

Audited Financial Statements

Israel Children's Centers, Inc.

December 31, 2010 and 2009

ISRAEL CHILDREN'S CENTERS, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

INDEPENDENT AUDITOR'S REPORT 1

AUDITED FINANCIAL STATEMENTS

Statements of Financial Position 2
Statements of Activities 3
Statements of Cash Flows 4
Notes to Financial Statements 5

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information 20
Combining Schedules of Financial Position -
 Unrestricted Net Assets - By Fund 21
Combining Schedules of Activities -
 Unrestricted Net Assets - By Fund 22
Schedules of Supporting Services Expenses 23



CALER, DONTEN, LEVINE,
PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Israel Children's Centers, Inc.
Deerfield Beach, Florida

We have audited the accompanying statements of financial position of Israel Children's Centers, Inc. (the "Organization") as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Israel Children's Centers, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Caler, Donten, Levine,
Porter & Veil, P.A.*

March 21, 2011

ISRAEL CHILDREN'S CENTERS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 797,417	\$ 147,684	\$	\$ 945,101	\$ 174,728	\$ 142,891	\$	\$ 317,619
Investments		635,472	7,131,268	7,766,740	158,888	635,472	7,131,268	7,925,628
Investments, endowment fund	14,871,565			14,871,565	14,286,882			14,286,882
Interest receivable	53,685			53,685	77,173			77,173
Other receivables	1,796			1,796	13,283			13,283
Unconditional promises to give, net		1,451,081		1,451,081		1,340,378		1,340,378
Inventory	9,094			9,094	11,485			11,485
Prepaid expenses	7,039			7,039	11,572			11,572
Property and equipment, net	8,475			8,475	3,372			3,372
Annuity payments receivable	277,074			277,074	302,952			302,952
Cash surrender value of life insurance policies	240,774			240,774	228,368			228,368
TOTAL ASSETS	\$ 16,266,919	\$ 2,234,237	\$ 7,131,268	\$ 25,632,424	\$ 15,268,703	\$ 2,118,741	\$ 7,131,268	\$ 24,518,712
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable and accrued expenses	\$ 10,733	\$	\$	\$ 10,733	\$ 13,156	\$	\$	\$ 13,156
Revolving line of credit	1,300,000			1,300,000				0
Grants payable, net	655,991			655,991	297,735			297,735
Annuity liability under charitable gift annuities	799,026			799,026	834,571			834,571
TOTAL LIABILITIES	2,765,750	0	0	2,765,750	1,145,462	0	0	1,145,462
NET ASSETS	13,501,169	2,234,237	7,131,268	22,866,674	14,123,241	2,118,741	7,131,268	23,373,250
TOTAL LIABILITIES AND NET ASSETS	\$ 16,266,919	\$ 2,234,237	\$ 7,131,268	\$ 25,632,424	\$ 15,268,703	\$ 2,118,741	\$ 7,131,268	\$ 24,518,712

See notes to financial statements.

ISRAEL CHILDREN'S CENTERS, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Contributions	\$ 1,252,298	\$ 1,524,629	\$	\$ 2,776,927	\$ 984,853	\$ 681,281	\$	\$ 1,666,134
Net assets released from restrictions	1,176,034	(1,176,034)		0	1,068,202	(1,068,202)		0
TOTAL REVENUE AND OTHER SUPPORT	2,428,332	348,595	0	2,776,927	2,053,055	(386,921)	0	1,666,134
EXPENSES								
Program services								
Cash and program expenses transferred to Israel	4,210,088			4,210,088	2,455,480			2,455,480
Supporting services								
Management and general	461,100			461,100	429,616			429,616
Fundraising	375,617			375,617	405,292			405,292
	836,717	0	0	836,717	834,908	0	0	834,908
TOTAL EXPENSES	5,046,805	0	0	5,046,805	3,290,388	0	0	3,290,388
GAINS AND LOSSES								
Net investment income	2,014,298	144		2,014,442	2,803,992	418		2,804,410
Change in value of split-interest agreements	(30,303)			(30,303)	(21,320)			(21,320)
Change in cash surrender value of life insurance policies	12,406			12,406	10,733			10,733
Provision for uncollectible promises to give		(233,243)		(233,243)		(186,908)		(186,908)
TOTAL GAINS (LOSSES)	1,996,401	(233,099)	0	1,763,302	2,793,405	(186,490)	0	2,606,915
CHANGE IN NET ASSETS	(622,072)	115,496	0	(506,576)	1,556,072	(573,411)	0	982,661
Net assets at beginning of year	14,123,241	2,118,741	7,131,268	23,373,250	12,567,169	2,692,152	7,131,268	22,390,589
NET ASSETS AT END OF YEAR	\$ 13,501,169	\$ 2,234,237	\$ 7,131,268	\$ 22,866,674	\$ 14,123,241	\$ 2,118,741	\$ 7,131,268	\$ 23,373,250

See notes to financial statements.

