

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Financial Report
June 30, 2021

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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, 2021, 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, 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.

Report on Summarized Comparative Information

We have previously audited the American Committee for Shaare Zedek Hospital in Jerusalem, Inc.'s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
October 11, 2023

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Financial Position

June 30, 2021

(With Comparative Information as of June 30, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 4,583,605	\$ 1,442,109
Restricted cash	604,351	402,290
Unconditional promises to give, net	3,842,357	4,823,364
Government grant receivable	2,095	801,410
Prepaid expenses and other assets	351,593	237,163
Investments	20,733,356	18,531,111
Property and equipment, net, at cost	40,028	29,394
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Total assets	\$ 30,157,385	\$ 26,266,841
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 189,100	\$ 83,986
Paycheck Protection Program (PPP)	-	337,729
Deferred rent obligation	11,647	58,234
Liabilities under split-interest agreements	2,608,453	2,485,009
Total liabilities	2,809,200	2,964,958
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Commitments		
Net assets:		
Without donor restrictions:		
Undesignated	4,649,574	999,328
Board-designated for endowments	3,169,243	2,838,833
Total net assets without donor restrictions	7,818,817	3,838,161
	<hr/>	<hr/>
With donor restrictions:		
Perpetual in nature	8,067,412	8,067,412
Time and purpose restrictions	11,567,788	11,443,272
Underwater endowments	(105,832)	(46,962)
Total net assets with donor restrictions	19,529,368	19,463,722
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Total net assets	27,348,185	23,301,883
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Total liabilities and net assets	\$ 30,157,385	\$ 26,266,841
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See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Activities

Year Ended June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Financial Information
Support, revenue, gains and losses:				
Contributions and unconditional promises to give, net	\$ 31,816,303	\$ 698,524	\$ 32,514,827	\$ 20,370,026
Legacies and bequests	5,382,803	-	5,382,803	1,838,879
Special events, net of direct expenses for direct benefit to donors of \$56,982 and \$342,173, respectively	865,124	-	865,124	453,937
Investment income	182,147	187,114	369,261	431,827
Net realized and unrealized gain on investments	480,920	2,343,732	2,824,652	444,707
Government grants	458,046	-	458,046	812,530
Other income	1,800	-	1,800	37,823
Change in value of split-interest agreements	-	(270,603)	(270,603)	(622,674)
Net assets released from restrictions—satisfaction of time and purpose restrictions	2,893,121	(2,893,121)	-	-
Total support, revenue, gains and losses	42,080,264	65,646	42,145,910	23,767,055
Expenses:				
Program services—payments to or on behalf of Shaare Zedek Hospital	35,772,783	-	35,772,783	18,333,414
Supporting services:				
Management and general	978,276	-	978,276	933,347
Fundraising	1,348,549	-	1,348,549	1,584,719
Total supporting services	2,326,825	-	2,326,825	2,518,066
Total expenses	38,099,608	-	38,099,608	20,851,480
Change in net assets	3,980,656	65,646	4,046,302	2,915,575
Net assets:				
Beginning	3,838,161	19,463,722	23,301,883	20,386,308
Ending	\$ 7,818,817	\$ 19,529,368	\$ 27,348,185	\$ 23,301,883

