

AMIT Children, Inc. and Affiliate

Consolidated Financial Statements and Supplementary Information Year Ended December 31, 2017

AMIT Children, Inc. and Affiliate

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2017

AMIT Children, Inc. and Affiliate

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Independent Auditor's Report

To the Board of Directors of
AMIT Children, Inc. and Affiliate
New York, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AMIT Children, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 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 consolidated financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 AMIT Children, Inc. and Affiliate as of December 31, 2017 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplementary information presented on pages 23 through 24 of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

November 9, 2018

AMIT Children, Inc. and Affiliate
Consolidated Statement of Financial Position

December 31, 2017

Assets

Current

Cash and cash equivalents (Note 3)	\$ 30,719,967
Investments, at fair value (Notes 3 and 4)	22,308,583
Contributions receivable, current portion (Notes 3 and 5)	968,511
Government and other Receivables - net (Notes 3 and 6)	5,943,656
Prepaid expenses and other assets	1,512,811

Total Current Assets 61,453,528

Contributions Receivable, less current portion, net
(Notes 3 and 5) 676,617

Fixed Assets, net (Note 7) 31,601,060

Total Assets \$ 93,731,205

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 29,321,909
Deferred revenue (Note 3)	4,585,629
Accrued severance, compensation and benefits	1,446,691
Obligations due under split-interest agreements (Note 8)	629,493
Loans payable, current portion (Note 9)	155,157

Total Current Liabilities 36,138,879

Loans Payable, net of current portion (Note 9) 517,476

Total Liabilities 36,656,355

Commitments and Contingencies
(Notes 3, 5, 7, 8, 10, 11, 12 and 13)

Net Assets

Unrestricted (Note 3)	54,050,100
Temporarily restricted (Note 11)	2,505,242
Permanently restricted (Note 12)	519,508

Total Net Assets 57,074,850

Total Liabilities and Net Assets \$ 93,731,205

See accompanying notes to the consolidated financial statements.

AMIT Children, Inc. and Affiliate

Consolidated Statement of Activities

Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains (Losses) and Other Support				
Tuition fees and government support	\$ 174,360,106	\$ -	\$ -	\$ 174,360,106
Contributions	6,211,473	2,509,865	-	8,721,338
Special events income \$1,401,057	-	-	-	-
Direct costs of special events \$(645,895)	755,162	-	-	755,162
Legacies and bequests	224,436	-	-	224,436
In-kind contributions (Note 3)	9,374	-	-	9,374
Investment income (loss) (Note 3)	817,093	-	1,667	818,760
Other revenue	2,195,758	-	-	2,195,758
Net assets released from restrictions (Note 11)	3,491,367	(3,491,367)	-	-
Total Revenues, Gains (Losses) and other Support	188,064,769	(981,502)	1,667	187,084,934
Expenses				
Program services:				
Israel projects	176,079,155	-	-	176,079,155
Public information and education	1,211,601	-	-	1,211,601
AMIT Children magazine	201,291	-	-	201,291
Total Program Services	177,492,047	-	-	177,492,047
Supporting Services				
Management and general	7,857,640	-	-	7,857,640
Fundraising	1,429,040	-	-	1,429,040
Total Supporting Services	9,286,680	-	-	9,286,680
Total Expenses	186,778,727	-	-	186,778,727
Change in Net Assets Before Nonoperating Revenue and Expenses	1,286,042	(981,502)	1,667	306,207
Actuarial change in split interest agreements	(67,409)	-	-	(67,409)
Loss on disposal of fixed assets	-	-	-	-
Gain on foreign currency translation	4,346,623	30,874	29,820	4,407,317
Change in Net Assets	5,565,256	(950,628)	31,487	4,646,115
Net Assets, beginning of year	48,484,844	3,455,870	488,021	52,428,735
Net Assets, end of year	\$ 54,050,100	\$ 2,505,242	\$ 519,508	\$ 57,074,850

See accompanying notes to the consolidated financial statements.