ISRAEL CHILDREN'S CENTERS, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (506,576)	\$ 982,661
Adjustments to reconcile change in net assets to net cash used in operating activities		
Provision for uncollectible accounts	138,917	32,606
Depreciation	4,384	3,608
Net realized and unrealized gains	(1,498,083)	(2,186,387)
Change in value of split-interest agreements	30,303	21,320
Donor contributions of securities	(286,313)	(26,745)
Change in operating assets and liabilities		
Interest receivable	23,488	1,169
Other receivables	11,487	(9,272)
Unconditional promises to give	(249,620)	540,722
Inventory	2,391	4,678
Prepaid expenses	4,533	33,110
Annuity payments receivable	25,878	2,960
Accounts payable and accrued expenses	(2,423)	(11,652)
Grants payable	358,256	(217,826)
Annuity liability	(65,848)	(45,889)
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,009,226)</u>	<u>(874,937)</u>
INVESTING ACTIVITIES		
Change in cash surrender value of life insurance policies	(12,406)	(10,733)
Investment securities purchased	(6,407,239)	(2,817,559)
Proceeds from investment sales and maturities	7,765,840	2,128,852
Purchase of equipment	(9,487)	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,336,708</u>	<u>(699,440)</u>
FINANCING ACTIVITY		
Borrowings on revolving line of credit	1,300,000	0
NET CASH PROVIDED BY INVESTING ACTIVITY	<u>1,300,000</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	627,482	(1,574,377)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>317,619</u>	<u>1,891,996</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 945,101</u>	<u>\$ 317,619</u>
NONCASH INVESTING ACTIVITY		
Donor contributions of securities	<u>\$ 286,313</u>	<u>\$ 26,745</u>

See notes to financial statements.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose: Israel Children's Centers, Inc. (the "Organization"), a New York not-for-profit corporation, conducts fundraising activities to provide social and health programs for children of all economic backgrounds. Tennis is used as a most effective vehicle to develop children's self-esteem, socialization and sportsmanship skills, as well as teaching the "art" of cooperation among the children. The Organization fulfills this purpose primarily by making grants of cash and other services to cover certain programs of the Israel Tennis Center (ITC), an Israeli corporation, which operates fourteen tennis centers in Israel. ITC - similar to boys and girls clubs - reaches out to Israel's vastly diverse population of children. Officers and directors of the Organization travel, at their own expense, to Israel and, as necessary, other locations periodically to review the spending activities and operations of ITC.

Basis of Presentation: The financial statements of the Organization are prepared on the accrual basis of accounting. Net assets are reported as unrestricted or restricted depending on the existence of restrictions imposed by external parties or applicable law as to the use of net assets for specific purposes or for specified periods of time.

Cash Equivalents: The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note D for discussion of fair value measurements). Unrealized gains and losses are included in the change in net assets. Investment income (including interest, dividends, and realized and unrealized gains and losses) is reported as unrestricted or temporarily restricted, depending on the existence of donor imposed restrictions on the income from the investments. Restricted gains and investment income whose restrictions are met in the same reporting period are recorded as unrestricted.

The Organization entered into a repurchase agreement with a financial institution in which funds are invested overnight in order to maximize investment income. The repurchase agreements are uninsured and no collateral is required. During the year ended December 31, 2010, the Organization cancelled this repurchase agreement. As of December 31, 2010 and 2009, \$0 and \$158,888 respectively, was held in overnight security investments.

Promises to Give: Unconditional promises to give are primarily due from individuals throughout the country and are unsecured. The Organization had no conditional promises to give. Planned giving promises to give are not recognized as contributions in the financial statements since these are not susceptible to objective measurement or valuation.

The Organization uses the allowance method to determine the estimated unconditional promises to give that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventory: Inventory consists of exhibition merchandise and is stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment: The Organization capitalizes all purchases of property and equipment with a cost of \$1,000 or more and a useful life in excess of one year. Property and equipment is stated at cost if

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

purchased or fair value if contributed and is depreciated using the straight-line method over the estimated useful lives of the respective assets (3 to 5 years).

Grants Payable: Grants are recognized when they are approved by the Board of Directors. Grants payable in more than one year are discounted to their net present value at the time the grants are approved.

Unrestricted Net Assets: Unrestricted net assets are not subject to donor-imposed stipulations. The Organization's unrestricted net assets are accounted for in the General Fund, the Planned Giving Fund, and the Endowment Fund. The General Fund reports all activities related to ongoing operations of the Organization. This fund includes all unrestricted contributions received, expenses related to the transfer of assets to ITC, and the payment of ordinary operating expenses. At December 31, 2010 and 2009, the General Fund had deficiencies in net assets of \$64,265 and \$364,638, respectively.

The Planned Giving Fund was established to record contributions and related expenditures generated through planned gifts. This fund allows donors to make contributions through charitable gift annuities and life insurance contracts. Gifts to this fund are considered part of the General Fund's endowment account.

In addition, the Organization's Board of Directors established the Endowment Fund within the unrestricted funds through a permanent transfer from the General Fund. The principal balance in this fund is to be maintained unless otherwise designated by the Board. Periodic transfers have also been made from the General Fund into the Endowment Fund. At December 31, 2010 and 2009, board-designated assets for endowment purposes consisting of the net assets in the Planned Giving Fund and the Endowment Fund totaled \$14,852,609 and \$14,187,506 respectively.

