

Financial Statements and Report of
Independent Certified Public Accountants

**ALEXANDER MUSS INSTITUTE FOR
ISRAEL EDUCATION, INC.**

December 31, 2016 and 2015

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Governors of
Alexander Muss Institute for Israel Education, Inc.

We have audited the accompanying financial statements of Alexander Muss Institute for Israel Education, Inc. (“AMIIE”), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. 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 financial statements are free of 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 AMIIE’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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alexander Muss Institute for Israel Education, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
June 30, 2017

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
Statements of Financial Position
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 5,691,817	\$ 5,170,069
Investments (Note 4)	110,589	105,542
Contributions receivable	72,822	23,000
Inventory	20,184	20,351
Prepaid expenses and other assets	141,231	77,395
Amounts due from Jewish National Fund	141,366	-
Beneficial interest in net assets held by Jewish National Fund (Note 3)	12,597,326	10,862,743
Fixed assets, net (Note 5)	5,055,576	5,092,076
Land held for investment	<u>17,710</u>	<u>17,710</u>
Total assets	<u>\$ 23,848,621</u>	<u>\$ 21,368,886</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,826,061	\$ 2,400,233
Deferred income	<u>1,596,801</u>	<u>1,123,687</u>
Total liabilities	<u>4,422,862</u>	<u>3,523,920</u>
NET ASSETS		
Unrestricted	6,483,991	5,895,703
Temporarily restricted (Note 6)	12,820,809	11,836,145
Permanently restricted (Note 7)	<u>120,959</u>	<u>113,118</u>
Total net assets	<u>19,425,759</u>	<u>17,844,966</u>
Total liabilities and net assets	<u>\$ 23,848,621</u>	<u>\$ 21,368,886</u>

The accompanying notes are an integral part of these financial statements.

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
Statement of Activities
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Tuition and fees	\$ 7,645,071	\$ -	\$ -	\$ 7,645,071
Less financial aid awards	<u>(635,677)</u>	<u>-</u>	<u>-</u>	<u>(635,677)</u>
Net tuition and fees	7,009,394	-	-	7,009,394
Contributions	1,267,375	861,744	5,000	2,134,119
Change in value of beneficial interest in net assets held by				
Jewish National Fund	-	1,205,503	-	1,205,503
Investment income	7,419	-	-	7,419
Other revenue	61,127	-	-	61,127
Net assets released from restrictions and reclassifications	<u>1,079,742</u>	<u>(1,082,583)</u>	<u>2,841</u>	<u>-</u>
Total revenues	<u>9,425,057</u>	<u>984,664</u>	<u>7,841</u>	<u>10,417,562</u>
EXPENSES				
Program services:				
Education	8,263,373	-	-	8,263,373
Supporting services:				
Management and general	573,301	-	-	573,301
Fund raising	<u>4,911</u>	<u>-</u>	<u>-</u>	<u>4,911</u>
Total supporting services	<u>578,212</u>	<u>-</u>	<u>-</u>	<u>578,212</u>
Total expenses	<u>8,841,585</u>	<u>-</u>	<u>-</u>	<u>8,841,585</u>
Change in net assets before other changes	583,472	984,664	7,841	1,575,977
Gain on foreign currency translation	<u>4,816</u>	<u>-</u>	<u>-</u>	<u>4,816</u>
Change in net assets	588,288	984,664	7,841	1,580,793
Net assets - beginning of year	<u>5,895,703</u>	<u>11,836,145</u>	<u>113,118</u>	<u>17,844,966</u>
Net assets - end of year	<u>\$ 6,483,991</u>	<u>\$ 12,820,809</u>	<u>\$ 120,959</u>	<u>\$ 19,425,759</u>

The accompanying notes are an integral part of this financial statement.

