

American Society of the University of Haifa

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



American Society of the University of Haifa

June 30, 2018 and 2017

Contents

Independent Auditor's Report	1
---	----------

Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

Board of Directors
American Society of the University of Haifa
New York, New York

We have audited the accompanying financial statements of American Society of the University of Haifa, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows 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 audits 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 American Society of the University of Haifa as of June 30, 2018, 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.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors and their report thereon dated April 3, 2018 expressed an unmodified opinion.

BKD, LLP

New York, New York
May 15, 2019

American Society of the University of Haifa
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 2,172,800	\$ 179,119
Remainder interest in charitable gift annuity	584,988	150,829
Contributions receivable - net	15,065,492	12,212,330
Prepaid expenses and other assets	62,404	57,091
Property and equipment - net	7,025	12,257
Total assets	\$ 17,892,709	\$ 12,611,626
 Liabilities and Net Assets		
Liabilities		
Accounts and accrued expenses payable	\$ 21,249	\$ 57,566
Grants payable - University of Haifa	5,883,506	8,883,506
Deferred rent	33,306	38,663
Total liabilities	5,938,061	8,979,735
 Net Assets		
Unrestricted	2,556,441	(6,991)
Temporarily restricted	8,498,207	2,738,882
Permanently restricted	900,000	900,000
Total net assets	11,954,648	3,631,891
Total liabilities and net assets	\$ 17,892,709	\$ 12,611,626

American Society of the University of Haifa
Statements of Activities
Year Ended June 30, 2018 and for the Eleven Months Ended June 30, 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support								
Contributions	\$ 4,342,110	\$ 8,293,324	\$ -	\$12,635,434	\$ 586,575	\$ 2,075,375	\$ 900,000	\$ 3,561,950
Support from the University of Haifa	999,296	-	-	999,296	624,950	-	-	624,950
Interest income	2,534	-	-	2,534	80	-	-	80
Change in value of remainder interest in charitable gift annuity	-	-	-	-	(5,245)	-	-	(5,245)
Net assets released from restriction	2,533,999	(2,533,999)	-	-	2,741,539	(2,741,539)	-	-
 Total revenues, gains, and other support	<u>7,877,939</u>	<u>5,759,325</u>	<u>-</u>	<u>13,637,264</u>	<u>3,947,899</u>	<u>(666,164)</u>	<u>900,000</u>	<u>4,181,735</u>
Expenses								
Program service - Research and Education	3,639,491	-	-	3,639,491	2,889,461	-	-	2,889,461
Supporting Services								
Management and general	364,432	-	-	364,432	389,322	-	-	389,322
Fund raising	1,310,584	-	-	1,310,584	1,081,735	-	-	1,081,735
Total supporting services	<u>1,675,016</u>	<u>-</u>	<u>-</u>	<u>1,675,016</u>	<u>1,471,057</u>	<u>-</u>	<u>-</u>	<u>1,471,057</u>
Total expenses	<u>5,314,507</u>	<u>-</u>	<u>-</u>	<u>5,314,507</u>	<u>4,360,518</u>	<u>-</u>	<u>-</u>	<u>4,360,518</u>
Change in Net Assets	2,563,432	5,759,325	-	8,322,757	(412,619)	(666,164)	900,000	(178,783)
Net Assets, Beginning of Year/Period	<u>(6,991)</u>	<u>2,738,882</u>	<u>900,000</u>	<u>3,631,891</u>	<u>405,628</u>	<u>3,405,046</u>	<u>-</u>	<u>3,810,674</u>
Net Assets, End of Year/Period	<u>\$ 2,556,441</u>	<u>\$ 8,498,207</u>	<u>\$ 900,000</u>	<u>\$11,954,648</u>	<u>\$ (6,991)</u>	<u>\$ 2,738,882</u>	<u>\$ 900,000</u>	<u>\$ 3,631,891</u>

American Society of the University of Haifa
Statements of Functional Expenses
Year Ended June 30, 2018 and for the Eleven Months Ended June 30, 2017

	2018				2017			
	Program Service - Research and Education	Management and General	Fund Raising	Total	Program Service - Research and Education	Management and General	Fund Raising	Total
Grants to the University of Haifa	\$ 2,533,999	\$ -	\$ -	\$ 2,533,999	\$ 2,808,192	\$ -	\$ -	\$ 2,808,192
Grant to Jewish Communal Fund - donor advised funds	900,000	-	-	900,000	-	-	-	-
Grants - others	656	-	-	656	5,000	-	-	5,000
Salaries	151,887	276,799	698,977	1,127,663	35,145	276,799	698,977	1,010,921
Employee benefits and payroll taxes	6,523	35,875	120,669	163,067	6,260	42,258	107,993	156,511
Professional fees	2,500	3,164	217,354	223,018	3,325	31,453	5,876	40,654
Travel	35,338	13,757	46,274	95,369	13,261	-	94,423	107,684
Occupancy	4,022	22,119	74,401	100,542	3,650	24,635	62,957	91,242
Advertising	-	-	72,966	72,966	-	-	42,940	42,940
Office expenses	668	3,676	12,366	16,710	670	4,520	11,551	16,741
Equipment rental	85	469	1,579	2,133	65	440	1,123	1,628
Printing and publications	-	-	10,090	10,090	-	-	9,158	9,158
Telephone	493	2,710	9,115	12,318	376	2,541	6,494	9,411
Postage	112	615	2,069	2,796	133	899	2,297	3,329
Computer maintenance	1,035	1,696	7,820	10,551	-	1,696	7,820	9,516
Dues and subscriptions	250	1,373	4,619	6,242	201	1,359	3,472	5,032
Insurance	128	705	2,370	3,203	125	841	2,149	3,115
Depreciation and amortization	225	1,239	4,166	5,630	262	1,769	4,520	6,551
Event production	-	-	16,528	16,528	-	-	-	-
Miscellaneous and gifts	55	235	1,020	1,310	17	112	379	508
Conferences and meetings	1,515	-	8,201	9,716	12,779	-	19,606	32,385
	<u>\$ 3,639,491</u>	<u>\$ 364,432</u>	<u>\$ 1,310,584</u>	<u>\$ 5,314,507</u>	<u>\$ 2,889,461</u>	<u>\$ 389,322</u>	<u>\$ 1,081,735</u>	<u>\$ 4,360,518</u>
Total expenses reported by function on the statement of activities								

American Society of the University of Haifa

Statements of Cash Flows

Year Ended June 30, 2018 and for the Eleven Months Ended June 30, 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 8,322,757	\$ (178,783)
Items not requiring (providing) operating cash flows		
Permanently restricted contributions	-	(900,000)
Contribution of remainder interest in charitable gift annuity	(431,625)	(156,074)
Change in value of remainder interest in charitable gift annuity	-	5,245
Net realized and unrealized gains on investments	(2,534)	(80)
Depreciation and amortization	5,630	6,550
Changes in		
Contributions receivable	(2,853,162)	566,164
Prepaid expenses and other assets	(5,313)	19,911
Accounts and accrued expenses payable	(36,317)	(55,930)
Grants payable - University of Haifa	(3,000,000)	401,496
Deferred rent	(5,357)	2,278
	1,994,079	(289,223)
Investing Activities		
Purchase of investments	-	7,080
Purchase of fixed assets	(398)	(3,771)
	(398)	3,309
Net Change in Cash and Cash Equivalents	1,993,681	(285,914)
Cash and Cash Equivalents, Beginning of Year/Period	179,119	465,033
Cash and Cash Equivalents, End of Year/Period	\$ 2,172,800	\$ 179,119

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Note 1: Nature of Organization and Summary of Significant Accounting Policies

American Society of the University of Haifa (ASUH) increases visibility and financial support for the University of Haifa to ensure its continued excellence in academic research, education, and communal activities. ASUH cultivates relationships and serves as a vital connection between the university and its friends, alumni, and partner institutions in the United States. ASUH is a not-for-profit corporation which is tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3).

ASUH is funded primarily by contributions from the general public.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Effective November 6, 2016 ASUH changed its fiscal year end to June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

Cash and cash equivalents included highly liquid instruments with maturities of three months or less when acquired.

At June 30, 2018, ASUH's cash accounts exceeded federally insured limits by approximately \$1,900,000.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Allowance for Doubtful Accounts

ASUH's management determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent receipts and historical information. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged or recorded on overdue receivables. Management has determined that an allowance for doubtful accounts is not necessary at June 30, 2018 and 2017.

Remainder Interest in Charitable Gift Annuity

The remainder interest in charitable gift annuity is reported at the actuarial present value of the remainder interest of the gift annuity.

Property and Equipment

Fixed assets in excess of \$500 with a useful life of over one year are capitalized at cost or, if donated, at fair market value on the date received. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided over the lesser of the useful life or term of the lease.

Computer equipment, software and office furniture	5-7 years
Leasehold improvements	7 years

Long-Lived Asset Impairment

ASUH evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2018 and for the eleven months ended June 30, 2017.

Unrestricted Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by ASUH has been limited by donors to a specific time period or purpose. In addition, earnings on certain donor-restricted endowment funds are classified as temporarily restricted, pursuant to the New York Prudent Management of Institutional Funds Act (NYPMIFA) until appropriated for expenditure by the Board of Directors (*Note 7*). Permanently restricted net assets have been restricted by donors to be maintained by ASUH in perpetuity.

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Contributions

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

Special Events

ASUH conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received in excess of the direct costs are recorded as special events revenue in the accompanying statements of activities.

Operating Leases

Operating leases are straight-lined over the term of the lease. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

Functional Allocation of Expenses

The costs of providing ASUH's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the payroll allocation and other methods.

Grants to the University of Haifa and Others

Grants to the University of Haifa in Israel are recorded pursuant to authorization by the Board of Directors of ASUH. In addition, ASUH periodically awards grants to other entities with similar missions as ASUH. These grants are recorded upon approval of the Board.

Subsequent Events

Subsequent events have been evaluated through May 15, 2019, which is the date the financial statements were available to be issued.

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Note 2: Contributions Receivable

Contributions receivable have been recorded in these financial statements at present value. Those receivables that are payable in more than one year have been discounted to their present value using discount rates ranging from 2% to 2.2%. The receivables are due as follows:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 11,902,125	\$ 9,127,125
Due in one to five years	<u>3,298,500</u>	<u>3,213,500</u>
	15,200,625	12,340,625
Less discount to present value	<u>(135,133)</u>	<u>(128,295)</u>
Net realizable value	<u>\$ 15,065,492</u>	<u>\$ 12,212,330</u>

As of June 30, 2018 and 2017, temporarily restricted contributions receivable are \$8,560,554 and \$2,738,882, respectively.

Note 3: Property and Equipment

	<u>2018</u>		
	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book</u>
Computer equipment, office furniture and software	\$ 38,655	\$ 32,293	\$ 6,362
Leasehold improvements	<u>1,546</u>	<u>883</u>	<u>663</u>
Total	<u>\$ 40,201</u>	<u>\$ 33,176</u>	<u>\$ 7,025</u>

	<u>2017</u>		
	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book</u>
Computer equipment, office furniture and software	\$ 38,257	\$ 26,883	\$ 11,374
Leasehold improvements	<u>1,546</u>	<u>663</u>	<u>883</u>
Total	<u>\$ 39,803</u>	<u>\$ 27,546</u>	<u>\$ 12,257</u>

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Note 4: Lease Commitments

ASUH leases premises in New York City which expires August 31, 2021. In addition, ASUH has leases for postage and copy machines that expire in 2018 and 2020, respectively. Total expense for 2018 and 2017 was \$102,675 and \$92,870, respectively, for all leases.

The minimum future lease payments are as follows:

2019	\$	107,670
2020		109,732
2021		111,025
2022		<u>18,864</u>
Total	\$	<u>347,291</u>

Note 5: Concentrations

Financial instruments which potentially subject the organization to a concentration of credit risk are cash accounts with a major financial institution in New York City in excess of FDIC insurance limits. ASUH's cash accounts exceeded federally insured limits by approximately \$1.9 million. Management believes that credit risk related to these accounts is minimal.

