NE KELLY & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

1745 Broadway |17th Floor
New York, NY 10019

4238 Washington Street | Suite 307
Boston, MA 02131

Phone (888) 490-8885
www.kellycpas.com

ANNE FRANK CENTER USA, INC.

Financial Statements

Year Ended December 31, 2013

ANNE FRANK CENTER USA, INC.

Financial Statements

December 31, 2013

Table of Contents

NE KELLY & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

1745 Broadway |17th Floor
New York, NY 10019

4238 Washington Street | Suite 307
Boston, MA 02131

Phone (888) 490-8885
www.kellycpas.com

Independent Auditor's Report

To the Board of Trustees of
Anne Frank Center USA, Inc.
New York, New York

We have audited the accompanying financial statements of Anne Frank Center USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flow, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anne Frank Center USA, Inc. as of December 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Anne Frank Center USA, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NE Kelly + Associates LLC

NE Kelly & Associates, LLC
New York, New York
September 1, 2014

ANNE FRANK CENTER USA, INC.

Statement of Financial Position

As of December 31, 2013

(with comparative totals as of December 31, 2012)

	2013	2012
Assets		
Cash and cash equivalents	$ 249,313	$ 255,539
Contributions and other receivables	51,719	100,845
Prepaid expenses	19,500	4,179
Inventory	12,652	15,759
Fixed assets, net	473,237	510,707
Security deposits	50,000	50,000
Total assets	$ 856,421	$ 937,029
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 281,363	$ 279,954
Deferred revenue	8,875	19,000
Loan - related party	35,000	43,800
Total liabilities	325,238	342,754
Net assets:		
Unrestricted	307,847	361,950
Temporarily restricted	223,336	232,325
Total net assets	531,183	594,275
Total liabilities and net assets	$ 856,421	$ 937,029

ANNE FRANK CENTER USA, INC.

Statement of Activities

For the Year Ended December 31, 2013

(with summarized comparative totals for the year ended December 31, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
Revenue and support:				
Support and revenue before special events:				
Grants and contributions	$ 380,120	$ 26,000	$ 406,120	$ 466,221
Program service fees	137,023	-	137,023	82,145
Interest income	5	143	148	232
Total revenue and support before special events	517,148	26,143	543,291	548,598
Special events:				
Special event revenue	300,913	-	300,913	318,299
Less: direct benefits to donors	(95,797)	-	(95,797)	(92,484)
Special event, net	205,116	-	205,116	225,815
Net assets released from restrictions	35,132	(35,132)	-	-
Total revenue and support	757,396	(8,989)	748,407	774,413
Expenses:				
Program services	617,266	-	617,266	552,197
General and administration	103,317	-	103,317	92,214
Fundraising	88,852	-	88,852	111,781
Total expenses	809,435	-	809,435	756,192
Change in net assets before extraordinary item	(52,039)	(8,989)	(61,028)	18,221
Extraordinary item- loss from flood damage	(2,064)	-	(2,064)	-
Change in net assets	(54,103)	(8,989)	(63,092)	18,221
Net assets, beginning	361,950	232,325	594,275	576,054
Net assets, ending	$ 307,847	$ 223,336	$ 531,183	$ 594,275

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

ANNE FRANK CENTER USA, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2013

(with summarized comparative totals for the year ended December 31, 2012)

	Program Services	General and Administration	Fundraising	2013 Total	2012 Total
Salaries and related expenses	$ 307,480	$ 36,174	$ 18,087	$ 361,741	$ 310,292
Professional fees	74,657	11,807	38,224	124,688	149,526
Occupancy	81,854	16,450	10,913	109,217	106,636
Office expenses	25,664	5,133	3,421	34,218	27,833
Telephone	3,160	633	421	4,214	5,112
Insurance	9,162	1,831	1,223	12,216	12,168
Travel, conference, dues, and publications	10,914	962	965	12,841	4,658
Miscellaneous	22,767	4,490	4,810	32,067	31,501
Depreciation	49,396	19,000	7,600	75,996	74,831
Bank charges	425	637	3,188	4,250	6,402
Bookstore expenses	13,965	-	-	13,965	3,109
Exhibit expenses	17,822	-	-	17,822	15,099
Bad debt expenses	-	6,200	-	6,200	5,645
Relocation expenses	-	-	-	-	3,380
Total expenses	$ 617,266	$ 103,317	$ 88,852	$ 809,435	$ 756,192

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

ANNE FRANK CENTER USA, INC.

