

**Masorti Foundation for  
Conservative Judaism in Israel**

Financial Statements

March 31, 2011 and 2010



## Independent Auditors' Report

### **The Board of Directors Masorti Foundation for Conservative Judaism in Israel**

We have audited the accompanying statements of financial position of Masorti Foundation for Conservative Judaism in Israel (the "Foundation") as of March 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Masorti Foundation for Conservative Judaism in Israel as of March 31, 2010, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated September 22, 2010.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Masorti Foundation for Conservative Judaism in Israel's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Masorti Foundation for Conservative Judaism in Israel as of March 31, 2011, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*O'Connor Davies Munns & Dobbins, LLP*

Harrison, New York  
September 26, 2011

**Masorti Foundation for  
Conservative Judaism in Israel**

Statements of Financial Position

March 31,

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 478,235	\$ 355,967
Certificates of deposit	189,694	212,368
Contributions receivable, net	21,726	52,627
Other receivable	34,723	3,305
Interest receivable	412	3,541
Prepaid expense	<u>2,127</u>	<u>7,216</u>
Total Current Assets	<u>726,917</u>	<u>635,024</u>
Furniture and equipment, net	<u>-</u>	<u>57</u>
Other Assets		
Investments	246,510	275,254
Beneficial interest in trust	<u>38,505</u>	<u>120,135</u>
Total Other Assets	<u>285,015</u>	<u>395,389</u>
	<u>\$ 1,011,932</u>	<u>\$ 1,030,470</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ <u>49,443</u>	\$ <u>38,323</u>
Long-Term Debt		
Loan payable	<u>-</u>	<u>152,210</u>
Total Liabilities	<u>49,443</u>	<u>190,533</u>
<b>NET ASSETS</b>		
Unrestricted	327,737	234,227
Temporarily restricted	<u>634,752</u>	<u>605,710</u>
Total Net Assets	<u>962,489</u>	<u>839,937</u>
	<u>\$ 1,011,932</u>	<u>\$ 1,030,470</u>

See notes to financial statements

**Masorti Foundation for  
Conservative Judaism in Israel**

Statement of Activities

Year Ended March 31, 2011

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions	\$ 1,451,176	\$ 879,362	\$ 2,330,538
Forgiveness of debt	152,210	-	152,210
Special events, net	91,947	-	91,947
Investment income	21,822	-	21,822
Rental income	16,459	-	16,459
Other income	3,114	-	3,114
Net assets released from restrictions			
Satisfaction of program restrictions	850,320	(850,320)	-
Total Revenues and Other Support	2,587,048	29,042	2,616,090
<b>EXPENSES</b>			
Program services	2,019,242	-	2,019,242
Management and general	277,495	-	277,495
Fundraising	182,671	-	182,671
Total Expenses	2,479,408	-	2,479,408
Change in Net Assets Before Change in Fair Value of Beneficial Interest in Trust	107,640	29,042	136,682
Change in fair value of beneficial interest in trust	(14,130)	-	(14,130)
Change in Net Assets	93,510	29,042	122,552
<b>NET ASSETS</b>			
Beginning of year	234,227	605,710	839,937
End of year	\$ 327,737	\$ 634,752	\$ 962,489

See notes to financial statements

**Masorti Foundation for  
Conservative Judaism in Israel**

Statement of Activities

Year Ended March 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions	\$ 1,513,230	\$ 759,682	\$ 2,272,912
Special events, net	113,430	-	113,430
Investment income	18,106	-	18,106
Rental income	15,358	-	15,358
Other income	470	-	470
Net assets released from restrictions			
Satisfaction of program restrictions	<u>1,069,364</u>	<u>(1,069,364)</u>	<u>-</u>
Total Revenues and Other Support	<u>2,729,958</u>	<u>(309,682)</u>	<u>2,420,276</u>
<b>EXPENSES</b>			
Program services	2,344,043	-	2,344,043
Management and general	268,555	-	268,555
Fundraising	<u>171,652</u>	<u>-</u>	<u>171,652</u>
Total Expenses	<u>2,784,250</u>	<u>-</u>	<u>2,784,250</u>
Change in Net Assets Before Change in Fair Value of Beneficial Interest in Trust	(54,292)	(309,682)	(363,974)
Change in fair value of beneficial interest in trust	<u>(50,215)</u>	<u>-</u>	<u>(50,215)</u>
Change in Net Assets	(104,507)	(309,682)	(414,189)
<b>NET ASSETS</b>			
Beginning of year	<u>338,734</u>	<u>915,392</u>	<u>1,254,126</u>
End of year	<u>\$ 234,227</u>	<u>\$ 605,710</u>	<u>\$ 839,937</u>

