

**NORTH AMERICAN CONFERENCE ON
ETHIOPIAN JEWRY, INC. AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED

DECEMBER 31, 2015

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS OF
NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC.**

I have audited the accompanying combined financial statements of North American Conference on Ethiopian Jewry, Inc. and Affiliate ("the Organization") (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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

My responsibility is to express an opinion on these combined financial statements based on my audit. I did not audit the financial statements of the affiliate, North American Conference on Ethiopian Jewry - Israel, a separate organization under Israeli law, whose statements reflect total assets of \$329,355 as of December 31, 2015 and total support and revenues of \$1,744,859 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Israeli organization, is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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, I express no such opinion. An audit 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 combined financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, based on my audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of North American Conference on Ethiopian Jewry, Inc. and Affiliate as of December 31, 2015 and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Lawrence M. Ginsberg, CPA, PC

Rochelle Park, New Jersey
October 19, 2016

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

**COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

	Current Funds		Total
	Unrestricted	Temporarily Restricted	All Funds
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 557,003	\$ 585,710	\$ 1,142,713
Investment in marketable securities	5,144	1,020,919	1,026,063
Contributions receivable	41,970	82,236	124,206
Total current assets	604,117	1,688,865	2,292,982
Furniture and equipment, net of accumulated depreciation of \$56,869	1,458		1,458
Security deposits	15,553		15,553
Total assets	\$ 621,128	\$ 1,688,865	\$ 2,309,993
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 305,732		\$ 305,732
Deferred public support	545,970		545,970
Total liabilities	851,702		851,702
Commitments			
Net assets:			
Unrestricted	(230,574)		(230,574)
Temporarily restricted		1,688,865	1,688,865
Total net assets	(230,574)	1,688,865	1,458,291
Total liabilities and net assets	\$ 621,128	\$ 1,688,865	\$ 2,309,993

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Current Funds</u>		Total
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	All <u>Funds</u>
Support and revenue:			
Public support	\$ 694,861	\$ 1,515,278	\$ 2,210,139
Sales (net of cost of goods sold of \$3,649)	14,084		14,084
Other income	10,696		10,696
Interest income	17		17
Dividend income	87	16,797	16,884
Net realized and unrealized gain/(loss) on securities	1,734	(4,336)	(2,602)
Net assets released from restrictions - satisfaction of program restrictions	<u>1,616,475</u>	<u>(1,616,475)</u>	
Total support and revenue	<u>2,337,954</u>	<u>(88,736)</u>	<u>2,249,218</u>
Expenses:			
Program services:			
Assistance in Israel	1,864,160		1,864,160
Information and Education - USA	<u>253,453</u>		<u>253,453</u>
Total program services	<u>2,117,613</u>		<u>2,117,613</u>
Supporting services:			
Management and general	162,994		162,994
Fundraising	<u>319,927</u>		<u>319,927</u>
Total supporting services	<u>482,921</u>		<u>482,921</u>
Total expenses	<u>2,600,534</u>		<u>2,600,534</u>
Change in net assets	(262,580)	(88,736)	(351,316)
Net assets, beginning of year	<u>32,006</u>	<u>1,777,601</u>	<u>1,809,607</u>
Net assets, end of year	<u>\$ (230,574)</u>	<u>\$ 1,688,865</u>	<u>\$ 1,458,291</u>

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services			Supporting Services			Total Expenses
	Assistance in Israel	Information and Education - U.S.A.	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 209,237	\$ 131,776	\$ 341,013	\$ 51,250	\$ 151,376	\$ 202,626	\$ 543,639
Payroll taxes	6,850	7,721	14,571	4,282	14,312	18,594	33,165
Employee benefits	22,346	25,191	47,537	13,971	38,683	52,654	100,191
Rent	38,210	17,544	55,754	9,730	21,262	30,992	86,746
Telephone and communications	5,288	1,279	6,567	640	1,919	2,559	9,126
Postage and shipping	3,847	10,324	14,171	6,883	13,766	20,649	34,820
Office expense and supplies	15,052	6,386	21,438	3,542	7,739	11,281	32,719
Printing and publications	1,590	37,360	38,950	795	39,745	40,540	79,490
Travel and other related costs	8,855	792	9,647	264	1,056	1,320	10,967
Purchased services	36,953	4,602	41,555	37,959	8,885	46,844	88,399
Program assistance	1,461,382		1,461,382				1,461,382
Other operating expenses	54,550	10,478	65,028	33,678	21,184	54,862	119,890
Total expenses	\$ 1,864,160	\$ 253,453	\$ 2,117,613	\$ 162,994	\$ 319,927	\$ 482,921	\$ 2,600,534

