

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC.**  
**AND AFFILIATES**

**CONSOLIDATING FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

For the Year Ended  
December 31, 2017

\* \* \*

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1.
<b>FINANCIAL STATEMENTS:</b>	
Consolidating Statement of Financial Position	3.
Consolidating Statement of Activities	4.
Consolidating Statement of Cash Flows	5.
Notes to the Consolidating Financial Statements	7.
<b>SUPPLEMENTAL INFORMATION</b>	
Unconsolidated Schedule of Financial Position – (FOI-USA)	22.
Unconsolidated Schedule of Activities – (FOI-USA)	23.
Unconsolidated Schedule of Cash Flows – (FOI-USA)	25.



Board of Trustees  
The Friends of Israel Gospel Ministry, Inc., and Affiliates  
Bellmawr, New Jersey

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidating financial statements of The Friends of Israel Gospel Ministry, Inc., (a nonprofit organization) and Affiliates which comprise the consolidating statement of financial position as of December 31, 2017, and the related consolidating statements of activity and cash flows for the year then ended, and the related notes to the consolidating financial statements.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of FOI Gospel Ministry Inc.(FOI-Canada), a wholly owned subsidiary, which statements reflect total assets of \$2,852,721(CAD\$) as of December 31, 2017, and total revenues of \$1,204,594 (CAD\$), respectively, for the year then ended. Those statements, which were prepared in accordance with Canadian generally accepted auditing standards as issued by the Accounting Standards Board of Canada, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of FOI-Canada, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for FOI-Canada, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of The Friends of Israel Gospel Ministry, Inc., and Affiliates as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The supplemental information included in Schedules 1 to 3 is presented for purposes of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 consolidating financial statements as a whole.

*Lambides, Arada, Matthews & P*

July 31, 2018

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017**

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,565,076	\$ 202,701		\$ 1,767,777
Accounts and other receivable (Note 2d)	162,156		\$ (129,271)	32,885
Due from taxing authority		17,747		17,747
Legacies receivable (Note 4)	118,005			118,005
Inventory (Note 5)	291,719	34,407		326,126
Prepaid expenses	262,386	16,371		278,757
Restricted cash (Note 3)	50,037			50,037
Investments (Note 7)	8,945,387	1,989,928		10,935,315
Property investment (Note 6)	167,873			167,873
Beneficial interest in trust (Note 8)	191,417			191,417
Construction in progress	1,659,094			1,659,094
Property and equipment, net (Note 9)	<u>3,900,357</u>	<u>12,837</u>		<u>3,913,194</u>
Total assets	<u>\$ 17,313,507</u>	<u>\$ 2,273,991</u>		<u>\$ 19,458,227</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 733,917	\$ 148,227	\$ (129,271)	\$ 752,873
Deferred compensation (Note 10)	195,761	11,239		207,000
Deferred revenue	139,187			139,187
Notes payable (Note 11)	1,890,800			1,890,800
Mortgage payable (Note 11)	1,356,189			1,356,189
Property investment obligation	26,315			26,315
Annuities payable	5,415,878			5,415,878
Revocable trust agreements	44,009			44,009
Irrevocable trust agreements	<u>161,203</u>			<u>161,203</u>
Total liabilities	<u>9,963,259</u>	<u>159,466</u>		<u>\$ 9,993,454</u>
Net assets:				
Unrestricted:				
Undesignated	2,731,969	2,114,525		4,846,494
Designated by governing board as reserve for:				
Debt retirement (Note 12)	<u>378,160</u>			<u>378,160</u>
Total unrestricted net assets	3,110,129	2,114,525		5,224,654
Temporarily restricted (Note 13)	<u>4,240,119</u>			<u>4,240,119</u>
Total net assets	<u>7,350,248</u>	<u>2,114,525</u>		<u>9,464,773</u>
Total liabilities and net assets	<u>\$ 17,313,507</u>	<u>\$ 2,273,991</u>		<u>\$ 19,458,227</u>

See notes to the financial statements.

