

GOTBETTER AND WEINSTEIN

CERTIFIED PUBLIC ACCOUNTANTS

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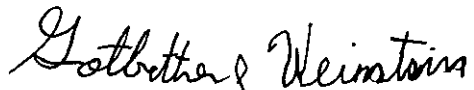
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Friends of Migdal Ohr.

We have audited the accompanying statement of financial position of American Friends of Migdal Ohr as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the period then ended. These financial statements are the responsibility of American Friends of Migdal Ohr management. Our responsibility is to express an opinion on the financial statements based on our audit. .

We have 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 whether the financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of Migdal Ohr as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



GOTBETTER AND WEINSTEIN, CPAs

May 20, 2011

AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF FINANCIAL POSITION

December 31	<u>2,010</u>	<u>Year Ended August 31, 2010</u>
Cash:		
United States of America	\$ 577,001	\$ 357,675
Pledges Receivable - Net	2,967,089	2,644,137
Investments and Accrued Interest	31,566	31,000
Prepaid Expenses and Other Assets	11,011	20,770
Property and Equipment, net	<u>-</u>	<u>346</u>
Total Assets	<u>\$ 3,586,667</u>	<u>\$ 3,053,928</u>
LIABILITIES AND NET ASSETS		
Current Liabilities - Accounts Payable and Accrued Expenses	\$ 61,565	\$ 30,483
Commitments		
Net Assets:		
Unrestricted	861,907	1,489,445
Temporarily Restricted	<u>2,663,195</u>	<u>1,534,000</u>
Net Assets	<u>3,525,102</u>	<u>3,023,445</u>
Total Liabilities and Net Assets	<u>\$ 3,586,667</u>	<u>\$ 3,053,928</u>

THE ACCOMPANYING LETTER OF TRANSMITTAL IS AN INTEGRAL PART OF THIS REPORT.

GOTBETTER AND WEINSTEIN
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF ACTIVITIES

(with summarized financial information for the year ended August 31, 2010)

Period September 1, 2010 to December 31, 2010

	Unrestricted	Temporarily Restricted	Total	Summarized Comparative Fiscal Year Ended August 31, 2010
Revenue, gains and other support:				
Contributions	\$ 199,305	\$ 1,129,195	1,328,500	\$ 4,489,770
Special Events	548,959		548,959	2,225,746
Dividend and Interest Income	1,415		1,415	1,779
Net assets released from restrictions: Satisfaction of program restrictions				
Total revenue, gains and other support	749,679	1,129,195	1,878,874	6,717,295
Expenses:				
Program services - Israel Migdal Ohr projects	815,647		815,647	2,920,659
Fund Raising:				
Direct Costs of special events	202,052		202,052	2,103,695
Other	226,097		226,097	612,054
Management and general	133,421		133,421	398,841
Total supporting services	561,570		561,570	3,114,590
Total expenses	1,377,217		1,377,217	6,035,249
Changes in net assets	(627,538)	1,129,195	501,657	682,046
Net assets at beginning of year	1,489,445	1,534,000	3,023,445	2,341,399
Net assets at end of year	\$ 861,907	\$ 2,663,195	\$ 3,525,102	\$ 3,023,445

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GOTBETTER AND WEINSTEIN
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF FUNCTIONAL EXPENSES

(with summarized financial information for the year ended August 31, 2009)

Period September 1, 2010 to December 31, 2010

	Supporting Services			Total	Summarized Comparative Fiscal Year Ended August 31, 2010
	Program Services	Fund- raising	Management and General		
Transmissions to Migdal Ohr - Israel	\$ 797,735			\$ 797,735	\$ 2,861,259
Salaries	16,543	\$ 63,165	\$ 86,548	166,256	552,739
Consultants		51,667		51,667	134,000
Payroll taxes, employee expenses	1,369	6,900	8,959	17,228	55,371
Professional Fees			186	186	13,500
Accounting Fees			10,000	10,000	4,381
Brochure - mailing campaign		21,068		21,068	67,054
Rent		13,979	5,991	19,970	64,035
Telephone		4,697	522	5,219	13,637
Postage and shipping		1,215	575	1,790	9,348
Office Supplies		3,650	7,299	10,949	13,508
Printing			7,912	7,912	15,402
Data Processing			248	248	1,569
Travel		12,782		12,782	46,298
Insurance			2,718	2,718	9,861
Equipment rental/maintenance		4,651	2,290	6,941	14,465
Credit card commissions		3,560		3,560	9,430
Website		1,668		1,668	28,403
Advertisement		36,922		36,922	16,806
Depreciation		173	173	346	488
	815,647	226,097	133,421	1,175,165	3,931,554
Direct Cost of special events		202,052		202,052	210,3695
Total Functional Expenses	\$ 815,647	\$ 428,149	\$ 133,421	\$ 1,377,217	\$ 6,389,957

