

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Financial Report
June 30, 2019

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-20



RSM US LLP

Independent Auditor's Report

Board of Trustees
American Committee for Shaare
Zedek Hospital in Jerusalem, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the American Committee for Shaare Zedek Hospital in Jerusalem, Inc., which comprise the statement of financial position as of June 30, 2019, 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 financial statements referred to above present fairly, in all material respects, the financial position of the American Committee for Shaare Zedek Hospital in Jerusalem, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the American Committee for Shaare Zedek Hospital in Jerusalem, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the American Committee for Shaare Zedek Hospital in Jerusalem, Inc. adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. The adoption of the standard resulted in additional disclosures and changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to June 30, 2018; the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
January 20, 2020

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Financial Position
June 30, 2019

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,592,216	\$ 1,250,244
Restricted cash	1,129,556	916,391
Unconditional promises to give, net	2,374,005	2,827,408
Prepaid expenses and other assets	238,842	129,591
Investments	17,623,329	16,992,981
Property and equipment, net, at cost	31,255	43,805
Total assets	\$ 22,989,203	\$ 22,160,420
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 132,342	\$ 71,965
Deferred rent obligation	97,275	128,951
Liabilities under split-interest agreements	2,373,278	2,504,815
Total liabilities	2,602,895	2,705,731
Commitments		
Net assets:		
Without donor restrictions:		
Undesignated	1,019,386	(87,985)
Board-designated for endowments	2,837,211	2,801,693
Total net assets without donor restrictions	3,856,597	2,713,708
With donor restrictions		
Perpetual in nature	8,067,412	7,559,680
Time and purpose restrictions	8,516,804	9,252,592
Underwater endowments	(54,505)	(71,291)
Total net assets with donor restrictions	16,529,711	16,740,981
Total net assets	20,386,308	19,454,689
Total liabilities and net assets	\$ 22,989,203	\$ 22,160,420

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Activities

Year Ended June 30, 2019

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Financial Information
Support, revenue, gains and losses:				
Contributions and unconditional promises to give, net	\$ 17,678,675	\$ 2,150,952	\$ 19,829,627	\$ 17,756,932
Legacies and bequests	3,914,346	-	3,914,346	2,393,254
Special events, net of direct expenses for direct benefit to donors of \$398,743 and \$424,233, respectively	916,398	-	916,398	987,757
Investment income	191,067	289,165	480,232	437,297
Net realized and unrealized gain on investments	114,038	448,096	562,134	226,245
Government grants	193,727	-	193,727	533,243
Other income	86	-	86	131
Change in value of split-interest agreements	-	(326,524)	(326,524)	(250,138)
Net assets released from restrictions - satisfaction of time and purpose restrictions	2,772,959	(2,772,959)	-	-
Total support, revenue, gains and losses	25,781,296	(211,270)	25,570,026	22,084,721
Expenses:				
Program services – payments to or on behalf of Shaare Zedek Hospital	21,710,382	-	21,710,382	18,941,211
Supporting services:				
Management and general	1,100,681	-	1,100,681	851,427
Fund-raising	1,827,344	-	1,827,344	1,889,712
Total supporting services	2,928,025	-	2,928,025	2,741,139
Total expenses	24,638,407	-	24,638,407	21,682,350
Change in net assets	1,142,889	(211,270)	931,619	402,371
Net assets:				
Beginning	2,713,708	16,740,981	19,454,689	19,052,318
Ending	\$ 3,856,597	\$ 16,529,711	\$ 20,386,308	\$ 19,454,689