AMIT Children, Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year ended December 31, 2017

	Program Services				Supporting Services		
	Israel Projects	Public Information and Education	AMIT Children Magazine	Total	Management and General	Fundraising	Total
Salaries and benefits	\$ 127,444,200	\$ 633,371	\$ 151,938	\$ 128,229,509	\$ 5,827,117	\$ 1,026,934	\$ 135,083,560
School cultural and educational material	18,757,010	-	-	18,757,010	-	-	18,757,010
School renovations and maintenance	11,562,394	-	-	11,562,394	15,165	-	11,577,559
Scholarships	1,344,251	-	-	1,344,251	-	-	1,344,251
Food, clothing medicine	5,439,924	-	-	5,439,924	82,920	-	5,522,844
Awards and certificates	2,018	1,585	-	3,603	-	1,642	5,245
Cleaning and rubbish removal	3,690	3,420	820	7,930	4,460	3,001	15,391
Computer services	381,576	23,532	2,923	408,031	22,992	10,693	441,716
Dues and subscriptions	5,968	5,531	1,327	12,826	7,212	4,854	24,892
Equipment rental and repairs	13,810	12,799	3,070	29,679	16,689	11,232	57,600
Fees	150,925	20,353	4,882	176,160	138,462	18,250	332,872
Insurance	502,312	9,630	2,310	514,252	40,692	8,944	563,888
Occupancy	3,178,630	81,756	19,612	3,279,998	106,602	97,737	3,484,337
Office supplies	581,732	4,645	1,114	587,491	29,884	4,931	622,306
Photography	1,012	938	225	2,175	1,223	823	4,221
Postage	69,486	37,522	-	107,008	16,033	2,342	125,383
Printing	47,928	47,886	-	95,814	470	301	96,585
Professional fees	21,175	14,660	10,039	45,874	506,241	3,473	555,588
Public relations and advertising	385,124	219,768	-	604,892	284,908	69,294	959,094
Security	686,106	511	123	686,740	1,017	449	688,206
Telephone	513,287	8,830	2,118	524,235	83,454	13,917	621,606
Travel and transportation	1,343,226	47,897	790	1,391,913	388,013	117,780	1,897,706
Miscellaneous	568,419	36,967	-	605,386	70,330	32,443	708,159
Total Expenses Before Depreciation	173,004,203	1,211,601	201,291	174,417,095	7,643,884	1,429,040	183,490,019
Depreciation	3,074,952	-	-	3,074,952	213,756	-	3,288,708
Total	\$ 176,079,155	\$ 1,211,601	\$ 201,291	\$ 177,492,047	\$ 7,857,640	\$ 1,429,040	\$ 186,778,727

See accompanying notes to the consolidated financial statements.

AMIT Children, Inc. and Affiliate

Consolidated Statement of Cash Flows

Year ended December 31, 2017

Cash Flows from Operating Activities	
Change in net assets	\$ 4,646,115
Adjustments to Reconcile Change in Net Cash Provided By Operating Activities:	
Depreciation and amortization	3,288,708
Fixed assets exchange rate gain	(2,651,567)
Actuarial change in split-interest agreements	67,409
Net realized and unrealized (gain) loss on investments	(948,329)
(Increase) decrease in assets:	
Contributions receivable	525,647
Government and other receivables	1,821,752
Prepaid expenses and other assets	338,892
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	5,331,654
Deferred revenue	342,639
Accrued severance, vacation, and sick payable	597
Net Cash Provided By Operating Activities	12,763,517
Cash Flows from Investing Activities	
Acquisition of fixed assets	(4,350,615)
Purchase of investments	(2,518,429)
Proceeds from sale of investments	1,627,544
Net Cash Used In Investing Activities	(5,241,500)
Cash Flows from Financing Activities	
Proceeds from contributions subject to split-interest agreements	200,115
Payment of annuity obligations	(128,522)
Repayment of loans	(160,700)
Net Cash Used In Financing Activities	(89,107)
Net Increase (Decrease) in Cash and Cash Equivalents	7,432,910
Cash and Cash Equivalents, beginning of year	23,287,057
Cash and Cash Equivalents, end of year	\$ 30,719,967
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	\$ 20,113

See accompanying notes to the consolidated financial statements.