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
Statement of Activities
For the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Tuition and fees	\$ 8,468,366	\$ -	\$ -	\$ 8,468,366
Less financial aid awards	(573,797)	-	-	(573,797)
Net tuition and fees	7,894,569	-	-	7,894,569
Contributions	396,090	55,273	5,000	456,363
Change in value of beneficial interest in net assets held by				
Jewish National Fund	-	32,457	-	32,457
Investment income (loss)	1,969	(1,991)	-	(22)
Other revenue	53,887	-	-	53,887
Net assets released from restrictions and reclassifications	87,669	(82,273)	(5,396)	-
Total revenues	<u>8,434,184</u>	<u>3,466</u>	<u>(396)</u>	<u>8,437,254</u>
EXPENSES				
Program services:				
Education	8,356,359	-	-	8,356,359
Supporting services:				
Management and general	540,134	-	-	540,134
Fund raising	10,570	-	-	10,570
Total supporting services	<u>550,704</u>	<u>-</u>	<u>-</u>	<u>550,704</u>
Total expenses	<u>8,907,063</u>	<u>-</u>	<u>-</u>	<u>8,907,063</u>
Change in net assets before other changes	(472,879)	3,466	(396)	(469,809)
Gain on foreign currency translation	10,159	-	-	10,159
Change in net assets	(462,720)	3,466	(396)	(459,650)
Net assets - beginning of year	6,358,423	11,832,679	113,514	18,304,616
Net assets - end of year	<u>\$ 5,895,703</u>	<u>\$ 11,836,145</u>	<u>\$ 113,118</u>	<u>\$ 17,844,966</u>

The accompanying notes are an integral part of this financial statement.

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,580,793	\$ (459,650)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	559,008	490,705
Net (appreciation) depreciation in fair value of investments	(5,324)	1,991
Change in value of beneficial interest in net assets held by Jewish National Fund	(1,205,503)	(32,457)
Permanently restricted contributions	(5,000)	(5,000)
Changes in assets and liabilities:		
Contributions receivable	(49,822)	29,500
Inventory	167	1,011
Prepaid expenses and other assets	(205,202)	70,436
Beneficial interest in net assets held by Jewish National Fund	(529,080)	787,527
Accounts payable and accrued expenses	425,828	651,921
Deferred income	<u>473,114</u>	<u>(247,597)</u>
Net cash provided by operating activities	<u>1,038,979</u>	<u>1,288,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	5,277	5,395
Purchase of investments	(5,000)	(5,000)
Fixed asset acquisitions	<u>(522,508)</u>	<u>(871,205)</u>
Net cash used in investing activities	<u>(522,231)</u>	<u>(870,810)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>5,000</u>	<u>5,000</u>
Net increase in cash and cash equivalents	521,748	422,577
Cash and cash equivalents - beginning of year	<u>5,170,069</u>	<u>4,747,492</u>
Cash and cash equivalents - end of year	<u>\$ 5,691,817</u>	<u>\$ 5,170,069</u>

The accompanying notes are an integral part of these financial statements.

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
Notes to Financial Statements
December 31, 2016 and 2015

1. NATURE OF ORGANIZATION

Alexander Muss Institute for Israel Education, Inc. (“AMIIE”) provides an Israel educational experience to students. This experience brings 4,000 years of Israel’s history to life.

AMIIE d/b/a Alexander Muss High School in Israel, or AMHSI, is a Section 501(c)(3) Florida not-for-profit organization registered to do business in New York and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”). AMIIE is also exempt from state and local income taxes.

On January 30, 2014, AMIIE’s by-laws were amended and restated authorizing Jewish National Fund (“JNF”) Board of Directors to appoint all members of the AMIIE Board of Governors (see Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 revenues and expenses. Actual results could differ from those estimates.

Net Assets

AMIIE’s financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets based upon the existence or absence of donor imposed restrictions, as follows:

Unrestricted net assets – include funds that have not been restricted by an outside donor and are therefore available for use in carrying out the general operations of AMIIE. Unrestricted net assets may be designated for specific purposes by actions of the Board of Governors.

Temporarily restricted net assets – include funds that have been restricted by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of AMIIE pursuant to those stipulations.

Permanently restricted net assets – include funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. Income earned is generally available for expenditure according to donor-imposed restrictions, if any.

Cash Equivalents

Cash equivalents are defined as highly liquid financial instruments with original maturities of three months or less from the date of purchase.