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AMERICAN FRIENDS OF MIGDAL OHR

STATEMENT OF CASH FLOWS

Period September 1, 2010 to December 31, 2010	2,010	Summarized Comparative Fiscal Year Ended August 31, 2010
Cash flows from operating activities:		
Change in net assets	\$ 501,657	\$ 682,046
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) Decrease in Investments	(567)	
Depreciation	346	488
Decrease in value of trust fund		154,181
Changes in operating assets and liabilities:		
(Increase) Decrease in pledges receivable	(322,952)	(933,343)
(increase) Decrease in prepaid expenses and other assets	9,759	685,764
Increase (Decrease) in accounts payable and accrued expenses	31,083	(64,563)
Increase (Decrease) in Deferred Income	-	(610,584)
	<hr/>	<hr/>
Net Cash used in operating activities	219,326	(86,011)
Cash flows from investing activities:		
None		
Net increase (decrease) in cash	219,326	(86,011)
Cash at beginning of year	<hr/> 357,675	<hr/> 443,686
Cash at end of year	<hr/> <u>\$ 577,001</u>	<hr/> <u>\$ 357,675</u>

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GOTBETTER AND WEINSTEIN
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAL FRIENDS OF MIGDAL OHR

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1 ORGANIZATION
AND SIGNIFICANT
ACCOUNTING
POLICIES

American Friends of Migdal Ohr ("AFMO") was incorporated as a not-for-profit corporation in New York State on July 31, 1986. Its sole purpose is to raise funds for Migdal Ohr institutions in Israel that provide education and social guidance to children from underprivileged and problem homes. AFMO's primary source of funds is contributions from individuals.

AFMO is a not-for-profit organization incorporated under the laws of the State of New York. The Internal Revenue Service has determined that AFMO is exempt from federal income tax under Sections 501(c)(3) of the Internal Revenue Code.

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Investments are recorded at fair value, which is the prevailing market value, with the resulting change in unrealized gains or losses included in investment income on the statement of activities.

Depreciation of property and equipment is being computed by the straight line method over the estimated useful lives of the assets. All property and equipment purchases that are greater than \$500 are capitalized.

AFMO maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. AFMO has not experienced any losses in such accounts.

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AMERICAN FRIENDS OF MIGDAL OHR

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

December 31,	August 31,		Estimated Useful Life 3 to 5 years
	<u>2010</u>	<u>2010</u>	
Office Equipment	\$49,495	\$49,495	
Less: accumulated Depreciation	(49,495)	(49,149)	
Net book value	<u>\$ 0</u>	<u>\$ 346</u>	

Depreciation expense was \$346 for the period ended December 31, 2010 and \$488 for the fiscal year ended August 31, 2010..

4. INVESTMENTS:

Investments consist of the following:

December 31,	<u>2010</u>		Fiscal year ended August 31, 2010	
	Cost	Par Value	Cost	Par Value
Israel Bonds	\$31,000	\$31,000	\$31,000	\$31,000
Accrued Interest	<u>566</u>			
Total	<u>\$31,566</u>	<u>\$31,000</u>	<u>\$31,000</u>	<u>\$31,000</u>

5. PREPAID EXPENSES

Prepaid Insurance	\$2,970
Rent deposit as security	<u>8,041</u>
Total	<u>\$11,011</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. LEASE

On June 18, 2010 AFMO entered into a new noncancelable operating lease for office space. The provisions of the new lease provide for annual rentals from June 1, 2010 through May 31, 2015. The lease is subject to escalations for the Company's proportionate share of increases in real estate taxes and operating expenses. Future aggregate minimum lease payments under the lease are as follows:

Year ending May 31,

2111	\$48,243.15
2112	49,449.22
2113	50,685/57
2114	51,952.70
2115	53,251.52

Rent expense charged to operations for the period ended December 31, 2010 and the fiscal year ended August 31, 2010 amounted to \$19,970 and \$64,035 respectively.

7. CHANGE IN
ACCOUNTING
PERIOD

AFMO applied to the Internal Revenue Service and received permission to change its financial reporting period from a fiscal year ending August 31 to a calendar year ending December 31.

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