Exhibit A

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

	FOI - USA			FOI - CANADA	INTERCOMPANY ELIMINATIONS		TOTAL	
	Unrestricted	Temporarily Restricted			Total			
<b>Support and Revenue:</b>								
Support:								
General ministry contributions	\$ 4,586,491	\$ 3,870	\$ 4,590,361	\$ 470,513		\$ 5,060,874		
North American ministry contributions	1,351,942	198,141	1,550,083	175,321		1,725,404		
Foreign ministry contributions	608,889	920,887	1,529,776			1,529,776		
Worldwide relief ministry contributions		541,384	541,384			541,384		
Institute of Jewish Studies	17,912		17,912			17,912		
Gift portion of annuities	136,886		136,886			136,886		
Legacies	986,254	118,005	1,104,259	76,695		1,180,954		
Publication contributions		148,938	148,938			148,938		
Capital campaign		896,102	896,102			896,102		
Gifts-in-kind	11,688		11,688			11,688		
Total support	7,700,062	2,827,327	10,527,389	722,529		11,249,918		
Revenue:								
Ministry publications, audio, and video	1,085,995		1,085,995	101,534		1,187,529		
Conference and special functions	135,406		135,406	58,351		193,757		
Interest and dividends	72,145		72,145	46,104		118,249		
Other revenue	17,261		17,261	833		18,094		
Total revenue	1,310,807	-	1,310,807	206,822		1,517,629		
Total support and revenue	9,010,869	2,827,327	11,838,196	929,351		12,767,547		
<b>Reclassifications:</b>								
Satisfaction of restrictions (Note 11)	1,793,643	(1,793,643)	-	-		-		
<b>Expenses:</b>								
Program services								
Outreach ministries	4,195,120		4,195,120	383,021		4,578,141		
North American ministries	2,187,481		2,187,481	367,366		2,554,847		
Foreign ministries	2,006,470		2,006,470			2,006,470		
Worldwide relief ministries	555,448		555,448			555,448		
Institute of Jewish Studies	201,806		201,806			201,806		
Conference and special functions	459,117		459,117	83,245		542,362		
Total program services	9,605,442		9,605,442	833,632		10,439,074		
Supporting services:								
Management and general	2,003,193		2,003,193	363,290		2,366,483		
Stewardship and fundraising	549,299		549,299	773		550,072		
Total supporting services	2,552,492		2,552,492	364,063		2,916,555		
Total expenses	12,157,934	-	12,157,934	1,197,695		13,355,629		
Change in Net Assets Before Other Changes	(1,353,422)	1,033,684	(319,738)	(268,344)		(588,082)		

See notes to the financial statements.

Exhibit B (continued)

THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017

	FOI - USA		FOI - CANADA	INTERCOMPANY ELIMINATIONS	TOTAL
	Unrestricted	Temporarily Restricted			
<b>Change in Net Assets Before Other Changes</b>		<b>Total</b>			
Other Changes in Net Assets	(1,353,422)	(319,738)	(268,344)		(588,082)
Realized and unrealized gain (loss) on investments	139,117	139,117	101,323		240,440
Change in actuarial value of gift annuities and trust	367,867	375,250	195,436		375,250
Gain on foreign currency translation	506,984	514,367	296,759		195,436
Total other changes in net assets	(846,438)	194,629	28,415		223,044
<b>Change in Net Assets</b>	<b>3,956,567</b>	<b>7,155,619</b>	<b>2,086,110</b>		<b>9,241,729</b>
<b>Net Assets at Beginning of Year</b>	<b>\$ 3,110,129</b>	<b>\$ 4,240,119</b>	<b>\$ 2,114,525</b>		<b>\$ 9,464,773</b>
<b>Net Assets at End of Year</b>					

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2017**

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>				
Change in net assets	\$ 194,629	\$ 28,415		\$ 223,044
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	269,666	12,135		281,801
Realized and unrealized gain on investments	(773,062)	(101,187)		(874,249)
Actuarial change in value of annuities, net payments	552,047			552,047
Change in value of irrevocable trusts	(23,123)			(23,123)
Change in value of beneficial interest in trust	(5,820)			(5,820)
Contributions restricted for capital renovations	(896,102)			(896,102)
Changes in:				
Accounts and other receivable	137,295	25,224	\$ 129,271	291,790
Legacies receivable	(6,005)			(6,005)
Inventory	(3,227)	(2,148)		(5,375)
Prepaid expenses	35,770	(12,015)		23,755
Restricted cash	64,028			64,028
Accounts payable and accrued expenses	108,231	(9,047)	(129,271)	(30,087)
Due from tax authority		(6,179)		(6,179)
Deferred compensation	(18,886)			(18,886)
Deferred revenue	139,187	10,893		150,080
Net cash provided (used) by operating activities	<u>(225,372)</u>	<u>(53,909)</u>		<u>(279,281)</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from contributions restricted for capital renovations	896,102			896,102
Proceeds from sale of investments	5,199,894	1,586,519		6,786,413
Purchase of investments	(3,680,476)	(1,367,012)		(5,047,488)
Purchase of property and equipment	(433,731)			(433,731)
Purchase of construction in progress	(1,285,578)	-		(1,285,578)
Net cash provided (used) by investing activities	<u>696,211</u>	<u>219,507</u>		<u>915,718</u>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from notes payable	726,574			726,574
Payment of notes and mortgage	(282,310)			(282,310)
Payment on annuity and irrevocable trust agreements	(899,368)			(899,368)
Face value of new annuities, net of contribution	262,607			262,607
Investment income (loss) on irrevocable trust assets	(18,184)	-		(18,184)
Net cash used by financing activities	<u>(210,681)</u>	<u>-</u>		<u>(210,681)</u>
<b>Effect of Exchange Rate Changes on Cash</b>		(131,716)		(131,716)
<b>Change in Cash and Cash Equivalents</b>	260,158	33,882		294,040
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,304,918</u>	<u>168,819</u>		<u>1,473,737</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>1,565,076</u>	<u>\$ 202,701</u>		<u>1,767,777</u>

See notes to the financial statements.

