

**THE AMERICAN FRIENDS OF THE ISRAEL
NATIONAL MUSEUM OF SCIENCE**

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Friends of the Israel National Museum of Science

We have audited the accompanying financial statements of American Friends of the Israel National Museum of Science (the "Organization", a not-for-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of the Israel National Museum of Science as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Perelson Weiner LLP

August 3, 2016

AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

| | |
|---|-------------------------|
| Cash | \$ 62,733 |
| Investments | 14,542 |
| Prepaid expenses | 1,194 |
| Other assets, primarily security deposits | <u>7,421</u> |
| Current and total assets | <u><u>\$ 85,890</u></u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|-------------------------|
| Accrued expenses payable | <u>\$ 2,580</u> |
| Current and total liabilities | 2,580 |
| Net assets (liabilities) | |
| Unrestricted | (242,590) |
| Temporarily restricted | <u>325,900</u> |
| Total net assets | <u>83,310</u> |
| Total liabilities and net assets | <u><u>\$ 85,890</u></u> |

See notes to financial statements.

AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Unrestricted</u> | <u>Temporality Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|------------------|
| Revenues, gains and other support | | | |
| Contributions | \$ 333,563 | \$ 1,310,000 | \$ 1,643,563 |
| Net realized and unrealized loss on investments | (2,003) | | (2,003) |
| Investment income, primarily dividend income | 1,007 | | 1,007 |
| Net assets released from restrictions | 1,260,000 | (1,260,000) | |
| Total revenue | <u>1,592,567</u> | <u>50,000</u> | <u>1,642,567</u> |
| Expenses and losses | | | |
| Program | | | |
| Grants to The Israel National Museum of Science | 1,500,000 | | 1,500,000 |
| | <u>1,500,000</u> | | <u>1,500,000</u> |
| Management and general | | | |
| Salaries and benefits | 91,880 | | 91,880 |
| Consulting fees | 33,000 | | 33,000 |
| Occupancy | 27,618 | | 27,618 |
| Other, primarily office and general expenses | 34,200 | | 34,200 |
| | <u>186,698</u> | | <u>186,698</u> |
| Total expenses and losses | <u>1,686,698</u> | | <u>1,686,698</u> |
| Increase (decrease) in net assets | (94,131) | 50,000 | (44,131) |
| Net assets (liabilities), January 1, 2015 | (448,459) | 575,900 | 127,441 |
| Reclassification (Note 4) | 300,000 | (300,000) | |
| Net assets (liabilities), December 31, 2015 | <u>\$ (242,590)</u> | <u>\$ 325,900</u> | <u>\$ 83,310</u> |

See notes to financial statements.

AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | |
|--|-------------------------|
| Cash flows from operating activities | |
| Cash received from contributions | \$ 1,643,563 |
| Dividend received | 1,007 |
| Grants paid to the Israel National Museum of Science | (1,500,000) |
| Cash paid to employee and vendors | <u>(197,842)</u> |
| Net cash used in operating activities | <u>(53,272)</u> |
| Cash flows from investment activities | |
| Purchase of securities | (16,858) |
| Proceeds from sale of securities | <u>15,804</u> |
| Net cash used in investing activities | <u>(1,054)</u> |
| Decrease in cash | (54,326) |
| Cash, January 1, 2015 | <u>117,059</u> |
| Cash, December 31, 2105 | <u><u>\$ 62,733</u></u> |

**RECONCILIATION OF DECREASE IN NET ASSETS
TO NET CASH USED IN OPERATING ACTIVITIES**

| | |
|---|---------------------------|
| Decrease in net assets | \$ (44,131) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities | |
| Realized loss from sale of securities | 2,003 |
| (Increase) decrease in assets | |
| Prepaid expenses | 6,329 |
| Other assets | (7,421) |
| Decrease in liabilities | |
| Accrued expenses payable | <u>(10,052)</u> |
| Total adjustments | <u>(9,141)</u> |
| Net cash used in operating activities | <u><u>\$ (53,272)</u></u> |

See notes to financial statements.

THE AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 - Organization

The American Friends of the Israel National Museum of Science, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of the state of New York founded in August 1985. The Organization supports the Israel National Museum of Science, "MadaTech," by providing support for its programs and activities, its advanced Science Learning Centers, as well as the Museum's physical maintenance, development and expansion. The Organization acts as the link between the Museum and similar institutions, museums, foundations, Jewish federations and community leaders in the United States.

Note 2 - Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

b) Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

A substantial number of volunteers have donated significant amounts of time to the Organization's programs and supporting services. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year end December 31, 2015, there were no amounts recorded for contributed services and materials.

