	114,539	217,075	72,693	404,307	1,896,281	4,166,452	-	6,467,040	6,574,580
Travel and conferences	41,508	170,287	833,302	1,045,097	411,772	466,161	3,470,104	5,393,134	3,938,621
Non-capitalizable equipment purchases	-	-	43	43	12,411	-	-	12,454	16,602
Advertising	-	38,772	464	39,236	-	1,110,375	-	1,149,611	1,131,301
Printing and publications	620	8,444	2,522	11,586	18,549	590,181	-	620,316	568,218
Photo and video services	1,640	5,637	2,011	9,288	1,250	158,292	54,289	223,119	166,795
Insurance	-	-	-	-	270,819	1,234	-	272,053	223,696
Credit card and bank fees	-	-	-	-	611,750	-	-	611,750	504,569
Catering/refreshments	-	14,836	40,994	55,830	67,606	123,527	3,480,976	3,727,939	3,994,976
Entertainment/speakers	-	1,500	2,072	3,572	11,000	111,335	424,094	550,001	826,885
Promotional items and awards	-	-	9,127	9,127	15,798	167,151	397,247	589,323	581,927
Depreciation and amortization	-	-	-	-	149,912	-	-	149,912	191,563
Miscellaneous	-	-	-	-	94,262	-	-	94,262	47,222
	10,037,387	24,556,365	37,208,195	71,801,947	11,249,671	13,074,608	7,826,710	103,952,936	103,489,997
Less expenses deducted directly from revenue on the statement of activities	-	-	-	-	-	-	(7,826,710)	(7,826,710)	(7,300,967)
Total expenses before bad debt expense	10,037,387	24,556,365	37,208,195	71,801,947	11,249,671	13,074,608	-	96,126,226	96,189,030
Bad debt expense	-	-	-	-	-	-	-	7,658,400	4,411,809
Total expenses	$ 10,037,387	$ 24,556,365	$ 37,208,195	$ 71,801,947	$ 11,249,671	$ 13,074,608	$ -	$ 103,784,626	$ 100,600,839

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

FRIENDS OF THE ISRAEL DEFENSE FORCES
Statements of Cash Flows
For the year ended December 31, 2018, with summarized comparative information for the year ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 28,345,953	$ 22,237,496
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	149,912	191,563
Contributions restricted for endowments	(117,000)	(1,164,450)
Change in split interest agreements	468,251	(133,445)
Contributions restricted for split-interest agreements	(618,812)	(927,854)
Realized and unrealized (gain) loss on investments	319,801	(494,950)
(Increase) decrease in assets		
Contributions receivable	(16,897,163)	(21,801,009)
Prepaid expenses and other assets	667,268	(421,949)
Beneficial interest remainder trust	1,915,551	(1,040,979)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,014,728	19,844
Grants payable for capital projects	(3,893,556)	(1,242,563)
Net cash provided by (used in) operating activities	11,354,933	(4,778,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(48,561)	(120,478)
Purchase of investments and securities	(66,103,893)	(43,264,682)
Proceeds from sale of investments and securities	55,434,559	43,779,968
Net cash (used in) provided by investing activities	(10,717,895)	394,808
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contribution for endowment	117,000	1,164,450
Proceeds from investments subject to split-interest agreements	1,016,000	2,328,034
Proceeds from investment income subject to split-interest agreements	562,858	2,253,983
Payment of annuity obligations	(1,570,608)	(1,518,688)
Net cash provided by financing activities	125,250	4,227,779
Net change in cash and cash equivalents	762,288	(155,709)
Cash and cash equivalents - beginning of year	366,281	521,990
Cash and cash equivalents - end of year	$ 1,128,569	$ 366,281

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

1. PURPOSE OF ORGANIZATION

Friends of the Israel Defense Forces ("FIDF") was incorporated under the laws of the State of New York on December 15, 1981 and began operations on April 1, 1983. FIDF is a Section 501(c)(3) not-for-profit organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "Code"). FIDF has been classified as a publicly supported organization as described in Section 509(a)(1) of the Code.

FIDF offers educational, cultural, recreational, social services programs, and facilities that provide hope, purpose, and life-changing support for the soldiers who protect Israel. FIDF's primary sources of revenue are contributions and special event income.

FIDF's national office and New York regional offices are located in New York City. Other regional offices are located in or near Atlanta, Baltimore, Boca Raton, Boston, Chicago, Cleveland, Detroit, Houston, Los Angeles, Miami, Philadelphia, San Diego, San Francisco, Washington, D.C. and Tel Aviv, Israel.