Exhibit C (continued)



**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2017**

	<u>FOI - USA</u>
<b>Supplemental Disclosures of Cash Flow Information</b>	
Cash paid for interest on debt - non capitalized	<u>\$ 138,652</u>
Non-cash investing transactions:	
Donated securities	<u>\$ 66,821</u>

See notes to the financial statements.

Exhibit C (concluded)

## **THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

### **NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2017**

#### **1. Organization:**

The Friends of Israel Gospel Ministry, Inc., and Affiliates (the Organization) is a faith ministry founded in 1938 and organized as a not-for-profit religious corporation. It is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Friends of Israel Gospel Ministry, Inc., is a worldwide Christian ministry communicating biblical truth about Israel and the Messiah, while fostering solidarity with the Jewish people. Support and revenues are derived primarily from contributions from the general public and sales of ministry publications.

The Friends of Israel Gospel Ministry, Inc. has a commitment to its ministries in Canada and in Argentina. As affiliates, certain board members and employees of the Friends of Israel Gospel Ministry, Inc. sit on The Friends of Israel Gospel Ministry – Canada (FOI - Canada) board and The Christian Friends of Israel of Argentina board giving the Friends of Israel Gospel Ministry, Inc. a majority voting interest. The Christian Friends of Israel of Argentina receives support from Friends of Israel Gospel Ministry. Per the joint ministries agreement between The Friends of Israel Gospel Ministry, Inc. and FOI-Canada, support may be collected on behalf of the other entity and exchanged on a quarterly basis throughout the year. Therefore, the financial statements of FOI – Canada and Christian Friends of Israel of Argentina are consolidated with The Friends of Israel Gospel Ministry, Inc., collectively referred to in these notes as “the Organization.”

#### **2. Significant Accounting Policies:**

##### *(a) Basis of Accounting*

The accompanying consolidating financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

##### *(b) Principles of Consolidation*

The accompanying consolidating financial statements include the accounts of the Organization. All material inter-organization transactions, if any, have been eliminated in consolidation.

##### *(c) Cash and Cash Equivalents*

For purposes of the consolidating statement of cash flows, the Organization considers cash and cash equivalents to be amounts in checking and savings accounts, cash on hand, and securities purchased with original maturities of three months or less. Certain items meet the definition of cash and cash equivalents but are part of a larger pool of investments and are classified as investments. While at times cash balances may exceed federally insured (FDIC) limits, the Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

2. **Significant Accounting Policies:** (continued)

(d) *Accounts and Other Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances totaling \$32,280 at December 31, 2017. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

	<u>FOI - USA</u>
Account receivable - bookstore	\$ 18,797
Annuities receivable	
Notes receivable - employee	13,483
Other receivables	605
U.S./Canadian receivable	<u>129,271</u>
Total receivables	<u>162,156</u>
Less intercompany receivable	<u>(129,271)</u>
Total receivables	<u>\$ 32,885</u>

(e) *Legacies Receivable*

Legacies receivable relate to charitable distributions from estates and trusts for which the Organization has been notified of and have gone through probate. Legacies receivable are stated at the amount management expects to collect based on information received. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

(f) *Inventory*

Inventory is stated at the lower of cost or net realizable value and consists of various literature, media and other items held for sale and distribution. Cost is determined using the first-in, first-out method.

(g) *Investments and Investment Income*

Investments are reported fair value with gains and losses included in the consolidating statement of activities in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Donated investments are initially recorded at fair value on the date of the gift. Adjustments to the carrying value of the investments are reported in the consolidating statement of activities as a component of realized or unrealized gain (losses), except for adjustments to the carrying value of annuity investments which are reported in the consolidating statement of activities as a component of change in actuarial value of annuities and trusts.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. Significant Accounting Policies: (continued)**

**(h) Land, Buildings and Equipment**

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Friends of Israel capitalizes assets with a cost basis (or fair value for donated assets) of \$2,000 or greater, and expenditures for repairs and maintenance are expensed when incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Depreciation is recorded on the straight line basis over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Furniture, fixtures, equipment and vehicles	5 to 10 years
Software	3 years

**(i) Annuities Payable**

The Organization has established a gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the gift annuity is considered to be a charitable contribution at the date of the gift. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. The resulting actuarial gain or loss is recorded as change in actuarial value of annuities in the consolidating statement of activities.

The Organization is required to maintain legally-mandated reserves and investment guidelines for the State of New Jersey. At December 31, 2017, the Organization was in compliance with each of these requirements.