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	2019				2018
	Program Services	Supporting Services			
	Payments to or on Behalf of Shaare Zedek Hospital	Management and General	Fund-Raising	Total	Summarized Financial Information
Salaries and temporary help	\$ 593,697	\$ 462,207	\$ 981,794	\$ 2,037,698	\$ 1,985,650
Payroll taxes and employee benefits	137,099	110,831	235,636	483,566	461,833
Total salaries and related expenses	730,796	573,038	1,217,430	2,521,264	2,447,483
Shaare Zedek Hospital	20,470,573	-	-	20,470,573	17,738,343
Occupancy	69,111	149,741	165,098	383,950	385,416
Office supplies	9,019	19,543	21,546	50,108	49,373
Telephone	7,548	16,354	18,030	41,932	46,267
Postage and shipping	15,396	33,361	36,780	85,537	79,958
Computer services	19,739	42,768	47,154	109,661	113,669
Insurance	-	39,481	-	39,481	38,087
Professional fees and contracted services	217,399	20,662	55,046	293,107	243,225
Printing and brochures	6,940	5,206	15,614	27,760	8,155
Publicity and public relations	61,932	61,942	185,787	309,661	258,310
Travel and automobile	26,297	5,372	16,116	47,785	45,280
Meetings and conferences	1,404	3,042	3,355	7,801	5,424
Depreciation and amortization	-	12,550	-	12,550	12,550
Bad debt expense	-	102,500	-	102,500	-
Miscellaneous	74,228	15,121	45,388	134,737	210,810
Total – 2019	\$ 21,710,382	\$ 1,100,681	\$ 1,827,344	\$ 24,638,407	
Ratio to total expenses – 2019	89%	4%	7%	100%	
Total – 2018	\$ 18,941,211	\$ 851,427	\$ 1,889,712		\$ 21,682,350
Ratio to total expenses – 2018	87%	4%	9%		100%

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Cash Flows

Year Ended June 30, 2019

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 931,619	\$ 402,371
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net bad debt expense (recoveries)	96,140	(11,018)
Discount on pledges receivable	(58,923)	(28,368)
Donated investments	(1,749,994)	(275,252)
Proceeds from sale of donated investments	1,749,994	269,689
Depreciation and amortization	12,550	12,550
Amortization of deferred rent obligation	(31,676)	(24,493)
Investment income restricted for reinvestment	(289,165)	(255,021)
Net realized and unrealized gain on investments	(562,134)	(226,245)
Change in value of split-interest agreements	326,524	250,138
Restricted contributions	(545,367)	(750,178)
Changes in operating assets and liabilities:		
Decrease in unconditional promises to give	416,186	317,338
Increase in prepaid expenses and other assets	(109,251)	(11,924)
Increase (decrease) in accounts payable and accrued expenses	60,377	(18,376)
Net cash provided by (used in) operating activities	246,880	(348,789)
Cash flows from investing activities:		
Proceeds from sale of investments	9,570,894	4,362,368
Purchases of investments	(9,639,108)	(4,792,722)
Net cash used in investing activities	(68,214)	(430,354)
Cash flows from financing activities:		
Contributions restricted for endowments	507,732	122,351
Contributions restricted for investment subject to split-interest agreements	37,635	627,827
Investment income restricted for reinvestments	289,165	255,021
Payments associated with split-interest agreements	(495,696)	(458,744)
Decrease in obligations associated with split-interest agreements	37,635	611,866
Net cash provided by financing activities	376,471	1,158,321
Net change in cash, cash equivalents, and restricted cash	555,137	379,178
Cash, cash equivalents, and restricted cash:		
Beginning	2,166,635	1,787,457
Ending	\$ 2,721,772	\$ 2,166,635

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 1. Organization

The American Committee for Shaare Zedek Hospital in Jerusalem, Inc. (the Committee) operates as a voluntary organization that raises funds from the general public in the United States to provide financial support to fund services, capital projects, research, and the purchase of equipment for the Shaare Zedek Hospital in Jerusalem (the Hospital).

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the Committee have been prepared on the accrual basis of accounting.

Financial statement presentation and net assets: Information regarding the Committee's financial position and activities are reported in the following two classes of net assets:

Net assets without donor restrictions: Net assets without donor restrictions represent those resources that are not subject to donor restrictions.

Net assets with donor restrictions: Net assets resulting from contributions and other inflows of assets whose use by the Committee is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Committee pursuant to those stipulations. When such stipulations end or are fulfilled, such 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.