FIDF's support for the soldiers includes the following programs and projects:

Educational and Scholarship Programs

The FIDF IMPACT! Scholarship Program grants full 4-year scholarships to Israeli soldiers who have completed their military service. The personal nature of the program enables sponsors to directly see the "impact" of their donations on veterans' lives, and offers the opportunity to build relationships which last way beyond the completion of the recipient's studies. To be eligible, veterans must come from a combat or combat-support unit and a disadvantaged socioeconomic background. Each scholarship recipient is required to complete 130 hours of community service every year during the full term of the scholarship. FIDF partners with 20 organizations which empower the students to help their communities and improve their environment. In the 2018-2019 academic year FIDF was able to fund approximately 4,580 scholarships of college or university study. In 2018 FIDF had granted approximately $16.9 million of scholarship assistance.

During 2018, FIDF also sponsored approximately $5.8 million of educational programs which provide for a successful continuum from high school to higher education, or for soldiers to enter directly into the job market. These programs utilize seminars, workshops, discussion groups and field trips to also assist new immigrant soldiers in their assimilation process, provide enrichment opportunities to soldiers with special needs, and develop educational resources. During 2018, about 26,684 soldiers participated in such activities.

Wellbeing and Recreational Programs

The Dignity Program eases the burden by providing economic relief for soldiers who are in financial distress through the provision of cash subsidies, basic furniture and home appliances, holiday gift packages, food vouchers, and other assistance to their families. During 2018, FIDF provided approximately $4.2 million for such assistance to about 8,000 soldiers.

The Lone Soldiers Program ensures Lone Soldiers never feel truly alone by enabling FIDF to act as a second family for soldiers who have no immediate family in Israel during their military service. FIDF also sponsors flights for lone combat soldiers, enabling them to visit their families in their home countries during their period of service. During 2018, FIDF provided approximately $5.5 million to assist over 3,500 lone soldiers through these programs.

The Legacy Program provides comfort and care by helping those families who have suffered a devastating loss of a loved one fallen during military service. Through recreational vacations in Israel with activities such as workshops, shows, excursions, entertainment by popular Israeli artists, sports activities, and more, FIDF stands united by the side of these beloved families through their lives. The program also sponsors trips to the United States for children and siblings of fallen soldiers who share the experience of summer camp in the U.S. with American children of similar age. During 2018, FIDF provided approximately $1.4 million for such activities, aiding over 5,790 members of bereaved families, including trips to the United States for more than 150 children of various ages.

The Spirit/Rest and Recreation Program sponsors various units with wellbeing needs such as fun days, trips and sports events and wellbeing equipment, and provides a week of rest and recuperation for active-duty combat units. Soldiers enjoy a week of R&R at recreation centers which are fully equipped with lodging and dining facilities, swimming pools, fitness rooms, and other amenities. During 2018, FIDF provided approximately $2.9 million for such activities, sponsoring 39 weeks of such programs for a total of about 18,500 soldiers.

The Adopt a Brigade Program provides support for the DIGNITY Program, Spirit/Rest and Recreation Program, the Lone Soldiers Program and general wellbeing activities of the designated brigades. During 2018, FIDF provided approximately $5.1 million to sponsor the general wellbeing needs of the 10 brigades adopted by FIDF (approximately 37,500 soldiers).

The Adopt a Battalion Program provides year-long recreational activities for designated battalions. During 2018, FIDF provided approximately $1.4 million to sponsor ceremonies, trips and other wellbeing activities for the 70 battalions adopted by FIDF (approximately 24,500 soldiers).

The Wounded Veterans Program offered a second chance at a life without limitations in 2018 with approximately $4.8 million to sponsor activities supporting over 910 wounded veterans.

The Spiritual Needs Program, in cooperation with the IDF rabbinate, provides for Judaica and ritual articles, holiday celebrations and activities and other educational and social activities. During 2018, FIDF provided approximately $3.9 million to sponsor such articles and activities.

Construction Programs

FIDF helps provide a ‘home away from home’ by sponsoring the construction, refurbishment and maintenance of recreation and sports centers, cultural and educational facilities, synagogues, memorial rooms, auditoriums, and soldier recreational homes for soldiers throughout Israel. These facilities range from individual structures to large wellbeing complexes. FIDF also sponsors the construction and renovation of smaller projects and semi-permanent facilities, such as social clubs, and synagogues that soldiers can use everywhere. Construction activity during 2018 was as follows: 9 construction projects were completed, with a total budget of approximately $20.8 million, 10 additional projects were under construction, with a total budget of approximately $26.2 million, and 4 projects were in the design and bidding stage, with a total budget of approximately $40.5 million. In addition, 36 smaller facilities renovation and refurbishment projects were completed, with a total budget of approximately $1.26 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

FIDF has adopted ASU 2016-14 as of and for the year ended December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with FIDF's financial statements for the year ended December 31, 2017, from which the summarized totals were derived.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less. Cash balances denominated in a foreign currency, primarily the New Israeli Shekel ("NIS"), are reported at the exchange rate effective at the reporting date.