**(j) Charitable Remainder Trusts**

The Organization is named as beneficiary of various charitable remainder unitrusts and acts as the trustee. The agreements provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon receipt of these agreements, the actuarially determined present value of future payments is recorded as a liability. The remaining portion of the trust attributable to the Organization's future interest is recorded in the consolidating statement of activities as temporarily restricted contributions in the period received. On an annual basis, the present value of the remaining future liability is revalued based upon actuarial assumptions.

**(k) Classes of Net Assets**

The consolidating financial statements report amounts by class of net assets as follows:

*Unrestricted net assets* are those which include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Organization to

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. Significant Accounting Policies: (continued)**

**(k) *Classes of Net Assets* (continued)**

utilize the funds in furtherance of its mission, designated by the board for specific use, resources invested in property and equipment and required annuity reserves.

*Temporarily restricted net assets* carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets, with the exception of contributions for missionary support. Contributions for missionary support that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized.

**(l) *Support, Revenue, Expenses and Reclassifications***

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Legacies are recorded as income at the time the Organization has an established right to the legacy and the proceeds are measurable.

The Organization recognizes gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated amounts. Temporarily restricted net assets are reclassified to unrestricted net assets and recognized in the consolidating statement of activities as satisfaction of purpose restrictions when a stipulated time restriction ends or purpose restriction is satisfied.

The Organization recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue is recognized when earned.

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidating statement of activities. Accordingly, certain costs have been allocated, based on management's estimate, among the program services and supporting activities benefitted. The Organization incurred no joint costs for the years ending December 31, 2017, respectively.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. Significant Accounting Policies: (continued)**

**(m) *Uncertain Tax Positions***

The consolidating financial statement effects of a tax position taken or expected to be taken are recognized in the consolidating financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are reported in expense in the consolidating statement of activities. As of December 31, 2017, Friends of Israel had no uncertain tax positions that qualify for recognition or disclosure in the consolidating financial statements.

**(n) *Advertising***

The Organization expenses advertising cost as incurred.

**(o) *Reclassifications***

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Approximately, \$11,425 of prepaid expense was reclassified to a contra liability account reducing the mortgage payable reported in the prior year.

**(p) *Fair Value Measurement***

The Organization reports its fair value measurements using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels as of the fair value hierarchy under GAAP are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – 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, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. Significant Accounting Policies: (continued)**

**(p) Fair Value Measurement (continued)**

Fair values of assets measured at December 31, 2017 are as follows:

<u>Recurring fair value measurement</u>	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significan Unobserval Inputs (Level 3)</u>
<b>Investments</b>						
Money market funds	\$ 69,992	\$ 7,798	\$ 77,790	\$ 77,790		
Certificate of deposit	101,885		101,885	101,885		
Mutual funds			-	-		
Aggregate bonds	1,392,402	401,185	1,793,587	1,793,587		
Blend broad market		99,898	99,898	99,898		
Corporate bonds	415,349		415,349	415,349		
Developed markets		111,491	111,491	111,491		
Dynamic allocation	535,689		535,689	535,689		
Emerging market stock	124,229		124,229	124,229		
Foreign blend		297,154	297,154	297,154		
Foreign bonds	335,515		335,515	335,515		
Foreign equity	1,513,932		1,513,932	1,513,932		
Global allocation	202,248		202,248	202,248		
Government bonds	93,927		93,927	93,927		
Growth broad market	356,081		356,081	356,081		
High yield bonds	907,426	359,407	1,266,833	1,266,833		
Moderate allocation	1,910,721	177,035	2,087,756	2,087,756		
North American Region		262,016	262,016	262,016		
USA blend		114,518	114,518	114,518		
Value broad market	109,230		109,230	109,230		
Value large cap	457,564	-	457,564	457,564		
Total mutual funds	<u>8,354,313</u>	<u>1,822,704</u>	<u>10,177,017</u>	<u>10,177,017</u>	-	-
Common stock	18,611		18,611	18,611		
U.S. Government securities	35,976		35,976	35,976		
State of Israel bonds	364,610	159,426	524,036	-	\$ 524,036	
Total investments	<u>8,945,387</u>	<u>1,989,928</u>	<u>10,935,315</u>	<u>10,411,279</u>	<u>524,036</u>	
Beneficial interest in trust	191,417	-	191,417	-	191,417	
<b>Total</b>	<u>\$ 9,136,804</u>	<u>\$ 1,989,928</u>	<u>\$ 11,126,732</u>	<u>\$ 10,411,279</u>	<u>\$ 715,453</u>	<u>\$ -</u>

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**3. Restricted Cash:**

The balance of restricted cash consists of amount held for the following purposes:

	<u>FOI - USA</u>
Performance bond for construction project	<u>\$ 50,037</u>

In December 2016, Capital Bank of New Jersey issued a Letter of Credit to the organization. The Letter of Credit is in favor of the Township of Deptford for the amount of the performance bond.