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

	2021				2020
	Program Services	Supporting Services			Summarized Financial Information
	Payments to or on Behalf of Shaare Zedek Hospital	Management and General	Fundraising	Total	
Salaries and temporary help	\$ 603,389	\$ 475,316	\$ 753,013	\$ 1,831,718	\$ 1,771,689
Payroll taxes and employee benefits	137,404	120,454	131,897	389,755	434,545
Total salaries and related expenses	740,793	595,770	884,910	2,221,473	2,206,234
Shaare Zedek Hospital	34,510,880	-	-	34,510,880	17,156,199
Occupancy	66,640	144,386	159,195	370,221	389,205
Office supplies	6,890	14,929	16,460	38,279	46,016
Telephone	7,400	16,032	17,677	41,109	44,556
Postage and shipping	7,203	15,607	17,208	40,018	60,268
Computer services	22,708	49,201	54,248	126,157	126,465
Insurance	-	47,481	-	47,481	47,961
Professional fees and contracted services	289,615	36,193	79,661	405,469	325,668
Printing and brochures	1,851	1,388	4,165	7,404	5,753
Publicity and public relations	18,691	18,691	56,073	93,455	245,764
Travel and automobile	8,397	2,983	8,950	20,330	38,145
Meetings and conferences	862	1,868	2,060	4,790	6,166
Depreciation and amortization	-	17,766	-	17,766	13,738
Miscellaneous	90,853	15,981	47,942	154,776	139,342
Total—2021	\$ 35,772,783	\$ 978,276	\$ 1,348,549	\$ 38,099,608	
Ratio to total expenses—2021	94%	3%	4%	100%	
Total—2020	\$ 18,333,414	\$ 933,347	\$ 1,584,719		\$ 20,851,480
Ratio to total expenses—2020	88%	4%	8%		100%

See notes to financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Statement of Cash Flows

Year Ended June 30, 2021

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,046,302	\$ 2,915,575
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net bad debt (recoveries) expense	(15,018)	(6,198)
Discount on pledges receivable	(88,760)	141,868
Donated investments	(156,559)	(618,272)
Proceeds from sale of donated investments	131,559	116,600
Depreciation and amortization	17,766	13,738
Amortization of deferred rent obligation	(46,587)	(39,041)
Investment income restricted for reinvestment	(187,114)	(252,389)
Net realized and unrealized gain on investments	(2,824,652)	(444,707)
Change in value of split-interest agreements	270,603	622,674
Restricted contributions	(360,562)	(315,482)
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	1,084,785	(2,585,029)
Increase in government grant receivable	799,315	(801,410)
Decrease (increase) in prepaid expenses and other assets	(114,430)	1,679
(Decrease) increase in Paycheck Protection Program (PPP)	(337,729)	337,729
(Decrease) increase in accounts payable and accrued expenses	105,114	(48,356)
Net cash provided by (used in) operating activities	2,324,033	(961,021)
Cash flows from investing activities:		
Proceeds from sale of investments	7,740,283	7,782,335
Purchases of investments	(7,092,876)	(7,743,738)
Increase in property and equipment	(28,400)	(11,877)
Net cash provided by investing activities	619,007	26,720
Cash flows from financing activities:		
Contributions restricted for investment subject to split-interest agreements	360,562	315,482
Investment income restricted for reinvestments	187,114	252,389
Payments associated with split-interest agreements	(401,464)	(487,116)
Increase (decrease) in obligations associated with split-interest agreements	254,305	(23,827)
Net cash provided by financing activities	400,517	56,928
Net change in cash, cash equivalents and restricted cash	3,343,557	(877,373)
Cash, cash equivalents and restricted cash:		
Beginning	1,844,399	2,721,772
Ending	\$ 5,187,956	\$ 1,844,399

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 and include amounts designated by the board to function as endowments.

Net assets with donor restrictions: 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.

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.

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 when purchased to be cash equivalents, except for such investments overseen by the investment committee of the Board as part of the Committee's long-term investment strategies. Substantially all of the Committee's cash and cash equivalents at June 30, 2021, 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:

	2021	2020
Cash and cash equivalents	\$ 4,583,605	\$ 1,442,109
Restricted cash	604,351	402,290
	<u>\$ 5,187,956</u>	<u>\$ 1,844,399</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 as of the date the gift is received. 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. As of June 30, 2021, the Committee had outstanding unrecorded conditional promises to give of \$6,000,000. The revenue will be recognized in future periods when the related barriers are overcome or when the conditions have been substantially met. As of June 30, 2020, the Committee had outstanding unrecorded conditional promises to give of \$9,000,000.

