AISH HATORAH
NEW YORK INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Aish Hatorah New York Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Aish Hatorah New York Inc., which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, 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 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 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 auditor's 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 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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aish Hatorah New York Inc. as of December 31, 2018, 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.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
July 25, 2019

Aish Hatorah New York Inc.
Statement of Financial Position
December 31, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 101,852	
Investments	118,325	
Settlement receivable	1,537,039	
Prepaid expenses	118,276	
TOTAL CURRENT ASSETS		$ 1,875,492
FIXED ASSETS		
Land	341,111	
Buildings	2,781,238	
Building improvements	311,115	
Equipment	7,797	
Fixed assets at cost	3,441,261	
Accumulated depreciation	(751,076)	
NET FIXED ASSETS		2,690,185
TOTAL ASSETS		$ 4,565,677
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 42,563	
Loan payable	50,000	
Deferred revenue - current portion	200,000	
TOTAL CURRENT LIABILITIES		$ 292,563
LONG-TERM LIABILITIES		
Deferred revenue		5,330,875
TOTAL LIABILITIES		5,623,438
NET ASSETS		
Net assets without donor restrictions		(1,057,761)
TOTAL LIABILITIES AND NET ASSETS		$ 4,565,677

Aish Hatorah New York Inc.
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2018

REVENUES		
Contributions	$ 1,325,132	
Event fees	75,614	
TOTAL REVENUES		$ 1,400,746
OPERATING EXPENSES		
Program expenses	5,156,625	
General and administrative expenses	1,019,478	
Fundraising expenses	192,278	
TOTAL OPERATING EXPENSES		6,368,381
CHANGE IN NET ASSETS FROM OPERATIONS		(4,967,635)
OTHER INCOME (EXPENSES)		
Rental income	259,100	
Settlement	2,287,039	
Loss on sale of property	(154,283)	
Miscellaneous income, net	4,884	
TOTAL OTHER INCOME		2,396,740
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(2,570,895)
NET ASSETS - BEGINNING		1,513,134
NET ASSETS - ENDING		$ (1,057,761)

Aish Hatorah New York Inc.
Statement of Functional Expenses
For The Year Ended December 31, 2018

	Program Expenses	*General and Administrative Expenses*	*Fundraising Expenses*	*Total*
EXPENSES				
Salaries and employee benefits	$ 1,329,796	$ 165,259	$ 91,093	$ 1,586,148
Payroll taxes	49,727	8,515	4,236	62,478
Advertising and promotional supplies	5,956	637	3,406	9,999
Depreciation	-	88,095	-	88,095
Grants, fellowships and stipends	3,589,810	-	-	3,589,810
Insurance	20,169	3,642	1,812	25,623
Office expense	6,951	50,398	278	57,627
Speakers fees, food and educational programming	39,907	374	30	40,311
Professional fees	-	144,684	87,500	232,184
Property tax	-	19,577	-	19,577
Recruiting	3,762	-	-	3,762
Rent expense	-	530,412	-	530,412
Supplies	4,739	856	426	6,021
Telephone and internet	14,776	2,668	1,328	18,772
Travel	74,289	1,338	665	76,292
Utilities	16,743	3,023	1,504	21,270
TOTAL EXPENSES	$ 5,156,625	$ 1,019,478	$ 192,278	$ 6,368,381

Aish Hatorah New York Inc.
Statement of Cash Flows
For The Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ (2,570,895)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	$ 88,095	
Net realized loss on investments	477	
Loss on sale of property	154,283	
Changes in operating assets and liabilities		
Settlement receivable	(1,537,039)	
Other receivable	19,033	
Prepaid expense	493,761	
Accounts payable	(56,691)	
Deferred revenue	2,212,500	
Total adjustments		1,374,419
NET CASH USED IN OPERATING ACTIVITIES		(1,196,476)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,899,363)	
Proceeds from sale of investments	2,446,946	
Proceeds from sale of property	702,660	
NET CASH PROVIDED BY INVESTING ACTIVITIES		1,250,243
NET INCREASE IN CASH		53,767
CASH, BEGINNING		48,085
CASH, ENDING		$ 101,852

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Aish Hatorah New York Inc., a nonprofit organization, was formed in New York in December 1989, to broaden the knowledge of individuals of their Jewish heritage to enable them to live inspired Jewish lives and to make active positive contributions to Jewish communities and society at large. The organization provides seminars and courses in Jewish history and the Torah and sponsors educational trips. The core programs take place on campuses in and around New York.

Income Tax Status

The organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

Investments

Investments are reported at fair value, measured as described in note 6. Changes in fair value and interest and dividend income are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is restricted by donor stipulations or by law.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Fixed assets valued at more than $2,000 are recorded at cost or fair market value as of the date of donation, if donated. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Management reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the organization recognizes an impairment loss. No impairment losses were recognized for the year ended December 31, 2018. Depreciation for buildings and building improvements is computed using the straight-line method over their estimated useful life.

Revenue Recognition

Contributions are recognized as support when received or when evidenced by a written promise to give.

Rental income is recognized in the period it is earned. Payments received in advance are recorded as deferred revenue.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include; salaries, benefits, and other joint expenses which are allocated on the basis of estimated time spent on each function; rent, depreciation, and utilities which are allocated on a square-footage basis; advertising, which is allocated based on its content as well as activities; office, events, supplies, professional fees, and travel which are allocated based on the use of each individual expenditure.