Statement of Cash Flows

For the Year Ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ (63,092)	$ 18,221
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,996	74,831
Bad debt expense	6,200	5,645
Change in:		
Contributions and other receivables	42,926	(34,482)
Inventory	3,107	(254)
Prepaid expenses	(15,321)	799
Accounts payable and accrued expenses	1,409	(56,912)
Deferred revenue	(10,125)	14,000
Net cash provided by operating activities	41,100	21,848
Cash flows from investing activities:		
Purchase of fixed assets	(38,526)	(16,775)
Net cash used in investing activities	(38,526)	(16,775)
Cash flows from financing activities:		
Payment of loan - related party	(8,800)	(6,200)
Net cash used in financing activities	(8,800)	(6,200)
Net change in cash and cash equivalents	(6,226)	(1,127)
Cash and cash equivalents, beginning	255,539	256,666
Cash and cash equivalents, ending	$ 249,313	$ 255,539

Note 1- Organization

Anne Frank Center USA, Inc. ("the Organization") was established in 1977 as a not-for-profit corporation under the laws of the State of New York. Its mission is to educate the public, especially young people, about the causes, instruments, and dangers of bias, separation, discrimination and the violent outcomes as a result, through the story of Anne Frank's life and writings, which contain the lessons that resonate today. The Organization's educational programs teach the importance of inclusion and of placing a high and positive value on diversity. On the assumption that the prevention of all forms of discrimination must begin at an early age, the Organization's programs focus on young people; its resources and educational materials are used to broaden social awareness and to instill a sense of responsibility in each young person to oppose bias and discrimination. The Organization's programs include the distribution of books, an educational resource website, and a traveling exhibit with related docent training, and an annual Spirit of Anne Frank Awards ceremony, to recognize students, teachers and other citizens for their outstanding work related the Organization's mission.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations.* Under *Financial Statements of Not-for-Profit Organizations*, the Organization 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.

Unrestricted Net Assets - consists of assets, public support, and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets- includes funds with donor-imposed restrictions, which permit the Organization to expend the assets as specified, and are satisfied either by passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, and investment income earned on restricted funds.

Permanently Restricted Net Assets - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. The Organization did not have any permanently restricted net assets at December 31, 2013.

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

Income Tax Status

The Organization is exempt from federal income tax under the provision of Internal Revenue Code Section 501 (c)(3). In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (a) and has been classified as an organization that is not a private foundation under Section 509 (a) (1). The Organization is also exempt from New York state taxes under the provision of Department of Revenue Taxation Code. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

The Organization adopted ASC Topic 740, *Income Taxes,* that prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for the Organization at December 31, 2013.

Contributions, Gifts, and Grants

The Organization follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. This financial accounting standard requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until restriction conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Advertising and Promotion

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2013 and 2012 were $2,533 and $4,164, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts that represent funds that have been designated by the Board for investment. Money market deposits maintained in checking and saving accounts which are available for current operations.

Contributions Receivable

Contributions receivable at December 31, 2013 consist of contributions from various donors. Unconditional multi-year contributions receivable are recorded at their net present value when the contributions receivable are made. The Organization has determined that all contributions receivable are due within one year. Management believes that all contributions receivable are collectible, and therefore, no allowance for doubtful contributions receivable has been established. If contributions receivable are determined to be uncollectible in subsequent periods, they will be charged to activities at that time.