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 \$156,559 and \$618,272 during the years ended June 30, 2021 and 2020, respectively. These are reported as contributions on the statement of activities.

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.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

Other investments not recorded at Fair Value: The Committee has interest in real estate in Israel which is accounted for at the lower of cost or market (based upon periodic appraisals) as the investment does not have a readily determinable fair value. As of June 30, 2021 and 2020, the investment is recorded at \$737,931. On an annual basis management assess the market conditions to determine if any potential impairment needs to be considered. There have been no impairments recorded against the carrying value of the asset.

Functional allocation of expenses: Certain expenses are attributable to more than one program or supporting function. These expenses are allocated as follows:

- Salaries and temporary help, payroll taxes and employee benefits, occupancy, office supplies, telephone, postage and shipping, computer services, meetings and conferences, and travel and automobile are allocated based on employees time and effort.
- Shaare Zedek Hospital, professional fees and contracted services, insurance and depreciation and amortization are directly charged to their function.
- Printing and brochures, publicity and public relations and miscellaneous are allocated based on estimated usage.

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.

Obligations under split-interest agreements: obligations under split-interest agreements are reported at fair value, which is estimated at the present value of the estimated future payments to be distributed over beneficiaries' expected lives. The assets are included as a component of investments on the statement of financial position.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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. There were no UBIT payments required for the tax years ended June 30, 2021 and 2020.

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, 2017, 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. However, the Committee monitors these risks on a regular basis.

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 (U.S. GAAP). Accordingly, such information should be read in conjunction with the prior-year financial statements from which the summarized information was derived.

Use of estimates: In preparing financial statements in conformity with 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.

Reclassifications: Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets or total net assets.

Risk and uncertainties: On January 30, 2020 the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures of certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Committee operates. The extent to which COVID-19 impacts the Committee will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions take to contain COVID-19 or its impact, among others.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 October 11, 2023, for these financial statements.

The Committee considers events or transactions that occur after the balance sheet date but prior to the date the financial statements are available to be issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Committee has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure, except as described below.

On March 12, 2023, Signature Bank (Signature) was closed by the New York State Department of Financial Services, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. To protect investors, the FDIC transferred all deposits and substantially all of the assets of Signature to Signature Bridge Bank, N.A. (Bridge), a newly formed bank that will be operated by the FDIC until Signature can be sold to another bank. At the same time, the Department of the Treasury, Federal Reserve and FDIC invoked the Systemic Risk Exception to the Federal Deposit Insurance Act to fully protect all depositors of Signature, regardless of their deposit insurance coverage. On March 20, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank, National Association, by Flagstar Bank, National Association, a wholly owned subsidiary of New York Community Bancorp, Inc.

As of October 11, 2023, the Committee held approximately \$628,000 of insured and uninsured deposits at Flagstar Bank. The Committee's liquidity and financial condition has not been impacted by the closure of Signature.

Recently adopted 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 adoption of ASU 2014-09 did not have an impact on the Committee's financial position, activities, net assets or cash flows as of the adoption date or for the years ended June 30, 2021 and 2020.

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 eliminates the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timings of transfers between levels; the valuation processes for Level 3 fair value measurements; and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The ASU also eliminated the requirement to disclose a roll forward for Level 3 fair value measurements. The adoption of this guidance did not have a significant impact on the Committee's financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: 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 statements 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 statements of activities. In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to make the ASC 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level. The ASU is effective for fiscal years beginning after December 15, 2021. The Committee is currently evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. A not-for-profit entity also is required to disclose contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets. Additionally, a not-for-profit entity is required to make certain disclosures for each category of contributed nonfinancial asset recognized. The ASU is effective for annual periods beginning after June 15, 2021. The Committee is evaluating the impact of this ASU on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. This ASU is effective for fiscal years beginning after December 15, 2022. The Committee is currently evaluating the impact of the pending adoption of this ASU on the financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This ASU provides narrow scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. The Committee is currently evaluating the impact of the pending adoption of this ASU on the financial statements.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 3. Unconditional Promises to Give

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

	2021	2020
Gross unconditional promises to give	\$ 4,095,682	\$ 5,180,467
Less allowance for doubtful promises to give	(84,466)	(99,484)
Unamortized discount (interest rates range from 0.55% to 5.08%)	(168,859)	(257,619)
Net unconditional promises to give	<u>\$ 3,842,357</u>	<u>\$ 4,823,364</u>
Amounts due in:		
Less than one year	\$ 703,583	\$ 642,270
One to five years	3,384,956	3,970,340
More than five years	7,143	567,857
	<u>\$ 4,095,682</u>	<u>\$ 5,180,467</u>

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

	2021	2020
Balance at beginning of year	\$ 99,484	\$ 105,682
Recoveries	(15,018)	(6,198)
Bad debt expense	-	-
Accounts written off	-	-
Balance at end of year	<u>\$ 84,466</u>	<u>\$ 99,484</u>

Two donors accounted for approximately 78% of the gross unconditional promises to give at June 30, 2021. Contributions received accounted for approximately 64% of 2021 reported contributions. One donor accounted for approximately 63% of the gross unconditional promises to give at June 30, 2020. Contributions received from this donor account for 17% of 2020 reported contributions.

Note 4. Net Assets with Donor Restrictions

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

	2021	2020
Time and program specific pledges	\$ 2,922,856	\$ 5,166,412
Time-restricted for split-interest agreements	5,670,656	4,615,295
Program-specific investments held for endowment	2,974,276	1,661,565
Endowment—held in perpetuity	8,067,412	8,067,412
Endowment—underwater	(105,832)	(46,962)
	<u>\$ 19,529,368</u>	<u>\$ 19,463,722</u>

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 4. Net Assets with Donor Restrictions (Continued)

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:

	2021	2020
Time and program specific pledges	\$ 2,498,672	\$ 995,864
Other	(46,962)	-
Termination of split-interest agreements	106,257	339,306
Endowment earnings appropriated for expenditures	335,154	324,716
	<u>\$ 2,893,121</u>	<u>\$ 1,659,886</u>

Net assets with donor restrictions perpetually restricted as of June 30, 2021 and 2020, representing investments to be held in perpetuity, generate income which is available to support the hospital in Jerusalem.

Note 5. Investments

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

	2021	2020
Cash and cash equivalents	\$ 267,143	\$ 422,071
Fixed income securities	5,817,816	5,151,150
Marketable equity securities	7,949,945	6,905,157
Mutual funds	5,901,955	5,265,436
Investment in real estate trust	29,312	18,738
Insurance annuities	29,254	30,628
Subtotal, investments at fair value	19,995,425	17,793,180
Real estate holding, at cost	737,931	737,931
Total investments	<u>\$ 20,733,356</u>	<u>\$ 18,531,111</u>

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

	2021	2020
Endowments	\$ 14,105,099	\$ 12,463,896
Annuities	5,689,447	4,615,295
Others	938,810	1,451,920
Total investments	<u>\$ 20,733,356</u>	<u>\$ 18,531,111</u>

One financial institution holds approximately 68% and 67% of investments at June 30, 2021 and 2020, respectively. These investments are diversified between numerous managers and investment types.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 6. Property and Equipment, Net

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

	2021	2020
Furniture and equipment	\$ 207,231	\$ 178,831
Leasehold improvements	7,000	7,000
	<u>214,231</u>	<u>185,831</u>
Less accumulated depreciation and amortization	(174,203)	(156,437)
	<u>\$ 40,028</u>	<u>\$ 29,394</u>

Depreciation and amortization amounted to \$17,766 and \$13,737 for fiscal years ended June 30, 2021 and 2020, respectively.

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 1.2% and 0.6% at June 30, 2021 and 2020, 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, 2021 and 2020, the Committee's investments associated with split-interest agreements include the New York State Segregated Gift Annuity Reserve in the amount of \$3,143,617 and \$2,708,669, respectively, and the California Gift Annuity Reserve in the amount of \$2,527,039 and \$1,891,479, 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.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

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.

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	2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 267,143	\$ 267,143	\$ -	\$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	4,576,661	-	4,576,661	-
Corporate bonds	1,026,582	-	1,026,582	-
Foreign bonds	67,500	-	67,500	-
Municipal bonds	147,073	-	147,073	-
Marketable equity securities:				
U.S. strategic value	1,679,143	1,679,143	-	-
U.S. strategic growth	6,084,697	6,084,697	-	-
Large cap growth	83,117	83,117	-	-
International	102,988	102,988	-	-
Mutual funds:				
Fixed income	2,426,485	2,426,485	-	-
Equities	1,360,702	1,360,702	-	-
Real estate	112,787	112,787	-	-
International	713,488	713,488	-	-
Alternative strategies	1,288,493	1,288,493	-	-
Investment in real estate trust	29,312	29,312	-	-
Insurance annuities	29,254	-	-	29,254
Total investments	<u>\$ 19,995,425</u>	<u>\$ 14,148,355</u>	<u>\$ 5,817,816</u>	<u>\$ 29,254</u>
Liabilities under split-interest agreements	<u>\$ 2,608,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,608,453</u>

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

Description	2020			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 422,071	\$ 422,071	\$ -	\$ -
Fixed income securities:				
U.S. treasury and other U.S. government agency obligations	3,501,963	-	3,501,963	-
Corporate bonds	1,445,228	-	1,445,228	-
Foreign bonds	50,900	-	50,900	-
Municipal bonds	153,059	-	153,059	-
Marketable equity securities:				
U.S. strategic value	1,388,364	1,388,364	-	-
U.S. strategic growth	5,067,109	5,067,109	-	-
Large cap growth	379,219	379,219	-	-
International	70,465	70,465	-	-
Mutual funds:				
Fixed income	2,160,041	2,160,041	-	-
Equities	908,333	908,333	-	-
Real estate	85,345	85,345	-	-
International	557,084	557,084	-	-
Alternative strategies	1,554,633	1,554,633	-	-
Investment in real estate trust	18,738	18,738	-	-
Insurance annuities	30,628	-	-	30,628
Total investments	<u>\$ 17,793,180</u>	<u>\$ 12,611,402</u>	<u>\$ 5,151,150</u>	<u>\$ 30,628</u>
Liabilities under split-interest agreements	<u>\$ 2,485,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,485,009</u>

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 2021 and 2020.

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.

American Committee for Shaare Zedek Hospital in Jerusalem, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

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
	2021	2020			
Insurance annuities	\$ 29,254	\$ 30,628	Based on cash surrender value of an insurance annuity	None	N/A

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 Board 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 \$444,154 and \$435,716 for expenditures in 2021 and 2020, respectively. The appropriations are included as a component of net assets released from restrictions on the statement of activities.

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.

	2021				
	Without Donor Restrictions		With Donor Restrictions	With Donor Restrictions	Total
	Board Designated	With Donor Restrictions	Held in Perpetuity	Underwater Endowment	
Endowment net assets, July 1, 2020	\$ 2,838,833	\$ 1,614,613	\$ 8,057,412	\$ (46,962)	\$ 12,463,896
Interest and dividends, net of fees	33,822	111,647	-	9,776	155,245
Net realized and unrealized (losses) gains on investments	405,588	1,541,016	-	(26,492)	1,920,112
Contributions and other additions	-	-	10,000	-	10,000
Appropriation of endowment assets for expenditure	(109,000)	(293,000)	-	(42,154)	(444,154)
Change in endowment net assets	330,410	1,359,663	10,000	(58,870)	1,641,203
Endowment net assets, June 30, 2021	\$ 3,169,243	\$ 2,974,276	\$ 8,067,412	\$ (105,832)	\$ 14,105,099

	2020				
	Without Donor Restrictions		With Donor Restrictions	With Donor Restrictions	Total
	Board Designated	With Donor Restrictions	Held in Perpetuity	Underwater Endowment	
Endowment net assets, July 1, 2019	\$ 2,837,211	\$ 1,506,262	\$ 8,047,412	\$ (54,505)	\$ 12,336,380
Interest and dividends, net of fees	34,062	163,592	-	12,198	209,852
Net realized and unrealized gains on investments	46,264	269,475	-	27,641	343,380
Contributions and other additions	-	-	10,000	-	10,000
Appropriation of endowment assets for expenditure	(78,704)	(324,716)	-	(32,296)	(435,716)
Change in endowment net assets	1,622	108,351	10,000	7,543	127,516
Endowment net assets, June 30, 2020	\$ 2,838,833	\$ 1,614,613	\$ 8,057,412	\$ (46,962)	\$ 12,463,896

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 U.S. GAAP, 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 \$406,642 and \$465,510 as of June 30, 2021 and 2020, respectively. The deficiencies amounted to \$105,832 and \$46,962 as of June 30, 2021 and 2020, 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:			
2022	\$ 315,790	\$ 18,654	\$ 334,444
2023	308,199	18,045	326,244
2024	314,363	4,505	318,868
2025	320,650	-	320,650
2026	327,063	-	327,063
Thereafter	1,970,462	-	1,970,462
	<u>\$ 3,556,527</u>	<u>\$ 41,204</u>	<u>\$ 3,597,731</u>

Rent expense for the years ended June 30, 2021 and 2020, was approximately \$292,000 and \$303,000, respectively.

The Committee signed a 10 year lease for new office space which commenced on February 1, 2022.

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 \$94,000 and \$91,000 for fiscal years ended June 30, 2021 and 2020, 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,

	2021	2020
Cash and cash equivalents	\$ 5,187,956	\$ 1,844,399
Unconditional promises to give, net	3,842,357	4,823,364
Government Grant Receivable	2,095	801,410
Investments	20,733,356	18,531,111
	<u>29,765,764</u>	<u>26,000,284</u>
Less those unavailable for general expenditures within one year:		
Restricted cash	(604,351)	(402,290)
Restricted unconditional promises to give, net	(211,219)	(285,166)
Unconditional promises to give due after one year, net	(3,631,138)	(4,538,198)
Investments held for endowment and long term	(20,733,356)	(18,531,111)
	<u>(25,180,064)</u>	<u>(23,756,765)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,585,700</u>	<u>\$ 2,243,519</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.

Note 13. Paycheck Protection Program (PPP)

On May 1, 2020, the Committee received a loan in the amount of \$337,729 under the U.S. Small Business Administration's (SBA) PPP established by Division A, Title I of the Coronavirus, Aid, Relief and Economic Security Act (CARES Act). The PPP loan matures on May 1, 2022, and bears interest at a rate of 1.0% per annum, payable monthly commencing on March 1, 2021. The PPP loan may be prepaid by the Committee at any time prior to maturity with no prepayment penalties. Funds from the PPP loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before March 1, 2021. The Committee intends to use the entire PPP loan for qualifying expenses. Under the terms of the PPP, certain amounts of the PPP loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2020, the total outstanding balance on the PPP loan was \$337,729.

On January 5, 2021, the Committee applied for forgiveness of their loan under the PPP which was fully forgiven on April 10, 2021, since the funds were used for qualifying expenses under the CARES Act. The Committee accounted for the loan as a conditional contribution and recognized the entire amount of the loan proceeds as contributions without restrictions upon forgiveness.