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	<u>Current Funds</u>		<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>All Funds</u>
Operating activities:			
Change in net assets	\$ (262,580)	\$ (88,736)	\$ (351,316)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	1,436		1,436
Net realized and unrealized (gain)/loss on securities	(1,734)	4,336	2,602
Changes in operating assets and liabilities:			
Contributions receivable	(5,132)	95,630	90,498
Accounts payable and accrued expenses	15,265		15,265
Deferred public support	59,098		59,098
Net cash provided by (used in) operating activities	<u>(193,647)</u>	<u>11,230</u>	<u>(182,417)</u>
Investing activities:			
Proceeds from sale/maturity of investments	2,312		2,312
Security deposits paid	(3,053)		(3,053)
Purchase of investments		(16,773)	(16,773)
Net cash provided by (used in) investing activities	<u>(741)</u>	<u>(16,773)</u>	<u>(17,514)</u>
Net increase (decrease) in cash and cash equivalents	(194,388)	(5,543)	(199,931)
Cash and cash equivalents, beginning of year	<u>751,391</u>	<u>591,253</u>	<u>1,342,644</u>
Cash and cash equivalents, end of year	<u>\$ 557,003</u>	<u>\$ 585,710</u>	<u>\$ 1,142,713</u>

See Notes to Combined Financial Statements

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Organization:

Organization:

North American Conference on Ethiopian Jewry, Inc. ("NACOEJ") is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. NACOEJ assists the community of Ethiopian Jews. It works independently and, whenever possible, in concert with other concerned agencies to respond to the needs of Ethiopian Jewry.

NACOEJ conducts its operations in Israel through North American Conference on Ethiopian Jewry-Israel ("NACOEJ-Israel") which is a separate nonprofit organization under local Israeli law. NACOEJ-Israel has a separate and distinct Board of Directors from NACOEJ although there is significant common control. NACOEJ signed an operational agreement with the government of Ethiopia to establish NACOEJ ("NACOEJ-Ethiopia") as a registered nongovernmental organization in Ethiopia. NACOEJ conducted its operations in Ethiopia through this entity, however, operations in Ethiopia have been phased out. The Jewish Agency for Israel (JAFI) has assumed the NACOEJ responsibilities and operations in Ethiopia.

The accounts and activities of NACOEJ-Israel are included in the accompanying combined financial statements. Inter-organizational accounts and transactions have been eliminated in combination. As used herein, the "Organization" refers to NACOEJ and NACOEJ-Israel, collectively.

The primary programs of the Organization include:

Assistance in Israel - provides educational, cultural and vocational assistance and meals to Ethiopian Jews who have reached Israel in making a transition to their new land.

Information and Education - U.S.A. - informs the American community about the current status of Ethiopian Jews in Ethiopia and Israel and introduces the American community to the cultural heritage of the Ethiopian Jews.

Note 2 - Summary of significant accounting policies and basis of presentation:

Basis of presentation:

The assets, liabilities and fund balances of the Organization are reported in two self-balancing net asset groups:

Current funds, which include unrestricted and temporarily restricted resources, represent the portion of expendable funds that are available for support of the Organization's operations. As temporarily restricted assets are expended for the restricted purpose, the Organization records net assets released from restrictions in the statement of activities.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies and basis of presentation (continued):

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

Cash and cash equivalents, includes bank accounts subject to immediate withdrawal, money market accounts and highly-liquid investments with an original maturity of three months or less. At times, such investments may exceed federally insured limits. At December 31, 2015, the Organization had cash and cash equivalent balances that exceed federally insured limits of approximately \$437,000.

Investments in marketable securities:

Investments in marketable securities are stated at fair value with unrealized gains and losses included in the combined statement of activities.

Contributions receivable:

Contributions receivable are recorded when unconditional promises to give are made in accordance with accounting principles generally accepted in the United States of America. Management has recorded the contributions receivable net of estimated doubtful accounts of \$22,000 at December 31, 2015 and expects the balance to be collected within one year.

Income taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Deferred public support:

Deferred public support is recorded when contributions for a particular operating purpose are received in advance of the period that the funds were designated for in accordance with accounting principles generally accepted in the United States of America.

Unrestricted resources:

Unrestricted contributions are recognized as revenue when pledged. All contributions are considered available for unrestricted use, unless specifically restricted by donors or received in response to specific solicitations.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies and basis of presentation (continued):

Restricted resources:

Contributions restricted by a donor, grantor, or other outside party for a particular operating purpose or received in response to solicitations specifying a specific use are deemed to be temporarily restricted and are recognized as revenue when pledged. Permanently restricted funds include any contributions set aside permanently with the earnings on those funds usable for unrestricted purposes.

Fixed assets and depreciation:

Fixed assets with a useful life of greater than one year and in excess of \$2,000 are capitalized and recorded at original cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Donated materials and services:

Donated marketable securities are reflected as contributions in the accompanying combined financial statements at their estimated value at date of receipt. No amounts have been reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services and to its fundraising campaigns.

Collections:

The Organization maintains a collection of Ethiopian Jewish artifacts that were acquired during its numerous missions to Ethiopia. The collection is comprised of various decorative, ritual and functional items, including colorful woven straw baskets, traditional small black ceramic figures, musical instruments, hand-woven and hand-embroidered fabric and clothing, leather baby pouches, hand-forged tools and hand-constructed bellows and pit-looms. These items are maintained to preserve the unique and ancient culture of Ethiopian Jews.

