

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2017**

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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## **Independent Auditor's Report**

To the Board of Directors  
America-Israel Cultural Foundation, Inc.

We have audited the accompanying consolidated financial of America-Israel Cultural Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related consolidated notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of America-Israel Cultural Foundation, Inc., as of December 31, 2017, and the changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the America-Israel Cultural Foundation, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2017. In our opinion, with the exception of the prior period adjustment noted in Note 11 to the consolidated financial statements, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*ScheerGuarnieri & Associates CPAs LLP*

White Plains, New York  
October 24, 2018

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

ASSETS

	2017	2016
CASH AND CASH EQUIVALENTS	\$ 648,593	\$ 755,858
INVESTMENTS	4,361,433	4,611,578
PREPAID EXPENSES AND OTHER ASSETS	49,787	83,855
PROPERTY AND EQUIPMENT, NET	86,810	64,110
DONATED MUSICAL INSTRUMENTS	914,114	914,114
TOTAL ASSETS	\$ 6,060,737	\$ 6,429,515

LIABILITIES AND NET ASSETS

LIABILITIES

ACCRUED AND OTHER CURRENT LIABILITIES	\$ 157,131	\$ 37,947
PLEDGED PROGRAM SUPPORT	212,898	60,790
SEVERANCE PAY PAYABLE	3,979	135,714
TOTAL LIABILITIES	374,008	234,451

NET ASSETS

Unrestricted	1,841,722	2,395,797
Temporarily restricted	40,000	55,000
Permanently restricted	3,805,007	3,744,267
TOTAL NET ASSETS	5,686,729	6,195,064
TOTAL LIABILITIES AND NET ASSETS	\$ 6,060,737	\$ 6,429,515

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH COMPARATIVE TOTALS FOR 2016**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Total
<b>SUPPORT AND REVENUE</b>					
Annual campaign, special events and chapter revenues less direct costs of special events of \$115,116 in 2017 and \$92,228 in 2016	\$ 1,668,480	\$ 25,000	\$ 60,740	\$ 1,754,220	\$ 1,640,594
Legacies and bequest	30,826	-	-	30,826	51,106
Investment income (loss)	447,182	-	-	447,182	228,039
Other income	125,720	-	-	125,720	-
	<u>2,272,208</u>	<u>25,000</u>	<u>60,740</u>	<u>2,357,948</u>	<u>1,919,739</u>
Net assets released from restrictions	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,312,208</u>	<u>(15,000)</u>	<u>60,740</u>	<u>2,357,948</u>	<u>1,919,739</u>
<b>EXPENSES</b>					
Program services	2,092,139	-	-	2,092,139	1,675,674
Management and general	561,541	-	-	561,541	293,224
Fundraising	212,603	-	-	212,603	160,210
<b>TOTAL EXPENSES</b>	<u>2,866,283</u>	<u>-</u>	<u>-</u>	<u>2,866,283</u>	<u>2,129,108</u>
<b>CHANGES IN NET ASSETS</b>	(554,075)	(15,000)	60,740	(508,335)	(209,369)
<b>NET ASSETS - beginning of year</b>	<u>2,395,797</u>	<u>55,000</u>	<u>3,744,267</u>	<u>6,195,064</u>	<u>6,404,433</u>
<b>NET ASSETS - end of year</b>	<u>\$ 1,841,722</u>	<u>\$ 40,000</u>	<u>\$ 3,805,007</u>	<u>\$ 5,686,729</u>	<u>\$ 6,195,064</u>

See notes to consolidated financial statements.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH COMPARATIVE TOTALS FOR 2016**