**4. Legacies receivable:**

Legacies receivable as of December 31, 2017 consist of the following:

	<u>FOI - USA</u>
Time Restriction:	
Unconditional promises to be collected in	
Less than one year	\$ 118,005
One year to five years	-
Total legacies receivable	<u>\$ 118,005</u>

**5. Inventory:**

Inventory consists of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Books and publications	\$ 204,246	\$ 13,464	\$ 217,710
Media	56,958	6,343	63,301
Other items	<u>30,515</u>	<u>14,600</u>	<u>45,115</u>
	<u>\$ 291,719</u>	<u>\$ 34,407</u>	<u>\$ 326,126</u>

**6. Property Investment:**

In an agreement entered into during 2009, the Organization invested in a property in Israel that is owned by an employee but is used partially for ministry purposes. Under the agreement, the Organization agreed to provide funds for 50% of the down payment on the property and to reimburse for 50% of the monthly mortgage obligation on the property. The property investment asset amounted to \$167,873 at December 31, 2017, and represents the Organization's 50% interest in the cost basis of the property. The property investment obligation amounts to \$26,315 at December 31, 2017 and represents the estimated remaining obligation the Organization has made to reimburse for 50% of the monthly mortgage payments on the property.

Continued



**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**7. Investments:**

Investments consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Money market funds	\$ 69,992	\$ 7,798	\$ 77,790
Certificate of deposit	101,885		101,885
Mutual funds	8,354,313	1,822,704	10,177,017
Corporate stocks	18,611		18,611
U.S. Government securities	35,976		35,976
State of Israel bonds	364,610	159,426	524,036
Total	<u>\$ 8,945,387</u>	<u>\$ 1,989,928</u>	<u>\$ 10,935,315</u>

At year end, investments were held for the following purposes:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Annuity agreements	\$ 6,715,084		\$ 6,715,084
Trust agreements	491,559		491,559
Subtotal	<u>7,206,643</u>		<u>7,206,643</u>
Unrestricted purposes	<u>1,738,744</u>	<u>\$ 1,989,928</u>	<u>3,728,672</u>
Total	<u>\$ 8,945,387</u>	<u>\$ 1,989,928</u>	<u>\$ 10,935,315</u>

The present value of the annuity agreements was determined by actuarial calculation and was based on the interest rates allowable for Single Stipulated Payment Immediate Annuities under standard valuation law.

Investment income on investments held for unrestricted purposes consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Interest and dividends	\$ 72,145	\$ 46,104	\$ 118,249
Realized gain (loss)	(827)	209,354	208,527
Unrealized gain (loss)	139,944	(108,167)	31,777
Total	<u>\$ 211,262</u>	<u>\$ 147,291</u>	<u>\$ 358,553</u>

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**7. Investments: (continued)**

Investment income from investments held for annuities and trusts are reflected on the consolidating statement of activities as a component of the change in value of gift annuities and trusts consist of the following:

	<u>FOI - USA</u>
Annuity reserve investments	
Interest and dividends	\$ 289,765
Realized gain (loss)	300,558
Unrealized gain (loss)	<u>311,332</u>
Subtotal	<u>901,655</u>
Trust agreements	
Interest and dividends	25,050
Realized gain (loss)	(7,111)
Unrealized gain (loss)	<u>29,061</u>
Subtotal	<u>47,000</u>
Total	<u>\$ 948,655</u>

Management of the Organization believes that the organization is in full compliance with the New Jersey Uniform Prudent Management of Institutional Funds Act and the three areas of fiduciary responsibility attributed to the organization and its Board in the handling of invested funds. The Organization has acted in a deliberate and prudent manner in the selection of its investment advisor and avoids conflicts of interest between the organization, Board, and investment advisor. The Organization maintains written policies and procedures setting forth appropriate investment policy. Finally, there are regular reviews and reporting of the performance of the invested funds reflecting comparison to accepted performance standards.

**8. Beneficial Interest in Perpetual Trust:**

The Organization is a 30% beneficiary of a trust held in perpetuity by an independent trustee. Based on the information available, which includes the applicable trust or other distribution documents and the latest available asset valuations, the present value of future distributions was determined and included in the consolidating financial statements in the amount of \$191,417 at December 31, 2017.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**9. Property and Equipment:**

Property and equipment consists of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Land	\$ 629,330	\$ -	\$ 629,330
Land improvements	1,031,466		1,031,466
Buildings	5,115,205		5,115,205
Furniture and fixtures	332,664	27,580	360,244
Equipment and vehicles	1,339,758	55,259	1,395,017
Subtotal	<u>8,448,423</u>	<u>82,839</u>	<u>8,531,262</u>
Less: Accumulated depreciation	<u>(4,548,066)</u>	<u>(70,002)</u>	<u>(4,618,068)</u>
Subtotal	<u>3,900,357</u>	<u>12,837</u>	<u>3,913,194</u>
Construction in progress	1,659,094	-	1,659,094
Total	<u>\$ 5,559,451</u>	<u>\$ 12,837</u>	<u>\$ 5,572,288</u>

Depreciation expense was \$281,801 for the year ended December 31, 2017.

