

American Society of the University of Haifa

Financial Statements
Year Ended June 30, 2020

American Society of the University of Haifa

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American Society of the University of Haifa

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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, 2020 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 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 2020 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, 2020, 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.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, the beginning year net assets have been restated to correct a misstatement. The American Society of the University of Haifa determined that certain contributions should have been classified with donor restrictions and restated its' 2019 financial statements for the correction of this misstatement. Our opinion on the 2020 financial statements is not modified with respect to this matter.

BDO USA, LLP

April 2, 2021

American Society of the University of Haifa

Statement of Financial Position

June 30, 2020

Assets

Current Assets

Cash and cash equivalents (Note 2)	\$	2,306,864
Contributions receivable, net (Notes 2 and 3)		9,475,100
Prepaid expenses and other assets		77,094

Total Current Assets 11,859,058

Contributions Receivable, Net, Less Current Portion (Notes 2 and 3) 1,698,352

Remainder Interest in Charitable Gift Annuities (Note 8) 581,634

Property and Equipment, Net (Notes 2 and 4) 66,886

Total Assets \$ 14,205,930

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses payable	\$	42,065
Grants payable, University of Haifa, current portion (Notes 2 and 9)		2,000,000
Note payable (Note 12)		474,900
Deferred rent (Note 5)		39,196

Total Current Liabilities 2,556,161

Total Liabilities 2,556,161

Commitments and Contingencies (Notes 2, 5, 7, 9, 12 and 13)

Net Assets (Deficit) (Notes 2, 7 and 13)

Without donor restrictions	(2,201,001)
With donor restrictions	13,850,770

Total Net Assets (Deficit) 11,649,769

Total Liabilities and Net Assets \$ 14,205,930

See accompanying notes to financial statements.

American Society of the University of Haifa

Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions (Note 2)	\$ 222,698	\$ 4,377,588	\$ 4,600,286
Support from the University of Haifa (Note 10)	1,300,000	-	1,300,000
Interest income	415	-	415
Change in value of remainder interest in charitable gift annuities	-	(94,098)	(94,098)
Net assets released from restriction (Notes 2 and 7)	6,646,261	(6,646,261)	-
Total Revenues, Gains and Other Support	8,169,374	(2,362,771)	5,806,603
Expenses			
Program services:			
Research and education	4,886,314	-	4,886,314
Total Program Services	4,886,314	-	4,886,314
Supporting services:			
Management and general	1,901,386	-	1,901,386
Fundraising	1,176,025	-	1,176,025
Total Supporting Services	3,077,411	-	3,077,411
Total Expenses	7,963,725	-	7,963,725
Change in Net Assets	205,649	(2,362,771)	(2,157,122)
Net Assets, beginning of year as previously stated	6,343,350	7,463,541	13,806,891
Restatement - Net Assets With Donor Restrictions (Note 13)	(8,750,000)	8,750,000	-
Net Assets (Deficit), beginning of year as restated	(2,406,650)	16,213,541	13,806,891
Net Assets (Deficit), end of year	\$ (2,201,001)	\$ 13,850,770	\$ 11,649,769

See accompanying notes to financial statements.

American Society of the University of Haifa

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services		Supporting Services		Total
	Research and Education	Management and General	Fundraising		
Salaries	\$ -	\$ 859,516	\$ 843,392	\$ 1,702,908	
Employee benefits and payroll taxes	-	136,674	134,110	270,784	
Total Salaries and Related Expenses	-	996,190	977,502	1,973,692	
Grants to the University of Haifa	4,851,482	-	-	4,851,482	
Professional fees	-	393,000	-	393,000	
Travel	12,832	42,877	42,072	97,781	
Occupancy	-	84,776	69,778	154,554	
Advertising	-	75,272	-	75,272	
Office expenses	-	3,069	16,018	19,087	
Printing and publications	-	-	3,747	3,747	
Equipment rental	-	3,894	3,821	7,715	
Telephone	-	11,104	8,661	19,765	
Postage	-	11,441	2,105	13,546	
Computer maintenance	-	16,577	16,266	32,843	
Dues and subscriptions	-	2,783	2,731	5,514	
Insurance	-	4,081	-	4,081	
Bad debt expense	-	203,772	-	203,772	
Depreciation and amortization	-	9,719	-	9,719	
Event production	-	14,067	13,803	27,870	
Miscellaneous and gifts	-	2,997	2,635	5,632	
Donations	22,000	-	-	22,000	
Recruitment	-	12,599	-	12,599	
Storage	-	529	-	529	
Moving expenses	-	4,802	4,712	9,514	
Utilities	-	5,495	5,392	10,887	
Professional development	-	38	37	75	
Bank service charges	-	350	344	694	
Credit card fees	-	-	4,484	4,484	
Charity registration fees	-	1,954	1,917	3,871	
Subtotal	4,886,314	905,196	198,523	5,990,033	
Total Expenses	\$ 4,886,314	\$ 1,901,386	\$ 1,176,025	\$ 7,963,725	

See accompanying notes to financial statements.