Fixed Assets

Fixed assets are stated at cost, or, if donated, at fair market value at date of receipt. Maintenance, repairs and minor renewals are expensed as incurred and major renewals are capitalized. The Organization's policy is to capitalize costs over $1,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixture	7 years
Equipment	5 years
Software	3 years
Leasehold improvement	9.5 years

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services

The Organization records various types of in kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received: (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the financial statements as "contributed goods and services" are offset by amounts included in expenses or property and equipment. Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Inventory

The Organization maintains an inventory of books and educational materials that are sold at exhibits and through mail order. The inventory is stated at lower of cost or market determined by the first-in, first-out ("FIFO") method.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, building, 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 restricted support.

Interest on bank accounts are recognized when earned.

Note 2 - Summary of Significant Accounting Policies (Continued)

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note 3 - Concentration of Credit Risk

Instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Management reduces exposure to cash credit risk by placing cash deposits with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

Note 4 - Contributions and Other Receivables

Contributions and other receivables due to the Organization totaled $51,719 and $100,845 at December 31, 2013 and 2012, respectively. All contributions and other receivables are anticipated to be received within one year. Accounts deemed uncollectible are charged to bad debt expenses in the years they are deemed uncollectible. Bad debt expenses for the years ended December 31, 2013 and 2012 were $6,200 and $5,645, respectively.

Note 5 - Fixed Assets

At December 31, 2013 and 2012 fixed assets consisted of the following:

	2013	2012
Exhibit equipment	$ 503,908	$ 503,908
Computer equipment and software	48,504	48,504
Leasehold improvement	544,790	506,264
Furniture and fixtures	21,666	21,666
	1,118,868	1,080,342
Less accumulated depreciation	645,631	569,635
Furniture and equipment, net	$ 473,237	$ 510,707

Depreciation expense was $75,996 and $74,831 for the years ended December 31, 2013 and 2012, respectively.

Note 6 - Lease Commitments

The Organization is leasing an office space under a ten-year noncancelable lease, expiring in April 14, 2021. The base monthly rent is $8,333. For the years ended December 31, 2013 and 2012, rent expense was $105,197 and $102,250, respectively.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2013:

Year Ending December 31,	***Amount***
2014	$ 108,344
2015	111,595
2016	114,943
2017	118,391
Thereafter	414,968

Note 7 - Temporarily Restricted Net Assets

As of December 31, 2013 and 2012, the temporarily restricted net assets of $223,336 and $232,325, respectively, are restricted for expenses incurred for renovation related to the new location and specific programing.

Note 8 - Deferred Revenue

Deferred revenue at December 31, 2013 and 2012 is for exhibit deposits and a contract portion for 2014 service of $8,875 and $19,000, respectively. The 2013 balance is expected to be fully earned in 2014.

Note 9 - Loan - Related Party

The Organization has a non interest bearing demand loan of $50,000 from a board member. The loan is payable upon the return of the security deposit for the lease at 38 Crosby St. The remaining balance of the loan is predicated upon positive cash flow and will be reviewed periodically. The outstanding balance at year end is $35,000 and $43,800 at December 31, 2013 and 2012, respectively.

Note 10 – Extraordinary Item

In the year 2013, the Organization’s fixed assets were damaged by flood. The flood was caused by a blockage in the general drainage system that backed up through the downstairs toilet and spread several inches of water over the downstairs floor. The effect of this flood is presented as an extraordinary item on the statement of activities. The table below shows the effect of the flood on the Organization’s financial statements:

Note 10 – Extraordinary Item (Continued)

Insurance proceeds	$	46,347
Amount of damage to the fixed assets, which was written off and charged to extraordinary loss		(48,411)
Extraordinary loss, net	$	(2,064)

Note 11 - Subsequent Events

Subsequent events have been evaluated through September 1, 2014 which is the date the financial statements were available to be issued.