Management has reviewed the assets held in other countries and, in its opinion, has determined that they are under the control and ownership of The Friends of Israel. While for this reason such items are recognized as assets of the Organization, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while the Organization believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the assets be sold.

**10. Deferred Compensation:**

The Organization has entered into a deferred compensation agreement with one of its former executive directors (and emeritus board member). The annual payout is based on a rate of 43% of the year 2000 salary level of \$98,500 beginning on the first month subsequent to retirement and continues until his passing with no survivor payout. The present value of that obligation is \$195,761 as of December 31, 2017. Beginning in February 2011 the Organization began paying the deferred compensation to this former executive director. These payments amounted to \$42,360 for year ended December 31, 2017.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**11. Notes and Mortgage Payable:**

FOI - USA

Promissory notes ranging from \$2,000 to \$100,000 with interest at 5.00% are secured by the net assets of the Organization. A board-designated debt retirement fund has been established toward the payment of the notes as they come due. (See Note 10) Interest is payable semiannually, quarterly and monthly depending on the specific terms of each outstanding note. The notes are due according to the schedule below, but are payable on demand, in part or in whole, upon 30 days' notice.

\$ 1,890,800

Mortgage loan payable to a bank at 4.50% interest, secured by property. The loan is dated April 30, 2013, and converted to a fully amortizing 10 year term loan in January 2014 with monthly payment of principal and interest of \$11,436 until maturity in December 2023.

709,505

Less: Unamortized issuance cost

(9,775)

699,730

On January 6, 2017, the Organization entered into a construction loan with Capital Bank of New Jersey. This agreement enables the Organization to borrow up to a ceiling of \$2,100,000 for the purpose of expanding the Organization's International Headquarters building. The construction loan is secured by a first mortgage interest in the buildings and equipment of the Organization. the initial interest rate on the loan is 3.99%. the balance of the construction loan is due and payable in full on January 5, 2023.

676,574

Less: Unamortized issuance cost

(20,115)

656,459

\$ 3,246,989

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**11. Notes and Mortgage Payable: (continued)**

A schedule of future minimum principal payments is as follows:

	Notes Payable	Mortgage Payable	Construction Loan	Total
2018	\$ 408,207	\$ 105,464		\$ 513,671
2019	341,000	110,454		451,454
2020	172,800	115,613		288,413
2021	368,000	121,138		489,138
2022	590,793	126,858		717,651
Thereafter	<u>10,000</u>	<u>120,203</u>	<u>\$ 656,459</u>	<u>786,662</u>
	<u>\$ 1,890,800</u>	<u>\$ 699,730</u>	<u>\$ 656,459</u>	<u>\$ 3,246,989</u>

As of December 31, 2017, the Organization was in compliance with all debt covenants.

In 2017, the Organization retroactively adopted the requirements in FASB ASC 835-30 to restate debt issuance cost as a reduction of the carrying amount of the debt, rather than as an asset.

Notes payable as of December 31, 2016, were previously reported in the statement of financial position as \$811,872 with the associated \$11,425 unamortized debt issuance cost included in other assets.

Amortization of the debt issuance cost is reported as a management and general expense in the statement of activities.

**12. Board-Designated Net Assets:**

The governing board of the Organization has designated 20% of the proceeds from the issuance of promissory notes to be kept in escrow to be used for interest and debt repayment. The balance of the reserve is not to go below one year's interest obligation. The balance of the board-designated reserve was \$378,160 at December 31, 2017.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**13. Temporarily Restricted Net Assets:**

Changes in temporarily restricted net assets consist of the following for the year ended December 31, 2017:

	12/31/2016		Change in		12/31/2017
	<u>Balance</u>	<u>Contributions</u>	<u>Actuarial</u>	<u>Releases</u>	<u>Balance</u>
			<u>Value</u>		
Annuity reserves required by state law (10%)	\$ 550,059			\$ (8,471)	\$ 541,588
Remainder trusts	448,821		\$ 28,944		477,765
International ministry projects	1,129,975	\$ 915,861		(857,281)	1,188,555
Jerusalem building projects		2,300			2,300
Conferences and special functions	3,263	1,570		(900)	3,933
Argentina Clinic	76,750	5,025			81,775
Capital campaign	532,303	896,102	(18,030)		1,410,375
Missionary support	205,467	198,141		(222,605)	181,003
Worldwide relief funds	252,414	541,385	(3,531)	(555,448)	234,820
Publications		148,938		(148,938)	-
Legacies receivable - time restriction	-	118,005		-	118,005
	<u>\$ 3,199,052</u>	<u>\$ 2,827,327</u>	<u>\$ 7,383</u>	<u>\$ (1,793,643)</u>	<u>\$ 4,240,119</u>

**14. Pension Plan:**

The Organization maintains a 401(k) retirement plan for eligible employees who work 1,000 hours or more during the year and have been with the organization for more than one year. Participants in the plan vest over a six year period. Each year, the Organization makes a discretionary contribution to the plan for each eligible employee (an amount equal to 10% of an employee's gross earnings for year ending December 31, 2017). The contribution to the plan for the year ending December 31, 2017 was \$314,847 for FOI-USA and \$25,032 for FOI-Canada. The amount of accrued retirement expense for the year is funded in annual contributions to the plan.

