

MEOR INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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DECEMBER 31, 2011**

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Independent Auditors' Report

**Board of Directors
MEOR Inc.
New York, NY 10036**

We have audited the accompanying Statement of Financial Position - cash basis of MEOR Inc. as of December 31, 2011, and the related statements of activities - cash basis and cash flows - cash basis for the year 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 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 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 MEOR Inc.'s internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MEOR Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on schedule 1 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.

Loketch & Partners, LLP
Certified Public Accountants

New York, New York
December 31, 2012

MEOR INC.
STATEMENT OF FINANCIAL POSITION - CASH BASIS
DECEMBER 31, 2011

ASSETS

Current assets:

| | | |
|----------------------|------------|------------|
| Cash in banks | \$ 345,030 | |
| Total current assets | | \$ 345,030 |

Other assets:

| | | |
|----------------------------|--------|--------|
| Investments - Unrestricted | 30,458 | |
| Total other assets | | 30,458 |

| | | |
|--------------|--|------------|
| Total assets | | \$ 375,488 |
|--------------|--|------------|

LIABILITIES AND NET ASSETS

Liabilities:

| | | |
|-------------------------------|-----------|-----------|
| Credit card payable | \$ 14,332 | |
| Unrealized gain on securities | 6,639 | |
| Total Liabilities | | \$ 20,971 |

Net assets:

| | | |
|-------------------------------------|---------|---------|
| Net assets - unrestricted | 354,517 | |
| Net assets - temporarily restricted | - | |
| Net assets - restricted | - | |
| Total net assets | | 354,517 |

| | | |
|----------------------------------|--|------------|
| Total liabilities and net assets | | \$ 375,488 |
|----------------------------------|--|------------|

See independent auditors' report and notes to financial statements.

MEOR INC.
STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2011

| | | |
|---|----|----------------|
| Revenues: | | |
| Contribution income | \$ | 4,575,115 |
| Program service - Trips | | 174,698 |
| Dividend income | | 614 |
| | | <hr/> |
| Total Revenues | | 4,750,427 |
| Operating expenses (Schedule): | | |
| Program | | 4,085,362 |
| Administrative | | 200,152 |
| Fundraising | | 373,349 |
| | | <hr/> |
| Total Expenses | | 4,658,863 |
| | | <hr/> |
| Change in net assets (Unrestricted) | | 91,564 |
| Net unrestricted assets - beginning of year | | 262,953 |
| | | <hr/> |
| Net unrestricted assets - end of year | \$ | <u>354,517</u> |

See independent auditors' report and notes to financial statements.

MEOR INC.
STATEMENT OF CASH FLOWS - CASH BASIS
YEAR ENDED DECEMBER 31, 2011

| | | |
|---|----|--------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ | 91,564 |
| Adjustments to reconcile change in net assets to net cash used by operating activities | | |
| Increase (decrease) in liabilities | | |
| Credit card payable | | <u>443</u> |
| Net cash provided by operating activities | \$ | 92,007 |
| Cash flows from investment activities | | |
| Decrease in investment | | (355) |
| Decrease in unrealized gain on investment | | <u>(1,259)</u> |
| Net cash used by investment activities | | <u>(1,614)</u> |
| Cash flows from financing activities | | |
| Repayment of loans | | <u>(9,000)</u> |
| Net cash used by financing activities | | <u>(9,000)</u> |
| Net increase in cash | | 81,393 |
| Cash - beginning of year | | <u>263,637</u> |
| Cash - end of year | | <u><u>\$ 345,030</u></u> |
| Supplemental disclosure of cash flow information | | |
| Interest paid during the year | \$ | - |

See independent auditors' report and notes to financial statements.

MEOR INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

MEOR Inc. ("The Organization") is an organization focused on Jewish education on American university campuses.

Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS NO. 117, 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.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, temporary cash and money market fund investments which are part of the organization's investment pool which is further described below, are not included in cash for purposes of the Statement of Cash Flows since these funds have been set aside by agreements with donors for long-term investment purposes.

MEOR INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Income Taxes

The Organization is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). 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)(2).

Investments

The Organization invests both restricted and unrestricted funds in interest bearing securities and the equity market, realizing a return based on the prevailing interest rates.

NOTE 2 - RESTRICTION OF ASSETS

As of December 31, 2011, there were no restrictions placed on the assets.

NOTE 3 - FINANCIAL INSTRUMENTS - INVESTMENTS

Concentration of Credit Risks

Cash consists of U.S. Treasury Notes and cash deposits that could subject the Organization to risk of loss, which may at time exceed FDIC insured limits. The Organization has not experienced any losses with respect to such deposit and believes it is not exposed to any significant credit risk on such deposits.

NOTE 4 - INVESTMENTS

Investments in marketable securities are carried at fair (market) value, which are based primarily on year-end quotes supplied by custodial brokers. Realized gains and losses on investments are reflected in the statement of activities, in addition to unrealized gains and losses representing the changes in fair values from one year to the next.

NOTE 5 - CONTRIBUTIONS

Contributions are recorded as unrestricted income, unless such contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 6 - UNCERTAIN TAX POSITIONS

The organization files Form 990, Return of Organization Exempt From Taxes. Years ended December 31, 2009 and thereafter are open for examination. There are no uncertain tax positions and no prospect of assessment for those years.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events for possible recognition or disclosure in the financial statements through the date the financial statements are issued. Management has determined that there are no material events that would require disclosure in The Organization's financial statements through December 31, 2011.

MEOR INC.
SCHEDULE OF OPERATING EXPENSES - CASH BASIS
YEAR ENDED DECEMBER 31, 2011

| | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Expenses: | | | | |
| Grants to religious training organizations | \$ 2,938,949 | \$ - | \$ - | \$ 2,938,949 |
| Personnel | 428,588 | 129,952 | 112,000 | 670,540 |
| Israel trip expense | 426,640 | - | - | 426,640 |
| Fundraising events | - | - | 261,349 | 261,349 |
| Student programs | 241,687 | - | - | 241,687 |
| Employee benefits | 45,081 | - | - | 45,081 |
| Information technology | - | 18,756 | - | 18,756 |
| Office expenses | - | 16,794 | - | 16,794 |
| Bank and credit card charges | - | 12,032 | - | 12,032 |
| Telephone and internet | - | 10,946 | - | 10,946 |
| Occupancy | - | 9,158 | - | 9,158 |
| conferences | 4,417 | - | - | 4,417 |
| Travel | - | 2,514 | - | 2,514 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenses | <u>\$ 4,085,362</u> | <u>\$ 200,152</u> | <u>\$ 373,349</u> | <u>\$ 4,658,863</u> |

See independent auditors' report and notes to financial statements.