Investments

Investments are recorded at fair value. FIDF invests in various investment securities. These 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 FIDF's financial statements.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by US GAAP for fair value measurement, FIDF uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

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 FIDF. FIDF 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 FIDF's perceived risk of that instrument.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2018 as compared to December 31, 2017.

U.S. Treasury and government agency guaranteed obligation - Valued using pricing models maximizing the use of observable inputs for similar securities.

Exchange traded funds (ETFs) and common stock - Valued at the closing price reported on the active market on which the individual securities are traded.

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

State of Israel bonds - Fair value is determined using observed pricing for similar instruments, which approximates cost.

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 FIDF 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.

See Note 3 for a table which sets forth by level, within the fair value hierarchy, the assets and liabilities at fair value as of December 31, 2018.

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. The amortization of discounts is included in contribution revenues on the accompanying statement of activities for the year ended December 31, 2018. Conditional promises to give are not recorded as receivable until the conditions are substantially met. Interest is not charged on outstanding receivables.

Allowance for Doubtful Accounts

FIDF determines whether an allowance for doubtful accounts should be provided for contributions and other accounts receivable. Such estimates are based on management's assessments of its receivable balances, current economic conditions, subsequent collections and historical information. Receivables are written off when all reasonable collection efforts have been exhausted.

Beneficial Interest in Remainder Trust

The beneficial interest in remainder trust is recorded at its present value based on actuarial valuation.

Fixed Assets

Fixed assets are stated at cost. Items of $500 or more with an estimated useful life of more than one year are capitalized at cost. Depreciation is recorded under the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the assets or remaining lease terms, whichever is shorter.

Net Assets

FIDF classifies its net assets in the following categories:

Net Assets Without Donor Restriction - Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for FIDF to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes FIDF's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net Assets With Donor Restriction - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of FIDF's net assets with donor restrictions are subject to donor-imposed restrictions that require FIDF to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes.

Contributions

Unconditional contributions including promises to give cash and other assets are reported at fair value at the date the contribution is received. Such gifts are reported as support with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

For the year ended December 31, 2018, approximately 29% of contribution revenues were provided by five donors.

Bequests

Bequest income is recorded when notification of the bequest is received, the will is declared valid by the probate court and the proceeds are reasonably determinable.

In-kind Contributions

Donated legal services with a fair value of $704,457 for the year ended December 31, 2018, were recognized at the date the services were received and are reported as in-kind contributions and professional fees in the accompanying statements of activities and functional expenses, respectively. Promotional items and awards received for the purposes of special events with a fair value of $209,271 for the year ended December 31, 2018, were recognized at the date of the donation and are reported within special events income and direct costs of special events in the accompanying statement of activities.

Functional Allocation of Expenses

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

Grants Payable

Grants are recorded as expenses in the year in which they are awarded, including multi-year awards which are discounted to present value using risk-adjusted discount rates.

Rent Expense

Rent expense is recorded on the straight-line basis over the terms of the leases.

Advertising

Advertising costs are expensed when incurred.

Uncertainty in Income Taxes

FIDF 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 taxiing 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.

FIDF is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. FIDF has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has a nexus; and to identify and evaluate other matters that may be considered tax positions. FIDF has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, FIDF has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (*Topic 842*), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for FIDF for fiscal year 2020. Early adoption is permitted. FIDF is in the process of evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the effective date of the amendments is for annual periods beginning after December 15, 2018 (i.e., fiscal year ending December 31, 2019). For resource providers, the effective date of the amendments is for annual periods beginning after December 15, 2019 (i.e. fiscal year ending December 31, 2020). FIDF is in the process of evaluating the impact this standard will have on the financial statements.

Reclassifications

Certain reclassifications have been made to the prior year summarized financial information to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2017 financial statements.

Subsequent Events

Subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the assets and liabilities as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasury and government agency guaranteed obligations	$ -	$ 27,960,779	$ -	$ 27,960,779
Mutual funds and ETFs	2,754,543	3,691,280	-	6,445,823
Common stock	5,060,676	-	-	5,060,676
State of Israel bonds	-	6,141,398	-	6,141,398
Total investments reported on the fair value hierarchy	$ 7,815,219	$ 37,793,457	$ -	45,608,676
Cash and cash equivalents				37,381,051
Certificates of deposit				14,700,083
Investments at NAV				9,621,392
Total investments				$ 107,311,202

FIDF's investments at NAV as of December 31, 2018 consisted of holdings in eight funds. The redemption terms for these funds vary from daily to semi-monthly and there are no associated unfunded commitments as of December 31, 2018.