See notes to financial statements

**MASORTI FOUNDATION FOR CONSERVATIVE  
JUDAISM IN ISRAEL**

Statement of Functional Expenses

Year Ended March 31, 2011

	Program Services	Management and General	Fund- Raising	Total
Salaries	\$ 41,820	\$ 114,328	\$ 83,640	\$ 239,788
Payroll taxes and benefits	15,268	41,740	30,536	87,544
Grants and allocations	1,881,764	-	-	1,881,764
Professional fees	36,000	20,300	-	56,300
Printing and postage	40,221	18,402	56,102	114,725
Rent expense	-	49,376	-	49,376
Insurance	-	3,245	-	3,245
Interest	-	3,305	-	3,305
Travel	4,169	4,670	2,532	11,371
Fundraising expense	-	-	9,861	9,861
Temporary help	-	3,157	-	3,157
Miscellaneous	-	18,915	-	18,915
Depreciation	-	57	-	57
	<u>\$ 2,019,242</u>	<u>\$ 277,495</u>	<u>\$ 182,671</u>	<u>\$ 2,479,408</u>

See notes to financial statements

**MASORTI FOUNDATION FOR CONSERVATIVE  
JUDAISM IN ISRAEL**

Statement of Functional Expenses

Year Ended March 31, 2010

	Program Services	Management and General	Fund- Raising	Total
Salaries	\$ 41,697	\$ 114,110	\$ 83,394	\$ 239,201
Payroll taxes and benefits	10,051	27,507	20,103	57,661
Grants and allocations	2,196,944	-	-	2,196,944
Professional fees	36,000	18,900	-	54,900
Printing and postage	52,284	21,690	48,393	122,367
Rent expense	-	46,073	-	46,073
Insurance	-	3,387	-	3,387
Interest	-	7,593	-	7,593
Travel	7,067	4,020	2,046	13,133
Fundraising expense	-	-	17,716	17,716
Temporary help	-	821	-	821
Miscellaneous	-	24,174	-	24,174
Depreciation	-	280	-	280
	<u>\$ 2,344,043</u>	<u>\$ 268,555</u>	<u>\$ 171,652</u>	<u>\$ 2,784,250</u>

See notes to financial statements

**Masorti Foundation for  
Conservative Judaism in Israel**

Statements of Cash Flows

Years Ended March 31,

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 122,552	\$ (414,189)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	57	280
Income from beneficial interest in trust	-	(1,841)
Change in fair value of beneficial interest in trust	14,130	52,056
Unrealized and realized gains and losses	(8,374)	(579)
Gift of preferred stock	(100,882)	-
Forgiveness of debt	(152,210)	-
Changes in operating assets and liabilities		
Contributions receivable	30,901	32,664
Accounts receivable	(31,418)	2,073
Interest receivable	3,129	3,591
Prepaid expense	5,089	4,520
Accounts payable and accrued expenses	11,120	8,567
Net Cash from Operating Activities	(105,906)	(312,858)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of Israel bonds	138,000	16,000
Received principal from Witkin Estate	67,500	4,800
Sale of investments in certificates of deposit	152,368	351,987
Purchase of investments in certificates of deposit	(129,694)	(212,368)
Net Cash from Investing Activities	228,174	160,419
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan	-	(50,518)
Net Cash from Financing Activities	-	(50,518)
Net Change in Cash and Cash Equivalents	122,268	(202,957)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	355,967	558,924
End of year	\$ 478,235	\$ 355,967
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 3,305	\$ 7,593

See notes to financial statements

**Masorti Foundation for  
Conservative Judaism in Israel**

Notes to Financial Statements

**1. Organization**

The Masorti Foundation for Conservative Judaism in Israel (the "Foundation") solicits funds, through contributions, to create an interest in the United States about the Masorti movement in Israel and to provide assistance, support and encouragement, among other things, to synagogues, youth groups, summer camps, adult education centers, settlements and other programs in Israel. The Foundation is supported primarily by donor contributions.