AMIT Children, Inc. and Affiliate

Notes to Consolidated Financial Statements

1. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AMIT Children, Inc. (AMIT USA) and AMIT Women (AMIT Israel) (collectively, AMIT). The Board of Directors of AMIT USA appoint the Board of Directors of AMIT Israel and has board control.

All material intercompany transactions and balances have been eliminated in consolidation.

2. Nature of Organizations

AMIT enables Israel's youth to realize their potential and strengthen Israeli society by educating and nurturing children from diverse backgrounds within a framework of academic excellence, Jewish values and Zionist ideals. Founded in 1925, AMIT operates 110 schools, youth villages, surrogate family residences and other programs in 32 cities, constituting Israel's only government-recognized network of religious Jewish education incorporating academic and technological studies.

AMIT USA is a 501(c)(3) not-for-profit organization that is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code). The majority of the funds raised by AMIT USA and its volunteers are used to fund projects in Israel.

AMIT Israel is registered as an Amuta (a Society) under the Laws of Societies in Israel and is a "public institution" as defined in the Income Tax Ordinance and is, therefore, exempt from income tax. In addition, AMIT Israel is also recognized by the Income Tax Authority for purposes of receiving donations under Article No. 46 of the Income Tax Ordinance. AMIT Israel's primary sources of revenues are government grants, tuition fees, and contributions. AMIT USA's primary source of revenue is contributions.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to not-for-profit organizations. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses, is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

AMIT Children, Inc. and Affiliate

Notes to Consolidated Financial Statements

These classes are defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted - Net assets resulting from contributions and other inflows of assets whose use by AMIT is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of AMIT, pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities.

Permanently restricted - Net assets resulting from contributions and other inflows of assets whose use by AMIT is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of AMIT.

Cash and Cash Equivalents

AMIT considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents. Cash and cash equivalents held by brokers for long-term investment are classified as investments. The financial instruments that potentially subject AMIT to concentration of credit risk consist primarily of cash and cash equivalents. At various times, AMIT has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) limit. These financial institutions have strong credit ratings; therefore, management believes the risk related to these accounts is minimal.

Investments, At Fair Value

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as AMIT would use in pricing AMIT's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of AMIT are traded. AMIT estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

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Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged, at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue, in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides, based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are charged to bad debt when they are deemed to be uncollectible, based upon a periodic review of the accounts by management. AMIT writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give and intentions to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met.

Government support for Tuition and Fees/Deferred Revenue

Revenues from state and local governments in Israel resulting from AMIT's operations are based on the number of students enrolled and are recorded when services are performed in accordance with agreements with the governing authorities. The portion of tuition and fees collected in advance is reflected as deferred income until earned, which is generally within one year.

Contributed Services

For the years ended December 31, 2017, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. AMIT receives more than 5,000 volunteer hours per year.

Split-Interest Agreements

AMIT holds assets under split-interest agreements consisting of charitable remainder trusts and charitable gift annuities for which AMIT serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are reported as investments held under split-interest agreements on the consolidated statement of financial position. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes, as stipulated by the respective donor.

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Notes to Consolidated Financial Statements

Under AMIT's charitable remainder trusts and charitable gift annuities programs where AMIT is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of AMIT, unless otherwise stipulated by the donor. Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to AMIT. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are reported as change in value of split-interest agreements on the consolidated statement of activities.

Prepaid Expense and Other Assets

Prepaid expenses and other assets principally include receivables due from landlords, prepaid expenses, deferred costs and other receivables. AMIT records receivables when billed based on established rates or contracts for services provided. Reserves are established based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Interest is not recorded or accrued on outstanding receivables.

Fixed Assets, Net

Fixed assets, net are stated at cost less accumulated depreciation and amortization. Items of \$1,000 or more and an estimated useful life of greater than one year are capitalized at cost. Upon retirement or other disposal of fixed assets, the realized gain or loss sustained on such transaction is reflected in other income or expenses. Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets.