Temporarily Restricted Net Assets: Temporarily restricted net assets are subject to donor-imposed restrictions that can be fulfilled by actions of the Organization or by time restrictions pursuant to the donor-imposed restrictions. The Organization's temporarily restricted net assets are accounted for in the Eisenberg Challenger Fund, the Ben B. and Joyce E. Eisenberg Fund, and the Liza and Larry Krulik Fund. Contributions of cash and other assets are recognized when received from the donor.

The Eisenberg Challenger Fund and Ben B. and Joyce E. Eisenberg Fund were established in connection with the permanently restricted Eisenberg Funds. The purpose of these funds is to account for the income of the permanently restricted funds, which is to be used to fund a tennis tournament, the Eisenberg Challenger Cup, and the operations of the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center.

In 1995, the Organization created the Liz and Larry Krulik Fund, upon the request of the two contributors, with a contribution of stock valued at \$500,000 on the date of the donation. The purpose of this fund is to sponsor two International Junior Tennis Tournaments in Israel in connection with the International Tennis Federation's world circuit for children.

Permanently Restricted Net Assets: Permanently restricted net assets are restricted by donor restrictions to investments in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. The Organization's permanently restricted net assets consist of the Eisenberg Challenger Fund and the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Eisenberg Challenger Fund was established in 1990 upon the request of a donor. It was created with a donation of \$1,000,000, of which \$500,000 was subsequently released by the donors to be used for operations. The income generated from this fund is to be used to fund a tennis tournament, the Eisenberg Challenger Cup, in Israel.

In 1992, the Organization established the Ben B. and Joyce E. Eisenberg Fund at the request of the donor. The purpose of this fund is to finance the operations of the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center. The fund was established by a \$2,000,000 promise to give, the entire amount of which has been paid. A second promise to give in the amount of \$5,000,000 has also been fully paid, of which \$500,000 was subsequently released by the donors to be used for operations. The income generated from this fund is to be used first to fund the operations of the Ben B. and Joyce E. Eisenberg Jerusalem Tennis Center and the remainder, if any, is to be added to the General Fund.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to a concentration of credit risk are cash and cash equivalents. The Organization maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed federally-insured limits. At December 31, 2010 and 2009, bank deposit balances exceeded Federal Depository Insurance limits by approximately \$145,000 and \$0, respectively. Money market deposits with the Organization's broker dealer are insured up to \$500,000 by SIPC insurance. At December 31, 2010 and 2009, money market deposits did not exceed insurance limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash equivalents.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or there is an implied time restriction on the use of the assets, as in the case of unconditional promises to give. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Contributed goods and contributed services meeting certain criteria are recorded as contributions at their estimated fair value at the date of receipt. Contributed services are recognized as contributions at their estimated fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year (primarily for fundraising) that are not recognized as contributions in the financial statements since these are not susceptible to objective measurement or valuation. No amounts have been recognized in the accompanying financial statements for contributed services for the years ending December 31, 2010 and 2009.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values as of the date of donation. Donated property and equipment is recorded at estimated fair value as of the date of donation. During 2010 and 2009, the Organization received noncash donations with estimated fair market values of \$286,313 and \$26,745, respectively.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

been allocated among the program and supporting services benefited.

Income Taxes: The Organization is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is taxed on unrelated business income. There was no unrelated business income during the years ended December 31, 2010 and 2009.

The Organization evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax-exempt not-for-profit entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Organization has any significant uncertain tax positions that would be material to the financial statements. The Organization remains subject to examinations by major tax jurisdictions for tax years ending after December 31, 2006.

Reclassifications: Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation.

Subsequent Events: The Organization has evaluated subsequent events through March 21, 2011, which is the date the financial statements were available to be issued.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

NOTE B - INVESTMENTS

Investments and net investment income consist of the following for 2010 and 2009:

	2010	2009
<u>Investments at Fair Value</u>		
Repurchase agreement	\$ 0	\$ 158,888
State of Israel bonds	8,266,608	8,300,567
Common stocks and equity mutual funds	11,066,913	9,282,445
Corporate bonds and bond funds	1,202,785	1,466,161
Alternative investments	<u>2,101,999</u>	<u>3,004,449</u>
Total Investments	<u>\$ 22,638,305</u>	<u>\$ 22,212,510</u>
<u>Investment Income</u>		
Interest and dividend income	\$ 570,032	\$ 656,956
Net realized losses	(400,234)	(312,084)
Net unrealized gains	1,898,317	2,498,471
Less management fees	<u>(53,673)</u>	<u>(38,933)</u>
Net Investment Income	<u>\$ 2,014,442</u>	<u>\$ 2,804,410</u>

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE B - INVESTMENTS (Continued)

At December 31, 2010 and 2009, alternative investments represent approximately 9.3% and 13.5%, respectively, of the Organization's total investment portfolio. These investments are not publicly traded and do not have readily determinable fair values. Accordingly, the fair values of these investments have been estimated by management based on the net asset value per share (or its equivalent, such as member units or an ownership interest in partner's capital to which a proportionate share of net assets is attributed) of the investment as provided by the respective fund managers. Such amounts could differ significantly from the amounts that could be realized in a current transaction.