Investment income consisted of the following as of December 31, 2018:

Interest and dividend income	$ 1,124,617
Realized and unrealized gain on investments	(319,801)
Total investment income	$ 804,816

4. FOREIGN EXCHANGE

For the year ended December 31, 2018, the net realized foreign exchange loss on FIDF's foreign currency transactions amounted to $87,187.

In addition, at December 31, 2018, unrealized gain on foreign currency held in the bank amounted to $46,283, representing the difference between the carrying value of the currency in the accompanying statement of financial position and the purchase cost of that currency.

5. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable have been recorded at fair value. Those receivables that are due in more than one year have been discounted to their present value using an estimated discount rate of 3%. The receivables are due as follows as of December 31, 2018:

Less than one year	$ 77,230,719
One to five years	64,561,913
More than five years	1,449,000
	143,241,632
Less: discount to present value	(3,453,995)
	139,787,637
Less: allowance for doubtful accounts	(10,845,758)
Contributions receivable - net	$ 128,941,879

Contributions receivable at December 31, 2018 included outstanding pledges from five donors, which collectively represented approximately 46% of total outstanding gross contributions receivable.

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

FIDF manages its liquidity and reserves pursuant to a policy that takes into account the timing and stability of cash disbursements, the timing of cash receipts and cash disbursements, willingness to borrow and strategic direction. Based on these factors, our policy set a target of six months of budgeted operating expenses. The policy requires that any excess of the unrestricted cash balance over the calculated reserve at September 30 (the point of the year at which the unrestricted cash balance is historically the lowest), be designated for disbursement for projects and programs in the following year. At September 30, 2018, the amount of the calculated reserve exceeded the unrestricted cash balance, so no such designation for 2019 is required. FIDF monitors cash balances at least quarterly to provide reasonable assurance that obligations will be discharged. During the year ended December 31, 2018, the level of liquidity was managed within the policy requirements.

Financial assets available within one year as of December 31, 2018, are as follows:

Cash and cash equivalents	$ 1,128,569
Investments	107,311,202
Contributions receivable, net	128,941,879
Total financial assets	237,381,650
Donor-imposed restrictions:	
Investments and contributions receivable, net	(175,899,053)
Contractual and internal restrictions	(22,146,334)
Total financial assets available within one year for general expenditure	$ 39,336,263

7. FIXED ASSETS

Fixed assets at December 31, 2018 consisted of the following:

	Estimated Useful Life	
Office equipment	5 years	$ 63,378
Computer hardware and software	3-5 years	677,836
Furniture and fixtures	7 years	169,642
Leasehold improvements	2-15 years	776,812
		1,687,668
Less accumulated depreciation and amortization		(891,404)
		$ 796,264

Depreciation expense for the year ended December 31, 2018 was $149,912.

8. SPLIT-INTEREST AGREEMENTS

FIDF's investments include funds pertaining to split-interest agreements with donors, consisting primarily of charitable gift annuities and charitable remainder unitrusts. Contribution revenues for split-interest agreements are recognized at the date the agreement is established, along with a related liability representing the present value of the future payments to be made to the donor and/or other beneficiaries. The present value of payments to beneficiaries is calculated using discount rates of 3%-6%. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the accompanying statement of activities.

The fair value of investments held for annuities and trusts totaled $16,013,433 at December 31, 2018.

FIDF was also the beneficiary of one charitable remainder unitrust, for which FIDF was not the trustee. The assets of the trust were invested in equity securities. During 2018, additional contributions in the amount of $3,147,057 were made into the trust, which is reflected within contribution revenues on the accompanying statement of activities for the year ended December 31, 2018. The trust was terminated during 2018 and the related funds in the amount of $6,974,050 were distributed to FIDF. The difference of $1,911,442 between the funds received and the balance of the beneficial interest in remainder trust asset at the time of the termination, is reflected within change in split interest agreements on the accompanying statement of activities for the year ended December 31, 2018.

9. GRANTS PAYABLE FOR CAPITAL PROJECTS

Grants payable for capital projects reflects firm commitments for the construction of capital projects in Israel. The change in the amount payable during the year is reflected in grants for projects and programs in the accompanying statement of activities.