**2. Summary of Significant Accounting Policies**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting periods. Actual results could differ from those estimates.

*Basis of Presentation*

The financial statements of the Foundation are prepared on the accrual basis of accounting and are presented in conformity with GAAP.

Under GAAP, the Foundation is required to report 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.

*Cash and Cash Equivalents*

Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase.

*Certificates of Deposit*

Certificates of Deposit consist of CDs whose maturity when purchased was greater than three months.

**Masorti Foundation for  
Conservative Judaism in Israel**

Notes to Financial Statements

**2. Summary of Significant Accounting Policies *(continued)***

***Contributions Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at face value. Unconditional promises to give that are expected to be collected in future years are recorded at the discounted present value of the pledge. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are made. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

***Allowance for Doubtful Contributions Receivable***

The Foundation reviews the collectability of its contributions receivable based on a combination of factors. Where the Foundation is aware of a donor's inability to meet its financial obligation, the Foundation specifically reserves for the potential bad debt to reduce the net contributions receivable to the amount it reasonably believes will be collected. Past due status is based on contractual terms.

***Furniture and Equipment***

Furniture and equipment are capitalized at cost and depreciated over their estimated useful life of five years using the straight-line method.

***Fair Value Measurement***

The Foundation follows Financial Accounting Standards Boards (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

**Masorti Foundation for  
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Notes to Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

***Investments***

Investments with readily determinable values are carried at fair value. Other investments are carried at the lower of cost or market.

***Contributions***

In accordance with GAAP, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature of any donor restrictions. Unrestricted contributions represent contributions that are not subject to any restrictions; temporarily restricted contributions represent contributions that are subject to time or purpose restrictions; and permanently restricted contributions represent contributions that are subject to permanent donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

***In Kind Contributions***

In kind contributions are recorded at fair value at the time of donation.

***Functional Expenses***

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Certain costs have been allocated among the programs and supporting services benefited.

***Income Tax***

The Foundation is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code with foundation status under 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

**Masorti Foundation for  
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Notes to Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

***Income Tax (continued)***

On January 4, 2010, the Foundation filed an application with the Internal Revenue Service seeking a reclassification as an integrated auxiliary of a church as described in Section 1.6033-2h of the Treasury Regulations. On January 27, 2011 the Internal Revenue Service approved this request. The Foundation is, therefore, not required to file Form 990.

***Uncertain Tax Positions***

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is subject to examination by applicable taxing jurisdictions.

***Subsequent Events Evaluation by Management***

The Foundation evaluated subsequent events for disclosure and or recognition in the financial statements through September 26, 2011, the date the financial statements were available to be issued.

***Subsequent Event***

The Foundation had served as the collection point for contributions from individuals and organizations within the Conservative movement in the United States in response to the situation created by the serious fires in the Carmel forest area in December, 2010. Working with the Jewish National Fund, the bulk of funds so collected were disbursed as of September 26, 2011.

**3. Certificates of Deposit**

As of March 31, 2011 and 2010, the Foundation had invested in Certificate of Deposits, with maturities ranging from 6 to 24 months, in the amount of \$189,694 and \$212,368, which are carried at cost plus accrued interest which approximates fair value.

**Masorti Foundation for  
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Notes to Financial Statements

**4. Contributions Receivable**

	<u>2011</u>	<u>2010</u>
Amounts receivable due in:		
Less than one year	\$ 19,469	\$ 49,011
One to five years	<u>13,250</u>	<u>15,000</u>
	32,719	64,011
Less discount to present value	(993)	(1,384)
Less allowance for bad debts	<u>(10,000)</u>	<u>(10,000)</u>
Contributions Receivable, net	<u>\$ 21,726</u>	<u>\$ 52,627</u>

Contributions receivable in more than one year are discounted at 5%.