The Organization's alternative investments consisted of the following as of December 31, 2010 and 2009:

	Fair Value as of		Unfunded	Redemption	Redemption
	December 31,	December 31,	Commitments as of	Frequency	Notice
	2010	2009	December 31, 2010		Period
MUUS Independence Fund LP	\$ 162,218	\$ 1,100,406	\$ 0	Suspended	N/A
Cerberus International II, Ltd	1,170,291	1,219,848	0	Semi-annually	120 days
NB Crossroads Fund XVII - Asset Allocation LP	384,442	364,665	50,000	No Redemptions	N/A
NB Crossroads Fund XVIII - Asset Allocation LP	<u>385,048</u>	<u>319,530</u>	<u>75,000</u>	No Redemptions	N/A
	<u>\$ 2,101,999</u>	<u>\$ 3,004,449</u>	<u>\$ 125,000</u>		

MUUS Independence Fund LP ("MUUS"): MUUS is a limited liability partnership that invests in a diversified group of investment funds managed by independent advisors and other securities. In April 2008, in an effort to consolidate MUUS's investment positions and facilitate an orderly liquidation of MUUS, the majority of MUUS's assets were contributed to Diversified Arbitrage Strategies, LP (DAS). In January 2010, the Organization redeemed the portion of its capital account related to the DAS investment. In March 2008, MUUS liquidated an investment account held with Bernard L. Madoff Investments Securities LLC ("BLMIS"). In December 2008, the U.S. Securities and Exchange Commission (the "SEC") charged BLMIS with securities fraud for a multi-billion dollar Ponzi scheme perpetrated on clients of BLMIS. The U.S. Bankruptcy Code allows the court appointed Trustee to file claw back lawsuits against investors who made withdrawals prior to the date charges were filed. MUUS has fully complied with all subpoenas received and the Trustee has not made claims to recover redeemed investments from MUUS. The ultimate outcome of the aforementioned matter or claims made by the BLMIS receiver for any amounts previously received by MUUS, has yet to be determined and cannot be estimated. Distributions of the remaining balance in MUUS have been suspended until the BLMIS issue has been resolved. Management believes the remaining amount will be fully recovered.

Cerberus International II, Ltd ("Cerberus II"): Cerberus II is a corporation that invests in publicly traded or privately issued debt, equity and equity-related securities, bank debt, mortgage-backed securities, asset-backed securities, other structured finance instruments, pools of loans, loans to distressed companies, distressed real estate and real estate-related securities (including debt secured by real estate). The investment objective of Cerberus II is to maximize total return on capital by seeking capital appreciation and, from time to time, current income, through the development and management of a

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE B - INVESTMENTS (Continued)

portfolio consisting of a broad range of distressed investments. The Organization may redeem up to 16.67% of its capital account balance as of any semi-annual redemption date with 120 days notice. Redemptions in excess of 16.67% will be satisfied over no more than five successive redemption dates in amounts up to 20%, 25%, 33.33%, 50% and 100% of the Organization's remaining account balance on each successive redemption date, respectively.

NB Crossroads Fund XVII - Asset Allocation LP and NB Crossroads Fund XVIII - Asset Allocation LP: These limited partnerships were formed for the purpose of acquiring, holding, selling and exchanging, either directly or indirectly, interests in limited partnerships or other pooled investment vehicles that are organized to make investments in venture capital, mid-cap buyout, large-cap buyout, and special situation investment funds, as well as securities, including co-investments. The investment in NB Crossroads Fund XVII - Asset Allocation LP cannot be redeemed until termination of the partnership on March 31, 2015, or prior liquidation at the discretion of management of the fund. The investment in NB Crossroads Fund XVIII - Asset Allocation LP cannot be redeemed until termination of the partnership on March 31, 2017, or prior liquidation at the discretion of management of the fund.

In addition to liquidity risks, these alternative investments expose the Organization to certain risks, including counterparty risks, foreign political, economic, and governmental risks, and market risk.

The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities collateralized by mortgage obligations, commercial mortgage backed securities, and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give generally consist of pledges from donors that will be received over a period of three to five years. These unconditional promises are reported at fair value initially and in subsequent periods because the Organization elected the fair value option in accordance with U.S. generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

When estimating the fair value of unconditional promises to give, management considers the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness and incorporates these factors into a fair value measurement computed using present value techniques. Management also considers general economic conditions, the Organization's policies concerning enforcement of promises to give, and market interest rate assumptions. The interest element resulting from amortization of the discount for the time value of money is reported as contribution revenue.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE C - UNCONDITIONAL PROMISES TO GIVE (Continued)

At December 31, 2010 and 2009, unconditional promises to give consisted of the following:

	<u>2010</u>	<u>2009</u>
Unconditional promises to give, due in:		
Less than one year	\$ 958,382	\$ 976,871
One to five years	855,304	593,937
More than five years	<u>11,389</u>	<u>0</u>
Total unconditional promises to give	1,825,075	1,570,808
Allowance for uncollectible pledges	(318,458)	(179,541)
Present value discount	<u>(55,536)</u>	<u>(50,889)</u>
Unconditional promises to give, net	<u>\$ 1,451,081</u>	<u>\$ 1,340,378</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.71% and 3.25% for the years ending December 31, 2010 and 2009, respectively.