The Committee's net assets with donor restrictions principally consist of unconditional pledges due in future periods, assets held under split-interest agreements, and accumulated appreciation of investments associated with endowment funds. Assets held under split-interest agreements are transferred to net assets without donor restrictions upon the death of the annuitant or other period specified under the agreement. Net assets held in perpetuity consist of pledges receivable for endowments and endowment investments to be held indefinitely, the income from which is expendable in accordance with the terms of the endowment. Investment income earned is available for purposes specified by the donors in the endowment agreements.

Cash, cash equivalents, and restricted cash: For purposes of the statement of cash flows, the Committee considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for such investments overseen by the investment committee of the Board of Trustees as part of the Committee's long-term investment strategies. Substantially all of the Committee's cash and cash equivalents at June 30, 2019, are held by one financial institution which, at times, may exceed federally insured limits.

The table below provides a reconciliation of cash, cash equivalents, and restricted cash reported on the statement of financial position that sum to the total of those same amounts shown in the statement of cash flows:

	2019	2018
Cash and cash equivalents	\$ 1,592,216	\$ 1,250,244
Restricted cash	1,129,556	916,391
	<u>\$ 2,721,772</u>	<u>\$ 2,166,635</u>

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Restricted cash: Restricted cash consists of cash held by the committee pursuant to a donor agreement. Upon the completion of terms of the agreement, the funds will be released to the Hospital to purchase medical equipment.

Contributions and unconditional promises to give: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if the restriction is fulfilled in the same time period in which the contribution is received, the Committee reports the support as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the year in which the promise to give is received. These are considered to be Level 3 inputs in the fair value hierarchy. Amortization of the discount is included in contributions revenue. Conditional promises to give are not included as support until such time as the conditions on which they depend are substantially met.

The Committee uses the allowance method for uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis and evaluation of specific promises made. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. Recoveries of amounts previously written off are recorded as revenue when collected.

Contributions or donations of noncash assets are recorded at their fair values in the period received. Noncash donations amounted to \$1,749,994 and \$275,252 during the years ended June 30, 2019 and 2018, respectively.

Donated services that create or enhance the nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Committee receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special events. No amounts have been recognized for such donated services in the accompanying financial statements because they do not meet these criteria.

The Committee is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The Committee's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Insurance annuities: Insurance annuities are reported at cash surrender value of the life insurance policies as reported by the insurance companies. The Committee received life insurance proceeds amounting to \$0 and \$1,000,000 during the years ended June 30, 2019 and 2018, respectively. These amounts are included in legacies and bequests in the statement of activities.

Government grants: Revenue on cost-reimbursement government grants or contracts is recognized or recorded as receivable when the Committee requests reimbursements from the granting agency after eligible program expenditures have been incurred. Government grants or contracts may be subject to audit or review by the granting agency. Such audit or review could result in the disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, management believes that if any costs are ultimately disallowed, they would not materially affect the financial position of the Committee.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and related income: Investments are stated at their fair values, as described in Note 8. Investment income, gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Investment income and gains that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income or gains are recognized. Investment expenses are generally reported as decreases in net assets without donor restrictions.

Functional allocation of expenses: The Committee allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated to each using management's estimates.

Property and equipment: Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the estimated useful life of the improvement, whichever is shorter.

Income taxes: The Committee qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC), and is a publicly supported charitable organization as described in Section 509(a)(1) of the IRC. The Committee is subject to unrelated business income tax (UBIT), if applicable. For the tax years ended June 30, 2019 and 2018, the Committee paid \$6,847 and \$0 in UBIT, respectively.

Management evaluated the Committee's income tax positions and concluded that the Committee had taken no uncertain tax positions that require adjustment or disclosure to the accompanying financial statements. Generally, the Committee is no longer subject to income tax examinations by U.S. federal, state or local tax authorities before returns filed for the year ended June 30, 2016, which is the standard statute of limitations look-back period.