	Years
Building and building improvements	15-50
Furniture, fixtures, and equipment	5-10
Computer hardware and software	3-10
Motor vehicles	5-10
Torahs	

Impairment of Long-Lived Assets

ASC 360, "Property, Plant and Equipment," requires AMIT to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended December 31, 2017, there were no impairment charges.

Foreign Currency Translation

Foreign currency is translated in accordance with ASC 830, "Foreign Currency Matters." Under the provisions of ASC 830, the local currency used in the Organization's foreign operations is considered to be the functional currency of these operations. Assets and liabilities denominated in New Israeli

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Shekels (NIS), are translated to U.S. Dollars (USD) using the exchange rate in effect at the date of the consolidated statement of financial position. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements. The foreign currency exchange rate utilized within the consolidated statement of financial position at December 31, 2017 was NIS .2873/1.00 USD. The average exchange rate utilized to translate revenue, expenses, gains and losses relating to the year ended December 31, 2017 was NIS .2778/1.00 USD.

The cumulative translation gain is included in unrestricted net assets. Gain of foreign currency translation for the year ended December 31, 2017 amounted to \$4,346,623.

Bequests

Bequest income is recorded at the time AMIT has established the right to such bequest and the proceeds are measurable.

In-Kind Contributions

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

Functional Allocation of Expenses

The costs of providing AMIT's program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

Use of Estimates

In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

AMIT USA was incorporated in the State of New York and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. AMIT USA has been determined by the Internal Revenue Service (IRS) not be "private foundations" within the meaning of Section 509(a) of the IRC.

Under ASC 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on AMIT's consolidated financial statements. The Organization does not believe they have taken any material uncertain tax positions, and accordingly, they have not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so

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required to do so. For the year ended December 31, 2017, there were no interest or penalties recorded or included in the consolidated statement of activities.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with AMIT's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Recent Accounting Pronouncements Issued but Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for AMIT until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applied a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leased as either finance or operating based on five criteria.

Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issues ASU 2016-14, "Not-for Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d)

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requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for AMIT's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

4. Investments, at Fair Value

AMIT's assets recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with ASC 820. See Note 3 for the discussion of AMIT's policies regarding this hierarchy. A description of the valuation techniques applied to AMIT's major categories of assets measured at fair value are as follows. There have been no changes in valuation methodology as of December 31, 2017. As discussed further in Note 8, included in investments are amounts held under charitable remainder trusts and charitable gift annuities.

Equities and U.S. Treasury Bonds - Traded Funds - These are valued at the closing price reported on the active market on which the individual securities are traded. These investments are classified as Level 1.

Mutual Funds - These are valued on a daily basis at the close of business day. Each mutual fund's net asset value (NAV) is the value of a single share which is actively traded on national securities exchanges. These investments are classified as Level 1.

Corporate Bonds and Foreign Government Bonds - AMIT also has investments in fixed income securities which include corporate bonds and foreign government bonds. The investment managers priced these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities may not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of similar securities, sector grouping and matrix pricing. These investments are classified as Level 2.

State of Israel Bonds - These are valued based on yields currently available on comparable securities of issuers with similar credit ratings. These investments are classified as Level 2.

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Notes to Consolidated Financial Statements

As of December 31, 2017, AMIT's investments, by level within the fair value hierarchy, consist of the following:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 1,085,089	\$ -	\$ -	\$ 1,085,089
Certificates of deposit	25,532	-	-	25,532
Corporate Bonds	-	1,353,693	-	1,353,693
Government Bonds				
U.S. Treasury Bonds	773,034	-	-	773,034
Foreign Government Bonds	-	15,896,366	-	15,896,366
Common Stock	2,147,170	-	-	2,147,170
Mutual Funds	1,017,635	-	-	1,017,635
State of Israel Bonds	-	10,064	-	10,064
Total	\$ 5,048,460	\$ 17,260,123	\$ -	\$ 22,308,583

There were no transfers between levels for the year ended December 31, 2017.