The Organization also funds individual retirement accounts for qualified foreign national workers who are not eligible to participate in the 401(k) plan. The contribution to the plan for the year ending December 31, 2017 \$72,170. The amount of accrued retirement expense for the year is funded by the Organization in annual contributions to the accounts.

**15. Income Status:**

As a charity, the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income from unrelated business activities and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidating financial statements.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**15. Income Status: (continued)**

The Organization's payroll tax returns, for the years ending 2015, 2016, and 2017, are subject to examination by the IRS, generally for three years after they were filed.

**16. Commitment:**

On December 26, 2016 the Organization entered into an agreement with a general contractor for \$1,762,000 for their building expansion project. As of December 31, 2017, \$893,827 was expended under this contract and remaining commitment was \$868,173.

**17. Operating Lease:**

FOI Canada has entered into a non-cancelable operating lease for office space that expires on January 31, 2022. The lease contains a renewal option for a five year period and requires FOI Canada to pay all executor costs such as taxes, maintenance, and insurance. Rental expense for the lease consisted of \$31,940 for the year ended December 31, 2017.

Future minimum lease payments under the operating lease as of December 31, 2017 are:

Year Ending December 31:	
2018	\$ 32,819
2019	32,819
2020	32,819
2021	32,819
2022	<u>2,735</u>
	<u>\$ 134,011</u>

**18. Subsequent Events:**

Events occurring after December 31, 2017 have been evaluated for possible adjustments to the consolidated financial statements or disclosure through July 31, 2018, which is the date on which the consolidated financial statements were available to be issued.

Concluded

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF FINANCIAL POSITION – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,565,076	\$ 1,304,918
Accounts and other receivables (Note 2d)	162,156	299,451
Legacies receivable (Note 4)	118,005	112,000
Inventory (Note 5)	291,719	288,492
Prepaid expenses	262,386	298,156
Restricted cash (Note 3)	50,037	114,065
Investment (Note 7)	8,945,387	9,691,742
Property investment (Note 6)	167,873	167,873
Beneficial interest in trust (Note 8)	191,417	185,597
Construction in progress	1,659,094	373,516
Property and equipment, net (Note 9)	3,900,357	3,736,293
Total assets	<u>\$ 17,313,507</u>	<u>\$ 16,572,103</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 733,917	\$ 625,686
Deferred compensation (Note 10)	195,761	214,647
Deferred revenue	139,187	-
Notes payable (Note 11)	1,890,800	1,992,300
Mortgage payable (Note 11)	1,356,189	800,447
Property investment obligations	26,315	36,293
Annuities payable	5,415,878	5,500,592
Revocable trust agreements	44,009	43,007
Irrevocable trust agreements	161,203	203,512
Total liabilities	<u>9,963,259</u>	<u>9,416,484</u>
Net Assets:		
Unrestricted:		
Undesignated	2,731,969	3,558,107
Designated by governing board as reserve for:		
Debt retirement (Note 12)	378,160	398,460
Total unrestricted net assets	3,110,129	3,956,567
Temporarily restricted (Note 13)	4,240,119	3,199,052
Total net assets	<u>7,350,248</u>	<u>7,155,619</u>
Total liabilities and net assets	<u>\$ 17,313,507</u>	<u>\$ 16,572,103</u>



**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<b>TEMPORARILY</b>		<b>TOTAL</b>	
	<b><u>UNRESTRICTED</u></b>	<b><u>RESTRICTED</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>SUPPORT AND REVENUE</b>				
<b>Support:</b>				
General ministry contributions	\$ 4,586,491	\$ 3,870	\$ 4,590,361	\$ 4,492,064
North American ministry contributions	1,351,942	198,141	1,550,083	1,646,588
Foreign ministry contributions	608,889	920,887	1,529,776	1,532,141
Worldwide ministry contributions		541,384	541,384	492,274
Institute of Jewish Studies	17,912		17,912	31,524
Gift portion of annuities	136,886		136,886	260,701
Legacies	986,254	118,005	1,104,259	719,066
Publication contributions		148,938	148,938	163,136
Capital campaign		896,102	896,102	445,239
Gift-in-kind	11,688		11,688	5,182
Total support	<u>7,700,062</u>	<u>2,827,327</u>	<u>10,527,389</u>	<u>9,787,915</u>
<b>Revenue:</b>				
Ministry, publications, audio and video	1,085,995		1,085,995	1,264,813
Conference and special functions	135,406		135,406	140,976
Interest and dividends	72,145		72,145	73,724
Other revenue	17,261		17,261	21,327
Total revenue	<u>1,310,807</u>	-	<u>1,310,807</u>	<u>1,500,840</u>
Total support and revenue	<u>9,010,869</u>	<u>2,827,327</u>	<u>11,838,196</u>	<u>11,288,755</u>
<b>RECLASSIFICATIONS:</b>				
Satisfaction of restriction (Note 11)	<u>1,793,643</u>	<u>(1,793,643)</u>	-	-
<b>EXPENSES</b>				
<b>Program services:</b>				
Outreach ministries	4,195,120		4,195,120	4,251,388
North American ministries	2,187,481		2,187,481	2,008,767
Foreign ministries	2,006,470		2,006,470	1,855,456
Worldwide ministries	555,448		555,448	402,719
Institute of Jewish Studies	201,806		201,806	201,790
Conference and special functions	459,117		459,117	472,605
Total program services	<u>9,605,442</u>	-	<u>9,605,442</u>	<u>9,192,725</u>
<b>Supporting activities:</b>				
Management and general	2,003,193		2,003,193	1,752,356
Stewardship and fundraising	549,299		549,299	649,143
Total supporting services	<u>2,552,492</u>	-	<u>2,552,492</u>	<u>2,401,499</u>
Total expenses	<u>12,157,934</u>	-	<u>12,157,934</u>	<u>11,594,224</u>
Change in Net Assets Before Other Changes	(1,353,422)	1,033,684	(319,738)	(305,469)

Schedule 2 (continued)

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2017</u>	<u>2016</u>
Change in Net Assets Before Other Changes	\$ (1,353,422)	\$ 1,033,684	\$ (319,738)	\$ (305,469)
<b>OTHER CHANGES IN NET ASSETS</b>				
Realized and unrealized gain(loss) on investments	139,117		139,117	96,164
Change in actuarial value of gift annuities and trusts	367,867	7,383	375,250	160,643
Excess of acquisition of the identifiable assets acquired over acquisition date values of the liabilities assumed	-		-	97,242
Total other changes in net assets	<u>506,984</u>	<u>7,383</u>	<u>514,367</u>	<u>354,049</u>
<b>Change in Net Assets</b>	<b>(846,438)</b>	<b>1,041,067</b>	<b>194,629</b>	<b>48,580</b>
<b>Net Assets, Beginning of Year</b>	<u>3,956,567</u>	<u>3,199,052</u>	<u>7,155,619</u>	<u>7,107,039</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,110,129</u>	<u>\$ 4,240,119</u>	<u>\$ 7,350,248</u>	<u>\$ 7,155,619</u>

Schedule 2 (concluded)

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF CASH FLOWS – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 194,629	\$ 48,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	269,666	251,495
Realized and unrealized gain on investments	(773,062)	(461,306)
Actuarial change in value of annuities, net payments	552,047	456,687
Change in value of irrevocable trusts	(23,123)	(24,823)
Change in value of beneficial interest in trust	(5,820)	(12,730)
Contributions restricted for capital renovations	(896,102)	(445,239)
Changes in:		
Accounts and other receivables	137,295	59,002
Legacies receivable	(6,005)	247,500
Inventory	(3,227)	50,925
Prepaid expenses	35,770	6,935
Restricted cash	64,028	(114,065)
Accounts payable and accrued expenses	108,231	(29,218)
Deferred compensation	(18,886)	(89,755)
Deferred revenue	139,187	-
Property investment obligation	-	(8,951)
Net cash provided by operating activities	<u>(225,372)</u>	<u>(64,963)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from contributions restricted for capital renovations	896,102	445,239
Proceeds from the sale of investments	5,199,894	2,593,672
Purchase of investments	(3,680,476)	(2,193,717)
Purchase of property and equipment	(433,731)	(84,469)
Purchase of construction in progress	<u>(1,285,578)</u>	<u>(282,519)</u>
Net cash provided (used) by investing activities	<u>696,211</u>	<u>478,206</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	726,574	-
Payment of notes and mortgage	(282,310)	(114,713)
Payment of capital leases	-	(3,478)
Payment on annuity and irrevocable trusts agreements	(899,368)	(921,092)
Face value of new annuities, net of contribution	262,607	440,931
Investment income (loss) on irrevocable trust assets	<u>(18,184)</u>	<u>33,755</u>
Net cash used by financing activities	<u>(210,681)</u>	<u>(564,597)</u>
<b>Change in cash and cash equivalents</b>	260,158	(151,354)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,304,918</u>	<u>1,456,272</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,565,076</u>	<u>\$ 1,304,918</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest on debt - non capitalized	<u>\$ 138,652</u>	<u>\$ 139,871</u>
<b>Noncash transactions :</b>		
Donated securities	<u>\$ 66,821</u>	<u>\$ 58,379</u>