Deferred rent: Certain leases provide for scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the leases, which results in deferred rent. Deferred rent obligation in the statement of financial position represents cumulative rent expense charged to operations from inception of these leases in excess of required lease payments.

Concentration of credit risks: Financial instruments that potentially subject the Committee to concentration of credit risk consist primarily of cash and cash equivalents maintained at U.S. financial institutions, which at times exceed the Federal Deposit Insurance Corporation insurance limits; cash maintained in foreign banks, investments and unconditional promises to give, which include significant contributions by certain donors.

Prior year summarized information: The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the prior-year financial statements from which the summarized information was derived.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Evaluation of subsequent events: The Committee evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was January 20, 2020, for these financial statements.

Reclassifications: Certain 2018 amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported change in net assets.

Recently issued accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Committee is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Committee is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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*. This ASU clarifies the scope and the accounting guidance for contributions received and contributions made. All entities that are not public business entity or a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as a resource should apply the amendments for transactions in which the entity serves as the resource:

- Recipient to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.
- Provider to annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020.

The Committee has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Committee has not evaluated the impact of this ASU on the financial statements.

Recently adopted accounting pronouncements: In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Committee has adopted this ASU in the year ended June 30, 2019, and applied the changes retrospectively. The impact to the financial statements include a change in net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The Committee made changes to terminology and classification of net assets as well as additional or modified disclosures, particularly Notes 2, 4, and 12. Amounts previously reported for the year ended June 30, 2018 have been reclassified on a retrospective basis, to achieve consistent presentation.

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,642,417	\$ -
Temporarily restricted net assets	9,252,592	-
Permanently restricted net assets	7,559,680	-
Net assets without donor restrictions	-	2,713,708
Net assets with donor restrictions	-	16,740,981
Total net assets	\$ 19,454,689	\$ 19,454,689

In November 2016, the FASB issues ASU 2016-18, *Statement of Cashflows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cashflows. The Committee has adopted this ASU on July 1, 2018 and applied a retrospective transition method to each period presented.

Note 3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2019 and 2018, consist of the following:

	2019	2018
Gross unconditional promises to give	\$ 2,595,438	\$ 3,114,124
Less allowance for doubtful promises to give	(105,682)	(112,042)
Unamortized discount (interest rates range from 0.55% to 5.08%)	(115,751)	(174,674)
Net unconditional promises to give	\$ 2,374,005	\$ 2,827,408
Amounts due in:		
Less than one year	\$ 452,141	\$ 601,228
One to five years	2,093,297	2,350,396
More than five years	50,000	162,500
	\$ 2,595,438	\$ 3,114,124

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 3. Unconditional Promises to Give (Continued)

A summary of the changes in the allowance for doubtful promises to give for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Balance at beginning of year	\$ 112,042	\$ 163,060
Recoveries	(6,360)	(11,018)
Bad debt expense	102,500	-
Accounts written off	(102,500)	(40,000)
Balance at end of year	<u>\$ 105,682</u>	<u>\$ 112,042</u>

Four donors accounted for approximately 68% of the gross unconditional promises to give at June 30, 2019. Contributions received from these donors account for 6% of 2019 reported contributions and unconditional promises to give. Three donors accounted for approximately 43% of the gross unconditional promises to give at June 30, 2018. Contributions received from these donors account for 4% of 2018 reported contributions and unconditional promises to give.

Note 4. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following as of June 30:

	2019	2018
Time and program specific pledges	\$ 2,499,068	\$ 3,319,409
Time-restricted for split interest agreements	4,456,978	4,633,864
Program-specific investments held for endowment	1,560,758	1,299,319
Endowment - held in perpetuity	8,067,412	7,559,680
Endowment - underwater	(54,505)	(71,291)
	<u>\$ 16,529,711</u>	<u>\$ 16,740,981</u>

Net assets released from donor restrictions by incurring expenses satisfying the purposes or by occurrence of other events specified by donor or passage of time are as follows for the year ended June 30:

	2019	2018
Time and program specific pledges	\$ 2,507,299	\$ 1,538,166
Termination of split interest agreements	-	15,961
Endowment earnings appropriated for expenditures	265,660	302,739
	<u>\$ 2,772,959</u>	<u>\$ 1,856,866</u>

Net assets with donor restrictions perpetually restricted as of June 30, 2019 and 2018, representing investments to be held in perpetuity, generate income which is available to support the hospital in Jerusalem.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 5. Investments

Investments at June 30, 2019 and 2018, which include investments held under split-interest agreements (see Note 7), are summarized as follows:

	2019	2018
Cash and cash equivalents	\$ 240,420	\$ 275,980
Fixed income securities	4,540,529	3,567,124
Marketable equity securities	7,288,027	6,718,774
Mutual funds	4,753,544	5,626,268
Investment in real estate trust	29,696	32,717
Insurance annuities	33,182	34,187
Subtotal, investments at fair value	16,885,398	16,255,050
Real estate holding, at cost	737,931	737,931
Total investments	<u>\$ 17,623,329</u>	<u>\$ 16,992,981</u>

Investments are held for the following purposes as of June 30:

	2019	2018
Endowments	\$ 12,336,380	\$ 11,498,119
Annuities	4,456,978	4,633,864
Others	829,971	860,998
Total investments	<u>\$ 17,623,329</u>	<u>\$ 16,992,981</u>

One financial institution holds approximately 70% and 68% of investments at June 30, 2019 and 2018, respectively. These investments are diversified between numerous managers and investment types.

Note 6. Property and Equipment, Net

Property and equipment, net, at cost at June 30, 2019 and 2018, is summarized as follows:

	2019	2018
Furniture and equipment	\$ 166,955	\$ 166,955
Leasehold improvements	7,000	7,000
	173,955	173,955
Less accumulated depreciation and amortization	(142,700)	(130,150)
	<u>\$ 31,255</u>	<u>\$ 43,805</u>

Depreciation and amortization amounted to \$12,550 for both fiscal years ended June 30, 2019 and 2018.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 7. Split-Interest Agreements

The Committee's split-interest agreements with donors consist of charitable gift annuities and irrevocable charitable remainder trusts for which the Committee serves as trustee. Assets are invested, and payments are made to donors and other beneficiaries, or both, in accordance with the respective agreements.

Contributions revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established. The present values of the estimated future payments to be made to the respective donors or other beneficiaries under these agreements are recorded as liabilities. Such liabilities are adjusted annually, based on actuarially-determined mortality rates and risk-adjusted discount rates. The discount rate used was 2.8% and 3.4% at June 30, 2019 and 2018, respectively. Gains and losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities.

At June 30, 2019 and 2018, the Committee's investments associated with split-interest agreements include the New York State Segregated Gift Annuity Reserve in the amount of \$2,811,799 and \$2,836,569, respectively, and the California Gift Annuity Reserve in the amount of \$1,467,790 and \$1,546,825, respectively. These reserve amounts are restricted for the payments of annuity obligations only.

Note 8. Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of inputs used to measure their fair value. Level inputs are defined as follows:

- Level 1:** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2:** Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3:** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

The following tables present the Committee's fair value hierarchy for financial instruments measured at fair value on a recurring basis at June 30:

Description	2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 240,420	\$ 240,420	\$ -	\$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	3,146,788	-	3,146,788	-
Corporate bonds	1,218,726	-	1,218,726	-
Foreign bonds	25,900	-	-	25,900
Municipal bonds	149,115	-	149,115	-
Marketable equity securities:				
U.S. strategic value	1,366,593	1,366,593	-	-
U.S. strategic growth	5,874,277	5,874,277	-	-
International	47,157	47,157	-	-
Mutual funds:				
Fixed income	2,225,109	2,225,109	-	-
Real estate	87,453	87,453	-	-
International	581,603	581,603	-	-
Alternative investments	1,859,379	1,859,379	-	-
Investment in real estate trust	29,696	29,696	-	-
Insurance annuities	33,182	-	-	33,182
Total investments	<u>\$ 16,885,398</u>	<u>\$ 12,311,687</u>	<u>\$ 4,514,629</u>	<u>\$ 59,082</u>
Liabilities under split-interest agreements	<u>\$ 2,373,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,373,278</u>
Description	2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 275,980	\$ 275,980	\$ -	\$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	2,537,933	-	2,537,933	-
Corporate bonds	688,199	-	688,199	-
Foreign bonds	52,900	-	-	52,900
Municipal bonds	288,092	288,092	-	-
Marketable equity securities:				
U.S. strategic value	1,440,007	1,440,007	-	-
U.S. strategic growth	5,237,432	5,237,432	-	-
International	41,335	41,335	-	-
Mutual funds:				
Fixed income	3,929,319	3,929,319	-	-
Real estate	92,177	92,177	-	-
International	578,650	578,650	-	-
Alternative investments	1,026,122	1,026,122	-	-
Investment in real estate trust	32,717	32,717	-	-
Insurance annuities	34,187	-	-	34,187
Total investments	<u>\$ 16,255,050</u>	<u>\$ 12,941,831</u>	<u>\$ 3,226,132</u>	<u>\$ 87,087</u>
Liabilities under split-interest agreements	<u>\$ 2,504,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,504,815</u>

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Committee's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

All transfers between fair value hierarchy levels are recognized by the Committee at the end of each year. There were no transfers during 2019 and 2018.

Below are the valuation techniques used by the Committee to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Fixed income securities, such as U.S. government debt, municipal bonds, and corporate bonds are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Marketable equity securities and investment in real estate trust listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation, and reported as Level 1 in the fair value hierarchy.

Mutual funds are stated at fair value based on the last sales, quoted, bid, or evaluation price, and are classified as Level 1 in the fair value hierarchy.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Committee's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The fair value of liabilities under split-interest agreements is determined using current discount rate assumptions described in Note 7.

The following table presents quantitative information about Level 3 fair value measurements as of June 30:

	Fair Value		Valuation Technique	Unobservable Inputs	Range of Inputs
	2019	2018			
Foreign bonds	\$ 25,900	\$ 52,900	Based on face value of foreign bonds	None	N/A
Insurance annuities	\$ 33,182	\$ 34,187	Based on cash surrender value of an insurance annuity	None	N/A

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value during the years ended June 30:

	2019		2018	
	Investments	Liabilities Under Split-Interest Agreements	Investments	Liabilities Under Split-Interest Agreements
Balance, beginning of year	\$ 87,087	\$ 2,504,815	\$ 130,868	\$ 2,101,555
Net redemptions during the year	(27,000)	-	(28,000)	-
New agreements	-	37,635	5,000	627,827
Payments	-	(495,696)	-	(458,744)
Terminated annuities	-	-	(19,833)	(15,961)
Change in value	(1,005)	326,524	(948)	250,138
Balance, end of year	<u>\$ 59,082</u>	<u>\$ 2,373,278</u>	<u>\$ 87,087</u>	<u>\$ 2,504,815</u>

Note 9. Endowments

The Committee maintains endowment funds consisting of net assets without donor restrictions that are board designated and net assets with donor restrictions held in perpetuity and net assets with donor restrictions. The Committee is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), and has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not classified as net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Committee in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The assets of these funds consist primarily of investments. The Committee's approach to the management of these investments is to optimize the risk-return relationship appropriate to its needs. The Committee's investment goal is to use a globally diverse portfolio of net asset classes using mutual funds or managed portfolios, and to buy and hold the selected securities and periodically re-optimize or re-balance. All appreciation and income on these investments are available for expenditures, including those endowments deemed to be underwater, unless specifically restricted by the donor. Appropriation for expenditures is reviewed on an annual basis by the Committee. The Committee appropriated \$373,660 and \$395,739 for expenditures in 2019 and 2018, respectively.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 9. Endowments (Continued)

Below is a summary of the Committee's endowment-related activities.