December 31, 2017

Investment/interest income	\$ 325,415
Unrealized gains on investments	245,882
Realized loss on investments	314,454
Net fees	(66,991)
	\$ 818,760

5. Contributions Receivable, Net

Contributions receivable, net have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using an average discount rate of 3% at December 31, 2017. Contributions receivable consist of the following:

December 31, 2017

2018	\$ 968,511
2019	705,864
2020	31,000
	1,705,375
Less: discount to Present Value	(60,247)
Contributions Receivable, net	\$ 1,645,128

AMIT Children, Inc. and Affiliate
Notes to Consolidated Financial Statements

6. Government and Other Receivables, Net

Government and other, net consist of the following:

December 31, 2017

Due from Israeli government ministries and municipalities	\$ 2,521,007
Other receivables	4,118,555
	<hr/> 6,639,562
Less: allowance for doubtful accounts	(695,906)
	<hr/>
Government and Other, net	\$ 5,943,656

7. Fixed Assets, Net

Fixed assets, net are as follows:

December 31, 2017

Land	\$ 38,902,636
Building and building improvements	25,915,097
Furniture, fixtures, and equipment	10,238,657
Computer hardware and software	7,581,270
Motor vehicles	62,925
Torahs	48,000
	<hr/> 82,748,585
Less: accumulated depreciation and amortization	(51,147,525)
	<hr/>
Fixed Assets, net	\$ 31,601,060

Depreciation expense for the year ended December 31, 2017 amounted to \$3,288,708.

8. Split-Interest Agreements

AMIT is the beneficiary or agent for a third-party beneficiary of a number of split-interest agreements with donors. Certain agreements provide that AMIT hold the contributed assets as trustee (e.g., pooled income funds and charitable remainder trusts), while other agreements are part of the general assets of AMIT (e.g., charitable gift annuities). Under both forms of agreement, the Organization invests the donated assets and distributes to the donor or donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). AMIT will be able to utilize that part of the gift in which it has an interest upon the death of the respective life income beneficiary and will distribute to any third-party beneficiaries their respective remainder interests.

At the time of the gift, and adjusted annually, the Organization records contribution income and a liability for amounts payable to annuitants and third-party beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculation of obligations due to annuitants under split-interest

AMIT Children, Inc. and Affiliate

Notes to Consolidated Financial Statements

agreements at December 31, 2017 ranged from 4% to 6%, respectively. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

At December 31, 2017, assets held for split-interest agreements are as follows:

December 31, 2017

Charitable gift annuities	\$	541,402
Charitable remainder trusts		88,091
	\$	629,493

As of December 31, 2017, AMIT's investments held under split-interest agreements, by level within the fair value hierarchy, consist of the following:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 254,693	\$ -	\$ -	\$ 254,693
Mutual funds:	965,341	-	-	965,341
Total Investment Assets , in the fair value hierarchy	\$ 1,220,034	\$ -	\$ -	\$ 1,220,034

9. Loans Payable

AMIT Israel has two loans with a financial institution in Israel with final payments due February 2022 and May 2022. Both loans are variable interest loans based upon LIBOR and are secured by a lien on land owned by AMIT Israel. The interest rate at December 31, 2017 was 2.107%. Interest expense for December 31, 2017 amounted to \$20,113. The outstanding balance on the loans amounted to \$672,633 at December 31, 2017.

The maturities of the loan are as follows:

Year ending December 31,

2018	\$	155,157
2019		155,157
2020		155,157
2021		155,157
2022		52,005
	\$	672,633

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Notes to Consolidated Financial Statements

10. Commitments and Contingencies

Operating Leases

AMIT rents office space under lease agreements with various expiration dates through 2021. At December 31, 2017, the future minimum total payments required under noncancelable leases were as follows:

Year ending December 31,

2018	\$	205,963
2019		98,620
2020		10,525
2021		8,100
		\$ 323,208

Rent expense for the year ended December 31, 2017 amounted to \$999,929.