NOTE D - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the entity has the ability to access at the measurement date. The types of financial instruments included in Level 1 are generally highly liquid investments with quoted prices on exchanges and over-the-counter markets with sufficient volume.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the assets or liabilities.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The fair value measurement of an asset or liability 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.

Fair Value of Financial Instruments: The following methods and assumptions were used by the Organization in estimating the fair value of financial instruments that are not disclosed under FASB ASC 820:

Cash and cash equivalents: The carrying amounts reported in the statements of financial position approximate the estimated fair values.

Interest receivable, other receivable and other assets: The carrying amounts reported in the statements of financial position approximate the estimated fair values due to the short-term nature of the amounts.

Annuity payments receivable: Valued initially at the discounted cash flows of the estimated future receipts.

Accounts payable and accrued expenses: The carrying amounts reported in the statements of financial position approximate the estimated fair values because of their short-term duration.

Revolving line of credit: The carrying amounts in the statements of financial position approximate the estimated fair value because of the short-term interest rate on the note.

Grants payable: Valued initially at the discounted cash flows of the estimated future payments to grantees.

Annuity liability: Valued initially at the discounted cash flows of the estimated future payments to donors.

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Organization in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820:

Common stocks and mutual funds, corporate bonds and bond funds and repurchase agreement: Valued at the closing price reported on the active market on which the individual securities are traded.

State of Israel Bonds: Valued at par which approximates fair value.

Alternative Investments: Valued using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment made available by the fund manager or administrator at the valuation date.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Unconditional promises to give: Valued at the discounted cash flows of the estimated future payments to be received which approximates fair value.

Cash Surrender Value of Life Insurance Policies: Valued at the amount to be received from the insurer based on the contract amount of the insurance discounted at the insurer's interest rate over the insured's life expectancy.

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 the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at December 31, 2010 and 2009.

Fair Value of Assets and Liabilities: The following table sets forth by level within the fair value hierarchy, the fair value of the Organization's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2010 and 2009:

	Fair Value at December 31, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
State of Israel bonds	\$ 8,266,608	\$	\$	\$ 8,266,608
Common stocks and equity mutual funds	11,066,913			11,066,913
Corporate bonds and bond funds	1,202,785			1,202,785
Alternative investments			2,101,999	2,101,999
Unconditional promises to give			1,451,081	1,451,081
Cash surrender value of life insurance policies		240,774		240,774
Total Fair Value	<u>\$ 20,536,306</u>	<u>\$ 240,774</u>	<u>\$ 3,553,080</u>	<u>\$ 24,330,160</u>
	Fair Value at December 31, 2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Repurchase agreement	\$ 158,888	\$	\$	\$ 158,888
State of Israel bonds	8,300,567			8,300,567
Common stocks and equity mutual funds	9,282,445			9,282,445
Corporate bonds and bond funds	1,466,161			1,466,161
Alternative investments			3,004,449	3,004,449
Unconditional promises to give			1,340,378	1,340,378
Cash surrender value of life insurance policies		228,368		228,368
Total Fair Value	<u>\$ 19,208,061</u>	<u>\$ 228,368</u>	<u>\$ 4,344,827</u>	<u>\$ 23,781,256</u>

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and Losses: The following table presents a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2010 and 2009:

<u>Alternative Investments</u>	<u>2010</u>	<u>2009</u>
Balance at January 1	\$ 3,004,449	\$ 3,184,074
Realized gains	41,190	21,416
Change in unrealized gains/losses for assets held at year-end	160,560	(91,979)
Purchases, sales, issuances, and settlements, net	<u>(1,104,200)</u>	<u>(109,062)</u>
Balance at December 31	<u>\$ 2,101,999</u>	<u>\$ 3,004,449</u>
 <u>Unconditional Promises to Give</u>		
Balance at January 1	\$ 1,340,378	\$ 1,913,706
New promises received	1,523,276	646,635
Collections	(1,184,683)	(1,066,202)
Contribution revenue (discount)	(4,647)	33,147
Gains and losses (write-offs)	<u>(223,243)</u>	<u>(186,908)</u>
Balance at December 31	<u>\$ 1,451,081</u>	<u>\$ 1,340,378</u>

Realized gains and losses and the changes in unrealized gains and losses for Level 3 assets held at year-end are included in gains and losses in the accompanying statements of activities for the years ended December 31, 2010 and 2009.

NOTE E - PROPERTY AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 59,709	\$ 61,442
Office equipment	6,814	6,814
Furniture and fixtures	<u>10,642</u>	<u>16,957</u>
	77,165	85,213
Less accumulated depreciation	<u>(68,690)</u>	<u>(81,841)</u>
TOTAL	<u>\$ 8,475</u>	<u>\$ 3,372</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$4,384 and \$3,608, respectively.

NOTE F - CHARITABLE GIFT ANNUITIES

From time to time, the Organization receives gifts under charitable gift annuities, whereby the donor contributes assets to the Organization in exchange for a promise by the Organization to pay a fixed

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE F - CHARITABLE GIFT ANNUITIES (Continued)

amount for a specified period of time to the donor or parties designated by the donor. The present value of the Organization's annuity payment obligation to donors at December 31, 2010 and 2009 totaled \$799,026 and \$834,571, respectively.