THE AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

c) 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

d) Cash

As of December 31, 2015, the Organization maintains its cash accounts in two financial institutions including a brokerage firm. In the normal course of business, the Organization may maintain cash that exceeds the insured limit at financial institutions. The Organization mitigates the risk by maintaining cash with high quality financial institutions.

e) Investment

Investment in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. All gains and investment income are unrestricted.

Changes in the fair value of the shares are recorded as unrealized gain (loss) in the statement of activities.

f) Grants

Grant expenses are made solely to the Israel National Museum of Science, Inc. subject to the approval of the Board or pursuant to donor's stipulated purposes.

Grants payable represents all unconditional grants that have been authorized prior to year-end, but remain unpaid as of the statement of financial position date.

g) Income Tax Status

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in section 501(c)(3). Accordingly, no provision for federal or state income tax has been made. The Internal Revenue Service has determined that the Organization is not a private foundation under Section 509(a) of the Internal Revenue Code. In addition, it qualifies as a public charity, as such, donors are permitted to receive the maximum charitable deduction.

THE AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 - Significant Accounting Policies (Continued)

h) Income Tax Status (Continued)

The Organization follows the provisions of FASB ASC 740 "Income Taxes." Management has analyzed its tax filing positions and concluded it has no uncertain tax position. Accordingly, an accrual of liability related to uncertain tax position is deemed not necessary. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. No income tax associated interest or penalty was incurred in 2015.

The forms 990, Return of Organization Exempt from Income Tax, of the Organization, for the years ending 2012, 2013, 2014 and 2015 are subject to examination by the Internal Revenue Service, generally three years after they are filed.

i) Subsequent Events

Management has evaluated subsequent events from January 1, 2016 through August 3, 2016, the date the financial statements were available to be issued, and as determined, except as disclosed in Note 6, that there are no subsequent events which require adjustment in or disclosure to the financial statements.

Note 2 - Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level I - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

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Note 2 - Fair Value Measurements and Disclosures (Continued)

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

The following table presents assets measured at fair value on a recurring basis at December 31, 2015:

| December 31, 2015 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--------------------------|--------|---|--|---|
| Marketable Securities | 14,542 | 14,542 | - | - |

THE AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3 - Net Assets

Temporarily restricted net assets, as of December 31, 2015, are available for the purposes of the following programs:

| | <u>January 1, 2015</u> | <u>Reclassification Adjustment (Note 4)</u> | <u>Contributions</u> | <u>Released from Restrictions</u> | <u>December 31 2015</u> |
|-----------------------------------|----------------------------|---|----------------------|---|-----------------------------|
| Gelfand Robotics Center | \$ 293,000 | \$ (200,000) | \$ 600,000 | \$ (600,000) | \$ 93,000 |
| Operation North | 136,800 | | | | 136,800 |
| Tapping Solomon's Mind Fab Lab | 46,100 | | 250,000 | (250,000) | 46,100 |
| Young Investor | 100,000 | (100,000) | | | |
| African Museum Expansion | | | 250,000 | (250,000) | |
| Girl Powered Sciences (GPS) | | | 10,000 | (10,000) | |
| Blue & White Exhibit | | | <u>200,000</u> | <u>(150,000)</u> | <u>50,000</u> |
| | <u>\$ 575,900</u> | <u>\$ (300,000)</u> | <u>\$1,310,000</u> | <u>\$(1,260,000)</u> | <u>\$ 325,900</u> |

a) Gelfand Robotics Center

Targeting schools around the country, MadaTech's multifaceted, multi-session educational programs are offered in the modern facilities and advanced laboratories and demonstration rooms of the MadaTech Educational Center. Programs are designed to broaden the young participants' horizons in a variety of scientific and technological fields: physics, astrophysics, chemistry, the environment, robotics, genetics, electricity, encryption, road safety, internet, mathematics and medicine. Additional programs for schools include special single-day science happenings on MadaTech's grounds, as well as mobile science labs, staffed by the Museum's educational teams, that bring science programs to young students in distant parts of the country.

b) Operation North

Madatech's Mobile Science Labs are "science labs on wheels" and travel to schools and community centers throughout the country. In particular, these Mobile Labs make frequent visits to outlying towns in the North. Staffed by Madatech's trained professionals, the Mobile Science Labs bring year-round learning and fun to the students living in the periphery. The laboratory is equipped with a range of science instruments, demonstration models, portable planetariums, and laptop computers. Under the expert guidance of Madatech instructors, students engage hands-on in an array of exciting scientific fields: chemistry, physics, aviation and aerodynamics, green energy, biology, mathematics, technology, robotics, astronomy and much more.