	2019				
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions Held in Perpetuity	With Donor Restrictions Underwater Endowment	Total
	Board Designated	With Donor Restrictions			
Endowment net assets, July 1, 2018	\$ 2,801,693	\$ 1,228,037	\$ 7,539,680	\$ (71,291)	\$ 11,498,119
Interest and dividends, net of fees	42,835	193,244	-	12,922	249,001
Net realized and unrealized gains (losses) on investments	92,023	350,641	-	12,524	455,188
Contributions and other additions	-	-	507,732	-	507,732
Appropriation of endowment assets for expenditure	(99,340)	(265,660)	-	(8,660)	(373,660)
Change in endowment net assets	35,518	278,225	507,732	16,786	838,261
Endowment net assets, June 30, 2019	\$ 2,837,211	\$ 1,506,262	\$ 8,047,412	\$ (54,505)	\$ 12,336,380
	2018				
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions Held in Perpetuity	With Donor Restrictions Underwater Endowment	Total
	Board Designated	With Donor Restrictions			
Endowment net assets, July 1, 2017	\$ 2,812,444	\$ 1,314,946	\$ 7,417,329	\$ (61,054)	\$ 11,483,665
Interest and dividends, net of fees	49,115	191,870	-	10,656	251,641
Net realized and unrealized gains (losses) on investments	25,395	23,960	-	(13,154)	36,201
Contributions and other additions	-	-	122,351	-	122,351
Appropriation of endowment assets for expenditure	(85,261)	(302,739)	-	(7,739)	(395,739)
Change in endowment net assets	(10,751)	(86,909)	122,351	(10,237)	14,454
Endowment net assets, June 30, 2018	\$ 2,801,693	\$ 1,228,037	\$ 7,539,680	\$ (71,291)	\$ 11,498,119

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Committee to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. The original fund value was \$512,075 and the fair value amounted to \$457,570 and \$440,784 as of June 30, 2019 and 2018, respectively. The deficiencies amounted to \$54,505 and \$71,291 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain expenditures that were deemed prudent by the Committee.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 10. Commitments

The Committee leases office space and equipment, including postage and duplication machines, in New York City and in various locations throughout the United States. All of the leases are classified as operating leases. Office leases are subject to the customary escalation clauses for real estate taxes and building operating expenses. Future minimum lease commitments (excluding escalations) under these leases are as follows:

	Office Space	Equipment	Total
Years ending June 30:			
2020	\$ 362,428	\$ 18,558	\$ 380,986
2021	342,076	13,583	355,659
2022	84,349	9,929	94,278
2023	-	9,320	9,320
2024	-	2,330	2,330
	<u>\$ 788,853</u>	<u>\$ 53,720</u>	<u>\$ 842,573</u>

Rent expense for the years ended June 30, 2019 and 2018, was approximately \$303,000 and \$308,000, respectively.

Note 11. Employee Benefit Plan

The Committee has a 403(b) plan covering all of its eligible employees. Under the plan, the Committee has sole discretion as to the amount of any employer contributions. Employer contributions to the plan were approximately \$108,000 and \$101,000 for fiscal years ended June 30, 2019 and 2018, respectively.

Note 12. Liquidity and Availability of Financial Assets

The following reflects the Committee's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi endowment that could be drawn upon if the governing board approves that action.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 12. Liquidity and Availability of Financial Assets (Continued)

Financial assets available within one year of the balance sheet date for general expenditures comprise the following as of June 30, 2019.

Cash and cash equivalents	\$ 2,721,772
Unconditional promises to give, net	2,374,005
Investments	17,623,329
	<u>22,719,106</u>
Less those unavailable for general expenditures within one year:	
Restricted cash	(1,129,556)
Restricted unconditional promises to give, net	(226,208)
Unconditional promises to give due after one year, net	(2,143,297)
Investments held for endowment and long term	(17,623,329)
	<u>(21,122,390)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,596,716</u>

The Committee regularly monitors its cash balance to ensure sufficient liquidity exists to meet its operating needs as well as other commitments and obligations over the next 12 months.