To minimize the risks associated with some of its charitable gift annuities, the Organization purchased annuity contracts as a way of fixing its stream of annuity payments to match its corresponding liabilities. The income stream generated by these annuity contracts matches the Organization's obligations to its donors under the charitable gift annuities. The annuity contract is recorded in the Statements of Financial Position in the amount of \$277,074 and \$302,952 at December 31, 2010 and 2009, respectively, as annuity payments receivable. The annuity payments receivable are valued initially at the present value of the estimated future stream of payments to be received. These annuity contracts do not relieve the Organization from its obligations to its donors. Failure of the underlying insurance company to honor their obligations could result in losses to the Organization. The Organization evaluates the financial condition of its insurance company and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the insurance company to minimize its exposure to significant losses from insolvencies. As of December 31, 2010 and 2009 the Organization does not believe an allowance for amounts deemed uncollectible is necessary.

All other Charitable Gift Annuity assets are held by Northern Trust Bank under an agreement whereby they maintain custody of the assets, invest them, and disburse annual annuity payments to the donors. The annual annuity payment amounts are derived based on uniform gift annuity rates as adopted by the American Council on Gift Annuities. The present value of the annuity payment obligation was calculated using Ordinary Life Annuities - Expected Return Multiple Tables published by the Internal Revenue Service and discount rates ranging from 5.4% to 9.7%.

Adjustments to the annuity liability reflect amortization of the discounts and changes in the life expectancies of the donors and are recognized as changes in the value of split-interest agreements in unrestricted net assets. Upon the death of the donors, the corresponding annuity liability will be closed and a change in the value of split-interest agreements will be recognized.

NOTE G - REVOLVING LINE OF CREDIT

The Organization entered into a \$500,000 revolving line of credit agreement with a lending institution in October 2008. In August 2010, the line of credit was increased to \$1,500,000. The line bears interest at the bank's prime rate less 0.5 percentage points per annum (2.75% at December 31, 2010). Payments of interest only are due monthly. The line matures on August 17, 2013, at which time the outstanding principal and any accrued interest is to be paid in full. The line is secured by certain investments held by the Organization in an investment management account, with a carrying value at December 31, 2010 and 2009 of approximately \$9,808,000 and \$1,471,000, respectively. As of December 31, 2010 and 2009, the outstanding principal balance on the line of credit was \$1,300,000 and \$0, respectively.

Interest costs totaling \$15,815 and \$1,992 were incurred by the Organization in 2010 and 2009, respectively, all of which was charged to expense. Interest paid in 2010 and 2009 totaled \$12,737 and \$1,846, respectively.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE H - GRANTS PAYABLE

At December 31, 2010 and 2009, grants payable consisted of the following:

	<u>2010</u>	<u>2009</u>
Grants payable in:		
Less than one year	\$ 660,000	\$ 216,500
One to two years	<u>0</u>	<u>86,500</u>
Total grants payable	660,000	303,000
Less discount on long-term grants payable	<u>(4,009)</u>	<u>(5,265)</u>
Grants payable, net	<u>\$ 655,991</u>	<u>\$ 297,735</u>

Grants payable in more than one year have been discounted using an interest rate of 2.75% for the years ending December 31, 2010 and 2009.

NOTE I - RESTRICTED NET ASSETS

Restricted net assets consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>Temporarily Restricted</u>		
Unconditional promises to give, net	\$ 1,451,081	\$ 1,340,378
Support of international junior tennis tournaments	635,472	635,472
Advanced tennis programs	<u>147,684</u>	<u>142,891</u>
	<u>\$ 2,234,237</u>	<u>\$ 2,118,741</u>
<u>Permanently Restricted</u>		
Sponsorship of Eisenberg Challenger Cup in Israel	\$ 573,604	\$ 573,604
Support of ITC's Jerusalem Tennis Center and general operational expenses	<u>6,557,664</u>	<u>6,557,664</u>
	<u>\$ 7,131,268</u>	<u>\$ 7,131,268</u>

NOTE J - ENDOWMENTS

The Organization's endowments consist of a number of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE J - ENDOWMENTS (Continued)

The State of Florida has not enacted UPMIFA, but follows the Florida Uniform Management of Institutional Funds Act (FUMIFA) that governs the investment and management of donor-restricted endowment funds by Florida educational institutions. The legal restrictions of FUMIFA do not apply to non-educational institutions, such as the Organization. In the absence of explicit laws governing the investment and management of donor-restricted endowment funds, the Organization seeks to preserve the fair value of the original gift as of the gift date of its donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization classifies as temporarily restricted net assets (a) the portion of donor-restricted term endowment funds that is deemed to be restricted over a donor-specified period and (b) the portion of donor-restricted endowment funds with donor-imposed purpose restrictions that have not yet been met. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition at December 31, 2010 included \$14,852,609 of board-designated endowment funds included in unrestricted net assets and \$7,131,268 of donor-restricted endowment funds included in permanently restricted net assets. Endowment net asset composition at December 31, 2009 included \$14,187,506 of board-designated endowment funds included in unrestricted net assets and \$7,131,268 of donor-restricted endowment funds included in permanently restricted net assets.