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
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Investments

Investments in equity and debt securities are reported at fair value determined on the basis of quoted market values with gains and losses (if any) presented in the statement of activities. Investment transactions are reported on a trade-date basis. Realized gains and losses are determined on the basis of specific identification. Unrealized gains or losses are determined by comparing cost to fair value at the beginning and end of each year. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

Fair Value Measurements

AMIIE follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. 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. However, the determination of what constitutes "observable" requires significant judgment by AMIIE. AMIIE considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to AMIIE's perceived risk of that instrument.

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AMIIE's policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period.

Inventory

Inventory, which consists of books and supplies, is stated at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method.

Fixed Assets

Fixed assets are recorded at cost if purchased or, if donated, at the fair value on the date received. Acquisitions of property and equipment with a cost over \$1,000 and an estimated useful life of greater than one year are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets which range from 3-40 years.

Tuition and Fees/Deferred Income

Tuition and fees are recognized during the period (i.e. session) to which they pertain. The portion of tuition and fees collected in advance is reflected as deferred income until earned, which is generally within one year.

Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are charged to bad debt when they are deemed to be uncollectible based upon a periodic review of the accounts by management. AMIIE writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received. As of December 31, 2016 and 2015, contributions receivable of \$72,822 and \$23,000, respectively are expected to be collected within one year.

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

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

Functional Expenses

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
Notes to Financial Statements
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Concentrations of Credit Risk

Cash and cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could affect AMIIE's financial statements. AMIIE maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits; however, AMIIE does not anticipate nonperformance by these financial institutions.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value due to the short-term nature of these financial instruments. The carrying amounts of AMIIE's investments agreements approximate fair value. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value.

Income Taxes

AMIIE follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

AMIIE is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. AMIIE has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. As of December 31, 2016, AMIIE has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

AMIIE evaluated its December 31, 2016 financial statements for subsequent events through June 30, 2017, the date the financial statements were available to be issued. AMIIE is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

3. BENEFICIAL INTEREST IN NET ASSETS HELD BY JEWISH NATIONAL FUND

In September 2013, an agreement was entered into between JNF and AMIIE (the "Agreement") that amended AMIIE's by-laws effective January 30, 2014, authorizing JNF's Board of Directors to appoint all members of the AMIIE Board of Governors. The provisions of the Agreement further established the creation of a new \$5 million fund with funds received from the Chair of the AMIIE Board (the "Muss Fund") and a separate matching fund of \$5 million pledged from JNF (the "JNF Fund"). The funds are

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Notes to Financial Statements
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held and administered by JNF and restricted for the administration and operation of AMHSI for specific purposes as outlined in the Agreement. As of December 31, 2016, the Muss Fund and JNF Fund totaled \$5,332,010 and \$5,000,000, respectively. As of December 31, 2015, the Muss Fund and JNF Fund totaled \$5,124,146 and \$5,000,000, respectively.

Because JNF has oversight over AMIIE and holds significant resources that must be used for their benefit, JNF and AMIIE are considered to be financially interrelated under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-20. In accordance with this guidance, JNF records an asset and contribution revenue when it receives assets from a donor on behalf of AMIIE and AMIIE records its respective interest in the net assets of JNF and the changes in its interest using a method similar to the equity method of accounting. As of December 31, 2016 and 2015, AMIIE has recorded a beneficial interest in net assets held by JNF of \$12,597,326 and \$10,862,743, respectively on the accompanying statement of financial position. Additionally, AMIIE received additional funds of approximately \$1,924,000 and \$307,000 from JNF during 2016 and 2015, respectively that are included as part of contributions revenue in the accompanying statement of activities.

4. INVESTMENTS

Investments held by AMIIE as of December 31, 2016 and 2015 consist of funds managed by the Greater Miami Jewish Federation (“GMJF”). Such non-exchanged traded investments are carried at fair value as determined by GMJF and are categorized as Level 3 within the fair value hierarchy.