American Society of the University of Haifa

Statement of Cash Flows

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ (2,157,122)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Change in value of remainder interest in charitable gift annuities	94,098
Depreciation and amortization	9,719
Bad debt expense	203,772
Changes in:	
Contributions receivable	4,325,083
Prepaid expenses and other assets	(6,278)
Accounts payable and accrued expenses	(100,532)
Grants payable - University of Haifa	(2,000,000)
Deferred rent	13,664
Net Cash Provided by Operating Activities	382,404
Cash Flows from Investing Activities	
Purchase of property and equipment	(58,263)
Net Cash Used in Investing Activities	(58,263)
Cash Flows from Financing Activities	
Proceeds from note payable	474,900
Net Cash Provided by Financing Activities	474,900
Net Change in Cash and Cash Equivalents	799,041
Cash and Cash Equivalents, beginning of year	1,507,823
Cash and Cash Equivalents, end of year	\$ 2,306,864

See accompanying notes to financial statements.

American Society of the University of Haifa

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, 2020, cash equivalents consisted primarily of money market accounts.

American Society of the University of Haifa

Notes to Financial Statements

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, 2020. Bad debt expense amounted to \$203,772 for the year ended June 30, 2020.

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 software and office furniture	5-7
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.

No asset impairment was recognized during the year ended June 30, 2020.

Contributions

Contributions are provided to ASUH either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions.

American Society of the University of Haifa

Notes to Financial Statements

Contributions are recognized when a donor makes a promise to give to ASUH and that promise is in substance unconditional. Conditional promises to give are recognized as contributions when substantially all conditions are met. Contributions received are measured at their fair value and reported as an increase in net assets at net realizable value. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Amortization of the discount is included in contributions revenue.

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 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.

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 the payroll allocation.

Income Taxes

ASUH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as a publicly supported organization as described in Section 509(a).

ASUH is subject to unrelated business income tax on certain revenue generated by investment activities, which are not considered to be a substantially related activity, at the applicable federal and state corporate tax rates.

Recently Adopted Accounting Standards

Statement of Cash Flows (Topic 230)

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after

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December 15, 2018 and is required to be applied retrospectively. ASUH adopted the standard for the year ended June 30, 2020 and included for all periods presented.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether ASUH follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for ASUH's fiscal year 2020, and the adoption of this update did not have a material impact on ASUH's 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.

Revenue from Contracts with Customers

In May 2014, the FASB issued 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. Management is currently evaluating the impact of this ASU on its financial statements.

American Society of the University of Haifa

Notes to Financial Statements

3. Contributions Receivable, Net

Contributions receivable, net 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 a discount rate of 2% in 2020. The receivables are due as follows:

	With Donor Restrictions
Due within one year	\$ 9,475,100
Due in one to five years	1,782,248
	11,257,348
Less: discount to present value	(83,896)
Contributions Receivable, Net	\$ 11,173,452

4. Property and Equipment, Net

Property and equipment, net consists of the following:

June 30, 2020

Computer equipment	\$ 41,215
Website and software	25,768
Furniture and fixtures	45,168
Leasehold improvements	5,871
Total	118,022
Less: accumulated depreciation and amortization	(51,136)
Property and Equipment, Net	\$ 66,886

Depreciation and amortization expense for the year amounted to \$9,719 for the year ended June 30, 2020.

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. In addition, ASUH has a lease for a copy machine that expired in 2020. Total expense for 2020 was \$152,080 for all leases.

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Notes to Financial Statements

The minimum future lease payments are as follows:

June 30,

2021	\$	223,378
2022		228,924
2023		234,351
2024		238,896
2025		141,792
Total	\$	1,067,341

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to equipment and auto leases expense. 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 2020, all leases were classified as operating leases.

Contingencies

From time to time, ASUH is involved in claims, lawsuits, and proceedings that arise in the ordinary course of business. As of June 30, 2020, there are no 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

Approximately 56% of all contributions and 66% of contributions receivable were received from three donors in 2020. 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, 2020:

Support of research and education programs	\$	13,269,136
Time restrictions		581,634
Total	\$	13,850,770

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

Support of research and education programs	\$	6,646,261
Total	\$	6,646,261

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Notes to Financial Statements

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 \$581,634 at June 30, 2020. 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 payments under the grant of \$2,000,000 are due to be paid out through 2021.

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, 2020, \$1,300,000 has been reflected in these financial statements as support from the University of Haifa.

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, 2020, comprise the following:

Cash and cash equivalents	\$	2,306,864
Remainder interest in charitable annuities		581,634
Contributions receivable, net		11,173,452
Total		14,061,950
Net assets with donor restrictions		(13,850,770)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	211,108

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 originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads 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.

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Notes to Financial Statements

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 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, 2020, ASUH has applied and received the PPP loan in the amount of \$474,900, which is recorded as a note payable on the statement of financial position. Management believes that they will meet the criteria for forgiveness in full or partial.

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. Net Asset Restatement

The net assets at the beginning of the year have been restated to properly reflect the classification of net assets with and without donor restrictions, due to certain net assets recorded as without donor restrictions that should have been recorded as with donor restrictions in the 2019 financial statements. As a result of the changes, the previously reported 2019 change in net assets with donor restrictions increased by \$8,750,000 from \$7,463,541 to \$16,213,541. The previously reported 2019 change in net asset without donor restrictions decreased from \$6,343,350 to (\$2,406,650). The following financial statement line items as of July 1, 2019 were affected by the correction:

	As Restated	As Previously Reported	Effect of Change
Statement of Activities			
Net Assets Without Donor Restrictions, beginning of year	\$ (2,406,650)	\$ 6,343,350	\$ (8,750,000)
Net Assets With Donor Restrictions, beginning of year	16,213,541	7,463,541	8,750,000

14. Subsequent Events

ASUH's management has performed subsequent event procedures through April 2, 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.