The following schedule summarizes the changes in endowment net assets for the fiscal years ended December 31, 2010 and 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, January 1, 2009	\$ 12,931,807	\$ 7,131,268	\$ 20,063,075
Investment return:			
Investment income	656,178		656,178
Net depreciation (realized and unrealized)	2,186,247		2,186,247
Less management fees	<u>(38,858)</u>		<u>(38,858)</u>
Total investment return	2,803,567	0	2,803,567
Expenditure of endowment assets	(1,500,000)		(1,500,000)

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE J - ENDOWMENTS (Continued)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Other changes:			
Contributions	\$ 25,000	\$	\$ 25,000
Change in value of split-interest agreement	(21,320)		(21,320)
Change in cash surrender value of life insurance policies	10,733		10,733
Transfers to add to board-designated endowment funds	3,667		3,667
Transfers to remove board-designated endowment funds	<u>(65,948)</u>	<u> </u>	<u>(65,948)</u>
Endowment net assets, December 31, 2009	14,187,506	7,131,268	21,318,774
Investment return:			
Investment income	569,519		569,519
Net appreciation (realized and unrealized)	1,495,644		1,495,644
Less management fees	<u>(53,578)</u>	<u> </u>	<u>(53,578)</u>
Total investment return	2,011,585	0	2,011,585
Expenditure of endowment assets	(1,500,000)		(1,500,000)
Other changes:			
Contributions	33,039		33,039
Change in value of split-interest agreement	(30,303)		(30,303)
Change in cash surrender value of life insurance policies	12,406		12,406
Transfers to add to board-designated endowment funds	171,415		171,415
Transfers to remove board-designated endowment funds	<u>(33,039)</u>	<u> </u>	<u>(33,039)</u>
Endowment net assets, December 31, 2010	<u>\$ 14,852,609</u>	<u>\$ 7,131,268</u>	<u>\$ 21,983,877</u>

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the original gift as of the gift date of its donor-restricted endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified purpose, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce the maximum yield possible, while assuming a relatively low level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Annual Allocation to the Israel Tennis Centers from the Endowment Fund shall be determined based on a three-year rolling

ISRAEL CHILDREN'S CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE J - ENDOWMENTS (Continued)

average of the market value of the Endowment Fund (as of June 30 each year), multiplied by an Endowment Committee recommended spending rate of between 3% and 5%, considering earnings, total return and other market considerations. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain its original (gifted) value, spend the income earned on the endowment assets and not spend any of the endowment principal.

NOTE K - OPERATING LEASE COMMITMENT

The Organization entered into a noncancellable operating lease agreement for office space that was originally set to expire in July 2010. The lease provided for two, two-year renewal options, the first of which the Organization exercised in August 2009, effectively extending the expiration date of the lease to July 2012. Rent expense for the years ended December 31, 2010 and 2009 was \$33,577 and \$34,654, respectively.

Future minimum rental payments under this operating lease as of December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 23,540
2012	<u>13,969</u>
	<u>\$ 37,509</u>

NOTE L - RELATED PARTY TRANSACTIONS

Promises to Give: As of December 31, 2010 and 2009, the Organization has recorded unconditional promises to give from members of the Board of Directors totaling \$581,801 and \$520,070, respectively.

Transfers to Israel Tennis Center: The Organization transferred approximately \$3,800,000 and \$2,500,000 in cash and program related expenses to Israel Tennis Center during 2010 and 2009, respectively.

NOTE M - EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution pension plan for all full-time employees. Full-time employees are eligible for participation in the plan the first day of the month after they are employed. The Organization elected not to contribute to the plan in 2010 and 2009.

SUPPLEMENTARY INFORMATION



CALER, DONTEN, LEVINE,
PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Israel Children's Centers, Inc.
Deerfield Beach, Florida

Our report on our audit of the basic financial statements of Israel Children's Centers, Inc. for 2010 and 2009 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 21-23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Caler, Donten, Levine,
Porter & Veil, P.A.*

March 21, 2011

ISRAEL CHILDREN'S CENTERS, INC.