Although the collection has historical significance, the collection is not a significant asset of the Organization. The Organization has elected not to capitalize this collection. The various items are either on loan to museums or kept in storage with the goal of finding a permanent home for them with a museum.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 - Furniture and equipment:

Furniture and equipment consist of the following:

	<u>Est Life</u>	
Equipment	5 yrs	\$ 58,327
Less: accumulated depreciation		<u>56,869</u>
		<u>\$ 1,458</u>

Note 4 - Marketable securities:

For the year ended December 31, 2015, the Organization had net realized gains on marketable securities of \$2,139 and net unrealized losses of \$4,741. The cumulative net unrealized gain (loss) on securities at December 31, 2015 is detailed below:

	<u>Cost</u>	<u>Market</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Corporate stocks	\$554,323	\$1,024,063	\$469,740
Corporate bonds	0	0	0
Government bonds	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Totals	<u>\$556,323</u>	<u>\$1,026,063</u>	<u>\$469,740</u>

Fair values for marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions, which are Level 1 inputs in the fair value hierarchy.

Note 5 - Functional allocation of expenses:

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Note 6 - Joint cost allocation:

In 2015, the Organization incurred joint costs of \$77,105 for informational materials and activities that included fundraising appeals. Of those costs, \$39,745 was allocated to fundraising expense and \$37,360 was allocated to information and education.

Note 7 - Lease commitments:

The Organization occupied premises in New York City under an operating lease which covered the period September 1, 2010 through August 31, 2015 with an option to renew for 5 years. In 2015, the Organization renewed the lease for an additional 5 years through August 31, 2020. Additional amounts are due for real estate tax and electricity escalation charges under the lease. The Organization occupies premises in Israel on a month to month basis. Rent expense for the year ended December 31, 2015 aggregated \$86,746. The Organization also leases equipment under an operating lease over a 5 year period.

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7 - Lease commitments (continued):

Minimum annual rental commitments in years subsequent to December 31, 2015 are:

2016	\$ 60,800
2017	62,600
2018	64,500
2019	66,500
2020	<u>45,200</u>
Totals	<u>\$ 299,600</u>

Note 8 - Endowment funds:

Interpretation of law:

NACOEJ maintains an endowment fund, which is comprised of a certain donor-restricted temporarily restricted fund functioning as an endowment to support a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NACOEJ has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NACOEJ would classify as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, (c) accumulations to a 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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NACOEJ in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NACOEJ considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of NACOEJ and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation and depreciation of investments
6. Other resources of NACOEJ
7. Investment policies of NACOEJ

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8- Endowment funds (continued):

Investment policy:

Endowment assets include those assets of donor-restricted endowment funds NACOEJ must hold in perpetuity or for donor-specified periods. Under NACOEJ investment policy, endowment assets are invested in a manner that is intended to preserve inflation adjusted values and provide annual budgetary support that is both stable and growing.

To satisfy its long-term rate of return objectives, NACOEJ relies on a total return strategy in which investment returns are achieved through both a current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). NACOEJ targets a diversified asset allocation, including, but not limited to, equity and fixed income instruments. The asset mix of the endowment funds is described in Note 4.

The composition of net assets by type of endowment fund at December 31, 2015 was:

	<u>Temporarily Restricted</u>
Donor-restricted endowment funds	<u>\$1,060,659</u>

Included in the temporarily restricted net assets is \$1,060,659 representing the Isaac and Rose Feiner Fund. The Isaac and Rose Feiner Fund was established in 1999 with the principal balances being restricted for 20 years. Earnings on the Fund's investments can be used for any purpose.

Changes in endowment net assets for the year ended December 31, 2015 were:

	<u>Temporarily Restricted</u>
Endowment net assets, beginning of year	\$1,112,863
Investment return	
Investment income	16,797
Net depreciation	<u>(4,336)</u>
Total investment return	<u>12,461</u>
Contributions to endowment funds	0
Amounts appropriated for expenditure	<u>(64,665)</u>
Endowment net assets, end of year	<u>\$1,060,659</u>

NORTH AMERICAN CONFERENCE ON ETHIOPIAN JEWRY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8 - Endowment funds (continued):

Investment policy (continued):

From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the level NACOEJ is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2015.

Note 9 - Employee benefit plans:

The Organization sponsors a defined contribution pension plan which covers all eligible employees working in the United States. Contributions to the plan are determined by the Board of Directors. Pension expense was \$39,799 in 2015.

The Organization also maintains an employee severance pay fund for eligible employees working in Israel as required by Israeli law. In 2015, the provision for employee severance pay was \$423,032 calculated on the basis of one month's salary multiplied by years of employment for each employee. The liability for employee severance pay at December 31, 2015 was \$39,028.

Note 10 - Evaluation of subsequent events:

The Organization has evaluated subsequent events through October 19, 2016, the financial statement issuance date. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. The Organization has determined that there are no unrecognized subsequent events that require additional disclosure.

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