Litigation

A number of suits were filed against AMIT Israel in connection with employee-employer relations, damages, and other matters. In the opinion of management, the resolution of these matters will not have a significant effect on AMIT Israel's financial position.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

December 31, 2017

Time restrictions	\$	1,466,523
Renovations and expansion in educational institutions in Israel		977,486
Trusts available for periods after December 31, 2017		61,233
		\$ 2,505,242

Temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes:

December 31, 2017

Lapse of time restrictions	\$	702,157
Renovations and expansion in educational institutions in Israel		2,789,210
		\$ 3,491,367

AMIT Children, Inc. and Affiliate

Notes to Consolidated Financial Statements

12. Permanently Restricted Net Assets

Endowment Funds

General

AMIT's endowment fund consists of two donor-restricted funds restricted for investment in perpetuity, the income from which, except for the net appreciation (depreciation) on the assets of AMIT Israel's fund, is available to be used for renovations and expansion in educational institutions and scholarships to students in Israel. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

All net appreciation (depreciation) on the assets of the fund held by AMIT Israel is permanently restricted.

Interpretation of Relevant Law

AMIT USA is governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA) spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, AMIT USA classifies as permanently restricted net assets (a) the original value of 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA. Endowment funds held in Israel are not required to follow NYPMIFA but follow prudent man principles.

Return Objectives, Strategies Employed and Spending Policy

The objective of AMIT is to generate revenues to support operations while preserving the original corpus donated, in keeping with the donor's wishes. The investment policy to achieve this objective is to invest these funds in cash and cash equivalents to ensure the corpus of the fund. Interest earned in relation to the endowment funds is recorded as unrestricted upon expenditure for the program for which the endowment fund was established. Interest earned in relation to the endowment funds of AMIT whose restriction is satisfied in the year of restriction is classified as unrestricted in the consolidated financial statements.

AMIT Children, Inc. and Affiliate
Notes to Consolidated Financial Statements

Permanently restricted net assets consist of the following endowment funds:

December 31, 2017

	AMIT USA	AMIT Israel	Total
Renovations and expansion in educational institutions in Israel	\$ 200,000	\$ -	\$ 200,000
Scholarships for students	-	319,508	319,508
	\$ 200,000	\$ 319,508	\$ 519,508

Changes in endowment net assets were as follows:

December 31, 2017

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 488,021	\$ 488,021
Contributions	-	-	-
Interest and dividend income	1,667	1,667	3,334
Appropriation of endowment assets for expenditure	(1,667)	29,820	28,153
Endowment Net Assets, end of year	\$ -	\$ 519,508	\$ 519,508

13. Employee Benefit Plan

Employees of AMIT Israel participate in a defined contribution plan, for which expenses for the year ended December 31, 2017 amounted to approximately \$3,761,000.

AMIT USA has a 403(b) Plan, for which there are no age or service requirements to qualify, and there is no employer contribution required per plan document.

14. Subsequent Events

AMIT's management has performed subsequent events procedures through November 9, 2018, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.

Supplementary Information

AMIT Children, Inc. and Affiliate
Consolidating Statement of Financial Position

December 31, 2017

	AMIT USA	AMIT Israel	Eliminations	Total
Assets				
Current				
Cash and cash equivalents	\$ 1,034,491	\$ 29,685,476	\$ -	\$ 30,719,967
Investments, at fair value	5,767,742	16,540,841	-	22,308,583
Contributions receivable, current portion	968,511	-	-	968,511
Government and other receivable, net	-	6,963,083	(1,019,427)	5,943,656
Prepaid expenses and other assets	30,491	1,482,320	-	1,512,811
Total Current Assets	7,801,235	54,671,720	(1,019,427)	61,453,528
Contribution Receivable, less current portion, net	676,617			676,617
Fixed Assets, Net	4,552,903	29,215,409	(2,167,252)	31,601,060
Total Assets	\$ 13,030,755	\$ 83,887,129	\$ (3,186,679)	\$ 93,731,205
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 1,494,280	\$ 28,847,056	\$ (1,019,427)	\$ 29,321,909
Deferred revenue	37,530	4,548,099	-	4,585,629
Accrued compensation and benefits	-	1,446,691	-	1,446,691
Obligations due under split-interest agreements	629,493	-	-	629,493
Loans payable, current portion		155,157		155,157
Total Current Liabilities	2,161,303	34,997,003	(1,019,427)	36,138,879
Loans Payable, net of current position	-	517,476	-	517,476
Total Liabilities	2,161,303	35,514,479	(1,019,427)	36,656,355
Net Assets				
Unrestricted	8,382,004	47,835,348	(2,167,252)	54,050,100
Temporarily restricted	2,287,448	217,794	-	2,505,242
Permanently restricted	200,000	319,508	-	519,508
Total Net Assets	10,869,452	48,372,650	(2,167,252)	57,074,850
Total Liabilities and Net Assets	\$ 13,030,755	\$ 83,887,129	\$ (3,186,679)	\$ 93,731,205

See accompanying notes to the consolidating financial statements.

AMIT Children, Inc. and Affiliate

Consolidating Statement of Activities

Year ended December 31, 2017

	AMIT USA				AMIT Israel				Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
Revenues, Gains (Losses) and other Support										
Tuition fees and government support	\$ -	\$ -	\$ -	\$ -	\$ 174,360,106	\$ -	\$ -	\$ 174,360,106	\$ -	\$ 174,360,106
Contributions	6,410,294	940,307	-	7,350,601	5,758,379	1,569,558	-	7,327,937	(5,957,200)	8,721,338
Special events income \$1,401,057	-	-	-	-	-	-	-	-	-	-
Direct costs of special events \$(645,895)	755,162	-	-	755,162	-	-	-	-	-	755,162
Legacies and bequests	224,436	-	-	224,436	-	-	-	-	-	224,436
In-kind contributions	9,374	-	-	9,374	-	-	-	-	-	9,374
Investment income (loss)	651,774	-	-	651,774	165,319	-	1,667	166,986	-	818,760
Other revenue	169,420	-	-	169,420	2,026,338	-	-	2,026,338	-	2,195,758
Net assets released from restrictions	1,754,823	(1,754,823)	-	-	1,736,544	(1,736,544)	-	-	-	-
Total Revenues, Gains (Losses) and other Support	9,975,283	(814,516)	-	9,160,767	184,046,686	(166,986)	1,667	183,881,367	(5,957,200)	187,084,934
Expenses										
Program services:										
Israel projects	7,578,205	-	-	7,578,205	174,582,938	-	-	174,582,938	(6,081,988)	176,079,155
Public information and education	1,211,601	-	-	1,211,601	-	-	-	-	-	1,211,601
AMIT Children magazine	201,291	-	-	201,291	-	-	-	-	-	201,291
Total Program Services	8,991,097	-	-	8,991,097	174,582,938	-	-	174,582,938	(6,081,988)	177,492,047
Supporting services:										
Management and general	1,175,418	-	-	1,175,418	6,682,222	-	-	6,682,222	-	7,857,640
Fundraising	775,822	-	-	775,822	653,218	-	-	653,218	-	1,429,040
Total Supporting Services	1,951,240	-	-	1,951,240	7,335,440	-	-	7,335,440	-	9,286,680
Total Expenses	10,942,337	-	-	10,942,337	181,918,378	-	-	181,918,378	(6,081,988)	186,778,727
Change in Net Asset before nonoperating revenue	(967,054)	(814,516)	-	(1,781,570)	2,128,308	(166,986)	1,667	1,962,989	124,788	306,207
Nonoperating revenue	-	-	-	-	-	-	-	-	-	-
Actuarial change in split-interest agreements	(67,409)	-	-	(67,409)	-	-	-	-	-	(67,409)
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-
Gain (loss) on foreign currency translation	-	-	-	-	4,346,623	30,874	29,820	4,407,317	-	4,407,317
Change in Net Assets	(1,034,463)	(814,516)	-	(1,848,979)	6,474,931	(136,112)	31,487	6,370,306	124,788	4,646,115
Net Assets, beginning of year	9,416,467	3,101,964	200,000	12,718,431	41,360,417	353,906	288,021	42,002,344	(2,292,040)	52,428,735
Net Assets, end of year	\$ 8,382,004	\$ 2,287,448	\$ 200,000	\$ 10,869,452	\$ 47,835,348	\$ 217,794	\$ 319,508	\$ 48,372,650	\$ (2,167,252)	\$ 57,074,850

See accompanying notes to the consolidated financial statements.