COMBINING SCHEDULES OF FINANCIAL POSITION -
UNRESTRICTED NET ASSETS - BY FUND

December 31, 2010 and 2009

	2010				2009			
	General Fund	Planned Giving Fund	Endowment Fund	Total Unrestricted Net Assets	General Fund	Planned Giving Fund	Endowment Fund	Total Unrestricted Net Assets
ASSETS								
Cash and cash equivalents	\$ 588,880	\$ (1,442)	\$ 209,979	\$ 797,417	\$ 48,026	\$ 2,813	\$ 123,889	\$ 174,728
Investments	0			0	158,888			158,888
Investments, endowment fund		1,537,289	13,334,276	14,871,565		1,526,518	12,760,364	14,286,882
Interest receivable		547	53,138	53,685		485	76,688	77,173
Other receivables	1,796			1,796	13,283			13,283
Inventory	9,094			9,094	11,485			11,485
Prepaid expenses	7,039			7,039	11,572			11,572
Property and equipment, net	8,475			8,475	3,372			3,372
Annuity payments receivable	277,074			277,074	302,952			302,952
Cash surrender value of life insurance policies		240,774		240,774		228,368		228,368
TOTAL ASSETS	\$ 892,358	\$ 1,777,168	\$ 13,597,393	\$ 16,266,919	\$ 549,578	\$ 1,758,184	\$ 12,960,941	\$ 15,268,703
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable and accrued expenses	\$ 10,733	\$	\$	\$ 10,733	\$ 13,156	\$	\$	\$ 13,156
Revolving line of credit	1,300,000			1,300,000				0
Grants payable, net	655,991			655,991	297,735			297,735
Annuity liability under charitable gift annuities	277,074	521,952		799,026	302,952	531,619		834,571
TOTAL LIABILITIES	2,243,798	521,952	0	2,765,750	613,843	531,619	0	1,145,462
NET ASSETS (DEFICIT)	(1,351,440)	1,255,216	13,597,393	13,501,169	(64,265)	1,226,565	12,960,941	14,123,241
TOTAL LIABILITIES AND NET ASSETS	\$ 892,358	\$ 1,777,168	\$ 13,597,393	\$ 16,266,919	\$ 549,578	\$ 1,758,184	\$ 12,960,941	\$ 15,268,703

ISRAEL CHILDREN'S CENTERS, INC.

COMBINING SCHEDULES OF ACTIVITIES -
UNRESTRICTED NET ASSETS - BY FUND

Years Ended December 31, 2010 and 2009

	2010				2009			
	General Fund	Planned Giving Fund	Endowment Fund	Total Unrestricted Net Assets	General Fund	Planned Giving Fund	Endowment Fund	Total Unrestricted Net Assets
REVENUE AND OTHER SUPPORT								
Contributions	\$ 1,219,259	\$ 33,039	\$	\$ 1,252,298	\$ 959,853	\$	\$ 25,000	\$ 984,853
Net assets released from restrictions	1,037,658	(33,039)	171,415	1,176,034	1,130,483	3,667	(65,948)	1,068,202
TOTAL REVENUE AND OTHER SUPPORT	2,256,917	0	171,415	2,428,332	2,090,336	3,667	(40,948)	2,053,055
EXPENSES								
Program services								
Cash and program expenses transferred to Israel								
	2,710,088		1,500,000	4,210,088	955,480		1,500,000	2,455,480
	2,710,088	0	1,500,000	4,210,088	955,480	0	1,500,000	2,455,480
Supporting services								
Management and general								
	461,100			461,100	429,616			429,616
Fundraising								
	375,617			375,617	405,292			405,292
	836,717	0	0	836,717	834,908	0	0	834,908
TOTAL EXPENSES	3,546,805	0	1,500,000	5,046,805	1,790,388	0	1,500,000	3,290,388
GAINS AND LOSSES								
Net investment income (loss)	2,713	46,548	1,965,037	2,014,298	425	(903)	2,804,470	2,803,992
Change in value of split-interest agreement		(30,303)		(30,303)		(21,320)		(21,320)
Change in cash surrender value of life insurance policies		12,406		12,406		10,733		10,733
TOTAL GAINS (LOSSES)	2,713	28,651	1,965,037	1,996,401	425	(11,490)	2,804,470	2,793,405
CHANGE IN NET ASSETS	(1,287,175)	28,651	636,452	(622,072)	300,373	(7,823)	1,263,522	1,556,072
Net assets (deficit) at beginning of year	(64,265)	1,226,565	12,960,941	14,123,241	(364,638)	1,234,388	11,697,419	12,567,169
NET ASSETS (DEFICIT) AT END OF YEAR	\$ (1,351,440)	\$ 1,255,216	\$ 13,597,393	\$ 13,501,169	\$ (64,265)	\$ 1,226,565	\$ 12,960,941	\$ 14,123,241

ISRAEL CHILDREN'S CENTERS, INC.

SCHEDULES OF SUPPORTING SERVICES EXPENSES

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
MANAGEMENT AND GENERAL		
Salaries and employee benefits	\$ 226,473	\$ 225,930
Dues and subscriptions	896	1,361
Audit fees	37,750	38,200
Professional fees	20,500	0
Meetings	20,419	38,657
Rent and utilities	36,013	37,891
Insurance	13,884	13,382
Telephone	18,185	15,748
Office supplies and expense	12,627	6,931
Interest expense and bank charges	33,770	18,336
Computer supplies, support and consulting fees	11,635	13,102
Postage and mailing	4,193	5,846
Travel	113	315
Printing and publicity	273	810
Depreciation	4,384	3,608
Taxes	1,396	1,831
Other	18,589	7,668
	<u>\$ 461,100</u>	<u>\$ 429,616</u>
FUNDRAISING		
Salaries and employee benefits	\$ 266,544	\$ 266,543
Exhibitions and events	61,492	49,841
Donor recognition	5,943	7,668
Printing and publicity	9,291	12,150
Marketing	17,840	18,223
Newsletter	0	11,363
Miscellaneous	0	28,542
Travel	8,349	5,554
Postage and mailing	6,158	5,408
	<u>\$ 375,617</u>	<u>\$ 405,292</u>