	2017				2016 Total Expenses
	Program Services	Supporting Services			
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 197,231	\$ 45,515	\$ 60,686	\$ 303,432	\$ 229,843
Employee benefits	43,967	10,146	13,528	67,642	40,934
Payroll taxes	15,162	3,499	4,665	23,326	16,111
Total salaries and related expenses	<u>256,360</u>	<u>59,160</u>	<u>78,880</u>	<u>394,400</u>	<u>286,888</u>
Appropriations for grants and projects	1,577,353	159,508	35,446	1,772,307	1,361,141
Office expense	20,107	4,640	6,187	30,934	31,632
Postage and delivery	5,771	1,332	1,776	8,879	9,728
Telecommunications	6,204	1,432	1,909	9,545	8,962
Insurance	11,040	2,548	3,397	16,984	18,964
Travel	27,037	6,239	8,319	41,596	34,499
Occupancy	39,038	9,009	12,012	60,058	60,484
Computer expenses	3,630	838	1,117	5,584	6,253
Professional fees	116,525	194,208	42,373	353,106	257,133
Legal settlement	-	120,000	-	120,000	-
Credit card and bank fees	2,812	649	865	4,326	3,811
Public relations and advertising	17,684	-	17,684	35,367	31,445
Depreciation	8,578	1,980	2,639	13,197	18,168
	<u>\$ 2,092,139</u>	<u>\$ 561,541</u>	<u>\$ 212,603</u>	<u>\$ 2,866,283</u>	<u>\$ 2,129,108</u>

See notes to consolidated financial statements.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH COMPARATIVE TOTALS FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (508,335)	\$ (209,369)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	13,197	18,168
Net gains on investments	(229,066)	(89,783)
Changes in net cash resulting from changes in operating assets and liabilities:		
Pledges receivable	37,500	(38,610)
Prepaid expenses and other assets	(3,433)	24,698
Accrued and other current liabilities	119,278	(15,347)
Pledged program support	152,108	(32,060)
Severance pay payable	<u>(131,735)</u>	<u>(13,438)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(550,486)</u>	<u>(355,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in furniture and equipment	(35,897)	(6,379)
Purchase of securities	(584,583)	(24,531)
Proceeds from sale of securities	<u>1,063,701</u>	<u>197,052</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>443,221</u>	<u>166,142</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(107,265)	(189,599)
CASH AND CASH EQUIVALENTS - beginning of year	<u>755,858</u>	<u>945,457</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 648,593</u>	<u>\$ 755,858</u>



**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a. Organization

The accompanying consolidated financial statements include the financial statements of the America-Israel Cultural Foundation, Inc. (the “AICF”) and the Advisory Council of the America-Israel Cultural Foundation, Inc. (the “Advisory Council”). The AICF is a publicly supported not-for-profit organization, incorporated in the State of New York in 1939 to encourage, promote and sustain cultural life in Israel. Funds raised in the United States and Israel provide scholarships to gifted students, advanced study fellowships to teachers and young professionals and grants to institutions and special projects in Israel in the fields of art, dance, film, music and theater. The AICF is funded primarily by contributions. The Advisory Council is a not-for-profit organization registered in Israel and is controlled by the Board of Directors of the AICF. Accordingly, the consolidated financial statements include the financial statements of the AICF and the Advisory Council. All intercompany accounts and transactions have been eliminated in consolidation.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

b. Basis of accounting

The accompanying consolidated financial statements of the Foundations have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

c. Applicability of NYPMIFA

The Foundation complies with the terms of the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA principally addresses (i) the management and investment of all of a not-for-profit entity “institutional funds” (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities), and (ii) the appropriations by the governing board of earnings derived from donor-restricted endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a “prudent” fashion, with the express approval and action of the governing board.

d. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 1 - Organization And Summary of Significant Accounting Policies (continued)**

e. Comparative totals

The financial statements and footnote disclosures for the year ended December 31, 2016 are presented only to provide a basis for comparison with the year 2017. The 2016 financial statements and footnote disclosures are not intended to present all information necessary for the fair presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year December 31, 2016, from which the summarized information was derived.

f. Cash and cash equivalents

For financial reporting purposes, highly liquid investments with original maturities of three months or less at the date of acquisition are considered to be cash equivalents. Cash equivalents include investments in money market funds and certificates of deposit. Certificates of deposit denominated in foreign currencies are translated into U.S. dollars using rates of exchange as of the date of the statements of financial position.

g. 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.

Transmissions for projects in Israel are made pursuant to authorization by the Board of Directors of the Foundation.