The methods and procedures used to value these investments may include, but are not limited to: (1) performing comparisons with prices of comparable or similar securities; (2) obtaining valuation-related information from issuers; and/or (3) other analytical data relating to the investment and using other available indications of value, absent readily available market values.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AMIIE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below sets forth a summary of changes in fair value of Level 3 assets for the years ended December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 105,542	\$ 107,928
Purchase/contributions	5,000	5,000
Sales	(5,277)	(5,395)
Net appreciation (depreciation) in fair value of investments	<u>5,324</u>	<u>(1,991)</u>
Balance, end of year	<u>\$ 110,589</u>	<u>\$ 105,542</u>

ALEXANDER MUSS INSTITUTE FOR ISRAEL EDUCATION, INC.
Notes to Financial Statements
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Investment income (loss) for the years ended December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 2,095	\$ 1,969
Net appreciation (depreciation) in fair value of investments	<u>5,324</u>	<u>(1,991)</u>
	<u>\$ 7,419</u>	<u>\$ (22)</u>

5. FIXED ASSETS, NET

At December 31, 2016 and 2015, fixed assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Buildings and building improvements	\$ 9,093,484	\$ 8,591,511
Furniture, fixtures and equipment	<u>349,452</u>	<u>349,352</u>
	9,442,936	8,940,863
Less accumulated depreciation	<u>(4,387,360)</u>	<u>(3,848,787)</u>
	<u>\$ 5,055,576</u>	<u>\$ 5,092,076</u>

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily restricted net assets were restricted for the following purposes and time:

	<u>2016</u>	<u>2015</u>
Goldstein Building	\$ 170,000	\$ 170,000
Scholarships	53,483	15,875
Beneficial interest in net assets of JNF	<u>12,597,326</u>	<u>11,650,270</u>
	<u>\$ 12,820,809</u>	<u>\$ 11,836,145</u>

During 2016, net assets in the amount of \$1,082,583 were released from restrictions principally in support of scholarships, capital projects and beneficial interest in net assets held by JNF. During 2015, net assets in the amount of \$82,273 were released from restrictions principally in support of scholarships.

7. ENDOWMENT FUNDS

General

AMIIE's endowment consists of donor-restricted endowment funds established principally for the award of scholarships for participants for Israel programs and the acquisition of educational technology. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Notes to Financial Statements

December 31, 2016 and 2015

Interpretation of Relevant Law

AMIIE is a Florida State not-for-profit corporation operating with its principal office located in the State of New York. AMIIE is subject to the enacted Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”), which set forth the standards under which endowment funds generally are to be managed, accumulated and appropriated for expenditure but consistent with explicit donor restrictions or stipulations where they exist. AMIIE classifies as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by AMIIE in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, AMIIE considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return on endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of AMIIE; and, the investment policy of AMIIE.

Return Objectives, Strategies Employed and Spending Policy

The objective of AMIIE is to maintain over a period of time the value of the amounts contributed. To this end, the endowment funds are managed by GMJF and are invested for total return in a diversified portfolio of stocks, bonds and alternative investments so as to prudently achieve long-term return objectives. AMIIE’s endowment funds spending policy is to disburse annually an amount equal to 5% of a fund’s average year-end balances for the prior three calendar years. As a measure of prudence, no such disbursements were made in 2015 given the losses sustained by these funds in prior periods due to market conditions.

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 is as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ <u>(10,370)</u>	\$ <u>-</u>	\$ <u>120,959</u>	\$ <u>110,589</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ <u>-</u>	\$ <u>575</u>	\$ <u>113,118</u>	\$ <u>113,693</u>

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Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 575	\$ 113,118	\$ 113,693
Investment return	5,324	-	-	5,324
Contributions	-	-	5,000	5,000
Transfers	(10,992)	-	2,841	(8,151)
Appropriation of endowment net assets for expenditure - spending policy	<u>(4,702)</u>	<u>(575)</u>	<u>-</u>	<u>(5,277)</u>
Endowment net assets, end of year	<u>\$ (10,370)</u>	<u>\$ -</u>	<u>\$ 120,959</u>	<u>\$ 110,589</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,566	\$ 113,514	\$ 116,080
Investment return	-	(1,991)	-	(1,991)
Contributions	-	-	5,000	5,000
Transfers	-	-	(5,396)	(5,396)
Appropriation of endowment net assets for expenditure - spending policy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 575</u>	<u>\$ 113,118</u>	<u>\$ 113,693</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires AMIIE to retain as a fund of permanent duration. In accordance with US GAAP, cumulative deficiencies of this nature are charged to unrestricted net assets and totaled \$10,370 as of December 31, 2016. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets.