

**Holy Land Christian Ecumenical Foundation, Inc.
Consolidated Financial Statements
December 31, 2015**

With Independent Auditors' Report Thereon



Holy Land Christian Ecumenical Foundation, Inc.
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Independent Auditors' Report

To The Board of Directors
Holy Land Christian Ecumenical Foundation, Inc.
Bethesda, Maryland

We have audited the accompanying consolidated statement of financial position of the Holy Land Christian Ecumenical Foundation, Inc. as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Holy Land Christian Ecumenical Foundation, Bethlehem (see Note 1), a wholly owned subsidiary, which statements reflect total assets of \$204,155, as of December 31, 2015, and the total support and revenues of \$1,211,246, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Holy Land Christian Ecumenical Foundation, Bethlehem, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Holy Land Christian Ecumenical Foundation, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

August 10, 2016
Rockville, Maryland

Arthur & Company, Chartered

Holy Land Christian Ecumenical Foundation, Inc.
Consolidated Statement of Financial Position
December 31, 2015

Assets

Current Assets	
Cash and cash equivalents	\$ 132,420
Investments	84,595
Receivables	52,408
Inventory	46,707
Prepaid expense	10,165
Total current assets	326,295
Property and Equipment, net	77,998
Other Assets	
Security deposit	4,320
Total Assets	\$ 408,613

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 207,005
Accrued expenses	55,826
Deferred revenue	7,140
Current portion of note payable	76,199
Total current liabilities	346,170
Long-Term Liabilities	
Note payable, net of current portion	65,701
Total Liabilities	411,871
Net Assets	
Unrestricted	(41,993)
Temporarily restricted	38,735
Total net assets	(3,258)
Total Liabilities and Net Assets	\$ 408,613

The accompanying notes are an integral part of the consolidated financial statements

Holy Land Christian Ecumenical Foundation, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Donations and grants	\$ 1,540,604	\$ 38,735	1,579,339
Sales of Holy Land gift items	515,384	-	515,384
Other investment losses	(15,037)	-	(15,037)
Net assets released from restrictions	<u>27,640</u>	<u>(27,640)</u>	<u>-</u>
Total Revenue	<u>2,068,591</u>	<u>11,095</u>	<u>2,079,686</u>
Expenses			
Program Costs			
Jobs Creation	776,028	-	776,028
Other programs	32,075	-	32,075
Christian Support Network	174,569	-	174,569
Religious Tourism	341,736	-	341,736
Education	100,213	-	100,213
Know Thy Heritage	<u>329,363</u>	<u>-</u>	<u>329,363</u>
Total Program Costs	<u>1,753,984</u>	<u>-</u>	<u>1,753,984</u>
Supporting Services			
General and administrative costs	44,294	-	44,294
Fundraising	<u>109,649</u>	<u>-</u>	<u>109,649</u>
Total Supporting Services	<u>153,943</u>	<u>-</u>	<u>153,943</u>
Total Expenses	<u>1,907,927</u>	<u>-</u>	<u>1,907,927</u>
Increase in Net Assets	<u>160,664</u>	<u>11,095</u>	<u>171,759</u>
Net (Deficit) Assets, beginning of year	(155,288)	27,640	(127,648)
Adjustment for Overstatement of Income	<u>(47,369)</u>	<u>-</u>	<u>(47,369)</u>
Net (Deficit) Assets, beginning of year, as restated	<u>(202,657)</u>	<u>27,640</u>	<u>(175,017)</u>
Net (Deficit) Assets, end of year	<u><u>\$ (41,993)</u></u>	<u><u>\$ 38,735</u></u>	<u><u>\$ (3,258)</u></u>

The accompanying notes are an integral part of the consolidated financial statements

Holy Land Ecumenical Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services							Supporting Services			Total Expenses
	Jobs Creation	Other Programs	Christian Support Network	Religious Tourism	Education	Know Thy Heritage	Total	General and Administrative	Fund-Raising	Total	
Compensation, taxes, and benefits	\$ 122,284	\$ 13,002	\$ 63,625	\$ 74,954	\$ 49,449	\$ 193,607	\$ 516,921	\$ 12,047	\$ 64,490	\$ 76,537	\$ 593,458
Grants	-	-	13,000	-	31,000	-	44,000	-	5,000	5,000	49,000
Postage and delivery	1,544	-	3,504	1,204	1,878	4,765	12,895	457	8,230	8,687	21,582
Printing	169	-	2,314	126	197	500	3,306	48	2,792	2,840	6,146
Travel	628	-	11,295	66,238	461	37,919	116,541	112	3,601	3,713	120,254
Occupancy	5,773	138	4,386	4,144	5,750	15,312	35,503	1,401	7,499	8,900	44,403
Supplies	723	-	848	541	844	2,142	5,098	206	1,101	1,307	6,405
Conferences and meetings	271	-	30,729	203	436	1,244	32,883	77	628	705	33,588
Other costs	15,823	2,317	4,679	2,342	3,539	9,097	37,797	5,862	4,625	10,487	48,284
Communication	1,435	-	8,705	1,073	1,674	4,247	17,134	408	2,183	2,591	19,725
Contracted services	2,288	-	7,285	1,836	2,670	6,774	20,853	650	3,481	4,131	24,984
Depreciation	6,267	-	649	19,567	545	1,383	28,411	6,505	711	7,216	35,627
Professional fees	5,810	699	2,788	3,458	1,770	8,152	22,677	431	2,308	2,739	25,416
Programs direct costs	<u>613,013</u>	<u>15,919</u>	<u>20,762</u>	<u>166,050</u>	<u>-</u>	<u>44,221</u>	<u>859,965</u>	<u>16,090</u>	<u>3,000</u>	<u>19,090</u>	<u>879,055</u>
	<u>\$ 776,028</u>	<u>\$ 32,075</u>	<u>\$ 174,569</u>	<u>\$ 341,736</u>	<u>\$ 100,213</u>	<u>\$ 329,363</u>	<u>\$ 1,753,984</u>	<u>\$ 44,294</u>	<u>\$ 109,649</u>	<u>\$ 153,943</u>	<u>\$ 1,907,927</u>
Percent of total expenses	<u>40.68%</u>	<u>1.68%</u>	<u>9.15%</u>	<u>17.91%</u>	<u>5.25%</u>	<u>17.26%</u>	<u>91.93%</u>	<u>2.32%</u>	<u>5.75%</u>	<u>8.07%</u>	<u>100.00%</u>

The accompanying notes are an integral part of the consolidated financial statements

Holy Land Christian Ecumenical Foundation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

Cash Flows From Operating Activities	
Change in net assets	\$ 171,759
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	61,942
Unrealized loss on investments	18,609
Realized loss on investment	281
Donated securities	(5,258)
Changes in assets and liabilities:	
Increase in receivables	(24,765)
Increase in inventory	(12,256)
Increase in prepaid expenses	(9,866)
Decrease in security deposit	3,500
Increase in accounts payable	2,013
Increase in accrued expenses	6,843
Decrease in deferred revenue	(51,729)
	<u>161,073</u>
Net cash provided by operating activities	<u>161,073</u>
Cash Flows From Investing Activities	
Reinvested investment income	(2,141)
Proceeds from sale	38,219
Purchase of property and equipment	(60,438)
	<u>(24,360)</u>
Net cash used in investing activities	<u>(24,360)</u>
Cash Flows From Financing Activities	
Net borrowings on line of credit	(19,306)
Curtailment of long-term borrowing	(85,738)
	<u>(105,044)</u>
Net cash used in financing activities	<u>(105,044)</u>
Net Increase in Cash and Cash Equivalents	31,669
Cash and Cash Equivalents, Beginning of Year	<u>100,751</u>
Cash and Cash Equivalents, End of Year	<u>\$ 132,420</u>
Supplemental Disclosure of Cash Flows Information:	
Interest expense paid during the year	<u>\$ 19,204</u>
Income taxes paid during the year	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 1 Organization

Holy Land Christian Ecumenical Foundation, Inc. (HCEF or The Foundation), a non-profit organization, was incorporated under the laws of the state of Maryland on March 31, 1999. The organization seeks to increase awareness among American Christians of the urgent needs of Christians in the Holy Land, to enrich the lives of American Christians through contacts with Christians in the Holy Land, and to raise and distribute money for programs that will encourage Christians to remain in the Holy Land. HCEF seeks to provide financial, moral and spiritual support for those brothers and sisters in order to improve the deplorable living conditions that they must endure. The organization seeks to replace despair with hope, fear with security, and humiliation with human dignity.

HCEF's wholly owned subsidiary is located in Bethlehem and registered in Palestine under the "Charitable Societies and Non Governmental Organizations Law of 2000."

The following is a description of the various programs currently being conducted by the Holy Land Christian Ecumenical Foundation, Inc.

Jobs Creation

Programs conducted by HCEF under this category include the Housing Rehabilitation Program, Housing Rehabilitation Loans, and the Holy Land Gift Program.

Other Programs

Included in Other programs are the following: Journey to Bethlehem, Message for Peace, Christian Solidarity and Social Responsibility, Development and Partnership Program, and Birzeit Senior Citizen Center.

Christian Support Network

HCEF conducts symposiums, conferences and meetings to educate Americans and raise awareness about the plight of Christians in the Holy Land. The foundation maintains a WEB site, publishes newsletters, provides news releases and distributes daily e-mail news summaries to expand the insight of interested Americans.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 1 Organization (continued)

Religious Tourism

HCEF conducts and promotes pilgrimages in order to bring Christians to the Holy Land. As part of their mission, HCEF brings American Christians together with the Holy Land Christian Community in hopes of fostering a new relationship and to following the steps of Jesus. These pilgrimages are intended to be spiritual in nature with an emphasis on visiting with the Living Stones, seeing the Holy Land and supporting the local Christian community. Pilgrims stay at the HCEF Inn in Bethlehem.

Education

HCEF's Education Program encompasses the Child Sponsorship Program (CSP) and Children Peace Project. CSP links a sponsor in America with a student in the Holy Land. Sponsorships foster unity in Christ among Arab and American Christians and help Holy Land Christian schools continue to provide quality Christian education.

Know Thy Heritage

HCEF's "Know Thy Heritage" is an annual leadership program developed to preserve the Arab Palestinian heritage, to connect youth of Palestinian ancestry, who live in the United States and elsewhere, with their roots in Palestine, and highlight Palestine as part of the Holy Land.

To achieve the goal of the program, HCEF created the mission and vision, developed and managed the program with the moral and financial support and partnership of institutions such as the Bank of Palestine, Consolidated Contractors Company, Paltel Group Foundation, Palestinian Investment Fund, Quds Bank, and various other institutions and individuals. Several others, institutions and individuals, have been invited to support this program in this same capacity.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The Foundation follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, HCEF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets are reported as follows:

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 2 **Summary of Significant Accounting Policies (continued)**

Unrestricted

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted

HCEF reports gifts of cash as restricted support if they are received with donor stipulations that limit the use off the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Net assets are released from restrictions when the donor-specified purpose or time restriction is met.

Permanently Restricted

HCEF reports gifts of cash as permanently restricted support if they are received with donor stipulations that the corpus shall remain intact in perpetuity. The corpus of these donations is invested and the earnings are recorded in temporarily restricted funds until utilized for the intended purpose. When the donor's purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the organization and its wholly owned subsidiary. Intercompany transactions and balances have been eliminated in consolidation.

International Currency Translations

The consolidated financial statements are stated in US Dollars (USD) at nominal values. No adjustments have been made therein to reflect the changes of the purchase power of the reporting currency.

Transactions carried in other currencies that affect the consolidated statement of activities were translated to USD using the official exchange rate at the date of the transaction. Transactions carried in other currencies that affect the consolidated statement of financial position were translated to USD according to the official exchange rate at the date of financial position.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 2 Summary of Significant Accounting Policies (continued)

The exchange rate as of December 31, 2015 is as follows:

New Israeli Shekel	0.256
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Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid instruments with original maturities of three months or less. Cash and cash equivalents do not include temporary cash held in custodial accounts.

Revenue Recognition

Revenue from unrestricted contributions is recognized when received. HCEF reports gifts of cash and other assets as temporarily 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 to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period is reported as unrestricted support.

HCEF reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, HCEF reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated value at the date of receipt. The organization recognizes contributed services to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 2 Summary of Significant Accounting Policies (continued)

Investments

Investments are comprised of money market funds, certificates of deposit with original maturities older than 90 days and marketable equity securities and are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

Fair Value Measurements

Accounting Standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. HCEF has categorized its applicable financial statements into a required fair value hierarchy. The three levels of the fair value hierarchy are described as follows:

Level 1 — inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 — inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 — unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2015, only the investments as described in Notes 3 and 4 were measured at fair value on a recurring basis.

Property and Equipment

Property and equipment are recorded at cost and depreciated over estimated useful lives of 5 to 7 years using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the related lease or estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred.

Inventory

Inventories are stated at the lower of cost (first in, first out) or market. Cost includes all direct costs to bring inventory to its present location.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 2 **Summary of Significant Accounting Policies (continued)**

Contributions

HCEF records the following types of contributions as revenue when they are received, at their fair value: cash, promises to give, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. At December 31, 2015, no significant conditional contributions existed. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support, which increases the temporarily restricted net asset class. Unconditional promises to give are recorded at their net realizable value.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Charitable Gift Annuity Interest

HCEF is the beneficiary of an interest in a charitable interest gift annuity. The interest is recorded at the current fair market value of the account, reduced by the estimated actuarial liability necessary to meet the future payments to the life income beneficiaries.

Income Taxes

HCEF is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Income determined to be from unrelated business income is taxable and to the extent it culminates in taxes due, a provision for income taxes will be provided.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 2 Summary of Significant Accounting Policies (continued)

At December 31, 2015, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. No provision for income taxes has been made in the accompanying financial statements.

In general, when tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Foundation has determined that no such liabilities were required at December 31, 2015.

Note 3 Investments

HCEF's investments at December 31, 2015, stated at fair value, are comprised of the following:

Marketable equity securities	\$ 60,059
Charitable gift annuity	2,352
Partnership investments	4,928
Money market fund	<u>17,256</u>
Total	<u><u>\$ 84,595</u></u>

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 3 Investments (continued)

The following schedule summarizes investment returns and their classification in the statement of activities (included in other income) for the year ended December 31, 2015:

Dividend income	\$ 2,145
Other investment income	1,708
Net realized losses	(281)
Net unrealized losses	<u>(18,609)</u>
 Total Investment Return	 <u><u>\$ (15,037)</u></u>

Note 4 Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Codification establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1-Quoted market prices in active markets for identical assets or liabilities
- Level 2-Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3-Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, HCEF performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable equity securities	\$ 60,059	\$ 60,059	\$ -	\$ -
Charitable gift annuity	2,352	-	2,352	-
Partnership investments	4,928	-	-	4,928
Money market fund	<u>17,256</u>	<u>17,256</u>	<u>-</u>	<u>-</u>
 Total	 <u><u>\$ 84,595</u></u>	 <u><u>\$ 77,315</u></u>	 <u><u>\$ 2,352</u></u>	 <u><u>\$ 4,928</u></u>

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 5 Receivables

Receivables on the accompanying consolidated statement of financial position include balances due for pilgrimages related to the Know Thy Heritage program and pledges from donors. All balances are reflected at their net realizable value.

Note 6 Property and Equipment

Property and equipment at December 31, 2015 consist of the following:

Furniture and equipment	\$ 291,238
Building improvements	<u>128,679</u>
Subtotal	419,917
Less: accumulated depreciation	<u>(341,919)</u>
Total	<u><u>\$ 77,998</u></u>

Depreciation expense for the year ended December 31, 2015 amounted to \$61,942.

Note 7 Related Party Transactions

Various printing services are provided to HCEF by an entity owned by HCEF's President. Fees charged by this entity to HCEF amounted to \$11,366 for the year ended December 31, 2015, all fees were paid during the year ended December 31, 2015.