**5. Investments and Fair Value Measurements**

The following are major categories of investments at March 31 grouped by the fair value hierarchy for the investments carried at fair value:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Level 1 (quoted prices in active market)		
Preferred stock	\$ 104,502	\$ -
Level 3 (significant unobservable inputs)		
Beneficial interest in trust	38,505	120,135
Israel government bonds, carried at cost	<u>142,008</u>	<u>275,254</u>
Interest in Trust Held by Third Party	<u>\$ 285,015</u>	<u>\$ 395,389</u>

**Masorti Foundation for  
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Notes to Financial Statements

**5. Investments and Fair Value Measurements (continued)**

A roll forward of the Foundation's level 3 investments for the years ended March 31, follows:

	Beneficial Interest
Beginning balance, April 1, 2009	\$ 175,150
Change in fair value	(50,215)
Distributions/redemptions	(4,800)
Ending balance, March 31, 2010	120,135
Change in fair value	(14,130)
Distributions/redemptions	(67,500)
Ending balance, March 31, 2011	\$ 38,505

The investment in Israel bonds is recorded at face value plus accrued interest. In keeping with the Foundation's mission, it is the intention of management to hold the Israel bonds until maturity. There is no secondary market for these bonds. These bonds mature predominantly in 2015.

The beneficial interest in the Witkin Trust is valued by the trustee.

**6. Furniture and Equipment**

The furniture and equipment costs as of March 31, 2011 and 2010 are detailed as follows:

	2011	2010
Furniture	\$ 8,807	\$ 8,807
Computers	33,895	33,895
Less accumulated depreciation	(42,702)	(42,645)
Furniture and Equipment, net	\$ -	\$ 57

**Masorti Foundation for  
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Notes to Financial Statements

**7. Beneficial Interest in Trust**

The Foundation is a beneficiary of the Witkin Trust (the "Trust") in which it has a 3% interest. The fair market value of this split-interest investment, as determined by the trustee, was recognized as a temporarily restricted contribution at December 31, 2005. Distributions of principal from this trust are reclassified from temporarily restricted to unrestricted net assets.

In fiscal 2011, \$67,500 was distributed by the trust from corpus by the Trustee and a decrease in the fair value of the beneficial interest of \$14,130 was recognized. In fiscal 2010, \$4,800 was distributed from corpus by the Trustee and a decrease in the fair value of \$52,056 was recognized.

**7. Loan Payable**

In November 2001, the Foundation borrowed \$500,000. This loan was open-ended and fixed at a variable rate which ranged from 4.25 – 8.25% during the fiscal years ended March 31, 2011 and 2010. The balance due on this loan, including accrued interest, was \$152,210 as of March 31, 2010. On December 31, 2010, the balance due on the loan of \$152,210 was forgiven.

**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for grants and allocations as follows:

	2011	2010
Ramah NOAM	\$ 322,500	\$ 322,500
Kehillot	113,498	42,143
Witkin Trust	38,505	120,135
Fire Emergency Fund	103,800	-
Pledges Receivable	21,726	52,627
RAC Receivable	34,723	3,305
Neve Tzedek	-	25,000
Emergency Relief Fund	-	40,000
Total	\$ 634,752	\$ 605,710

During 2011 and 2010, temporarily restricted net assets of \$850,320 and \$1,069,364 were released from restrictions by incurring expenses satisfying the restricted purpose.

**Masorti Foundation for  
Conservative Judaism in Israel**

Notes to Financial Statements

**9. Lease**

The Federation of Jewish Men’s Clubs (“FJMC”) is the co-signor of the lease for the office space occupied by the Foundation. Based on an unwritten understanding in place for many years, FJMC pays one-third of the rent.

The future minimum rental payments, under all operating leases at March 31, 2011, are as follows:

Year Ending March 31,	Total
2012	\$ 35,938

**10. Investment Income**

Investment income consists of the following for the years ended March, 31:

	2011	2010
Interest	\$ 13,448	\$ 17,527
Unrealized gain on investments	8,374	-
Realized gain on investments	-	579
	\$ 21,822	\$ 18,106

**11. Concentrations**

***Cash Credit Risk***

Financial instruments which potentially subject the Foundation to a concentration of credit risk are cash accounts with major financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. There are no accounts in excess of FDIC Insurance limits during fiscal 2010 or 2011.

***Investment Credit Risk***

The collectability of certain investments depends on the credit of the State of Israel. Management believes the credit risk to be minimal.

**Masorti Foundation for  
Conservative Judaism in Israel**

**Notes to Financial Statements**

**12. Concentrations (continued)**

*Concentrations in Geographic Area*

The Foundation transfers donations to the Masorti Movement in Israel.