Advertising

The organization uses advertising to raise funds and promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2018 amounted to $9,999.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates
The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets
The organization reports information regarding its financial position and activities in two classes of net assets:

Net assets without donor restrictions – net assets that are not subject to any donor-imposed stipulations;

Net assets with donor restrictions – that specify a use for a contributed asset that is more specific than the broad limits resulting from the nature of the not-for-profit entity, the environment in which it operates or the purposes specified in its articles of incorporation or by laws or comparable documents.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized. Donations of long lived assets are recorded without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Recent Accounting Pronouncement
In August 2016, the Financial Accounting Services Board (FASB) published Accounting Standards Update (ASU) No. 2016-14, which changes the presentation and disclosures of Not for Profit (NFP) Financial Statements. The major changes require an NFP to:

Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the previously required three classes.

Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than the previously required three classes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provide enhanced disclosures about governing board designations of net assets, the composition of net assets with donor restrictions and qualitative and quantitative information about how an NFP manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date.

Report expenses by both their natural classification and their functional classification and disclose the method(s) used to allocate costs among program and support functions.

This change in presentation has no effect on the reported change in net assets.

NOTE 2 LOAN PAYABLE

On June 15, 2017, the organization entered into an agreement with an unrelated nonprofit organization, whereby they reduced their outstanding loan by $75,000, which the organization recognized as cancellation of debt income. At December 31, 2018 the outstanding loan payable to this organization was $50,000. The loan is due on demand and bears no interest.

The agreement also includes a provision that the organization will transfer ownership of the property located at 50/50A/52 Carlton Road, Monsey, NY, to this unrelated organization, once the organization has received all the funds from the long-term lease of its New York City headquarters.

NOTE 3 SETTLEMENT

The organization is named as plaintiff and defendant to counter claims in various pending and threatened litigations related to the embezzlement of the organization’s funds by a former employee. The organization came to a settlement agreement with the other party, in which the other party has agreed to pay $2,500,000. As of December 31, 2018 the organization recovered $1,412,961 as a result of the settlement. As of December 31, 2018, the balance owed to the organization was $1,087,039 plus late payment penalties in the amount of $450,000.

The agreement also stipulates that the outstanding balance was due by April 23, 2018, with a $50,000 penalty per month for every month the outstanding balance is not paid. In March 2019, the organization received the balance receivable at December 31, 2018 in the amount of $1,537,039 and an additional late payment penalty of $100,000 for January and February 2019.

NOTE 4 RENTAL OPERATIONS

The organization leases out one of its properties to an unrelated party under an operating lease expiring in 2047. Minimum annual rental income due under this lease is fixed at $200,000 per annum for the life of the lease. The lease commenced on March 16, 2017.

Rental income under this lease for 2018 was $200,000.

Concurrent to signing this lease, the organization subleased the property from the lessee under an operating lease expiring in March 2019. Minimum annual rental payments due under this lease are fixed at $500,000 per annum for the life of the lease. The lease commenced on March 16, 2017.

Rent expense under this sublease for 2018 was $500,000.

NOTE 5 DEFERRED REVENUE

Upon the execution of the lease referred to above (see note 4), the lessee deposited into escrow $6,000,000, the full amount of the lease payments over the life of the lease. Immediately after signing the lease $3,500,000 was released to the organization, of which $1,000,000 was used as prepayment of the sublease (see note 4). The entire amount received was recorded by the organization as deferred revenue, and reduced by the amount of rental income recognized under this lease through 2018. The deferred revenue balance at December 31, 2018 was $5,530,875. Concurrently, the prepaid rent on the sublease, reduced by the amount of rent expense incurred under the sublease through 2018, was included in prepaid expenses. Prepaid rent at December 31, 2018 was $500,000. In August 2018, the remaining $2,500,000 less a discount of $87,500 for early payment was released to the organization.

Additionally, as stipulated in the lease, the lessee has the option to purchase the property for an additional $1. As of the date of the signing of the financial statements, this option has not yet been exercised.

NOTE 6 FAIR VALUE MEASUREMENTS

As required by U.S. GAAP, the organization uses applicable guidance for defining fair value, the initial recording and periodic re-measurement of certain assets and liabilities measured at fair value and related disclosures for instruments measured at fair value. Fair value accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An instrument's categorization within the fair value hierarchy is based upon the lowest level of

NOTE 6 FAIR VALUE MEASUREMENTS (continued)

input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the organization's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the organization's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For assets that are measured using quoted prices in active markets (Level 1), the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs (Level 2) are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability. For all other assets and liabilities for which unobservable inputs are used (Level 3), fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models that the organization deems reasonable.

NOTE 6 FAIR VALUE MEASUREMENTS (continued)

The following table summarizes financial asset instruments subject to recurring fair value measurements as of December 31, 2018:

	Fair Value Measurements Using	
		Quoted prices in active markets for identical assets
	Fair Value	**Level 1**
Assets		
Money market funds	$ 118,325	$ 118,325

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements

Money Market Funds
Money market funds are valued at the daily closing price as reported by the fund. Money market funds held are open-end mutual funds that are registered with the Securities and Exchange Commission.

NOTE 7 LIQUIDITY AND AVAILABILITY

The organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As of December 31, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	$ 101,852
Investments	118,325
Total	$ 220,177

NOTE 8 CONCENTRATION OF CREDIT RISK

At times, the organization maintains cash balances in excess of the Federal Deposit Insurance Corporation's insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss of cash.

Three donors accounted for 67% of the organization's contribution income for the year ended December 31, 2018.

NOTE 9 SUBSEQUENT EVENTS

The organization evaluated subsequent events through July 25, 2019, the date these financial statements were available to be issued. With the exception of the matter discussed below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

According to the agreement with Yeshiva Ohr Yisrael, discussed in Note 2, the organization transferred a property located in Monsey, New York as a grant to Yeshiva Ohr Yisrael, Inc. on February 11, 2019, and repaid the $50,000 loan on March 25, 2019.