These grants were due to be paid as follows as of December 31, 2018:

Current	$ 6,830,222
One to three years	1,365,412
	8,195,634
Less: discount to present value (3%)	(46,842)
Present value of grants payable	$ 8,148,792

Commitments denominated in NIS have been converted to U.S. dollars at the exchange rate in effect at December 31, 2018.

10. RENT EXPENSE AND LEASE COMMITMENTS

FIDF leases office space for its national office and regional offices around the United States as well as in Israel. The leases of these facilities expire at various dates between 2019 and 2031, however, certain facilities are rented on a month-to-month basis.

The minimum annual rental obligations in connection with lease commitments are as follows for the years ending December 31:

2019	$ 1,179,198
2020	940,584
2021	886,013
2022	928,238
2023	882,300
2024 and thereafter	7,051,420
	$ 11,867,753

The minimum annual rental obligation reported above includes a 15-year lease commitment for office space totaling $10,943,210. The security deposit for the lease is provided via a letter of credit in the amount of $377,352 and is reflected within prepaid expenses and other assets in the accompanying statement of financial position as of December 31, 2018.

Rent expense for 2018 was $1,423,645. Included in accounts payable and accrued expenses on the accompanying statement of financial position is deferred rent in the amount of $565,932 at December 31, 2018, which represented the effect of straight-lining the total minimum lease payments over the respective lease terms.

11. CONCENTRATIONS

Financial instruments which potentially subject FIDF to a concentration of credit risk are cash accounts with a financial institution in excess of Federal Deposit Insurance Corporation insurance limits.

12. EMPLOYEE RETIREMENT PLAN

FIDF sponsors a 403(b) defined contribution employee retirement plan that covers substantially all employees in the United States. It is funded through voluntary contributions by participants and employer matching contributions of up to 3%. Retirement plan expense for the year ended December 31, 2018 was $258,759.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets restricted by time and/or purpose were available for the following programs as of December 31, 2018:

Construction programs	$ 37,648,377
Educational and scholarship programs	69,183,395
Wellbeing and recreational programs	52,227,640
Split-interest agreements	11,413,156
Time restrictions	5,426,485
	$ 175,899,053

Net assets restricted by time and/or purpose were released from donor restrictions by satisfying the following for the year ended December 31, 2018:

Construction programs	$ 13,394,050
Educational and scholarship programs	21,541,559
Wellbeing and recreational programs	28,569,994
	$ 63,505,603

Endowments

Net assets restricted in perpetuity consist of twelve individual donor-restricted endowment funds established to support activities of FIDF, as well as accumulation of income. As required by US GAAP in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

FIDF has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, FIDF classifies as net assets with donor restriction (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA, FIDF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of FIDF and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of FIDF

- The investment policies of FIDF
- Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects of FIDF

Return Objectives, Strategies Employed and Spending Policy

The objective of FIDF is to maintain the principal endowment funds at the historical dollar value designated by the donor by investing in low-risk securities to generate investment income for the programs supported by the endowments. Investment income earned in relation to the endowment funds is recorded as increases to net assets with donor restriction and released from restriction when appropriations are made for the program for which the endowment fund was established.

Funds with Deficiencies

FIDF does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund

The endowment net asset composition as of December 2018 consisted of the following:

Wellbeing and recreational programs	$ 1,032,933
Educational and scholarship programs	6,818,977
Operations	301,503
	$ 8,153,413

Changes in endowment net assets for the year ended December 31, 2018 consisted of the following:

	Net Assets With Donor Restrictions		
	Accumulated Unspent Earnings	Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 1,283,230	$ 8,036,413	$ 9,319,643
Investment income	(243,804)	-	(243,804)
Contributions	-	117,000	117,000
Appropriation for expenditure	(279,832)	-	(279,832)
Endowment net assets, end of year	$ 759,594	$ 8,153,413	$ 8,913,007

14. CONTINGENCIES

In March 2016, an action was brought in the United States District Court for the District of Columbia by individual Palestinians against numerous parties, including FIDF and some of its donors. The action alleges claims against FIDF for civil conspiracy and war crimes, among other things. Initially, the plaintiffs sought damages in excess of $34.5 billion, but that claim has since been reduced to $1 billion.

In August 2017, the District Court granted the defendants' joint motion to dismiss the plaintiffs' amended complaint for lack of subject matter jurisdiction. The plaintiffs appealed in September 2017. In February 2019, the D.C. Circuit reversed the District Court's decision, but also significantly limited the scope of the plaintiffs' claims. The proceedings are expected to continue in the District Court.

FIDF believes this action is totally without merit and intends to continue to defend itself vigorously.