Note 3 - Net Assets (Continued)

c) Tapping Solomon's Mind

Provides enrichment for third to sixth grade students of Ethiopian origin in a range of science topics: from aviation to evolution, to earth sciences and the human body. The program boosts student confidence in tackling scientific topics, improving their scholastic achievements and leading them to opt for a fortified science curriculum.

d) Fab Lab

The establishment of the Wanger Family Fab Lab was made possible through the generous donation of the Wanger Family from Chicago. The Wanger Family Fab Lab at Madatech consists of 27 3D printers, 30 digital design stations, laser cutters, digital milling stations, and more. It is a part of MadaTech's Innovation Center, which aims to expose Madatech's visitors to innovative ideas, technologies and practices. During 2015, Fab Lab introduced the world of laser cutting and 3D printing to more than 3000 visitors. The participants are of almost all ages, and all visitors gain new knowledge, no matter their age or ability.

e) Young Investor

Once a week, throughout the school year, participating students work on developing or upgrading a product. The program consists of constructive problem solving, creative-entrepreneurial thinking, model planning and construction, and hands-on experience of the industrial process.

f) African Museum Expansion

In the center of the Technology and Science University in Addis Ababa now stands the first science museum in Ethiopia. The science museum was designed and built entirely by MadaTech's exhibition crew. The new museum is 250 square feet and shows 30 interactive exhibits that demonstrate many diverse scientific subjects. The initiative for building the first its kind science museum in Ethiopia came from a private donor. MadaTech's crew, led by head of exhibition wing and head curator planned, designed and guided the assembling team in Ethiopia about designing the building and Infrastructure deployment in the Addis Ababa museum. Simultaneously, MadaTech planned, designed and produced tens of advanced interactive exhibits in four different science exhibitions about physics, electricity and magnetism, optics and engineering. Currently, we are working to build two additional science museums in Ethiopia.

THE AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
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Note 3 - Net Assets (Continued)

g) Girl Powered Sciences(GPS)

MadaTech's Girl Powered Science (GPS) program targets high achieving girls, and encourages them to study science during their high school and college years. Each year, we select 25-30 9th grade girls, and provide them with intensive workshops with highly qualified instructors, challenging participants to reach their potential in science and technology. By narrowing gender gaps in these fields, we are not only impacting girls throughout Haifa, but Israeli society as a whole.

h) Blue & White Exhibit

A new exhibition showcasing Israel's space capabilities.

Israeli scientists began to investigate the secrets of outer space as early as the 1950s. Thirty years later, with the launch of the Ofek 1 satellite, Israel proudly joined the exclusive club of space explorers. Today, thanks to its ever-evolving innovation and technology, Israel is positioned among the world's top ten countries in space exploration, with cutting-edge activities that involve communication and research satellites, space telescopes and numerous international collaborations.

As Israel's National Museum of Science, Technology & Space, MadaTech seeks to introduce the public to the fascinating world of space exploration, with a special focus on Israel's trailblazing space technology and research. To do this we have partnered with Israel's Ministry of Science, Technology & Space and its Israel Space Agency (ISA), as well as the Israel Aerospace Industries (IAI), in developing an exciting, interactive and hands-on exhibition which we call Blue & White in Space.

Note 4 - Net Assets - Prior Period Reclassification Adjustment

The Unrestricted and Temporarily Restricted Net Assets as of December 31, 2014, had been restated to correct a misclassification of a grant paid in fulfillment of two temporary restricted contributions of \$300,000 which was recorded, instead of an asset released from restrictions, as an unrestricted grant, as such, the 2014 unrestricted net assets were understated, and 2014 temporarily restricted net assets were overstated, Note 3.

The aforementioned reclassification adjustment does not have an impact on the 2015 total assets, total net assets, revenues and expenses as presented in the accompanying financial statements.

THE AMERICAN FRIENDS OF THE ISRAEL NATIONAL MUSEUM OF SCIENCE, INC.
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Note 5 - Commitment - Operating Lease

In November 2015, the Organization entered into a new three-year lease for its New York office which expires October 31, 2018. The former lease expired in October 2015. Rent expenses for the year ended December 31, 2015 was \$27,618. Future minimum lease payments are as follows:

| <u>Year Ending December 31</u> | <u>Gross Rental</u> |
|------------------------------------|---------------------|
| 2016 | \$ 26,472 |
| 2017 | 27,266 |
| 2018 | <u>23,287</u> |
| | <u>\$ 77,024</u> |

Note 6 - Subsequent Events

Through August 3, 2016, contributions of approximately \$1,200,000 were received, and \$1,080,000 was wired to the Museum, of which approximately \$120,000 was released to satisfy the restrictions on the 2015 temporarily restricted net assets.