American Society of the University of Haifa

Financial Statements
Year Ended June 30, 2021

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Contents

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of American Society of the University of Haifa, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Society of the University of Haifa as of June 30, 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of American Society of the University of Haifa and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the American Society of the University of Haifa's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Society of the University of Haifa’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Society of the University of Haifa’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

December 21, 2021

Financial Statements

American Society of the University of Haifa

Statement of Financial Position

June 30, 2021		
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$	2,052,245
Contributions receivable, current portion (Notes 2 and 3)		3,592,106
Prepaid expenses and other assets		30,257
Total Current Assets		5,674,608
Contributions Receivable, less current portion (Notes 2 and 3)		1,353,262
Remainder Interest in Charitable Gift Annuities (Note 8)		596,141
Property and Equipment, Net (Notes 2 and 4)		31,747
Total Assets	$	7,655,758
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses, current portion (Note 5)	$	380,300
Grants payable, University of Haifa (Notes 2 and 9)		2,000,000
Loans payable - Paycheck Protection Program, current portion (Note 12)		266,311
Note payable (Note 12)		155,000
Deferred rent (Note 5)		40,729
Total Current Liabilities		2,842,340
Accounts payable and accrued expenses, less current portion (Note 5)		140,000
Loans Payable - Paycheck Protection Program, less current portion (Note 12)		245,592
Total Liabilities		3,227,932
Commitments and Contingencies (Notes 2, 5, 7, 9 and 12)		
Net Assets (Deficit) (Notes 2 and 7)		
Without donor restrictions		(1,482,768)
With donor restrictions		5,910,594
Total Net Assets		4,427,826
Total Liabilities and Net Assets	$	7,655,758

See accompanying notes to financial statements.

American Society of the University of Haifa

Statement of Activities

Year ended June 30, 2021

		Without Donor Restrictions		With Donor Restrictions		Total
Revenues, Gains and Other Support						
Contributions (Note 2)	$	59,013	$	8,289,399	$	8,348,412
Support from the University of Haifa (Note 10)		2,891,000		-		2,891,000
Interest income		411		-		411
Change in value of remainder interest in charitable gift annuities (Note 8)		-		14,507		14,507
Net assets released from restriction (Notes 2 and 7)		16,244,082		(16,244,082)		-
Total Revenues, Gains and Other Support		19,194,506		(7,940,176)		11,254,330
Expenses						
Program services:						
Research and education		16,244,082		-		16,244,082
Total Program Services		16,244,082		-		16,244,082
Supporting services:						
Management and general		1,134,191		-		1,134,191
Fundraising		817,265		-		817,265
Total Supporting Services		1,951,456		-		1,951,456
Total Expenses		18,195,538		-		18,195,538
Change in Net Assets, from operating activities		998,968		(7,940,176)		(6,941,208)
Nonoperating Expenses						
Impairment of assets (Note 2)		57,676		-		57,676
Estimated loss on lease contingency (Note 5)		223,059		-		223,059
Total Nonoperating Expenses		280,735		-		280,735
Change in Net Assets		718,233		(7,940,176)		(7,221,943)
Net Assets (Deficit), beginning of year		(2,201,001)		13,850,770		11,649,769
Net Assets (Deficit), end of year	$	(1,482,768)	$	5,910,594	$	4,427,826

See accompanying notes to financial statements.

American Society of the University of Haifa

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Supporting Services		
	Research and Education	Management and General	Fundraising	Total
Grants to the University of Haifa	$ 16,244,082	$ -	$ -	$ 16,244,082
Salaries	-	509,154	437,334	946,488
Employee benefits and payroll taxes	-	80,130	55,885	136,015
Professional fees	-	253,181	140,000	393,181
Travel	-	-	20,129	20,129
Occupancy	-	123,571	114,825	238,396
Advertising	-	77,179	-	77,179
Office and other expenses	-	2,598	7,986	10,584
Printing and publications	-	-	8,340	8,340
Equipment rental	-	6,492	3,195	9,687
Telephone	-	5,678	3,912	9,590
Computer maintenance	-	10,989	5,409	16,398
Dues and subscriptions	-	7,271	3,579	10,850
Insurance	-	9,172	-	9,172
Bad debt expense	-	33,130	-	33,130
Recruitment	-	2,499	16,671	19,170
Depreciation and amortization	-	13,147	-	13,147
Total Expenses	$ 16,244,082	$ 1,134,191	$ 817,265	$ 18,195,538

See accompanying notes to financial statements.

American Society of the University of Haifa

Statement of Cash Flows

Year ended June 30, 2021	
Cash Flows from Operating Activities	
Change in net assets	$ (7,221,943)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Change in value of remainder interest in charitable gift annuities	(14,507)
Change in discount on contributions receivable	3,561
Depreciation and amortization	13,147
Impairment of assets	57,676
Bad debt expense	33,130
Changes in:	
Contributions receivable	6,191,393
Prepaid expenses and other assets	11,153
Accounts payable and accrued expenses	478,235
Deferred rent	1,533
Net Cash Used in Operating Activities	(446,622)
Cash Flows from Financing Activities	
Repayments of loans payable – Paycheck Protection Program	(53,589)
Proceeds from loans payable – Paycheck Protection Program	245,592
Net Cash Provided by Financing Activities	192,003
Net Change in Cash and Cash Equivalents	(254,619)
Cash and Cash Equivalents, beginning of year	2,306,864
Cash and Cash Equivalents, end of year	$ 2,052,245

See accompanying notes to financial statements.

1. Nature of Organization

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 that is tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3).

ASUH is funded primarily by contributions from the general public.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of ASUH have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Basis of Statement Presentation

ASUH's net assets and its support, revenue, and expenses are based on the existence or absence of donor-imposed restrictions. The amounts are classified in either of the two classes of net assets defined below and displayed in the statement of financial position, and the amounts of change in each of those classes of net assets are displayed in the statement of activities.

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of ASUH. Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

With Donor Restrictions - This class consists of net assets with donor restrictions whose use is limited by donor-imposed, time and/or purpose restrictions. ASUH reports gifts of cash and other assets as revenue with donor restrictions 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—the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, 2021, cash equivalents consisted primarily of money market accounts.

Allowance for Doubtful Accounts

The carrying value of contributions receivable is reduced by an appropriate allowance, if needed, for uncollectible 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, 2021. Bad debt expense amounted to $33,130 for the year ended June 30, 2021.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease-term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	Years
Computer equipment, website and software, and furniture and fixtures	3-7
Leasehold improvements	7

ASUH policy is to capitalize all capital assets with an individual acquisition cost exceeding $1,000.

Long-Lived Asset Impairment

In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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.

Asset impairment amounting to $57,676 was recognized during the year ended June 30, 2021.

Revenue Recognition

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

Contributions are classified as either with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958 Not-for-Profit Entities.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets with donor restrictions and then released.

Grants to the University of Haifa

Grants to the University of Haifa in Israel are recorded pursuant to authorization by the Board of Directors of ASUH.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the separate statement of functional expenses. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of time and effort.

Income Taxes

ASUH is exempt from federal, state, and local income taxes under Section 501(c)(3) of the IRC and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, ASUH has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. ASUH does not believe that it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. ASUH has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, ASUH has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2021, there were no income tax-related interest or penalties recorded or included in the statement of activities. Management believes that ASUH is no longer subject to income tax examinations for years prior to 2018.

Recently Adopted Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date for ASUH until annual periods beginning after December 15, 2019. Earlier adoption is permitted, subject to certain limitations. ASU 2014-09 is required to be applied retrospectively to each prior reporting period presented, or with the cumulative effect being recognized at the date of initial application. The adoption did not have a material effect on the financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. On June 3, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of the leasing standards for non-public business entities to fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

3. Contributions Receivable, Net

Contributions receivable, net, have been recorded at present value. Receivables that are expected in more than one year have been discounted to their present value using a discount rate of 2% in fiscal year 2021. The receivables are due as follows:

	With Donor Restrictions
Due within one year	$ 3,592,106
Due in two to five years	1,440,719
	5,032,825
Less: discount to present value	(87,457)
Contributions Receivable, Net	$ 4,945,368

4. Property and Equipment, Net

Property and equipment, net, consists of the following:

June 30, 2021		
Computer equipment	$	10,459
Website and software		12,950
Furniture and fixtures		37,407
Total		60,816
Less: accumulated depreciation and amortization		(29,069)
Property and Equipment, Net	$	31,747

Depreciation and amortization expense for the year amounted to $13,147 for the year ended June 30, 2021.

5. Commitments and Contingencies

Commitments

In October 2019, ASUH agreed to a new five-year lease in New York City. The terms of the agreement were such that ASUH did not have to begin paying rent until the premises were ready. ASUH moved into the new office space in December 2019 and, therefore, they began paying rent effective December 1, 2019, with the lease expiring February 2025. Rent expense for the year ended June 30, 2021 was $223,372 for all leases.

The minimum future lease payments are as follows:

June 30,		
2022	$	227,385
2023		233,069
2024		238,896
2025		141,792
Total	$	841,142

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease expense is recorded on the straight-line basis over the life of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense. In 2021, all leases were classified as operating leases.

Contingencies

During fiscal year 2020, ASUH decided to terminate the lease agreement executed on April 9, 2014, and amended on October 2, 2019 when ASUH leased a portion of the 10th floor. As of report date, ASUH has entered into a settlement with the landlord to resolve the issue pertaining to early cancellation of the lease agreement. As of June 30, 2020, ASUH has recognized contingent liability of $223,059, which is included in accounts payable and accrued expenses on the statement of financial position. The corresponding expense is included in estimated loss on lease contingency on the statement of activities.

From time to time, ASUH is involved in claims, lawsuits, and proceedings that arise in the ordinary course of business. As of June 30, 2021, there are no other matters for which ASUH believes it must accrue a contingency or as to which the ultimate outcome would have a material adverse effect on ASUH's financial position.

6. Concentrations of Credit Risk

For the year ended June 30, 2021, approximately 78% of all contributions were received from one donor. As of June 30, 2021, approximately 71% of the contributions receivable were due from three donors. At various times, ASUH has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) limit. These financial institutions have strong credit ratings; therefore, management believes the risk related to these accounts is minimal.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose and for periods after June 30, 2021:

Support of research and education programs	$	5,314,453
Time restrictions		596,141
Total	$	5,910,594

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

Support of research and education programs	$	16,244,082
Total	$	16,244,082

8. Remainder Interest in Charitable Gift Annuities

A donor purchased charitable gift annuities from a third-party and named ASUH as the remainderman after the charitable gift annuities expire, amounting to approximately $596,141 at June 30, 2021. The remainder interests will be remitted to ASUH. At the time of the gift, and adjusted annually, ASUH records contribution revenue and gains and losses resulting from changes in fair value are recorded as increases or decreases in the respective net asset class in the statement of activities.

9. Grant Payable – University of Haifa

ASUH approved a grant to be paid over time. The remaining payment under the grant of $2,000,000 is due to be paid out through 2022.

10. Support from the University of Haifa

The University of Haifa provides for annual support to cover a portion of management and general and fundraising expenses of ASUH. For the year ended June 30, 2021, $2,891,000 has been reflected in these financial statements as support from the University of Haifa. As of June 30, 2021, $1,052,667 was outstanding and included in contributions receivable on the statement of financial position. As of report date, $386,000 has been collected and $666,667 remains outstanding.

11. Liquidity and Availability of Resources

Financial assets available for general expenditure—that is, without donor or other restrictions limiting their use—within one year of June 30, 2021, comprise the following:

Cash and cash equivalents	$	2,052,245
Contributions receivable, current portion		3,592,106
Total		5,644,351
Less: net assets with donor restrictions		(4,557,332)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$	1,087,019

ASUH manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. ASUH monitors its future cash flows, liquidity, and reserves on a monthly basis.

12. Risks and Uncertainties

COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

ASUH is dependent on its workforce to support the overall operation. Despite directives such as shelter-in-place and social distancing, the ASUH's workforce is fully operational without significant disruptions.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act contains measures designed to bring some economic and fiscal relief to companies, small businesses, and individuals facing financial difficulties due to the COVID-19 crisis. The CARES Act appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of June 30, 2021, ASUH has applied and received PPP loans totaling $720,492. In connection with the PPP loan dated April 30, 2020 (PPP1 Loan), an over advance in the amount of $208,589 was incorrectly made by First Republic Bank. During the year ended June 30, 2021, ASUH made payments towards the over advance totaling $53,589. On June 18, 2021, the remaining balance of $155,000 was converted into a note, bearing an interest rate of 1% per annum. The note matures on April 20, 2022 and is recorded as note payable on the statement of financial position.

As of June 30, 2021, the balance of PPP loans received totals $511,903, which is recorded as loans payable – Paycheck Protection Program on the statement of financial position. The PPP1 Loan totaling $266,311 bears an interest rate of 1% per annum and matures on April 30, 2022. The PPP loan dated March 18, 2021 (PPP2 Loan) totaling $245,592 bears an interest rate of 1% per annum and matures on March 18, 2026. In April 2021, the SBA authorized full forgiveness on the corrected amount of PPP1 Loan in the amount of $266,311. Management believes that they will meet the criteria for forgiveness in full or partial for the remaining loan.

While the full impact of the COVID-19 outbreak continues to evolve as of the date of this report, it is uncertain as to the full impact that the pandemic will have on the ASUH's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

13. Subsequent Events

ASUH's management has performed subsequent event procedures through December 21, 2021, which is the date the financial statements were available to be issued, and there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.