ASUH contributions receivable as of June 30, 2018 consist of three contributions totaling approximately 95% of contributions receivable net of a discount of \$121,250. Contributions receivable as of June 30, 2017 consist of three contributions totaling approximately 92% of contributions receivable net of a discount of \$116,494.

Note 6: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purpose and for periods after June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Support of research and education programs	<u>\$ 8,498,207</u>	<u>\$ 2,738,882</u>

During the current year, net assets were released from restriction for the following:

	<u>2018</u>	<u>2017</u>
Support of research and education programs	<u>\$ 2,533,999</u>	<u>\$ 2,741,539</u>
Total	<u>\$ 2,533,999</u>	<u>\$ 2,741,539</u>

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Permanently Restricted Net Assets (Endowment Funds)

General

ASUH has one donor-restricted endowment fund established to provide income to fund its future establishment of Chair position. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. ASUH had \$900,000 held in a permanently restricted endowment fund. As of June 30, 2018 and 2017 these funds were held as cash. Subsequent to June 30, 2018, the donor released the permanent nature of the restriction.

Interpretation of Relevant Law

The Board of Directors of ASUH has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. ASUH is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, ASUH 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ASUH in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Note 7: Remainder Interest In Charitable Gift Annuity

In 2018 and 2017, a donor purchased charitable gift annuities from a third party and named ASUH as the remainderman after the charitable gift annuity expires. The remainder interest will be remitted to ASUH.

Note 8: Grants Payable – University of Haifa

This payable is due to be paid out in more than one year and has been discounted to fair present value using a discount rate of 2%. The grants are due as follows:

2019	\$ 3,000,000
2020	<u>3,000,000</u>
	6,000,000
Less discount to present value	<u>(116,494)</u>
Net grants payable	<u>\$ 5,883,506</u>

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Note 9: Support from the University of Haifa

The University of Haifa provides for annual overhead to cover a portion of management and general and fund-raising expenses of ASUH. For the year ended June 30, 2018 and period ended June 30, 2017, \$999,296 and \$624,950, respectively has been reflected in these financial statements as support from the University of Haifa.

Note 10: Grants to Jewish Communal Funds – Donor Advised Funds

During 2017, ASUH received \$900,000 from a donor which, in 2018, was then granted as a donor advised fund to the Jewish Communal Fund (JCF). Subsequent to year ended June 30, 2018, the JCF returned these funds to ASUH.

Note 11: Future Changes in Accounting Principles

NFP Accounting Standard for Financial Reporting

Accounting Standards Update (ASU) 2016-14 changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017. NFPs have the option in the year adopted to omit certain disclosures shown in comparative financials.

A summary of the changes by financial statement area is as follows:

Statement of financial position:

- The NFP statement of financial position will distinguish between two new classes of net assets those with donor-imposed restrictions and those without. The ASU retains the current requirements to provide information on the nature and amount of different types of donor restrictions in the notes to the financial statements.
- Underwater donor-restricted endowment funds are to be shown within the donor-restricted fund class. This is a change from the previously required classification as unrestricted.

Statement of activities:

- The standard requires NFPs to report expenses by both nature and function, either on the face of the statement of activities, as a separate statement or within the notes.
- NFPs are required to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, in the absence of explicit donor stipulations. This eliminates the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.
- Investment income will be shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

American Society of the University of Haifa

Notes to Financial Statements

June 30, 2018 and 2017

Statement of cash flows:

- An NFP can continue to choose to either use the indirect or direct method of reporting to present operating cash flows. If the direct method is used, there is no longer a requirement to present or disclose cash flows using the indirect (reconciliation) method.

Notes to the financial statements:

- The standard requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows.
- Provide disclosures on amounts and purposes of governing board or self-imposed designations and appropriations as of the end of the period.

Revenue from Contracts

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. ASUH is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. ASUH is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.