The Israel office of the Foundation is maintained mainly for the purpose of handling allocations and to a lesser degree, soliciting contributions. This includes the assembling of beneficiary projects, scholarship awards to hundreds of students annually, recommendations to the Board of Directors of proposed recipients, and actual distribution of funds to students and projects. Expenses for maintenance of that office are included as part of appropriations for projects in Israel.

h. Investments

The Foundation's investments are reported at their quoted fair values. Realized gains and losses on assets sold and unrealized appreciation or depreciation of investments held are reported in the accompanying statements of activities.

Net investment income is recorded as unrestricted or temporarily restricted in accordance with donor intent. Contributions of marketable securities are recorded at their fair values at the dates of donation.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 1 - Organization And Summary of Significant Accounting Policies (continued)**

i. Net assets

The net assets of the Foundation therein are classified and reported as follows:

*(i) Unrestricted:*

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions.

*(ii) Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted by donors for specific purposes. When a donor's restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

*(iii) Permanently restricted:*

Permanently restricted net assets represent those resources that have been designated by the donor to be held and invested in perpetuity. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of the donor. Under the terms of NYPMIFA, those earnings will be classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Directors.

j. Endowments

The Foundation reports all applicable disclosures to its funds treated as endowment (see Note 7).

k. Contributions and promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realized value. Unconditional promises to be received over periods longer than one year are discounted at an interest rate commensurate with the risk involved. Conditional promises to give are not included as support until the conditions are substantially met.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 1 - Organization And Summary of Significant Accounting Policies (continued)**

l. Property and equipment

Property and equipment are stated at their original costs or at their fair values at the dates of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which is between 5 and 10 years.

m. Donations of musical instruments

Donated musical instruments received through September 30, 1976 are included on the balance sheet at a nominal value of \$1. Since September 30, 1976, these donations have been recorded at appraised values at the time of donation. Substantially all of these instruments are on loan to current and former scholarship recipients and restricted exclusively for that purpose.

n. Accrued vacation

Based on their tenure, the Foundation's employees are entitled to be paid for unused vacation time if they leave the Foundation's employ. Accordingly, at each fiscal year end, the Foundation must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. At December 31, 2017 and 2016, this accrued vacation obligation was approximately \$583 and \$11,704, respectively.

o. Income taxes

The Foundation follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Foundation's general tax exempt status, ASC 740-10-05 has not had, and is not expected to have, a material impact on the Foundation's financial statements. The Organization's Department of the Treasury information returns are subject to examination, generally for three years after the filing date.

p. Fair value measurements

The Foundation reports a fair value measurement of all applicable financial assets and liabilities, including investments, pledges receivable and short-term payables.

q. Subsequent events

The Foundation considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after the year end through the date of the independent auditor's report.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 2 - Investments**

ASC 820-10-05 establishes a three level valuation hierarchy of fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 are exchange traded equity and debt securities and actively traded obligations issued by U.S. government agencies.

Level 2: Valuations are based on (i) quoted prices for similar assets or liabilities in active markets or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include other U.S. government and agency securities and corporate equity and debt securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include securities in privately held companies and limited partnerships, the underlying investments of which cannot be independently valued, or cannot be immediately redeemed at or near the fiscal year end.

As of December 31, 2017 and 2016, investments consist of the following:

<u>2017</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Loss</u>
Equity Securities (Level 1)	\$ 1,302,687	\$ 1,490,061	\$ 187,374
Mutual and Exchange Traded Funds (Level 1)	2,827,348	2,871,372	44,024
	<u>\$ 4,130,035</u>	<u>\$ 4,361,433</u>	<u>\$ 231,398</u>
<u>2016</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Equity Securities (Level 1)	\$ 1,960,765	\$ 1,963,559	\$ 2,794
Mutual and Exchange Traded Funds (Level 1)	2,645,013	2,648,019	3,006
	<u>\$ 4,605,778</u>	<u>\$ 4,611,578</u>	<u>\$ 5,800</u>

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 3 - Property and Equipment**

At each year end, property and equipment consisted of the following:

	2017	2016
Furniture and fixtures	\$ 25,694	\$ 20,227
Computer equipment	65,407	51,439
Software and website	106,549	90,087
	197,650	161,753
Less accumulated depreciation	(110,840)	(97,643)
	\$ 86,810	\$ 64,110

**Note 4 - Severance Pay Payable**

Severance pay payable represents the Foundation's present value of the anticipated pension liability for two of its former employees based on the life expectancy of each of those former employees. As of December 31, 2017, both recipients are deceased and the pension liabilities have been written off as other income on the statement of activities.