Note 8 Line of Credit

HCEF maintains a \$20,000 line of credit with a banking institution. The balance outstanding on this line of credit as of December 31, 2015 was \$0. Interest on the outstanding balance is due and payable monthly. The interest rate fluctuates and at December 31, 2015 was 9%. Interest expense of \$708 was paid on this line of credit during the year ended December 31, 2015.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 9 **Note Payable**

During the year ended December 31, 2015, HCEF made payments in the amount of \$36,411, on a 5-year, \$170,000 unsecured loan from the Bank of Palestine that originated in 2011. HCEF used the loan to complete the construction work at the HCEF Inn, which houses the pilgrimage participants and the administrative offices of HCEF in Bethlehem.

The loan is being repaid over 60 monthly payments ending on July 15, 2016 and the interest rate on the note payable is 5.8% per annum.

HCEF obtained a second unsecured loan during 2012, in the amount of \$150,000 from the Bank of Palestine with an annual interest rate of 5% to be repaid over 60 months maturing September 11, 2017. The loan was used for renovation work for the HCEF Bethlehem Museum for Palestinian Cultural & Heritage. HCEF repaid \$30,113 of the loan during the year ended December 31, 2015.

HCEF obtained a third unsecured loan during 2013 in the amount of \$100,000 from the Bank of Palestine to be repaid over 60 monthly payments ending October 1, 2018. HCEF repaid \$19,215 of the loan during the year ended December 31, 2015.

Following are the maturities of the notes payable for each of the next five years:

2016	76,199
2017	49,061
2018	<u>16,640</u>
Subtotal	141,900
Less current portion of notes payable	<u>(76,199)</u>
Notes payable, net of current portion	<u><u>\$ 65,701</u></u>

Interest paid on these loans during 2015 amounted to \$18,165.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 10 **Prior Period Adjustment**

Certain errors resulting in an overstatement of previously reported income were discovered during the current year. In 2014, \$47,369 was reported as donation income on the books and records of the wholly owned subsidiary in Bethlehem. This was not a donation but a payment in advance for services to be provided. Such services were provided during calendar year 2015 and the revenue should have been recorded and have been recognized in the current calendar year. Accordingly, beginning net assets has been adjusted down by \$47,369 for an entry to reclassify income incorrectly recognized to deferred income as of December 31, 2014.

Note 11 **Operating Leases**

On June 1, 2005, HCEF entered into an operating lease for office space in Bethesda, Maryland. The lease term commenced on June 1, 2005 and continues until either party provides six months notice to the other. Rent shall be adjusted annually based on the percentage increase in the Consumer Price Index.

HCEF entered into an operating lease in May 2007 for office space in Bethlehem. The lease term commenced on January 1, 2008 and continues for seven years. The lease is divided into two sections based on building space and occupancy of that space. Rent for each section is fixed at \$5,000 USD annually. The lease provides HCEF occupancy of the second space commencing on January 1, 2010 and continues through the end of the lease term.

In addition to the rental commitment for office space in Bethlehem, HCEF has made building improvements which have been capitalized and are reflected in the accompanying consolidated statement of financial position under property and equipment.

Total rent expense, for the Bethesda office only, for the year ended December 31, 2015 amounted to \$41,940.

Holy Land Christian Ecumenical Foundation, Inc.
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2015

Note 12 **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Donations receivable for various programs	38,735
Total	\$ 38,735

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Purpose restriction accomplished:	
Know Thy Heritage Program	\$ 20,000
Donations receivable for various programs	7,640
Total	\$ 27,640

Note 13 **Concentration of Credit Risk**

HCEF maintains bank accounts at an institution that is insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances at the banking institution do not exceed federally insured limits as of December 31, 2015.

HCEF monitors the risk, does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

Note 14 **Subsequent Events**

In accordance with FASB ASC 855-50-1, *Date Through Which Subsequent Events Have Been Evaluated*, management has evaluated the accounts of the Organization from December 31, 2015 through August 10, 2016, the date the financial statements were available to be issued, to determine whether there are any subsequent events that would have an impact on the financial statements that have not been properly disclosed. From their review, management has determined there were no significant subsequent events that were not properly disclosed.