**Note 5 - Endowments**

a. The endowment

At December 31, 2017 and 2016, the Foundation's endowment of \$3,805,007 and \$3,744,267 consisted of donor restricted funds established for the purpose of providing scholarships to students in Israel. In prior years, the Foundation's Board of Directors withheld the usage of certain investment earnings from these endowments. In 2017, the Foundation leveraged its endowment and investment earnings to seed the operational and programmatic infrastructure of Israel, resulting in a decrease in net assets of approximately \$500,000. The Board of Director's view this as a long-term investment that will increase the Foundation's fundraising income globally and develop synergies in their Israeli market.

b. Interpretation of relevant law

As discussed in Note 1(c), NYPMIFA is applicable to all of the Foundation's institutional funds. The Board of Directors will continue to adhere to NYPMIFA's requirements relating to the Foundation's permanent endowment funds.

c. Funds with deficiencies

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor restricted endowment funds may decline below the historic dollar value of the donor's original, permanently restricted contributions. At December 31, 2017 and 2016, there were no funds with deficiencies.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 5 - Endowments (continued)**

d. Spending policy and relation to the spending policy

The income earned on permanently restricted endowments is expected to remain in temporarily restricted net assets until spent in accordance with donor's intent.

e. Endowment net asset composition by type of fund at December 31, 2017 and 2016 and changes in endowment net assets for the year then ended are as follows:

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ 55,000	\$ 3,744,267	\$ 3,799,267
Contributions	25,000	60,740	85,740
Restrictions released	(40,000)	-	(40,000)
	\$ 40,000	\$ 3,805,007	\$ 3,845,007
	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ -	\$ 3,744,267	\$ 3,744,267
Contributions	55,000	-	55,000
Restrictions released	-	-	-
	\$ 55,000	\$ 3,744,267	\$ 3,799,267

**Note 6 - Pension Plan**

The Foundation has a contributory, defined contribution pension plan (the "Plan") covering all eligible employees. Contributions to the Plan by the Foundation are based on a percentage of salary and one year of employment, with a maximum contribution of 3% at December 31, 2017 and 2016. Employees may elect to contribute additional funds up to the limit set by law. The Foundation's contribution to the plan amounted to approximately \$7,842 and \$6,389 for the years ended December 31, 2017 and 2016, respectively.

**AMERICA-ISRAEL CULTURAL FOUNDATION, INC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 7 - Concentrations**

a. Revenue

For the years ended December 31, 2017 and 2016, approximately 20% of the Foundation's total revenue and support was from two donors, respectively.

b. Financial instruments

Financial instruments which potentially subject the Foundation to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

**Note 10 - Commitment and Contingencies**

- a. At December 31, 2017 and 2016, the Foundation maintained an operating lease for office space which expired in April 2014 and subsequently extended to April 30, 2019. The future minimum rent payments under the lease agreements, including the subsequent agreement, are as follows:

<u>Year</u>	<u>Amount</u>
2018	57,572
2019	19,379
	<u>\$ 76,950</u>

Rental expense was approximately \$55,000 and \$54,000 for 2017 and 2016, respectively.

- b. The Foundation was the subject of a legal claim relating to the allegation that, in prior years, the Foundation had been the recipient of assets which the Foundation believed to have been legitimate investment earnings, but which were instead inappropriate transfers of assets by an investment manager subsequently convicted of fraud. In November 2017 a settlement agreement was entered into required the Foundation to pay \$120,000 in three equal installments of \$40,000 each, with the first installment paid in 2017 and the second and third installments to be paid in 2018 and 2019, respectively.

**Note 11 – Prior-Period Adjustment**

In 2016, direct donor contributions to the Israel Advisory Council were incorrectly recorded as an offset of the expense account referred to as appropriations for grants and projects instead of being included as contribution revenue. This resulted in both income and expenses to be understated by approximately \$473,000, with no effect on the change in net assets.